

Application For Declaration of FAC Services

(a/b) Applicant's Name & Address

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(c) Declared Service

The services we seek to have declared are the services provided by the FAC where by an organisation such as ACTO can gain access to international aircraft for the purpose of loading and unloading those aircraft or gain access to freight that has been unloaded from an international aircraft or to deliver freight to be loaded on to international aircraft.

FAC services in this regard have two main components;

1. Provision of space on airport where ACTO can operate, park and maintain its equipment and
2. Permission to bring equipment onto the airport and operate equipment on the airport and in relation to international aircraft.

In the normal daily operations of international airports the FAC, in Sydney and Melbourne, controls and supervises the landing and takeoff activities on its runways and the loading and unloading of international aircraft on airport apron areas. The FAC constructs and supervises these apron areas, which are located at the international passenger terminal where passenger aircraft park and the international cargo terminals where passengers and freight can easily access or disembark aircraft. These parking bays and the surrounding hard stand and passenger terminal facilities are all part of the infrastructure which enables loading and unloading of aircraft. ACTO is concerned with operations on the airport for the purpose of loading and unloading aircraft and is therefore concerned with gaining access to apron space near international aircraft to perform these services.

The FAC's role in this regard is to make space available where international passenger and freighter aircraft are located for the purpose of loading and unloading. The FAC also makes space available on the airport apron space where equipment can be parked when not in use so that organisations wishing to use equipment on the airport are able to locate and park equipment in a permanent location when the equipment is not being used. The FAC also provides and supervises access roads to and from apron space.

In supervising apron operations the FAC has a regime for providing "airport security passes" and "on airport drivers licenses". Through these permissions the FAC controls which persons and organisations have airport access and therefore which organisations have permission to bring equipment onto the airport and operate that equipment on airport. Within this role the FAC has a responsibility to ensure airport operations are safe for passengers and on airport employees.

ACTO seeks access to apron space near international aircraft parking bays in a number of different ways :

- direct truck access to main deck loaders serving freighter aircraft
- access to dollies used to transport freight to / from passenger and freighter aircraft
- permission to operate equipment such as main deck loader and lower deck loader to load and unload international aircraft.
- space to park equipment required to provide ramp and cargo handling services

In making this request ACTO is not seeking to establish operations that can in any way be considered unsafe. The operations ACTO proposes are common practice on the airports today under the purview of Qantas and Ansett and are common practice on overseas airports. ACTO is merely seeking permission to operate in a way comparable to and compatible with the way that Qantas and Ansett are permitted to operate by the FAC.

Explanation

Australian Cargo Terminal Operators (ACTO) provides CTO services to international airlines by taking freight, on pallets and in unit load devices, from international aircraft to an off airport warehouse. ACTO has no option but to be an off airport operator because on airport facilities are not available in the short term in Sydney or Melbourne. To do so ACTO needs to be able to load trucks with freight that has been unloaded from inbound aircraft and unload freight from trucks so as to enable outbound aircraft loading. This truck loading and unloading activity must take place on airport. **The FAC service we seek to have declared is the FAC's control of access to the freight apron or hard stand and the passenger aircraft apron where ACTO truck loading and unloading can be done.**

ACTO has established all of the other requirements to conduct this process including Australian Customs Service and Australian Quarantine Inspection Service agreement, provisioning of trucks and equipping of warehouses, development of the associated information systems and cargo handling procedures. In doing so ACTO has made considerable investments and designed a process which is new to Australia albeit commonly used and well proven around the world.

The FAC is empowered under the Federal Airports Corporation Act to determine organisations which are permitted to conduct activities on airport. Within this mandate the FAC has allocated airport space to on airport ground handling services suppliers. These operators have had the exclusive right to provide Ramp and CTO services by virtue of their on airport location and by virtue of Australian Customs requirement (until recently) that freight be "inspected" on airport. These organisations have the exclusive right to operate on the airport apron as Ramp Operators and as CTOs.

These existing Ramp and CTO service providers conduct two kinds of operations on the freight apron:

1. Unloading and loading of freighter aircraft by using a Main Deck Loader (MDL) to transfer pallets/ULDs from the aircraft to dollies.
2. Unloading and loading of passenger aircraft by using a Lower Deck Loader (LDL) to transfer pallets/ULDs from aircraft to dollies. The dollies loaded with freight are then towed on FAC controlled roads and apron space to the warehouses operated by Qantas and Ansett.

