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Senate Select Committee on Commonwealth Bilateral Services Agreements
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Inquiry into Commonwealth Bilateral Air Services Agreements

WAFarmers puts forward the following submission to the Senate Inquiry into Commonwealth Bilateral Air Services Agreements.

WAFarmers represents the broadacre grains and livestock farming sector in Western Australia.

Our submission is limited to the impact on the Australian economy of any decision to deny additional landing rights to carriers prepared to put on additional international flights.

(a) the impact on the Australian economy, including on Australian travellers, the tourism and hospitality sectors and movement of freight;

Western Australian farmers are isolated from over 90% of the Australian domestic market, therefore they look to export opportunities to expand market opportunities for their produce.

With limited shipping and container traffic in and out of Fremantle Port, the growing passenger airfreight routes to the Middle East out of Perth, have opened up new opportunities to expand markets for premium produce into the Gulf States.

Fletcher International Exports founder Roger Fletcher, one of Australia's biggest exporters of lamb and sheep meat, said the "bellies of jets is the best way for us to take high-priced premium product".

"The more jets we've got in the air, the better the chance for farmers to open up more markets. You can't take on more contracts if you can't get the space," Fletcher said.

He said farmers were "jostling to get whatever space we can".

Western Australian sheep farmer Bindi Murray, who was in Canberra last week as part of a delegation of farmers lobbying the Federal government about Labor's pledge to eventually phase out the live export trade, said the impact of the Qatar decision on exporters had been lost in the focus on the hit to tourism and soaring airfares.

“This is not just about tourism. It is also about the freight that those flights actually enable. As an industry, we’ve been trying to explain this complexity to the government for quite some time,” said Murray who is director of Sheep Producers Australia, the peak industry group.

“It’s just really disheartening because we’re obviously not getting the message through if the government doesn’t understand the dynamics around those flights.

“With live export we can put 60,000 sheep on a boat. Once we go into the chilled market, we need to then send lots of small regular amounts. In WA, it’s taken us a lot longer for our passenger freight numbers to rebound and that’s meant that also affected our competitiveness in air freight for our export product as well.”

Products with short lifespans such as chilled lamb and beef have particularly benefited from the growth of passenger traffic linked to the commencement of the Qantas Emirates partnership in 2013.

A decade ago, Perth airport moved 4.11 million international passengers, this number grew to 4.36 million in 2019 before collapsing during COVID and returning to 3.26 million in the 2022/2023 financial year.

The failure to return to pre-COVID levels has impacted our high-end export sectors and any opportunity to increase capacity should be embraced by the Federal Government.

Qatar is the third largest market in the Middle East and North Africa for Australian chilled beef and boxed sheep meat, taking 8 per cent of beef and 13 per cent of sheep, at a value of \$135m in 2021-22.

Following the Emirates / Qantas flights into the two UAE hubs of Dubai and Abu Dhabi, Doha is the next logical airport to grow an increased number of regular flights into the Middle East. This hub will provide extensive transshipment opportunities into other markets.

Any move to restrict flights to Doha should be carefully scrutinised, as it will directly impact Australia’s, and in particular Western Australia’s, ability to move chilled lamb and beef into the growing Middle East and North African market.

Increased flights into the Middle East will also help offset the Qantas Dreamliner direct Perth to London flights which overfly the Middle East.

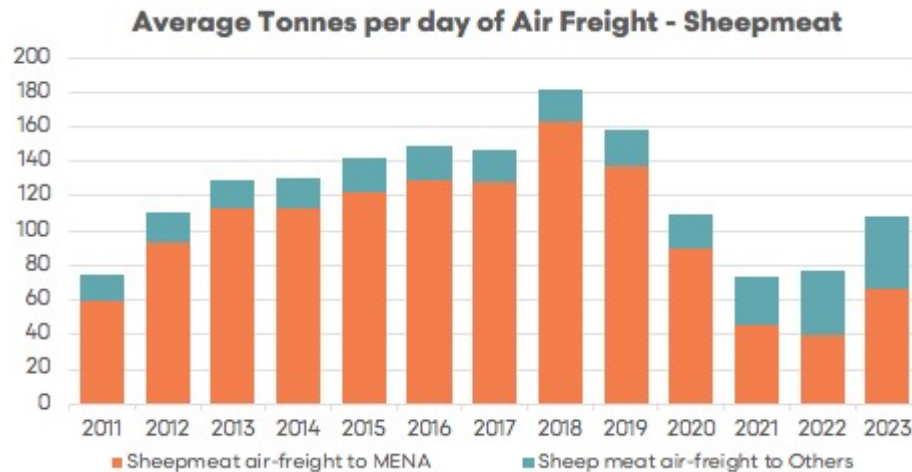
As an example of the air freight capacity shortage, pre COVID, V and V Walsh, one of the States three large sheep processors, were moving 7000 lambs per week on airfreight but today they are down to 750 – 1000 each week.

