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IMPACTS OF DIRECT INTERNATIONAL AIR-FREIGHT OPERATIONS AT CANBERRA AIRPORT

COVERING NOTE

COVERING NOTE FOR THE ACT GOVERNMENT, CHIEF MINISTER, TREASURY AND ECONOMIC
DEVELOPMENT DIRECTORATE

24 NOVEMBER 2016

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General reliance restriction

This report is only for the use of the ACT Government (represented by the Chief Minister, Treasury and Economic Development Directorate). It was prepared for the purpose of understanding the potential financial impacts of direct international freight access scenarios from Canberra Airport. You should not use the advice for any other purpose. This report should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. Due to the uncertain nature of economic data and information available, Cadence Economics does not warrant the completeness or accuracy of the analysis or estimates provided in this report.

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This covering note describes the package of reports and data products prepared or obtained for the ACT Government (represented by the Chief Minister, Treasury and Economic Development Directorate) for contract ACTGOVRFQ-1-401, Economic modelling of direct international air-freight impacts. Included in this note is, for example, specific reference to particular data sources that may be of use to the ACT Government on an ongoing basis and summary statistics for the data that was used in the analysis.

Export potential – highest value categories

When estimating the value of exports from the catchment region, the main data source was MariTrade. This data was provided to us by the Department. MariTrade identifies exports by commodity and by the state of origin. This was then combined with ABS Census data, to determine the distribution of exports from the catchment region through a pro-rating exercise based on industry of employment by place of work from the Census.

Just over 80% of the value of the estimated export base in the catchment region identified in the report is captured in the top ten MariTrade categories, as shown in Table 1.

Table 1: Top ten exports in the catchment by MariTrade category.

Proportion of value	MariTrade category	ABS category
26%	Misc Edible Prep	Food Product Manufacturing
9%	Xray + Meas Inst	Professional and Scientific Equipment Manufacturing
9%	Phot+Cin+Med Ins	Professional and Scientific Equipment Manufacturing
6%	Elec Dom Applian	Domestic Appliance Manufacturing
6%	Prec Metals+Coin	Jewellery and Silverware Manufacturing
5%	Medical Products	Pharmaceutical and Medicinal Product Manufacturing
4%	Dom Appl=Entert	Domestic Appliance Manufacturing
3%	Meat Fresh	Meat and Meat Product Manufacturing
3%	Elec Parts	Electrical Equipment Manufacturing
2%	Spec Transaction	Specialised Food Retailing

Source: Cadence Economics estimates based on MariTrade and ABS Census data

International freight data – BITRE

For the purposes of determining the amount of freight that might be redirected to Canberra Airport – the reconfiguration scenarios, data from the Bureau of Infrastructure, Transport and Regional Economics (BITRE) was used. BITRE publishes a range of transport related statistics. Of particular use

and key to calibrating the freight redistribution scenarios are the international airline activity statistics (specifically, CY2015, table 5) available at:

https://bitre.gov.au/publications/ongoing/international_airline_activity-annual_publications.aspx

More general freight statistics from the BITRE are available at:

<https://bitre.gov.au/statistics/index.aspx>

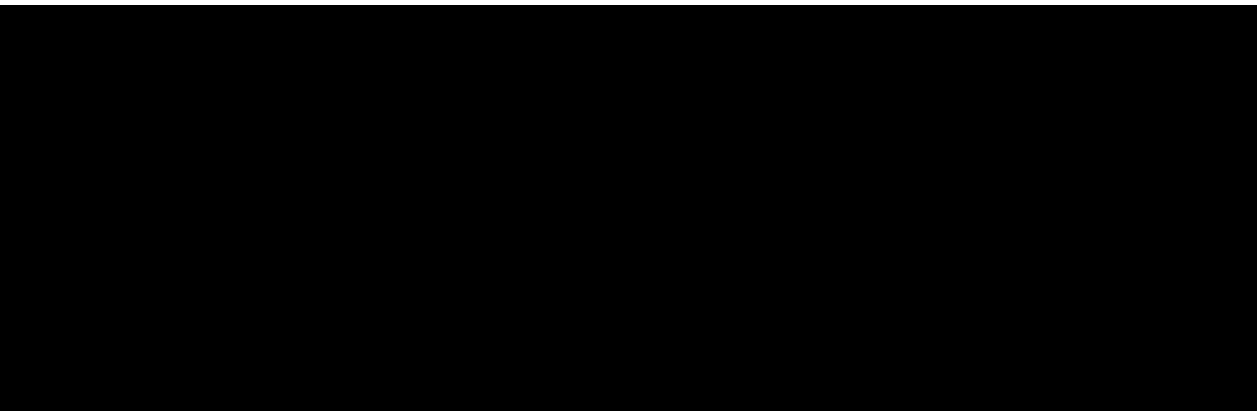
Fog at Canberra Airport

Feedback received from air freight operators indicated some scepticism around the number of fog days at Canberra Airport, and a desire for 20 years of weather observations for independent validation. Purchasing detailed meteorological observation data from the Bureau of Meteorology is both easy and inexpensive.

It would be valuable for stakeholders to be familiar with this data either as independent verification that fog days are a relatively rare occurrence at Canberra Airport, or to clarify differences between when the weather station readings note fog and when fog is heavy enough to disrupt aircraft movements should a difference exist.

The handover package includes two emails documenting a request put to the BoM from Cadence Economics and their response, and the formal reply including observations back to 1996 for the relevant weather stations. The data provided is in CSV format.

Benefit cost analysis – fiscal and welfare impacts



Elasticity of freight demand

Appendix A of the main report indicates that demand for freight export services are highly elastic, with an elasticity of between -6 and -8. The spreadsheet “Elasticity calcs.xlsx” presents the calculations behind these figures, based on MariTrade data for CY2014, CY2015, and the first half of CY2016.

The assumption is made when calculating these elasticities that demand for air freight services is a constant component of the FoB value of exports, and the exchange rate selected is with respect to the USD. Notably, movements in exchange rates impact not only the price of transport services but the cost of the goods delivered by air freight, ultimately impacting international demand.

The reported elasticities exclude the observed elasticity based on 2015 to 2016 data of -15. With a short and relatively coarse data series we are unable to take into account effects such as temporal offsets between movements in market exchange rates and changes in freight demand, and believe this result to not be credible.

Export decomposition spreadsheets

Two additional spreadsheets were provided to assist with understanding the export decomposition that was applied. The spreadsheet '0000 Category Decomposition' shows a summary of the decomposition of MariTrade export categories into that attributable to the ACT, the NSW component of the catchment as per the methodology outlined in the body of the main report. This decomposition is undertaken on a value basis.

The spreadsheet 'NSW AIRFREIGHT REPORT CAL YR 2015 – value by weight calcs' is a simple manipulation of the original MariTrade data to show the implied product value by tonne for the MariTrade categories.

From: Bob Scealy <bscealy@cadenceeconomics.com.au>
Sent: Thursday, 24 November 2016 11:55 AM
To: Konovalov, Alexander
Subject: FW: Bureau of Meteorology Climate Data with Tax Invoice: Q-G8PF3221AA [SEC=UNCLASSIFIED]
Attachments: Scealy_20160824.zip; AccessAgreement.pdf

From: ClimateData@bom.gov.au [mailto:ClimateData@bom.gov.au]
Sent: Thursday, 25 August 2016 9:07 AM
To: bscealy@cadenceeconomics.com.au
Subject: Bureau of Meteorology Climate Data with Tax Invoice: Q-G8PF3221AA [SEC=UNCLASSIFIED]



Australian Government
Bureau of Meteorology

In reply please quote: Q-G8PF3221AA

Date: 25/08/2016 9:07:12 AM

Dear Bob,

Please find attached available past and present weather observations for Canberra as per your request. A copy of your tax invoice is included at the end of this email.

We do not give any warranty, nor accept any liability in relation to the information given, except that liability (if any), that is required by law.

Please notify the Bureau within 60 days if the data provided are not as requested, otherwise the cost of providing further data will be charged.

Please retain a copy of the data provided as we may not be able to recreate this data at a later stage.