ACTO seeks declaration of the service whereby the FAC makes apron space available to transfer freight:

- a) From an MDL directly onto ACTO trucks or to an MDL from ACTO trucks
- b) From dollies loaded with freight from a passenger or freighter aircraft to ACTO trucks (or from ACTO trucks to dollies which will tow the freight to aircraft for loading purposes.)

The latter could be a permanent location for dolly to truck transfers and the former must be a continuing permission to drive trucks to a Main Deck Loader serving a freighter aircraft which may be parked in a number of locations.

ACTO also seeks declaration of the service whereby the FAC provides space and permission to operate Ramp services on airport. Ramp services are the services of loading and unloading aircraft through the use of main deck and lower deck loaders to deliver and receive baggage and freight from international aircraft. To do so ACTO needs FAC permission to operate the necessary equipment and space to park such equipment when it is not in use.

(d) Name of the Provider

We understand that the owner of the airport land is the Commonwealth and that the Commonwealth has leased the land that the airport is on to the FAC. The Commonwealth is the shareholder of the FAC. In this sense Provider is the Commonwealth and the Federal Government of the Commonwealth designates the Ministry of Transportation and Regional Development (the DOT) as the Department responsible for oversight of the Federal Airports Corporation. The FAC is charged under the Federal Airports Corporation Act with managing the airports and in this sense the Provider is the FAC.

The provider of apron space and apron access by vehicles is the Federal Airports Corporation (FAC). We understand that the FAC maintains control of the apron where passenger and freighter aircraft park although in some situations it leases apron space to Qantas and Ansett who use the space to conduct some of the activities described above. By in large the apron space is not leased and is available in a common user structure without compensation to the FAC by the ground handling services suppliers. Our understanding is that Qantas and Ansett receive the benefit of apron space and access roads that are not practically available to any other organisation even though Qantas and Ansett do not lease the space. International airlines pay the FAC landing and parking fees which in some sense pay for the apron space however the FAC retains control of the process by which any organisation might access this space.

The provider may be different for the two main airports under specific consideration; Sydney's Kingsford Smith International Airport and Melbourne's Tullamarine International Airport. ACTO will establish services at Brisbane in due time but is initially only expressing interest in Sydney and Melbourne. We are not clear on the details of the ownership structure of the airport however clearly the FAC controls the services under consideration.

(e) Reason For Seeking Access

ACTO has been formed to be an independent supplier of CTO services to international airlines. The CTO function requires a large warehouse for freight handling. Because suitable facilities are not available on Sydney and Melbourne airports and will not be available for 12 to 24 months ACTO has decided to create an off airport CTO service. When on airport facilities are available ACTO intends to occupy an on airport location however the requirements outlined for truck loading and unloading may still exist even if ACTO were located on airport.

To load and unload trucks on airport ACTO needs to be allocated a space on the freight apron where such activities can be accomplished. While there are alternative operational methods which are the subject of a separate application for declaration the most efficient process involving the minimum degree of freight handling and the most efficient way of transferring freight (even as compared to the current on airport CTOs) is the process described above.

In Melbourne the FAC has denied ACTO the right to perform services in this way and has refused to lease space to ACTO despite having negotiated an agreement to do so (and then declining to complete the lease agreement). In Sydney the FAC has determined that it will not enable ACTO to operate in this way in its own right and has given an ACTO client airline (Martinair Holland) the right to contract with ACTO to operate in this way for a trial period of three months. In doing so the FAC has refused to enable ACTO to operate on its own behalf , has not advised the criteria for evaluation of the trial, and has not explained the rationale for the trial. The trial period is an insufficient period for ACTO to recoup its investment and because it is attached to a particular client airline restricts ACTO from offering unencumbered services to other airlines.

By gaining access to airport space and permission to operate in the manner described above ACTO will be able to offer services to over 45 international airlines which use the two airports. Without airport access ACTO is only able to operate in a manner which is costly, a lesser service standard and directly controllable by ACTO competitors; Qantas and Ansett.

By providing these services ACTO will be able to offer international airlines better CTO services at lower cost than the current CTOs are able or willing to do. The improvements will make a significant contribution to the cost effectiveness of international airlines freight services and thereby make a significant contribution to Australia's trade performance.

