



**Australian and International Pilots Association**  
68 Moncur Street (PO Box 419), Woollahra, N.S.W. 2025  
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3 February 1997

Mr Ed Willett  
Executive Director  
National Competition Council  
GPO Box 250B  
**MELBOURNE VIC 3001**

Dear Mr Willett,

Please find enclosed the AIPA submission concerning the application by ACTO for a declaration of services provided by the FAC in Sydney and Melbourne. Also enclosed is a copy of our submission to the 1996 Air Freight Review Enquiry.

Yours sincerely,

**Rod Cork**  
Assistant Secretary



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# Australian and International Pilots Association

Submission to

The National Competition Council in the  
Matter of the Application by Australian  
Cargo Terminal Operators Pty Limited

## **Comments on Issues Paper**

### *Criterion (d)*

"access to the service can be provided without undue risk to human health and safety."

AIPA has concerns that our members may be endangered by non airline provision of CTO services. Danger to crews is divided into two distinct areas; assembling and categorising freight onto containers, and pallets and loading to and from aircraft.

In the case of Qantas in both Sydney and Melbourne, all freight comes through either the Qantas or Australian Air Express Cargo Terminals. Australian Air Express is 50% Qantas owned. Since our members are all Qantas employees, we are able to resolve problems quickly through both inter departmental and AIPA representation.

Loading of aircraft can endanger crew because our members are required by Federal Law to carry out an external inspection of the aircraft prior to every takeoff. Since it is difficult to watch both the aircraft, vehicles and equipment carrying out loading procedures simultaneously, a culture has grown up in Sydney and Melbourne where loaders "protect" both flight crew and ground crew carrying out these inspections. In other airports where contract loading is carried out, our experience is that the danger during preflight inspections is substantially increased. This is because of rapid change of contractors due to tendering to the lowest bidder results in inexperienced staff and poor quality equipment.

The examples of Caterair and Cathay Catering as safe operations that already exist are not relevant. Both organisations are airline owned or partly owned. In the case of Caterair many employees were former Australian Airlines employees. It must be understood that there is only the movement of about 4 vehicles to an aircraft to carry out catering and cleaning procedures, whereas cargo handling involves multiple movements. It therefore is practical for an airline operator to supervise the approach and departure of contract caterers and cleaners but impractical to supervise loading of freight. This is particularly so if freight and baggage loading is being carried out by different organisations.

Assembling and categorising freight is of concern and is already the subject of discussions between Qantas and AIPA. Incorrect loading and incorrect categories is a worldwide problem. In January 1996, Southern Air Transport, a US based all cargo airline had to scrap a Boeing 747 200F aircraft due to a mercury spillage on that aircraft. In May 1996 a Valujet DC9 crashed in Florida USA killing 110 passengers and crew. The cause, an aircraft fire in flight caused by incorrectly loaded cargo. In 1987 a South African Airways B747 Combi burnt and crashed in the Indian Ocean killing 159 people due to a cargo fire caused by cargo that should not have been on board the aircraft.

Recently, a man was jailed for three years by a Queensland court for illegally freighting 43 kg. of explosive black powder on a domestic aircraft. AIPA is concerned that another freight terminal operator at Sydney and Melbourne will add to the difficulty in resolving this problem.

*Page 8 2.3*

*Air Freight Export Inquiry 1995*

While the results of this enquiry give some indication of problems of exporting perishable produce, the terms of reference only covered exports not imports and did not cover non perishable exports. AIPA made both a written and verbal presentation to that enquiry and has reservations with the findings of that enquiry.

Of interest to the NCC and the applicant are recommendations 1 & 2. AIPA believes that prior to the NCC accepting these recommendations that a full investigation into the IMPORT and EXPORT of all forms of commodities must be carried out.

It is to be noted that neither recommendation 1 or 2 refers to the process of loading and unloading of aircraft but restricts itself to the operation of the cargo terminal. It must be realised that most freight is carried on passenger aircraft and for any CTO to operate at an economic level it must process freight to/from passenger aircraft. However not all aircraft hold loads are freight. Underfloor holds also are loaded with passenger baggage, mail and airline company supplies (catering, bar, stationary and engineering spares). While the issue of how to load underfloor holds from different sources will obviously be addressed if the next stage is reached in the enquiry, some consideration needs to

be given to this subject at this stage due to the FAC/Airport operators responsibility for traffic management and aircraft security. No explanation has been made by ACTO as to how they plan this intermix.

*Conclusion*

AIPA does not oppose ACTO's application but we are concerned that genuine safety concerns may be inadequately addressed in the name of competition. It must be understood that the airline industry worldwide is changing rapidly and in many cases safety issues have been seen as insignificant and a barrier to competition. The result is that 1996 was the worst year on record for both fatalities and fatal accidents in civil aviation.



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**Submission to**

**The House of Representatives Standing  
Committee on Communication, Transport and  
Micro Economic Reform**

**1996 Air Freight Review Enquiry**

# **AIPA EXECUTIVE SUMMARY**

- Australia is an island and all exports and imports must be transported by sea or by air.
- Australia needs its own international and domestic airfreight fleet to service the unique needs of Australia's exporters and importers.
- The Australian International airfreight fleet no longer exists. In 1970 with an international aircraft fleet of 23 Boeing 707 aircraft, 3 were freighters. In 1996 with an international fleet of 33 Boeing 747 aircraft and 20 (approximately) Boeing 767 aircraft, there are no dedicated freighter aircraft and no wide body upper deck freight capacity.
- Government policies since 1985 have created barriers to Australian airfreight operators and potential operators and unfairly advantaged overseas operators.
- Foreign airfreight operators have been aided by their governments to the disadvantage of Australian operators and potential operators.
- The current Australian policy of relying on and encouraging the use of foreign airfreight operators results in Australia's trade being vulnerable to changes in domestic and international politics of the countries in which those aircraft are registered or based.
- International airfreight should be viewed by Australia as an export earning service industry and the type of support given to other export industries should also be made available to airfreight operators and potential operators.
- Encouraging more liberal charter rules for overseas carriers does not solve the long term export infrastructure problems. It does however result in more problems for Australian operators who want to form long term links with Australia's exporters and importers.
- Any Australian airfreight policy that considers Boeing 747 aircraft only is unsatisfactory, particularly in the start up phase. DC8 70, B767F and B757 PF are widely used in similar operations to those being examined by the current Airfreight Review. Those aircraft would provide a more practical solution for fresh produce export into Asia.

# **INTRODUCTION**

This Association has had a long interest in the movement of freight by air. This interest was in response to members becoming redundant, due to technological change, whilst overseas operators were employed to carry Australian freight. Research at that time revealed that there was an increasing demand for reliable airfreight service from Australia. Our concern extended to the fact that the use of off-shore leased freight aircraft reduced substantially the value of Australia's export commodities.

To this end, a paper was submitted to both Qantas and the Federal Government (attachment 1), but the sole response was a reduction of overseas airfreight capacity on Australian owned airplanes. To enhance and increase efficiency, we expressed an interest in negotiating work practices that would assist in increasing Australian operated airfreight services.

## **Types of Freight**

For transport purposes, the airfreight market can be divided into a number of categories:

- (a) Mail;
- (b) 'Just-in-time';
- (c) Perishables;
- (d) General Freight.

These categories may be carried in either wide or narrow bodied aircraft, on either the main deck or lower lobe.

Categories (a) and (b) lend themselves to be carried in the lower lobe and on direct services, for example Sydney-Los Angeles or Melbourne-Singapore-London. These articles are generally high yield and are targeted by the passenger operators.

The perishable category (c) has some urgency but tends to be put aside by operators in favour of passenger or the high revenue freight categories. The value of these export sales represents 20% of the total major commodities exported, excluding minerals (ABS Cat. 5422.0). These commodities lend themselves to both lower lobe and main deck transport.

General freight (d) holds the most diverse array of commodities and is essential to Australian export strategy for manufactured goods. Of all manufactured goods, Office Machinery (ATFCC division 75) and Telecommunications and Sound Recording Equipment (ATFCC division 76) are traditionally carried by air. This equipment lends itself to tall palletisation and is more suited to main deck carriage.

**The World Market**

The world is dividing into major trading blocks with Australia placed within APEC. This block contains some of the fastest growing economies, and some of the most populous countries of the world. It is not surprising that, according to ICAO, by the year 2001 42% of international freight tonne kilometres will be carried by airlines in the Asia Pacific region (BTCE 86). Boeing also states that growth in the Intra-Asia will grow at approximately 8.5% per year to the year 2013. They also forecast all-cargo airplane capacity will show a 6.2% annual growth in the same period.

