

Handover document

Section 22





## Section 22

Freight - both air and sea freight are problematic

A working group convened by the Administrator is due to deliver a proposal for us to fund some additional air freight services to reduce backlogs that occur (normally in about May, September and December). There are air freight options that would be almost cost neutral if the island is prepared to co-ordinate amongst themselves. New Zealand is much closer to NI than Sydney or Brisbane so would be a cheaper way of getting freight. You will need to respond to the proposal when it comes to the Department.

The only sea freighter that services NI is an old and unreliable boat that sails from New Zealand. While we don't have any direct involvement in sea freight if the boat stops sailing it may become a problem you are asked to solve. There may be only a limited number of ships in service that carry break-bulk (non containerised) cargo. I suggest you discuss freight issues with Duncan Evans who is a member of the KAVHA Advisory Committee when you travel over to the meeting in August.

## Section 22



s22

**From:**  
**Sent:**  
**To:**  
**Subject:**

Saturday, 14 July 2018 4:05 PM  
 WALL Ruth; [REDACTED]  
 Question - FW: For Information - Freight Round Table - Timeline  
 [SEC=UNCLASSIFIED]

s22

Hello everyone

I might be missing something, but I'm wondering why the Department would share information about underwriting feasibility, [REDACTED] including until recently –may still do – they have a long-standing interest in it. Air NZ might not like it either.

s47F

s22

**From:** rio@rdanorfolkisland.org.au [mailto:rio@rdanorfolkisland.org.au]  
**Sent:** Thursday, 12 July 2018 8:37 AM

s22

s22

[REDACTED]; [REDACTED]  
 Eric.Hutchinson@infrastructure.gov.au; 'Kerry Grace'

**Subject:** For Information - Freight Round Table - Timeline

Good morning all

Thanks to all of you for your respective input to the proposed Freight Business Case which I will work on with Duncan.

Your feedback indicates a key date is 24 July, with Council's backloading 'pilot'.  
 I am also still awaiting a response from DIRDC regarding underwriting feasibility.

Consequently, the original timeline has changed to allow for these inputs.

Grant and Bruce – please provide the group with your feedback following the backload pilot, so we can proceed.

FYI – I will be off island shortly until end July. Duncan is your 'go to' with regard to the business case meantime.

Kind regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)

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s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Thursday, 2 August 2018 12:47 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED] HUTCHINSON Eric s22  
**Subject:** FW: FYI from Bill Woodruff: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Good afternoon all

Please see s22 email below which is self-explanatory.

I'm meeting with Duncan Evans next Tuesday to progress the proposal before we circulate a draft. If you have any further comments please feel free to email them before Tuesday.

FYI – s22 replacement is s22 who you may have met on island recently.

Thanks and regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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**From:** s22 <[REDACTED]@infrastructure.gov.au>  
**Sent:** Monday, 23 July 2018 1:20 PM  
**To:** rio@rdanorfolkisland.org.au  
**Cc:** [REDACTED] s22  
**Subject:** RE: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Hi Jan

There may still be an opportunity for the Australian Government to continue to support underwriting of freight to NI once a proposal is submitted for consideration. The Government has put on at least 2 subsidised services/year in recent years. We have been advised the cost of providing this service could be much cheaper in future if there was a planned schedule of flights, and for these to depart from New Zealand: which is much closer to NI. This means that the cost the Australian Government had "traditionally" borne for providing freight flights could be used for more flights. It would also be important for businesses to agree on the price they are willing to pay

There are a few other points that would need to be recognised in the proposal.

The Australian Government already underwrites freight service to the Indian Ocean Territories (IOT). However, businesses and individuals pay the first \$6.80 for each kg of freight delivered to the IOT. Even without a subsidy the cost of freighting goods to NI is much less than this.

Air Freight on the regular Air New Service is already charged at a very low rate – and much less than the true cost of providing this service – about 6 tonnes per week is transported this way.

Securing backloads will further reduce costs. Currently all freight delivery is costed on the basis of no revenue generated on return flights.

There is a need to avoid perverse impacts – pricing of air freight should not discourage the use of sea freight as the primary means for the delivery of non perishable or live-saving goods. Sea freight has always been able to operate to NI without subsidy or government intervention.

Cheers

s22

From: [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>

Sent: Saturday, 7 July 2018 8:14 AM

To: [REDACTED] s22

Cc: [REDACTED] [infrastructure@infrastructure.gov.au](mailto:infrastructure@infrastructure.gov.au)

Subject: FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility

Importance: High

Hi [REDACTED] s22

I understand from Duncan Evans that you're about to step away from your current position.

On island we've been pursuing the stakeholder inputs to the Freight Round Table, hosted by Eric Hutchinson recently.

You were due to follow up on underwriting feasibility. I'm not sure now if this is something you'll attend to, or hand over to your successor.

Either way, your response is appreciated so I can advise the other stakeholders.

Meanwhile, may I take this opportunity to wish you every success in your new role.

Best wishes

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**From:** [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>  
**Sent:** Thursday, 28 June 2018 9:35 AM  
**To:** 'WOODRUFF Bill' <[Bill.Woodruff@infrastructure.gov.au](mailto:Bill.Woodruff@infrastructure.gov.au)>  
**Subject:** ACTION: Freight Round Table Meeting Notes  
**Importance:** High

Good morning Bill  
Kerry's notes attached from the recent Freight Round Table.  
Deadline for stakeholder inputs to me is 3 July.

Please note your name against underwriting feasibility / ideas.

I look forward to receiving your thoughts.

Kind regards

**Jan Johnson** | Regional Investment Officer  
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Freight

27/8/18

GLW - 12L  
 WNCN - 54  
 THW  
 KOLLY

= \$3.65 / kg Phosphorus

Phosphorus - not visible commodity (just)

- THIS HAPPEN - SORRY CONDITIONS - NOT GOING TO WORK

s47G

s47G

Waste materials - E-waste common

WANTING TO RETURN MORE WASTE - RECYCLING MATERIALS & E-WASTE  
 130T OF WASTES IS IN STORAGE

SOFT FREIGHT - LOGISTIC ISSUES IN LOADING SHIPS IN PHOSPHORUS

- NEEDS TO BE IN CONTAINERS

AIR FREIGHT DOESN'T ADD THE SAME ISSUES

PHOSPHORUS APPROVAL LIKELY TO COME THROUGH BY DEC 2018  
 MORE THAN ENOUGH BACKLOG FOR 6-8 FREIGHTERS / YEAR

OPTIONS - UNDERWATER FREIGHT → COMMERCE DEPT  
 OR UNDERWATER NERC'S WASTE DISPOSAL

NOT NEEDED IN JULY/AUG

WASTE PHOSPHORUS IN 11/18

s47G

② OK + POSSIBLE SAFETY NOT FOR NERC

Phosphorus @ (10, 99)

Domestic - Domestic materials

- 1000kg / freight usage by submarket  
 - OTHER BUSINESS DOMESTIC IS DOCUMENTED

WILL BE LOOKING FOR A NEW SHIPPING SOLN - WILL  
 BE 6-12 MONTHS TO LOOK

s22

**From:** s22  
**Sent:** Wednesday, 5 September 2018 12:35 PM  
**To:** s22  
**Subject:** RE: Request from Administrator - FW: Air freight roundtable - key emails [SEC=UNCLASSIFIED]

s22 I have not yet received the paper from the roundtable group. The paper is in the final stages of development by Duncan Evans and Grant Gardner.

Regards,

s22 a

**From:** s22 t@nlk.regional.gov.au>  
**Sent:** Wednesday, 5 September 2018 11:30 AM  
**To:** s22 @infrastructure.gov.au>  
**Subject:** Request from Administrator - FW: Air freight roundtable - key emails [SEC=UNCLASSIFIED]

Hello s22

The matter of 'freight' will be raised at Eric's meeting with the Mayor and NIRC tomorrow. Eric has asked me to get an update on where we are with this matter. In particular, was the Freight Roundtable paper finalised? What was the outcome of the piece of work? Is the paper available? Etc.

Happy to discuss.

Thank you,

s22

**From:** s22  
**Sent:** Tuesday, 14 August 2018 4:08 PM  
**To:** s22  
**Subject:** Air freight roundtable - key emails [SEC=UNCLASSIFIED]

Hello s22

Attached are emails about the freight round table. Jan had the lead on this. The first email had meeting notes which might be a good starting point for getting across what this project is about. They include Bill's (DIRDC) task.

Happy to discuss,

s22

s22



s22

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**Sent:** Wednesday, 5 September 2018 11:30 AM  
**To:** s22  
**Subject:** Request from Administrator - FW: Air freight roundtable - key emails [SEC=UNCLASSIFIED]  
**Attachments:** FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility; Question - FW: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]; FW: FYI from Bill Woodruff: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

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Happy to discuss,

s22

s22

**From:** s22  
**Sent:** Monday, 24 September 2018 4:39 PM  
**To:** s22  
**Subject:** RE: Update on Freight [DLM=For-Official-Use-Only]

s22

Now, freight. I am happy to hear that the ship arrived – that would have been a relief for many. Very happy to have a chat to Eric and give an update on the future of freight.

In advance of that, I will let you know where things are up to. Jan Johnson was working with a group, including Duncan Evans, Grant Gardner and Bart Murray to develop a proposal seeking the Department's support for regular air freight services. When I met with them in late August, Jan was asking Duncan and Bart to finalise the proposal. Kerry has let me know that she is picking up this conversation again but she has not given me a date for presentation of the proposal.

I thought that the proposal I heard from the group in August was very good and it sounds like something that we could support. It is well founded on conversations within the business community and based on a good understanding of the policy context of the Department. They were not seeking an extension of the underwriting service or for a subsidy to the business community, rather they were talking about getting the Department to provide financial support to NIRC to transfer recyclables and eventually asbestos to the mainland. The whole thing had a great commercial focus and there are several policy angles we can use over here. I understood that NIRC were yet to be formally approached but I'm pretty sure that PJ had been involved in discussions.

Happy to talk this through with you if you wish.

Regards,

s22

This material contains information that, if disclosed inappropriately, may cause limited damage to national security, Australian Government agencies, commercial entities or members of the public. Recipients should ensure they handle and store this material appropriately.

**From:** s22@nlk.regional.gov.au>  
**Sent:** Monday, 24 September 2018 9:25 AM  
**To:** s22@infrastructure.gov.au>  
**Subject:** Update on Freight [SEC=UNCLASSIFIED]

Morning s22

Trust you are back from leave and had a wonderful time adventuring with family. Weather is warming up on the island and the ship arrived last Friday with supplies, so all is good here.

Eric has asked me to follow up on setting some time aside with you to obtain an update on freight, and an indication of any assistance required from this office.

This may have already been talked about and identified, however, I am unable to locate in his calendar. Please let me know if you need any information from this end.

