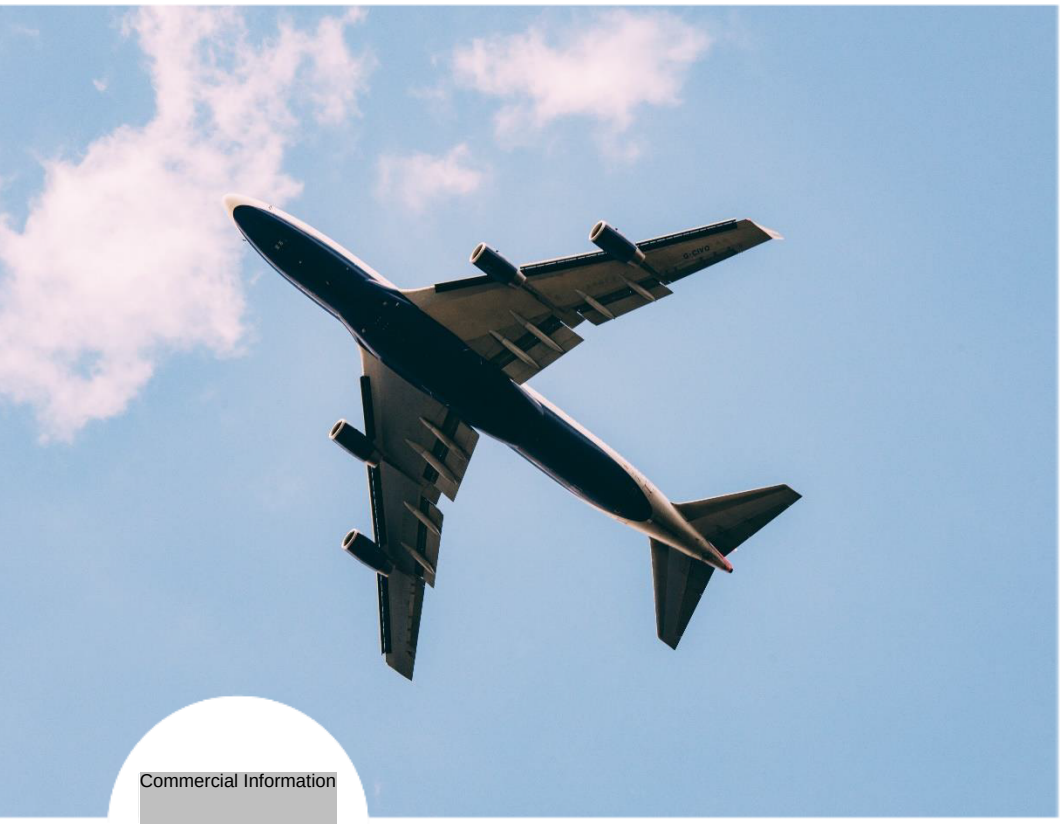


Commercial Information

Hawke's Bay Airport

Airfreight feasibility study
Phase three

November 2019

Commercial Information

Privacy of natural persons

All work is done, and services rendered at the request of, and for the purposes of the client only. Neither Commercial In nor any of its employees accepts any responsibility on any grounds whatsoever, including negligence, to any other person.

While every effort is made by Commercial I to ensure that the information, opinions and forecasts provided to the client are accurate and reliable, Commercial In shall not be liable for any adverse consequences of the client's decisions made in reliance of any report provided by Commercial I, nor shall Commercial I be held to have given or implied any warranty as to whether any report provided by will assist in the performance of the client's functions.

Making sense of the numbers

Taking into consideration the current and potential airfreight volumes, with the infrastructure restrictions at Hawke's Bay Airport, Commercial Information investigated the feasibility of a dedicated airfreight service from Hawke's Bay to Australia. It is proposed that a charter aircraft provide a service between Hawke's Bay and Australia offering a direct export route from Hawke's Bay to Australia and on to further destinations while removing the need for local exporters to truck to Auckland.

The current 1750 metre length of the Hawke's Bay Airport runway restricts the size and capacity of aircraft that can fly the route. Even with the proposed extension of the runway to Commercial metres the aircraft options are limited to Airbus A320/321s or Boeing 737s. The range of these aircraft limits the possible destinations to the Australian east coast and restricts the freight volume per flight to Commercial Information. Therefore, large airfreight exports will continue to be trucked to Auckland Airport for export.

Despite Hawke's Bay's reputation for primary production this does not translate to demand for airfreight. Fruit and fresh produce are not time sensitive and are sent by ship, while meat products that require airfreight are not processed in the region. The only product identified that could provide consistent all year round supply was seafood, which could provide Commercial Information per day of the Comm required to fill the flight. Seafood needs to be exported daily. There was no interest in consolidating to send once a week. A cherry exporter was interested in the service for the two month cherry export season. However, they would have no demand for airfreight outside of this period.

This means that there would need to be an additional Comm tonnes to fill the flight. While some Hawke's Bay exporters liked the idea of airfreight they could not guarantee the volumes that they would transport as their exports were based on demand from customers.

The minimum price required to cover the cost of the flight and the associated services to make the charter flight break even is Comm per kilogram. This is much higher than the typical cost of Commercial Information per kilogram to truck to Auckland Airport and then airfreight from there on commercial flights. Although exporters value timeliness and are willing to pay for this at a minimum price of $Com per kilogram all exporters indicated that they would find the airfreight option unaffordable.

The high price and low volumes make many sceptical of the success of the service. Guarantees will be required by the suppliers to support the flight. This will need to come from Hawke's Bay Airport or a partner. Freight forwarders, ground handlers and cargo terminal operators (CTOs) believed that the number of flights would not be sufficient to justify the investment required at this current point of time. At least Commerc guaranteed flight per day would be required to attract these service providers and ensure that they covered their costs.

Commercial In concluded that it is highly unlikely that a dedicated airfreight service will be feasible at present. If the service is to be possible it will require significant guarantees. If a charter airfreight service is to operate from Hawke's Bay Airport it will require an appetite for risk from Hawke's Bay Airport or a third party to underwrite the costs of the service.

Contents

Tables

Figures

1 Introduction

The core business of Hawke's Bay Airport is to provide appropriate facilities for all airport users and the travelling public. The airport is a key gateway into the Hawke's Bay region. Hawke's Bay Airport passenger movements have risen to over 750,000 passengers per annum and the airport has a target of reaching one million passengers a year by 2025.

Hawke's Bay Airport is in the process of developing its masterplan. An integral part of this masterplan formulation is the need to review and investigate the actual and potential level of airfreight movements through the airport. To this end, Hawke's Bay Airport applied to the Provincial Growth Fund (PGF) for funding to determine the feasibility of further investment to enhance the landside and airside infrastructure at Hawke's Bay Airport. Commercial Information was engaged to deliver this study over three phases.

Phase one assessed the current airfreight volumes and forecast the potential increases in future freight volumes based on projections of industry growth, and on information from main freight clients, and airlines.

Phase two sought to determine the extent of land and facilities needed to support airfreight activities in the future.

Phase three, was to be the development of a business case for the Hawke's Bay Airport Board for funding of the investment required to meet the potential freight volumes. The business case was to cover the strategic, economic, and commercial cases for the investment.

However, given the findings of phases one and two, Commercial In recommended that the business case be put on hold until the facility was required. Instead, it was proposed that C ll investigate the possibility of attracting a charter service to Hawke's Bay Airport to provide a spark to boost airfreight in the medium term.

1.1 Phase one

The phase one report found that road freight is the preferred method for transporting freight out of Hawke's Bay due to capacity constraints of domestic aircraft, lower costs of road transport and limited time benefits of airfreight compared to road transport.

1.1.1 Proximity to Auckland limits airfreight

The potential of airfreight from Hawke's Bay Airport is limited by its proximity to Auckland. It only takes approximately five hours to truck from Hawke's Bay to Auckland Airport. Trucking also has other benefits over airfreight including the ability to keep goods at a consistent temperature and greater flexibility for when freight leaves Hawke's Bay to make international connections.

Phase one recommended that to increase airfreight Hawke's Bay Airport needs to attract a service provider or an anchor airfreight customer. The idea of exporting directly through Hawke's Bay Airport was attractive to exporters that ship large volumes of time sensitive products as it would allow them to avoid delays getting goods to, and then onward from, Auckland Airport.

