IOT Supply Chain Review

Prepared by Centred Solutions Pty Ltd

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Joint Committee for the IOT Supply Chain Review

INDIAN OCEAN TERRITORIES
Regional Development Organisation
Australia

CHRISTMAS ISLAND
BUSINESS
ASSOCIATION INC.

SHIRE OF CHRISTMAS ISLAND

SHIRE OF
COCOS
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1. Executive Summary

Australia's Indian Ocean Territories (IOT) comprise Christmas Island (CI) and the Cocos (Keeling) Islands (CKI) located northwest of Perth in the Indian Ocean. The remoteness, climate and topography of the islands along with the small number of local suppliers poses challenges across the supply chain for the region. This report reviews and analyses the supply chain and provides recommendations to improve supply chain reliability, efficiency and improved transparency about how it operates across the IOT.

Christmas Island is located 2,605 km from Perth and 490 kilometres from Jakarta. The island is at the tip of a 5,000-metre submarine volcano. The highest point is 361 metres above sea level. The area of the island is 137.4 km2, over 60% of which is national park. The 2021 Census recorded 1,692 people residing at CI which was down from 1,845 residents in 2016. Twenty-nine percent of residents speak English at home with other main languages including Malay (18%) and Mandarin (14%).

The island has extraordinary access to the depths of the ocean and its marine creatures, as well as world-class Ramsar sites. The annual red crab migration is an internationally renowned natural event on CI between October and January. Christmas Island's largest employer is Phosphate Resources Limited group who employ a substantial portion of the Island's workforce to support their operations.

The Cocos (Keeling) Islands are located 2,935 kilometres from Perth and 985 kilometres West from CI. They are a group of 27 low-lying coral islands that form two atolls. The total land area is 15.6 km2. The 2021 Census recorded 593 people residing at CKI which was an increase from 544 residents in 2016. Approximately 77% of the residents live on Home Island with the remainder on West Island. 61% of residents speak Malay at home with the remainder speaking English. The CKI is a tropical environment that encircles turquoise lagoon waters with an economy which is heavily reliant on Commonwealth funded projects and activities.

The IOT are Australian Territories with both federal and local government representation. The region does not have state government representation. Most state government like services are delivered either directly by the Australian Government (AG) or through the Western Australian (WA) Government using service delivery arrangements funded by the AG. Biosecurity conditions apply to all commodities imported into the IOT which requires consideration of import permits, pre-shipment processing, inspection, treatment and certification of goods.

The Strategic Regional Plan for the IOT released in 2022 aims to leverage the regions' natural assets, community strengths, richness and vibrance to foster a more diverse economy and a stronger more resilient and capable region. This requires a reliable, efficient, and cost-effective supply chain to support residents, business, and emerging industries to grow and thrive into the future.

The IOT also plays an important role in the geopolitics, security and defence of the broader region including as a supply centre for Australian assets that traverse the region. Therefore, having a secure, reliable and effective supply chain is integral not only for residents and businesses of the IOT but also more broadly to the ongoing regional security role.

The supply chain into the IOT is fragile, inefficient and lacks competition. Government intervention is required to ensure critical supplies, freight and transport are provided to residents, visitors, and businesses. To help achieve this, all Australian Government departments who hold strategic interests in the IOT should focus on collaboration and coordination to achieve outcomes, rather than relying on a single department and their associated budget.

The IOT Supply Chain Review process involved over 40 engagements with key stakeholders (detailed at section *6. Participating Stakeholders*), as well as reviewing historical reports, data sources and information (detailed at section *7. Data Sources*). Using this information, a supply chain map was developed showing Air Freight, Passenger Services and Sea Freight, demonstrating the complexity of the system (refer *Attachment A – IOT Supply Chain Flowchart*). Accompanying this is also a map specifically for the freight consignment process carried out by Freightshop (refer *Attachment B – Freightshop Flowchart).* These have been produced together to provide clarity on the many steps and trigger points within the IOT supply chain – information not readily available to users of the system.

Issues raised during the engagement and data sources review process were then tracked to where they sat in the supply chain map. Recommendations were then able to be drafted, focusing on addressing the key issues identified in the current IOT supply chain processes. These draft recommendations were critically reviewed by the IOT Supply Chain Review Joint Committee, and final recommendations were selected based on their ability to influence and have impact on the IOT supply chain.

This review examines the challenges and opportunities of strategic supply chain management to improve efficiency and quality, optimise logistics, improve transparency and deliver value to the stakeholders. The proposed recommendations address the following key aspects of the supply chain:

- Domestic passenger flights
- Baggage offload systems
- International air services
- Airfreight
- Freightshop and export policy
- Food and perishables
- Sea freight
- Port upgrades
- Communication, transparency and coordination

2. Supply Chain Review Terms of Reference

In 2022, the Indian Ocean Territories Regional Development Organisation (IOT RDO) developed the IOT RDO 2030 Strategic Regional Plan (the Plan) which contained strategic regional priorities. One of these priority's was to achieve reliable, competitive, and cost-effective supply chains. Thus, The IOT Supply Chain Review Project (the Review) was initiated. The high-level project scope included the following:

The Review will identify constraints and limitations, and regional supply chain adequacy in meeting demand and needs of the islands across air freight, sea freight and passenger services.

To achieve this the Review will deliver the following:

1. Across the above areas, development of an agreed project review framework with the Joint Committee that maps:

- supply chain challenges and issues that need to be addressed
- inclusions and exclusions for the review process

- known information sources
- additional data requirements
- stakeholder engagement requirements

2. Conduct the review to the agreed project review framework, considering the numerous RDO supply chain processes including but not limited to:

- existing roles and responsibilities, contractual arrangements and service providers
- pricing
- priority system for air freight
- processes / trigger points / linkages / decision making and supply and demand cycles which influence them.

3. Make recommendations on ways to make the process and systems more efficient and transparent to stakeholders. This may or may not include the consideration of private sector opportunities and solutions to the current system.

2.1. Consultants

Centred Solutions Pty Ltd were engaged as the consultants to conduct the IOT Supply Chain Review on behalf of the IOT RDO. Centred Solutions are a local Alice Springs based company with long standing relationships in Northern Australia and the IOT having completed the Strategic Regional Plan. Further information on the consultants is at *Appendix C – Consultant Information*.

2.2. Governance

The Project Sponsor is the IOT Supply Chain Review Joint Committee (Joint Committee), which is made up of representatives from key stakeholder groups including Federal Member, Marion Scrymgour MP, the Administrator of CI & CKI, the CI and CKI Shires, Christmas Island Business Association and IOT RDO. Its purpose is to provide operational direction and monitor scope, quality, expenditure, and progress against timelines, and reporting back to their representative group. The Joint Committee also takes a central role in project governance, provides stakeholder input, and participates in decision making.

2.3. Process

The Project Plan guided each step of the review, defined by 5 component parts which were each tracked and reported on at Joint Committee meetings:

1. Project review framework development
   Project commencement analysis, review, and framing.

2. Engagement
   Identifying stakeholders for engagement, conducting preliminary interviews, and mapping the issues and recommendation that arose (see Appendix A – IOT Supply Chain map).

3. Data analysis and review
   Conducting an analysis of project data, developing data sources register and developing issues/recommendations register.

4. Draft report and recommendations
   Draft final report and recommendations. Collate feedback and update report and recommendations as necessary, submit for final approval.

5. Finalise report and recommendations
   Production of final report and recommendations.

2.4. Timings

The review commenced in February 2023 with the final report delivered in May 2024.

3. Recommendations summary

The following table summarises the key recommendations in the report with further detail and rationale contained in the body of the report.

	#	Recommendation	Intended outcome/s	Measure ofsuccess
Domestic passenger flights	1	Examine contractual arrangements with passenger and freight operators into the IOT to support an integrated freight service to reduce the number of offloaded bags and ensure that priority bags always travel.	• Reduce excess freight thereby reducing the likelihood of baggage needing to be offloaded, improving customer experience. • Leveraging other freight options into the IOT.	• Less incidents of offloaded baggage on outbound passenger flights to the IOT. • Better coordination amongst freight contractors • Passengers receive priority checked in bags
Baggage offload system	2	Improve the system of tracking and monitoring of baggage movements, from the point of check-in to departure and arrival.	• Increased accountability, transparency and consistency of offloading process. Improved consumer confidence in baggage reliability.	• No priority bags being offloaded. • Sources of problems are identified, and corrective actions are taken • Bags that are offloaded are tracked and data compiled to determine time to arrive.
International Air Services	3	Analyse international charter flight opportunities commencing with a review of the Altitude Airways flights conducted in 23/24, including a detailed understanding of safety, infrastructure and operational requirements for each opportunity	• Better understanding of opportunities and requirements to implement additional charter flights.	• If sustainable, international air services could provide another option for passenger and air freight into the IOT from the north. • Cheaper passenger flights and freight for consumers.
Airfreight	4	Adjust price structure for Priority 1 goods and divide into 2 categories: • CAT1A: Must-fly aircraft on ground (AOG), life-saving medical and critical infrastructure @ $8.10 per kg and approved by the AG; and • CAT1B: Other priority freight @ $24.30 per kg	• Critical freight receives the highest priority. • Deter consumers from misusing the priority category through a pricing mechanism but still allowing priority freight for those willing to pay. • Relieve the pressure on general freight and provide better estimations about delivery times.	• Less air freight backlogs • Reduce priority freight freeing up space for general cargo
	5	Change pricing per kilogram for airfreight categories: • CAT1A: $8.10 Must-fly, AOG, lifesaving medical and critical infrastructure • CAT1B: $24.30 Must-fly – all other freight • CAT2: $8.10 Perishables – must be pre-booked and assigned • CAT3: $7.50 AP Mail	• A simpler system with prices that more appropriately reflect the priority. • All general cargo is scheduled on a ‘first in first out’ service providing more certainty to consumers.	• Less air freight backlogs. • Freight delivery times being more consistent. • Freight delivery times providing certainty and confidence to business.