Kind regards,

s22



s22

**From:** s22  
**Sent:** Friday, 26 October 2018 9:00 AM  
**To:** s22  
**Cc:** WALL Ruth  
**Subject:** RE: freight subsidy proposal [DLM=For-Official-Use-Only]

s22 I'm pleased to say that we have received the freight proposal and we're doing some analysis of it. Given that it proposes a subsidy be provided to the Council for waste disposal, we'll look at the interactions and links to the Financial Assistance Grants as well as the Council's waste management charges and rates.

Regards,  
 s22

This material contains information that, if disclosed inappropriately, may cause limited damage to national security, Australian Government agencies, commercial entities or members of the public. Recipients should ensure they handle and store this material appropriately.

**From:** s22  
**Sent:** Tuesday, 23 October 2018 4:33 PM  
**To:** s22 <[REDACTED]@infrastructure.gov.au>  
**Cc:** WALL Ruth <Ruth.Wall@infrastructure.gov.au>  
**Subject:** freight subsidy proposal [DLM=For-Official-Use-Only]

Hi s22

As discussed last week, Eric had raised with Sussan the proposal of a freight subsidy... from memory, a proposal was likely to be sent through to the department last week. Just wondering if it may have arrived yet?

It would be useful for information about it to be included in AM Ley's travel pack for NI – but I'm also keen to catch up with either you or Ruth on what exactly is being proposed.

Many thanks

s22

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s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Saturday, 7 July 2018 8:14 AM  
**To:** s22  
**Cc:**  
**Subject:** FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility  
**Attachments:** 15\_6 Freight meeting notes (003).docx  
**Importance:** High

Hi s22

I understand from Duncan Evans that you're about to step away from your current position.

On island we've been pursuing the stakeholder inputs to the Freight Round Table, hosted by Eric Hutchinson recently.

You were due to follow up on underwriting feasibility. I'm not sure now if this is something you'll attend to, or hand over to your successor.

Either way, your response is appreciated so I can advise the other stakeholders.

Meanwhile, may I take this opportunity to wish you every success in your new role.

Best wishes

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**From:** rio@rdanorfolkisland.org.au <rio@rdanorfolkisland.org.au>  
**Sent:** Thursday, 28 June 2018 9:35 AM  
**To:** s22@infrastructure.gov.au  
**Subject:** ACTION: Freight Round Table Meeting Notes  
**Importance:** High

Good morning s22  
 Kerry's notes attached from the recent Freight Round Table.  
 Deadline for stakeholder inputs to me is 3 July.

Please note your name against underwriting feasibility / ideas.

I look forward to receiving your thoughts.

Kind regards

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15 June 2018

**MEETING NOTES:**

Topic: Freight meeting

Attended by:

Duncan Evans, (Transam (Transam Argosy Shipping & NI Accommodation Manager)

Teresa Cook (Norfolk Forwarding Services)

Grant Gardener (Burnt Pine Travel Cargo)

Dave Jeffrey (NI Mechanical)

Peter Meers (Woodward's Agencies/Pete's Place)

Suzy Merriment (on behalf of Charles Christian-Bailey – Christian Bailey Agencies)

Bart Murray (Burnt Pine Travel Cargo)

Bruce Taylor (NIRC)

Peter Walkinshaw (Foodland)

And Tim Cotter (AusIndustry)

Jan Johnson (RIO RDANI)

s22 (DIRDC)

(DIRDC)

Absent Pauline & Michael Porter (Pumpkin's Patch fresh food importers)

Facilitated by: Kerry Grace, DRD RDAMNC and RDANI

**Meeting notes:**

A small group representing Norfolk Island air freight interests was invited to attend the Freight Round Table.

The meeting was hosted by Eric Hutchinson, Administrator Norfolk Island.

Gregg Prechelt (Norfolk Island Air) submitted an apology and an email response to the Administrator.

Meeting purpose was to agree a strategy to improve Norfolk Island air freight services.

It was anticipated the initiative would broaden to involve other stakeholders as necessary and appropriate

**Outcomes and agreed action:**

The following actions were agreed upon

**Goal:** A reliable, scheduled and regular (air)freight service from Mainland Australia

**Output:** RDANI will produce a freight prospectus and various stakeholders will contribute information to the document in the following manner

**Tasks: (following)**

What	Who	Due
Generate content and send to Jan Johnson (RIO)		No later than 3 July 2018
<ul style="list-style-type: none"> <li>Price – how much do people pay for freight</li> </ul>	Grant	
<ul style="list-style-type: none"> <li>Location/s – information about Sydney, Brisbane and Auckland</li> </ul>		
<ul style="list-style-type: none"> <li>Mode – (pros and cons of air and sea)</li> </ul>	Teresa and Duncan (air) Bart and Grant	
<ul style="list-style-type: none"> <li>Timing (what freight is appropriate for sea / what is for air)</li> </ul>	Bart, Peter M, Peter W and Grant	
<ul style="list-style-type: none"> <li>Underwriting – what is feasible, ideas</li> </ul>	s22	
<ul style="list-style-type: none"> <li>What is coming in to NI and what is going out?</li> </ul>	Teresa and Grant (INCOMING)  Bruce (OUTGOING)	
<ul style="list-style-type: none"> <li>What is the capacity to develop more product to go out?</li> </ul>	Bruce, Jan	
<ul style="list-style-type: none"> <li>What space exists now? Particularly empty space on flights going OUT</li> </ul>	Grant, Bart	
<ul style="list-style-type: none"> <li>What is the anticipated demand for smaller importers</li> </ul>	Dave	
<ul style="list-style-type: none"> <li>What is the anticipated demand for larger importers?</li> </ul>	Grant	





Regional  
Development  
*Australia*  
NORFOLK ISLAND

• What is the levy for air and sea?	Bruce	
• Build Business Case	Duncan / Jan	
Notify community about meeting in Norfolk news	Eric	22 June 2018
Draft document	Duncan/Jan	17 July 2018
Document displayed / circulated for community input		24 July 2018
Final document produced and sent to DIRDC		31 July 2018

s22

**From:** s22 @nlk.regional.gov.au>  
**Sent:** Saturday, 14 July 2018 4:05 PM  
**To:** WALL Ruth; s22  
**Subject:** Question - FW: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]

Hello everyone

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s22

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**Cc:** s22 Eric.Hutchinson@infrastructure.gov.au; 'Kerry Grace'  
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Your feedback indicates a key date is 24 July, with Council's backloading 'pilot'.

I am also still awaiting a response from DIRDC regarding underwriting feasibility.

Consequently, the original timeline has changed to allow for these inputs.

Grant and Bruce – please provide the group with your feedback following the backload pilot, so we can proceed.

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Kind regards

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s22

**From:** s22  
**Sent:** Tuesday, 17 July 2018 10:30 AM  
**To:** rio@rdanorfolkisland.org.au  
**Subject:** FW: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]

Hello Jan,

Ruth has asked me to follow this matter up with you as I have taken up Bill's role here in Canberra.

Based on s22 handover notes, I understood that the freight working group was putting together a proposal which would seek funding from the Department. I haven't seen that proposal and am not aware of whether it has or when it will be submitted.

Are you able to let me know the status of that proposal? This will enable me to respond to Eric.

I will appreciate your advice in this matter – I am very much on the learning curve as it is my second week with the Norfolk Island team.

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**Cc:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>; WALL Ruth <[Ruth.Wall@infrastructure.gov.au](mailto:Ruth.Wall@infrastructure.gov.au)>  
**Subject:** FW: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]

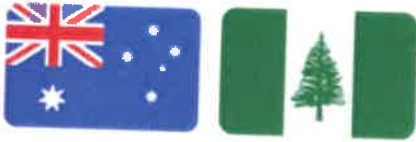
Good day s22

I would be grateful if we can provide any feedback/information in respect of an underwriting facility that we committed to in the freight roundtable discussion.

Kind Regards

**Eric Hutchinson**  
 Administrator of Norfolk Island  
 New Military Barracks, Quality Row, Kingston  
 PO Box 201, Norfolk Island 2899  
 Office: + 6723 22152 Mobile: + 6723 50001

Email: [eric.hutchinson@infrastructure.gov.au](mailto:eric.hutchinson@infrastructure.gov.au)



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s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Tuesday, 31 July 2018 2:07 PM  
**To:** s22  
**Cc:** Duncan Evans  
**Subject:** RE: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Hello s22  
 Many thanks for your email and apologies for this late reply. I've been off island for a couple of weeks, returning to work today.  
 I had been trying to find out s22 successor and was only given your first name (...!).  
 So, first, welcome aboard. I'm sure by now you'll have settled a bit and have identified some of the key players on island.

Regarding the Freight document; we received most of the inputs from meeting participants, as agreed. I was working with Duncan Evans on the business case (as agreed) however he has also been off island, which has impacted his progress.  
 I called at Duncan's office earlier today and we've agreed to meet shortly so I can confirm where we're up to, so I won't pre-empt that conversation at this point.  
 I'll aim to update you as soon after that meeting as possible.

Please feel free to pass on this information to Eric, although its possible by now that Duncan has already discussed it with him.

Kind regards

**Jan Johnson** | Regional Investment Officer  
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Regards,

s22

**From:** Eric Hutchinson <[Eric.Hutchinson@nlk.regional.gov.au](mailto:Eric.Hutchinson@nlk.regional.gov.au)>

**Sent:** Thursday, 12 July 2018 11:35 AM

**To:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>;

**Cc:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>; WALL Ruth <[Ruth.Wall@infrastructure.gov.au](mailto:Ruth.Wall@infrastructure.gov.au)>

**Subject:** FW: For Information - Freight Round Table - Timeline [SEC=UNCLASSIFIED]

Good da s22

I would be grateful if we can provide any feedback/information in respect of an underwriting facility that we committed to in the freight roundtable discussion.

Kind Regards

**Eric Hutchinson**

Administrator of Norfolk Island

New Military Barracks, Quality Row, Kingston

PO Box 201, Norfolk Island 2899

Office: + 6723 22152 Mobile: + 6723 50001

Email: [eric.hutchinson@infrastructure.gov.au](mailto:eric.hutchinson@infrastructure.gov.au)



**From:** [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) [<mailto:rio@rdanorfolkisland.org.au>]

**Sent:** Thursday, 12 July 2018 8:37 AM

s22

Cc: s22 : [Eric.Hutchinson@infrastructure.gov.au](mailto:Eric.Hutchinson@infrastructure.gov.au); 'Kerry Grace'  
Subject: For Information - Freight Round Table - Timeline

Good morning all

Thanks to all of you for your respective input to the proposed Freight Business Case which I will work on with Duncan.

Your feedback indicates a key date is 24 July, with Council's backloading 'pilot'.  
I am also still awaiting a response from DIRDC regarding underwriting feasibility.

Consequently, the original timeline has changed to allow for these inputs.

Grant and Bruce – please provide the group with your feedback following the backload pilot, so we can proceed.

FYI – I will be off island shortly until end July. Duncan is your 'go to' with regard to the business case meantime.

Kind regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Thursday, 2 August 2018 12:47 PM  
**To:** s22  
**Cc:** s22  
**Subject:** FW: FYI from s22 : ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Good afternoon all

Please see s22 email below which is self-explanatory.

