



AUSTRALIAN
AIRPORTS
ASSOCIATION

Freight and Supply Chain Inquiry
Department of Infrastructure and Regional Development
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28 July 2017

Discussion Paper – Inquiry into National Freight and Supply Chain Priorities

Dear Sir/Madam,

I am writing to you in relation to the Discussion Paper for the Inquiry into National Freight and Supply Chain Priorities. The Australian Airports Association (AAA) welcomes the opportunity to provide input into this consultation process as we believe airports will continue to play an important role in Australia's National Freight and Supply Chain.

The AAA is the national industry voice for airports in Australia. The AAA represents the interests of more than 260 airports and aerodromes Australia wide – from local country community landing strips to major international gateway airports. The AAA's members include Adelaide, Brisbane, Cairns, Canberra, Darwin, Gold Coast, Hobart, Perth, Melbourne and Sydney airports. There are a further 140 corporate members who provide goods and services to airports. The Charter of the AAA is to facilitate co-operation among all member airports and their many and varied partners in Australian aviation, whilst maintaining an air transport system that is safe, secure, environmentally responsible and efficient for the benefit of all Australians.

The AAA supports the Government's proposal for the development of a National Freight and Supply Chain Strategy, particularly considering the historical and forecast growth of the freight sector. As Australia continues to expand both its domestic and international trade programs, it will be essential to have a national strategy that supports a safe, secure and efficient freight system that also meets community expectations and boosts the nation's economy.

The AAA believes Australia's airports have a critical role to play in facilitating efficient and sustainable growth in the air freight sector and I trust you will find the following submission provides useful input into the development of the National Freight and Supply Chain Strategy.

I would welcome the opportunity to discuss any of these issues with you further and should you have any questions, please do not hesitate to contact me via Simon Bourke (AAA Policy Director) on 02 6230 1110 or sbourke@airports.asn.au.

Yours sincerely,

Caroline Wilkie
Chief Executive Officer

1. The role of airports in freight

Australia's network of airports, across major urban centres and regional areas, form an integral part of the national economic infrastructure and are critical to connecting communities and enhancing broader economic performance. Perhaps more than almost any other country, Australia relies on an efficient and reliable aviation sector and airport network for its citizens to remain connected with each other and the rest of the world. This is particularly important in the context of freight and supply chains, where Australian business and consumers are now able to order or transport goods from or to Australia from almost any other country in around 24 hours or less.

While airports are primarily associated with the transportation of passengers over long distances in relatively short timeframes, they play an equally critical role in assisting businesses to move high value and time sensitive goods across Australia and around the world. The importance of air freight has only increased in recent years with the globalisation of Australia's economy and the rise of the 24 hours a day, 7 days a week business cycle.

Air freight is particularly important for same-day and overnight transport for time-critical or perishable goods such as seafood, medical supplies, newspapers, banking and express post. Air freight also supports increasingly popular manufacturing and trade models – for example, 'just-in-time' business practice, where component parts or stocks are maintained in a limited number of central depots and dispatched as required. Retailers are able to reduce inventory, freeing up capital and reducing wastage for perishable goods. The quicker transit times also allow businesses, including importers and exporters, to be more responsive to immediate market needs, taking advantage of market and price (including exchange rate) opportunities.

Consumers have also become increasingly sophisticated, where they are now able to readily compare goods and prices across the world through the internet and arrange for door-to-door delivery with the click of a button. This connectedness has given rise to demand for fast and efficient delivery of products and services. The rise of on-line retail has created challenges for traditional business models and delivery systems. Government postal systems around the world have faced increasing competition from specialist courier companies seeking to differentiate from previous delivery systems through speed and reliability, these companies are highly dependent on an efficient and reliable aviation network. Individual consumers and businesses now have access to a growing variety of imports and exports due to the increased speed and efficiency of air freight services.

Airports provide the critical infrastructure link that connects suppliers, air freight services and ground transport services to ensure the efficient movement of high-value and/or time sensitive goods. It is therefore important to ensure that the National Freight and Supply Chain Strategy focuses on removing any unnecessary constraints that may limit the ability of airport infrastructure to support a growing freight sector.

