



Department of
**AGRICULTURE
FISHERIES &
FORESTRY -
AUSTRALIA**



Submission to the

**House of Representatives Standing Committee on
Transport and Regional Services inquiry into**

**Commercial Regional Aviation Services in Australia and
Transport Links to Major Populated Islands**

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1. INTRODUCTION

1.1 AFFA's interest in the inquiry

The Commonwealth Department of Agriculture, Fisheries and Forestry – Australia (AFFA) welcomes the opportunity to contribute to the House of Representatives Standing Committee on Transport and Regional Services' (the Committee) inquiry into commercial regional aviation services in Australia and transport links to major populated islands.

Many industries represented within the AFFA portfolio have some concerns about the adequacy of commercial air services in regional and rural Australia, and also about the interconnectivity between regional transport systems and national and international air services. These concerns, however, are mainly related to freight services, which AFFA understands are not the primary focus of the inquiry.

1.2 Contents of AFFA's submission

This submission provides information on AFFA's portfolio responsibilities, interests and stakeholder industries; discusses relevant previous studies focussing on domestic air freight issues; and finally presents submissions from interested stakeholder groups including the Australian Quarantine and Inspection Service (AQIS), as well as the fisheries, aquaculture, horticulture and forestry industries.

AFFA is not responsible for aviation policy and does not have direct access to information or intelligence networks relating to passenger services in regional, rural and remote Australia. As a result, AFFA is not in a position to provide a thorough economic and social analysis of the issues associated with regional air services. AFFA has, however, sought to provide a conduit into the deliberations of the Inquiry for many smaller stakeholder industry associations whose views, particularly on freight issues, may not otherwise be considered in the context of this Inquiry.

2. BACKGROUND

2.1 Overview of AFFA

AFFA serves the Australian community by promoting the profitability, competitiveness and sustainability of Australia's agricultural, food, fisheries and forestry industries and enhancing Australia's natural resource base to achieve greater national wealth and stronger rural and regional communities.

The Department's responsibilities include:

- assisting Australian agricultural, food, fisheries and forestry industries to become more competitive, profitable and sustainable;
- enhancing the natural resource base that supports Australia's agricultural, food, fisheries and forestry industries;

- delivering scientific and economic research, policy advice, programs and services to assist portfolio industries overcome challenges and capitalise on the opportunities of a dynamic and globally-integrated operating environment;
- addressing issues relating to the integrity of Australia's food supply chain, from producer to processor to the consumer;
- safeguarding the integrity of Australia's animal, plant and fish health status;
- undertaking quarantine, export inspection and certification, and food safety standards activities and ensuring their consistency with international regulations governing trade between nations; and
- optimising opportunities for Australian animal, plant, fish, food and forestry products to access overseas markets.

AFFA includes businesses that provide specialist services to portfolio industries such as the AQIS, the Australian Bureau of Agricultural and Resource Economics (ABARE), and the Bureau of Rural Sciences (BRS). The Department also oversees a number of statutory marketing authorities, regulatory authorities, Research and Development Corporations, and advisory bodies.

In 2001-02, AFFA received an estimated \$242 million in Commonwealth revenue to deliver portfolio outputs in addition to receiving around \$182 million from external customers and clients for specific services. The Department also administers about \$1,085 million of additional Government funds directed towards programs for Australia's agricultural, fisheries, forestry and food industries and to support improved natural resource management.

2.2 Rural Commodity Overview

The agricultural, fisheries and forestry industries play an important role in the economic health of Australia. The gross value added to the Australian economy by the agricultural sector amounted to \$18.4 billion in 2000-01, representing 2.9 per cent of Gross Domestic Product (GDP). The forestry and fishing industries together contributed \$1.6 billion of gross value added, or one quarter of a GDP percentage point.

In 2001-02 there were 429,000 people employed in the agriculture, forestry and fishing industries. This figure comprised: 369,000 people engaged in agriculture; 28,000 in rural service industries; 13,000 in forestry and logging; and 19,000 in commercial fishing.

Farm, forest and fisheries products represented around 21 per cent of Australian exports of goods and services on a balance of payments basis in 2000-01. Mineral resources (36 per cent), other merchandise (22 per cent) and services (21 per cent) constituted the remaining export categories.

