

**State & Regional
Development**
New South Wales

Mr Ed Willett
Executive Director
National Competition Council
GPO Box 250B
Melbourne
VICTORIA 3001

Re: Australian Cargo Terminal Operators application for declaration of Airport Services

I refer to your invitation for written submissions to assist the Council in the assessment of ACTO's application for declaration of services related to international freight services at Sydney and Melbourne airports. Our submission has some broad applications in terms of our views on competition policy but is largely limited in scope to the Kingsford Smith Airport (KSA) in Sydney.

The Department strongly supports national competition policies which promote and regulate third party access regimes to maximise competition in the provision of infrastructure services and motivate firms to seek efficiency gains at the core. In relation to the provision of cargo terminal services we would submit that the first two recommendations of the Parliamentary Inquiry into Air Freight which require the Federal Airports Corporation to facilitate both, the effective competition in cargo terminal operations as well as the managed development of off-airport CTOs, provides a clear mandate for pursuing a more equitable and dynamic access regime in this industry.

The KSA represents a most strategic piece of transport infrastructure for NSW and its efficient operation and future capabilities should provide the State and its fast growing export sector with maximum benefits through significantly increased efficiencies from world best management practices in both passenger and cargo handling services. The volume of cargo (some 301,000 tonnes) handled at KSA in 1996 accounted for over 53 percent of the national airfreight cargo comprising 146,000 tonnes in imports and the balance, some 155, 000 tonnes in exports. The export volume which represents some 49 percent of national air freight exports included 53,200 tonnes of perishable goods. The total value of air freight cargo handled at KSA in the same year was a staggering \$19.3 billion which included \$5.8 billion in exports.

The sustainable economic development of much of regional Australia depends on the exports of selected perishable commodities in the rapidly expanding South East Asian markets and cargo terminal services is a critical link in the export chain of such commodities. There is also a strong belief in regional NSW(Inland Marketing Corporation: Business Plan) that increased exports of perishable goods could also create new prospects for the injection of investment into their regions.

Level 43, Grosvenor Place,
225 George Street
PO Box N818 Grosvenor Place
Sydney, New South Wales 2000, Australia
Telephone 61 (02) 9228 3111
Web page <http://www.srd.nsw.gov.au>

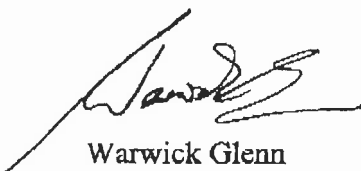
The NSW Department of Transport has been investigating the issue of air freight including CTO services for some time and closely followed the proceedings of the Parliamentary Inquiry. The Department has been concerned about the claims by freight forwarders and industry associations in NSW that air freight, and perishable exports in particular, were not being properly handled at Sydney airport due to some degree of the existing duopoly. As advocates of NSW industry we would be deeply concerned if bottlenecks in the air freight chain were to become more than a temporary aberration and dampen our strong thrust for export growth.

The Department is also conscious of the unique circumstances pertaining to implementing access regimes of the type proposed in an airport environment where limitations on space and the high opportunity cost of land as well as issues of safety and logistics in confined space preclude a determination similar to other infrastructure services such as gas or electricity where such imperatives do not exist. However in all situations certain standards need to be established and maintained by all parties to ensure the long term integrity of the system.

It is our understanding that the Federal Airports Corporation is well aware of the current problems and the limitations it faces through the leasing arrangements with current operators in implementing significant changes in CTO services. We further understand that they strongly support the creation of a competitive environment including off airport CTOs and are assessing how such a CTO network could be assimilated in a strategic review of introducing and implementing world best practice in freight handling at KSA.

In its consideration of the application the Department suggests that a close examination be made of the proposals by FAC including the off airport proposals by James Transport to assess whether these proposals will achieve the objectives of a competitive environment within the context of an efficiently run and safe international airport. However it is important that any new arrangements be implemented by a fixed date (eg., within six months) rather than permitting the current situation to continue indefinitely.

Yours sincerely



Warwick Glenn
Director, Industry

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