	#	Recommendation	Intended outcome/s	Measure of success
		• CAT4: $8.45 General cargo		
Air Freight Back-logs	6	Initiate a formal trigger point when air freight backlog reaches 5-tonne to ensure the following occurs: • Decision makers meet to discuss mitigation approaches to reduce the backlog • Consumers are informed of the situation and actions being taken to address the situation • Consumers are kept informed until the situation is remedied.	• Improved communication, collaboration and problem solving between key decision makers. • Behaviour change from consumers when aware of the stress on the supply chain.	• Less occurrences of freight backlogs reaching crisis point (10-tonnes). • Government make decisions in a more timely manner to address issues. • Consumers change their behaviour to assist in reducing the stress on the air freight.
	7	Initiate a formal trigger point when air freight backlog reaches 10-tonne to ensure the following occurs: • Decision makers meet to discuss situation • This automatically triggers an additional air-freight flight. • Consumers are informed of the situation and actions being taken.	• Improved transparency within the system about when an additional freighter would be instigated. • Improved consumer satisfaction through decisive and timely action to address backlog.	• That decision makers adhere to this policy. • That an additional freighter is instigated in a timely manner.
Freightshop & Export Policy	8	DITRCDA works with Australian Border Force to develop a solution to allow multiple transactions to be consolidated into one consignment.	• Freightshop improves service delivery model to create greater efficiencies.	• A consignment policy is implemented that benefits both Freightshop and its users. • Consumers pay less consignment fees
	9	Freightshop continue to utilise the online booking system for perishables and enforce the weight and cut off times for booking these goods.	• Improved planning of freight loads • Improved fairness and equity • Reduces the risk of last-minute gaming of the system using the perishables category to get freight on the plane.	• Adherence to the policy which is fair and equitable. • Changed consumer behaviour.
Food Security	10	Continue to promote, support and seek investment into improving local food supply, including locally grown produce.	• Strengthening of local economy, less reliance on imported goods, relieved pressure on air freight. • Provides food security should there be a breakdown in the supply chain	• Expansion of food production on-island.

	#	Recommendation	Intended outcome/s	Measure of success
Sea freight	11	Seek government investment to design and implement a sea freight subsidy scheme paid direct to consumers, to incentivise the use of sea freight over air freight.	• Changes in consumer behaviour opting to use sea freight for items more suited to the service, such as furniture and appliances	• Relieve pressure on air freight. • Reduce cost of sea freight to consumers. • Number of customers that seek the subsidy.
	12	Request the Australian Government conduct an inquiry into the operations of sea freight into the IOT to determine if it is in line with the principles and legislative requirements of the *Competition and Consumer Act 2010*.	• Determine whether there are additional strategies that could be implemented to promote competition, support fair trading and protect consumers.	• If service delivery can be improved and is recommended by the Australian Government (or ACCC), there is an uptake in sea freight usage once these changes are implemented.
Port Upgrades	13	Improve efficiency of releasing containerised sea freight after arrival on CKI by reviewing processes.	• Review existing process and implement measures to improve efficiency and time to release freight.	• Faster and more efficient release of containerised sea freight on CKI.
Communication, transparency & coordination	14	Establish a group of key stakeholders involved in the supply chain, who will commit to engage and implement agreed recommendations, communicate with consumers and manage trigger point issues to prevent freight crisis arising. Participants include: • The Administrator • Member for Lingiari • DITRCDA • CKI & CI Shires • CIBA • Freightshop • Air services and air freight contractor • RDO	• Key stakeholders are collaborating and driving solutions. • Key decision makers are involved in problem solving when the supply chain issues arise. • Communications with consumers is more transparent and timelier.	• Challenges and solutions are owned by the community. • Earlier engagement to prevent issues getting to a crisis point thus improving consumer experience. • More timely decision making. • Less misinformation arising from a lack of transparency and timely information.
	15	Develop a strategic, long-term public awareness and education campaign about the supply chain for residents, business, government and service providers across the IOT. This would include developing and maintaining a map of the supply chain that shows how intricate, interconnected and easily disrupted each part is.	• Consumers better understand how the supply chain operates, and how their choices can impact on other components of the supply chain. • Consumers are more likely to be understanding when issues arise if they have visibility of the system and challenges.	• Improved consumer sentiment and less 'gaming' of the system. • Improved communication with Government about the system, and how it impacts people on the ground

4. IOT Supply Chain: Current arrangements and policy settings

The unique circumstances of the IOT including remoteness, climatic conditions and lack of competition all contribute to a complex and challenging regional supply chain.

The issues regarding the movement of goods and people into the IOT should not be considered through a single lens of one issue, but rather as a complete system, all of which is interrelated with many actors and layers of influence, including significant government involvement.

'Supply chain' generally means the practice of coordinating the various activities and processes necessary to produce and deliver goods and services to consumers. Managing and interacting with a supply chain will vary between consumers (depending on the circumstances) and requirements of individuals, business and organisations. Examples of supply chain activities can include designing, farming, manufacturing, packaging and transporting goods and services.

This report focusses mainly on the supply chain into the IOT primarily from mainland Australia. The IOT supply chain is broken into three distinct areas:

1. **PASSENGER FLIGHTS**

   These are provided by a government funded RPT service twice weekly to both islands through contractual arrangements with Virgin Australia Regional Airlines (VARA). VARA have been contracted since 2010 to deliver the service.

   Over the years, there have been various regular and irregular charter flights from Asia into the IOT mainly to CI. Altitude Airways are currently trialling some RPT flights from Jakarta to CI.

2. **AIRFREIGHT**

   These are provided by a government funded air freighter service fortnightly to both islands through contractual arrangements with VARA via Toll Global Logistics (Toll). These air services are the responsibility of DITRDCA.

   Airfreight is also carried on the passenger service depending on weight availability.

   SERCO who charters flights to CI for their staff also uplift Australia Post freight on behalf of the Australian Government.

3. **SEA FREIGHT**

   Sea freight operates in a market environment and is serviced by one main commercial operator, Zentner Shipping (Zentner), and to a lesser extent by Phosphate Resources Limited (PRL) shipping. Zentner services the IOT on a northbound journey from Fremantle and has been doing so for almost three decades with minimal government intervention and no subsidy.

The IOT is subject to the *Biosecurity Act 2015* and subordinate legislation in respect of all commodities that are imported into the IOT regardless of their origin. This requires all commodities to be treated as exports with a requirement that the freight forwarder who accepts these items to follow certain export requirements and charge a document fee to cover screening costs and other charges. This can create bureaucracy and cost to the consumer.

Freightshop is the designated freight consolidator for all air freight into the IOT. Freightshop is a privately owned company and is responsible through contractual arrangements with VARA to allocate freight across all available services, subject to priority and space availability.

Cabotage applies across the IOT which relates to the practice of providing access to domestic transport markets by foreign transport companies. Whilst it applies to both aviation and maritime transport, the critical

factor in this context relates to aviation transport with current policy restricting a foreign carrier from accessing domestic routes unless exceptional circumstances apply.

Demand for freight has changed over time due to external events (COVID-19), marketing initiatives (online shopping with free freight) and changes in consumer behaviour. Consumers appear to be more willing to ship goods via airfreight than sea possibly due to the unreliability and cost factors caused by weather events and increased costs post COVID-19.

4.1. Domestic passenger flights

VARA operate two passenger flights per week on Tuesday and Friday. The flight routes and times are as follows:

Tuesday:

- Perth to CI (3hrs 50 min)
- CI to CKI (1hr 35 mins)
- CKI to Perth (4hrs 25 mins)

Friday:

- Perth to CKI via Learmonth for refuel (5hrs 50min)
- CKI to CI (1hr 35 mins)
- CI to Perth (3hrs 35 mins)

The AG fund these flights through contractual arrangements with VARA who then pass back any revenue received from ticket sales, freight and excess bags to the AG. This helps to offset the costs of the passenger flights. Whilst the exact figures are confidential, it is estimated that the revenue received would rarely cover the costs of the flights. VARA generally apply the same policies that operate with the Virgin Australia fleet for the IOT flights with the exception that they do not sell food or alcohol but do supply a meal or snack at the appropriate time. These flights also carry a small amount of freight where possible.

Operating flights to the IOT is problematic for a number of reasons including CASA regulations relating to remote operations, unpredictable weather, the distance to alternate airports, the requirement to stop for additional fuel and the lengthy operating time for pilots and crew. Whilst some legs of the IOT flights may have vacant seats, the flights may actually be at capacity due to the requirement to carry extra fuel especially during periods of unpredictable weather events at the IOT and/or the alternate destinations.

The airfields on CKI and CI are both operated by Toll Remote Logistics but differ in capacity and usage. The CKI airfield is located on West Island at an elevation of 3 metres and has an asphalt runway length of 2,441 metres. Due to its geographic positioning between Australia and Sri Lanka, the airfield is of strategic value to the Australian Defence Force, who are committing $567.7 million to extend the runway by 150 metres to take heavier military planes.

Comparatively, the CI airfield is positioned at a much higher elevation of 279m and has an asphalt runway length of 2,103 metres. Because of its altitude, the airport is prone to poor visibility in low cloud and poor weather conditions. This also limits capacity for the types of aircrafts able to use the airfield, and places additional pressure on the CI port to import critical goods, which is awaiting planned upgrades (refer section *4.9 Port Upgrades*).

Whilst there is demand for passenger flights into the IOT, the demand is not sufficient to attract new operators as would occur in well-established and functioning markets. This inefficiency does not allow for a market to form and operate or passenger flights but no supply, so a delivery market is unlikely to form. In the absence of an efficient market, the AG have intervened to provide a public good and it is critical that they continue to provide this support.