(f) Description of Improvement to Competition In CTO Services

ACTO's service will provide an important source of competition to the current CTOs; Qantas, Ansett and Australian Airlines Express and will enable a wide range of specialist service providers to do likewise. The current, on airport CTOs are capacity constrained, manpower constrained and in fact strategically constrained in both Sydney and Melbourne:

Capacity constrained: because their warehouses have not been expanded to keep pace with rapid air freight market growth. As a result there are periods of the week when the existing CTOs are not able to provide services and as a result their client airlines and the clients of these airlines must wait until space and manpower is available. In the same sense the current CTOs have not invested in facilities required to provide the necessary freight handling functionality. For instance there is a dramatic lack of cold storage facilities and freight forwarders have to wait in long cues to deliver and retrieve freight. The cost to Australian trade is enormous.

Manpower constrained: because the existing CTOs severely limit the staff available to provide services and have management and labour practices which are inefficient. Airlines tend to view cargo handling as a low priority cost center and minimise expenditure without recognition of the service impact or the revenue impact. Management practices in cargo terminals are slow to change and are constrained by space limitations. Roster constraints are a reality and as important as space constraints. The inflexible work practices of the current suppliers will not be present in the ACTO operation because as a dedicated Ramp and CTO supplier we will revenue and profit maximise rather than cost constrain. The current operators cost constrain rather than service maximise because they face no competition for ground handling services.

Strategically constrained: because the current CTOs do not view their CTO services to client airlines as core business and therefore choose to under invest in service development. Qantas and Ansett have passenger service priorities and freight carriage priorities which are of far greater commercial importance than client airline services. Qantas as an international carrier earns over \$550 million per annum from freight carriage and about \$50 million from freight handling; the former being highly profitable while the latter is marginally profitable. Nonetheless they have as yet elected to maintain control of their client airline business because they face no competitive pressure and because their clients subsidise their self service CTO activities.

Qantas maintains that its CTO activities are loss making however this assertion is based on accounting which under recovers from Qantas self service activities which are a major source of cost. As a result of recent increases in CTO charges Qantas and Ansett will earn excessive profits so long as competition is lacking.

It is also true that so long as Qantas and Ansett control their client airlines by way of CTO services they retain a degree of control in the carrier market which is far larger than the handling market. By releasing a client airline to a new, efficient operator like ACTO, Qantas faces the risk of that competitor having higher service standards than Qantas can supply to itself as a carrier.

Together the three major CTOs control virtually 100% of inbound and outbound international freight handling. Qantas controls an estimated 60% in Melbourne and 70% in Sydney. Ansett has an estimated 20% share of market in both Melbourne and Sydney and AAE has the remaining market share; 20% in Melbourne and 10% in Sydney. There are other technically designated CTOs but they do not and are not permitted to compete in the CTO market.

Australian Airlines Express (AAE) is 50% owned by Qantas and we observe a high degree of collusion between Qantas and AAE in managing the market for CTO services. **The degree of alignment between AAE and Qantas is very high in so far as Qantas supplies Ramp services to AAE, CTO clients and in this way has effective control of the AAE clientele.** Additionally the other 50% of AAE is owned by Australia Post which is Qantas' largest air freight client. This collusion effectively means that Qantas has a strong influence over 80% of the CTO services market in both Sydney and Melbourne. At the same time Ansett is a weak competitor by choice. It is far easier for Ansett to not compete by providing under capitalised, low quality service at high prices and therefore realise a high return on its CTO activities.

It is important to appreciate the degree of impact this situation has on Australian Trade. All international airlines are required to buy services from a CTO. As a result of the lack of competition among CTOs these airlines pay high prices for low quality service. Far and away the higher cost is paid in the form of low quality service which translates into slow freight movements, excessive inventories held throughout the freight chain, unreliability in freight services which translates into high manpower costs to track shipments, damage to perishable and fragile shipments, the attendant costs and lack of business continuity and the associated diminution of freight revenue and profits to the carrier.

It is impossible to measure the degree of cost to the country however it is likely to be in the hundreds of millions per annum. This is not an exaggeration. Logistics has been shown to account for about 15% of international trade cost. A 1 percentage point variation in this amount in Australia would represent a cost increment of \$250 million per annum on the value of air freight trade. This is the direct cost; the indirect cost in terms of lost export business could be greater.