If an airfreight provider served Hawke's Bay Airport, it could provide the incentive for local exporters or producers to use airfreight. Among the key influences in making airfreight more attractive is the potential to increase the number of direct flights to export markets.

1.1.2 Aircraft size limits airfreight potential

The size of aircraft that currently serve Hawke's Bay Airport are too small to take the volumes of freight that are required by large international exporters that are moving goods from Hawke's Bay to overseas markets.

Phase one found that larger aircraft with the ability to take greater volumes of airfreight could encourage greater use of Hawke's Bay Airport for freight.

By increasing capacity, Hawke's Bay Airport could enable larger volumes of freight on each flight. The runway at Hawke's Bay airport can accommodate A320 aircraft, the common jet used on New Zealand domestic and Trans-Tasman routes.

In phase one exporters indicated that this could be attractive as it would enable them to send larger items or shipments by airfreight that currently do not fit onto the aircraft that service Hawke's Bay Airport.

1.2 Phase two

Phase two found that the new freight facility being built by Hawke's Bay Airport, as part of the terminal development, would be sufficient to handle the forecast increase in airfreight assuming there was no shock such as a dedicated charter airfreight service.

One of the intended results of phase two was to identify the size and cost of the facility. Without a willing operator or user of the facility, we could not establish the size and type of facilities required. Therefore, we could not accurately estimate the cost.

The phase two report recommended that Hawke's Bay Airport should not progress with the business case for building a new airfreight facility. An accurate and valuable business case for investment in an airfreight facility cannot be developed due to the lack of information available.

The phase two report recommended that Hawke's Bay Airport follow the example of Toowoomba Wellcamp Airport and investigate the possibility of grouping local producers and exporters together to create the volume needed to attract a dedicated freight aircraft.

1.3 Phase three

Based on the findings of phases one and two, it was determined that instead of developing the business case, Commercial I could investigate the potential for attracting an airfreight service from Hawke's Bay Airport.

Hawke's Bay Airport indicated that a charter service might have the potential to promote airfreight and provide the spark Hawke's Bay Airport is looking for from airfreight. The airfreight service could be attractive to local exporters that currently do not use airfreight.

During investigations for phases one and two of this study, it became apparent that Hawke's Bay Airport would struggle to increase airfreight volume in the medium term if airfreight was left to the market to provide.

The aircraft that serve Hawke's Bay Airport are unlikely to change in the short term meaning that the limitations of the aircraft that serve Hawke's Bay Airport will remain and exporters will continue to use their current transport modes and routes.

A direct service to Australia could provide the plane size and capacity that some exporters require and allow them to export directly to Australia.

Phase three assesses four elements:

1. The destination and cost of operating a charter airfreight aircraft from Hawke's Bay Airport to Australia
2. The costs to provide the minimum facilities, equipment, staff and additional services required to operate the airfreight service
3. The supply of freight for an airfreight service from local producers
4. The willingness of local producers to use an airfreight service.

1.3.1 The proposal

The proposal is for a charter aircraft to serve Hawke's Bay Airport. The charter flight would make use of an existing charter aircraft that serves a domestic New Zealand airfreight route between Auckland, Palmerston North and Christchurch overnight on weeknights.

This report examines the demand for a direct airfreight service from Hawke's Bay Airport and explored what would be required to bring an airfreight service to Hawke's Bay Airport. This report also identified the cost to use the service and the requirements on Hawke's Bay Airport.

The aircraft will fly from Hawke's Bay Airport directly to Australia. The destination in Australia is likely to be Sydney, Melbourne or Brisbane given their population base and established positions as international freight airports.

The flight could run up to seven times per week during the day and would provide an alternative to the current freight solution that requires trucking up to Auckland before transferring to airfreight from Auckland.

The original proposal is for one flight a week. This is similar to the single flight that Toowoomba Wellcamp Airport has attracted. Like Toowoomba Wellcamp Airport, the intention would be to use this initial flight to show the potential for airfreight from Hawke's Bay and to attract more users of the service and potentially more flights out of Hawke's Bay Airport.

2 Airfreight service requirements

A dedicated airfreight service would be completely new for Hawke's Bay Airport. The airport has private passenger flights but a freight service is a new proposition.

This section will address the requirements that will need to be considered for selecting a destination, chartering an aircraft and deciding on the frequency of flights.

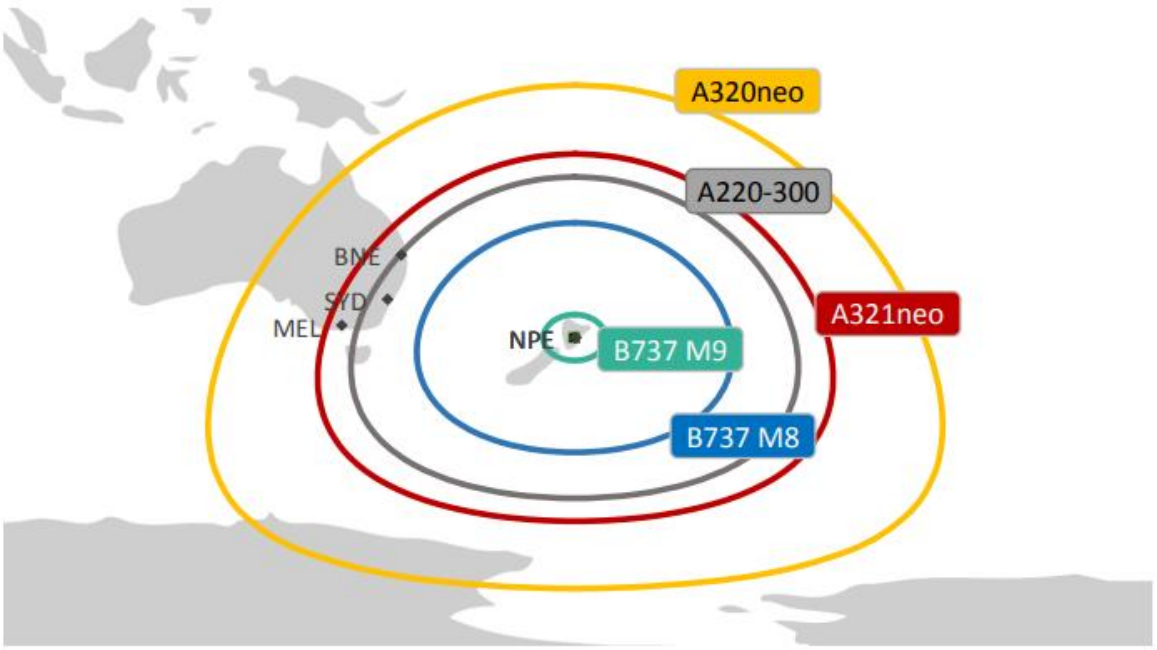
2.1 Destinations

The airfreight potential of Hawke's Bay Airport is limited by the current size of aircraft able to access the airport. The current 1750 metre length of the runway is just long enough for a Boeing 737 to safely take off with a capacity of 16 tonnes. The minimum practical runway length based on airline experience for New Zealand operation of a Boeing 737 is 1750 metres.

Hawke's Bay Airport has protected land to extend the runway to Commercial metres[1] and is looking at future requirements as part of its masterplan. A Commercial metre runway will be long enough for Airbus A320s and A321s to depart for the east coast of Australia fully loaded as indicated in Figure 2.1. However, this extended runway length will only be long enough to support aircraft up to the size of a Boeing 737 at reduced (Comm percent) capacity.

Because of the restriction on the size of the aircraft that can use the airport, the destinations for an airfreight service are limited to the east coast of Australia. This leaves Brisbane, Melbourne and Sydney as the most realistic destination for a dedicated airfreight service. Goods moving on from Australia would need to transfer through an Australian airport as shown in Figure 2.1

Figure 2.1 Aircraft range from Hawke's Bay Airport with maximum payload with Commercial Inmetre runway



Commercial Information

[1] Protected land means that obstacle limitation (flight path protection) surfaces for a designed Commercialm long main runway is protected in the Napier City Council District Plan. However, Hawke's Bay Airport are looking at expansion beyond this to support larger aircraft.