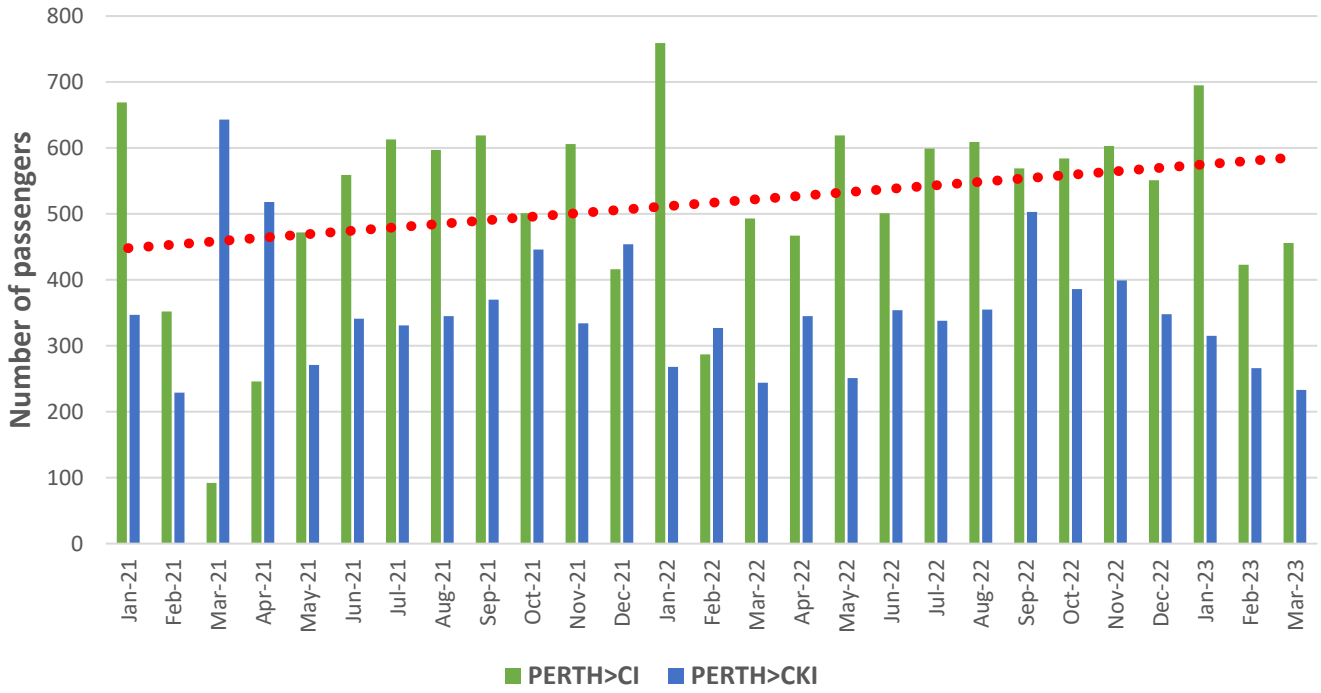
Despite residents raising issues of long transit times and high-ticket prices, passenger flights generally remain in high demand. Routinely, more passengers flying on Tuesday because the flight goes directly to CI. Therefore, it is uncommon for this flight to experience capacity constraints resulting in excess baggage being

offloaded. Once offloaded, this baggage (referred to as rush bags) is kept in a holding area until it can be uplifted, which is usually on the quieter Friday flight, although not always.

Demand for flights varies throughout the year with a spike in January and strong demand during the middle of the year – see graph below. Visitation data predicts positive tourism trends in the future, with total arrivals in the IOT to reach 10,375 in 2024 and 13,980 by 2030, representing a growth over the 2019 base year of 10.4% and 50% respectively[1].

The ability to achieve these growth predictions will require strategic planning to deliver the required aviation capacity for both island groups. Peak season aircraft capacities may need consideration towards increasing frequency and/or larger aircraft for this growth to be realized, or other interventions like a reduction in baggage allowances to better enable maximum passenger numbers.

Chart 1.1 Passenger rates on flights to CI / CKI



SERCO also currently operate a charter flight for their operations to CI and they assist with the transportation of mail and other freight where possible. These arrangements are believed to be in place until the end of 2023 and it is uncertain if they will continue in 2024. When these flights do stop operating, this will place additional pressure on the supply chain as the cargo including mail will need to be diverted back to the VARA flights.

4.1.1. Key issues (domestic passenger flights)

EXCESS BAGGAGE

Passengers travelling to the IOT can check in excess bags in accordance with the airline operator's policy. Virgin Australia policy is that passengers can have up to 9 bags in total (subject to available space), with any excess bags being charged at the rate of $170 per bag when purchased at the airport. Passengers can elect to pre-purchase a maximum of two bags online at a rate of $85 per bag with the remainder purchased at check

[1] *IOT Destination Management and Marketing Plan 2021* – Ayre Group

in. This makes it difficult for the operator to predict the total bags and weight for a particular flight. As a result, it is not uncommon to offload excess bags to achieve more weight to carry freight or additional fuel due to weather or other considerations. Where excess bags are purchased, consumers are asked to elect a priority bag which should always fly even if others get offloaded.

Issues regarding offloaded baggage were a reoccurring theme identified throughout engagement, with some residents reporting offloaded bags taking weeks or months to arrive. VARA have confirmed that priority bags are loaded separately, and excess/lowest priority freight are offloaded first if necessary. According to VARA, priority bags are rarely offloaded, but this does sometimes occur. Engagement with stakeholders suggested this as a more significant issue impacting people on a regular occurrence. The negative impacts of offloading priority bags are exacerbated when these goods are perishables, as they sometimes deteriorate and cannot be used.

The consistency and efficacy of the offloading processes has been questioned. This is the responsibility of the ground handling team of Menzies and Swissport – third party companies contracted by VARA. Swissport are responsible for guest and freight handling at Perth Airport, and Menzies are responsible for freight lodgement. Whilst there is data on bags that are offloaded, data on how long they take to arrive at the destination or whether they are priority bags is not collected.

PASSENGER BAGGAGE TRENDS

Despite passengers' theoretical allowance of up to 9 bags each, baggage data indicates this limit is not often realised, with IOT passengers averaging between 1 – 2 bags each. However, this is still higher than domestic baggage trends. An analysis of VARA's IOT baggage data from April 2023 suggests the average number of checked-in bags per passenger is 1.5 – nearly double than the average for domestic passengers in June 2023, being 0.8 bags (refer Table 1.1).

Table 1.1 – Comparison of domestic/IOT passenger baggage data

DOMESTIC FLIGHTS SAMPLE – JUNE 2023			
City Pair	*Number of PAX*	*Number of bags*	*Avg bags per PAX*
PER-DRW	163	132	0.8
PER-SYD	169	135	0.8
PER-MEL	175	145	0.8
PER-SYD	161	130	0.8
PER-BNE	174	138	0.8
PER-BNE	147	136	0.9
PER-SYD	156	118	0.7
		Total average bags	**0.8**
IOT FLIGHTS SAMPLE – APRIL 2023			
City Pair	*Number of PAX*	*Number of bags*	*Avg bags per PAX*
PER-XCH	129	216	1.7
XCH – CCK	67	96	1.4
CCK – XCH	68	94	1.4
PER-XCH	129	210	1.6
XCH-CCK	105	148	1.4
CCK-XCH	106	131	1.2
PER-XCH	125	231	1.8
		Total average bags	**1.5**

OFFLOADED BAGS

Analysis was conducted of offloaded baggage data from January 2017 to June 2023, which captured all IOT flights requiring baggage to be offloaded between Perth, CI and CKI. For the majority of cases, offloaded bags were uplifted and arrived in the IOT within the following days. Throughout this time period, a total of 669 flights left Perth for the IOT and of these, there were 70 instances where baggage was offloaded in Perth - a total of 10% of all departures.

4.1.2. Analysis (domestic passenger flights)

The issue of excess and offloaded baggage was one of the most common themes identified throughout stakeholder engagement. Engagement with IOT stakeholders suggest that 9 bags per passenger is too generous, and it impacts on other passengers.

Similarly, weight management on the outbound IOT flights were highlighted as a constant challenge given the considerations of changing weather and the requirement to get back to the mainland when landing is not possible on the IOT.

Analysis of IOT baggage trends has determined that contrary to common assumption, passengers on flights to the IOT are averaging between 1 to 2 checked-in bags.

There was a high level of perception from all engagement that there is a disproportionate number of travellers carrying excess bags, and whilst the data analysis showed higher rates than other Australian domestic flights, the data analysis has shown it is not a significant issue.

A real time scan of passenger data in fact showed that from a one-month sample of inbound flights to the IOT in 2023, only 0.6% (7 passengers) travelled with 5 or more bags.

It is likely that when people observe passengers travelling to the IOT with a large number of bags (>5) and these are larger and unusual items, people are more inclined to notice the unusual patterns, rather than the patterns of the majority.

This is known as the ‘Von Restorff effect’, where people presented with a list of categorically similar items / patterns / behaviours, and when they observe one distinctive, isolated item / pattern / behaviour, their memory for the isolated item / pattern / behaviour is then improved.

A recommendation to reduce the number of excess bags was considered, however the impact was debateable given the small number of passengers who take more than 5 bags. If the number of bags could be reduced significantly, this could create more aircraft capacity for passengers, fuel, and freight, and minimise the instances of baggage being offloaded prior to departure.

A better approach agreed to by stakeholders was to have improved integration between passenger and freight services to ensure any reduction in carrying capacity of a particular flight did not result in offloading bags and in all cases, priority bags were not offloaded. Utilising other existing flights such as the SERCO flight for freight is an example of improved integration. Keeping the number of excess bags to 9 also means that locals who sometimes rely on this allowance to import essential goods to the IOT can continue doing so.

A number of additional issues were raised and considered to improve passenger flights including:

- in-flight catering
- ticket pricing
- airfield and aircraft frame upgrades
- excess baggage pricing mechanism

Specific recommendations in regard to these were not included as they either were unlikely to improve the supply chain to any great extent or in the case of an airfield / airframe upgrade, the options would need a

more detailed cost benefit analysis to determine the actual benefits. Further information on these issues can be found at Section 4 of this report.