I'm meeting with Duncan Evans next Tuesday to progress the proposal before we circulate a draft. If you have any further comments please feel free to email them before Tuesday.

FYI s22 replacement is s22 who you may have met on island recently.

Thanks and regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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**From:** s22 @infrastructure.gov.au>  
**Sent:** Monday, 23 July 2018 1:20 PM  
**To:** rio@rdanorfolkisland.org.au  
**Cc:** s22 infrastructure.gov.au>  
**Subject:** RE: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Hi Jan

There may still be an opportunity for the Australian Government to continue to support underwriting of freight to NI once a proposal is submitted for consideration. The Government has put on at least 2 subsidised services/year in recent years. We have been advised the cost of providing this service could be much cheaper in future if there was a planned schedule of flights, and for these to depart from New Zealand: which is much closer to NI. This means that the cost the Australian Government had "traditionally" borne for providing freight flights could be used for more flights. It would also be important for businesses to agree on the price they are willing to pay

There are a few other points that would need to be recognised in the proposal.



The Australian Government already underwrites freight service to the Indian Ocean Territories (IOT). However, businesses and individuals pay the first \$6.80 for each kg of freight delivered to the IOT. Even without a subsidy the cost of freighting goods to NI is much less than this.

Air Freight on the regular Air New Service is already charged at a very low rate – and much less than the true cost of providing this service – about 6 tonnes per week is transported this way.

Securing backloads will further reduce costs. Currently all freight delivery is costed on the basis of no revenue generated on return flights.

There is a need to avoid perverse impacts – pricing of air freight should not discourage the use of sea freight as the primary means for the delivery of non perishable or live-saving goods. Sea freight has always been able to operate to NI without subsidy or government intervention.

Cheers

s22

**From:** [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>

**Sent:** Saturday, 7 July 2018 8:14 AM

s22

[infrastructure.gov.au](mailto:infrastructure.gov.au)>

[@infrastructure.gov.au](mailto:@infrastructure.gov.au)>

**Subject:** FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility

**Importance:** High

Hi s22

I understand from Duncan Evans that you're about to step away from your current position.

On island we've been pursuing the stakeholder inputs to the Freight Round Table, hosted by Eric Hutchinson recently.

You were due to follow up on underwriting feasibility. I'm not sure now if this is something you'll attend to, or hand over to your successor.

Either way, your response is appreciated so I can advise the other stakeholders.

Meanwhile, may I take this opportunity to wish you every success in your new role.

Best wishes

**Jan Johnson** | Regional Investment Officer

[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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From: [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>  
Sent: Thursday, 28 June 2018 9:35 AM  
To: 's22' <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>  
Subject: ACTION: Freight Round Table Meeting Notes  
Importance: High

Good morning s22  
Kerry's notes attached from the recent Freight Round Table.  
Deadline for stakeholder inputs to me is 3 July.

Please note your name against underwriting feasibility / ideas.

I look forward to receiving your thoughts.

Kind regards

Jan Johnson | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Thursday, 9 August 2018 8:19 AM  
**To:** s22  
**Cc:** Duncan Evans  
**Subject:** Norfolk Island visit and meeting scheduled for 27 August

Good morning s22

I met yesterday with Duncan Evans who is collating the inputs from the Freight Roundtable stakeholders and drafting the proposal.

As you will both be involved in KAHVA meetings during your visit, and due to my limited availability at the end of that week, Duncan will attend our meeting scheduled for 27 August (time/location to be confirmed) so we can talk through the draft proposal.

I'm currently developing a schedule for Kerry Grace which should be finalised by end this week, for issue next week. I've included Kerry in our 27/9 meeting, so we maximise that time together.

I trust that meets with your agreement.  
Kind regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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s22

**From:** s22  
**Sent:** Tuesday, 14 August 2018 3:08 PM  
**To:** s22 <[REDACTED]@nlk.regional.gov.au>  
**Subject:** Air freight roundtable - key emails [SEC=UNCLASSIFIED]  
**Attachments:** FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility;  
Question - FW: For Information - Freight Round Table - Timeline  
[SEC=UNCLASSIFIED]; FW: FYI from Bill Woodruff: ACTION: Freight Round Table  
Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Hello [REDACTED]

Attached are emails about the freight round table. Jan had the lead on this. The first email had meeting notes which might be a good starting point for getting across what this project is about. They include Bill's (DIRDC) task.

Happy to discuss,

s22

s22

**From:** rio@rdanorfolkisland.org.au  
**Sent:** Thursday, 23 August 2018 12:05 PM  
**To:** s22  
**Cc:** Bart Murray; Grant Gardner; Kerry Grace  
**Subject:** FW: FYI from s22 ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

**Categories:** Reading

Hi s22

In anticipation of our Air Freight meeting on Island next Monday, please refer self-explanatory email from Bart Murray below.

Duncan Evans has provided a document which collates all the stakeholder input, but having recently spoken with Grant Gardner (Burnt Pine Travel Cargo Freight Manager), I think it would be appropriate for all of us to meet on Monday.

We can organise this once you arrive.

Kind regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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**From:** s22  
**Sent:** Thursday, 23 August 2018 10:57 AM  
**To:** rio@rdanorfolkisland.org.au  
 s22 ceo@rdamnc.org.au  
**Subject:** RE: FYI from Bill Woodruff: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

s47G and 47F



**From:** [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) [mailto:[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)]

**Sent:** Thursday, 2 August 2018 12:47

s22

**Cc:** Duncan Evans; [Eric.Hutchinson@infrastructure.gov.au](mailto:Eric.Hutchinson@infrastructure.gov.au)

**Subject:** FW: FYI from [REDACTED] ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Good afternoon all

Please see [REDACTED] s22 email below which is self-explanatory.

I'm meeting with Duncan Evans next Tuesday to progress the proposal before we circulate a draft. If you have any further comments please feel free to email them before Tuesday.

FYI – [REDACTED] s22 who you may have met on island recently.

Thanks and regards

**Jan Johnson** | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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**From:** [REDACTED] s22 <[\[REDACTED\]@infrastructure.gov.au](mailto:[REDACTED]@infrastructure.gov.au)>

**Sent:** Monday, 23 July 2018 1:20 PM

**To:** [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)

**Cc:** [REDACTED] s22 <[\[REDACTED\]@infrastructure.gov.au](mailto:[REDACTED]@infrastructure.gov.au)>

**Subject:** RE: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility [SEC=UNCLASSIFIED]

Hi Jan

There may still be an opportunity for the Australian Government to continue to support underwriting of freight to NI once a proposal is submitted for consideration. The Government has put on at least 2 subsidised services/year in recent years. We have been advised the cost of providing this service could be much cheaper in future if there was a planned schedule of flights, and for these to depart from New Zealand: which is much closer to NI. This means that the cost the Australian Government had "traditionally" borne for providing freight flights could be used for more flights. It would also be important for businesses to agree on the price they are willing to pay

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Cheers

s22

From: [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>  
Sent: Saturday, 7 July 2018 8:14 AM

s22

**Subject:** FW: ACTION: Freight Round Table Meeting Notes - Underwriting Feasibility  
**Importance:** High

Hi s22

I understand from Duncan Evans that you're about to step away from your current position.

On island we've been pursuing the stakeholder inputs to the Freight Round Table, hosted by Eric Hutchinson recently.

You were due to follow up on underwriting feasibility. I'm not sure now if this is something you'll attend to, or hand over to your successor.

Either way, your response is appreciated so I can advise the other stakeholders.

Meanwhile, may I take this opportunity to wish you every success in your new role.

Best wishes

**Jan Johnson** | Regional Investment Officer  
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From: [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au) <[rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)>  
Sent: Thursday, 28 June 2018 9:35 AM  
To: s22 <[REDACTED]>@infrastructure.gov.au>  
Subject: ACTION: Freight Round Table Meeting Notes  
Importance: High

Good morning s22  
Kerry's notes attached from the recent Freight Round Table.  
Deadline for stakeholder inputs to me is 3 July.

Please note your name against underwriting feasibility / ideas.

I look forward to receiving your thoughts.

Kind regards

Jan Johnson | Regional Investment Officer  
[www.rdanorfolkisland.org.au](http://www.rdanorfolkisland.org.au)



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Exempt in full - Section 47G and 47F

Please note this document will not be provided to the applicant









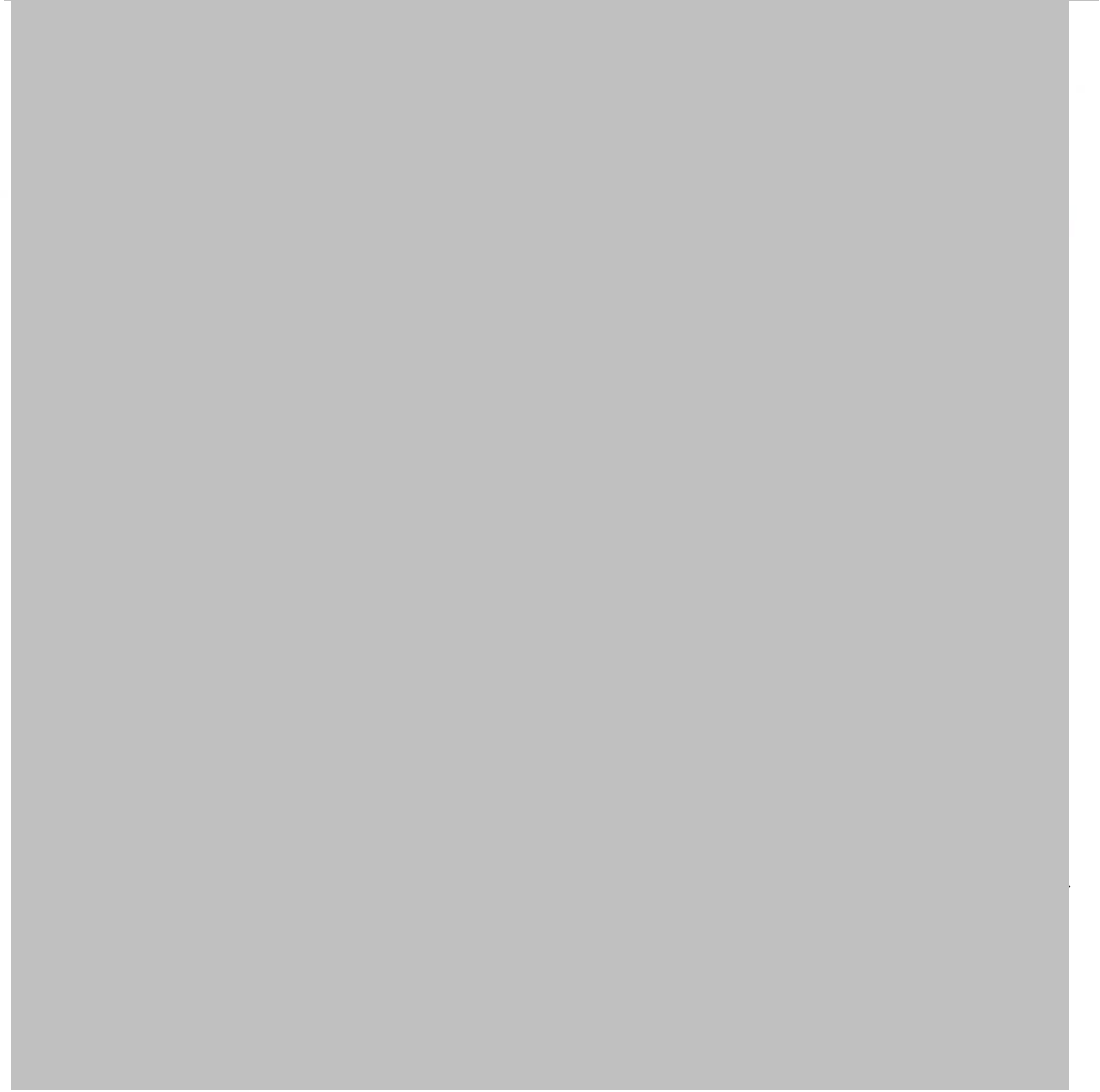


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r

s22

**From:** s22  
**Sent:** Monday, 12 November 2018 2:45 PM  
**To:** HUTCHINSON Eric; A s22  
**Subject:** Freight proposal feedback [SEC=UNCLASSIFIED]  
**Attachments:** Norfolk Island Freight Proposal.pdf

Good afternoon Eric and s22

Ruth suggested last week that I send the comments that I have provided to Kerry Grace over to you. These comments are in response to the draft freight proposal that was sent to me in October (copy attached). I have not heard from Kerry since I sent the email below.