Most data we provide are in comma delimited format. There are instructions on our website if you need help with importing this data into excel:

<http://www.bom.gov.au/climate/data-services/faqs.shtml#tabs=Technical-questions>

Feedback

We are constantly working to improve our service and appreciate your feedback. If you would like to contribute, please complete our 2 minute survey at http://www.bom.gov.au/climate/surveys/customer_feedback.shtml.

Regards,

Cathy Toby

Climate Data Services
 Bureau of Meteorology

Contact details:

Monday to Friday: 10am – 12noon & 2pm – 4pm
 Head office: 03 9669 4082

To avoid interstate call charges please use the appropriate number below:

NSW: 02 9296 1627
 NT: 08 8920 3921
 QLD: 07 3239 8727

SA: 08 8366 2746
TAS: 03 6221 2027
VIC: 03 9669 4082
WA: 08 9263 2228

<http://www.bom.gov.au/climate/data-services/>

Copyright and Disclaimer:

Information about the Bureau of Meteorology's copyright and disclaimer policies are available on our website <http://www.bom.gov.au> .

Government EasyPay Terms and Conditions:

Information about the Government EasyPay Terms and Conditions are available on our website <http://www.bom.gov.au/other/easypay-terms-and-conditions.shtml>

For internal use only G8PA432289
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.....

Payment to the Bureau of Meteorology in accordance with the quote supplied constituted immediate acceptance by Bob Scealy of Cadence Economics 'User' of the terms of the attached Access Agreement, without variation.

Bureau of Meteorology
25/08/2016 9:07:12 AM
ABN 92 637 533 532

Date:

TAX INVOICE

Client Name: Bob Scealy
Company: Cadence Economics

Tax Invoice No: Q-G8PF3221AA

Your payment for the following climate data has been received.

<u>Vendor</u>	<u>Product</u>	<u>Comments</u>	<u>Quantity</u>	<u>Rate</u>	<u>Amount</u>
Bureau of Meteorology - CDS	Category 2 Request (ex GST)	Available past and present weather observations for Canberra	0/1	\$143.64	\$143.64
Bureau of Meteorology - CDS	Category 2 Request (GST)		0/1	\$14.36	\$14.36
					Total: \$158.00

Payment details:

Receipt Number: 19802186
Date of Payment: 24/08/2016
Payment Method: Government EasyPay

Receiver: Collector of public monies

.....
.....

Purchase Ref ID: G8PF3221AA



Bureau Access Agreement Covering External Party Usage of Bureau Information

Access Agreement

between

the Commonwealth of Australia acting through the Bureau of Meteorology (the "Bureau")

and

the User

1. Grant and Scope of Licence

- 1.1. The Bureau grants the User, in respect of the data and information made available by the Bureau to the User (**Information**) under this Access Agreement (**Agreement**) through any means, a non-transferable, non-exclusive licence to:
- a) use, copy and modify the Information provided, with the exception of modification of warnings, watches, advices, advisories, alerts, and notifications relating to hazards or hazardous weather and climate conditions (collectively, Bureau Warnings) and
 - b) supply the Information to third parties where it is incorporated as part of a User product on the terms and conditions set out in this Agreement.
- 1.2. The User must not supply the Information to third parties as is, except as part of a User product. Where a third party requests direct access to the Information itself, the User must advise the third party to contact the Bureau for the purpose of obtaining the Information directly from the Bureau.
- 1.3. The Information may change at any time at the discretion of the Bureau with notice to the User.

2. Conditions of Licence

- 2.1. When the User supplies any Information to a third party as part of a User product that is available as an application on a mobile computing device, on a website or in other electronic form, the User must, unless otherwise directed by the Bureau, embed the relevant attribution information described at the web page <http://www.bom.gov.au/data-access/brand-trademark-display-policy.shtml>. The attribution must:
- a) link to the web page <http://www.bom.gov.au/data-access/3rd-party-attribution.shtml>
 - b) be displayed on any screen containing information on a mobile computing device and subsequently in the "about" section of the application
 - c) be positioned in the footer of all web pages containing Information and
 - d) be prominently displayed and clearly visible on all electronic material.
- 2.2. When the User supplies any Information to a third party as part of a User product that is available in hard copy form, the User must, unless otherwise directed by the Bureau,



include the relevant attribution image (available at <http://www.bom.gov.au/data-access/brand-trademark-display-policy.shtml>) and include the address of the web page <http://www.bom.gov.au/data-access/3rd-party-attribution.shtml>. The attribution image and web page address (<http://www.bom.gov.au/data-access/3rd-party-attribution.shtml>) must be prominently displayed and clearly visible on all hard copy material.