If Australia is to fully take advantage of its position in APEC and the Asian growth, it must open markets and have a fully autonomous, efficient freight transportation system. We believe it makes little sense to have export enhancement programs, when foreign carriers are paid to transport the commodities.

## **AUSTRALIA'S AIRFREIGHT EXPORT INFRASTRUCTURE**

Australia in the last decade has restructured itself to take advantage of the deregulation of world trade.

During the same period it has allowed the virtual collapse of its international transport fleet. Little now remains of our shipping fleet and our international air freight fleet no longer exists.

If we compare these dismal figures with the UK and Ireland, we find 93 freight aircraft in operation. The EEC operates approximately 90 widebody freighters and combis. In 1995, worldwide excluding Russia, there were 371 widebody freighters and combis operating. In Australia the best we can manage is to convert our last 2 remaining combis to passenger configuration.

The current policy of regarding airfreight as a passenger aircraft top-up is costing the country dearly. At least 2 Government reports (1984 Scully, Butcher Senate report and 1993 Bureau of Agriculture Economics report) have pointed out major barriers to exports because of lack of suitable space. The balance of payments are also severely impinged by the growing practice of wet leasing foreign registered freighters. Assuming the 3 charters per week (which is conservative) of the Evergreen B747 aircraft, for 34 flying hours each (JFK-ORD-LAX-HNL-SYD-HKG) or similar, at A\$13300/hour then Australia is paying A\$70,543,000/year. If an Australian operator was used and assuming 50% of the operator's costs remained outside of Australia to cover landing fees, overflight fees, fuel, spares, ground handling A/C leasing and crew accommodation, then the change to Australia's yearly balance of payments would be A\$105,814,000.

Many observers predict a looming collapse of the world's shipping fleet due to its extreme age. The world airfreight fleet is in the same position. The current US operators who are undercutting will only survive a short while if they attempt to keep the current cost structure. They are benefiting from free/low cost cargo conversions under the US Government CRAF scheme (see note 1) and using older aircraft that for a period were in oversupply due to the collapse of many US carriers. The collapse of those airlines also created a surplus of crews which were employed on very low rates; this situation is now reversing. Many of the pilots are approaching retirement age and the pool of unemployed experienced crew is decreasing. Evergreen and Polar Air are the main operators across the Pacific with fleets that are predominantly B747-100 aircraft. These aircraft are more sensitive to fuel pricing with a much higher fuel burn than later aircraft. Their noise levels make them particularly susceptible to noise complaints at Sydney Airport.

The Australian operators in the past approached upper deck freight in an ad hoc manner and in the short term for the Australian airline industry this was the more profitable policy, but it is certainly not more profitable for Australia in the long term.

The main long term airfreight competitors are the Asian carriers, specifically Cathay, MAS and Singapore Airlines. These carriers use B747-200C/F and B747-400F. Due to the high purchase price the B747-400F will produce lower returns for many years. As most Asian carriers are using expatriate technical crews and maintenance staff, an Australian operator with the right aircraft should be able to exploit markets previously unavailable to us due to Australia's comparatively low wages structure.

The world airfreight fleet has an average age in excess of 25 years. Most aircraft are converted passenger aircraft which were converted on retirement from pax operations. There are for example approximately 60 1960's built L188F aircraft in operation, yet not one was built as a freighter. As noise, pollution, fuel and engineering costs mount, replacement aircraft will have to be found. Most of these replacements will come from passenger conversions and in all but one category (B747-200) these are available. B747-200 aircraft certified to Stage 3 noise limits are, however, in short supply since only a small number were built in the early 1980's before being replaced by the 747-300. The 747 200F is however the most cost-effective way to enter the airfreight market.

The danger of using long term wet lease aircraft without any operational or engineering control cannot be over-emphasised. In the very least these aircraft should have to meet Australian engineering and operational standards. This fact was recognised in the 1985 Scully, Butcher report (1.4 ii page 7). These standards must be audited by the CASA. It is to be noted that the FAA has recently started this practice for any carriers operating into the US. If this were to occur, it is possible the cost structure of current wet charters would be substantially altered. These concerns are not without grounds as the EL AL accident in Amsterdam was one of 3 B747F incidents where engines separated from aircraft.

There are numerous instances of US carriers being grounded for long periods by the FAA or industrial disputes. Long term use of contract carriers seriously exposes Australian operators and exporters to contractual, marketing and reputation problems over which they have no control. In the last few years Express One, Value Jet and Arrow Air have all been grounded by U.S. authorities. Recently ten B747 100F aircraft were effectively grounded by an FAA-imposed weight restriction due to engineering inadequacies.

A further danger to both our exports and imports is that of Government policies of foreign countries affecting our imports or exports. A recent example of this was the banning of live sheep carriage out of Perth to Asia. The one wide body aircraft available for this use was British aircraft, but after a British MP objected this cargo was banned by the British Government on "humane" grounds. The continued growth of market

share of the US operators leaves Australia particularly vulnerable to policies of the US Government.

Main deck freight is of major long term importance to both the airlines and Australia. Any Government policy in this area should produce sustainable long term benefits to both the operator and to Australia.

#### **Note 1**

##### **The CRAF scheme.**

The CRAF scheme is a US Defence Department scheme which subsidises the purchase and conversion of passenger aircraft to freighters. The concept ensures that in times of war there is a large pool of transport aircraft outside of the military, available to transport troops and equipment. While this has proved successful it has also given US airfreight carriers an unfair advantage. US carriers only operate 20% of the world's passenger B747 fleet but operate 50% of the world's B747 freighter fleet. Of the 8 B747 freight operators, 2 did not exist before the CRAF scheme, 2 operated aircraft of B727/B707/DC8 size and one (formerly owned by the CIA, see Flight International 9 May 1995) operated B707 and L100 aircraft.



## **AIRFREIGHT CAPACITY**

With the advent of direct longhaul operations, the capacity for lower lobe freight has been dramatically reduced, in some cases to zero. This results in a second carrier, often an off-shore charter, carrying Australian exports to the USA and Europe.

Direct flights have also reduced to producers, the markets available along trunk routes. For example, markets in the Middle East are no longer serviced by regular operations of an Australian carrier.

The greater use of B747-400 airplanes has reduced the available freight payload by some 6% compared to earlier model B747 airplanes (see attachment 2). The conversion of the 2 Qantas 'combi' aircraft to an all passenger configuration has reduced the Australian freight capacity between Australia and the USA by approximately 150,000 kg per week. This conversion has also removed any Australian wide body ad hoc main deck freight capability. Instead two DC8 73F aircraft per week are wet leased from US carrier, Southern Air Transport. Australian operators are capable of carrying out this work.

The airfreight market is indicated by some 9 512 GWT handled by a major airport hub in one month. Of this, some 60% was shipped by Qantas (Ansett figures not available), Although formidable, much was carried by lease or second party operators. This practice must add to the cost of transport and the cost to the producer. Second party operators in the past have been other passenger carriers. Their primary operation is in the passenger market. Therefore freight is often off-loaded and services suspended depending on the passenger demand. This practice could leave the exporter, after developing an export market, with no means of quick transport to that market.

We believe that if greater capacity was available, that is, an airfreight operator or subsidiary to a major passenger operation, a more reliable service would be made available to producers, greater capacity would stimulate exporters to expand their markets, and much of the revenue generated by airfreight would remain in Australia.

With Australia's geographic location, the only method of supplying a world market is transport by sea or air. It is therefore essential that a national airfreight operation be established and maintained if a competitive export market is to be continued.

With the sale of Australian National Line and the use of off-shore airfreight operators, Australian export transportation will be at the mercy of availability, therefore pricing, of its export market competitor nations. It is common practice for foreign operators to 'dump' capacity to realise a market share, then increase charges, possibly to the extent of pricing commodities out of the export market. The use of off-shore operators to

supply bulk airfreight capacity also has a balance of payments component which negates a proportion of export dollars earned.

The 2 major airlines are in a position to supply an airfreight network. This needs to be an extension to the under floor capacity which is limited by passenger requirements and express freight obligations. Unfortunately, one operator has expressed no desire to enter the mainline airfreight arena. These operators with their established infrastructure of maintenance, marketing, handling and operations are probably the most efficient means of establishing a national airfreight system. A proposal to establish an autonomous airfreight division of an airline utilising the airline's infrastructure has already been argued by this Association in submissions to the Federal Government and Qantas (attachment 1). If this attitude is to prevail, then greater Government assistance will be required to enable 'start up' Australian operators to supply an economical and reliable service.

At present the export market is limited by the capacity to export commodities. With an integrated national airfreight system, capacity will not be a limiting factor. An increased capacity will enable, particularly primary producers, to establish and plan future export markets with ensured transport capability. As demand, conceivably, will be seasonal, excess capacity could be sold, in the form of airplane wet lease, to other countries, thereby adding value to the airfreight industry, thus giving a credit to the balance of payments rather than, as currently, a debit.