4.1.3. Recommendation – domestic passenger flights:

#	Recommendation	Intended outcome/s	Measure of success
1	Examine contractual arrangements with passenger and freight operators into the IOT to support an integrated freight service to reduce the number of offloaded bags and ensure that priority bags always travel.	• Reduce excess freight thereby reducing the likelihood of baggage needing to be offloaded, improving customer experience. • Leveraging other freight options into the IOT.	• Less incidents of offloaded baggage on outbound passenger flights to the IOT. • Better coordination amongst freight contractors • Passengers receive priority checked in bags

4.2. Baggage offload system

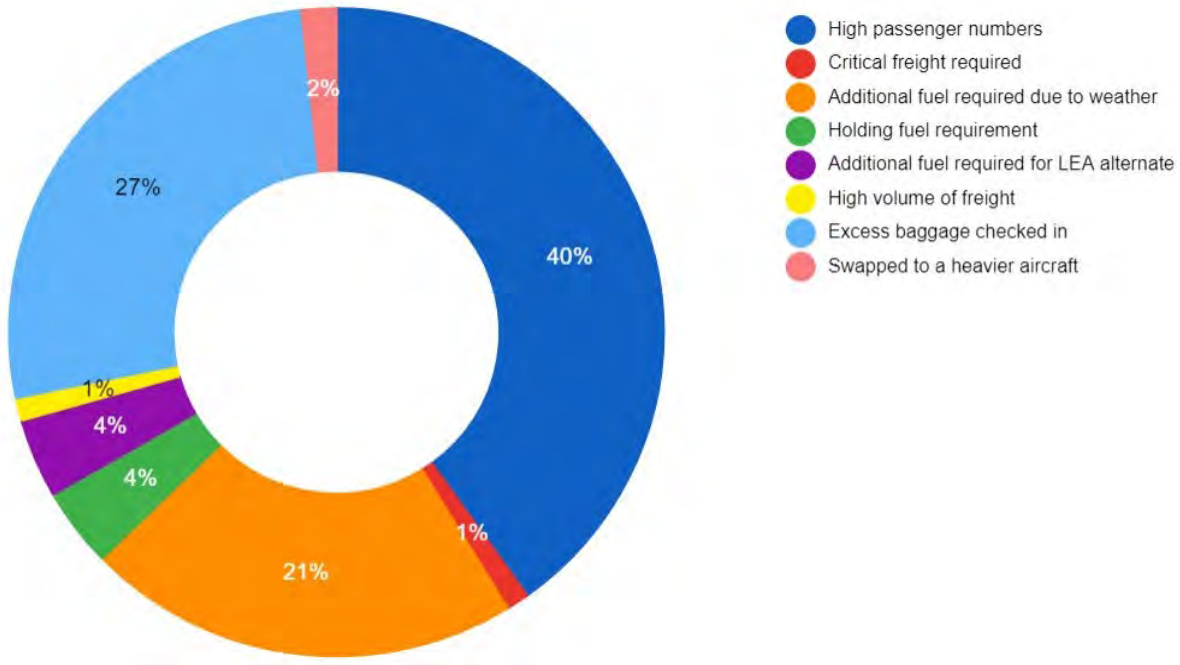
Throughout discussions with VARA, it became apparent there is not a robust system in place to capture how decisions are made when certain baggage items are selected and offloaded. There is also limited data available on the movement of offloaded baggage between flights at Perth Airport.

While protocols are in place for the way in which baggage is offloaded, stored, and uplifted, it is difficult to confirm how closely this is being followed by the Perth Airport sub-contracted team from Menzies (freight lodgement) and Swissport (guest and freight handling).

Offloaded baggage data on inbound passenger flights between 2017 and 2023 was analysed (refer figure 1). The main reasons for baggage offloads were:

- high passenger numbers (40%)
- excess baggage checked in (27%)
- additional fuel required (21%)

Figure 1.1 – Reasons cited for offloading baggage on VARA IOT flights between 2017 - 2023.



Throughout engagement, suggestions were made to bring more transparency and accountability to this system, and potential system improvements in the future.

Offloaded bags (rush bags) are generally transported on the next available passenger flight to the destination. However, stakeholders suggest this is not always the case and VARA do not maintain any data on rush bags, so the review was unable to verify the extent of the issue. In the future, it is recommended that this data be captured to enable baggage to be tracked both priority baggage and standard baggage.

4.2.1. Recommendation/s (Baggage offload system)

#	Recommendation	Intended outcome/s	Measure of success
2	Improve the system of tracking and monitoring baggage movements, from the point of check-in to departure and arrival, so that all passengers receive their priority bags and can track all bags that are offloaded.	• Increased accountability, transparency and consistency of offloading process. Improved consumer confidence in baggage reliability.	• No priority bags being offloaded. • Sources of problems can be identified, and corrective actions are taken. • Bags that are offloaded are tracked and data compiled to determine time to arrive.

4.3. International Air Services

Investigations into the utilisation of international air services from the north to fill gaps was a reoccurring suggestion made throughout stakeholder engagement. Consideration into international airlines servicing the IOT (between CI and CKI) would require the IOT airfreight demand being deemed an 'exceptional circumstance' under aviation cabotage policy, where no Australian carrier is able to otherwise meet the needs of consumer. An international airline would also need to provide a proposal for flights for any consideration of the review of cabotage.

As the IOT regional economy transitions from mining and government funded programs to tourism and environmental offerings, flights from the north are critical to support this transition and ongoing development. Several models of northern flights have operated in the past and for a variety of reasons, have not continued.

During 2023, Altitude Airways provided several charter flights between Jakarta and CI and in 2024 between Kuala Lumpa and CI. These flights were introduced primarily as a passenger service with a view to increasing freight from Asia into CI which would reduce the pressure on the supply chain between Perth and the IOT. At the time of publishing this report, these operations have ceased and the circumstances surrounding this operation should be reviewed to better understand the challenges and opportunities to inform the viability of similar flights into the future.

4.3.1. Recommendation (International Air Services)

#	Recommendation	Intended outcome/s	Measure of success
3	Analyse international charter flight opportunities commencing with a review of the Altitude Airways flights conducted in 23/24, including a detailed understanding of safety, infrastructure and operational requirements for each opportunity	• Better understanding of opportunities to implement additional charter flights.	• If sustainable, this could provide another option for passenger and air freight into the IOT from the north. • Cheaper passenger flights and freight for consumers.

4.4. Airfreight

While the IOT largely rely on sea freight for the import and export of large items and bulk resources, airfreight supports the movement of smaller items including essential goods, perishables, post and household items.

Given the remoteness of the IOT, airfreight arrangements come with their own set of challenges, including Civil Aviation Safety Authority (CASA) regulations for 'Remote Island' operations[2], competing aircraft capacity demands[3] and long travel distances. The cost of operating an air freighter service in the IOT is significant and the freight costs recovered from consumers is believed to be significantly less than the cost of operating the service.

Demand for goods has surged in recent years driven by the impacts of COVID-19, the surge in online purchasing and market disruptions such as Amazon Prime offering free postage on goods to the IOT. This demand has remained relatively consistent, resulting in freight backlogs and delays, including for goods labelled as priority.

In 2020-21, airfreight demand increased by approximately 21% (or 93 tonnes), compared to average volumes across 2017-18, 2018-19 and 2019-20. In total, 537 tonnes of IOT freight were uplifted in 2020-21, with 420 tonnes transported via freighter services and 117 tonnes via RPT services[4]. Following the peak of COVID-19, airfreight demand has somewhat decreased but still remains higher than pre-pandemic levels according to service providers.

Airfreight remains the favoured means of importing goods, despite some residents describing it as an overburdened and unreliable system.

4.4.1. Key issues (Airfreight)

AIRFREIGHT CATEGORISATION AND PRICE MECHANISM

As at January 2024, there are currently six freight categories set by the Australian Government to assist Freightshop to prioritise goods. These categories and current prices are:

Category - current	Price per kilo
Category 1: Aircraft on Ground Spares (AOG)	**$8.10**
Category 2: Lifesaving Medical	**$8.10**
Category 3: Perishables	**$8.10**
Category 4: Australia Post Mail	**$7.50**
Category 5: Priority General Cargo	**$9.65**
Category 6: General Cargo	**$8.45**

VARA receives a freight commission on all freight revenue received which is built into the price with all other revenue going back to the AG to offset the cost of the service.

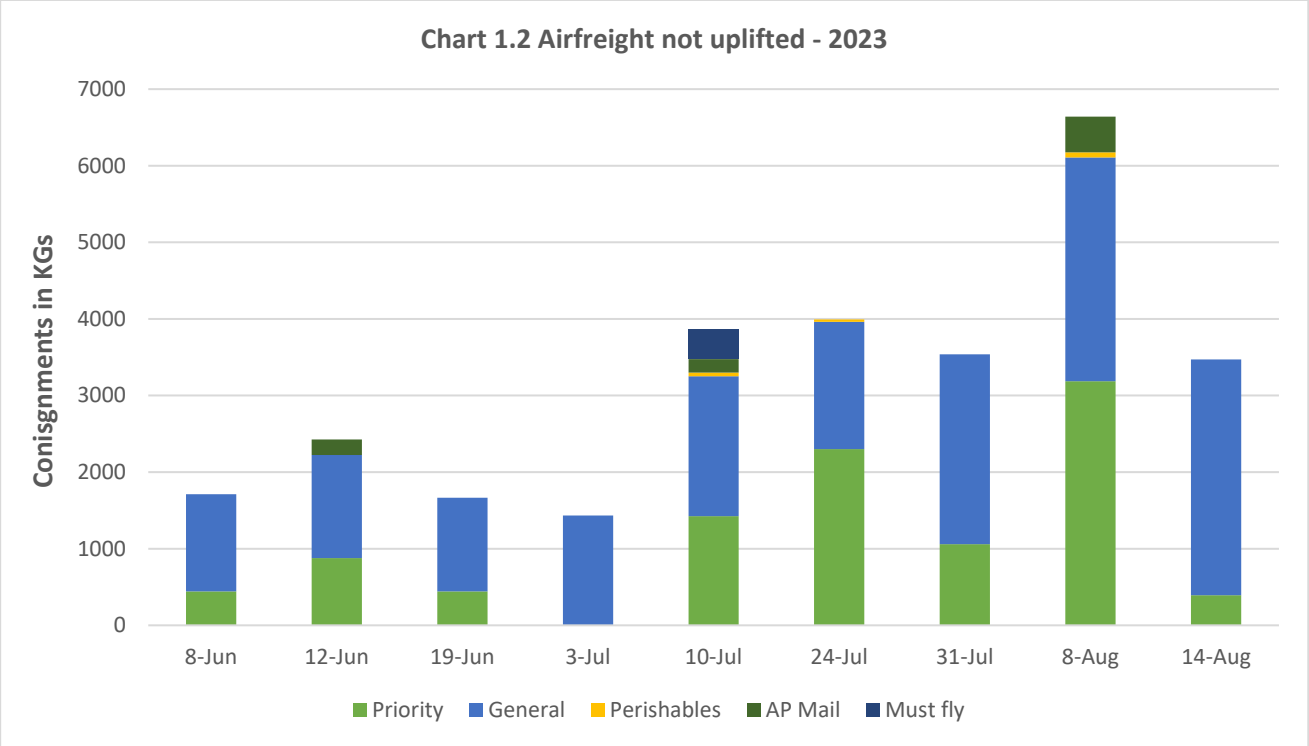
Data on freight that does not get uplifted has been reviewed across a two-month period in 2023. Freightshop maintain these records which are provided to DITRCDA on a weekly basis. This data demonstrated that freight is regularly offloaded due to capacity constraints, with 'Category 6 – General' being the most common category offloaded. Priority freight was also offloaded, but in fewer quantities and sometimes not at all. The Freightshop Facebook page posts regular updates on the freight that is successfully uplifted, and their website offers a freight live-tracking function.