I'd be happy to hear your thoughts on the proposal – perhaps when this week's visit is over? I hope that all of the activities this week go well.

Regards,

s22

**From:** s22  
**Sent:** Friday, 2 November 2018 10:30 AM  
**To:** Kerry Grace <ceo@rdamnc.org.au>  
**Cc:** WALL Ruth <Ruth.Wall@infrastructure.gov.au>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry,

Unfortunately we don't have unallocated funds in the budget at this point in the year and so we will need to make a budget submission to enable us to fund the proposal.

To develop an effective budget submission, I'm looking to understand the need for financial support for freight in the community, the economic benefit that this will provide and the willingness to pay of the users of the proposed freight scheme. There are some enhancements to the paper that would help me understand this.

In addition to what is noted below, was the number of \$3.65 per kilogram of freight tested within the freight roundtable to generate information on the price sensitivity of the importers? This helps us understand the overall economics of the business community.

The three demand examples given in the paper show that there would be a monthly demand for between 10 and 12 tonnes of inbound freight, and that the demand for a fortnightly service would be half of this, being 5 – 6 tonnes of freight. Understanding that this is not the sum total of demand, it would be valuable for the proposal to address the implications of the monthly flight option (10 tonnes of capacity per month) and the fortnightly flight option (10 tonnes of capacity per fortnight). Based on these numbers, the monthly flight would be over-subscribed and the fortnightly flight significantly under-subscribed.

Information on seasonality of demand would be of value, I know from conversations with Bart that demand is not consistent year round. This would enable the paper to discuss matching the freighter schedule to the demand.

Looking at the final table, the difference between option 1/2 and 3/4 is not clear. Clarification would be appreciated. Considering the estimates in the table, I have broken it down as shown below and would appreciate your feedback on whether this is a correct interpretation of the numbers.

s47G

Based on these numbers, the revenue per flight is 25 – 30% more than what I understand to be the current costs of an ad-hoc flight. The paper would benefit from information on the estimated costs of the flights and associated services. It would be natural to assume that a regular, scheduled service would be significantly lower cost than ad-hoc services. We have received informal advice from one of the current freight operators that a regular service would be close to cost neutral.

I'll be happy to discuss this feedback, but unfortunately I am not available today as I'm at home with a cold.

Regards,

s22

**From:** Kerry Grace <[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)>  
**Sent:** Thursday, 1 November 2018 12:27 PM  
**To:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Thanks for the update s22 do you think it's worthwhile going back to industry to ask them to adjust the expectations for potential submission earlier??

**From:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>  
**Sent:** Wednesday, October 31, 2018 1:54 PM  
**To:** Kerry Grace <[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry,

I'm now able to give you an update on consideration of the proposal. Looking at the current funding program, unfortunately the Department won't be able to fund a regular freight service on this scale in the current financial year.

We will need to make a submission as part of the 2019/20 budget process to seek funding for this program of new services.

I will continue the analysis and let you know of progress and if there is further information that would be of value.

Regards,

s22

**From:** Kerry Grace <[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)>  
**Sent:** Thursday, 25 October 2018 2:46 PM  
**To:** s22 <[s22@infrastructure.gov.au](mailto:s22@infrastructure.gov.au)>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

I wanted to speak with you (or e-mail) about the strategy behind it, particularly some additions (e.g. fortnightly flights) that may seem a bit odd.

From: s22 <[REDACTED]@infrastructure.gov.au>  
Sent: Thursday, October 25, 2018 2:06 PM  
To: Kerry Grace <ceo@rdamnc.org.au>  
Subject: RE: Freight proposal [SEC=UNCLASSIFIED]

Kerry thanks for this document. I have read through it and may come back to you with questions.

Can you let me know what changes will be made before you declare this as a final and remove the draft marking?

Thanks,

s22

From: Kerry Grace <ceo@rdamnc.org.au>  
Sent: Tuesday, 23 October 2018 6:27 PM  
To: s22 <[REDACTED]@infrastructure.gov.au>  
Subject: Freight proposal

Hi s22 perhaps we could discuss this tomorrow?

Thanks for your patience with this,  
Kerry

Kerry Grace  
Director of Regional Development  
Regional Development Australia Mid North Coast and Norfolk Island  
[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)  
(02) 5525 1500

Join us for Ignite MNC on 7 November in Bellingen featuring Clare Bowditch and Dr. Gregory Smith Tickets [here](#)



We acknowledge and pay our respects to the Traditional Custodians of the Land and Elders past and present.

---

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## **Air Freight Proposal**

Presented to the Department of Infrastructure, Regional Development and Cities

October 2018

*A reliable, scheduled and regular air freight service from mainland  
Australia*

### **Enquiries to:**

Duncan Evans, Endeavour Lodge [duncan@endeavour.nf](mailto:duncan@endeavour.nf)

Bart Murray, Burnt Pine Travel [bart@burntpinetravel.nf](mailto:bart@burntpinetravel.nf)

Kerry Grace, Regional Development Australia Norfolk Island [ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)



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## Executive summary

Freight is a critical driver for the economy of Norfolk Island and the establishment of a regular, reliable air freight service is the desirable solution for its fast turnaround, safe passage of cargo and overall cost effectiveness for the customer.

There is currently 12,000kg in backlogged cargo in mainland Australia with considerably more which is unable to be delivered to forwarders as they are not accepting more cargo until the backlog is cleared. With the new freight ship carrying only a portion of the cargo of the previous ship it's not likely this backlog will clear in the immediate future.

Norfolk Island business owners, residents and government bodies currently rely on limited and unreliable cargo facilities provided by Air New Zealand flights. As there is no direct seafreight service between mainland Australia and Norfolk Island, importing goods that are essential to the Island by seafreight from mainland Australia via New Zealand is a long and risky process.

The loss of the direct air service from Auckland has placed even greater pressure on the four-five weekly Air New Zealand flights from mainland Australia. The direct air service from Auckland typically averaged 1,500kg per flight. The success of the airline passenger service from mainland Australia and tourism growth has resulted in year on year increases to inbound passenger numbers over the past 5 years, which has in turn significantly reduced cargo capacity. The existing Air New Zealand flights from mainland Australia are unable to cope with the extra air freight demand since the loss of the Auckland flights.

While there are no identifiable gaps in the demand for inbound freight the challenge for a commercial provider continues to be the outbound load which is often limited. Without a reliable outbound load freight services are forced to charge customers a fee which is not tenable to the market.

In time there may be export markets which take some of this load (particularly in agrifoods and health/beauty industries), however as this develops another plan is required to achieve the air freight goal.

The most likely customer of outbound freight services is Norfolk Island Regional Council who require waste to be removed from Norfolk Island. However, the cost of this service is not something that NIRC can bear alone.

Consultation with a broad range of stakeholders points to a NIRC subsidy for waste removal as being the most equitable and viable means of ensuring a regular air freight service.

## Background

Regional Development Australia facilitated a Freight Roundtable of Norfolk Island Importers, Freight Representatives in June 2018. A list of attendees can be found at (attachment one).

The Roundtable delegates unanimously agreed the current freight arrangements were inadequate, and the following outcomes were desirable:

- A reliable, scheduled airfreight service from mainland Australia
- The airfreight service would run at a minimum of every month
- A dedicated airfreight aircraft is utilised, rather than relying on the Air NZ

## The current freight situation in Norfolk Island

### Air freight

There is currently no regular, dedicated air freight service for Norfolk Island.

Air NZ typically carries 1,500kg on their twice weekly scheduled A320 passenger services from Sydney & Brisbane. Priority is given to passengers' baggage, Australia Post mail, express cargo and perishables before any other air cargo is carried.

Poor weather also causes additional fuel uplift, reducing capacity. In the past, airlines would use Noumea as an alternate landing aerodrome in the event, however since the requirement for passengers to carry a passport from mainland Australia to Norfolk Island was removed in 2016, the airlines have been unable to use Noumea as an alternate. This means that more fuel must be carried when an alternate is required to use Brisbane or Auckland which are a longer flight.

Current General cargo Price to the customer \$2.40/kg  
plus

- Security Charge \$0.13/kg (Minimum \$13.30)
- Airway bill fee \$30.00
- Export Entry \$35.00 (if value of goods over \$2,000)
- Norfolk Island Waste Management Levy \$0.26/kg

The current service is supplemented by the occasional, ad-hoc air freighter aircraft.

### Sea freight

There is currently no direct sea freight service from mainland Australia to Norfolk Island. All cargo originating in mainland Australia is shipped from Sydney or Brisbane to Auckland; then transshipped via the Southern Tiare.

The vessel Southern Tiare is scheduled every five weeks from Auckland to Norfolk Island.

### Current price

The current price for 1m<sup>3</sup> of seafreight from either Brisbane or Sydney to Norfolk Island is

Base Ocean Freight \$260.00m<sup>3</sup> plus  
Bunker Adjustment Factor \$90.00m<sup>3</sup> (Fuel Surcharge)  
Norfolk Island Stevedoring Surcharge \$17.00m<sup>3</sup>  
Lighterage Ship to Shore \$40.00m<sup>3</sup> (charged by the Council)  
Waste Management Levy \$41.00m<sup>3</sup> (charged by the Council)  
Cartage from Pier to our warehouse \$50.00m<sup>3</sup>  
Customs EDN \$95.00 per shipment

Total \$593.00 for the minimum of 1 cubic metre by sea  
Industry advise tells us that a typical 1m<sup>3</sup> shipment would have a weight of approximately 300kg. This gives an effective rate of \$2.00 per kg\*

\*Not included in these charges is the cost of having the cargo packed onto a Strapped /Wrapped Pallet so that the cargo can withstand the 19 times the cargo will be handled by a Forklift and the Lighterage transport from ship to shore at the Island, or the cost of Marine Insurance. These costs vary quite considerably with each shipment but can add another \$1.00/kg.

