



Air Freight Council of Queensland Ltd

3 February 2003

Ms Janet Whiteside
Chief Adviser
Market Structure Group
Business Competition Branch
New Zealand Commerce Commission
PO Box 2351
WELLINGTON

Dear Ms Whiteside

The Air Freight Council of Queensland Ltd was invited by the Australian Competition and Consumer Commission (ACCC) to make a submission regarding the Qantas Airways Ltd and Air New Zealand Application for Authority under the Trade Practices Act 1974.

This Council is an industry-based organisation whose primary function is to assist in facilitating Queensland exports by air and providing independent advice to industry and Government regarding international air freight logistic issues.

This Council's submission to the ACCC, if accepted, would have implications for the New Zealand Government aviation policy. It is for this reason, therefore, that I am providing you with a copy of our submission together with a copy of our comments regarding the Qantas/Air New Zealand "Undertakings".

Yours sincerely

Peter Langdon
EXECUTIVE OFFICER

30 January 2003

The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Sir/Madam

**SUBMISSION RE QANTAS AIRWAYS LTD AND AIR NEW ZEALAND
APPLICATION FOR AUTHORITY UNDER TRADE PRACTICES ACT 1974**

The Air Freight Council of Queensland Ltd is an industry-based organisation whose principal objective is to facilitate and promote Queensland exports by air. The Council has a membership of in excess of 120 organisations comprising exporters, importers and service providers.

Following examination of the documentation and in particular the Strategic Alliance Agreement (the "Agreement") between Air New Zealand and Qantas, the Council is of the opinion that in order to provide an objective submission, more detail is required – specifically:

- Schedule 1 (all parts)
- Schedule 2 (all parts)
- Schedule 4

Our request for these has, however, been declined.

The Council, therefore, would like to submit the following:

Background:

- Currently some 121,600 tonnes is carried by air annually (DOTARS). Between Australia and New Zealand, of this the majority - 85,700 tonnes - 70% - is uplifted on Qantas and Air New Zealand aircraft.
- New Zealand is Australia's largest airfreight export destination market with annual traffic of in excess of 65,000 tonnes (DOTARS) which represents in excess of 18% of Australia's total exports by air.
- Importantly the vast majority – 92% - is carried "lower deck" (containerised) on wide-bodied B747/B767 passenger aircraft.

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- Both Qantas and Air New Zealand have introduced narrow-bodied B737 services on some trans-Tasman routes. (Freedom Air operate this aircraft type only.) This aircraft is unsuitable for the carriage of cargo due to:
 - limited payload – 500-1000kg
 - non-containerised ie bulk loaded
- Of the 36,000 tonnes currently carried by foreign flag carriers, approximately 9,600 tonnes is carried on dedicated freighter aircraft ie Cargolux and Singapore Airlines with the balance carried in the containerised compartment of passenger aircraft operated by Garuda, Thai and Malaysian Airlines. In the case of Australia/New Zealand, these airlines' services are extensions of either European or Asian services which have limited capacity due to the through-load. Conversely, their operations commencing in New Zealand principally carry European or Asian-destined cargo with limited opportunity to provide capacity for the carriage of New Zealand/Australia traffic. It is unlikely, therefore, that any of the foreign flag carriers currently operating services on the trans-Tasman could provide any significant increase in capacity on their existing services.
- Whilst it may not be Commission jurisdiction to determine the type of equipment to be operated by either airline, it is vital to the continued development of air cargo and trans-Tasman trade, that industry is provided regular wide-bodied passenger services between Australia and New Zealand and vice-versa.

Note: Based on current operation costs, revenue and traffic flows, it is generally accepted that the operation of dedicated freighter aircraft is not economically viable.

RECOMMENDATION:

Should the Commission approve the application this Council recommends as a pre-requisite:

“that **both** the Australian and New Zealand Governments provide foreign flag carriers full traffic rights (passenger and cargo) without restriction to operate trans-Tasman services in either or both directions.”

Yours sincerely

Peter Langdon
EXECUTIVE OFFICER

Air Freight Council of Qld

From: Air Freight Council of Qld [afcqlang@powerup.com.au]
Sent: Monday, February 03, 2003 11:12 AM
To: adjudication@accc.gov.au
Subject: APPLICATIONS FOR AUTHORISATION LODGED BY QANTAS AIRWAYS LIMITED AND AIR NEW ZEALAND LIMITED (A30220, a30221, a30222)

Mr Tim Grimwade
General Manager
Adjudication Branch
ACCC

Dear Sir

I refer to your letter of 28 January with the attached undertakings as provided to the ACCC.

In this Council's submission of 30 January we recommended that foreign flag carriers be provided full traffic rights on the trans-Tasman etc.

Entry Facilitation and Protection

Part of the proposed undertakings acknowledges and makes certain commitments to facilitate new entry operators. We do not support, however, the idea that a limit of two years only but believe five years would be the minimal time-frame. Irrespective, we believe that the opportunity for 5th Freedom operators should be permitted as our previous submission without time limitations.

Capacity Floor Undertaking

The undertaking is not specific and should be stated/quantified on a city pair basis specifically for the carriage of freight due to the unsuitability of B737 type aircraft for the carriage of freight. Similarly, the commitment to operate wide-bodied "back of the clock" services should be specified by city pairs. For if this capacity was offered to/from Sydney only it is the view of this Council that this would be unacceptable to sectors such as Brisbane/Auckland vice versa and Brisbane/Christchurch vv.

Yours sincerely

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