2.2.1 Agriculture

Australia's gross value of agricultural production was estimated at \$37.8 billion in 2001-02, a 34 per cent increase over the \$28.3 billion recorded in 1996-97. Farm exports contributed \$30.5 billion to the Australian economy in 2001-02, representing more than 80 per cent of

total agricultural output. The total value of farm exports has risen by an estimated 40 per cent over the past five years.

The pattern of rapidly declining numbers of agricultural establishments in the early 1990s has slowed, with the number of establishments remaining at around 145,000 between 1995 and 2000. The number of agricultural enterprises in Australia increased slightly from 145,226 in 1999 to 146,371 as at 30 June 2000. The number of establishments by agricultural activity is detailed in Table 1.

In 2001-02, the relatively low value of the Australian dollar, relatively buoyant international prices for agricultural commodities and good seasonal conditions in most parts of Australia contributed to significant increases in both the total value of agricultural production and the value of agricultural exports. However, the gross value of farm production and the value of farm exports for 2002-03 are both forecast to decline by nine per cent due to an appreciating Australian currency, lower commodity prices and less favourable climactic conditions.

While the net value of farm production is forecast to decline by 40 per cent to around \$5.8 billion in 2002-03, following a 51 per cent rise in 2001-02, it is still likely to be higher than for any year in the 1990s.

Table 1: Establishments with agricultural activity, as at 30 June 2000

<i>Enterprise</i>	<i>No. of Establishments</i>
Beef cattle farming	35,236
Grain-sheep/beef cattle farming	18,232
Grain growing	16,463
Sheep farming	14,302
Dairy cattle farming	13,820
Sheep-beef cattle farming	9,253
Other fruit growing	8,300
Grape growing	6,522
Vegetable growing	5,313
Sugar cane growing	5,029
Plant nurseries, cut flower and flower seed growing	3,630
Horse farming	2,021
Crop and plant growing n.e.c.	1,614
Other livestock farming n.e.c.	1,158
Pig farming	1,145
Cotton growing	974
Poultry farming (meat)	845
Poultry farming (eggs)	508
Deer farming	196
Other industries	1,811
Total all industries	146,371

n.e.c – not elsewhere classified

Source: Australian Bureau of Statistics; *Agriculture (Catalogue 7113.0)* (October 2001)

2.2.2 *Fisheries and Forestry*

The gross value of Australian fisheries production was estimated at \$2.5 billion in 2001-02, having increased by around 41 per cent over the previous five years. Australian exports of fisheries products have increased by 70 per cent since 1996-97 and realised an estimated \$2.1 billion in 2001-02.

The gross value of forestry production amounted to an estimated \$1.3 billion in 1999-2000, a 27 per cent rise over the four-year period since 1996-97. The value of Australian forest product exports, including paper and paperboard products, was estimated at \$1.7 billion in 2001-02. The total value of forest product exports has risen by 46 per cent since 1996-97.

2.3 *The Australian Food Industry¹*

The food industry is a vital component of the Australian economy. Food products, incorporating fresh horticultural produce and processed goods (i.e. meat, dairy, processed seafood, beverages and ingredients), account for about 43 per cent of total retailing turnover in Australia and around 20 per cent of Australia's merchandise exports. Exports of these food products have averaged annualised growth of nine per cent over the past decade and realised \$16.9 billion in 2000-01. In the same financial year, Australia imported \$4.3 billion of processed food and beverages.

The food industry directly employs over 225,000 people throughout Australia in around 25,000 horticultural establishments and other food businesses. Australia's food product system makes a significant contribution to the economies of regional areas through employment, business and service opportunities.

The processed food industry is Australia's largest manufacturing sector (with a turnover in excess of \$55 billion in 2000-01) adding value to Australia's agricultural commodities sold in both domestic and export markets. The industry contributes around \$14.3 billion or 2.2% to Australia's GDP. The industry comprises around 3,400 firms employing over 163,000 people. Around 22 per cent of processed food and beverage sales are to international markets.

Changing consumer tastes; preferences for healthy eating; improvements in handling, storage and distribution systems; enhanced plant breeding techniques; improved management practices; and more targeted marketing in the Australian domestic market, has resulted in a 15 per cent increase in the consumption of fruit and vegetables over the last decade and an increase of more than 40 per cent in the past 50 years. This trend has provided significant growth opportunities for Australian horticulture.

