



19 December 2013

Tasmanian Shipping and Freight  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Sir/Madam

Hobart Airport welcomes the Commonwealth Government's initiative for the Productivity Commission to undertake an inquiry into Tasmania's shipping and freight.

Due to the very limited time to respond to what is a complex and crucial matter, Hobart Airport will use this opportunity to outline the key issues that we believe should be considered by the Productivity Commission in its inquiry.

Hobart Airport is Tasmania's major gateway and largest airport. In 2013 over 2 million passengers travelled through Hobart Airport, from 15,300 aircraft movements.

Freight is currently transported in the hold of Qantas, Jetstar and Virgin passenger aircraft as well as through two key specialist freight airlines: Qantas Freight and Toll Aviation, operating from Hobart Airport and serving the Southern Tasmanian region.

Hobart Airport is supportive of and indeed considers it essential that Government assistance continues to support the State's businesses and producers to offset the economic barrier imposed by Bass Strait.

When compared to air freight shipping is, in general, a cheaper method of transport. This is even more so in Tasmania where significant Government assistance is provided to sea freight through the Tasmanian Freight Equalisation Scheme (TFES), which has been in operation since 1976, and other support structures.

Since 1976, Tasmania's exports and markets have changed and aircraft movements have more than quadrupled. At a global level air freight has grown significantly and is now an essential player in the transportation of high value time critical goods. Aviation should play a greater role in facilitating the movements of goods.

Freight being moved by air is not eligible for subsidies under the current scheme, distorting the relative cost of sending freight by air in Tasmania when compared to sea. This creates an uneven playing field and reduces competition in the Tasmanian freight market.

Reducing the comparative attractiveness of air freight through the subsidisation of other transport modes also impacts Tasmania's broader economy. For example, freight is an important revenue component for passenger airlines and supports passenger routes and capacity. This uneven playing field in the Tasmanian freight market results in Tasmania being a less attractive destination for airlines.

A strong aviation freight sector broadens the supply chain and improves market access for Tasmanian businesses. For example, the bulk of high value Tasmanian freight passes through the Port of Melbourne and then internationally through Melbourne Airport. Direct air freight from Tasmania provides alternate port options such as Sydney and Brisbane Airports that may provide improved capacity to international markets. Hobart Airport is prepared to invest in growing the Airport's freight handling infrastructure to service Southern Tasmania's freight sector, improving access to markets and driving positive economic outcomes for Tasmania. However, the current freight subsidy arrangements inhibit private investment in this area.

Air freight is a crucial option for the future of Tasmania's high value producers. Air freight provides timely access to markets and enables Tasmanian companies to better compete in a global marketplace by enabling access to international markets more quickly and frequently. It is essential that air freight becomes an affordable option.

The fast developing, high quality fresh produce industry which is vital to the Tasmanian economy is ideal for air freight.

Hobart Airport would like to see due consideration given to the following:

- The subsidy for domestic freight to be applied to air freight as well as shipping.
- The inclusion of goods for export in the Tasmanian freight subsidy scheme, applied equally to air freight as well as shipping.
- The encouragement of private investment in freight infrastructure that supports the needs of Tasmanian businesses.

The Airport believes that for Tasmania to compete, air freight needs to play a larger role in the solution. The current scheme inhibits this. To achieve an efficient competitive Tasmania the barrier of Bass Strait needs to be addressed, and this needs to happen in such a way that a level playing field between the transport modes is realised.

I would be happy to discuss these matters with you in further detail.

Hobart Airport intends to contribute to the PC through the draft discussion paper.

Yours Sincerely

Rod Parry

CEO