NB the ship now servicing Norfolk Island carries only 1,210T freight versus 2,433T carried by the previous seafreight service. This creates further delays in accessing freight on island.

## **Current challenges**

There are ongoing back logs for air freight cargo and it can often take some months for air freight cargo to arrive after being lodged.

Due to Health and Safety and manual handling laws, cargo carried by Air New Zealand is limited to a maximum of 32kg for each item. There are also size restrictions which further impact on the goods able to be transported by air.

Sea freight is slow. From mainland Australia via Auckland is a minimum of 6 weeks for sea freight to arrive on Norfolk Island. Because of this long voyage many grocery items cannot be sent by sea. The sea freight service also poses difficulties for businesses in key Norfolk Island industries (tourism and hospitality) as the goods are often damaged when they arrive.

All sea freight must be packed onto strapped/wrapped pallets to withstand both the transshipment handling in Auckland, and the lighterage from ship to shore at Norfolk Island. Overall, cargo is forklifted 19 times from lodgment in mainland Australia to delivery to the Norfolk Island importer.

Packing also poses a challenge for cargo leaving Norfolk Island by sea. Freight must be packed into containers (Basel Convention) and there are no container packing facilities on Norfolk Island. Therefore, both packing and unpacking cargo for sea freight is a long and potentially unsafe process.

Sea freight is charged on the volume of the cargo, rather than the weight further disadvantaging the above-mentioned businesses who require bulky goods such as fridges, washing machines and furniture.

The current freight situation also impacts essential services on island. Regular parcel post service from mainland Australia to Norfolk Island takes on average of 3 months to reach Norfolk Island. Access to perishable goods (including fruits and vegetables) is also limited and there have been noted examples of critical medicines being delayed.

Yet, a regular air freight service has been cost prohibitive in the past. This is primarily due to the lack of back load coming from Norfolk Island to the mainland. Norfolk Island Airlines who had previously operated some of the ad-hoc air freighters between mainland Australia and Norfolk Island over the past five years advised that, depending on the type of load (weight versus volume), and the quantity of outward cargo, underwriting of up to \$20,000 per flight would be necessary to make the service viable for a commercial operator.

The local cargo operator, Burnt Pine Travel have operated ad-hoc freighters for several years on demand. Over the past few years, this has been 3-4 per year. These operations have only been possible due to subsidy from either the Commonwealth, Council or Australia Post. This year, Burnt Pine Travel has operated charters in January, May and September. The January charter was an emergency charter to import food products following the cancellation of sea freight services that month. It carried predominantly chilled goods for 2 importers who paid a premium to alleviate a food shortage. The May and September charters were made possible by carrying a full load of Council waste back to mainland Australia. There is an additional service scheduled for October. These services clear the backlogs of cargo and provide space to uplift perishable cargo to Norfolk, however do not return a commercial profit. Importers on these charters pay \$3.65/kg which after forwarders fees and terminal fees represents \$2.75/kg net.



## The business case for a regular airfreight service

The following industries would be the immediate beneficiaries of a regular, reliable air freight service from the mainland to Norfolk Island

### Tourism and Hospitality industries

- Reliable supply of perishable items
- Reduce potential cargo damage in comparison with sea freight
- By using airfreight over sea freight, Importers can reduce the amount of stock they need to keep on hand by increasing the frequency of their orders
- Alleviate the current time procurement planning takes
- Enable faster turnaround for urgent items which are bulkier

### Agriculture

- Faster turnaround for critical vet supplies

### Freight industry

- A regular air freight service will enable Norfolk Island importers to plan orders with their suppliers in time for the air freight service date
- Enable more thorough planning for bulk orders utilising sea freight services
- Goods can be imported with a much shorter lead time thereby reducing the overhead of storage in Sydney / Brisbane.
- Reduce the amount of stock on hand (3 month worth by seafreight as opposed to 3 weeks via airfreight) reducing risk of loss to the importer
- Relieve excess demand

### Other

- Importing of essential testing equipment that is too large for airline freight services. This includes fuel gauge/meter calibration equipment required annually to allow fuel supply (aviation and domestic)
- Importing and re-exporting medical testing equipment
- Importing fragile larger items such as solar hot water systems and panels and whitegoods, not suitable for seafreight and too large for airline airfreight

The following social, health and community impacts should also be taken into consideration

### Provision of essential services

- improve regular supply of perishable and fresh foodstuffs to the Island
- With the regular parcel post service from mainland Australia to Norfolk Island currently taking an average of three months, air freight would present a significant improvement.
- Free space on the scheduled Air New Zealand flights thereby increasing capacity to uplift mail, fruit, vegetables and other perishables weekly
- A regular air freighter service would complement the Air New Zealand passenger services to Norfolk Island. It would:
  - Relieve excess demand
  - Enable importation of urgent, heavier items and
  - Allow importers to plan bulk shipments in line with scheduled freighter dates

## **Freight demand**

### **Inbound**

There is no shortage in demand for inbound freight services. At the time of writing this, there is presently over 12,000kg in backlogged cargo in mainland Australia with considerably more which is unable to be delivered to forwarders as they are not accepting more cargo until the backlog is cleared. By surveying the 3 largest airfreight importers on the Island, there is the following demand for a regular freighter service:

#### **Foodland Supermarket**

Alone has indicated a monthly air freight order of close to 30% of available inbound freight capacity (based on a monthly service) including:

- 1,000kg potatoes
- 1000kg perishable dairy and delicatessen lines and
- 1,000kg of mixed grocery lines

Foodlands have experienced regular offloads of fresh produce which includes fresh milk and gluten free products essential to certain diets. Due to capacity restraints, shipments must be smaller which increases the cost of the product to the consumer due to the high cost of inspection fees, documentation, etc. spread over a smaller shipment. A freighter service would ensure regular uplift of essential foods, potentially decrease the cost and greatly reduce the losses due to offloading cargo.

Should there be a regular freighter service, Foodlands have expressed a required volume of 4,000-5,000kg per month for a monthly service or 2,000-2,500 per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.

#### **Slicks & Sons (Butchery)**

Due to capacity issues by air, Slicks and Sons have moved a \$AUD35,000 shipment of chilled stock by seafreight via Auckland. This includes beef, lamb, cheese, bacon, ham and small goods. Due to delays in the shipping the shipment is not now due until 24-26OCT which means it has been in transit for over 2 months. By the time the shipment arrives on Norfolk, 80% of it will be passed used by date. Aside from the large loss in this case, the impact on the company of having large amounts of money tied up in stock is a drain on cashflow and a burden to the business.

Slicks & Sons have experienced regular offloads of their air cargo. This can be often for 1-2 weeks. Most of the airfreight imported has a short shelf life of 10-14 days such as milk, cheese, and dairy. Cargo offloads risk making the stock unsellable or at least significantly reduce the period they must sell the stock once received.

Slicks and Sons butchery have imported perishables on each freighter operated over the past 2 years. General uplift is 3-4 tonne. If there was a regular freight service, they have committed a need for 2,000-3,000kg per month for a monthly freighter or 1,000-2,000kg per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.

### **Norfolk Island Building Supplies/Pete's Place**

This company is the largest importer into Norfolk Island. They have a large import business by sea for traditional seafreight items such as building materials. By airfreight, the companies combined would contribute over 1,000kg per week in airfreight from mainland Australia. The company has had significant offloads from and has been unable to stock their shelves. At the time of writing this, the company has over 3,000kg of cargo being held at freight forwarders in Sydney and Brisbane awaiting uplift, and more freight at the supplier unable to be delivered to the forwarders.

If there was a regular freighter service, the company has expressed a requirement for 4,000kg capacity per month for a monthly service or 2,000kg per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.

A B737 freighter aircraft flying from Brisbane to Norfolk Island has a practical capacity of 10-12 Tonne depending on variables such as weather. The three larger importers between them have a cargo requirement of approximately 11 tonne per month by themselves. The demand for airfreight will only increase as passenger numbers on the airline service increase. In addition, the developing cruise industry into Norfolk Island will put greater demand on the need for airfreight. The industry is expanding from 4 cruise ship visits in 2019 carrying 2,900 passengers to 13 visits in 2020 placing over 16,000 cruise passengers on Island for a day that year.

### **Outbound**

The key challenge in creating a viable air freight service is to maximise the outbound load.

The cost of a freighter charter needs to be recovered by the freight uplifted. The B737 freighter can practically carry 10 Tonne into Norfolk and 12 tonne out. If the aircraft is full in both directions, then the costs are divided over 22 tonne. Given that there is no real cargo backload to mainland Australia, the costs of the aircraft must be divided over the 10 tonne of imports to Norfolk. Without a backload cargo, the cost required per kilogram on 10 Tonne to cover costs is uneconomical.

While there is a small demand for outbound freight generated via postal services, the primary entity likely to use the service is Norfolk Island Regional Council who will dispose of e-waste, metals and perhaps into the future asbestos. Burnt Pine Travel has this year operated 2 services uplifting E-waste and whitegoods waste with another due in October.

At present there is 137 Tonnes of Asbestos awaiting approval for uplift to mainland Australia. In addition, the Island has imported and is installing a waste baler to bale waste that was previously disposed of on Island and now needs to travel directly back to mainland Australia due to international law. Without a seafreight service between mainland Australia and Norfolk Island, airfreight is the only option at present. Once operational, it is estimated by Council that it will produce 300-500 Tonnes of waste per year for export to mainland Australia.

There is also a small and sporadic market in shipping the personal effects of seconded government staff back to the mainland following contracts.

While there is not a high demand for product export currently, there is scope to enhance business activities in this area, particularly in the agrifoods and beauty industries.



## Proposal

Following conversations with on Island businesses (including freight service providers), Norfolk Island Regional Council and the representatives of the Department of Industry, Regional Development and Cities, the preferred business proposal follows.

Funding is provided to Norfolk Island Regional Council to subsidise waste removal from Norfolk Island to the mainland.

The proposal offers 2 solutions which provide a range of commitment which in turn provides a range of outcomes.

The local Aircraft Ground Handler and Freight Operator, Burnt Pine Travel currently has facilities and equipment to operate and handle the adhoc freighter operations. If a scheduled freighter service was implemented for a period of 24 months, the company would require approximately \$155,000 to purchase and import handling equipment required to efficiently operate a fortnightly or monthly freighter service. Subject to the number of services and the duration of the contract, the operator would self-fund this equipment.