Fresh horticultural products contribute around five per cent of the value of Australia's food exports and have doubled in value over the 1990s to around \$680 million in 2000-01. The horticultural industry makes a significant contribution to rural and regional economies with over 60,000 employees located in these areas. Australia's location in the southern hemisphere enables the horticulture industry to supply counter-seasonal fresh produce to many northern hemisphere markets. Australia's major markets for horticulture exports include Hong Kong, Singapore, Japan and the US.

¹ Information on the Australian food industry and world food trade presented in sections 3.3 and 3.4 has been extracted from an AFFA publication *National Food Industry Strategy* (June 2002).

3. PREVIOUS STUDIES

Air freight of perishable and time sensitive goods has been the subject of two previous studies. The first of these was by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform, titled *Jet Fresh: Paddock to Plate*. The Rural Industries Research and Development Corporation commissioned a report (paper No 94/2) titled *Air Freight Economics of Perishable Goods*. The Bureau of Transport Economics also studied regional aviation services in the working paper (No 41 of 2000) titled *Regional Aviation Competitiveness*.

Of these reports, the *Jet Fresh* report is the only one to consider domestic air freight issues. The section below discusses findings of this report relevant to AFFA's portfolio interests.

3.1 *Jet Fresh: Paddock to Plate*

This report by the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform emphasised the importance of a value chain approach to the exporting of perishable and time sensitive goods, focussing on a stronger commitment to exporting from the producer to the point of sale overseas. The report identified the need for attention to be focussed on the reliable production of a high value product meeting customers' preferences, and delivered in a short time frame to achieve a premium price.

The *Jet Fresh* report identified opportunities to change the existing market structure for the export of perishable and time sensitive products for all value chain participants. Those opportunities where change was recommended and relevant to the current inquiry included:

- increased competition in cargo terminal operations which will provide choice to airlines and forwarders and, through that choice, encourage improvements in service and potentially lower prices;
- improved information flows between participants at each link in the export chain so that product quality can be monitored as products move through the export chain and information relating to the requirements of each player, in particular the final customer, can be efficiently disseminated and acted upon; and
- the creation of alliances of participants working towards the common goal of successfully exporting high value perishable and time sensitive products.

The *Jet Fresh* report indicates that the vast majority of perishable products exported via Brisbane, Sydney and Melbourne originates in the respective states of those capital cities and is transported by road to the export gateway. The total tonnage of perishable products transhipped from Queensland, Tasmania and South Australia makes up only 20 percent of the total exports of these products from the three main eastern gateways. Most export agents are located in Sydney or Melbourne to draw products from a variety of states, thus overcoming geographic and seasonal variations in supply and taking advantage of the cheap rates and more regular capacity offered by passenger services.

Transshipment within Australia can add significant costs to exporters, in terms of time, money and loss of product quality. Often the domestic air freight rate is greater than the international rate. The current unsettled environment for domestic passenger services is disadvantageous to freight customers due to the low reliability of services and capacity.

Producers who are not conveniently situated close to the three main eastern gateways and who produce low value exports will be sensitive to the cost of transport from smaller production centres. If the prices received for these products cannot justify these transport costs, the producer is unable to enter or remain in the export market. The answer is not to artificially lower the domestic air freight rates paid by exporters of perishable or time sensitive products but to create the critical mass of networks and alliances and encourage producers to concentrate on high value products with increased volumes over time.

Speed of movement of products along with freight handling are also important considerations for exporting perishable or time sensitive products if the producers are to receive a premium for freshness. Major impediments to appropriate handling include delays at air terminals before loading onto aircraft. Problems associated with these delays are compounded by issues associated with the provision of air-side infrastructure, such as cold stores. Increased competition in cargo terminal operation along with solutions to infrastructure provision issues would strengthen the competitive position of exporters of perishable products. Solutions to infrastructure issues need to be found on a sound commercial basis with exporters willing to pay for improved services.

4. ISSUES FOR CONSIDERATION

4.1 *Australian Quarantine and Inspection Service*

AQIS provides quarantine inspection services for the arrival of international passengers, cargo, mail, animals and plants or their products into Australia, and inspection and certification for a range of animal and plant products exported from Australia.

