



AUSTRALIAN LOGISTICS COUNCIL



SUBMISSION

ON THE PRODUCTIVITY COMMISSION'S
DRAFT REPORT ON THE ECONOMIC REGULATION
OF AIRPORT SERVICES

SEPTEMBER 2011

SUBMISSION

ON THE PRODUCTIVITY COMMISSION'S
DRAFT REPORT ON THE ECONOMIC REGULATION
OF AIRPORT SERVICES

THIS SUBMISSION HAS BEEN PREPARED WITH THE
ASSISTANCE OF KM CORKE AND ASSOCIATES, CANBERRA.

PO Box 20 DEAKIN WEST ACT 2600
P: +61 2 6273 0744 F: +61 2 6273 3073 E: admin@austlogistics.com.au
www.austlogistics.com.au

©Australian Logistics Council, September 2011



CONTENTS

PRECIS	2
BACKGROUND ON THE AUSTRALIAN LOGISTICS COUNCIL	3
ALC SUBMISSION ON PRODUCTIVITY COMMISSION DRAFT REPORT ON THE ECONOMIC REGULATION OF AIRPORT SERVICES	4

Precis

Land transport access issues are not unique to airports. They also apply to ports and other freight terminals.

ALC generally agrees with the approach of Infrastructure Australia contained in its *National Land Freight Strategy Discussion Paper* to create a transport infrastructure (or road) economic regulator to assess and approve investments made by road authorities as well as a road improvement regime allowing initiation of investments by the freight industry (or customers).

Should this approach be adopted by government ALC trusts it is applied in the airport context in a manner that will lead to the alleviation of airport land access challenges.

ALC also notes the Commission's draft report found that 'historically, planning on airports and surrounding land has not been well coordinated and integrated'.

Whilst noting developments including requiring airports to publish master plans it is clear that problems still remain. There may be scope to amend the *Airports Act 1996* **to impose on airports a positive duty to consult airport users (such as freight operators) whilst the plan is being developed and not just after the draft plan is developed.**

More generally, the national interest would be best served if Australian governments would agree to the creation of a National Partnership under the Federal Financial Framework established under the *Intergovernmental Agreement on Federal Financial Relations* that:

- » establishes the concept of what constitutes nationally significant infrastructure;
- » requires that land use decisions should prioritise the efficient operation of the nationally significant infrastructure; and
- » creates a fund for state and local governments which incur expense as a result of making land-use decisions that favour the operation of nationally significant infrastructure over other land uses.

In the shorter term, **ALC has agreed with a recommendation contained in the proposed National Ports Strategy that the** Bureau of Infrastructure, Transport and Regional Economics) should undertake research on issues including best practice high level arrangements for port and related logistics and on conditions for the introduction of dedicated freight infrastructure for container port logistics chains.

This research should be extended to include considering airport access issues.



Background on the Australian Logistics Council

The Australian Logistics Council is the peak national body representing the major and national companies participating in the Australian freight transport and logistics supply chain.

Vision

To be the lead advocacy organisation to all levels of Government and industry on freight transport and logistics supply chain regulation and infrastructure issues.

Mission

To influence national transport and infrastructure regulation and policy to ensure Australia has safe, secure, reliable, sustainable and internationally competitive supply chains.

2011 – 2013 Strategic Intent

To establish the Australian Logistics Council as the 'go to' organisation representing the major and national companies participating in the Australian freight transport and logistics supply chain.

Objectives:

1. Be the nationally recognised voice of Australia's freight transport and logistics supply chain.
2. Be the leading advocate of appropriate national regulation and infrastructure to ensure Australia enjoys the full benefits of freight transport and logistics policy development and reform.
3. Promote and encourage greater recognition by Government and the community of the importance of the freight transport and logistics industry's contribution to Australia's economy.

ALC Members are major and national companies participating in the Australian freight transport and logistics supply chain. ALC also has a number of Associate Members, which include associations, organisations, government agencies and companies participating in the Australian freight transport and logistics supply chain.

Australia's freight task is estimated to triple by 2050 – from 503 billion tonne kilometres to 1,540 billion tonne kilometres, with local demand for total freight movements increasing by as much as 60% by 2020.