In recent years the capacity constraints of both Qantas and Ansett have become more problematic as caused and demonstrated by the following factors:

- Demand for CTO services is driven by air freight demand and volume. For the past ten years air freight market growth has exceeded 10% per annum.
- CTOs have not expanded capacity in the past 10 years (with the exception of Qantas in Brisbane). In Sydney and Melbourne the facilities of Qantas and Ansett are operating at well beyond their rated capacity which frequently leads to failure despite best efforts by management and staff.
- Specialised facilities like cold storage and express handling have not been established to meet demand giving rise to export produce being damaged and export business lost.
- CTO charges have been increased dramatically. CTOs apply charges to both their airline clients and freight forwarders (as terminal services users). The total of both kinds of charges has been increased by 30 - 50% in the past twelve months which is a major impost on the trading community and which few even understand let alone being able to control. Some small international airlines have faced Ground Handling fee increases of over 100%. Lack of competition among CTOs is a major reason for these increases to the extent that Qantas and Ansett may increasingly view the business as too profitable to release.
- There is an unending stream of freight forwarder complaints about the quality of service available from CTOs. While it is impossible to measure and bench mark service issues without the involvement of the existing CTOs the anecdotal evidence and structural issues strongly indicate endemic problems.

All of these problems and charges reflect the concentrated nature of the CTO market.

In this context ACTO will provide an off airport facility which will compete with the on airport operators. As a competitor ACTO will not gain a high share of market in the short term (no more than ten % in the foreseeable future) however it will provide the benefits listed below to its clients and it will serve to demonstrate that high service standards are possible and therefore provide both direct and indirect competitive pressure. ACTO will demonstrate that off airport services are feasible which may cause other organisations to pursue the same format.

To the extent that ACTO is able to bring competitive pressure to bare on Qantas and Ansett the following benefits will be realised in the National interest:

- 1) Faster more reliable air freight movements to and from aircraft - the value is difficult to measure but is certainly extremely large, ongoing, and will increase and compound over time. Exports of perishable goods will be enhanced through the provision of facilities dedicated to perishable product quality maintenance pre flight departure. The cost of importing will be reduced dramatically as all members of the freight chain are able to reduce lead times and therefore reduce inventories.
- 2) Opportunity for airlines to offer a higher quality service because of these improvements and therefore earn higher prices for their services. The magnitude of this opportunity for any airline is in the region of 5 -10% and therefore for the entire international airfreight market it is potentially worth in excess of \$100 million per annum.
- 3) Significantly reduced cargo terminal fees will be charged to airlines and to air freight users. The magnitude in cost reduction for the airlines is in the order of \$10 - 20 million per annum in fees and \$5 - 10 million in fees charged to freight forwarders and their clients.
- 4) Cargo terminal operators will compete on the basis of quality of service and price rather than on the current basis which is capacity driven and oligopolistic in competitive style
- 5) Vast reduction in the conflict of interest that currently exists in so far as all CTOs are owned by airlines which compete with the CTOs clients (non resident airlines). It is unacceptable for Australia to require (by structural definition and policy omission) nonresident airlines to buy critical services from their resident competitors - the owners of the CTOs.
- 6) Increased investment in cargo handling infrastructure because nonairline entities are willing to invest where airlines are not willing to do so. ACTO has already made a significant investment to provide core CTO services. A range of new services can be offered through a CTO which will meet the specialised handling requirements of various kinds of freight from perishable cargo to live animals to dangerous goods and excess baggage. ACTO's first step in this direction will be to offer a delivery service for inbound freight which will cut freight forwarder costs and improve the quality of their service. This is the kind of innovation that a dedicated independent CTO can pursue which an airline owned CTO would tend not to pursue.
- 7) The FAC could earn a far higher return by applying levies to providers of services on airport and to the extent the FAC earns more it becomes more valuable as an asset. The FAC has the right to apply such access fees so long as they do so in an equitable way among all organisations granted airport access.
- 8) All of these benefits will contribute to improvements and increases in trade. Their value in this regard is impossible to accurately measure but must be in line with the values quoted above and is probably as much as 1 billion dollars per annum. Because the international air freight industry transports in excess of 25 billion dollars worth of trade per annum and because transport is a major element of both the quantity and efficiency of international trade it is likely that the opportunity for improvement is in this order of magnitude.

FAC Services

This application is directed toward declaration of FAC services - airport apron access. ACTO requires such access for the reasons described above.