AQIS believes there are two issues relating to the provision of international quarantine services in rural and regional Australia relevant to the Committee's terms of reference. These broadly relate to the opening up of international access to more regional airports and the provision of quarantine services to the Islands of the Torres Straits, the Cocos (Keeling) Islands and Christmas Island.

4.1.1 *More regional airports receiving international flights*

AQIS wishes to draw the following points to the attention of the Committee:

- The consequences of items of quarantine concern passing undetected through regional international airports are greater than those for items passing through capital city airports because of the likely proximity of regional airports to agricultural activities and natural environments where exotic pests and diseases can more readily establish;
- The Government's policy of increased quarantine intervention announced with the May 2001 Budget requires quarantine intervention with at least 81% of inbound international

travellers at airports. In practice this means that AQIS aims to achieve 100% intervention except in peak periods at major airports such as Sydney. AQIS applies these same arrangements to any new or emerging markets but the cost of providing full international quarantine services is significantly higher at low volume regional international airports;

- There are also long-standing arrangements with international airports where sufficient space is provided rent free for border agencies (including AQIS) to perform their regulatory roles. Any relaxation of these arrangements at regional airports would undoubtedly lead to immediate demands for flow-on to major capital city airports. This may result in substantial increases in the costs of servicing AQIS's (and other border agencies') clearance arrangements at international airports; and
- AQIS has cooperated with Coolangatta Airport in its attempts to establish itself as a site for inbound air charters from New Zealand and soon from Asia by Australian Airlines flights. It has also cooperated on other similar attempts to expand into international operations such as at Maroochydore and Newcastle. AQIS continues to work closely with new regional gateways to explore ways in which scheduled international services might be supplied with a quarantine service in the context of existing levels of funding and resources –as well as the Government's absolute commitment to quarantine border protection. The additional cost for AQIS and other border services would be expected to be met by the airport operator/owner as part of the normal cost of doing business as an international airport.

4.1.2 Provision of quarantine services to island communities (the Islands of the Torres Strait, Cocos (Keeling) Islands and Christmas Island).

The *Quarantine Act 1908* (the Act) administered by AQIS currently provides for special arrangements for dealing with quarantine issues in the Torres Strait and on the Cocos (Keeling) Islands. A Bill to amend the Act to extend its coverage to Christmas Island in the same way that it deals with the Cocos (Keeling) Islands is currently before the parliament, and is scheduled for consideration by the end of 2002.

The quarantine legislation regulates the movement of people and goods onto the Islands from mainland Australia and overseas, and from the Islands to Australia. Direct costs of the provision of quarantine services by AQIS to these Islands are currently funded by Budget allocations.

4.2 Fisheries and aquaculture industries

As noted earlier, in 2001-02 the gross value of Australian fisheries production was around \$2.5 billion. Fisheries was the fifth largest farm and fisheries producing sector after beef (\$7.2 billion), wheat (\$5.6 billion), milk (\$3.2 billion) and wool (\$2.8 billion) production. Fishing is particularly important for rural and regional Australia where it provides employment and security for local communities. In 2001-02, \$2.1 billion or 85% of Australian fisheries production was exported.

Fisheries exports consist mainly of a high value perishable product. As most fisheries exports originate out of regional areas, effective and efficient air services are vital. However, the fishing industry believes that its future development is impeded by air traffic restrictions, high air fares and high freight prices.

AFFA contacted the Australian Seafood Industry Council (ASIC), the Tuna Boat Owners' Association of Australia (TBOAA), the East Coast Tuna Boat Owners' Association (ECTBOA), the Northern Fishing Companies Association Ltd, the Queensland Trawl Association, the Northern Prawn Fishery Industry Organisations (NPFIO), the Northern Territory Trawl Owners' Association, the Northern Territory Seafood Industry Council (NTSIC), the South East Trawl Fishing Industry Association (SETFIA), and the Western Australian Northern Territory Owners Association to provide input into this submission.

4.2.1 Costs

The ASIC noted that the fishing industry will be watching freight and passenger costs on [the new owner of the former Hazelton and Kendall aviation assets] Regional Express very closely. The industry indicated that it could not afford to have a monopoly situation whereby a regional carrier takes profit from monopoly routes to cross subsidise routes where competition exists.

The ECTBOA is concerned that increased competition from other fresh produce and the loss of Ansett as a major carrier, will create infrastructure and transport difficulties in the industry and result in financial losses, as well as exposing industry to future losses and/or operational difficulties.