The current fleet of airfreight aircraft in Australia consists of 4 x Bae146, 1 x B727 100F, 2 x B727 200F, 2 x DC9-30F.

The Bae146 and DC9-30F aircraft are only suitable for domestic operations.

The only possible aircraft for medium haul Asian operations are the 2 B727-200 aircraft. However, any flight to Asia carrying a reasonably profitable payload would require a landing in Darwin or a similar place in Northern Australia. Thus the operators are faced with a choice of a small payload or landing at an intermediate port. Either choice makes the operation uneconomic for all but small very valuable cargo, the very area that the airlines are best at carrying in underfloor scheduled services.

AIPA would question the continuation of current Federal Government policies in this area. Since the 1985 Schully, Butcher report the number of aircraft in the Australian fleet that are suitable for international airfreight use has fallen from 2 x B727F, 2 x B747-200C and one x B707-300C to one x B727-100C, 2 x B727-200F (which are suitable for Trans Tasman and domestic operations). This is in marked contrast to the rest of the world (see attachment 3) where there has been a huge increase in capacity.

Australia has failed to capitalise on the demand in our region for specialist operators flying aircraft like the L100/C130 type. This has resulted in European and North American operators picking up lucrative long and medium term contracts in neighbouring countries like Indonesia.

Despite a large base of knowledge in this country about this kind of operation the only attempted operation of this type was Cargomasters who in 1982/1983 operated an L100. This operation failed under the joint pressures from Government and unions. It is to be noted that the only specialised freight operators in Asia are Air Hong Kong with 2 x B747-200C and Nippon Cargo with 7 x B747-100/200F aircraft. These are too large for ad hoc and specialised charters. There is a real but unexplored potential for export of services by setting up an organisation of this sort in Australia.

## **REGULATORY CONSIDERATIONS** **AND THEIR IMPACT**

In 1985 The Minister For Transport ordered an International Airfreight Review. Some of the problems identified in that review have been corrected but some still exist.

Section 1.2 iv (page 4) states "changes made should encourage the development of a viable international freight charter capability in Australia."

In 1985 when the review took place the Australian international airfreight fleet consisted of 2 x B747-200 Combi , one x B707-300C and 2 x B727 F. By the end of 1995 it will consist of 2 x B727F. It would seem that any schemes or policies put in place after 1985 have failed to encourage any fleet development.

Section 1.4 ii (page 7) states "in all rules relating to technical requirements (for example noise levels and charter approval periods), the principle of reciprocity and no discrimination against Australian registration be combined to ensure that a foreign flag carrier cannot continue to receive preference over Australian registered aircraft."

It is obvious to anyone who analyses the movement of freighter aircraft into and out of Australia that very few meet current noise requirements. Indeed 2 US operated DC8-60F aircraft have flown Australian domestic and international services through most of 1995. Previously a Swazi registered DC8-50 operated for 3 months on trans Tasman services. All of the wet leased B747 aircraft are 100 or 200 series that only meet stage 3 noise levels by reducing takeoff weights. As this is not mandatory here their operation probably does not meet the Stage 3 noise standards.

The problem for any potential Australian operator is that to import an aircraft into Australia they must meet Stage 3 rules. Stage 3 aircraft are more expensive and in many cases harder to maintain and may be less fuel efficient and therefore more expensive to operate. This problem was anticipated in 14.6 of the 1985 Scully, Butcher report. In not addressing this situation the Federal Government has contributed to the current lack of suitable capacity.

## **POLICY OPTIONS FOR BETTER** **AIRFREIGHT LINKS**

The major Australian provider of airfreight is QANTAS. QANTAS has for the last few years regarded freight as a bonus "top up" on its normal routes. When extra capacity has been required, the normal procedure has been to lease full freight aircraft, ie, EVERGREEN, MARTINAIR or FEDEX.

This policy means that nearly all freight to and from Australia that will not fit in a standard container must be carried on a foreign operated aircraft. As a result of the current policies of both airline operators and the Federal Government, existing inter-government agreements with other countries need urgent attention to make any venture in this area viable. This is of particular problem in SE Asia. The standard pattern of freighter movement is USA - Australia - Asia, particularly to HKG. As Australia has no or limited fifth freedom rights (Attachment 5) from destinations like HKG, the US carrier then takes up US rights back to USA with Australian and Asian freight on board.

To enable Australian exporters to fulfil their role in APEC, specific freight Air Service Agreements must be negotiated between trading countries. This ensures that freight capacity is not traded for passenger capacity during passenger peak periods. These Air Service Agreements must also be on a fifth freedom basis, thereby ensuring a profitable offshore freight network and adding value to the airfreight product.

Airfreight must be seen as an Australian product and, like other exports, requires Government encouragement to nurture. As airfreight includes, but is not limited to, primary produce, a network should link regional centres with the major export centres. This link could be by road, rail or air, with major warehousing and storage centres located on site at the export gateways. These gateways may be made more cost effective by establishing them at geographical central sites rather than in capital cities.

Airfreight operators must be given relief to encourage the expenditure of capital on equipment and facilities. They also must be given a method of overcoming unfair advantages created by US carriers' use of Chapter 11 bankruptcy laws and Asian carriers using unfair taxation practices. One possible method of neutralising the effect of this scheme would be to give taxation relief to any Australian operator who starts up or expands their freight operation. This relief would only be given if the operator used Australian based, maintained and operated aircraft. Any incentives would be progressively reduced over a predetermined period that would coincide with the planned profitability of the operator. This option would be initially cost neutral to the government as the current practice of wet leasing aircraft generates little taxation revenue for Australia.

This principle is consistent with present Government policy as stated in their 'Reviving The Heartland' statement where it is stated:

*"The Liberal-National Government will maintain the International Trade Enhancement Scheme (ITES) to provide low interest loans to Companies with potential to develop into exporters."*

These incentives would ensure that the costs to the shipper would be kept low, whilst a sustainable yield is available to the transport supplier. This concept is totally consistent with Austrade's incentive schemes to encourage export markets. According to the Minister for Trade, Austrade's Export Market Development Grants Scheme provides some \$200 million to support exporters (attachment 4) to have exporters using non-Australian carriers for export transport reduces the value of this support.

We note that the previous Industry Minister had provided taxation incentive for Cathay Pacific to relocate their computer and training facility to Australia (The Asian Wall Street Journal, Sept 8-9 1995). This incentive was to create employment in Australia. The employment created must be small compared to the employment generated by Australian export industries.

At the very least, the Federal government should have a policy that all rights given to carriers should be operated by that carrier within a predetermined period. Any carrier failing to meet this requirement should have their routes reallocated by the Air Services Commission.

## THE COSTS AND BENEFITS OF CHANGE

An airfreight subsidiary of Qantas, Ansett or a dedicated international airfreight operator is vital to Australia. It would benefit Australia as an efficient and flexible service organisation in support of our revitalised export orientated economy and at the same time provide the potential for use by Government during times of emergency.

This organisation would also employ additional labour (skilled and unskilled). It will allow these skills to be exported in the form of carrying air cargo for other countries and markets. Obviously any income earned will reverse the current offshore purchasing situation and earn Australia valuable foreign currency. As a benefit to the airline industry, a dedicated international airfreight organisation would keep older aircraft, particularly B727, DC8 and B747, operating in this country well beyond their passenger carrying life. This would increase the demand for maintenance staff and aircrew.

The initial cost of any change to the current practice would be to the 2 main Australian airlines. These 2 organisations have been able to wet lease aircraft from overseas operators to gain good profits without any long term benefits to Australia. If suggestions in the section of this paper (Policy Options for Better Airfreight Links), are implemented then these organisations have the option of participating in any incentive schemes. As previously pointed out, there is little cost to the Australian Government in any incentive schemes as the current wet lease arrangements generate little revenue and any increase in employment in the airline industry immediately generates PAYE taxation returns.

Based on operating costs per tonne kilometre, (BIE, Research Report '59), we believe that on a cost basis, and given the right equipment, an Australian airfreight operation will be more than competitive with foreign operators.

### Ref. BIE Page 119 Table C.2

#### Expected Unit Costs:

|               |     |
|---------------|-----|
| 55.5 US cents | QF  |
| 57.9 US cents | SQ  |
| 67.4 US cents | CX  |
| 76.3 US cents | JAL |
| 90.8 US cents | TG  |

## **AUSTRALIAN INTERNATIONAL AIRFREIGHT**

Australia is an island continent and all imports and exports must be transported by sea or air. It is therefore ironic that we have a very small merchant shipping fleet and no airfreight capacity of any significance. Indeed the only international airfreighters currently registered in Australia are two B747-200C fitted out as part freight (approx one third upper deck) and part passenger and one B727 (VH-TBS) mainly used on Tasman services.