[2] Including fuel safety requirements and mandated crew rest times.

[3] For example, consistently high passenger numbers often result in offloaded baggage.

[4] More freight was able to be transported via RPT services than usual, given passenger numbers for some flights were very low due to periods of travel restrictions and COVID-19 lockdowns.

Priority freight being given precedence results in general freight consistently delayed, contributing to negative consumer sentiment and significant backlogs. At the worst end of the scale, some general freight destined for CKI has been on-hand for months and was unlikely to be uplifted until other freight categories reduced significantly or that freight was upgraded to priority. See Chart 1.2 below on the amount and categories of freight not uplifted after each flight.



PRICE MECHANISM

Adjusting the price mechanism for air freight was a suggestion repeatedly made throughout stakeholder engagement. Under the existing pricing structure, consumers demonstrably favour the 'priority general' category, which some argued is the only way you will receive your goods in a timely manner. The price difference between 'priority general cargo' and 'general cargo' is currently $1.20 p/kg and there is limited evidence that this low margin increase in cost has an impact on consumer behaviour.

Service providers reported this issue having broader impacts on time-critical cargo required to support services and businesses, which are increasingly displaced at the expense of 'higher priority' goods – for example, perishable goods which are currently cheaper to lodge and receive a higher priority on IOT freight services.

NUMBER OF CATEGORIES

The number of categories has also been discussed with suggestions there should be a consolidation to improve efficiency and simplify the process. We have modelled a suggested change at 4.4.2 with the option to combine all must fly categories and the priority freight category into one must fly category at a premium price which is designed to fast-track important freight. This must fly category will have a two-tiered pricing mechanism with AOG, life-saving medical and critical infrastructure spares at a cheaper rate and all other freight costing significantly more. DITRDCA would still be required to approve AOG, life-saving medical and critical infrastructure spares in the must fly category.

Other categories are proposed to follow in level of importance, being perishables, AP Mail and all other general cargo. Those sending general cargo would receive a level of certainty that their freight won't be superseded by priority freight for extended periods of time, and general freight would be prioritised on a

first-come, first-served basis. This will have the effect that all freight would be uplifted in priority of when it was lodged, and the consignee can be informed approximate delivery times when the freight is lodged based on historical tonnage uplifts.

4.4.2. Analysis (Airfreight)

To improve the efficiency and fairness of the priority freight system, it is recommended that the number of categories be reduced from six to four and price increases also be considered:

Category – proposed new	Price per kilo - proposed new
Category 1A: Must-fly (AOG, lifesaving medical and critical infrastructure spares) Category 1B: Must-fly (all other freight)	**$8.10** **$24.30**
Category 2: Perishables	**$8.10**
Category 3: Australian Post Mail	**$7.50**
Category 4: General Cargo	**$8.45**

The option to increase the cost of Category 1B to three times the price of Category 1A is intended to impact demand for that category and influence consumers to use the general cargo category instead. Whilst this may not reduce the total freight aggregate, it does introduce fairness and equity for those consumers that cannot afford the priority freight and keep having their goods pushed further down the list.

A higher Category 1B cost also increases revenue to Government to pay for the freighter which by all accounts is very expensive, and costs for the service are never recovered. However, increasing the Category 1 cost could also have the perverse outcome of encouraging people to abuse the system and add perishables to their cargo to claim that category and cheaper rate. Therefore, a degree of monitoring would be required.

An increase in Category 1B charges may also result in consumer backlash, calling on the need for a communication plan to accompany such a change. The plan would make clear this isn't about generating profit for government, but making sure prices best reflect priority, helping to deliver the most urgent things on time and also introducing fairness and equity for people that book general freight. It should also be reiterated to consumers that while this profit will return to the AG, it will be funnelled back into improving the air freight system and supply chain more broadly. This is in line with what currently occurs with airfreight pricing revenue, after VARA's baseline commission.

Another issue that was raised about the perishables rate is the ability for people to game the system, and class freight as perishables when it is either not perishable or has minimal perishables mixed amongst general freight items. The increase in the price of 1B may exacerbate this issue and will require improved compliance and monitoring. Freightshop should also ensure that all perishables are pre-booked and enforce the weight limits that have been pre-booked, as a mitigation strategy against an influx of perishable consignments arriving last minute and taking priority over other freight.

4.4.3. Recommendation/s (Airfreight)

#	Recommendation	Intended outcome/s	Measure of success
4	Adjust price structure for Priority 1 goods and divide into 2 categories: • CAT1A: Must-fly aircraft on ground (AOG), life-saving medical and critical infrastructure @ $8.10 per kg and approved by the AG; and • CAT1B: Other priority freight @ $24.30 per kg	• Critical freight receives the highest priority. • Deter consumers from misusing the priority category through a pricing mechanism but still allowing priority freight for those willing to pay. • Relieve the pressure on general freight and provide better estimations about delivery times.	• Less air freight backlogs • Reduce priority freight freeing up space for general cargo
5	Change pricing per kilogram for airfreight categories: • CAT1A: $8.10 Must-fly, AOG, lifesaving medical and critical infrastructure • CAT1B: $24.30 Must-fly – all other freight • CAT2: $8.10 Perishables - must be pre-booked and assigned • CAT3: $7.50 AP Mail • CAT4: $8.45 General cargo	• A simpler system with prices that more appropriately reflect the priority. • All general cargo is scheduled on a 'first in first out' service providing more certainty to consumers.	• Less air freight backlogs. • Freight delivery times being more consistent. • Freight delivery times providing certainty and confidence to business.

4.5. Additional Air Freighters

DITRDCA are aware of patterns of increased air freighter demand and make efforts where possible to accommodate additional freighters during these times. Increased demand is generally influenced by tourism periods and swell season (which impacts shipping). Additional freighters are generally given consideration once freight backlogs reach 10 tonne, but these can take several weeks to organise.

Additional freighters to remove backlogs whilst of benefit for consumers, may inadvertently encourage user dependency on the service and deepen the current reliance on the airfreight system. Factors like costs and departmental capacity have also prevented additional freighters being pursued.

Service providers indicated there are regular increases in demand for airfreight at certain times of the year, with some suggesting that an additional freighter would resolve the issue even if it was just to CI.

Other service providers suggested that the current freighter was generally managing freight levels well and an additional weekly freighter would be too much. It was suggested by Toll that an additional service every 4 – 6 weeks may be useful, but not overly critical.

Testing these issues with stakeholders confirmed the key to this approach is being proactive, rather than reactive. To be proactive to freight issues, internal communication between decision makers and key stakeholders also needs to be improved.

This requires decision makers to have a plan that sets out excess freight trigger points, dictating when the group need to convene and discuss options to avoid crisis point, being a 10-tonne freight backlog at Freightshop. If freight does reach 10-tonne, an additional flight should automatically be triggered by the decision makers, to avoid the weeks-long wait for an additional flight to be decided on and organised.

4.5.1. Recommendation/s (Additional Air Freighters)

#	Recommendation	Intended outcome/s	Measure of success
6	Initiate a formal trigger point when air freight backlog reaches 5-tonne to ensure the following occurs: • Decision makers meet to discuss mitigation approaches to reduce the backlog • Consumers are informed of the situation and actions being taken to address the situation • Consumers are kept informed until the situation is remedied.	• Improved communication, collaboration and problem solving between key decision makers. • Behaviour change from consumers when aware of the stress on the supply chain.	• Less occurrences of freight backlogs reaching crisis point (10-tonnes). • Government make decisions in a more timely manner to address issues. • Consumers change their behaviour to assist in reducing the stress on the air freight.
7	Initiate a formal trigger point when air freight backlog reaches 10-tonne to ensure the following occurs: • Decision makers meet to discuss situation • This automatically triggers an additional air-freight flight. • Consumers are informed of the situation and actions being taken.	• Improved transparency within the system about when an additional freighter would be instigated. • Improved consumer satisfaction through decisive and timely action to address backlog.	• That decision makers adhere to this policy. • That an additional freighter is instigated in a timely manner.

4.6. Freightshop and Export Policy

FREIGHTSHOP

All IOT freight is prioritised through the Freightshop with freight prices determined by DITRDCA depending on priority category. Freightshop utilise an online booking system for perishables, however it is not a requirement. Not enforcing a pre-booking system means a last-minute delivery of perishables will be given priority over low-category freight, even if this freight arrived at Freightshop well in advance. This can make the management of freight levels difficult to predict and plan for.

Freightshop are required to categorise their freight according to level of priority and urgency. Compared to 4 – 6 hours for other ground service agencies, Freightshop requires goods to arrive before noon the day prior to departure for the Tuesday passenger flight, and before noon Wednesday for the Friday passenger flight and freighter[5].