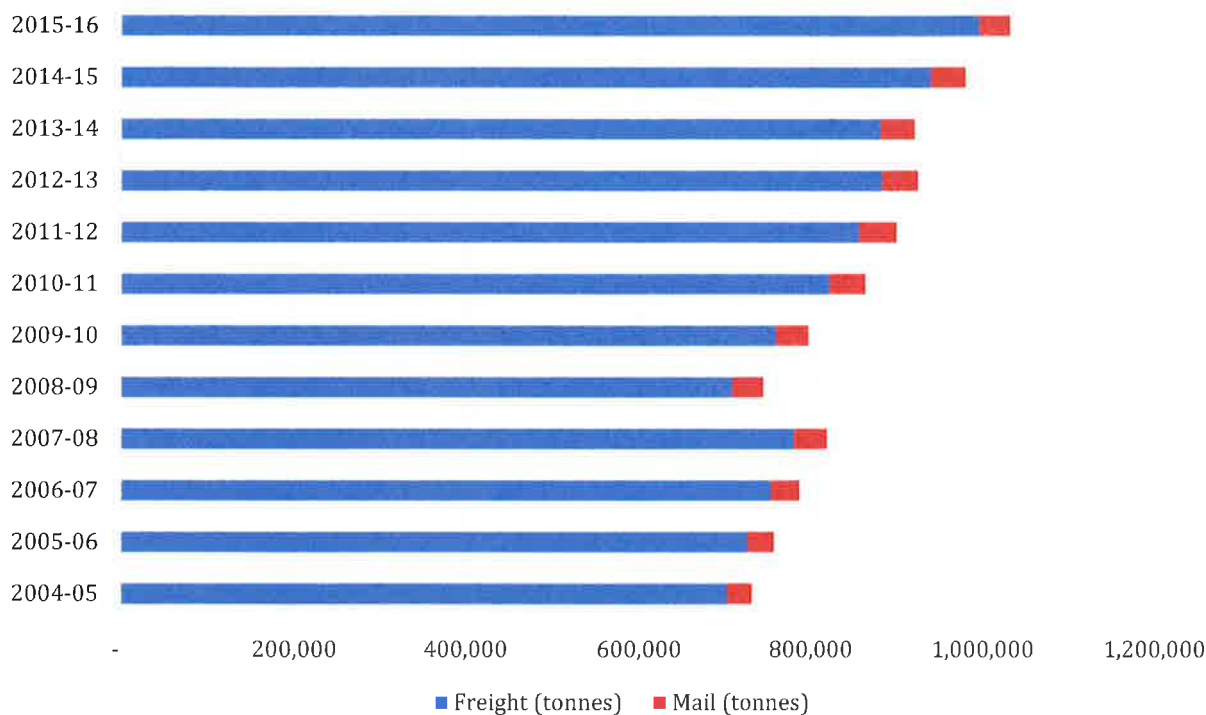
2. Australia's air freight market

While air freight is only a tiny fraction of Australia's international freight sector by weight (only 0.1 per cent), it is over 21 per cent of freight by value. Air freight is ideal for small high value, time-critical goods – it is not suitable for bulk shipping. Low density and/or high value commodities, such as newspapers, parcels, perishables, precious metals and gemstones, comprise the primary share of freight volume.

Given that air freight is used primarily for low-volume, high-value items, the average value of air cargo by weight, is in the order of 300 to 350 times that of sea cargo.¹ International air freight was worth over \$110 billion in 2011–12, making up over 21 per cent of total trade by value (17 per cent of total exports and 26 per cent of total imports).²

As demonstrated in the following graph, between 2005-06 and 2015-16, the volume of international air freight has grown considerably.