Not only is capacity short but costs have gone up, in part due to the lack of air freight competition out of Perth, seeing local exporters paying 90c - \$1 kg more than out of Melbourne.

The two other larger exporters WAMCO and Fletchers also have seen their numbers severely curtailed because of a lack of air freight capacity.

Today, total capacity to the Middle East and North African countries (MENA) for sheep meat exports is down from about 160 tonnes per day to about 66 tonnes as at April 2023.

This means there remains extensive untapped market potential of 100 tonnes per day, which is equivalent to 3000 lambs per day or around a million lambs a year. The graph below highlights the growth of chilled air freight sheep meat between 2011 and 2018 and the subsequent decline.



Any bottle neck in the supply chain is felt back at the saleyards, as reflected in the following graph which shows that current lamb pricing is sitting well below the 25-year average price.

Spare airline capacity remains a significant issue for expansion. As highlighted below, Melbourne is the primary source of most air-freight but is hamstring by available capacity. Other centres have some capacity, but sheep meat must still compete with other products for space. While Perth has room to increase air-freight carcass exports, it would need to increase total air-freight three-fold to accommodate the entire turnoff currently channelled through the live trade.

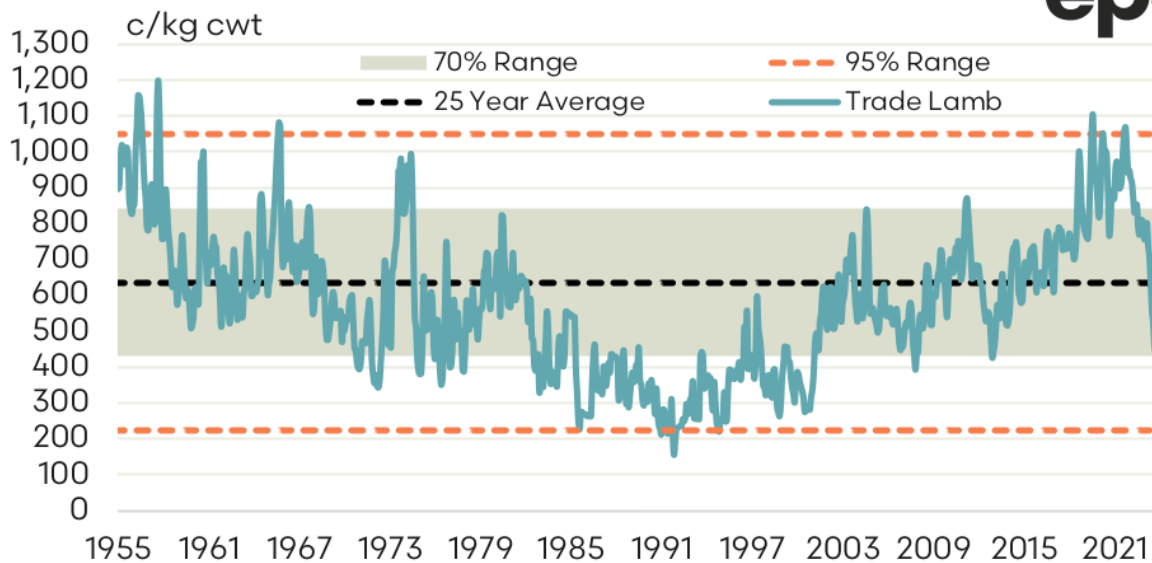
Sheepmeat share of air-freight exports to MENA (2014-2018 annual average)



Source: IHS Markit, BITRE. % share of freight assumes all air-freight sheepmeat to MENA transits from Australia through UAE and Qatar and no other intermediary ports (such as Singapore).

Trade Lamb Deflated - Current Dollar Value

ep3



Source: MLA, ABARES, ABS, EP3

The Middle Eastern buyers of high-end chilled lamb are looking for continuation of supply, via regular daily and weekly shipments to keep supermarket shelves stocked.

Only passenger flights can provide a cost-effective solution as dedicated air cargo planes are cost prohibitive.

Globally 54% of global airfreight is undertaken on passenger planes.

For the 2022 financial year, Perth airport handled 66,000 tonnes of airfreight, just over 1000 tonnes a week. Nationally Sydney handled over half of all of Australia's airfreight, but it is cost prohibitive to tranship from Perth to Sydney to the Middle East, so the focus needs to be on increasing international freight out of Perth.

This can only happen with growing flight numbers to help rebuild the numbers back to pre-COVID levels and have sufficient airfreight capacity to cater for any end to the live sheep trade which will only put additional downward pressure on local saleyard prices if additional export freight capacity is not found.

Trevor Whittington

CEO WAFarmers

13 Sept 2023