2.3. Except with prior written approval from the Bureau, the User must not:

- a) represent or imply that the Bureau or the Commonwealth supports or endorses, or is connected with, the User, any User product or any other use that the User makes of the Information
- b) use any Bureau or Commonwealth logos, trademarks, acronyms or designs in association with the User's use of the Information
- c) do anything that may mislead third parties into believing the User product is connected to or endorsed by the Bureau or
- d) use the following words in the naming of a User product unless provided in this format by the Bureau: "BOM", "Bureau", "Farm Weather", "Bureau of Meteorology", "Weather Radar" "MetEye", "Storm Confirmation Service", "WOW", "Weather Observations Website" or "Weather Bureau".

2.4. The User must:

- a) not do anything with the Information that breaches this Agreement, a law, could endanger life or property, or is likely to mislead or deceive any person
- b) ensure that any Bureau Warnings are reproduced in the precise terms used by the Bureau in at least as prominent an environment as the original notification
- c) not scrape, hack or otherwise harvest information from the Bureau's public website www.bom.gov.au or act in any way that contravenes the copyright notice on that website
- d) not act in a manner that may or could bring the Bureau's brand into disrepute which may include:
 - (i) use of the Bureau's logo in conjunction with a User product in a manner which suggests the User product is connected to or endorsed by the Bureau
 - (ii) making false or misleading claims about the Information, including that Information used by the User has been generated or obtained from an alternative source or
 - (iii) using the Information in conjunction with a User product or other material (such as third party advertising) that is likely to denigrate the Bureau's brand and
- e) immediately cease to act in a manner that the Bureau notifies the User is likely to bring the Bureau's brand into disrepute.

3. Licence Fee and Other Charges

3.1. The User must pay the Bureau in accordance with the terms of:



- a) the Bureau's service order and
 - b) any invoices given by the Bureau.
- 3.2. The Bureau with notice may vary its fees at any time.
- 3.3. The User must pay:
- a) all taxes, duties and governmental charges imposed in connection with this Agreement and the User's own costs in respect of entering into this Agreement and
 - b) all fees and charges payable under this Agreement including amounts on account of any GST payable by the Bureau, which will issue tax invoices to the User for taxable supplies made.
- 3.4. No party may claim from the other an amount for which the first party can claim an input tax credit or decreasing adjustment.

4. Duration and Termination of the Agreement

- 4.1. This Agreement commences on the date specified in the Bureau's service order and will continue until the earlier of:
- a) the end date specified on the Bureau's service order and
 - b) the date that falls two years after the commencement date specified on the Bureau's service order.
- 4.2. This Agreement may be terminated:
- a) by the Bureau under clause 4.4 or
 - b) by either party giving the other party two (2) months' notice.
- 4.3. Termination of the Agreement immediately terminates the User's licence to the Information. Neither party will be entitled to claim for any loss or damage suffered as a result of or arising in connection with the other party exercising its rights under clause 4.2(b).
- 4.4. If the User breaches any term or condition of this Agreement or, in the Bureau's reasonable opinion adversely affects the national meteorological service of another country through use of the Information, the Bureau may terminate this Agreement immediately by notice to the User.
- 4.5. Termination of this Agreement in accordance with clause 4.4 does not affect the rights of the Bureau to sue for and recover any fees or other amounts then due or to pursue any right of action or remedy which the Bureau may have.
- 4.6. Clauses 2.4(b), 2.4(c), 2.4(d), 3, 4.5, 5, 6 and 7 survive this Agreement.