Australian Total International Freight by Financial Year



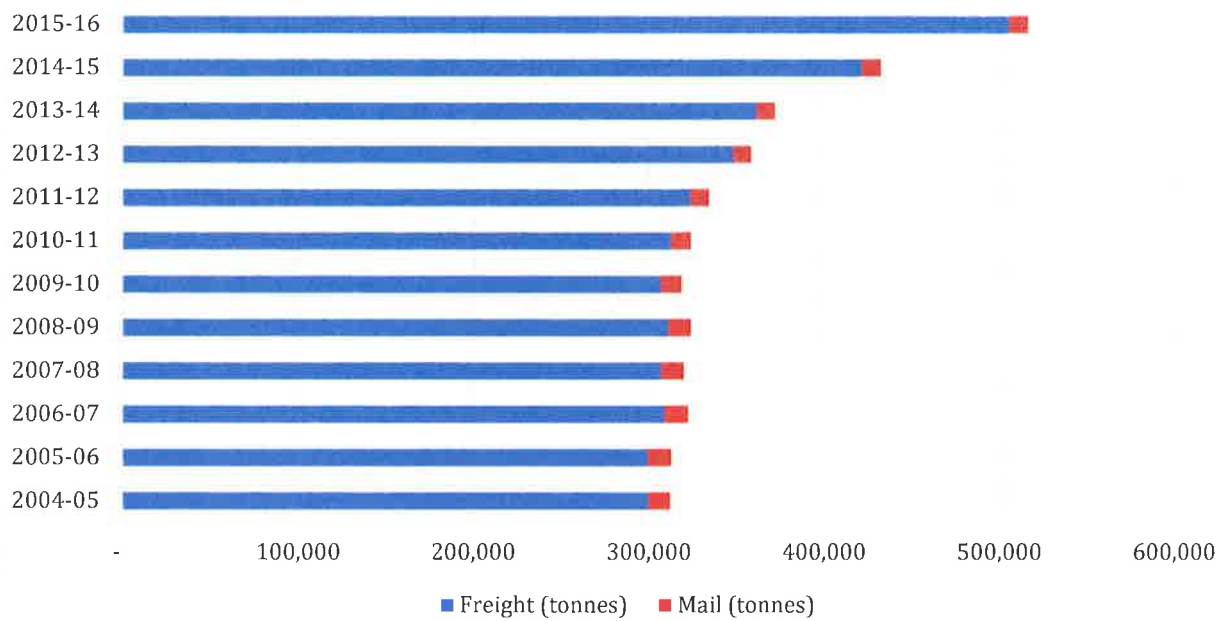
Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE), International airline activity, Statistical Reports, BITRE, Canberra ACT, 2006 – 2017.

The total volume may be split into inbound and outbound air freight. Both inbound and outbound have grown over the decade from 2006, however there is a marked increase commencing in the 2012-13 financial year in outbound air freight.

¹ (The average value of air cargo is \$117.90 per kg versus 36c per kg for sea cargo (Booz & Company analysis of Australian Transport Statistics 2007, BITRE 2005–06).) From *Joint Study on aviation capacity in the Sydney Region*, 2012, p89.

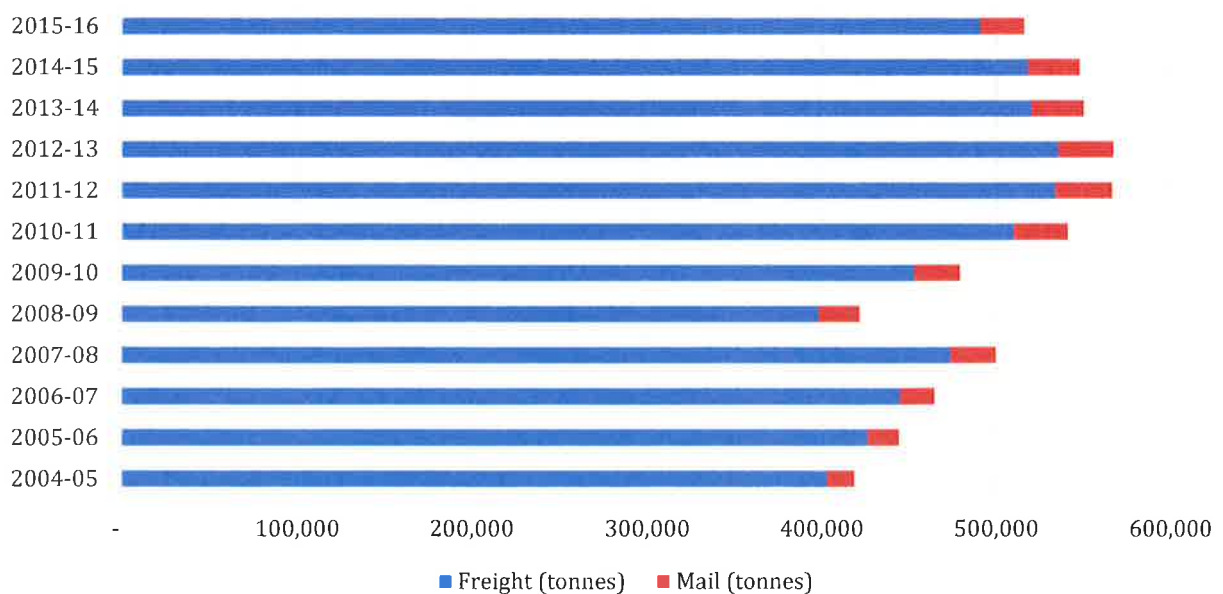
² Bureau of Infrastructure, Transport and Regional Economics (BITRE) 2014, *Freightline 1 – Australian freight transport overview*, BITRE, Canberra, p 7.