A typical week at the Sydney International Freight Terminal will see the arrival of a MARTINAIR, an EVERGREEN B747, a POLAR AIR B747, FEDERAL EXPRESS B747's, CATHAY PACIFIC B747's, and SINGAPORE AIRLINES B747's. Depending on the time of year this frequency increases greatly and is augmented by a number of supplementary carriers flying DC8's, B707's, DC10's and B747's. Some of these A/C, ie the EVERGREEN B747, are on permanent charter to QANTAS and even operate on a QANTAS flight number. Similarly, Ansett charter an Arrow Air DC8 daily across the Tasman. Others are operated on a code share arrangement with QANTAS owning up to half the freight capacity.

In our own region there is a growing in interest in this area of aviation. Malaysian Airlines, Singapore Airlines, Cathay Pacific, China Airlines, JAL and Korean Air all have dedicated cargo aircraft. The only specialist wide body cargo operators are Air Hong Kong and Nippon Cargo with B747 A/C.

Historically there has been very little interest in this country in International Airfreight. Qantas has operated up to three B707 freighters and indeed all its 707-338 fleet were freight convertible. Ansett/TNT have also operated B727's on trans Tasman services and for a time one B707. CARGOMASTERS also operated C130's on an ad hoc basis for a short period.

It is interesting to compare our region's historical lack of interest in Air Freight with other areas of the world. North America has at least 24 specialised freight airlines, many operating old equipment in specialised markets. Zantop for example operates 8 CV640s and 15 L188 aircraft of 1960 vintage and 3 DC8 jets in support of the Auto Industry. In Israel a company known as Cargo Air Lines operates a single Boeing 747F to export fresh produce and ornamental plants to Europe. This Airline is totally owned by the growers of their cargo.

The Asian region has also recently seen a rise in freight aircraft including small types like B737F (SIA and Malaysian) and B707 (Air Hong Kong) aimed at exporting their countries' goods to smaller markets in the Indo China Region.

Worldwide, there are 94 dedicated freight operators, and of the world airlines 97 have specific freight capacity or freight subsidiaries.

Compared to the rest of the world the Australian freight fleet has remained static. Qantas for instance once had 3 x B747 Combi aircraft out of about 23 aircraft. Its freight fleet is now 2 x B747 Combi aircraft out of a fleet of approximately 54 wide body aircraft. Ansett who once had 4 x L188 and then a B727 and a B707 are now operating 2 x Bae146 and a B727 on domestic sectors only. IPEC utilises 2 x DC9s, having previously operated 3 Argosy aircraft. We have no specialised International Air Freight operators in the country.



## **THE CURRENT STATUS OF INTERNATIONAL AIRFREIGHT**

The current designated International Airfreight operator in Australia is QANTAS. A second operator should be designated soon.

QANTAS has for the last few years regarded freight as a bonus "topup" on its normal routes. When extra capacity has been required the normal procedure has been to lease full freight A/C, ie EVERGREEN, MARTINAIR or FEDEX.

The problem with this policy is that it means that nearly all freight to and from Australia that will not fit in a standard container must be carried on a foreign operated A/C. The Australian Pavilion for the Barcelona Expo was delayed because suitable space on outgoing A/C was not available. Discussions with freight forwarders indicate this is not an isolated example.

Further, of concern to the Freight Forwarders Association is the lack of capacity on direct flights. Los Angeles-Sydney sector has no capacity, Sydney-Los Angeles an average capacity of 6,100 kg and Singapore-London average capacity of 6,000 kg. To service these markets a dedicated freight aeroplane is required. The concern as to the lack of capacity is also expressed by an Independent Review for the Minister for Aviation. (Scully, Butcher Report.)

The lack of airfreight capacity leaves Australian trade, defence and foreign policy at the mercy of foreign governments under whose rules these aircraft operate. The current Qantas charter from Evergreen utilises in the main B747 100 series aircraft which are vulnerable to fuel prices, noise pollution laws and maintenance directives. The necessity to use Dutch and Russian freighters to move Australian aid and military equipment to and from Africa and Asia in 1993 is indicative of the extent of the problem.

As a result of the current policies of both Airline Operators and the Federal Government existing inter-government agreements with other countries need urgent attention to make any venture in this area viable.

## SEPARATE FREIGHT SUBSIDIARY

A separate freight company has the advantages of:-

- Compete with charter companies as costing would be reduced.
- More competitive charging for service.
- Enables more flexibility in operation.
- Different product range.
- Easily promotable.
- Ease of accounting.

## SPECIFIC FREIGHT OPERATION ADVANTAGES

### QANTAS

| <u>FREIGHT<br/>SUBSIDIARY</u> | <u>MAIL, FAST FREIGHT,<br/>-----<br/>PERISHABLES</u> | <u>PASSENGER<br/>SERVICE</u>           |
|-------------------------------|------------------------------------------------------|----------------------------------------|
| - HEAVY                       |                                                      | - LIMITED PORTS                        |
| - BULKY                       |                                                      | - INFLEXIBLE SCHEDULES                 |
| - LARGE CAPACITY              |                                                      | - OFF-LOAD DUE PASSENGER<br>COMMERCIAL |
| REQUIREMENTS                  |                                                      |                                        |
| - SERVICE FLEXIBILITY         |                                                      | - VOLUMETRIC LIMITED                   |
| - OFF LINE OPERATION          |                                                      | - WEIGHT LIMITED                       |
| - SHORT NOTICE OPERATION      |                                                      |                                        |
| - MARKET IMAGE                |                                                      |                                        |
| - REGULAR SERVICE             |                                                      |                                        |

## CURRENT RESTRICTIONS ON FREIGHT CARRIAGE

The current philosophy of only using lower lobe capacity for freight is most restrictive to the development of a national freight air carrier, and, in fact, restricting development of future freight markets.

Australia's primary producers have expressed concern that their off-shore market expansion of fresh produce has been restricted by the lack of a reliable and regular airfreight service. A regular airfreight service will give the industry a known freight capacity which is not restricted by passenger loads or fluctuations in airplane types.

Freight forwarders have also expressed concern that the use of lower lobe 'ad hoc' capacity as being restrictive in the following areas:

1. The use of later model airplanes, have compared to the 'classic' 747, offered a reduced payload (6.0% -744, 13.0% 767).
2. Long haul operations the payload is further reduced due fuel demands. The payload capacity of a -400 is further reduced by 32% with maximum fuel uplift.
3. High yield 'fast freight' displacing normal freight particularly on long haul operations.
4. Direct long haul operations, although attractive to passengers, is a major drawback to the export industry as a variety of countries are no longer serviced with airfreight capacity.

The inability of Qantas to fulfil their freight obligations using lower lobe capacity is evident by the use of foreign carriers to carry high yield oversize freight and general freight not only to the United States but also to Asia and Europe.

In 1985 the Minister for Aviation called for an Independent Report entitled 'International Air Freight Policy Review'. This Review highlighted that primary product export markets are restricted by capacity and freight rules.

In that document the 747 freighter operation at US11.4 c per tonne per kilometre, and with 100 tonne capacity is the least expensive high capacity operation.

## **FUTURE PROSPECTS**

With the world quickly dividing into trading blocks, deregulation of tariffs and the "Just In Time" concept, the demand will increase for quick reliable and efficient transport for both manufactured and primary produce between these trading areas.

The interest of the United States in the APEC and ASEAN trade groups is an indication of the projected trade growth in our region. Boeing states that the economic growth of the non-Japanese countries will be 6.1% per year between 1992 and 2010, with the manufactured goods export share 30% of world market by 2000. With China's economic growth such that it may displace the United States as the largest economy in the first half of the next century, it is imperative that Australia have the infrastructure to capitalise on its geographic location in Asia.

Australia is traditionally a primary producer of commodities demanded by the Asian market, and Asia, a low cost manufacturing base, ie apparel, demanded by Australia and other regions of the world.

The lifting of political restrictions on trade with South Africa must open markets between Australia and other Asian countries with this area. An Australian freight operator is in an ideal position to capitalise on the development of home market exports and trans-ship exports from other countries.

Qantas current practice of leasing foreign carriers to carry Australian freight must be questionable as a long term strategy. As the Asian market firms, then the lease costs will increase to what the market can support, an in house freight operator with Australian crews and aircraft will then be the most economical option.

## **ANALYSIS OF AIRFREIGHT OPTIONS**

This is a review of statistical information available from the Australian Bureau of Statistics to support the argument that Qantas should consider the purchase and/or convert aircraft to a dedicated freight status. The purchase is to improve the revenue base and viability of Australia's national flag carrier.