## Scenario

The following table would represent the user cost for freight based on the following assumptions

### Assumptions:

- Based on two options
  - Option 1 - Average of one flight per month
  - Option 2 - Average of one flight per fortnight
- over a twenty-four-month period
- With a guaranteed load of ten Tonnes inbound and twelve Tonnes outbound per flight
- a Norfolk Island Regional Council budget of \$150,000-\$250,000 per annum for waste removal
- The Norfolk Island Regional Council makes ready a minimum of twelve tonne of waste for uplift on each service

### Subsidy scenarios

Scenario	Freighter Service per year	Proposed commonwealth subsidy (Annual)	Norfolk Island Regional Council waste removal budget (annual)	Resulting unit cost for inbound cargo to Norfolk Island	Minimum uplift of Waste from Norfolk Island to mainland Australia (tonnes)	Minimum Cargo capacity from mainland Australia to Norfolk Island (tonnes)
1	12	\$360,000	\$150,000	3.65/kg	144	120
2	12	\$360,000	\$150,000	3.65/kg	144	120
3	26	\$780,000	\$250,000	3.65/kg	312	260
4	26	\$780,000	\$250,000	3.65/kg	312	260

## **Attachment one – Freight Roundtable meeting minutes**

### **Attended by:**

Duncan Evans (Transam Argosy Shipping & NI Accommodation Manager)

Teresa Cook (Norfolk Forwarding Services)

Grant Gardener (Burnt Pine Travel Cargo)

Dave Jeffrey (NI Mechanical)

Peter Meers (Woodward's Agencies/Pete's Place)

Suzy Merriment (on behalf of Charles Christian-Bailey – Christian Bailey Agencies)

Bruce Taylor (NIRC)

Peter Walkinshaw (Foodland)

Tim Cotter (AusIndustry)

Jan Johnson (RIO RDANI)

### **Via phone:**

Bart Murray (Burnt Pine Travel Airport Services and Cargo)

s22

Absent      Pauline & Michael Porter (Pumpkin's Patch fresh food importers)

Facilitated by: Kerry Grace, DRD RDAMNC and RDANI

s22

**From:** s22  
**Sent:** Friday, 2 November 2018 10:30 AM  
**To:** Kerry Grace  
**Cc:** WALL Ruth  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry,

Unfortunately we don't have unallocated funds in the budget at this point in the year and so we will need to make a budget submission to enable us to fund the proposal.

To develop an effective budget submission, I'm looking to understand the need for financial support for freight in the community, the economic benefit that this will provide and the willingness to pay of the users of the proposed freight scheme. There are some enhancements to the paper that would help me understand this.

In addition to what is noted below, was the number of \$3.65 per kilogram of freight tested within the freight roundtable to generate information on the price sensitivity of the importers? This helps us understand the overall economics of the business community.

The three demand examples given in the paper show that there would be a monthly demand for between 10 and 12 tonnes of inbound freight, and that the demand for a fortnightly service would be half of this, being 5 – 6 tonnes of freight. Understanding that this is not the sum total of demand, it would be valuable for the proposal to address the implications of the monthly flight option (10 tonnes of capacity per month) and the fortnightly flight option (10 tonnes of capacity per fortnight). Based on these numbers, the monthly flight would be over-subscribed and the fortnightly flight significantly under-subscribed.

Information on seasonality of demand would be of value, I know from conversations with Bart that demand is not consistent year round. This would enable the paper to discuss matching the freighter schedule to the demand.

Looking at the final table, the difference between option 1/2 and ¾ is not clear. Clarification would be appreciated. Considering the estimates in the table, I have broken it down as shown below and would appreciate your feedback on whether this is a correct interpretation of the numbers.

s47G

Based on these numbers, the revenue per flight is 25 – 30% more than what I understand to be the current costs of an ad-hoc flight. The paper would benefit from information on the estimated costs of the flights and associated services. It would be natural to assume that a regular, scheduled service would be significantly lower cost than ad-hoc services. We have received informal advice from one of the current freight operators that a regular service would be close to cost neutral.

I'll be happy to discuss this feedback, but unfortunately I am not available today as I'm at home with a cold.

Regards,

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Thursday, 1 November 2018 12:27 PM  
**To:** s22 @infrastructure.gov.au>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Thanks for the update s22 do you think it's worthwhile going back to industry to ask them to adjust the expectations for potential submission earlier??

**From:** s22 @infrastructure.gov.au>  
**Sent:** Wednesday, October 31, 2018 1:54 PM  
**To:** Kerry Grace <ceo@rdamnc.org.au>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry,

I'm now able to give you an update on consideration of the proposal. Looking at the current funding program, unfortunately the Department won't be able to fund a regular freight service on this scale in the current financial year.

We will need to make a submission as part of the 2019/20 budget process to seek funding for this program of new services.

I will continue the analysis and let you know of progress and if there is further information that would be of value.

Regards,

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Thursday, 25 October 2018 2:46 PM  
**To:** s22 @infrastructure.gov.au>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

I wanted to speak with you (or e-mail) about the strategy behind it, particularly some additions (e.g. fortnightly flights) that may seem a bit odd.

**From:** s22 @infrastructure.gov.au>  
**Sent:** Thursday, October 25, 2018 2:06 PM  
**To:** Kerry Grace <ceo@rdamnc.org.au>  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Kerry thanks for this document. I have read through it and may come back to you with questions.

Can you let me know what changes will be made before you declare this as a final and remove the draft marking?

Thanks,

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Tuesday, 23 October 2018 6:27 PM  
**To:** s22 @infrastructure.gov.au>  
**Subject:** Freight proposal

Hi s22 perhaps we could discuss this tomorrow?

s22

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Kerry Grace  
Director of Regional Development  
Regional Development Australia Mid North Coast and Norfolk Island  
[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)  
(02) 5525 1500

Join us for Ignite MNC on 7 November in Bellingen featuring Clare Bowditch and Dr. Gregory Smith Tickets [here](#)



We acknowledge and pay our respects to the Traditional Custodians of the Land and Elders past and present.

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s22

**From:** s22  
**Sent:** Wednesday, 24 October 2018 8:54 AM  
**To:** WALL Ruth  
**Subject:** FW: Freight proposal [SEC=UNCLASSIFIED]  
**Attachments:** Norfolk Island Freight Proposal.pdf

Ruth, the freight proposal was in my inbox this morning – copy attached.

Still marked as a draft, I'll read through it today. The office is chasing me to know status – I can let them know today that a draft version has been received.

Regards,

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Tuesday, 23 October 2018 6:27 PM  
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## **Air Freight Proposal**

Presented to the Department of Infrastructure, Regional Development and Cities

October 2018

*A reliable, scheduled and regular air freight service from mainland  
Australia*

### **Enquiries to:**

Duncan Evans, Endeavour Lodge [duncan@endeavour.nf](mailto:duncan@endeavour.nf)

Bart Murray, Burnt Pine Travel [bart@burntpinetravel.nf](mailto:bart@burntpinetravel.nf)

Kerry Grace, Regional Development Australia Norfolk Island [ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)

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## Executive summary

Freight is a critical driver for the economy of Norfolk Island and the establishment of a regular, reliable air freight service is the desirable solution for its fast turnaround, safe passage of cargo and overall cost effectiveness for the customer.

There is currently 12,000kg in backlogged cargo in mainland Australia with considerably more which is unable to be delivered to forwarders as they are not accepting more cargo until the backlog is cleared. With the new freight ship carrying only a portion of the cargo of the previous ship it's not likely this backlog will clear in the immediate future.

Norfolk Island business owners, residents and government bodies currently rely on limited and unreliable cargo facilities provided by Air New Zealand flights. As there is no direct seafreight service between mainland Australia and Norfolk Island, importing goods that are essential to the Island by seafreight from mainland Australia via New Zealand is a long and risky process.

The loss of the direct air service from Auckland has placed even greater pressure on the four-five weekly Air New Zealand flights from mainland Australia. The direct air service from Auckland typically averaged 1,500kg per flight. The success of the airline passenger service from mainland Australia and tourism growth has resulted in year on year increases to inbound passenger numbers over the past 5 years, which has in turn significantly reduced cargo capacity. The existing Air New Zealand flights from mainland Australia are unable to cope with the extra air freight demand since the loss of the Auckland flights.

While there are no identifiable gaps in the demand for inbound freight the challenge for a commercial provider continues to be the outbound load which is often limited. Without a reliable outbound load freight services are forced to charge customers a fee which is not tenable to the market.

In time there may be export markets which take some of this load (particularly in agrifoods and health/beauty industries), however as this develops another plan is required to achieve the air freight goal.

The most likely customer of outbound freight services is Norfolk Island Regional Council who require waste to be removed from Norfolk Island. However, the cost of this service is not something that NIRC can bear alone.

Consultation with a broad range of stakeholders points to a NIRC subsidy for waste removal as being the most equitable and viable means of ensuring a regular air freight service.

## Background

Regional Development Australia facilitated a Freight Roundtable of Norfolk Island Importers, Freight Representatives in June 2018. A list of attendees can be found at (attachment one).

The Roundtable delegates unanimously agreed the current freight arrangements were inadequate, and the following outcomes were desirable:

- A reliable, scheduled airfreight service from mainland Australia
- The airfreight service would run at a minimum of every month
- A dedicated airfreight aircraft is utilised, rather than relying on the Air NZ

## The current freight situation in Norfolk Island

### Air freight

There is currently no regular, dedicated air freight service for Norfolk Island.

Air NZ typically carries 1,500kg on their twice weekly scheduled A320 passenger services from Sydney & Brisbane. Priority is given to passengers' baggage, Australia Post mail, express cargo and perishables before any other air cargo is carried.

Poor weather also causes additional fuel uplift, reducing capacity. In the past, airlines would use Noumea as an alternate landing aerodrome in the event, however since the requirement for passengers to carry a passport from mainland Australia to Norfolk Island was removed in 2016, the airlines have been unable to use Noumea as an alternate. This means that more fuel must be carried when an alternate is required to use Brisbane or Auckland which are a longer flight.

Current General cargo Price to the customer \$2.40/kg  
plus

- Security Charge \$0.13/kg (Minimum \$13.30)
- Airway bill fee \$30.00
- Export Entry \$35.00 (if value of goods over \$2,000)
- Norfolk Island Waste Management Levy \$0.26/kg

The current service is supplemented by the occasional, ad-hoc air freighter aircraft.



### **Sea freight**

There is currently no direct sea freight service from mainland Australia to Norfolk Island. All cargo originating in mainland Australia is shipped from Sydney or Brisbane to Auckland; then transshipped via the Southern Tiare.

The vessel Southern Tiare is scheduled every five weeks from Auckland to Norfolk Island.

### **Current price**

The current price for 1m<sup>3</sup> of seafreight from either Brisbane or Sydney to Norfolk Island is

Base Ocean Freight \$260.00m<sup>3</sup> plus  
Bunker Adjustment Factor \$90.00m<sup>3</sup> (Fuel Surcharge)  
Norfolk Island Stevedoring Surcharge \$17.00m<sup>3</sup>  
Lighterage Ship to Shore \$40.00m<sup>3</sup> (charged by the Council)  
Waste Management Levy \$41.00m<sup>3</sup> (charged by the Council)  
Cartage from Pier to our warehouse \$50.00m<sup>3</sup>  
Customs EDN \$95.00 per shipment

Total \$593.00 for the minimum of 1 cubic metre by sea  
Industry advise tells us that a typical 1m<sup>3</sup> shipment would have a weight of approximately 300kg. This gives an effective rate of \$2.00 per kg\*

\*Not included in these charges is the cost of having the cargo packed onto a Strapped /Wrapped Pallet so that the cargo can withstand the 19 times the cargo will be handled by a Forklift and the Lighterage transport from ship to shore at the Island, or the cost of Marine Insurance. These costs vary quite considerably with each shipment but can add another \$1.00/kg.