These timeframes are required due to the large quantities of cargo consistently being processed, and to allow time for Freightshop to properly adhere to the following key steps:

- Determine whether cargo has been prepared properly (i.e., is the shippers declaration complete, does the cargo have the receiver's information, etc.)
- Deliver cargo to AMI for security screening and labelling
- Consolidate cargo and print manifest, checking for any mismatches

[5] Both the Friday passenger flight and freighter require goods to arrive at the Freightshop before noon on Wednesday, with the exception of medical/pre-approved perishables which can arrive noon the day prior.

- Deliver at least 50% of cargo to relevant CTO for preparation to load onto aircraft by Wednesday, followed with the remaining cargo on Thursday (staged delivery allows ground handlers enough time to process large amounts of cargo)

EXPORT POLICY

Freightshop organises export documents and paperwork, charging a $80 documentation and handling fee per consignment. This fee is not part of Freightshop's contractual arrangements with VARA and is a source of revenue for the business. The question of whether this flat fee, per consignment, is in line with Australian Border Force regulation was raised by stakeholders.

The $80 consignment fee for each parcel, regardless of whether each parcel shared the same receiver, was noted by stakeholders as a point of contention. Investigations have been underway for some time to determine what consignment practices are most appropriate according to Border Force and Australian Customs regulation.

4.6.1. Analysis (Freightshop and Export Policy)

Clarity on who is permitted to submit a consolidated consignment, and when, remains unclear. If there were a possibility of integrating a consolidation process in-house, this has the potential to streamline Freightshop's internal processes, provide an additional service delivery offering and give the consumer more control over their freight transport options. It is not a contractual requirement for Freightshop to maintain the $80 fee as a flat rate.

Further investigations suggest that there may be an opportunities for consumers to consolidate cargo into a single shipment, therefore paying only a single document fee of $80. It has been suggested that if the seller of a shipment is going to clear the goods for export, then the terms of trade are likely to be Free Carrier (FCA) rather than ex-works (EXW). This means there are no requirements for a shipper's declaration, instead an export declaration (EDN) can be based on any information available to the owner, broker or agent making the declaration.

This also means that the original EXW supplier is not the exporter, and original EXW invoices are not required. As a result, when FCA consignments are consolidated for one consignee, there can be just one export declaration (and export fee) covering all the consignments.

As this issue is technically complex, it is suggested that further advice from Border Force is required to confirm this as a legally-sound approach. In discussions with consumers and Freightshop, clarity around this would be most welcome and then decisions can be made to improve Freightshop's business model by implementing this policy. This could create a more balanced and cost-efficient consignment system, benefitting both Freightshop and their customers.

In recognition of the potential for more consignment options to benefit both the service provider, consumers, and broader supply chain, it is recommended that DITRCDA work with Australian Border Force to clarify requirements. Making consignment fees more adaptive may also encourage more uptake of air freight instead of moving goods as checked-in passenger baggage, freeing up space for more passengers or fuel.

4.6.2. Recommendation/s (Freightshop and Export Policy)

#	Recommendation	Intended outcome/s	Measure of success
8	DITRCDA works with Australian Border Force to develop a solution to allow multiple transactions to be consolidated into one consignment.	• Freightshop improves service delivery model to create greater efficiencies.	• A consignment policy is implemented that benefits both Freightshop and its users. • Consumers pay less consignment fees

#	Recommendation	Intended outcome/s	Measure of success
9	Freightshop continue to utilise the online booking system for perishables and enforce the weight and cut off times for booking these goods.	• Improved planning of freight loads • Improved fairness and equity • Reduces the risk of last-minute gaming of the system using the perishables category to get freight on the plane.	• Adherence to the policy which is fair and equitable. • Changed consumer behaviour.

4.7. Food Security

The supply of fresh food was identified throughout the review as a key issue. The unreliability of the supply chain, especially during the swell season, indicates a food security issue in the region. Reliable food security ensures that all people, at all times, have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life.

Stakeholders regularly raised issues around quality, availability, and cost of fresh produce in the IOT, and the challenges in getting fresh produce to the region, including remoteness, lack of competition and weather events.

For many years, the IOT have relied on the importation of fruit and vegetables to stock supermarket shelves. This reliance is influenced by the difficulty of local production, with issues like invasive species, soil quality, water quality and prior failures contributing to the infeasibility of on-island production.

However, due to the length of time it takes for perishables to be shipped, the supply can be unreliable and low in both visual and nutritional quality – contributing towards food security concerns for the region.

Stakeholders shared during engagement that due to the shortfalls of imported perishables, it is not uncommon for IOT residents to pack personal eskies of fresh food on the mainland (sometimes paying more for a higher quality product), before travelling back home with these perishables as passenger baggage. This creates additional issues for passenger flights in terms of weight, and results in less demand on the IOT for fresh produce.

LOCAL PRODUCTION

While some small horticultural operations throughout the IOT do exist, these only contribute towards a small portion of food consumed domestically[6]. The importance of local food production was highlighted in the IOT Economic Development Strategic Plan 2010 – 2015, which recognised the power of horticultural industries to support a transition to a post-mining economy.

PERISHABLES SUPPLY CHAIN

The supply chain for perishables is quite different from other freight in that it requires:

- Product quality and safety
- Timely delivery
- Specific storage and transportation requirements
- Balancing quality and quantity versus supply and demand
- Managing relationships of various actors in the supply chain (supplier, Freightshop, transporter etc)
- Managing cost especially during periods of high demand or fluctuating supply
- Dealing with regulation

[6] Horticulture studies from 2010 suggest imported perishables account for over 95% of produce passing through supermarkets, restaurants, cafes, and institutional purchases.

4.7.1. Analysis (Food Security)

This review identifies areas of the importation process that could be improved, and in turn increase the quality and quantity of produce delivered to supermarkets. If successful, this could become a more appealing option for residents, who reported a preference for buying groceries online or importing them on passenger flights.

Local businesses should be encouraged to provide high quality fresh produce at a reasonable cost; however, this needs to be supported by consumers who are willing to purchase. The benefit of consistent local purchasing includes:

- Ability of retailers to better manage supply and demand
- Consistent turnover of stock reducing the risk of soiled or out of date produce
- Reduced reliability of individuals bringing in their own perishables
- More reliable planning around the supply side

One option raised is a consumer incentive to encourage residents to buy locally. This incentive could be a discount after spending a certain amount, or a voucher received after purchase to use at another local business. A 'shop-local' messaging campaign should accompany such a program. Having a market mechanism in place to influence consumer behaviour could positively change the way residents think about supporting local businesses.

Local production is also important to reduce the risk of food security for the region into the future, and should be invested in. Focusing on the expansion of local food production will reduce the IOT's reliance on importing fresh food at high prices, support greater self-sufficiency and build key skills for future employment and business opportunities. The Cooperative Research Centre for Developing Northern Australia can play a key role in supporting research and developing opportunities in this important area.

Recent data on imported perishables is limited to anecdotal evidence from IOT stakeholders. However, a 2010 data analysis indicated that local horticultural operations contribute to only a small proportion of fruit and vegetables consumed domestically, with imports constituting over 95% of produce passing through retail and institutional supply channels. These findings support stakeholders who reported that perishable goods (on air freight) have significantly increased over recent years.

4.7.2. Recommendation/s (Food and perishables)

#	Recommendation	Intended outcome/s	Measure of success
10	Continue to promote, support and seek investment into improving local food supply, including locally grown produce.	• Strengthening of local economy, less reliance on imported goods, relieved pressure on air freight. • Provides food security should there be a breakdown in the supply chain	• Expansion of food production on-island.

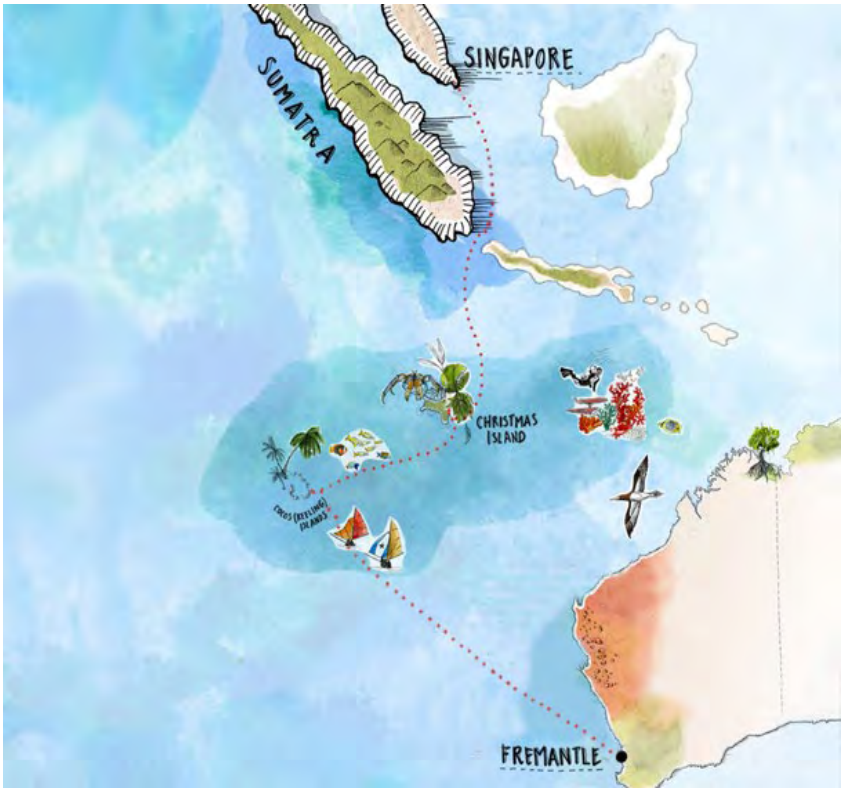
4.8. Sea freight

Sea freight into the IOT has been provided by Zentner shipping for nearly 25 years. Zentner has largely operated without competition during this time due to the remoteness, lack of demand and challenging port conditions of the IOT. From Fremantle, Zentner services both the IOT and Southeast Asia approximately every 4 to 6 weeks (refer Image 1.1 – ship route).