Commodities carried by air are broad and cover the total overseas freight market excepting for Pulp & Waste Paper and Gases.

The quantity of freight moved by air (in gross weight tonnes) has increased some 43% over the fiscal years 1986 to 1992. The greatest tonnage (198 000 tonnes) air freight movement for the period 1991-1992 was export. This is a definite trend as shown overall in Fig. 1 and quarter by quarter in Fig. 2. For the year ended 1992, a total of 400 000 tonnes were carried by air, the equivalent of 11 B747 freighters per day (assuming 100 000 kg payload).

Airfreight viability would require the targeting of commodities suited for airfreight but carried by sea, for example, in the March quarter 1991, 11 423 tonnes of vegetables and fruit were carried by air, only 4% of the total weight of this commodity exported. Likewise, for the same period, 4 571 tonnes of meat and meat preparations were carried by air, only 2% of the total exported. Airfreight accounts for 28% of fish, crustaceans, molluscs and aquatic invertebrates, surely commodities more suited for airfreight transport. Although only 2% of live animals have been transported by air, it is an area in which competitors have capitalised.

In 1993 the Qantas market share was behind their competitors. For example, Australia to Singapore, Qantas was 40% behind Singapore Airlines, Australia to Hong Kong 50% behind Cathay, Australia to Japan 10% behind JAL and ANA. These operators have dedicated freight aeroplanes. Air New Zealand carried 24% more freight across the Tasman than Qantas. Australia-USA Qantas is 2.7% behind its Pacific competitors. Much of this capacity is carried by freight operators who also contract to Qantas.

The information displayed in Table 1 clearly indicates that a very large revenue income can be based on airfreight operations. Using the sample period of the December quarter 1990, an estimated income to airline operators from airfreight into and out of Australia was \$515 million. If the primary operational purpose of airfreight for a dedicated freight aircraft were pursued, a larger market share of this revenue would be available to Qantas.

As stated by Boeing the greatest annual growth areas (in RTK) to the year 2000 for a dedicated freight is the Intra-Orient (8.5%), Trans-Pacific (8.2%) and Europe-Orient and Australia (7.9%), all these areas in the 'backyard' of Qantas. These forecasts are confirmed by the annual increase of 9% (GWT) of imported and exported commodities over the period 1986 to 1992.

With the Government policy of boosting Australian exports, more emphasis must be made in selling Qantas freight services to support that policy. A dedicated freight airplane will have the capacity to transport large products produced in Australia as a result of trade offsets to industry.

The use of any contract airfreight carrier can leave Qantas in a difficult position as there is no control on the standards of operation or equipment used in Qantas' name. This could leave Qantas open to the high risk of service disruption and/or safety incidents.

For Qantas not to consider long term dedicated freight service would be remiss as a lucrative source of revenue will be lost.

## **CONCLUSIONS**

**An airfreight subsidiary of QANTAS or a dedicated local International Airfreight Operator is vital to Australia.**

**It would benefit Australia as an efficient and flexible service organisation in support of our revitalised export orientated economy and act as a vehicle to ensure that Australian Government policy in the areas of trade, foreign policy and defence can be carried out. This organisation would also employ additional labour (skilled and unskilled). It will allow these skills to be exported in the form of carrying cargo for other countries and markets. Obviously any income earned will reverse the current situation and earn Australia valuable foreign currency.**

**As a benefit to the Airline Industry, a dedicated International Airfreight Organisation would keep older aircraft, particularly B727 and B747, operating in this country well beyond their passenger carrying life. This would increase the demand for maintenance staff and aircrew.**

**The history of Air operators in this country is that they invariably develop maintenance and staff training expertise around the equipment they operate. Contract maintenance and crew training could further develop into a viable employment area and export earner.**

**A look at the Airfreight Industry in other parts of the world shows that without it many of their countries' export industries would not exist. Airfreight is a vital part of any country's industry and yet in Australia we continue to ignore it or pass it over to foreign operators.**

**TABLE 1. AIR CARGO PER TRADE AREA**

| TRADE AREA      | OUTWARD GWT | RATE/Kg \$ | VALUE \$M | INWARD GWT | RATE/Kg \$ | VALUE \$M |
|-----------------|-------------|------------|-----------|------------|------------|-----------|
| New Zealand     | 12654       | 3.19       | 40.37     | 9403       | 2.87       | 26.99     |
| PNG-Solomon Isl | 586         | 3.74       | 2.19      | 172        | 4.21       | 0.72      |
| South East Asia | 9223        | 3.51       | 32.37     | 2931       | 4.85       | 14.22     |
| Japan           |             |            |           |            |            |           |
| Nth. Asia       | 8767        | 5.11       | 44.80     | 4063       | 11.81      | 47.98     |
| East Asia       | 5899        | 3.17       | 18.70     | 3912       | 4.92       | 19.25     |
| Middle East     |             |            |           |            |            |           |
| Gulf            | 1858        | 8.88       | 16.50     | 18         | 19.38      | 0.35      |
| Europe          |             |            |           |            |            |           |
| Atlantic        | 2114        | 6.33       | 13.38     | 7752       | 9.10       | 70.54     |
| Europe          |             |            |           |            |            |           |
| Baltic          | 136         | 6.03       | 0.82      | 806        | 10.17      | 8.20      |
| Europe          |             |            |           |            |            |           |
| Med.            | 1022        | 6.00       | 6.13      | 2214       | 8.93       | 19.77     |
| USA-West        | 2475        | 4.51       | 11.16     | 4161       | 11.28      | 46.94     |
| USA-East        | 1297        | 6.19       | 8.03      | 6477       | 11.69      | 75.72     |
| India-West      | 94          | 3.89       | 0.37      | 291        | 3.60       | 1.05      |
| India-East      | 58          | 3.64       | 0.21      | 425        | 3.28       | 1.39      |
| Africa          |             |            |           |            |            |           |
| South East      | 106         | 7.15       | 0.76      | 184        | 3.12       | 0.57      |
| TOTAL           | 46289       |            | 195.79    | 42809      |            | 333.69    |
| MEAN            | 3306        |            | 13.05     | 3057       |            | 22.25     |