The Transport and Logistics Industry is a critical part of the Australian economy, generating 14.5% of Australia's GDP and providing more than 1 million jobs across 165,000 companies. ALC estimates that every 1% increase in efficiency will save Australia around \$1.5 billion a year.

ALC SUBMISSION ON PRODUCTIVITY COMMISSION DRAFT REPORT ON THE ECONOMIC REGULATION OF AIRPORT SERVICES

ALC is pleased to make a submission to the Productivity Commission's Draft Report on the Economic Regulation on airport services (the draft report).

ALC will concentrate on the contents discussed in chapter 12 of the draft report.

Infrastructure

In 2008, Australia's international freight task included over \$100 billion worth of air freight, over 20 per cent of the total value of Australia's international cargo trade.¹

There are also significant volumes of domestic air cargo that must be transported to airports.

Access is therefore important.

Freight operators also need efficient access to airport facilities not just because they are international gateways, but because they are increasingly becoming retail and commercial hubs – a development which itself causes congestion.

ALC generally agrees with the extract from the Infrastructure Partnerships Australia submission on page 272 of the draft report which says:

... provision of land transport infrastructure by government (mainly state governments) has not met demand. At many of Australia's major airports, there is a need for additional road infrastructure for private and freight vehicles or public transport services for passengers. While the specific circumstances will vary from airport to airport, and from state to state, the general national trend is that investments by state governments in land transport infrastructure to and from airports have not kept pace with the demand from the community to access the airport infrastructure that has been constructed by airports.

Access issues are not unique to airports. They also apply to ports and other classes of freight terminals.

As Infrastructure Australia observed in its *National Land Freight Strategy Discussion Paper*, options to improve the responsiveness of infrastructure to economic demand include:

3. creation of a transport infrastructure (or road) economic regulator to assess and approve investments made by road authorities for inclusion in a charging cost base. Such a regulator would need to take a position on investment costs to be attributed to cars. For investment on mixed use roads to proceed, this position would need to be validated by either direct charges for cars including congestion charges, and/or government funding. Changes in law and substantial issues and negotiations would be needed. If congestion charges or government funds were inadequate, worthwhile freight related investments may not occur.
4. creation of a road improvement regime which allows initiation of investments by the freight industry (or customers). These rights would need to be appropriately constrained, for example like similar rights under the *Trade Practices Act*.²

ALC generally agrees with this approach.

Should this approach be adopted by government ALC trusts it is applied in the airport context in a manner that will lead to the alleviation of airport land access challenges.

¹ *National Aviation Policy White Paper* p.154

² Page 49. Infrastructure Australia thought option 3 had merit and may be a suitable long term policy goal but preferred option 4 since it holds the most prospect of early to medium results.

Planning Issues

ALC agrees with the extract from the TTF, Booz and Company submission on page 277 of the draft report which says:

Although the previous airport governance framework (i.e. Airports Act 1996) did not prescribe land transport planning forums between airports and state/territory governments, some airports have built strong working relationships with state/territory governments. However, without formal or legislated land transport planning requirements (i.e. land transport plans and forums), airport land transport lacked the focus it deserves.

This is reflected by the observation on page 172 of the draft report that historically, planning on airports and surrounding land has not been well coordinated and integrated.

In particular, ALC members report a 'disconnect' between airport planning and the needs of both domestic and international freight services, with airports not necessarily understanding freight operators' needs when it comes to infrastructure and planning (particularly the number and frequency of vehicles needing to access airports to support the domestic freight effort) and freight organisations not knowing the intention of airports.

Whilst noting developments such as:

- » the requirement on airports to publish master plans, imposed by the *Airports Act 1996*; and
- » the institution of Planning Coordination Forums between airports and nearby communities (a recommendation flowing from the National Aviation Policy White Paper)

It is clear that problems still remain.

ALC agrees with this observation contained in the *National Ports Strategy*:

.... it is critically important that plans outline where increased port related freight flows are expected to occur, and if possible provide some guidance, direction or channelling to these flows so as to identify those places that need to be buffered.