The FAC is the only supplier of such access in its role as the operator of the airports. Competitive airports suitable to our client airlines do not exist today and are not likely to be developed in the foreseeable future. In any case the CTO market of interest to ACTO is the one that exists on established FAC airports.

(g) Service Alternatives

Clearly it is not economical for an airport to be built that might compete with the Sydney and Melbourne international airports. Even if such an airport were built it is entirely unlikely that passenger aircraft which provide over 80% of freight capacity would shift to such an alternative. As a result there is no practical alternative to the two major international airports, which control about 70% of Australia's trade by air, and it is competition to the CTOs on these airports which is required.

The FAC might argue that they have plans in place to create increased CTO capacity in the near future. We would have a number of concerns with this assertion should it be made:

In both Melbourne and Sydney the FAC has provided no advice to industry at large which would indicate that expressions of interest have been sought or commitments made. While ACTO is aware of parties who have expressed interest the FAC has not indicated its directions or criteria and has shown a serious lack of probity if it has made commitments that should have been publicly available information. **This is a fundamental issue. The aviation industry can not operate efficiently if it not made aware of the FAC's goals, plans, policies and expectation. As a government owned monopoly the FAC should observe probity matters but has failed to do so in relation to freight handling.**

In Sydney it is far from obvious where increased capacity will be located and it is highly unlikely such facilities would be operational within 18 months. There is considerable land available but no planning guidelines that indicate when or how FAC infrastructure developments will make this land available to organisations interested in freight handling.

In Melbourne land is available in large quantity and yet the FAC has failed to convince a developer or CTO services supplier to establish the necessary facilities despite years of trying to do so. At least one barrier to such an agreement has been the access that ACTO is seeking in this application. In any case the FAC requirement that such development be on airport indicates a period of at least 12 months before increased CTO capacity could be available.

ACTO would not be concerned if the FAC were to have plans to increase CTO capacity through the existing or new operators because in both Sydney and Melbourne ACTO is quite confident of being able to compete and merely seeks the right to do so by being given access to apron space.

In Sydney the FAC has stated publicly, and to the Federal Air Freight Inquiry under oath, that they have started a study into how CTO services might be improved. They initially indicated the study would be completed in September; it now looks like late November. Even when the study is completed it is likely to require considerable time to implement given that industry will want to react to the proposals. The process used by the FAC to date has not been consultative despite the extreme importance of the findings of the study.

At the Ramp level the FAC could and in our opinion should appoint one or more Ramp operators in both Sydney and Melbourne. International airports around the world typically have a number of independent Ramp and CTO operators. We believe it is commercially feasible and that new ramp operators would make a significant contribution to the development and efficiency of the airports.

In enabling airport access the FAC will experience no incremental costs and can if it chooses request access fees (so long as all airport users pay similar access fees).

(h) National Significance

Airports are of enormous importance to the National economy in regards to their contribution to tourism, trade, and direct and indirect employment. Airports are unique centers of infrastructure which determine the capacity and quality of international airline services to Australia. The international passenger services market is at the heart of Australia's largest industry - tourism. The efficiency and quality of service offered by international airlines is directly determined, in part, by the quality of ground handling services on these airports. Over fifty international airlines use our airports and non resident airlines (foreign carriers) represent over 55% of the airline capacity made available to Australia.

A matter which is much less appreciated is the contribution airports make to trade. Approximately 20% of Australia's trade by value (not tonnage) is conducted by international air freight - \$25 billion per annum and growing rapidly. This trade is probably more important as a catalyst to trade than as a means of trade in so far as all urgent international transportation is provided by air freight; virtually all express shipments are air freight, all international mail is air freight, urgently required samples and spare parts are exported and imported by air freight. The competitiveness of Australia as a manufacturer of high value added goods is determined in part by the efficiency of our air freight system both import and export and the potential for growth in exports of high value perishable rural produce is determined by the efficiency of air freight.

This entire trading system which is directly dependent on the efficiency of air freight logistics is therefore dependent on the efficiency of the Qantas and Ansett cargo terminals and ramp handling facilities. It is broadly recognised by the freight forwarding industry that these operators are not providing an adequate or cost effective system and that the FAC's contribution to infrastructure development has been virtually non existent.

CTO services are a vital and unavoidable link in the air freight chain. Today CTOs are one of the weakest links in the chain primarily due to lack of competition and in the context of lack of competition, lack of investment, low quality service and high charges.