Australian Outbound Air Freight By Financial Year



Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE), International airline activity, Statistical Reports, BITRE, Canberra ACT, 2006 – 2017.

Australian Inbound Air Freight By Financial Year



Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE), International airline activity, Statistical Reports, BITRE, Canberra ACT, 2006 – 2017.

Domestic air freight accounts for less than 0.01 per cent of total domestic freight movements, mainly comprising of newspapers, parcels and other light goods transported between capital cities in dedicated freighters or in freight holds of regular passenger service aircraft³. For local communities,

³ Ibid, p 6.

air freight to regional airports remains an important link to alternative suppliers of goods encouraging competition by local retailers.

Due to the small volumes involved, air freight is ideally suited for carriage in passenger aircraft. In the *Joint Study on aviation capacity in the Sydney Region*, it is estimated 70 to 80 per cent of freight is carried in the cargo hold of regular public transport aircraft.⁴ As the majority of freight is carried in the cargo hold of passenger aircraft the major air freight handling facilities have become co-located with passenger operations at major airports.

The carriage of freight, on passenger services, contribute to the viability of the route overall. Domestically and internationally there are some freight-only services, however they are in the minority and are often irregular or specialist. Currently there are no freight only airports operating in Australia. Given the low volume of air freight and the current level of investment by the major airports to service air freight, it is unlikely a freight only airport will develop in the foreseeable future.

Manufacturers of high value, low-density products trade-off the savings in inventory costs for costs of using air travel more frequently. The high value commodity groups— pharmaceuticals, mobile phones and computer equipment—together accounted for over 30 per cent of total air imports, by value, in 2011–12. Medicinal and pharmaceutical products are the largest air export commodities.

3. Airports and the National Freight and Supply Chain Strategy

Capital city airports have become part of multi-modal transport hubs, servicing both dedicated freighter aircraft and passenger aircraft. The major airports have invested heavily in the provision of air freight facilities, however to be functional as effective hubs for both passengers and air freight airports require efficient and reliable land transport connections.

To facilitate this connectivity many airports have funded capital works providing improved land access for both passengers and road freight vehicles. As a result, national and regional freight nodes have developed in proximity to airports, with high levels of investment in the facilities to provide for state of the art logistics.

Land use Planning and Airport Safeguarding

To ensure the continued efficient movement of freight at airports, it is essential the land surrounding the airport be properly protected from inconsistent developments that either impede aviation operations or ground transport access to the airport. It is important that the National Freight and Supply Chain Strategy recognise the impact that land use planning decisions can have on the operational efficiency and capacity of airports and their ability to be effective freight hubs.

Airspace Protection

The erection of structures that physically intrude into the protected airspace surrounding airports can impact on the safety and operational efficiency of aircraft seeking to use an airport. But so too can other developments that are less obvious. For example:

- insensitive residential developments under flight paths may lead to complaints about aircraft noise and eventually lead to the introduction of operational restrictions, curfews or even the closure of an airport;
- industrial activities that generate smoke or similar hazards may constrain use of an airport by impacting safe aircraft operations; or
- other activities such as agriculture, animal husbandry or wetland developments may attract birds or other wildlife and pose a distinct hazard to aviation.

⁴ *Joint Study on aviation capacity in the Sydney Region*, p 316

Protection of airspace surrounding an airport is as critical to the safety and efficiency of an airport as the safe design, maintenance and operation of on-ground infrastructure such as runways, taxiways, terminals and navigational aids. However, while ground infrastructure deficiencies can be subsequently modified, once airspace surrounding an airport is lost it is gone forever and limits future airport growth.

There is no uniform statutory regime that requires developments around airports to be subjected to scrutiny to assess their potential impact upon an airport. The Civil Aviation Safety Authority (CASA) has some limited capacity under regulations made under the *Civil Aviation Act 1988* to approve or not approve buildings or structures in limited areas around airports, but only in respect of Sydney, Bankstown, Moorabbin, Adelaide, Melbourne and Essendon airports. The Secretary of the Commonwealth Department of Infrastructure and Regional Development has some capacity to act to protect airspace around leased Commonwealth airports under the *Airports (Protection of Airspace) Regulations 1996*. This legislation however, does not provide any comprehensive protection for Australia's airports. As a result, State, Territory and local town planning policies and controls are critical for effective airport safeguarding, which aims to prevent or mitigate these issues for the benefit of the whole community.