2.2 Chartering an aircraft

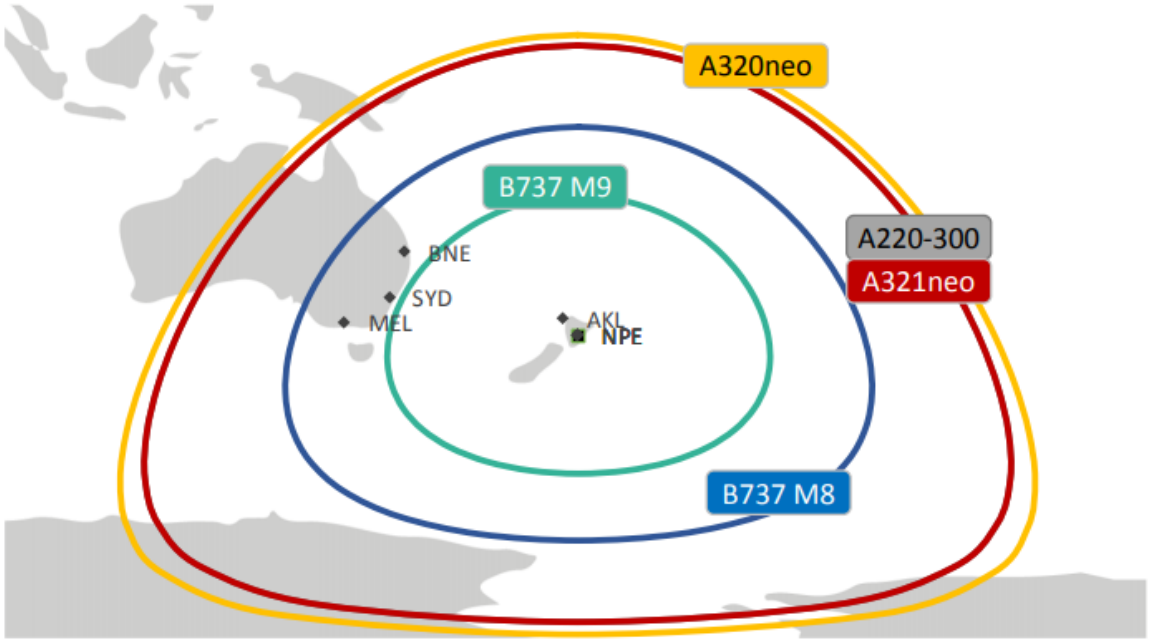
To enable an airfreight service from Hawke's Bay the first step is to establish the type of aircraft required. The aircraft needs to be large enough to take fully loaded airfreight containers, have enough range to reach Australia, and be available when exporters need to send their goods.

2.2.1 Aircraft size

The limitation presented by both the current runway and the protected length Commercial metres) means that Hawke's Bay Airport misses out on the opportunity to attract larger, dedicated freight aircraft. This limits the options for a charter service to Airbus 320s and 321s and Boeing 737s at Comm percent capacity.

Figure 2.2 shows the distances that aircraft could reach from Hawke's Bay with an Comm percent payload if the runway was extended to Commercial metres.

Figure 2.2 Aircraft range from Hawke's Bay Airport at Comm percent capacity with Commercial meter runway



Source: Commercial In

The restriction on the size of aircraft means Hawke's Bay Airport cannot take advantage of the economies of scale that are offered by larger aircraft. These economies of scale occur as the fixed costs of the flight can be spread across a greater volume of freight. For example, two pilots are required whether it is one tonne or 50.

2.2.2 Sourcing an aircraft

New Zealand has a limited number of charter aircraft operators. The current and proposed length of the runway further restricts the operators that could provide an aircraft to carry freight to Australia.

Commercial Information currently provide the Boeing 737 aircraft for the Commercial Information charter service that runs between Auckland, Palmerston North and Christchurch delivering courier and post overnight across New Zealand. There is the opportunity to utilise this aircraft during the day or on the weekends.

Commercial Information, that operates a Boeing 767 that can carry Comm tonnes of cargo per flight, were also approached for this study. The Boeing 767 is too large for Hawke's Bay Airport's runway at its current length. Commercial Information warned that although freight forwarders and exporters liked the idea of a direct service it is difficult to find a party willing to underwrite the flights.

Commercial Information believes that if charter flights were going to be possible from Hawke's Bay Airport it would require a guaranteed volume of freight or a guarantee from Hawke's Bay Airport or another party to make up the shortfall if the flights cannot be filled and the route operates at a loss.

Commercial Information have put on charter flights for cherries from Christchurch to Australia in the past. When it came time to run the service a storm had wiped out a significant proportion of the export crop. As the services were scheduled and customers were relying on the service they went ahead. Additional exporters were approached to take up the space. However, these goods could be taken on scheduled commercial passenger flights at a lower cost.

Commercial Information warned that the price per kilogram for a charter service would be higher than space on a commercial passenger service out of Auckland. While exporters using airfreight value time and are willing to pay for this there is a limit on how much they will pay.

2.3 Capacity of freight

Assuming that the plane providing the service is a Boeing 737 with capacity for Comm tonnes of freight, the following volumes will be available given the possible scenarios that could occur for the flight. These scenarios represent the varying levels of service that were raised during this study.

One flight per week

One flight per week is what is currently available at Toowoomba Wellcamp Airport in Australia. The first step for Hawke's Bay Airport will be generating the capacity to fill at least one flight per week. This would provide Comm tonnes of capacity per week and Commerc tonnes per annum.

Two flights per week

If the demand for airfreight increases from one flight a week then a second flight may be required. This is unlikely in the medium term but as production in Hawke's Bay increases and more exporters look to use airfreight, extra capacity may be demanded. This would provide Comm tonnes of capacity per week and Commercial tonnes of capacity per annum.

Five flights per week

Exporters mentioned that they send goods daily and would like to see a daily flight from Hawke's Bay Airport. This option would provide Comme tonnes of capacity per week and Commercial tonnes per annum.

Commercial Information

One flight per day during cherry season

An exporter of cherries expressed an interest in being able to send daily flights during the two month cherry season. This would provide Comme tonnes of freight per week and Commerc tonnes for the two months of the cherry export season.

These options could be combined if there was demand for a range of services across the year. For example one flight per week could run year round with extra capacity added during the cherry season.

Table 2.1 Possible weekly and annual airfreight capacity under a selection of scenarios

Flights per week	Capacity (tn)	Weekly Capacity (tn)	Annual Capacity (tn)
Once per week	Comm	Comm	Commerc
Twice per week	Comm	Comm	Commercial I
Daily five days per week	Comm	Comm	Commercial I
Daily for two months during cherry season	Comm	Comm	Commerc

3 Providing services to the flight

Getting the freight from the producer and onto the aircraft will require the coordination of freight at three stages before it can leave Hawke's Bay.

- Collecting the freight from the producer
- Consolidating the freight
- Providing ground handling services to load the aircraft.

3.1 Structuring the service

How these three stages are coordinated could be carried out in a number of different combinations depending on the willingness of suppliers to provide services for each stage. Two scenarios were considered for how the service could be structured.