As outlined above ACTO will make a direct contribution to the quality of service through its clients but may make a greater contribution by bringing competitive pressures to bare on the other CTOs . We believe this development has national significance because:

- 70% of Australian air freight trade is conducted through Sydney and Melbourne airports (ACTO will expand to other airports as soon as possible)
- a more competitive CTO market will enable international airlines to negotiate better service from CTO suppliers which will cause improved export handling and more efficient import handling in Sydney and Melbourne
- the degree of perishables export growth available to Australia is considered very large. Air freight exports from Sydney and Melbourne will be the key source of export growth but only if export freight handling meets the high requirements of the perishables industry.
- a more competitive CTO market will cause Qantas and Ansett to improve the cost effectiveness of the services they provide to themselves. Because Qantas and Ansett together represent 45% of Australian international air services it is critical that they be cost effective in their own right. It is difficult for them to be cost effective when they do not face competitive pressure and when they are able to use other international airlines to subsidise their cargo handling operations.
- a more competitive CTO market will tend to improve the commercial performance of the airports because investment and new operations will be attracted to the airports where access fees can be charged. The uncompetitive market that exists today tends to constrain investment because Qantas and Ansett strangle improvement.
- if the issues raised in this application are not addressed and overcome in the very near future international carriers will be reducing the extent to which they serve Australia because they are unable to buy the ground handling services they want when they want them. This situation is arising now and will do so increasingly as aviation demand growth exceeds the resources that FAC, Qantas and Ansett make available.

Based on these kinds of factors we believe there is no development more important to Australian air freight and the associated trade than the introduction of competition among CTOs.

Safety & Security

The FAC may cite safety as a matter of concern. The fact that ACTO has conducted the proposed operation safely in Sydney in the past few weeks and the matter that this kind of operation is common overseas indicates that safety is not an issue and has been addressed in our planning. There is no significant difference between the catering truck traffic that is high volume and uses off airport facilities (Cathay and Caterair).

ACTO holds insurance appropriate to the proposal and can guarantee safety just as well as any other on airport operator.

In both Sydney and Melbourne the FAC has allowed a high degree of on airport truck loading for many years. While we understand this has not been done in a formal way the degree of traffic has been high and necessary and safety not a key issue. Because CTO warehouse congestion causes unitised (bypass) freight to be more easily loaded directly onto trucks these operations have been permitted by the CTOs on apron space and the FAC appears to have turned a blind eye. If the FAC were to force the discontinuation of this kind of operation Ansett in particular would be thrown into chaos. **It is highly discriminatory for the FAC to prohibit ACTO on safety grounds and permit the existing CTOs to continue to operate in this manner.**

(j) Alternative Methods

Size of Facility & Space Availability

In Melbourne there is no question of space availability. Land is certainly available and ACTO believes there is existing apron or hard stand space available to meet our needs.

In Sydney space is an issue but not an insurmountable one. In the past few weeks ACTO has demonstrated that space is available with the backhanded support of the FAC. The FAC provided an ACTO client (Martinair) with authority to contract with ACTO to perform the truck loading functions described above (because the existing CTOs were unable to provide service at the time of arrival/departure Martinair required). The space allocated by the FAC is more than sufficient and the operation has been highly successful confirming that space can be made available when pressure is brought to bare on the FAC and that superior service can be provided by ACTO. We estimate that Martinair clients received their freight 24 hrs faster than would other wise have been the case and Martinair has enjoyed lower charges than the current CTOs were willing to offer.

In making this arrangement the FAC has refused to appoint or approve ACTO directly. We wonder if their rationale in refusing to deal directly with ACTO is to maintain a degree of separation from ACTO and therefore reduce the claim ACTO might have on the space.

At the same time Qantas and Ansett store air freight containers on the freight apron in large quantities and in a way which is space intensive. We are not sure that Qantas or Ansett pay the FAC for using this valuable space because it has traditionally been viewed as common user space - common to the on airport operators. In any case the issue is that high value space is being used inefficiently for a low value purpose. This space could be allocated to ACTO and should be allocated to ACTO as common user space. In addition there is considerable undeveloped land close to the freight apron which could be used for the purpose identified. There is vastly more space not used than used on Sydney airport even though the airport maintains that space is in short supply.