4.2.2 Karumba and other regional airports

Development of some regional ports remains an issue for the fishing industry, according to the ASIC. For example, the airstrip at Karumba, Queensland, remains unsealed and therefore inaccessible in heavy wet conditions. Infrastructure upgrading in underdeveloped ports could make a huge difference to the export activities of the seafood industry.

The NPFIO regards regional air services as an important element in the operation of the 115 trawlers in the Northern Prawn Fishery that extends from Cape York Peninsula in Queensland to Cape Londonderry in Western Australia. The value of the catch from this fishery in 2000-01 was \$164.7 million.

The NPFIO indicates that regional air services are used by the Northern Prawn Fishery to transport crews to and from Cairns and other main centres to Karumba, Weipa, Gove, Groote Eylandt and Darwin before and after the fishing season. Air services also transport spare parts and replacement fishing equipment. The 2002 season is divided into two parts – from 1 April to 15 May and from 1 September to 1 December. During the open seasons, trawlers stay at sea continuously and are supplied with fuel and victual by mother ships which also collect and transport refrigerated product to Cairns and Darwin.

The NPFIO believes present air services are adequate but costly. The NPFIO notes that an airfare from Cairns to Karumba costs as much as a scheduled flight from Cairns to Brisbane. Services to Karumba can be disrupted during the monsoon season when the gravel airstrip is unusable and the township is cut off by floods. Karumba has the only unsealed strip in the north of Australia used by the prawn industry. The NPFIO suggests that rectifying this situation is considered a high priority by industry. There are no regular air services to Groote Eylandt and the industry relies on charter flights to this destination.

4.2.3 *Links from regional Australia to domestic and international destinations*

These links remain very important to the fishing industry, as for example, chilled seafood must be moved quickly to maintain its quality. The ASIC recommends that the Australian Government continue to focus on links between regional carriers and major international airlines to ensure efficient movement of product.

The ECTBOA advises that the Eastern Tuna & Billfish Fishery contributes over \$85 million in production to the Australian economy in exports and domestic sales. Approximately 70% of total sales are to export markets.

The export products are fresh chilled and air freighted to Japan and the USA with increasing scope to exploit European export markets. The domestic products are sold primarily in Sydney and Melbourne.

Regional ports extend from Cairns in Northern Queensland to Eden in Southern New South Wales. All ports, according to the ECTBOA, rely on air freight transport to get produce to export markets as well as domestic markets. This is particularly the case for ports such as Cairns and Mooloolaba.

The ECTBOA believes that the areas most vulnerable to losses as a result of diminished or costly services are Cairns and Mooloolaba. These areas have no alternatives to transport their product either domestically or overseas. According to the ECTBOA, Cairns produces over \$10 million in product from this fishery alone.

The SETFIA advised that the South East Fishery does not use air transport for fish product.

The NTSIC regards the availability of air freight space for live and chilled seafood as a continuing source of frustration to the Northern Territory seafood industry. The NTSIC believes space availability is purely reliant on the number of passenger aircraft on a particular route and the type of passenger baggage being carried.

The NTSIC also believes that before its collapse, Ansett carried some 90% of air freighted seafood to southern Australian markets. The industry is concerned that the total air freight space available on Qantas is less than when Ansett was flying, even though Qantas has introduced wide-bodied aircraft on a number of flights.

The NTSIC indicated that in the past two years, several international flights from Darwin have ceased and this is also seen as a problem for the seafood industry as production continues to increase. Also, the industry is concerned that the air freight space available from Gove (Nhulunbuy) to Darwin and from Gove to Cairns is currently capable of moving only a few tonnes per week. Smaller aircraft have been used on those routes for approximately three to four years. The industry believes that if adequate and regular air freight space was available out of Gove in either direction, then up to 10 trap and dropline boats would be able to be based at Gove to fish the demersal fishery. As an indication of the possible average volumes involved, the industry believes boats fishing these waters would catch around three to three and a half tonnes of prime fresh tropical snapper per week. The NTSIC noted that the lone fish trawler operating out of Gove would also be interested in air freighting a similar

amount of fresh product on ice. Thus these 11 boats could potentially air freight up to 35 tonnes of seafood per week, subject to availability of freight capacity. The NTSIC believes that there are also other fisheries that could be worked from Gove if adequate air freight space was available. An additional 10 boats would mean 40 extra jobs would be created in Gove, according to the NTSIC.

