



## **AIR FREIGHT/EQUINE TRANSPORTATION IDENTIFICATION OF ISSUE AREAS**

The Inter Dominion Harness Racing Council has continually discussed the air freight/equine transportation of competitors involved in this major event's Championship Series. The same air freight difficulties also occur during the Grand Circuit throughout the racing season, particularly in New Zealand and Western Australia.

In the preparation of this paper all Members were involved and provided both information and comment. In particular, a key Working Party of Chief Executives were a critical element in reporting to Council. Given the specialized nature of this highly competitive segment of the transportation industry consultation was undertaken from a range of consultative advice with the provision of specialized information including the key equine air freight service providers. The objective was to identify the issues involved in the establishment of an air freight operation for our industry to be involved in transporting competitors to our Grand Circuit and Feature Race events.

The paper explores the question of whether our industry should consider the establishment of an air freight operation which has been advanced by AHRC Members, industry participants and the media as an alternative to utilising commercial air transportation for standardbreds for feature races, where such service is available.

All Members were canvassed on their past and current operations and achievements to arrange the travel logistics of competitors. These have been included in Member submissions and Report that follows. Additionally, it advises whether the establishment of an air freight operation is a commercially viable option.

In considering this issue in retrospective, the initiative of the WATA in the 2004 Championship Series transportation of equine competitors was significant. It was fully documented and analysed in making "the event happen".

The general draft paper attached identifies a significant number of issues involved in the establishment and implementation of an operation in this specialised and highly competitive business. It is not intended to develop this paper further into a full financial modelling simulation given the time and resources required to do so. The information provided defines the requirements necessary. It does not quantify the capital and current expenditure needs. Council has been informed that funding of many millions of dollars would be required given the considerations identified to meet the commercial standards required by all stakeholders and regulators within the Australian aviation industry. As a result, we would be required to provide surety of operation and ascertain whether there is sufficient demand for such a service on a regular basis or participate in a joint venture with a specialist air freight management company. It is considered that this is not commercially feasible.

Council considered and discussed the following paper in its recent Annual General Meeting. As a result Council resolved the following actions:

- That the Conducting Club makes the best arrangements possible for Australasian industry participants at the time of conducting their rotation of the Championship Series.
- That the Australian Harness Racing Industry utilise the existing Air Freight providers in this highly specialised competitive market place.
- That no further consideration be advanced on the purchase (or establishment) of an air freight capability either in a capital purchase or equity funding arrangement.

Rod Pollock  
Chief Executive

5 February 2005



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# **AIR FREIGHT / EQUINE TRANSPORTATION**

## **Identification of Issue Areas**

**Report current as at  
November 2004**

## **ISSUE AREAS**

- General Identification
  - Capital Equipment Costs
  - Operational Establishment Cost
  - Operating Costs (Active)
  - Operating Costs (Inactive)
  
- Considerations
  - Planning Aspects
  - Fit Out
  - Maintenance Contracts
  - Fuel & Fuelling Contracts
  - Ground Handling Contracts
  - Landing Charges
  - Operating Costs
  - Customs, Immigration & Quarantine
  
- Brief Conclusions
  
- Summary of Key Elements & Specialist Advice Required
  
- Attachments

## **GENERAL IDENTIFICATION**

### **CAPITAL EQUIPMENT COSTS**

- Air Cargo Aircraft (New, Second-hand and/or Leased)
- Fit out for purpose (Equine Transport and/or General Cargo)
- Alternate Usage (Specialised Cargo Usage)
- CASA Certification (Domestic and/or International)
- Insurance Requirements (Aircraft, Personnel and Cargo)
- Equine Boxes (Specialist Fit-out and Attendant Personnel)

### **OPERATIONAL ESTABLISHMENT COSTS**

- Maintenance Contracts
  - Spare Parts Inventory Requirements
  - Establishment of Home Base location
  - Adequate Hangar Facilities & Arrangements
- Location of Home Base in Australia (Which State?)
- Development of Manuals, Protocols etc.
- Staffing Requirements and Contract Sourcing
- Fuelling Contracts

### **OPERATING COSTS (ACTIVE)**

- Market Demand and Assessment (Revenue)
- Flying Operations Personnel
- Ground Handling Arrangements and Charges
- Landing Charges (Various)
- Government Fees & Charges
- Aviation Fuel
- Other Support Personnel

### **OPERATING COSTS (INACTIVE)**

- Storage Charges (Aircraft, Cargo etc.)