Appropriate airspace protection ensures the safety, efficiency and regularity of existing and future operations are sustainable. For these reasons, an airport's airspace must be regarded as an integral part of the airport. Land use planning, development assessment and approval procedures need to take into account these airspace requirements, and this applies equally to the airport land, as well as the land around the airport.

Ground Transport and Facilities Access

Investment in airport precincts, as an enabler of future economic growth, can be heavily contingent on good planning decisions. Lack of awareness of airport operations, including ground transport and facilities access requirements for dependent industries (particularly freight) can lead to poor land use planning around airports and detrimental economic outcomes.

The National Freight and Supply Chain Strategy must consider the connectivity arrangements that are in place between freight facilities and airports. Airports are increasingly investing in their own ground transport networks to ensure an efficient flow of vehicles to and from these facilities, however this also needs to be complemented by appropriate road and rail networks beyond the airport. It is essential that all levels of Government recognise the importance of investing in ground transport infrastructure that ensures efficient connectivity to the airport. This connectivity must be maintained in order to minimise constraints in the freight supply chain and therefore should be reflected in the national strategy.

In addition to appropriate supporting road and rail infrastructure, it is equally important to maintain an adequate supply of appropriately zoned employment lands around the airport. This will be critical in preparing for the considerable forecast growth in aviation and freight, which to operate efficiently will require supporting developments in close proximity to the airport. Such developments would include freight centres, logistics centres and warehousing, in addition to appropriate vehicle storage/processing and road access. By recognising the importance of appropriate land use planning policies in the National Freight and Supply Chain Strategy, this will assist in ensuring that state and local governments continue to improve their respective jurisdictional planning policies to recognise the importance of airport safeguarding.

Airport Safeguarding

Airport safeguarding is the implementation of planning measures designed to ensure the safe and efficient operation of aircraft utilising airports, while minimising any potential negative impacts of aviation operations on the communities surrounding airports.

The National Airports Safeguarding Framework (NASF) is designed to address the lack of a uniform statutory regime for airport safeguarding in Australia and was agreed to by Commonwealth, State and Territory Ministers on 18 May 2012.

The NASF is a national land use planning framework aiming to:

- improve community amenity by minimising aircraft noise-sensitive developments near airports including through the use of additional noise metrics and improved noise-disclosure mechanisms; and
- improve safety outcomes by ensuring aviation safety requirements are recognised in land use planning decisions through guidelines being adopted by jurisdictions on various safety-related issues.

The AAA strongly advocates for the adoption by all state governments of the NASF Guidelines within their respective state planning schemes, so the principles of airport safeguarding can be given the appropriate regulatory force necessary to be effective. The AAA believes it would be very beneficial for the National Freight and Supply Chain Strategy to formally recognise the NASF arrangements, highlighting the importance of state government implementation into planning policies to ensure Australia's air freight and supply chain is not unnecessarily constrained.

The AAA believes airports have an obligation to be aware of how operations impact on local communities, however, equally communities also have an obligation to ensure airports can continue to operate safely to serve the community where they are located. It is important airports work with local communities to prevent, or at the very least mitigate, issues arising from inconsistent land use developments to ensure the airport continues to benefit the whole community. While restrictions such as curfews can have a positive impact for residents in proximity to airports, they can also act to curtail investment and significantly limit the operational capacity of an airport, which in the long term can have a negative economic impact on the community.

Other Considerations

As well as capital city airports, a number of regional airports are seeking direct access to overseas markets, in particular to supply perishable food items. For example, Wellcamp Airport in Queensland has recently welcomed a weekly direct freight service to Hong Kong, opening an additional transport route for local suppliers. The National Freight and Supply Chain Strategy would benefit from giving consideration to ensuring appropriate connectivity arrangements can be facilitated for freight opportunities at regional airports, particularly those in areas with significant farming and produce industries.

Australia's international competitiveness and economic wellbeing is underpinned by a reliable and efficient air transport sector, of which air freight is an increasingly important component. It is essential that the National Freight and Supply Chain Strategy appropriately recognises the important facilitation role airports play in Australia's supply chain and ensure that critical issues related to land use planning and airport safeguarding are incorporated into the strategy.