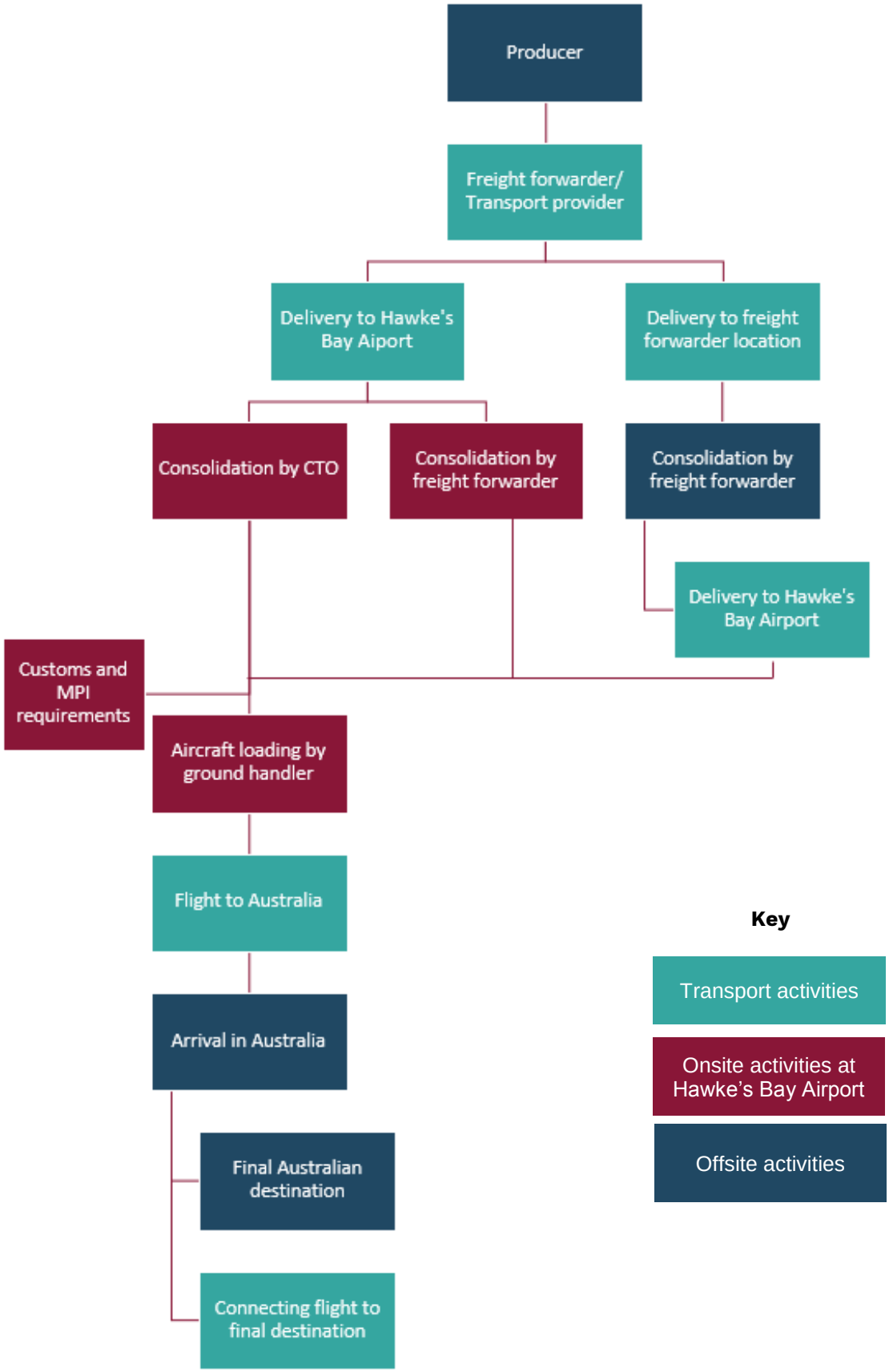
- Scenario one: Freight is consolidated at a facility at Hawke's Bay Airport
- Scenario two: Freight is consolidated offsite by a single freight forwarder and delivered to the airport ready to be loaded onto the aircraft.

Both options would require transport from the producer to a facility for consolidation, and ground handling service to load the aircraft.

The freight forwarders contacted during this study were unsure on the best approach but did state that they would want to minimise their own risk. Therefore, the scenario whereby individual freight forwarders supply freight is the most likely.

Figure 3.1 shows how freight would flow from the producer to Australia under each option.

Figure 3.1 Options for airfreight service delivery



3.1.1 Scenario one: Consolidation at Hawke's Bay Airport

Scenario one would see freight collected from the producer and delivered directly to a facility at Hawke's Bay Airport. A Cargo Terminal Operator (CTO) or freight forwarder would consolidate freight at a facility at Hawke's Bay Airport. Once consolidated the necessary Customs and Ministry for Primary Industries checks would be carried out. The freight would then be handed to the ground handler who would load the aircraft. Once loaded the flight would then depart for Australia where exports will reach their final destination or will move from the Australia airport on a connecting flight.

3.1.2 Scenario two: Offsite consolidation

Scenario two would see freight collected from the producer and delivered to a freight forwarders offsite facility for consolidation. Once consolidated, freight would be delivered to the airport where it would be loaded onto the aircraft for export in the same way as scenario one.

3.2 Freight forwarder services

A freight forwarder or freight forwarders will need to be involved to coordinate the freight for the charter flight. This will require freight forwarders to have a local presence in Hawke's Bay or a partner in Hawke's Bay that can provide freight forwarding services (such as transport to the airport) to customers that would make use of the flight.

3.2.1 Freight forwarder views

One large international freight forwarder with presence in Hawke's Bay and a large New Zealand trucking network believed that the biggest challenge would be the cost of setting up and managing the service. Without the committed freight volumes, freight forwarders will be reluctant to take on the risk that the plane may not filled.

A freight forwarder with experience working with charter flights between New Zealand and Australia commented that, the key to the success of the service will be to negotiate some financial security within a contract to operate the service and a commitment from producers to provide the volume required to make the service viable.

Freight forwarders indicated that significant investment will be required to enable exporters to export directly from Hawke's Bay Airport. Hence, freight forwarders and exporters have located around international gateways such as Auckland and Christchurch.

Freight forwarders would be hesitant to make the investment necessary to support air services from Hawke's Bay. For example, a freight forwarder would need to invest in additional trucks with roller beds to carry the airfreight containers. As a new service, these would be additional to those already in use elsewhere in New Zealand.

If airfreight containers were going to be loaded at a location outside the airport, such as at the freight forwarders depot, the freight forwarder would need to make additional investment in core equipment to support the service. There could be the opportunity to get economies of scale by sharing facilities. However, this was outside the scope of this report and would need to be further investigated.

Another freight forwarder indicated that the airport would need to provide a facility that would enable the freight forwarder, of forwarders, to store and receive goods for the flight. This will need to be a large storage shed with chiller capacity.

For a freight forwarder that does not have a physical presence in Hawke's Bay, the airport will require a facility for collection and consolidation of the freight. This will need to be managed by the ground handler, if they offer this service, or a CTO.

Another complication identified by one of the freight forwarders was a need to understand what would happen in Australia when transferring between flights. A concern was raised that freight would get held up in Australia waiting for a connecting flight, implicitly removing some of the time benefit of airfreight.

As long as Hawke's Bay Airport and the aircraft can obtain the necessary licences and security approvals the freight forwarders that contributed to this study had no concerns about completing the necessary paperwork to satisfy Customs and Ministry for Primary Industry requirements as these can be done online.

3.3 Ground handling services

Ground handling services will be required to load the freight onto the aircraft. Three established New Zealand ground handling service providers were approached to contribute to this study. Air New Zealand, SwissPort and Commercial Informatio The responses from Air New Zealand and SwissPort are summarised below. Commercial Informat did not respond to repeated requests for input.

3.3.1 Ground handler views

Air New Zealand

Air New Zealand would need to consider the impact that a direct service from Hawke's Bay would have on their operations elsewhere including the impact that freight from Hawke's Bay would have on airfreight currently carried from Auckland and beyond on passenger aircraft.

For Air New Zealand to operate as a ground handler and/or CTO at Hawke's Bay Airport the high level estimated cost would run Commercial Information to set up and operate. Air New Zealand would need to invest in the equipment to handle and load the freight as well as establish and maintain a large facility to receive and store freight until it could be loaded onto the aircraft.

To load the aircraft and move freight will require specialist loading equipment at Hawke's Bay Airport. As Hawke's Bay Airport does not have jet services, these would need to be obtained.

In addition to the costs of setting up the facility, Air New Zealand would require a minimum of Commerc staff at a cost of at least $Commercial Informat per annum.

Before even considering expanding its services at Hawke's Bay Airport to support airfreight Air New Zealand would require a commitment for between Commercial Inf and Comm freight aircraft per week.

Swissport

When work on phase three began, SwissPort had a presence at Hawke's Bay Airport providing services to Jetstar flights. However, Jetstar are withdrawing from all regional airports on 30 November 2019, including Hawke's Bay Airport, and SwissPort will cease operations.

SwissPort would consider re-establishing a presence at Hawke's Bay Airport if it made commercial sense. However, they cautioned that the costs would be large. Investment in equipment to load the aircraft and labour would be the two greatest costs.

SwissPort cautioned that it would be difficult for them to profitably operate Commercial Information per week. Previous experience in New Zealand suggests that the cost per turnaround is approximately $Commercial I when flights are running five nights per week with two plane turn arounds per night. However, this would likely be higher for Hawke's Bay airport due to the low number of flights expected.

To make a return on investment required to be commercially viable the cost of the equipment will need to be spread across the flights. Given the low number of flights expected, the cost for Swissport to provide ground handling services will likely be higher per kilogram of freight than it would be for larger airports with greater freight volumes and more flights.

To load the aircraft proposed for this service staff would be required to work a minimum of Commercial In hours per shift. With only one plane to load, which takes approximately C hours, there will be some lost time that will add to the overall cost. There was also concern raised that skilled staff could be difficult to attract if there was less than one flight per day.