## CONSIDERATIONS

### PLANNING ASPECTS

- What types of aircraft(s) do you wish to operate and their associated operating costs?
- What are the specialised cargo areas do we wish to cater for?
- What location range do we wish to cover in your operational planning (air miles coverage)?
- If considering aircraft for Australia/New Zealand air routes what type of aircraft is ideal? If choosing a 727, for example, for cargo operations then a large cargo door should be fitted to the front of the aircraft.
- Consider leasing as the key viable financing option utilising an aircraft leasing company.
- Consider operating as a joint venture with another partner bringing the industry specific knowledge to the entity.
- Negotiations for key costs are best undertaken “face to face” by an industry expert to obtain “best deals” otherwise you get the “rack” rate.
- There is a secondary aircraft market, at present, but getting an aircraft to your specification is always difficult and costly.

### FIT OUT

- Importantly the chosen aircraft must be suitable for equine and/or cargo configuration then “fitted out” for horses. This is a specialised area and modular units can be utilised.
- Horse charter and general cargo will require in-hold manual or automated in hold system design for loading/unloading e.g. positioning horse pallets within the aircraft hold. Container and hydraulic scissor lift equipment is required to raise and lower the horse boxes to the Hold area. Both systems have time and resourcing connotations.
- CASA (Civic Aviation Safety Authority Regulatory Body).  
All aircraft operations require an Aircraft Operators Certificate (AOC). This involves extensive specialised preparation of detailed documentation over a 6 to 9 month time period. This certification will cover the Australasian market but not other international destinations.

- All relevant insurance requirements will require to be put in place for the aircraft and operations to cover all contingencies. e.g. Based on a full B747 crash no survivors. It is expensive.
- Purchase of Horse Boxes/Cradles.  
Their dimension and the installation into the aircraft are critically important given the aircraft's load factors and safety needs for crew and attendants. Their design, size and configuration are dependant upon the type of aircraft utilised.

## **MAINTENANCE CONTRACTS**

- The type of aircraft will dictate many of the essential requirements to be considered and developed.
- Skilled specialist aeronautical engineering support is essential and required in the Australian environment.
- The aircraft type will dictate the level of service and maintenance required. It is essential to ensure so that a reasonable sales price is obtained when replacement is required. Must be negotiated and included in original contract.
- This contract must be part of the leasing contract arrangement on which major aircraft milestone checks are undertaken.
- It is important to note that local maintenance agreements are required for every airport utilised.
- Multi-contract agreements are required for every local airport where you operate to and land in. This means that you need local agreements on inventories and replacement of spare parts availability so as to minimise downtime and the costs associated with it.
- The determinant of our home base is important for cost reasons as it varies and will dictate both operating and inactive costs. This must be analysed carefully given the type of aircraft chosen and usage patterns planned. Brisbane is considered to be a recommended area given recent establishment of Virgin and State Government concessions.
- The entity must ensure the company manual suite is compliant with all Government and Regulatory requirements in the countries in which the aircraft operates. The administrative support operation should be co-located and managed effectively from the home base venue.
- Staffing requirements are dependent on the aircraft type with a technical crew (of pilot, first officer and maybe a flight engineer and load master).

- Dependent on sectors flown and flight time durations there maybe a requirement to “heavy crew” the aircraft, which means seconding two (2) crews for the operation. e.g. Long haul flights.
- Other areas to consider include “on call” arrangements, yearly contracts, retainers, guaranteed monthly hours, training and endorsements etc. plus the necessity of reserves resourcing with illness, injury etc occurring to crews.
- Given certain circumstances an arrangement of multiple crewing maybe necessary whereby three (3) crews (1 on, 1 off & 1 standby) is required when considering the options of logistics in various ports given that charges are on “a daily basis”. It is inevitable with horses that the delays, loading, unloading and reload aspects occur. With crewing there is also a need to utilise commercial airlines to passenger crew to their respective destinations to undertake flying assignments.