NB the ship now servicing Norfolk Island carries only 1,210T freight versus 2,433T carried by the previous seafreight service. This creates further delays in accessing freight on island.

## Current challenges

There are ongoing back logs for air freight cargo and it can often take some months for air freight cargo to arrive after being lodged.

Due to Health and Safety and manual handling laws, cargo carried by Air New Zealand is limited to a maximum of 32kg for each item. There are also size restrictions which further impact on the goods able to be transported by air.

Sea freight is slow. From mainland Australia via Auckland is a minimum of 6 weeks for sea freight to arrive on Norfolk Island. Because of this long voyage many grocery items cannot be sent by sea. The sea freight service also poses difficulties for businesses in key Norfolk Island industries (tourism and hospitality) as the goods are often damaged when they arrive.

All sea freight must be packed onto strapped/wrapped pallets to withstand both the transshipment handling in Auckland, and the lighterage from ship to shore at Norfolk Island. Overall, cargo is forklifted 19 times from lodgment in mainland Australia to delivery to the Norfolk Island importer.

Packing also poses a challenge for cargo leaving Norfolk Island by sea. Freight must be packed into containers (Basel Convention) and there are no container packing facilities on Norfolk Island. Therefore, both packing and unpacking cargo for sea freight is a long and potentially unsafe process.

Sea freight is charged on the volume of the cargo, rather than the weight further disadvantaging the above-mentioned businesses who require bulky goods such as fridges, washing machines and furniture.

The current freight situation also impacts essential services on island. Regular parcel post service from mainland Australia to Norfolk Island takes on average of 3 months to reach Norfolk Island. Access to perishable goods (including fruits and vegetables) is also limited and there have been noted examples of critical medicines being delayed.

Yet, a regular air freight service has been cost prohibitive in the past. This is primarily due to the lack of back load coming from Norfolk Island to the mainland. Norfolk Island Airlines who had previously operated some of the ad-hoc air freighters between mainland Australia and Norfolk Island over the past five years advised that, depending on the type of load (weight versus volume), and the quantity of outward cargo, underwriting of up to \$20,000 per flight would be necessary to make the service viable for a commercial operator.

The local cargo operator, Burnt Pine Travel have operated ad-hoc freighters for several years on demand. Over the past few years, this has been 3-4 per year. These operations have only been possible due to subsidy from either the Commonwealth, Council or Australia Post. This year, Burnt Pine Travel has operated charters in January, May and September. The January charter was an emergency charter to import food products following the cancellation of sea freight services that month. It carried predominantly chilled goods for 2 importers who paid a premium to alleviate a food shortage. The May and September charters were made possible by carrying a full load of Council waste back to mainland Australia. There is an additional service scheduled for October. These services clear the backlogs of cargo and provide space to uplift perishable cargo to Norfolk, however do not return a commercial profit. Importers on these charters pay \$3.65/kg which after forwarders fees and terminal fees represents \$2.75/kg net.

## The business case for a regular airfreight service

The following industries would be the immediate beneficiaries of a regular, reliable air freight service from the mainland to Norfolk Island

### Tourism and Hospitality Industries

- Reliable supply of perishable items
- Reduce potential cargo damage in comparison with sea freight
- By using airfreight over sea freight, Importers can reduce the amount of stock they need to keep on hand by increasing the frequency of their orders
- Alleviate the current time procurement planning takes
- Enable faster turnaround for urgent items which are bulkier

### Agriculture

- Faster turnaround for critical vet supplies

### Freight industry

- A regular air freight service will enable Norfolk Island importers to plan orders with their suppliers in time for the air freight service date
- Enable more thorough planning for bulk orders utilising sea freight services
- Goods can be imported with a much shorter lead time thereby reducing the overhead of storage in Sydney / Brisbane.
- Reduce the amount of stock on hand (3 month worth by seafreight as opposed to 3 weeks via airfreight) reducing risk of loss to the importer
- Relieve excess demand

### Other

- Importing of essential testing equipment that is too large for airline freight services. This includes fuel gauge/meter calibration equipment required annually to allow fuel supply (aviation and domestic)
- Importing and re-exporting medical testing equipment
- Importing fragile larger items such as solar hot water systems and panels and whitegoods, not suitable for seafreight and too large for airline airfreight

The following social, health and community impacts should also be taken into consideration

### Provision of essential services

- improve regular supply of perishable and fresh foodstuffs to the Island
- With the regular parcel post service from mainland Australia to Norfolk Island currently taking an average of three months, air freight would present a significant improvement.
- Free space on the scheduled Air New Zealand flights thereby increasing capacity to uplift mail, fruit, vegetables and other perishables weekly
- A regular air freighter service would complement the Air New Zealand passenger services to Norfolk Island. It would:
  - Relieve excess demand
  - Enable importation of urgent, heavier items and
  - Allow importers to plan bulk shipments in line with scheduled freighter dates

## **Freight demand**

### **Inbound**

There is no shortage in demand for inbound freight services. At the time of writing this, there is presently over 12,000kg in backlogged cargo in mainland Australia with considerably more which is unable to be delivered to forwarders as they are not accepting more cargo until the backlog is cleared. By surveying the 3 largest airfreight importers on the Island, there is the following demand for a regular freighter service:

#### **Foodland Supermarket**

Alone has indicated a monthly air freight order of close to 30% of available inbound freight capacity (based on a monthly service) including:

- 1,000kg potatoes
- 1000kg perishable dairy and delicatessen lines and
- 1,000kg of mixed grocery lines

Foodlands have experienced regular offloads of fresh produce which includes fresh milk and gluten free products essential to certain diets. Due to capacity restraints, shipments must be smaller which increases the cost of the product to the consumer due to the high cost of inspection fees, documentation, etc. spread over a smaller shipment. A freighter service would ensure regular uplift of essential foods, potentially decrease the cost and greatly reduce the losses due to offloading cargo.

Should there be a regular freighter service, Foodlands have expressed a required volume of 4,000-5,000kg per month for a monthly service or 2,000-2,500 per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.

#### **Slicks & Sons (Butchery)**

Due to capacity issues by air, Slicks and Sons have moved a \$AUD35,000 shipment of chilled stock by seafreight via Auckland. This includes beef, lamb, cheese, bacon, ham and small goods. Due to delays in the shipping the shipment is not now due until 24-26OCT which means it has been in transit for over 2 months. By the time the shipment arrives on Norfolk, 80% of it will be passed used by date. Aside from the large loss in this case, the impact on the company of having large amounts of money tied up in stock is a drain on cashflow and a burden to the business.

Slicks & Sons have experienced regular offloads of their air cargo. This can be often for 1-2 weeks. Most of the airfreight imported has a short shelf life of 10-14 days such as milk, cheese, and dairy. Cargo offloads risk making the stock unsellable or at least significantly reduce the period they must sell the stock once received.

Slicks and Sons butchery have imported perishables on each freighter operated over the past 2 years. General uplift is 3-4 tonne. If there was a regular freight service, they have committed a need for 2,000-3,000kg per month for a monthly freighter or 1,000-2,000kg per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.



#### **Norfolk Island Building Supplies/Pete's Place**

This company is the largest importer into Norfolk Island. They have a large import business by sea for traditional seafreight items such as building materials. By airfreight, the companies combined would contribute over 1,000kg per week in airfreight from mainland Australia. The company has had significant offloads from and has been unable to stock their shelves. At the time of writing this, the company has over 3,000kg of cargo being held at freight forwarders in Sydney and Brisbane awaiting uplift, and more freight at the supplier unable to be delivered to the forwarders.

If there was a regular freighter service, the company has expressed a requirement for 4,000kg capacity per month for a monthly service or 2,000kg per fortnight for a fortnightly service. Commitment based on a sell rate to the importer of \$3.65/kg.

A B737 freighter aircraft flying from Brisbane to Norfolk Island has a practical capacity of 10-12 Tonne depending on variables such as weather. The three larger importers between them have a cargo requirement of approximately 11 tonne per month by themselves. The demand for airfreight will only increase as passenger numbers on the airline service increase. In addition, the developing cruise industry into Norfolk Island will put greater demand on the need for airfreight. The industry is expanding from 4 cruise ship visits in 2019 carrying 2,900 passengers to 13 visits in 2020 placing over 16,000 cruise passengers on Island for a day that year.

#### **Outbound**

The key challenge in creating a viable air freight service is to maximise the outbound load.

The cost of a freighter charter needs to be recovered by the freight uplifted. The B737 freighter can practically carry 10 Tonne into Norfolk and 12 tonne out. If the aircraft is full in both directions, then the costs are divided over 22 tonne. Given that there is no real cargo backload to mainland Australia, the costs of the aircraft must be divided over the 10 tonne of imports to Norfolk. Without a backload cargo, the cost required per kilogram on 10 Tonne to cover costs is uneconomical.

While there is a small demand for outbound freight generated via postal services, the primary entity likely to use the service is Norfolk Island Regional Council who will dispose of e-waste, metals and perhaps into the future asbestos. Burnt Pine Travel has this year operated 2 services uplifting E-waste and whitegoods waste with another due in October.

At present there is 137 Tonnes of Asbestos awaiting approval for uplift to mainland Australia. In addition, the Island has imported and is installing a waste baler to bale waste that was previously disposed of on Island and now needs to travel directly back to mainland Australia due to international law. Without a seafreight service between mainland Australia and Norfolk Island, airfreight is the only option at present. Once operational, it is estimated by Council that it will produce 300-500 Tonnes of waste per year for export to mainland Australia.

There is also a small and sporadic market in shipping the person effects of seconded government staff back to the mainland following contracts.

While there is not a high demand for product export currently, there is scope to enhance business activities in this area, particularly in the agrifoods and beauty industries.

## Proposal

Following conversations with on Island businesses (including freight service providers), Norfolk Island Regional Council and the representatives of the Department of Industry, Regional Development and Cities, the preferred business proposal follows.

Funding is provided to Norfolk Island Regional Council to subsidise waste removal from Norfolk Island to the mainland.

The proposal offers 2 solutions which provide a range of commitment which in turn provides a range of outcomes.

The local Aircraft Ground Handler and Freight Operator, Burnt Pine Travel currently has facilities and equipment to operate and handle the adhoc freighter operations. If a scheduled freighter service was implemented for a period of 24 months, the company would require approximately \$155,000 to purchase and import handling equipment required to efficiently operate a fortnightly or monthly freighter service. Subject to the number of services and the duration of the contract, the operator would self-fund this equipment.