SwissPort would require a minimum contract period of Commercial In years to provide it with the certainty they would require to make the investment necessary and provide the service.

Although the actual costs will be dependent on the schedule, SwissPort were able to provide estimates of what they believe the costs would be for them to services at Hawke's Bay Airport. The three scenarios they considered were one flight per week, two flights per week and one flight per day.

3.4 Cargo terminal operations

If a ground handler or freight forwarder were unwilling or unable to manage a facility at Hawke's Bay Airport to receive the freight, a cargo terminal operator (CTO) would be required to manage the facility.

CTOs provide airside warehousing and are responsible for the carriage or arranging the carriage of cargo, including the discharge of cargo from the aircraft and subsequent distribution. CTOs undertake a wide range of activities. They may be an airline in their own right or act on behalf of other airlines.

Given there will be limited freight flights out of Hawke's Bay Airport there is the opportunity to reduce the costs of cargo terminal operations by combining activities and/or sharing equipment. The cargo terminal could share equipment with the ground handler for unloading trucks. This would mean that the airport would require just one scissor lift for the cargo terminal and ground handling operations rather than requiring one for each. SwissPort mentioned that this was something that they would consider.

4 Exporter considerations and costs

4.1 Exporter considerations

As identified in the phase one report, the main considerations of exporters when deciding on their transport solution are price and timeliness. One of the findings of phase one was that airfreight was more expensive than transporting by road and suited for high value time sensitive goods.

4.1.1 Price

Price is a major determinant of the mode of transport used to move freight. The freight forwarders, ground handlers and CTOs indicated that price would be the biggest barrier to the success of the airfreight service from Hawke's Bay Airport.

A freight forwarder that previously looked at chartering a flight from Auckland found that despite capacity increasing, the costs for moving the freight also increased. The freight forwarder found that airfreight exporters were not willing to pay the premium to save half a day of transport time and were willing to wait to move exports on commercial flights at a lower price.

4.1.2 Timeliness

Exporters use airfreight to ensure that their products reach markets as fresh as possible. This is what gives airfreight an advantage over other freight modes.

Potential exporters we spoke with had differing views on the required frequency of flights. The options for frequency of flights includes:

- One flight per week similar to Toowoomba Wellcamp Airport that has one flight per week as they look to build up their freight volumes. Local exporters have co-ordinated their activities so that they are producing at times that align with the flight days
- A daily flight all year round
- Multiple flights a day during the peak export period.

Exporters with irregular volumes of freight did not have a view on the frequency of the service. If it were available they would use the service but if it was not operating on the days required, would use Auckland instead of waiting for the next Hawke's Bay flight.

4.2 Current cost

Costs to send airfreight to Australia through Auckland using a truck to make the Hawke's Bay to Auckland leg is around $[redacted] to $[redacted] per kilogram. The current cost of airfreight from Auckland to Australia is approximately $[redacted] per kilogram. The costs vary depending on a number of factors including airlines, times, weights, sizes, destinations, type of freight and volume of freight.

4.2.1 Transport to Auckland

The current cost to transport a [redacted] kilogram pallet from Napier to Auckland is approximately $[redacted] This averages out to [redacted] to [redacted] cents per kilogram.

4.2.2 Aircraft space cost

On scheduled Air New Zealand passenger services from Auckland, the cost per kilogram for the Air New Zealand component is approximately [redacted] to [redacted] cents per kilogram.

4.2.3 Other costs

Other costs included in the transport of freight are ground handling services and the costs of the facility where the freight is handled, if this is not managed by the airline or freight forwarder. This cost varies and is incorporated in the total cost quoted above. Additional costs included in the prices above are; cargo build-up and break-down, cargo clearance, freight forwarding fees, cargo warehouse and terminal fees, duties, taxes and any required special handling, tooling or equipment that would all need to be included.

4.3 Estimated cost of the charter flight

One freight forwarder speculated that the rate charged for the charter service would be Commerci to Commercial In times the cost of regular freight movement from Hawke's Bay using a truck to Auckland and then airfreight from there.

4.3.1 Aircraft hire cost

The cost per kilogram for the charter flight will be $Commercial The cost to position the plane in Napier, fly the plane to Sydney and then return empty to Auckland will be $Commercial Inform The flight would carry Comm tonnes.

This price excludes cargo build-up and break-down, cargo clearance, freight forwarding fees, cargo warehouse and terminal fees, duties, taxes and any required special handling, tooling or equipment that would all need to be included.

This cost assumes that the aircraft would return to Auckland empty. If the aircraft could be utilised to bring freight back from Australia to Auckland it could offset the cost of freight from Hawke's Bay Airport to Australia. This is considered below.

4.3.2 Freight forwarder cost

Freight forwarders estimated that the cost of their services to support the flight would be $Commerc per flight plus Comm cents per kilogram of freight. For a 16 tonne flight, the total cost paid to the freight forwarder would be $Commercial In per flight or Commerc cents per kilogram.

4.3.3 Ground handler cost

SwissPort quoted that the average ground handling cost per turnaround of an aircraft was $Commercial I The cost per kilogram of this service is difficult to estimate due to the many variables that cause prices to differ significantly. Using this the cost per kilogram on a full flight would be approximately Comme cents.

4.3.4 Cargo Terminal Operator (CTO) cost

The revenue expectation of the terminal operator is approximately Comm to Comm cents per kilogram. The total cost will vary and will be relative to the volume of freight and the number of flights among a number of variable costs.

A cargo terminal operator that was engaged for this study estimated that for a cargo facility to open its doors at Hawke's Bay Airport it would require revenue of around $Commercial Informat per annum to cover the overhead costs. At the rates expected by the freight forwarder. This would be equal to Commercial I tonnes of freight per year. This would be Co mer fully loaded flights per year, or Commerc flights per week.

Assuming a minimum fixed cost of $[redacted] per annum and one full flight per week carrying [redacted] tonnes [redacted] tonnes per year) this averages to [redacted] cents per kilogram.

4.3.5 Total cost

Assuming the flight is full with 16 tonnes of freight the estimated cost to charter the plane is $[redacted] per flight. This is the equivalent of $[redacted] per kilogram assuming the flight is full as shown in Table 4.1.

Table 4.1 Estimated costs per kg for 16 tonne charter flight

Cost type	Cost per flight ($)	Cost per kg ($)
Aircraft hire	[redacted]	[redacted]
Freight Forwarder	[redacted]	[redacted]
Ground Handler	[redacted]	[redacted]
CTO	[redacted]	[redacted]
Total	[redacted]	[redacted]

The costs above do not include any margin for Hawke's Bay Airport or an investor. The costs in this report do not consider any additional costs faced by exporters to enable their products to be moved by airfreight from Hawke's Bay Airport. This includes getting ULDs to Hawke's Bay and any transport to the airport. The total cost to the exporter will likely be greater than this estimate.

4.3.6 Offset costs

The assumption is that the flight will return empty. There is the opportunity to use the return flight to move freight back to Auckland. This would offset some of the cost of chartering the aircraft.

The level of competition between Sydney and/or Melbourne and Auckland makes it unlikely Australian exporters will be willing to pay more than the current transport rate charged by passenger airlines of [redacted] cents per kilogram. The return flight will need to be filled at [redacted] cents per kilogram (all other costs associated with moving freight would still apply). Assuming that the flight can be filled from Australia to Auckland the offset cost could be up to $[redacted]

If an Australian exporter was looking to send a full [redacted] tonnes to Auckland then there may be the opportunity to offset the cost by more if an Australian exporter was willing to pay a premium for an airfreight service to Auckland. This would reduce the cost to New Zealand exporters by [redacted] cents per kilogram, to [redacted] per kilogram as shown in Table 4.2.

Table 4.2 Estimated cost per kg for charter flight with offset

Cost type	Cost per flight ($)	Cost per kg ($)
Aircraft hire	[redacted]	[redacted]
Freight Forwarder	[redacted]	[redacted]
Ground Handler	[redacted]	[redacted]
CTO	[redacted]	[redacted]
Total	[redacted]	[redacted]
Offset	[redacted]	[redacted]
Total less offset	[redacted]	[redacted]

5 Total volume of interested freight

5.1 Exporter responses

Based on the findings of phase one and two it is clear that those that would benefit from a direct flight are those exporters that time is the most important factor in their transport decision.