Fig 1 Airfreight per Year

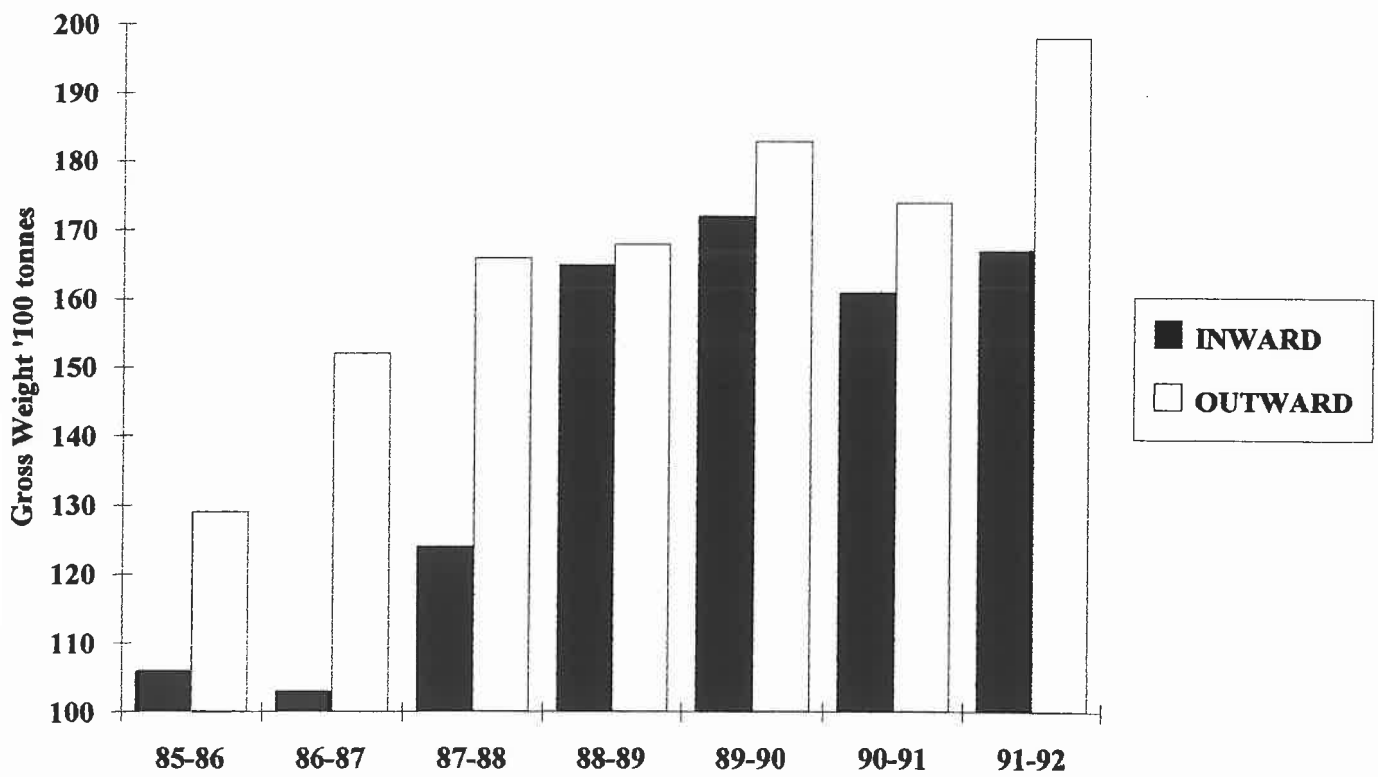
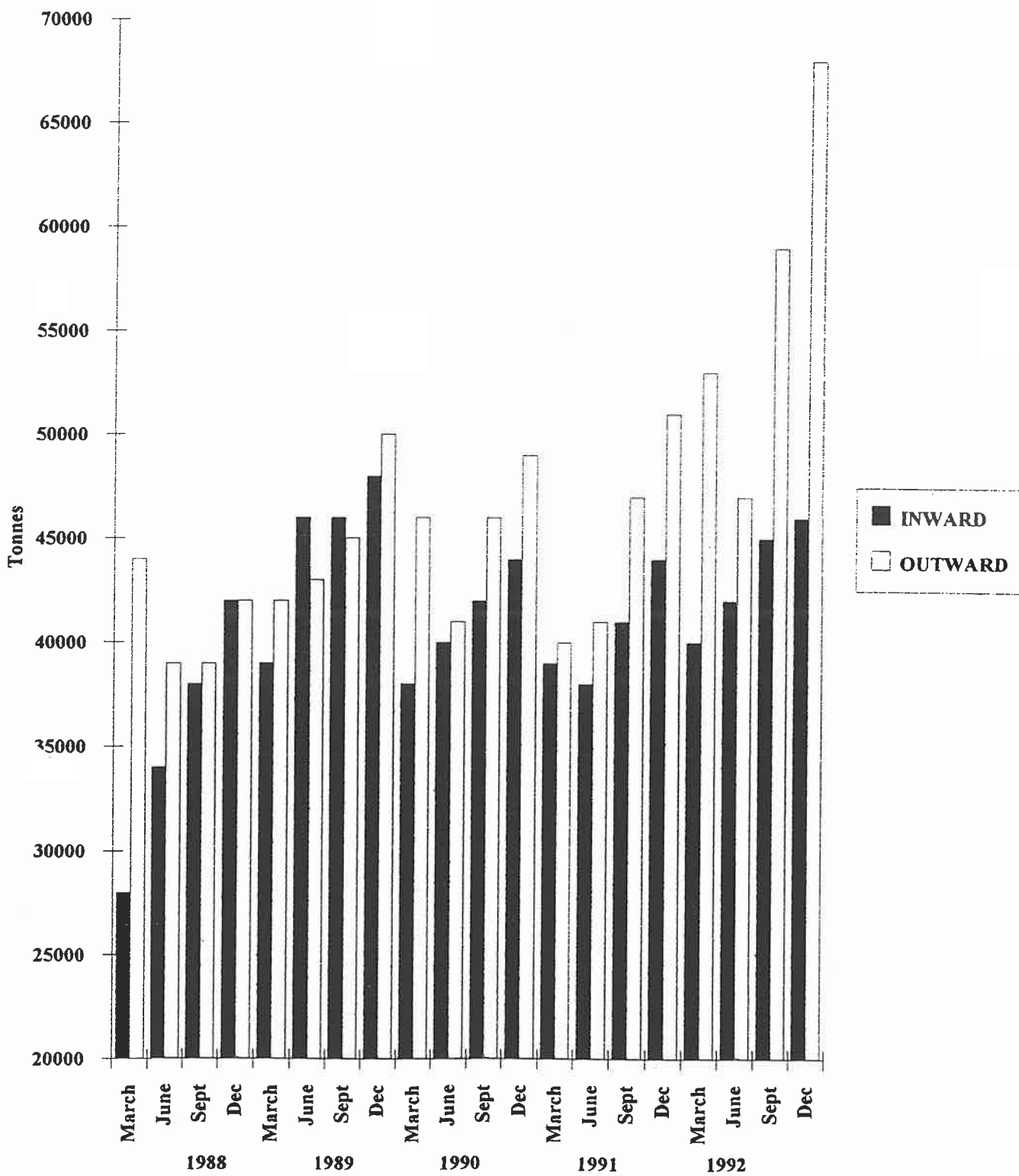




Fig 2 Airfreight per Quarter



**FREIGHT PAYLOAD COMPARISONS**

| <b>Airplane Type</b> | <b>Zero Fuel Weight (kg)</b> | <b>Dry Operation Weight (kg)</b> | <b>Payload (kg)</b> | <b><sup>3</sup>Available Freight Load (kg)</b> |
|----------------------|------------------------------|----------------------------------|---------------------|------------------------------------------------|
| 747-Combi            | 247 200                      | 178 298 <sup>1</sup>             | 68 902              | 45 342                                         |
| 747-200              | 243 350                      | 178 915 <sup>1</sup>             | 64 435              | 23 300                                         |
| 747-300              | 243 350                      | 179 457 <sup>1</sup>             | 63 893              | 27 223                                         |
| 747-400              | 244 940                      | 185 500 <sup>2</sup>             | 59 440              | 22 232                                         |
| 767-300              | 130 635                      | 89 500 <sup>2</sup>              | 41 135              | 19 475                                         |

- NOTES:**
1. Average.
  2. Typical.
  3. Freight load is ZFW less passenger loads.
    - a) 747 Combi - 248 passengers.
    - b) 747-200 - 433 passengers.
    - c) 747-300 - 386 passengers.
    - d) 747-400 - 392 (average) passengers.
    - e) 767-300 - 228 passengers.

Weights 75kg per passenger plus 20 kg baggage.

**FLEET COMMENTS**

It is obvious from the attached lists that a few countries dominate the airfreight market. The USA has a massive internal system using B727, B707, DC8 and B757 aircraft. The USA also dominates the Asia to USA and the Europe to USA and return routes using DC8, DC10 and B747 aircraft.

In Europe, France and Germany are the main operators of B747 aircraft. A number of specialised operators such as Cargolux (Luxembourg), Martinair (Holland), German Cargo (a Lufthansa subsidiary) and Heavylift (UK) supplement this capacity.

In the technical sophisticated areas of Europe and North America, it is interesting to note the number of niche operators using old equipment. Some aircraft dating to the early 1950s are still regularly used as frontline aircraft, often with major modifications to allow them to be used in specialised transportation. The companies operating older aircraft profitably invariably have extensive "in house" maintenance capabilities.

Africa and South America have a large number of specialist airfreight companies operating a variety of old aircraft purely to transport agricultural produce and machinery. Part of this requirement is a direct result of the poor roads in these two continents.

In Asia, Air Hong Kong and Nippon Cargo are the only two specialised operators. Both operate B747F aircraft. Air Hong Kong also wet leases B707 aircraft, with the current B707 leased from Heavylift from UK. The operations of the only ad hoc operator in Asia, Bayu Air of Indonesia, have recently ceased. This operator, who had a fleet consisting of DC6B, CL44 and DC8 aircraft, is reported to have closed due to changes in Indonesian Government policy.

SIA, Cathay Pacific, JAL, Korean Air, China Air and Air China all operate B747F, MAS and JAL lease wide body aircraft from the US operators, World and Evergreen. MAS, China and Air China also operate B747 Combi aircraft.

In our own region, Bae146, DC9, B727 and DC8 aircraft are operated on behalf of Ansett, TNT, Australia Post, Qantas, IPEC and DHL. In New Zealand Pacific Express leases various Russian aircraft to use on an ad hoc basis and domestic freight is handled by 4 CV540 and 1 Bae146QC and 1 F27 aircraft.