ACTO believes that the issue in Sydney is not lack of space but lack of willingness to consider alternatives pending the completion of the freight study currently under way. A related matter is the question of the extent to which ACTO operations require increased space to be made available. Regardless of whether ACTO loads trucks on airport or not, the loading and unloading of any particular flight creates a degree of on airport traffic. The fact that ACTO operations will cause freight to be moved off airport quickly has the effect of making space available more quickly than would otherwise be the case and during the truck loading and unloading period the degree of incremental space use is minimal. The matter is primarily one of logistics and organisation rather than absolute space availability. The recommended approach of allowing ACTO direct access to MDLs for freighters will reduce on airport traffic because dollies will not be required to tow the freight to the on airport CTO. This methodology is common practice in overseas airports.

There are a number of ways access might be provided. In parallel declaration applications ACTO has described these alternatives. The alternatives methods of truck loading and unloading are all directed towards enabling ACTO trucks to be loaded and unloaded with freight from international flights:

- (a) Direct Loading from the MDL is a common practice overseas referred to as ship side transfer.
- (b) Transfer of freight at a hoist. This scenario requires that a hoist be located on airport (not necessarily on the apron but with apron access) such that freight dollies can be towed from the MDLs and LDLs to the hoist and loaded on to trucks. The hoist would be a customised piece of equipment and might be a common user facility that a number of off airport CTOs could use.
- (c) Transfer of freight over the roller bed of an existing CTO. This configuration would see freight on dollies positioned to access the roller beds of Qantas or Ansett. This approach suffers from the existing high degree of use of these facilities today and the limited capacity that can be made available to ACTO. While freight is waiting to be pushed over such a roller bed it would have to be "stored" under cover which introduces other space and congestion issues.

Also this configuration depends on the willingness of the CTOs to make their roller bed available for this purpose and in such a way that dose not negatively affect ACTO's service standards and costs.

- (d) A final alternative is to fork lift freight from dollies to ACTO trucks. To do so the FAC would have to enable ACTO to locate and operate a fork lift on the freight apron. While ACTO is prepared to do so the use of fork lifts in this way is damaging to freight and pallets / ULDs and therefore a sub optimal alternative albeit the easiest to implement in the short term.

Among these alternatives, only (c) obviates the need for ACTO to have apron access and the associated space for operations. As noted (c) may be available in the short term but is not a long term solution and requires that Qantas and Ansett are agreeable..

(k) Existing Access Regime

The FAC does not have an access policy and is not answerable to an independent "access regime". This has been an issue for many years but has not been comprehensively addressed.

ACTO is not highly familiar with the Federal Airports Corporations Act. In broad terms the Act might be seen as an access regime however in practical terms it has not and does not serve the purpose described here. The FAC does have an indirect access regime by way of controlling the organisations who are permitted airport security passes and on airport drivers licenses. However this indirect access regime is not based on a policy which sets out the criteria for providing on airport services or the kinds of organisations which are permitted to apply for such access. These regimes simply state that organisations are required to gain security passes and on airport vehicle drivers licenses.

We believe that airport privatisation should incorporate a ground handling access regime that encourages independent Ground Handling Operations but we are not aware of public information in this regard.

(i) Negotiations with the FAC

ACTO has requested access of Melbourne and Sydney Airports. We have been refused access in Melbourne and the Airport management has categorically stated that they would not allow transfer of freight directly from the freight apron to an off airport CTO. No explanation was provided for this decision and the daily operations of the CTOs essentially contradict this stance. We hypothesise that the airport is acting to protect the existing CTOs and to protect a prospective on airport CTO. Their rationale for doing so is hard to determine; it is not in the national interest.

In Sydney, the FAC, has given access to our client - Martinair Holland, but has refused general access rights to ACTO. The access rights provided through our client are for a three month period which is commercially prohibitive and unjustified.

ACTO has discussed the matter in depth with management of both airports. In doing so we have not been able to discern rationale for the FAC's resistance to our proposal that reflect a national interest matter or that reflect an FAC commercial matter. We have offered to pay for airport access and we have met the FAC's operational requirements in licensing and safety terms. We have sought recourse at the Corporate office of the FAC only to be advised that the airports operate autonomously in the matter.

We conclude that the FAC believes that CTO activities should be restricted to taking place on airport because this will maintain FAC control of the commercial benefits. The fact that this is not true and that increased airport access would make a major contribution to the national interest does not appear to be a matter of importance to the FAC.