## Scenario

The following table would represent the user cost for freight based on the following assumptions

### Assumptions:

- Based on two options
  - Option 1 - Average of one flight per month
  - Option 2 - Average of one flight per fortnight
- over a twenty-four-month period
- With a guaranteed load of ten Tonnes inbound and twelve Tonnes outbound per flight
- a Norfolk Island Regional Council budget of \$150,000-\$250,000 per annum for waste removal
- The Norfolk Island Regional Council makes ready a minimum of twelve tonne of waste for uplift on each service

### Subsidy scenarios

Scenario	Freighter Service per year	Proposed commonwealth subsidy (Annual)	Norfolk Island Regional Council waste removal budget (annual)	Resulting unit cost for inbound cargo to Norfolk Island	Minimum uplift of Waste from Norfolk Island to mainland Australia (tonnes)	Minimum Cargo capacity from mainland Australia to Norfolk Island (tonnes)
1	12	\$360,000	\$150,000	3.65/kg	144	120
2	12	\$360,000	\$150,000	3.65/kg	144	120
3	26	\$780,000	\$250,000	3.65/kg	312	260
4	26	\$780,000	\$250,000	3.65/kg	312	260

## **Attachment one – Freight Roundtable meeting minutes**

### **Attended by:**

Duncan Evans (Transam Argosy Shipping & NI Accommodation Manager)

Teresa Cook (Norfolk Forwarding Services)

Grant Gardener (Burnt Pine Travel Cargo)

Dave Jeffrey (NI Mechanical)

Peter Meers (Woodward's Agencies/Pete's Place)

Suzy Merriment (on behalf of Charles Christian-Bailey – Christian Bailey Agencies)

Bruce Taylor (NIRC)

Peter Walkinshaw (Foodland)

Tim Cotter (AusIndustry)

Jan Johnson (RIO RDANI)

### **Via phone:**

Bart Murray (Burnt Pine Travel Airport Services and Cargo)

s22

Absent      Pauline & Michael Porter (Pumpkin's Patch fresh food importers)

Facilitated by: Kerry Grace, DRD RDAMNC and RDANI



s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Tuesday, 23 October 2018 5:32 PM  
**To:** s22  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

That's great news. I have the final draft contributed to by Bart, Duncan and Bruce on my screen. Completing now to send to you. Be back to you shortly.

**From:** s22 y@infrastructure.gov.au  
**Sent:** Tuesday, October 23, 2018 5:03 PM  
**To:** Kerry Grace <ceo@rdamnc.org.au>  
**Subject:** Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry, are you able to give me an update please on the likely timing of the freight proposal? I now have the Minister's office interested, based on a briefing from Eric. I had told them that it would be with us at the end of last week – they are keen to find out where it is up to. This interest is a good sign.

In addition to this interest, we are rapidly approaching the deadline for preparation of budget submissions so I really need to get the proposal from you soon please.

Thanks,

s22

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s22

**From:** s22  
**Sent:** Friday, 12 October 2018 3:16 PM  
**To:** Kerry Grace (ceo@rdamnc.org.au)  
**Subject:** FW: Freight proposal [SEC=UNCLASSIFIED]

**From:** s22  
**Sent:** Friday, 5 October 2018 3:43 PM  
**To:** Kerry Grace (ceo@rdamnc.org.au) <ceo@rdamnc.org.au>  
**Subject:** FW: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry, on re-reading Bart's email, I decided to give him a full response, which I am forwarding on to you so that you are aware of the issues that I see need to be addressed.

Regards,

s22

s47G

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S47G

S47G

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Friday, 5 October 2018 9:34 AM  
**To:** s22  
**Subject:** FW: Freight proposal

Hi s22 just letting you know I've spoken with Bart about this email this morning and discussed the proposal / recommendation coming from RDA. He's happy to move forward with that and I'll have the draft ready Monday PM.

Have a good weekend.

**From:** Bart Murray <bart@burntpinetravel.nf>  
**Sent:** Friday, October 5, 2018 9:31 AM  
**To:** Kerry Grace <ceo@rdamnc.org.au>  
**Subject:** FW: Freight proposal

Hi Kerry,

As discussed. Thanks for your time on the phone today.

Cheers,  
Bart.

S47G and 47F





S47G and 47F

S47G and 47F

s47G and 47F

s22

**From:** s22  
**Sent:** Tuesday, 2 October 2018 2:01 PM  
**To:** Kerry Grace  
**Subject:** RE: Freight proposal [SEC=UNCLASSIFIED]

Hello Kerry, I believe that the proposal would best come from RDA, with information on the roundtable process and details of NIRC's support.

Very much looking forward to receiving this proposal.

Regards,

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Monday, 1 October 2018 10:14 AM  
s22, @infrastructure.gov.au>  
**Subject:** Freight proposal

Hi s22, quick question regarding Freight proposal – who should it come from? The collective of entities represented at the Roundtable / RDA or NIRC ????

My thinking is that it would be better coming either from RDA or NIRC.

I'm working with Duncan and Bart to get the document completed in the following week, will keep you posted.

Kerry Grace  
Director of Regional Development  
Regional Development Australia Mid North Coast and Norfolk Island  
[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)  
(02) 5525 1500

Join us for Ignite MNC on 7 November in Bellingen featuring Clare Bowditch and Dr. Gregory Smith Tickets [here](#)



We acknowledge and pay our respects to the Traditional Custodians of the Land and Elders past and present.

s22

**From:** Kerry Grace <ceo@rdamnc.org.au>  
**Sent:** Monday, 1 October 2018 10:14 AM  
**To:** s22  
**Subject:** Freight proposal

Hi s22 quick question regarding Freight proposal – who should it come from? The collective of entities represented at the Roundtable / RDA or NIRC ????

My thinking is that it would be better coming either from RDA or NIRC.

I'm working with Duncan and Bart to get the document completed in the following week, will keep you posted.

Kerry Grace  
Director of Regional Development  
Regional Development Australia Mid North Coast and Norfolk Island  
[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)  
(02) 5525 1500

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We acknowledge and pay our respects to the Traditional Custodians of the Land and Elders past and present.

s22

**From:** s22  
**Sent:** Friday, 28 September 2018 11:16 AM  
**To:** Kerry Grace (ceo@rdamnc.org.au); Duncan Evans (duncan@endeavour.nf); Grant Gardner  
**Subject:** NI Freight proposal [SEC=UNCLASSIFIED]

Hello all, hoping you are well as we near the end of the week.

Looking to the medium term, we are planning for budget submissions over here. This means that, if additional support for freight is to be considered, I'm going to need to get the proposal within the next two weeks. The Minister's office is aware of it as we've been letting them know that it is on the way.

Could you please let me know how you are going and when you think I might be able to see a document setting out the proposal?

Thanks very much,

s22



**Australian Government**  
**Department of Infrastructure,**  
**Regional Development and Cities**

s22

**From:** [REDACTED]  
**Sent:** s22 Wednesday, 15 August 2018 10:00 AM  
**To:** [REDACTED]  
**Subject:** FW: HPRM: NI FREIGHT meeting [SEC=UNCLASSIFIED]  
**Attachments:** 15\_6 Freight meeting notes.docx

Hi s22

Here is an email that has the freight round table meeting notes

Kind regards

s22

**From:** s22  
**Sent:** Wednesday, 27 June 2018 3:33 PM  
**To:** s22 <[REDACTED]@infrastructure.gov.au>  
**Subject:** FW: HPRM: NI FREIGHT meeting [SEC=UNCLASSIFIED]

**From:** Kerry Grace <[ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)>  
**Sent:** Monday, 18 June 2018 3:36 PM  
**To:** s22 <[REDACTED]@infrastructure.gov.au>; [rio@rdanorfolkisland.org.au](mailto:rio@rdanorfolkisland.org.au)  
**Subject:** HPRM: NI FREIGHT meeting

Hi s22, hope you are well. Wednesday suits me to meet on phone as well. We may have difficulty getting Jan on the line but can try.

I've attached the minutes and actions following the Freight meeting last week. Jan can you please distribute to the meeting attendees.

Thanks both, have a great day,  
 Kerry

**Kerry Grace** | Director of Regional Development  
[Facebook](#) [Instagram](#)

T: 02 5525 1500  
 D: 0404 88 7473  
 E: [ceo@rdamnc.org.au](mailto:ceo@rdamnc.org.au)  
 W: [www.rdamnc.org.au](http://www.rdamnc.org.au)



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*We acknowledge the Traditional Custodians of the land and pay our respects to Elders past and present.*

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15 June 2018

**MEETING NOTES:**

Topic: Freight meeting

Attended by:

Duncan Evans, (Transam (Transam Argosy Shipping & NI Accommodation Manager)

Teresa Cook (Norfolk Forwarding Services)

Grant Gardener (Burnt Pine Travel Cargo)

Dave Jeffrey (NI Mechanical)

Peter Meers (Woodward's Agencies/Pete's Place)

Suzy Merriment (on behalf of Charles Christian-Bailey – Christian Bailey Agencies)

Bart Murray (Burnt Pine Travel Cargo)

Bruce Taylor (NIRC)

Peter Walkinshaw (Foodland)

And Tim Cotter (AusIndustry)

Jan Johnson (RIO RDANI)

s22

Absent Pauline & Michael Porter (Pumpkin's Patch fresh food importers)

Facilitated by: Kerry Grace, DRD RDAMNC and RDANI

**Meeting notes:**

A small group representing Norfolk Island air freight interests was invited to attend the Freight Round Table.

The meeting was hosted by Eric Hutchinson, Administrator Norfolk Island.

Gregg Prechelt (Norfolk Island Air) submitted an apology and an email response to the Administrator.

Meeting purpose was to agree a strategy to improve Norfolk Island air freight services.

It was anticipated the initiative would broaden to involve other stakeholders as necessary and appropriate

**Outcomes and agreed action:**

The following actions were agreed upon

**Goal:** A reliable, scheduled and regular (air)freight service from Mainland Australia

**Output:** RDANI will produce a freight prospectus and various stakeholders will contribute information to the document in the following manner

**Tasks:** (following)

What	Who	Due
<b>Generate content and send to Jan Johnson (RIO)</b>		No later than 3 July 2018
• Price – how much do people pay for freight	Grant	
• Location/s – information about Sydney, Brisbane and Auckland		
• Mode – (pros and cons of air and sea)	Teresa and Duncan (air) Bart and Grant	
• Timing (what freight is appropriate for sea / what is for air)	Bart, Peter M, Peter W and Grant	
• Underwriting – what is feasible, ideas		
• What is coming in to NI and what is going out?	Teresa and Grant (INCOMING) Bruce (OUTGOING)	
• What is the capacity to develop more product to go out?	Bruce, Jan	
• What space exists now? Particularly empty space on flights going OUT	Grant, Bart	
• What is the anticipated demand for smaller importers	Dave	
• What is the anticipated demand for larger importers?	Grant	



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NORFOLK ISLAND

• What is the levy for air and sea?	Bruce	
• Build Business Case	Duncan / Jan	
Notify community about meeting in Norfolk news	Eric	22 June 2018
Draft document	Duncan/Jan	17 July 2018
Document displayed / circulated for community input		24 July 2018
Final document produced and sent to DIRDC		31 July 2018