Similarly it is vital that city plans being developed for the Council of Australian Governments clearly identify these major freight flows and how they will be accommodated. In this respect, the draft Strategy notes the almost universal view of stakeholders that up to this time freight is considered to have been treated as a "poor cousin" in the urban planning context.³

Although there are formal requirements contained in the *Airports Act 1996* to require an airport operator to publish a newspaper advertisement advising that a draft version of a master plan is on the airport website and allow a period of public comment⁴, there may be scope to amend the *Airports Act* to impose on airports a positive duty to consult airport users (such as freight operators) whilst the plan is being developed and not just after it is released.

More generally, so as to deal with the real issues relating to encroachment and the preservation of infrastructure corridors, the real 'last mile issues' and land use mix choices faced by governments and communities a more formalised structure must be put in place to:

- » ensure the position of freight is recognised in the planning process; while

3 Infrastructure Australia and the National Transport Commission *The Proposed National Port Strategy* May 2010 p.33

4 Section 79 of the *Airports Act 1996*

- » recognising the need that in some cases, funding is available to protect community amenity when a land use decision is made to ensure the Australian freight effort is advanced.

The national interest would be best served if Australian governments would agree to the creation of a National Partnership under the Federal Financial Framework established under the *Intergovernmental Agreement on Federal Financial Relations* that:

- » establishes the concept of what constitutes nationally significant infrastructure;
- » requires that land use decisions should prioritise the efficient operation of the nationally significant infrastructure; and
- » creates a fund for state and local governments which incur expense as a result of making land-use decisions that favour the operation of nationally significant infrastructure over other land uses.

This mechanism best recognises the competing public interests of efficient movement of goods and other issues relating to urban amenity.

It is not an entirely novel idea.

As page 10 of the *Our Cities* discussion paper prepared for the National Urban Policy says:

Where regulatory responsibility has clearly resided with other levels of government, the Australian Government has used incentive payments to encourage regulatory reform. Competition payments to States and Territories were a prominent example of this.⁵

In the shorter term, **ALC has agreed with a recommendation contained in the proposed National Ports Strategy that:**

Other (Bureau of Infrastructure, Transport and Regional Economics) research indicates that costs are increasing relatively quickly on the land side of container ports, such as road transport costs. Significant research has been undertaken into various aspects of landside container costs....

Ongoing research to build on this should be published. Topics should include best practice high level arrangements for port and related logistics and on conditions for the introduction of dedicated freight infrastructure for container port logistics chains.⁶

This research should be extended to include considering airport access issues.

Australian Logistics Council

September 2011

⁵ Department of Infrastructure *Our Cities – Building a Productive, Sustainable and Living Future Discussion Paper* p.10

⁶ *The Proposed National Port Strategy* page 35



MEMBERS



ASSOCIATE MEMBERS

- » Agility Logistics
- » Allied Express
- » Australian Air Express
- » Australian Food and Grocery Council
- » Australian Livestock and Rural Transporters Association
- » BlueScope Steel
- » Broome Port Authority
- » Cement Australia
- » Coca-Cola Amatil
- » Department of Defence
- » Department of Transport NSW
- » Department of Transport VIC
- » Department of Transport and Main Roads QLD
- » GS1 Australia Limited
- » John Swire & Sons Pty Ltd
- » Metcash Ltd
- » OneSteel
- » Origin Energy
- » PGA (Management) Pty Ltd
- » PNG Ports Corporation Limited
- » Port of Melbourne Corporation
- » Schenker Australia Pty Ltd
- » Sydney Port Corporation
- » Telstra
- » TNT Australia Pty Ltd
- » Transport & Logistics Industry Skills Council
- » Transport Certification Australia
- » Victorian Freight & Logistics Council
- » Victorian Transport Association
- » Victoria University
- » Wallenius Wilhelmsen Logistics
- » Westgate Ports

HONORARY FELLOWS

- Paul Little AO – February 2011
- Peter Gunn – February 2011
- Ivan Backman – May 2010
- David Williams OAM – May 2010

PO Box 20 DEAKIN WEST, ACT, 2600
17b National Press Club Building, 16 National Circuit, Barton, ACT, 2600
P: +61 2 6273 0744 F: +61 2 6273 307 E: admin@austlogistics.com.au
www.austlogistics.com.au