In 2019, Phosphate Resources Limited (PRL) commenced a shipping service into CI which is used for the export of phosphate out of CI to Malaysia / Indonesia and containers back into CI.

Sea freight is not subsidised, nor does it have a priority freight categorisation mechanism, and operates in a market environment, albeit a very skinny market. Due to this lack of competition, consumers have reported feeling a loss of control over who their shipping provider is and receiving little security of service from the incumbent. Users also have a sense of unpredictability over sea freight pricing, particularly in terms of surcharges. Lack of communication about the changing of surcharge prices can leave consumers disempowered and frustrated. Overall, there is a clear perception of unreliability and inconsistency from the system, influenced by issues arising from insufficient port infrastructure[7], difficult weather conditions and infrequent scheduling.

Image 1.1 Zentner ship route from Fremantle to Southeast Asia



One of the most critical commodities in the region is jet fuel, which requires a reliable shipping service and appropriate offloading, transportation and storage capacity on-island. However, without government regulating sea freight and a lack of investment towards port infrastructure upgrades, efficient delivery of this critical resource can be challenged.

Two stevedoring companies operate in the IOT; Cocos Islands Cooperative Society on CKI and Complete Stevedoring Freight Services on CI. The Australian Government are responsible for the approval of stevedoring licences.

PORT INFRASTRUCTURE

Christmas Island harbour, also known as Flying Fish Cove (FFC), is situated on the Northeast side of the island. The mooring systems at FFC comprise an outer mooring system known as the rock berth which was primarily designed for loading of phosphate and an inner mooring system known as the crane berth for freight and bagged phosphate loading and unloading. The port uses a catenary buoy mooring system. A lack of adequate shelter at FFC makes it difficult for ships to moor and safely operate during the swell season.

[7] Only 20ft containers can be used for IOT sea freight, with 40ft containers difficult to process at CI and not possible at all for CKI.

There are two other port locations on the island:

1. Smith Point which is just to the West of FFC is the main fuel berth.
2. Nui Nui which was an alternate port location commissioned in 2004 on the Eastern side of the island. This site had a wharf crane and moorings installed however the project was not completed and a lack of supporting infrastructure (stairs to enable vessel access and road access for heavy vehicles) resulted in the operation being unsafe and ineffective. This site suffered storm damage in 2014 and has been inoperable since that time.

Sea freight ships travelling to CKI anchor near Direction Island with freight offloaded onto barges. This freight is then conveyed to West Island for inspection before goods are released. CKI wharf will be upgraded during the CKI Runway upgrade project which will enable larger ships to get to the wharf and improve efficiency[8].

Offloading procedures generally take 2-3 days at both ports depending on the amount of cargo and sea conditions.

MARITIME TRANSPORT

In 2023, Zentner introduced a new ship, 'ASC Lotti', for their IOT shipping services. ASC Lotti measures 122 metres in length, replacing the former MV Borkum which was 108 metres in length. Stakeholders raised concerns about ASC Lotti, including an extended offloading time[9] and its inability to use the crane mooring at FFC on CI. Due to the length of ASC Lotti, the ship must anchor at the rock berth, requiring over water discharge of freight.

PRL operates an alternate shipping service from Pt Klang in Malaysia to CI about every 6 weeks; 75% of cargo is for PRL and 25% of cargo is available for customers on island. Some of the supermarkets use PRL to bring goods from the north, and individuals can use the service for general goods including vehicles. The Red Titan is 108 metres in length and can be offloaded using the crane mooring however is required to use the main outside berthing when loading phosphate.

As the ASC Lotti cannot use the FFC crane mooring, it must share the barge system utilised by the PRL ship (Red Titan) when loading phosphate. This may cause delays into the future especially if the Red Titan is loading phosphate at the same time that the ASC Lotti wants to discharge and load freight.

SWELL SEASON

CI port is significantly impacted by a large swell during the 'swell season'. These large swells usually occur between November to March, and typically brings northwest winds, rough seas, heavy mist, and dense cloud cover. Once the swell is above 1 metre, ships cannot moor.

Whilst ships can wait out at sea for the swell to abate, this incurs significant cost and there is no guarantee about when the swell will reduce enough to allow a safe mooring. Zentner advises that they often wait for several days in the hope of a mooring opportunity, but they cannot wait too long as they need to continue their forward journey and meet other port schedules.

The impact of the swell season is cyclical, with a run of years with higher impact, before returning to a more normal pattern. Recent impacts of the swell prompted the introduction of Zentner's 'swell surcharge' – an additional $685 for every 20ft container shipped to or from the IOT.

[8] https://www.defence.gov.au/about/locations-property/infrastructure-projects/cocos-keeling-islands-airfield-upgrade
[9] 5 – 7 days for offloading, compared to 2 – 3 days with the former Zentner ship.

4.8.1. Analysis (Sea Freight)

Throughout project engagement, weather conditions were identified as one of the key challenges affecting the efficiency of sea freight. Port operational data demonstrates that especially during swell season, weather has a significant impact on how many working days are afforded for ship operations.

For example, Table 1.2 provides a snapshot of the days when berths in FFC were not available due to weather throughout 2015 - 2012. The data demonstrates that the months of January and March were particularly challenging, at times with more than 50% of the month's days designated as non-working.

Table 1.2 Non-weather working days (NWWD) for sea freight 2015 – 2019

Number of NWWD days								
MONTH	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
January	17	11	26	27	13	2	28	5
February	10	15	13	7	2	17	23.5	22.5
March	11	7	15	12	15	13	15	13
April	7	2	3	3	6	7	11	6
May	2	2	0	0	1	10	0	13
June	2	15	3	0	0	0	6	5
July	0	7	0	0	0	0	2	9
August	0	5	0	0	1	1	1	2
September	0	1	0	0	0	0	2	3
October	0	8	0	0	0	0	2	3
November	0	5	7	5	0	3	14	5
December	0	17	10	3	N/A	17	11	23
TOTAL	**49**	**95**	**77**	**57**	**38**	**70**	**111.5**	**109.5**

Further shipping data provided by IOT port operators captures non-weather working days between 1946 and 2022, with a lapse between 1981 and 2016. This data again confirms the significant impact swell season has on the reliability and consistency of sea freight, with January, February and March repeatedly recording the highest number of non-weather working days (NWWD) throughout the year. These months fall within the swell season period. A further scan of this data indicates that on average, February loses about 16 working days; January loses 14 working days and March loses 11 working days (refer Table 1.3).

Trend lines mapped throughout 1946 - 2022 do not indicate the number of NWWD growing or decreasing significantly over time.

Table 1.3 Average no. of NWWD between 1956-81 and 2016-22

MONTH	AVERAGE NO. OF NWWD
January	14
February	16.2
March	11
April	4.6
May	4
June	3.8
July	2.2
August	0.9
September	0.2
October	1.7
November	4.7
December	8.7

Therefore, the average number of non-weather working days can be predicted fairly confidently. However, IOT climate change risk assessments[10] expect CI to experience higher than average sea level and storm surge associated with extreme weather events, especially at FFC and other exposed beaches.

Apart from the CI airport, almost all major transport infrastructure (jetties, wharfs, and boat ramps) could be at risk of degradation due to sea level rise and storm surge, potentially increasing the number of NWWD in the future.

There is some data available on the types of freight that arrive by sea, however not enough to fully analyse the economic benefits to consumers and why they may choose shipping over air freight. A deeper analysis into potential improvements have therefore been severely limited, and may have been possible with the assistance of more operational data from the service provider. However, the review has shown that there is generally capacity available for additional freight on the monthly Zentner service.

One of the deterrents stakeholders reported against using sea freight was the infrequency of the service due to adverse weather events. Unlike aircraft that can be rescheduled to the following day or week, shipping does not return until the next scheduled trip which is usually the following month. During the swell season, this can significantly impact consumer confidence and influence consumer choices.

Stakeholder engagement revealed residents have a clear reliance on air freight over sea freight, suggesting a clear need to shift consumer behaviour. For this reason, the review suggests that a sea freight subsidy model be considered to change consumer behaviour, and reduce pressure on air freight. This subsidy would be paid direct to the consumer after the freight has been received upon production of relevant documentation.

The advantage of angling the mechanism as a consumer reward rather than a business subsidy is that if the consumer continues to choose air freight over sea freight, it comes at no additional cost to the government. Instead, the government are only outlaying a rebate once the consumer has actively chosen to use sea freight. This would be a cost-reduction to government over time, through reinvestment of money that currently goes toward subsidising air freight and resolving air freight backlogs at higher cost of a consumer incentive scheme.

A reward or loyalty program for sea freight users should be simple to understand, digitalised through a smartphone app and offer a valuable consumer reward – ideally this would be established following public engagement to determine what would most likely influence behaviour. This format is widely used in similar consumer loyalty programs throughout Australia.

An accompanying communications plan for this rewards program would highlight how consumer discounts will assist in cost of living by providing cheaper ways for residents to receive and send goods.

Stakeholders are also disincentivised to use sea freight due to the unpredictability of freight pricing, in particular surcharge rates. A lack of communication and transparency about these rates is an area within sea freight which could and should be improved, therefore a recommendation has been made to investigate the proper use of surcharges by the sea freight service provider.

4.8.2. Recommendation/s (Sea Freight)

#	Recommendation	Intended outcome/s	Measure of success
11	Seek government investment to design and implement a sea freight subsidy scheme paid direct to consumers, to incentivise the use of sea freight over air freight.	• Changes in consumer behaviour opting to use sea freight for items more suited to the service, such as furniture and appliances	• Relieve pressure on air freight. • Reduce cost of sea freight to consumers. • Number of customers that seek the subsidy.

[10] *Indian Ocean Territory Climate Change Risk Assessment (2010 Update Version)*, prepared by AECOME Australia for the Commonwealth Attorney-General's Department.

#	Recommendation	Intended outcome/s	Measure of success
12	Request the Australian Government conduct an inquiry into the operations of sea freight into the IOT to determine if it is in line with the principles and legislative requirements of the *Competition and Consumer Act 2010*.	• Determine whether there are additional strategies that could be implemented to promote competition, support fair trading and protect consumers.	• If service delivery can be improved and is recommended by the Australian Government (or ACCC), there is an uptake in sea freight usage once these changes are implemented.