Potential exporters that might use the airfreight service were identified by Commercial I and Hawke's Bay Airport with the support of local business support groups; Great Things Grow Here, Hawke's Bay Chamber of Commerce, Business Central and Export New Zealand.

Exporters were approached to gauge their interest in using airfreight. Those expressing an interest were interviewed to understand current transport options and interest in using an airfreight service. When an exporter was not interested, more detail was sought to understand why. Responses of those that were not interested in airfreight are included as an appendix to this report.

5.2 Total volume of interested freight

The volume of freight from exporters interested in making use of an airfreight service is limited to seafood shipments, seasonal produce and some irregular shipments from Hawke's Bay based producers. The irregular shipments would come from producers that do not have a regular need for airfreight but would use the service if it were available at the right price.

Table 5.1 Total volume of freight interested in regular use of a charter airfreight service

Month	Seafood (tn)	Agriculture (tn)	Other (tn)	Total daily freight (tn)	Flights per day required
January	Co	C	I Information	C	C mm
February	Co	C	I Information	C	C mm
March	Co	Commercial Information		C	C mm
April	Co	Commercial Information		C	C mm
May	Co	Commercial Information		C	C mm
June	Co	Co	Co	C	C mm
July	Co	Co	Co	C	C mm
August	Co	Commercial Information		C	C mm
September	Co	Commercial Information		C	C mm
October	Co	Commercial Information		C	C mm
November	Co	Commercial Information		C	C mm
December	Co	Commercial Information		Commerc	Comm

Source: Commercial I

None of the exporters were willing to guarantee the volume of freight they could supply, meaning that the coordinator of the flight would take on all the risk of filling the flight and covering the costs.

At these volumes, there would be demand for Comme flight per day from January to October and then Commercial In flights per day in November and December when seasonal fruit exports are coming out of Hawke's Bay.

5.2.1 Fish and seafood

Seafood has long been a key export from Hawke's Bay. Two large local seafood exporters could be interested in using an airfreight service if the price was right. The total volume of seafood from the two suppliers is approximately one tonne per day. Both exporters rely on freshness as their key selling point and export daily to ensure this. Both exporters export seafood daily through Auckland.

If a service was available from Hawke's Bay at a similar price they would look to use the service when possible.

Commercial Information export four to five tonnes of seafood per week, primarily to Australia. Currently goods are trucked to Auckland where they are consolidated by a freight forwarder.

Fish is processed during the day and is then trucked overnight to Auckland, to be sent out that morning to reach markets in Australia. The main market is Melbourne, with some supply into Sydney.

Getting fish to markets fresh is the main priority for Commercial Information. Fish processing is organised to enable Commercial Information to ensure that the fish reaches markets as fresh as possible.

Commercial Information identified two challenges with exporting using a charter flight from Hawke's Bay Airport. The first is the frequency of flights. Commercial Informatio would not be interested in consolidating shipments over a week. If flights were not daily from Hawke's Bay Airport Commercial Information would still need to use their current freight routes through Auckland on days when flights did not run out of Hawke's Bay.

The second challenge is the likelihood that the flight will require a guarantee of a volume of freight. As the volume of seafood is dependent on the catch. Seafood exporters would be unable to guarantee regular volumes.

Commercial Information stated a competitive price as being a key factor. The margin on fish means that there is limited scope for seafood exporters to Commercial Information than they currently do for transport. Seafood exporters pay around $Commerc per kilogram from Auckland to Australia on a commercial passenger flight. The trucking cost to Auckland is around $Comme per pallet for transport to Auckland in a chilled freighter truck. The pallets are Commerc to Commerc kilograms each. This makes the total transport cost around $Commerci per kilogram to Australia.

Commercial Information believed that the service could be successful if there were passenger planes out of Hawke's Bay Airport. The passengers would offset the cost of the flight.

The second seafood exporter from Hawke's Bay send one to one and a half tonnes of fish to Melbourne each week. Fish is sent fresh and is required to reach Australia as fresh as possible. The cost per kilogram for this exporter to transport fish to Melbourne is approximately $Commerci per kilogram.

The exporter would be interested in using the service if the costs were less or comparable to what they currently pay if the service would not take any longer to get their product to markets.

5.2.2 Agriculture

Despite Hawke's Bay being one of New Zealand's leading agricultural regions there was minimal interest in using airfreight for export. The products grown in Hawke's Bay are not time sensitive or high value enough to be sent by airfreight.

Commercial Information initially expressed interest in the potential for airfreight direct to Australia. However, after reviewing their export data Commercial Informa found that the majority of fruits and fresh produce from Hawke's Bay are transported by sea to Asia.

Commercial Informa do send a small volume of Hawke's Bay Blueberries by airfreight to Australia between January and March. The total volume is Commercial Information tonnes over this period. An average of Comm kilograms per day. Commercial Informa would consider sending this direct from Hawke's Bay if the volumes and

Commercial Information

3. Total volume of interested freight

prices justified this. Exports would not need to be daily and could be exported weekly Commerc kilograms per week).

A national cherry exporter is interested in the opportunity to export directly from Hawke's Bay. The exporter indicated that exporting out of Hawke's Bay Airport could save five hours of transport time if the transfer in Australia could be minimised. Despite Australia not being a key export destination, Australia could act as a hub for connections to Asian destinations. The exporter could see the attraction of taking advantage of the potential greater space available from Sydney or Melbourne compared to Auckland. The cherries would need to be on a direct flight from Australia to the final destination. Use of the service would be dependent on being able to access capacity on flights from Australia to Asia.

During the peak season the cherry exporter will need to export around Commercial I tonnes from Hawke's Bay. This is Comm tonnes per day Commerc days per week for eight weeks. Assuming two flights per day on weekdays this would be approximately Comm flights (carrying Commercial tonnes over the Commerci month period).

For the remainder of the year the exporter would have a minimal need for airfreight.

Price was the major concern for this exporter. Even with a potential five hour time saving, this would not be enough to pay much more than they at present. Currently they can export to China and Hong Kong for approximately $Com per kilogram.

The cost of the truck leg from Hawke's Bay to Auckland was estimated to be approximately Comm cents per kilogram. The price from Australia to Asia was estimated to be an additional $Co to $Com per kilogram.

5.2.3 Meat

Producers in the meat sector were not interested in airfreight flights from Hawke's Bay. Meat processing and production is carried out in other locations, or where processing was carried out in the region, exports are sent by sea freight. Meat processors that send time sensitive goods are not located in Hawke's Bay. These facilities are located closer to other airports meaning Hawke's Bay Airport is not an attractive export option.

One local meat producer was interested in the potential the service would offer, however at the time they did not have any products to send on the flight. The exporter stated, "generally we'd encourage this to then be able to set up supply opportunities if it became a reality."

5.2.4 Bees and honey

Honey producers were not interested in a flight from Hawke's Bay Airport to Australia. For exports of live bees the flight to Australia would be in the wrong direction for a local bee exporter who sends bees to Canada. Sending bees to Australia then to North America was not attractive when there are direct flights from Auckland.

Airfreights of honey from Hawke's Bay exporters through Auckland Airport have been confined to China, Korea and Japan. A recent airfreight to Korea for a Commercial Information of honey- was $Commercia per kilogram.

Exporters do not see trucking to Auckland as a major hindrance in getting an airfreight underway. Often Certification requires a hardcopy certificate to be collected from Ministry for Primary Industries offices at Mangere to travel with the consignment.

Commercial Information

3. Total volume of interested freight

5.2.5 Other

Commercial Information would be interested in the possibility of a Commercial Inf flight to Australia. Commerci are based in Napier and produce display cabinets for food and drink. Commercial Information Seventy percent of Commercia airfreight is to Australia.

Export products are sent by Commerci almost every day. Currently its products are trucked to Auckland by one of the major freight forwarders where they are put onto flights for export. Commerci estimate that they would send Comme square metres of goods per week. The display cabinets cannot be moved on the aircraft that currently serve Hawke's Bay Airport because the cabinets are too large to fit through the aircraft doors.

Commerci use airfreight to meet the demands of their customers who require their products for a specific date. The model Commercia runs is to get goods to the final destination on the day it will be installed. This reduces the need for Commerci or their customer to find a place to store equipment until it can be installed.