### **FUEL & FUELLING CONTRACTS**

- These contracts must be negotiated and put in place at every airport used. Ideally it maybe possible to negotiate a general agreement with a major refueller thereby having one contract in place.
- This is particularly important for major wide bodied aircraft, for example a 727 requires 24,000 to 25,000lb of fuel flying Melbourne to Sydney. The aircraft type and range will dictate the quantity of fuel and its range/usage. It should be noted that fuel pricing is highly confidential and sourced on “per tonne” or “per litre” basis.
- Refuelling is done only when the aircraft is ready to go. An accredited operator should have an agreement in place to cover all contingencies. With international flights, the Captain usually carries a fuel card (and in some circumstances \$US dollars in some ports) however this is not a significant issue in Australia.

### **GROUND HANDLING CONTRACTS**

- It is necessary to have a ground handling agreement in place for every port operated into. It will define all of the variables associated with an aircraft’s turnaround in the port. It is an area of expert negotiation to optimise and is dependent on the aircraft type and its configuration based on what it is carrying as cargo.
- It is recommended to pick a major player like Menzies and/or Jardines with an appropriate agreement in constructing a deal. Otherwise an individual contract/agreement must be personally negotiated at each



airport, if you are not dealing with a major player. Note that at lesser airports a “port by port” basis will be necessary.

- Note also that industrial relations considerations with the relevant unions can come into play in this area.

### **LANDING CHARGES**

- Importantly, a range of landing fees and charges will apply. They vary from airport to airport and given privatisation of the airports and the Government imposts in this area they are significant. The basis of the charge is generally by weight of aircraft in respect of cargo but if you are a large player in this area, it may be negotiated.

### **OPERATING COSTS**

- Storage charges may be included and/or negotiated in the ground handling agreement.
- A Service Level Agreement must be negotiated as an annex to the Ground Handling Agreement which dictates:
  - Level of services required
  - Loading and unloading standards and timeframes.
- All freight contracts in equine arrangements to be drafted on an “into” and “out of” basis. (Return Tickets are essential otherwise one way rates go up).
- It is important to determine all variations of storage and hangar facilities that are available. In this, the location of holding, storage, transport access areas and the logistics of site access to reduce double handling of cargo as part of the operation are necessary to be thoroughly planned.

### **CASE STUDY**

*There is apparently an example of a firm called Bloodstock, who endeavoured to establish a similar operation and failed. It maybe useful to ascertain why they failed to succeed, and what they did and why. That is if Council wishes to proceed further.*

## **CUSTOMS, IMMIGRATION & QUARANTINE (CIQ)**

- A legislative/compliant surveillance approach and must be factored in the operational environment.
- This requires a service level agreement to be negotiated with CIQ Authorities.
- There must be major documentation preparation in the Ground Handling Agreement with general declarations to be put in place with a pre-notification approach in your systems to identify cargo, crew, handlers, passports detail etc.
- If operating in international ports then ASIO Security requirements must also be considered and put in place. On charter flights it is important to identify all personnel so that none can be deemed illegal immigrants under the Immigration Act (S156). The penalty is \$10,000/person fine on the carrier, regardless of their smuggling themselves on board.
- It is a requirement on a prima facie basis to repatriate these persons from Australia, apparently this occurs regularly from New Zealand. It is the carriers responsibility.
- The carrier is required to pay detention fees, aircraft (and escort) passenger fees, associated airfares, accommodation etc dependent on the risk assessment.

## **BRIEF CONCLUSIONS**

You are in fact, establishing an airline even though it is only one aircraft for equine/cargo air freight transportation.

Aviation is an exceptionally expensive operation and an air cargo/air freight operation is a highly competitive specialist area.

# **SUMMARY**

## **Key Elements**

- Logistics & Location
- Crewing
- Leasing/Financing Costs
- Insurance Concerns

## **Specialist Advice Required**

- Aircraft Leasing
- Aircraft Insurance
- Ground & Facility Contracts
- Specialist Engineering Support
- Resource Recruitment
- Other

## **Development of Full Financial Plans**

- Capital Financing & Resourcing
- Operational Cost Modelling & Plan



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### Attachment 1

April 26, 2004.