The NTSIC is concerned that the road south from Gove is not fully sealed and for several months during the wet season is either impassable or open only to four wheel drive vehicles. The Council is unaware of any plans to upgrade the road, which makes air freight space even more important.

The NTSIC noted that in the Darwin region, the production of aquacultured prawns is increasing. In 2003 about 80 hectares of prawn ponds will produce over 225 tonnes of prawns. Within five years this figure is expected to increase significantly. The NTSIC believes that the vast majority of this aquaculture production will be marketed in southern Australia and already there are concerns about freight space ability by both air and road.

The NTSIC cannot estimate the likely decrease in road freight space resulting from the commissioning of the Darwin to Alice Springs rail link is operational in early 2004. However, it anticipates that there will be a reduction in the number of trucks between Alice Springs and Darwin.

The NTSIO noted that, depending on the severity of the wet season, the road between Darwin and Alice Springs and the Barkley Highway between Tennant Creek and Western Queensland can be cut off by floodwaters for considerable periods of time.

As production increases in Top End aquaculture and Northern Territory wild catch fisheries, the NTSIO believes that it is going to become even more imperative that adequate alternate freight access is available when the highways are flooded.

4.2.4 Tourism and attendance at meetings

The TBOAA stated that it exports its total production of 10,000 tonnes, which comprises 8,000 tonnes of frozen product shipped by sea and 2,000 tonnes trucked fresh to Sydney and air freighted to Tokyo.

The concern for the TBOAA is the high cost of passenger traffic even where there are two airlines, for example at Port Lincoln, South Australia. The tuna industry is committed to the Eyre Peninsula gaining the spin-off benefits from aquaculture, the biggest of which relates to tourism. The TBOAA states that it is difficult to capture potential tourism benefits given the high costs of regional air services. A continuing factor is the multitude of government levies added to the cost of airline tickets. For a family of four it could mean an additional cost of \$100 per weekend trip.

The ECTBOA is concerned that the ability of industry operators to commute from regional areas to attend meetings and conduct business is also a major difficulty. For example, it can take three working days to attend a one-day meeting in Canberra for residents of Cairns and a minimum of two days for residents of Mooloolaba attending the same meeting.

The SETFIA noted that operators on the South Coast of New South Wales need to fly from Merimbula to attend meetings in Sydney or Melbourne. The Association stated that the air service to Sydney is adequate, but the service to Melbourne is very poor, with only one flight per day (in the middle of the day), which means three days away from home/work to attend a day meeting in Melbourne.

4.3 Horticulture industries

AFFA is not aware of any statistics that provide information on the volume and/or value of horticulture produce air freighted within Australia or to its territories. Any air freight services being used within Australia would most likely be for produce destined for export. An exception would be the cut flower industry where produce is air freighted from the western side of the continent or from Tasmania to the major markets on the eastern seaboard. This cut flower produce would be for both the domestic and export markets.

Highly perishable horticultural produce destined for overseas markets is air freighted on commercial passenger aircraft. For produce not of a highly perishable nature, most is sent overseas by sea transport. A recent experiment has been to air freight some of this produce to Singapore and then sea freight it to other export destinations.

The usual mode for horticultural exports originating in regional areas is for produce to be loaded into refrigerated containers at the farm and transported by truck to freight forwarders at international airports. Freight forwarders have facilities that can facilitate the refrigerated vehicle unloading and airline container build up for direct loading of containers onto aircraft. However, most exporters operate out of central wholesale markets located in capital cities (for example Flemington or Footscray). They receive produce from growers by truck ready for export or buy and/or repackage produce in suitable export containers, which are then taken by truck to international airports.

Regional air services are principally operated for passenger usage for the benefit of regional communities. In all cases smaller type aircraft are utilised, typically carrying from eight to 30 passengers, and a maximum of 200 kilograms of freight. None of these aircraft could be considered suitable for carrying commercial volumes of horticultural product for export. For an aircraft to be considered for commercial transport of horticulture produce, it needs to be able to carry freight in containers. This means in reality that nothing smaller than a Boeing 767 or similar could be considered, as this aircraft type offers container capability. Even the Boeing 737 is a non-containerised aircraft, being bulk-loaded. With a full passenger load and baggage this aircraft can only carry approximately 1000-1500 kilograms of freight.