Frequency is important to Commercial In busy periods, their products need to be sent as soon as possible. Ideally, Commercia would like to see a flight per day. If there was one flight per day they would look to use this flight if it was cost effective. The customer and their willingness to pay a premium will dictate the ultimate decision. However, in most cases the customer does not want to pay extra for freight.

For exports at other times they would continue to truck to Auckland and then use airfreight from there. Commercial would not be willing to hold products back and delay sending exports by a week just to use a flight from Hawke's Bay Airport. Frequency of flights is important for Commerci during the busy period, June to December.

The volumes from Commerci would not support the flight but they would be an exporter that could provide additional freight to top up the flight to maximise the freight carried on the flight and to reduce the cost for other exporters.

Exporters mentioned that they sometimes use airfreight for exports that are required in tight time periods. These exporters that use airfreight sporadically could take up some capacity on a charter flight if and when these exporters have airfreight they need to send.

6 Hawke's Bay Airport facilities and revenue

As identified in phase two, Hawke's Bay Airport will require a facility that is capable of handling the additional freight that would come with a dedicated freight service. The design and layout of the facility should be done in collaboration with the users.

Hawke's Bay Airport will benefit from landing fees and leasing the airfreight facility. The total potential revenue generated will be determined by the demand for facilities and land around the airport at the time the facility is operational.

6.1.1 Facility requirements

Hawke's Bay Airport will generate revenue from leasing the freight facility. The total value of this revenue will be determined by market demand at the time the facility is built and operational.

The facility would be similar to the facilities that they have at Auckland and Christchurch Airports but at a smaller scale. The size of the facility required to handle Comm tonnes of freight per flight would be between Commerc to Commercia square metres. The facility will require:

- Clear floor area for moving freight around
- Racking around the perimeters to store cargo
- Chiller capacity
- Scales for weighing freight.

Depending on the volumes of freight, Hawke's Bay Airport could consider a facility that could support a range of activities. The facility could include space for a freight forwarder to consolidate containers at the airport in the facility before handing these on to the ground handler for loading.

6.1.2 Landing revenue

The current landing charge for Boeing 737-400 at Hawke's Bay Airport is $Commercial Info If the flights were run once a week the annual income for Hawke's Bay Airport will be $Commercial Informa If there was to be a daily flight then annual revenue could be $Commercial Informati Table 6.1 below shows the landing revenue that could be generated for Hawke's Bay Airport for a range of scenarios.

Table 6.1 Revenue from landing charges

Flight Frequency	Average Weekly Revenue ($)	Annual Revenue ($)
Once per week	Commercial I	Commercial Informa
Twice per week	Commercial I	Commercial Informa
Daily five days per week	Commercial Info	Commercial Informa
Daily for two months during cherry season	Commercial I	Commercial Informa

Source: Hawke's Bay Airport, Commercial I

7 Other considerations

As well as setting up the flight itself there are a number of other considerations that Hawke's Bay Airport, exporters and freight forwarders will need to consider if the service is to be viable and successful.

7.1 Customs and MPI requirements

Customs and MPI will need to be involved with a charter flight. Customs will be interested to ensure that the flight and the infrastructure have the correct licences and paperwork. Hawke's Bay Airport and the aircraft will need to be licenced to export directly and the facility will need to be secure and meet Customs requirements. Customs will also need to ensure the freight is being sent with the correct paperwork.

Customs are unlikely to licence Hawke's Bay Airport and provide Customs services for just one airfreight flight per week or irregular flights. It would not be worth it for Customs to have a sufficiently trained staff member available in Napier for the freight volume that would be expected. Currently Customs have six officers in Hawke's Bay to serve exports from Napier Port but there is no spare capacity within the current staff allocation to serve the airport.

Hawke's Bay Airport would need to make the case to Customs, the Ministry for Primary Industries and the government for approval for the airport to have a Customs presence to enable airfreight services. Hawke's Bay Airport would need to illustrate that the airfreight service will have a positive economic impact for the region. The decision would be made cross government in consultation with Customs, Ministry for Primary Industries and the Civil Aviation Authority. Hawke's Bay Airport would need to show that the service is feasible for each agency to make the commitment required to allow the service to go ahead.

7.2 How to get the containers down to Hawke's Bay

A solution will need to be found to provide airfreight containers to Hawke's Bay. Airfreight containers, also called unit load devices (ULDs) are used for baggage and cargo carried on aircraft. The containers are suitably dimensioned and equipped for the aircraft and are secured so that they cannot move in flight.

Getting containers to Hawke's Bay was not considered in this study. As the plane would return to Auckland and Hawke's Bay does not have regular jet services a solution for getting the containers to Hawke's Bay will need to be found. This could be provided by a freight forwarder that could transport these by truck.

We have not included this in our costs of airfreight as transport containers would need to be sourced regardless of the transport mode. Different exporters will have different requirements making it difficult to accurately estimate the costs of relocating airfreight containers.

7.3 Onwards from Australia

The current runway length (1750 metres) and the future possible runway length Commercial In metres) limits the destinations that can be reached from Hawke's Bay Airport. This means that the destinations for any flight will be the east coast of Australia. Sydney was originally proposed as the destination. However, Melbourne was also seen as a potential destination.

A direct flight to Australia was attractive for exporters that are exporting to Australia or onwards to Asia. Exporters sending goods east to north and south America were not interested in exporting through Australia as the time saving by road from Hawke's Bay to Auckland is lost in the time flying across the Tasman Sea.

Another concern for an exporter is the temperatures in Australia during export season. One exporter expressed the concern that in moving goods around airports in Australia where temperatures are higher than Auckland would have a negative impact on the quality of the product to its final destination. The potential impact of these higher temperatures was viewed by the exporter to be greater than the potential benefit of the time savings. This exporter said they would rather export from Auckland to the final destination (E.g. Asia) from Auckland than go through Australia. Exporting from Auckland means that exports can be put on a direct flight and refrigerated transport from Hawke's Bay to Auckland can be aligned with the requirements to meet a flight.

While some exporters were interested in the prospect of exporting through Australia to reach the final destination, concerns were raised about the connections with flights to alternative destinations. Exporters feared that goods may have to wait in Australia to meet connecting flights. These exporters explained that the decision to use airfreight from Hawke's Bay would depend on the ability to meet with the connecting flights.

With freshness and timeliness being of the upmost importance to exporters that use airfreight exporters to cities on the Australian east coast are unlikely to use the charter service if it is not direct to the city where their customers are. If the time from Hawke's Bay to the final destination is greater than the current transport route it is unlikely exporters will use a charter flight.

7.4 Declining volumes

A freight forwarder expressed concern that if there is a slowing of the global economy it will be the demand for high value goods that will be amongst the hardest hit. If demand for these goods falls the demand for airfreight will also decrease. The partners supporting the flights would all face potentially significant financial losses. An appetite for risk from all parties involved will be required if the service is to be successful.

7.5 Seasonality

Agriculture and horticulture are seasonal and therefore the demand for airfreight will be seasonal. This seasonality means that flights may not be filled during the winter months when the horticulture is out of season. Cherries, for example, are only exported for an eight-week period.

This will have an impact on those exporters that are not seasonal. If the flight is only available during the peak season then regular exporters may look to have a consistent all year round service that would require them to transport through Auckland.

8 Who assumes the risk

A concern expressed was, who assumes the risks of the airfreight charter flight? Chartering the flight is a risk for any organisation and at present, it is not clear who will be responsible for co-ordinating the flight, covering the costs and ensuring the flight is filled.

Freight forwarders are attracted to using commercial passenger services as they are already flying regardless of whether there is freight or not. The airlines see freight as a bonus on top of passengers so a lack of freight is not make or break. If the flight leaves with less freight than expected the loss to the airline and the freight forwarder is limited to just the freight. A charter service depends solely on attracting freight.

Additionally, Auckland Airport has large volumes of freight leaving the airport Commercial Inform tonnes in Commercial Informat). If one exporter cannot fill its expected volume there are a number of other exporters and freight forwarders that can take up some of the unused space. This limits the risk of loss to the company that has purchased the freight space or is putting on the flight.

One freight forwarder spoke of their previous experience with a charter flight where adverse weather conditions caused the freight that would have travelled on the aircraft to be damaged and no longer suitable for export. The freight forwarder and the aircraft operator had to take on the risk of the flight and suffered the losses due to a lack of available freight to fill the plane.