## COMPARISON OF THE WORLD AIRFREIGHT FLEET 1987 AND 1995

### EUROPE

| <u>Company</u>                            | <u>1987</u>                                          | <u>1995</u>                                                  |
|-------------------------------------------|------------------------------------------------------|--------------------------------------------------------------|
| <u>Air France</u>                         | 7 x B747 200F                                        | 10 x B747 200F                                               |
|                                           | 9 x B747 200C                                        | 11 x B747 200Combi<br>2 x B747 300Combi<br>6 x B747 400Combi |
| <u>UTA</u><br>(now part of<br>Air France) | 1 x B747 200F                                        |                                                              |
|                                           | 4 x B747 300Combi                                    |                                                              |
| <u>Alitalia</u>                           | 1 x B747 200F                                        | 1 x B747 200F                                                |
|                                           | 5 x B747 200Combi                                    | 5 x B747 200Combi                                            |
|                                           |                                                      | 5 x MD11 F                                                   |
| <u>British Airways</u>                    | 4 x B747 200Combi<br>delivered in all pax<br>config. | 3 x B747 Combi<br>config. all pax                            |
| <u>Cargolux</u>                           | 3 x B747 200C                                        | 3 x B747 200C                                                |
|                                           |                                                      | 2 x B747 400F                                                |
|                                           |                                                      | 1 x B747 200F                                                |
| <u>Iberia</u>                             | 2 x B747 200C                                        | 3 x B747 200Combi                                            |
| <u>KLM</u>                                | 10 x B747 300Combi                                   | 10 x B747 300Combi                                           |
|                                           |                                                      | 11 x B747 400Combi                                           |
| <u>Lufthansa &amp;<br/>German Cargo</u>   | 5 x DC8 73                                           | 5 x DC8 73                                                   |
|                                           | 2 x B737 200C                                        | 1 x B737 200C                                                |
|                                           | 14 x B747 200C<br>and Combis                         | 4 x B747 200F                                                |
|                                           |                                                      | 8 x B737 300F                                                |
|                                           |                                                      | 4 x B747 200Combi<br>7 x B747 400Combi                       |
| <u>Martinair</u>                          | 1 x B747 200C                                        | 2 x B747 200C                                                |
|                                           | 4 x DC10 30F                                         | 1 x B747 200F                                                |
|                                           |                                                      | 2 x DC10 30F                                                 |
|                                           |                                                      | 4 x MD11 F                                                   |
| <u>Sabena</u>                             | 2 x B747 100C                                        | 1 x B747 200Combi                                            |
|                                           | 1 x B747 300Combi                                    | 3 x DC10 30F                                                 |
|                                           | 4 x DC10 30CF                                        | 4 x B737 200C                                                |
|                                           | 2 x B737 200C                                        | 2 x B747 300Combi                                            |
|                                           |                                                      |                                                              |
| <u>Swissair</u>                           | 3 x B747 300Combi                                    | 3 x B747 300Combi                                            |

**MIDDLE EAST AND AFRICA**

| <b><u>Company</u></b>         | <b><u>1987</u></b>             | <b><u>1995</u></b>                                               |
|-------------------------------|--------------------------------|------------------------------------------------------------------|
| <u>Egyptair</u>               | 1 x B747 200Combi              | 3 x B747 300Combi                                                |
| <u>El Al</u>                  | 2 x B747 200C<br>1 x B747 200F | 2 x B747 200C<br>2 x B747 200F<br>1 x B747 200Combi              |
| <u>Iran Air</u>               | 3 x B747 200F<br>2 x B747 200C | 2 x B747 200F<br>2 x B747 200F                                   |
| <u>Kuwait</u>                 | 4 x B747 200Combi              | 4 x B747 300Combi<br>1 x B747 400Combi                           |
| <u>MEA</u>                    |                                | 3 x B747 200Combi                                                |
| <u>TMA (now owned by MEA)</u> | 7 x B707 300C                  | 4 x B707 300C                                                    |
| <u>Royal Jordanian</u>        | 3 x B707 300C<br>1 x B747 200C | 3 x B707 300C                                                    |
| <u>Saudia</u>                 | 1 x DC8 63F<br>1 x B747 200F   | 1 x DC8 63F<br>1 x B747 200F<br>2 x B747 200Combi<br>1 x DC8 70F |
| <u>South African</u>          | 2 x B747 200Combi              | 1 x B747 200Combi                                                |

**NORTH AMERICA**

| <b><u>Company</u></b>                     | <b><u>1987</u></b>                          | <b><u>1995</u></b>                                                      |
|-------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------|
| <u>Air Canada</u>                         | 2 x DC8 63F<br>6 x DC8 73F                  | 7 x DC8 73F<br>3 x B747 200Combi<br>3 x B747 400Combi                   |
| <u>Airborne Express</u>                   | 13 x YS11<br>20 x DC9 10/30F<br>5 x DC8 60F | 12 x YS11<br>55 x DC9 10/30F<br>51 x DC8 60F                            |
| <u>American Int'l<br/>(Connie Kalita)</u> | 1 x DC9 10F<br>2 x B727 100C<br>2 x DC8 50F | 2 x DC9 10F<br>20 x B727<br>30 x DC8F<br>6 x B747 100C<br>1 x B747 200C |
| <u>Arrow Air</u>                          | 3 x DC8 60F                                 | 10 x DC8 60F<br>10 x B727 200F                                          |
| <u>Atlas Air</u>                          |                                             | 10 x B747 200C                                                          |

**NORTH AMERICA (contd.)**

|                                    |      |             |        |               |
|------------------------------------|------|-------------|--------|---------------|
| <b><u>Challenge</u></b>            |      |             | 1 x    | B707 300C     |
|                                    |      |             | 3 x    | B757F         |
| <b><u>DHL</u></b>                  | 5 x  | B727 100C   | 12 x   | B727 100C/F   |
|                                    |      |             | 6 x    | B727 200F     |
|                                    |      |             | 5 x    | DC8 70F       |
| <b><u>Emery</u></b>                | 30 x | B727 100C   | 28 x   | B727 100C     |
|                                    | 10 x | DC8 60F     | 8 x    | B727 200C     |
|                                    | 7 x  | DC8 70F     | 16 x   | DC8 70F       |
|                                    |      |             | 19 x   | DC8 50/60F    |
|                                    |      |             | 5 x    | DC9 10F       |
| <b><u>Evergreen</u></b>            | 3 x  | DC9 30F     | 5 x    | DC9 30F       |
|                                    | 4 x  | B727 100C   | 3 x    | DC8F          |
|                                    | 1 x  | B747 200C   | 6 x    | B747 100C     |
|                                    | 2 x  | DC8 70F     | 4 x    | B747 200      |
|                                    |      |             | 8 x    | B727F         |
| <b><u>Fedex (Flying Tiger)</u></b> | 6 x  | DC8 73F     | 26 x   | A300/A310F    |
|                                    | 65 x | B727C       | 158 x  | B727C         |
|                                    | 7 x  | B747 100F   | 6 x    | B747 200F     |
|                                    | 11 x | B747 200F   | 35 x   | DC10 10/30F   |
|                                    | 19 x | DC10 10/30F | 13 x   | MD11          |
| <b><u>Northwest</u></b>            | 8 x  | B747 200F   | 8 x    | B747 200F     |
| <b><u>Polar</u></b>                |      |             | 10 x   | B747 100C     |
|                                    |      |             | 1 x    | B747 200C     |
| <b><u>Southern</u></b>             | 17 x | L100        | 14 x   | L100          |
|                                    | 2 x  | B707 300C   | 2 x    | DC8 70F       |
|                                    |      |             | 5 x    | B747 200C/F   |
| <b><u>Tower</u></b>                |      |             | 4 x    | B747 100/200C |
| <b><u>TWA</u></b>                  | 1 x  | DC10 30F    |        |               |
| <b><u>United</u></b>               | 4 x  | DC10 30F    | 4 x    | DC10 30F      |
|                                    | 1 x  | DC10 10F    |        |               |
| <b><u>UPS</u></b>                  | 6 x  | B747 100F   | 15 x   | B747 100C/F   |
|                                    | 32 x | DC8 70F     | 52 x   | DC8 70F       |
|                                    | 8 x  | B727 200C   | 59 x   | B727 100/200C |
|                                    |      |             | 51 x   | B757F         |
|                                    |      |             | (30) x | B767F         |
| <b><u>World</u></b>                | 4 x  | DC10 30C    | 1 x    | DC10 30F      |
|                                    |      |             | 5 x    | MD11F         |
| <b><u>Zantop</u></b>               | 20 x | L188        | 17 x   | L188          |
|                                    | 9 x  | CV640       | 11 x   | CV640         |
|                                    | 7 x  | DC8 60F     | 3 x    | DC8 50F       |