AFFA notes that the option of dedicated freighter aircraft operating specialised freight services out of regional areas may not be feasible, with the cost of such operations being prohibitive and uneconomical. However, the further utilisation of capital city airports other than Sydney or Melbourne provides an alternative option. For example, exporters near Adelaide may wish to export highly perishable produce to Singapore or Hong Kong but there may be no direct flights out of Adelaide to those destinations on that particular day. Exporters may be required to air freight their produce to Sydney or Melbourne so it can be exported on the same day from those airports.

AFFA contacted peak horticultural industry stakeholders for input on the extent of air freight services utilised by the horticultural industry, and on any problems being experienced. Their general concerns have been addressed above. One Western Australian flower grower had a specific complaint about services from Perth. This was that the freight services offered by Australian Air Express (Qantas) were inadequate, and unless alternate arrangements could be found, growers and exporters would face considerable difficulties. Concerns with the service related to insufficient capacity, unreliable service as a result of off loads and industrial action, and changes in the type of aircraft used. The grower indicated that produce was now being sourced for export from East Coast growers at the expense of local (Western Australian) growers.

4.4 Forest industries

Although the forest industry does not rely upon commercial regional air services for the transportation of forest products, it has been noted that adequate air services are important to regional areas that support the forest industry in terms of ensuring there is support for international and national visitors and company owners to gain access and operate in these areas.

AFFA contacted the National Association of Forest Industries (NAFI) and the Plantation Timber Association of Australia (PTAA) to provide input into this submission. Forest industry representatives provided the following comments:

- Major plantation regions are reasonably well serviced by air transport links because they are not remote in relative terms. Nevertheless, some concerns remain in relation to centres including Tasmania, Albany, Mt Gambier, Hamilton, Tumut, Wagga and Albury.
- Forest industry representatives rely on a reasonably frequent, minimum cost and reliable air service for doing business, and particularly for quick access for (among other things) expertise, spare parts and business contacts.
- Decline in regional centres has impacted on the ability of forest industry businesses to attract skilled people for key industry jobs (such as forest managers and sawmill managers). Telecommunications, access to education and medical specialists are all relevant in this regard. The availability of a good air service is important as it improves the attractiveness of remote localities to potential employees.

4.5 Wine tourism

Australia has over 1400 wineries, most located in rural and regional Australia, and many producing very small volumes of wine. Cellar door sales, direct orders, and internet sales are vital for their survival. In this context wine tourism is an important factor in any future growth and profitability strategy for such wineries. In turn the availability of adequate transport access, including air services, to such wineries will be essential. This is particularly the case for wineries and wine tourism operations servicing the corporate retreat and conference market.

Minister Truss announced in November 2001 that the Government would undertake a review of wine tourism and wine exports. Under the terms of reference released by Mr Truss on

31 May 2002 the review will seek to identify additional strategies and actions that individual wine producers, the industry as a whole and governments can take to promote growth in wine tourism and to increase wine exports. The review will focus on the small to medium sized wine producers which may not have reaped the same level of benefit as some of the larger wine producers from Australia's strong wine export growth over the last decade. The review, which is being undertaken by ACIL Consulting, is likely to submit its final report to the Government by November 2002.

4.6 Conclusions

In summary, industries represented by AFFA have several concerns about Australian commercial regional aviation services. In the main, these concerns relate to the provision of domestic freight services. There is a relatively small amount of agricultural and fisheries produce transported domestically by air, while produce so transported is primarily destined for export markets.

Concerns about commercial regional air services used by primary industries relate principally to the cost and adequacy of freight services. The high cost of freight transport from regional airports to export gateways and restrictions on the amount of freight able to be carried by generally small aircraft dedicated to passenger services limit accessibility to freight services by industries producing very high value time sensitive and perishable products. Reduced cost, increased capacity, and improved freight handling capability are those issues of most importance to AFFA industries. Also important is the infrastructure available at regional airports (for example sealed runways and refrigeration facilities).

The adequacy of passenger services is also of importance to AFFA industries. Regional businesses need a cost effective, reliable passenger service with appropriate timetables to meet their needs for services between regional areas and major cities. This is important for meeting with stakeholders and transporting existing employees, and to attract potential employees to those regional areas.