5. Infringement and Indemnity

- 5.1. If the User becomes aware of any infringement or threatened infringement by a third party of the Information, it must immediately notify the Bureau in writing. The Bureau may institute proceedings in its own name, or in the name of the User or jointly with the User. The User will provide the Bureau with all reasonable assistance in such proceedings.



- 5.2. The User indemnifies and agrees to keep indemnified the Bureau against all liability, loss, damage, cost or expense (including indirect and consequential loss and damage and any legal costs on a solicitor/own client basis) suffered by any person in connection with this Agreement or the use of, or reliance on, the Information.

6. Disclaimer of liability

- 6.1. The Bureau provides the Information 'as is' and use is at the User's risk. To the maximum extent permitted by law, the Bureau does not give any representation or warranty of any kind, whether express, implied, statutory or otherwise in respect to the availability, accuracy, currency, completeness, quality or reliability of the Information or that the Information will be fit for any particular purpose or will not infringe any third party Intellectual Property rights.
- 6.2. The User assumes the sole risk of interpreting and applying the Information and the Bureau is not in any way liable to the User for any liability, loss, damage, cost or expense suffered by the User, or any other person, due to the use or possession of the Information, or exercise of any rights under this Agreement.
- 6.3. The Bureau's liability to the User for a breach of any statutory condition or warranty that cannot be excluded is limited to, at the Bureau's discretion and where permitted by law, the replacement of the Information or the payment of the cost of replacing the Information.

7. Audit and access

- 7.1. To enable the Bureau to verify compliance with this Agreement, the User agrees that the Bureau may conduct audits of the User's compliance with its obligations under the Agreement, including:
- a) audits of the User's operational practices and procedures as they relate to this Agreement
 - b) audits of information and any material (recorded in any form) in the possession or control of the User which are relevant to the Information or this Agreement and
 - c) any other matters determined by the Bureau to be relevant to the Information or the performance of this Agreement.
- 7.2. The User will cooperate with an audit, including through providing access to its premises and permitting inspection and copying of any material relating to the Information or this Agreement. The Bureau will use information and material gathered in an audit to assess the User's compliance with the Agreement.
- 7.3. The Bureau will pay the User's reasonable costs associated with an audit, unless the audit uncovers any non-compliance. Without limiting the Bureau's remedies at law, where an audit identifies any non-compliance, the Bureau may direct the User to take any action to rectify the non-compliance and the User will reimburse the Bureau for its costs associated with such audit.



8. General

- 8.1. In this Agreement:
- a) "including" and similar expressions are not words of limitation and
 - b) a reference to a product includes a product or service created, offered or otherwise made available by a party.
- 8.2. This Agreement records the entire agreement between the parties in relation to its subject matter, and supercedes any prior agreement connected to its subject matter. This Agreement can be varied only if the parties agree in writing.
- 8.3. The rights and remedies provided under this Agreement are cumulative and not exclusive of any rights or remedies provided by law.
- 8.4. Failure or delay by the Bureau in exercising any right under this Agreement will not constitute a waiver of the Bureau's rights in respect of that provision.
- 8.5. The User must not assign, charge, offer for security or otherwise deal with, either in whole or in part, the benefit or burden of this Agreement without the prior written consent of the Bureau.
- 8.6. The User is not, by virtue of this Agreement, an agent or partner of the Bureau, and the User has no authority to represent or bind the Bureau.
- 8.7. Any provision of this Agreement that is unlawful, void or for any reason unenforceable is severable from, and does not affect the validity or enforceability of, the remaining provisions of the Agreement.
- 8.8. This Agreement is governed by and construed in accordance with the laws of the State of Victoria and the parties agree to submit to the non-exclusive jurisdiction of the courts of the State.
- 8.9. Any notice, request or other communication to be given or served pursuant to this Agreement must be in writing and delivered:
- a) by hand or prepaid post to the address nominated in writing by the other party, or if no address is nominated, the address of that party's principal place of business or
 - b) by email to the email address nominated in writing by the other party.
- 8.10. A notice, request or other communication is deemed to have been given or duly served if:
- a) delivered by hand, upon delivery
 - b) sent by prepaid post, upon the expiration of three (3) business days after the date on which it was sent
 - c) sent via email, upon receipt of the notice.