**SOUTH AMERICA**

| <b><u>Company</u></b>  | <b><u>1987</u></b>                                                      | <b><u>1995</u></b>                                 |
|------------------------|-------------------------------------------------------------------------|----------------------------------------------------|
| <u>A.L. Argentinas</u> | 2 x B737 200C                                                           | 2 x B737 200C                                      |
| <u>COPA</u>            | 1 x B727 200C                                                           | 2 x B737 200C                                      |
| <u>LADECO</u>          | 1 x B707 300C<br>1 x B727 100C                                          | 1 x DC8 F<br>1 x B707 300C                         |
| <u>Lan Chile</u>       | 2 x B707 300C<br>1 x B737 100C<br>2 x B737 200C                         | 2 x DC8 71F                                        |
| <u>TACA</u>            | 1 x B737 200C                                                           | 1 x B737 200C                                      |
| <u>TAMPA</u>           | 2 x B707 300C                                                           | 5 x B707 300C<br>2 x DC8 73F                       |
| <u>Varig</u>           | 4 x B727 100C<br>2 x DC10 30F<br>3 x B747 200Combi<br>3 x B747 300Combi | 3 x B727 100C<br>2 x DC10 30F<br>2 x B747 300Combi |
| <u>VASP</u>            | 2 x B727 200C                                                           | 4 x B737 200C<br>2 x DC8 63F                       |

**ASIA AND AUSTRALASIA**

| <b><u>Company</u></b>         | <b><u>1987</u></b>               | <b><u>1995</u></b>                                                  |
|-------------------------------|----------------------------------|---------------------------------------------------------------------|
| <u>Air China<br/>(CAAC)</u>   | 2 x B747 200Combi                | 3 x B747 200Combi<br>1 x B747 200F<br>3 x B747 400Combi<br>2 x L100 |
| <u>Air Hong Kong</u>          |                                  | 1 x B707 300C<br>(leased in)<br>2 x B747 100C<br>1 x B747 200C      |
| <u>Air India</u>              | 1 x B747 200Combi<br>1 x DC8 63F | 3 x B747 200Combi<br>1 x IL76F<br>1 x DC8 73F                       |
| <u>Air New Zealand</u>        | 1 x DC8 50F                      |                                                                     |
| <u>Ansett<br/>(Transcorp)</u> | 1 x B727 200C<br>1 x B707 300C   | 1 x B727 200C<br>2 x Bae 146                                        |
| <u>Asiana</u>                 |                                  | 4 x B747 400Combi<br>1 x B747 400F                                  |

**ASIA AND AUSTRALASIA (contd.)**

|                        |                   |                                      |
|------------------------|-------------------|--------------------------------------|
| <u>China Airlines</u>  | 2 x B747 200F     | 3 x B747 200F                        |
|                        | 1 x B747 200Combi | 1 x B747 200Combi                    |
| <u>EVA</u>             |                   | 6 x B747 400Combi                    |
| <u>Garuda</u>          |                   | 1 x B747 200Combi                    |
|                        |                   | 2 x MD11F                            |
| <u>Independent AF.</u> | 1 x DC9 30F       | 2 x DC9 30F                          |
|                        | 3 x Argosy        |                                      |
| <u>JAL</u>             | 1 x B747 100F     | 10 x B747 200F                       |
|                        | 9 x B747 200F     |                                      |
|                        | 1 x DC8 63F       |                                      |
| <u>Korean</u>          | 1 x B747 200C     | 1 x B747 200C                        |
|                        | 5 x B747 200F     | 8 x B747 200F                        |
|                        |                   | 2 x B747 200Combi                    |
|                        |                   | 1 x B747 300Combi                    |
|                        |                   | 1 x B747 400Combi                    |
|                        |                   | 1 x MD11F                            |
| <u>Malaysian</u>       | 1 x B747 300Combi | 1 x B747 300Combi                    |
|                        |                   | 2 x B747 400Combi                    |
|                        |                   | 2 x B747 200C                        |
|                        |                   | 2 x B737 300F                        |
| <u>Merpati</u>         |                   | 1 x B707 300C                        |
| <u>Nippon Cargo</u>    | 3 x B747 200F     | 6 x B747 200F                        |
|                        |                   | 1 x B747 100C                        |
| <u>Philippines</u>     |                   | 3 x B747 200Combi                    |
| <u>PIA</u>             | 2 x B747 200Combi | 2 x B747 200Combi                    |
| <u>Qantas</u>          | 2 x B747 200Combi | 1 x B747 200Combi<br>(only to 11/95) |
| <u>SIA</u>             | 3 x B747 300Combi | 3 x B747 300Combi                    |
|                        | 1 x B747 200F     | 3 x B747 200F                        |
|                        |                   | 4 x B747 400F                        |
|                        |                   | 1 x B737 300F                        |



# Media Release

Attachment 4

BOB McMULLAN

Minister for Trade

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12 September 1995

## MORE INDUSTRIES ELIGIBLE FOR EXPORT GRANTS

Companies providing event management services and companies involved with computer software design will soon be eligible to apply for government support through Austrade's Export Market Development Grants (EMDG) Scheme, the Minister for Trade, Senator Bob McMullan said today.

Senator McMullan said the two new service industry sectors have been accepted as 'Eligible Services' under the EMDG Act.

"The decision follows a recent review of grants support eligibility for certain service industry sectors", Senator McMullan said.

There are three major considerations in deciding if an industry provides services considered eligible under the EMDG Act:

- sale of the service must directly generate additional export income for Australia
- competition for the supply of the service must be substantially with overseas suppliers
- and the potential increase in export income must be significant.

Senator McMullan said the event management sector shows significant potential to increase export income.

"Australian convention centres and bureaus and professional conference organising companies have been competing successfully against US, European and Asian competition to win a steadily growing share of the events market around the world," Senator McMullan said

"Being eligible for EMDG should encourage more companies to bid for this business."

Companies involved in software application design services are also increasing Australia's export income.

Senator McMullan said Australian is becoming recognised as a cost-competitive centre of excellent in software design.

"EMDG will help Australian suppliers meet the key skills requirements of world's growing information technology and communications markets," Senator McMullan said.

For these two industry sectors, the availability of funding will start from 1 July 1996.

Eligible marketing expenditure incurred after 1 July 1996 can be lodged as a full-year claim for the first time, effective from 1 July 1997.

The EMDG Scheme currently provides over \$200 million of support to some 3,500 exporters.

Exporters are reimbursed 50 per cent on overseas marketing expenses above \$15,000 per year.

The scheme offers up to \$250,000 per year as a maximum grant (\$200,000 after 1 July 1996).

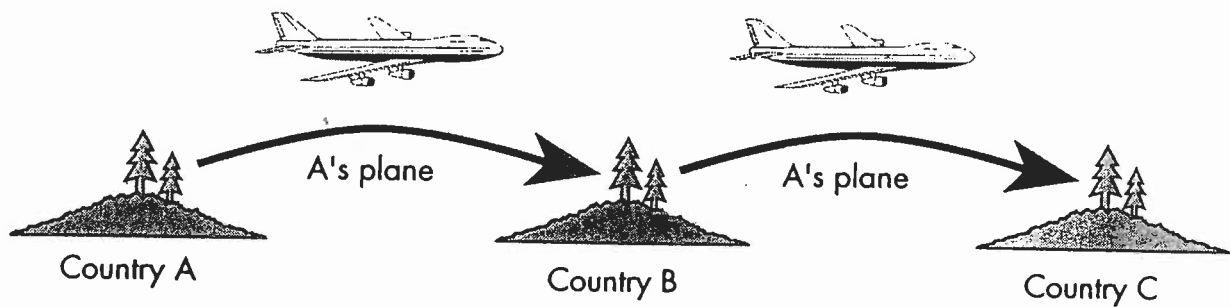
As the scheme's primary purpose is to support small to medium sized companies in their export endeavours, companies who record export sales above \$25 million per year are ineligible to apply for a grant.

**Further information:**

Senator McMullan's Office: John Flannery, (06) 277 7420

Austrade: Lidija Terzic (02) 390 2356  
Michael Tindall (02) 390 2763

### **Fifth freedom**



The right of an airline of one country to carry traffic between two countries outside its own country of registry as long as the flight originates or terminates in its own country of registry.

The third, fourth and fifth freedoms have traditionally been granted through bilateral air service negotiations.

**from International Aviation Report 86**

**BOEING 747 TYPE EXPLANATIONS**

The Boeing 747-100 was produced about 1969 to 1970. The Boeing 747-200 was produced from 1970 to 1980. Both these aircraft have a small upper deck. From 1980 to 1989 the B747-300 was produced with a large upper deck. From 1989 the Boeing 747-400 was produced. The freighter version of the 400 has the small upper deck of the 200 series.

A 747F is a freighter with both fwd and side opening upper deck doors.

A 747C is a freighter with an upper deck side opening door.

A 747 Combi is a B747 with a side opening cargo door but only the rear  $\frac{1}{4}$  to  $\frac{1}{3}$  upper deck used as freight. The remaining upper deck is used for passengers.