Before charter flights from Hawke's Bay Airport can be considered a structure will need to be established to fund and manage the airfreight operation. It is not clear yet how this would be structured, as Hawke's Bay Airport currently do not have the Commercial Information the service and Commercial Information

[4] Ministry for Transport (2019). *AR023 Exports and imports by airport - gross weight (thousand tonnes).*

9 Conclusion and recommendations

9.1 Conclusion

A charter freight service from Hawke's Bay Airport to Australia looks unlikely to be successful given the much higher cost to move freight on the charter service compared with moving freight up to Auckland by road, before using airfreight from there.

Additionally, it has proven difficult to establish the volume necessary to fill one flight per week for most of the year. Without the volume of freight to move, the number of flights will be limited and it will be difficult to attract the service providers required. Ground handlers require at least five flights per week, all year round, to even consider making the investment that would be required. If partners to provide services to support the flight cannot be found the flight will not be possible unless Hawke's Bay Airport provide the services.

Unless the price can decrease and the volume can increase it is unlikely that the volume of freight and frequency of flights will be enough to justify the investment that would be required to facilitate the proposed service.

9.1.1 Price

With an estimated airfreight cost of $Com per kilogram for a full Comm tonne service from Hawke's Bay Airport the cost of the flight appears to be too high for exporters that currently face a cost of $Commerc to $Com for their current freight solution. Seafood exporters in particular would find this price Commercial Information as the margin on seafood is Commerc with current transport prices. Agricultural producers are also unlikely to use the service at this cost. Exporters in this sector were not willing to pay much more than their current cost. With the estimated price per kilogram of the flight being Commercial In than they currently pay it is unlikely that these exporters would use the service.

9.1.2 Volume

Finding the volume necessary to fill the flight all year round also looks unlikely. Seasonal fruit exports could sustain the service during the exports season but the only product that has been identified to support the service all year round is seafood which could provide approximately one tonne per flight. This leaves a further Comm tonnes of freight to be filled from other exporters such as Commerci that have not been identified.

It is unlikely that the volume of freight available will be high enough to provide the confidence required to give Hawke's Bay Airport, and the necessary support partners for the service, the confidence to make the investment required.

9.2 Recommendations

It is unlikely that an airfreight service will be feasible in the short to medium term. There will be no quick fix to boost airfreight volumes from Hawke's Bay Airport. Based on the findings of this study and conversations that we had we make the following recommendations for how Hawke's Bay Airport should progress its future freight potential.

9.2.1 Work with local business support and export agencies

Throughout phase one and three of this study we spoke with businesses that did not realise that airfreight from Hawke's Bay was an option or had not considered airfreight as it had not been offered by their freight forwarder.

Hawke's Bay Airport should work with local business support services and export agencies to create greater exposure of the benefits and potential for airfreight to support local businesses.

If these businesses can be supported to grow and airfreight is a part of this then this will result in growth of airfreight volumes for Hawke's Bay Airport and may show other exporters what is possible.

9.2.2 Promote airfreight on existing services

This project has generated a renewed interest and created exposure for the potential to make use of Hawke's Bay Airport for transporting goods. Air New Zealand have a renewed focus on growing domestic airfreight volumes. Air New Zealand has expressed an interest in working with Hawke's Bay Airport to promote airfreight to local businesses.

Hawke's Bay Airport should work with Air New Zealand and local business support agencies to promote the benefits of airfreight.

9.2.3 Grow passenger numbers to attract larger aircraft

Freight forwarders and exporters believed that Hawke's Bay Airport would be better served by putting its emphasis on attracting more passengers to attract larger passenger aircraft into the airport. This aircraft will provide more space for freight than the current aircraft. Meanwhile, passengers would offset the cost of the flight itself and reduce the cost for freight. This would make airfreight more attractive for local exporters by providing greater volume and an affordable price.

Appendix A Reasons for not using an airfreight service

A number of exporters that were engaged for this study did not see themselves using airfreight from Hawke's Bay Airport for a number of reasons. These are summarised below and reflect the range of concerns that we raised during consultation with potential exporters.

Exporters run their own trucks to Auckland to control the temperature

A freight forwarder commented that a number of the exporters that they work with have their own trucks that they use to transport their goods to Auckland. A freight forwarder mentioned that exporters prefer to run their own trucks as it allows them to control when the goods are moved and the temperature. If these goods were to be moved directly from Hawke's Bay Airport this is additional time when the product is outside of temperature controlled environments. Having invested in this infrastructure to enable flexibility of exports a scheduled service from Hawke's Bay may not be attractive to these exporters.

Concerns about time to transfer through Australia

One exporter that sent goods to destinations beyond Australia was concerned about the time it would take to transfer in Australia. The exporter believed that they could have better control over the temperature and condition of their products if they could deliver these to Auckland and then put these on a direct flight to the final destination.

Temperatures in Australia during summer are much higher than in New Zealand. Exporters raised concerns that the goods that need to be kept chilled will be forced to wait on the tarmac or in hangers in Australia where the temperature will impact on the products resulting in a loss of freshness.

Processing is done outside the region

A number of the businesses that are involved in the primary sector in Hawke's Bay do not process in the region. This means that goods are moved to other parts of the county for processing. As a result these exporters choose to export from airports that are closer to their processing facilities. One exporter mentioned that they process at sites in Hamilton, Ashburton and Feilding and therefore would not look to use Hawke's Bay Airport for exporting.

The flight goes the wrong way

For exporters whose markets are east of New Zealand in North or South America, a flight to Australia goes in the wrong direction. The flight across the Tasman Sea is three hours and takes these goods further away from the final destination.

When considering the flight time to Australia, the time required to transfer the goods between flights, and the additional flight time from Australia to the Americas compared to from Auckland eliminates the time saving of eliminating the drive from Hawke's Bay to Auckland Airport.

Exports are consolidated at other locations

As well as consolidation by freight forwarders at locations outside Hawke's Bay growers and producers also consolidate their exports at locations outside Hawke's Bay. Exporters have either set up a specialist facility in or around Auckland where all shipments are consolidated for export or consolidate at an existing location between Hawke's Bay and Auckland.

A freight forwarder believed that one of the difficulties that Hawke's Bay Airport will face is the consolidation of goods that occurs in Auckland. For example, blueberries are grown in Hawke's Bay, Northland and the Waikato. Rather than these goods being sent individually for export where the volume may not fill a whole export container they are consolidated in Auckland at facilities close to the airport and are sent out as one shipment from Auckland Airport. This allows exporters to keep costs down by sending one shipment.

A freight forwarder did not believe that the saving of not trucking to Auckland would outweigh the additional cost of flying out of Hawke's Bay Airport. Given the large number of carriers operating from Auckland Airport means there is significant competition on the route that keeps the airfreight costs across to Australia low.

In addition to routes to Australia, Auckland Airport also provides direct flights to other locations including North and South America, Asia, the Middle East. These direct flights are attractive, as they do not require freight to stop in a middle location where goods may have to wait for a connecting flight to a final destination.

Time saving from Hawke's Bay to Auckland is not enough

One exporter was unwilling to engage with the study because they believed that the cost would be too high and that if the service were going to be possible someone in the private sector would already be doing it.

The exporter believed that the estimated time saving of exporting through Hawke's Bay Airport and then through an Australian airport to further destinations would not be worth the additional cost that the exporter believed airfreight from Hawke's Bay Airport would require.

Goods from Hawke's Bay are not time sensitive

A large number of the products that are grown or manufactured in Hawke's Bay are not time sensitive and therefore seafreight provides an alternative that is a significantly lower cost. A common response was that exporters only export via ocean freight out of Hawke's Bay. Apples were given as a common example. One exporter commented that "Apples are the key commodity and they would not sustain the cost of airfreight, and the urgency to get to market quickly is not there."

These exporters did do some minimal airfreight of samples and one off urgent delivery requests. A common response from exporters was that "apart from the few samples we send via airfreight what we export would probably be deemed low value and cost prohibitive to send via airfreight. When these exporters did use airfreight this was only out of South Island airports.

Bio security concerns

One exporter mentioned that there has been a lot of debate about Hawke's Bay Airport becoming an international airport over the years. The exporter mentioned concerns that were raised previously regarding bio security. The exporter believed that there were significant and well documented concerns raised by the primary sectors about biosecurity which haven't changed and probably have increased concerns given the challenges that are faced at current international airports.

The exporter would not be interested in a service from Hawke's Bay Airport and on this basis would support bio security to the New Zealand primary sector as a priority rather than any thought of an international airport in a region such as Hawke's Bay.