

SUBMISSION TO NEW ZEALAND COMMERCE COMMISSION

FROM NEW ZEALAND AIR CARGO COUNCIL

INTRODUCTION:

Membership of the New Zealand Air Cargo Council (ACC) is open to airlines operating services to New Zealand as well as to those airlines with code share arrangements and handling agent companies (cargo terminal operators). In addition other entities whose activities may have considerable impact on the cargo operation of the airlines, e.g. NZ Post, may become members upon invitation by the Council. The airline representatives on the ACC are the cargo managers for the airlines almost all of which belong to the Board of Airline Representatives of NZ Inc (BARNZ). BARNZ is also a member of the ACC (by invitation).

The Constitution of the Council provides that “The activities of the Council shall be performed with the intention of providing for the operation of cargo related services which will, to the fullest extent possible, ensure the safety of air transport, operational efficiencies, care of cargo and mail, care of equipment and professional interface with the general public and government departments; and to consider any other relevant and pertinent matters affecting the cargo industry. **However, the meetings of the Council will on no account mention, discuss or otherwise refer to cargo terminal charges, air freight rates, surcharges or marketing strategies to ensure that there can be no implied collusion or contravention of anti-trust rules on these matters.**”

At its meeting on 11 October the Council gave consideration to the questions in the Commerce Commission’s Issues Document on its section 56G Review of Auckland Airport. The Council is aware that its views on the quality and innovation questions posed by the Commission substantially differs from the views of airlines expressed within the BARNZ submission from the perspective of passenger operations. Subsequently the Council’s Executive decided that the ACC should also make a submission to ensure that the Commerce Commission is acquainted with the operational perspective and views of cargo users in relation to quality and innovation issues at Auckland Airport. We see it as important that the Commission appreciate the significantly different experience and views of cargo operators.

COMMENT ON OPERATIONAL ARRANGEMENTS FOR IMPORT AND EXPORT OF AIR CARGO:

Most air cargo shipments move through forwarders who negotiate carriage arrangements and where appropriate consolidate shipments into air cargo containers (ULDs). The ULDs, other unitised shipments or loose cargo items then move from the forwarders to the premises of Cargo Terminal Operators (CTOs) who lease space for their operations from the airport companies.

The CTOs provide services under contract to a number of international airlines. These contracts are basically handling contracts under which the CTO undertakes to handle all cargo for that airline

(outbound and inbound) as the agent for that airline. The airport's role is one of landlord. The CTOs compete for airline business. It is not uncommon for airlines to change CTOs at the end of a contract period. This arrangement with airports acting as landlords is the norm around the world with two or more CTOs operating at each airport. At some airports the larger airlines do their own handling.

At Auckland Airport none of the CTO premises have direct air-side access. Therefore all cargo needs to be transported from the CTO premises, along a public road (Cyril Kay Road), to check-point Charlie, which is the main access to the airfield and apron. This is managed by Avsec. Once airside, the cargo is then loaded into the belly of the aircraft.

Because the cargo is being transported along a public road which is not a sterile area, CTO's have had to employ security officers (which has increased the costs of CTOs) to ensure that the cargo remains secure and free from potential interference as it travels from the secure CTO building, along the public unsecure road, to the secure airside area. This is a regulatory requirement.

Part 109 of the CAA Rules requires that there is security along the air cargo supply chain from shipper to aircraft and in particular that the movement from the Cargo Terminal Operator's premises to the aircraft is totally secure with no possibility of interference including the introduction of a device into the cargo.

The cargo operators have for many years requested that Auckland Airport make Cyril Kay Road a secure road, and that Check-point Charlie (the access to the airfield) therefore be moved so that Cyril Kay Road is incorporated within the airside secure area. The Airport has not been receptive to this need of cargo operators. As noted above, the failure to provide a secure corridor for air cargo to be transported from CTO premises to airside, has created additional costs for CTOs, which have been forced to employ security guards to accompany the tugs and dolly's as they move from CTO premises to Check Point Charlie. This creates an on-going security risk - that has to be managed with manual solutions. The current situation is unsatisfactory.

Turning now to some of the questions posed in the Issues Document relating to quality and innovation and providing responses from the perspective of cargo operations.

5.1 How does the level of innovation at AIAL compare to innovation at other airports both domestic and international?

From a cargo perspective, there is little or no innovation at AIAL. AIAL is said to be 'quite difficult to deal with' and has a 'reactive approach'. Cargo is seen as the 'poor cousin to passengers' and has to 'fit in with the passenger strategy'.

The level of innovation is similar at other NZ airports. Internationally, other airports are perceived to be more flexible and have a vision for the future with respect to cargo. In many cases they have specialist staff who consult over and ensure the provision of suitable facilities.

5.2 What research and development (R & D) or innovation activities have been undertaken or are forecast to be undertaken by AIAL and what was the outcome [of] these activities (if they have been undertaken), or the expected outcome?

So far as the majority of airlines are concerned while there may have been consultation with the home carrier (Air NZ) there has been minimal consultation by Auckland Airport on future plans for cargo. While Auckland Airport representatives discussed intentions with the Air Cargo Council about 18 months ago it became clear that the presenters had little understanding of how cargo procedures and flows worked and what the industry requirements are. There are potential issues around relocation, flow, safety and security which had not been properly understood or taken into account. In the years leading up to that last meeting there have been occasions when the airport company has brought in consultants to look at cargo related issues but there has been no follow up action that we have been aware of.

5.3 How receptive is AIAL to innovation activity led by airlines?

Within leased areas AIAL approval is required for airline or CTO innovation. This can be quite restrictive. Outside of leased areas, the CTO experience is that AIAL has little or no interest in innovations.

5.4 How does the level of R & D and innovation activities compare now to activities prior to the introduction of information disclosure regulation?

There has not been any noticeable difference.

6.0 How receptive is AIAL to matters of quality raised by airlines?

AIAL does not seem interested in matters of quality raised by CTOs.

6.1 What changes in quality have occurred since ID regulation was introduced?

There has not been any noticeable difference on behalf of the airport company. In fact the main interest is shown by the Aviation Security Service.

6.2 What, if any, aspects of quality do you think should or could be improved (or potentially lowered) at AIAL?

The key area where the Air Cargo Council considers that improvements in quality and level of service for cargo facilities is required is:

- A secure route to transport cargo from the landside CTO premises to airside.

Wayne Turkington

Chairman Air Cargo Council