Mr Q Wallace  
Managing Director  
International Racehorse Transport  
93 Palmerston Crescent  
SOUTH MELBOURNE VIC 3205

Dear Quentin,

#### AIR TRANSPORT REVIEW

The Inter Dominion and Australian Harness Racing Councils are reviewing the area of air freighting horses around Australia and New Zealand to ascertain what we can do as an industry to provide surety of transportation for standardbreds to compete in Grand Circuit and Feature Races.

We believe that this is a very difficult air transport/logistics operation given the irregular demand for their services from our industry. It would be appreciated if you could consider the following areas of your highly competitive business operations and provide us with input covering the following areas:

- Provision of air transport opportunities on both and regular and "event" basis.
- The ability to provide a cost effective operation.
- Constraints and conditions of both options.
- The level and type of information required from our industry to support both or other options.
- The commercial resourcing available to implement this type of operation.
- Is it a feasible option for our industry to establish a joint venture with you of a dedicated operation to cater for this need?
- Is there significant demand from your knowledge between the Equine Racing codes and other elements of the equine industry?
- Could you examine recent instances from your commercial operations to advise whether our industry can improve or assist in implementing viable commercial solutions in the future to parallel our feature racing program.
- Any other relevant areas.

Your assistance in this important matter would be greatly appreciated.

Yours sincerely,

Rod Pollock  
Chief Executive

21 May 2004

**Attachment 2**

Mr R. Pollock  
Inter Dominion Harness Racing Council

Dear Rod

**Re Equine Air Transportation**

Firstly I do not believe the harness racing industry is in a position to establish an airline/ownership of an aircraft. Aside from the formation costs it would have to be a joint venture with a freight company to justify the operation and to provide the service at a competitive market price.

From an Auckland based perspective, the points for the Working Party's consideration are as follows:

- Auckland is in a prime position geographically to Melbourne and Sydney and by using established air transport companies has access to nightly flights from Monday to Friday. These flights can easily accommodate the 1-3 horses competing at the Rowe Cup Carnival.
- In the past obtaining flights for horses to compete at the Auckland Cup Carnival has been difficult because of a lack of freight being transported at that time and the aircrafts being taken out of service for maintenance. Getting the horses to Auckland is fine, but it is the return trip which can be delayed up to 10 days. Trainers have taken extreme steps as in the example of Lombo La Fe Fe which raced in the Great Northern Oaks on the 27<sup>th</sup> December and returned to Australia within ten hours of racing.
- Charter flights have been used between Auckland and Christchurch and for the Inter Dominions, although these require a lot planning and selling. Ideally they should be linked to a major thoroughbred carnival or yearling sale to improve the pricing as the charter is generally Melbourne/Sydney/Auckland/Melbourne.

One of the biggest concerns is the lack of appreciation of trainers for the timing of the flight. The charter from Christchurch to Auckland is a very small part of a flight that may have originated in Luxemburg and end in Frankfurt. These flights can be delayed at any stopover.

Another concern is the failure to support the industry by making a commitment to the flight and then seeking alternative arrangements or simply horses which are 'no shows'. These actions alter the pricing structure and create dissatisfaction amongst the owners who use the charter.

- A number of trainers demand to have attendants on the flight. If planned correctly the attendant flights should have been arranged on domestic services well in advance.
- Part of this exercise may be a review of the Grand Circuit races with an objective to develop major carnivals with other feature races to increase the number of horses travelling between venues. An example is the Rowe Cup Carnival which provides three nights of racing for trotters, 4YOs and 2YO fillies. Trainers can support the carnival by campaigning a team of horses rather than individuals.

From initial discussions I have had with staff of equine air transport companies, it appears the Inter Dominions are ideally situated on the racing calendar following on from Nights of Glory and prior to the autumn racing carnivals. A major concern for these operators is the change to regulations and safety requirements for attendance on aircrafts. This will dramatically reduce the number of aircraft registered to transport horses.

I trust this information is helpful.

Yours sincerely

**Robert Death**  
**Racing Manager**  
**Auckland Trotting Club**