4.9. Port upgrades

Stakeholder engagement revealed multiple concerns for the new Zentner ship's ability to efficiently operate at Flying Fish Cove in CI. Various stakeholders suggested port infrastructure be upgraded to better accommodate the ship and improve reliability of freight being offloaded and transported. These include extending and deepening the crane, breaking up rock and dredging 20-30m on the seafloor, and replacing the buoys which were laid in 2008 with an 8-year lifespan.

The Australian Government proposed to replace the wharf crane and mooring systems (amongst other works) and the Parliamentary Standing Committee on Public Works received evidence of the works in 2018. It was anticipated at that time that the works would commence in April 2019 and be completed February 2022[11]. An extract from the report of the standing committee demonstrates the need for the works in 2018:

16. *Technical investigations and ongoing consultation with major users of the Port have identified a range of concerns regarding the safety, capability and adequacy of key elements of the existing infrastructure.*
17. *In addition, the wharf crane and mooring systems in FFC both recently experienced critical failures, requiring costly emergency repairs, and disrupting Port operations. Without immediate replacement, these ageing assets will continue to fail and severely impact Port operations, which support Australia's strategic capability in the region, and ensure the sustainability of this isolated island community.*
18. *Addressing these operational and safety risks is also a high priority for the Department in order to meet its obligations under the Services to Territories Program 4.1, by delivering essential infrastructure to support the provision of a comparable level of services to similar communities.*

This project is yet to commence due to failed procurement and it is unknown when this work will proceed. This lack of timely work to upgrade ageing and dilapidated assets presents safety issues and impacts a fragile supply chain even further. It is unknown when the work will be undertaken.

The CKI situation is quite different. Ships require mooring and over water discharge onto a barge before coming into the wharf. Upgrades will be occurring at CKI during the airfield upgrade and should be monitored for impact or improvements to this process.

Stakeholders raised the time taken for freight to be cleared after arrival on West Island. This is likely due to additional biosecurity checks, which can delay the release of containers by up to 3 weeks.

4.9.1. Recommendation/s (Port upgrades)

#	Recommendation	Intended outcome/s	Measure of success
13	Improve efficiency of releasing containerised sea freight after arrival on CKI by reviewing processes.	• Review existing process and implement measures to improve efficiency and time to release freight.	• Faster and more efficient release of containerised sea freight on CKI.

[11] https://parlinfo.aph.gov.au/committeesreport

4.10. Communication, transparency and coordination

INTERNAL COORDINATION

An important part of strengthening transparency and efficiency within the IOT supply chain is improving internal and external communication. While some communication already occurs between service providers and to the public, a clearly defined approach would be beneficial.

Freightshop maintain comprehensive records of all incoming and outgoing freight inputs, including backlogs and freight on-hand. Once freight backlogs reach 10 ton, DITRDCA are notified and steps are taken to determine whether an additional freighter service is possible. This occurs on a case-by-case basis. The Department are responsible for this decision as they underwrite the service.

It is proposed that a formal communications plan be implemented that includes trigger points before freight backlogs reach 10 ton. These triggers would be an opportunity for key stakeholders (eg DITRDCA, VARA, Freightshop & Toll) to discuss both a) any actions that could help mitigate reaching crisis point, and b) a communications release notifying the public of the situation, including efforts towards remediation.

Public communication at points such as this are an important way of dispelling misunderstandings and forging a level of trust with IOT residents. This could serve as a simple and effective way to provide information about the realities of moving freight within such a complex region. Similarly, public communication could also occur when the functions of the supply chain are working well. Offering this visibility will mean people are better informed and more likely to demonstrate patience if things do go wrong.

This communications plan will be facilitated through the IOT Regional Engagement Framework. The Framework was identified as a priority within the IOT RDO Strategic Regional Plan 2030 as a mechanism to support sustainable growth and development and improve liveability for IOT communities. The Framework should bring together all levels of government, the private sector, and other key regional stakeholders, to achieve improvements in sustainable growth, development, and liveability. Once established, the Framework will help inform the implementation and operation of the communications plan.

PUBLIC AWARENESS

To support better understanding and use of the IOT supply chain, it is recommended that a long-term public awareness campaign is developed and rolled out to help people use the freight categorisation system correctly and efficiently. This would include all users of the system, from residents to government agencies and service providers. Increasing user awareness has the potential to improve efficiencies in the system and possibly reduce the high concentration of 'priority' goods long-term.

Consumer 'gaming' of the system to achieve faster shipping times was also revealed as a current issue. Some cases were reported of goods which would otherwise be classified as 'general cargo' being packaged with a single piece of fruit to achieve 'perishable' status and in turn faster delivery. Compliance of the policies and priorities in the future is important to ensure integrity of the system.

4.10.1. Recommendation/s (Communications, transparency and coordination)

#	Recommendation	Intended outcome/s	Measure of success
14	Establish a group of key stakeholders involved in the supply chain, who will commit to engage and implement agreed recommendations, communicate with consumers and manage trigger point issues to prevent freight crisis arising. Participants include:	• Key stakeholders are collaborating and driving solutions. • Key decision makers are involved in problem solving when the supply chain issues arise.	• Challenges and solutions are owned by the community. • Earlier engagement to prevent issues getting to a crisis point thus improving consumer experience. • More timely decision making.

#	Recommendation	Intended outcome/s	Measure of success
	• The Administrator • Member for Lingiari • DITRCDA • CKI & CI Shires • CIBA • Freightshop • Air services and air freight contractor • RDO	• Communications with consumers is more transparent and timelier.	• Less misinformation arising from a lack of transparency and timely information.
15	Develop a strategic, long-term public awareness and education campaign about the supply chain for residents, business, government and service providers across the IOT. This would include developing and maintaining a map of the supply chain that shows how intricate, interconnected and easily disrupted each part is.	• Consumers better understand how the supply chain operates, and how their choices can impact on other components of the supply chain. • Consumers are more likely to be understanding when issues arise if they have visibility of the system and challenges.	• Improved consumer sentiment and less 'gaming' of the system. • Improved communication with Government about the system, and how it impacts people on the ground.

5. Other Inter-related Issues

5.1. In-flight Catering

Changes to in-flight catering on VARA passenger flights were an issue identified as affecting both IOT tourists and residents. Following COVID-19 and the associated period of administration, Virgin Airlines implemented changes to in-flight catering which reduced the number of options available and removed the buy-onboard menu.

Due to the nature of the IOT, VARA needs to take into consideration different factors affecting capacity and in-flight services. For example, the flight path to the IOT from Perth always travels first to CI and then CKI before returning to Perth. This path requires the aircraft to carry a specific amount of fuel in case of emergency re-routing while also accommodating passenger baggage and cargo, resulting in limited space and weight allowances for on-board catering supplies (food, drinks, alcohol) and equipment (trolleys).

This reduction in on-board services may negatively impact how the user experiences this part of the supply chain. However, as the provision of on-board catering is a contractual matter between VARA and Foodfolk Australia, it has not been further investigated for the purposes of this review.

5.2. Passenger Ticket Pricing

Ticket prices for passengers flying to and from the IOT were consistently raised as an issue within the supply chain. Residents noted that ticket prices specifically prohibited them from travelling more frequently to the mainland, sometimes at the cost of not seeing loved ones. Equally, ticket prices were said to be affecting the likelihood of tourists choosing IOT as a holiday destination.

VARA have indicated that ticket pricing is dependent on demand and fluctuates according to market conditions. Despite stakeholders viewing ticket pricing as abnormally high, tourism and marketing research suggests that consumers are still choosing the IOT as a travel destination, and that this trend is projected to

grow in the coming years[12]. With leisure travellers driving growth trends, ticket prices may inflate as a result and deter users from the service. However, this ticket pricing platform is a commercial matter residing with VARA and as such, is beyond the scope of this review.

5.3. Amazon Prime

Amazon Prime and Australia Post recently shared a long-standing commercial agreement regarding shipping to the IOT. This agreement required that Amazon Prime orders be air freighted as a standard, to meet express shipping timeframes. This priority system favoured the Amazon orders via Australia Post over business and residents' freight lodged as priority general cargo. Due to competitive pricing and fast shipping rates, IOT residents increasingly relied on Amazon Prime for everyday items such as soft drinks, which sometimes arrived ahead of priority general cargo. Having perishables available through Amazon, which arrived quickly at a competitive price, also had negative ramifications for on-island supermarkets.

On 21 March 2023, Amazon announced the discontinuation of the Amazon Prime delivery service to the IOT as of 2 May 2023. Everyday items are now unable to be imported quickly and cheaply, which may come as a challenge for residents who grew to rely on this service. As this policy change occurred only recently, the full scope of these ramifications has not been included in this review.

5.4. Christmas Island Airfield Upgrade

Following the announcement of the CKI airfield upgrade, questions have been raised by stakeholders as to whether the CI airstrip will also be upgraded. Upgrades to specifically assist navigation could help meet regulatory and legislative requirements to increase commercial RPTs, air freight and international flights to CI. This is the subject of ongoing investigations by VARA and will require their further analysis on the viability and practicality of pursuing such upgrades.

However, anecdotal evidence suggests that technology upgrades to enable CATIII[13] would not be suitable for CI given the airport environment (high elevation, regular cloud cover) and the fact that CATIII requires a ground-based system which would be a significant investment. Additionally, pilots need to be trained and aircraft need to be equipped, so these types of upgrades have many interdependencies.

5.5. Airstrip Upgrades

Multiple suggestions were made by stakeholders regarding upgrades to the CI airstrip to better facilitate freighters and international flights. The review explored several upgrades including airfield capacity (weight and length), lighting, Visual Omni-Range (VOR), Instrument Landing System and lack of aviation fire service. However, advice from VARA and Toll suggest that most of the technical upgrades would be cost prohibitive and the cost benefit would be negligible.

There may be some benefits in exploring capacity upgrades for CI airstrip, noting that CKI is being upgraded. Advice is that the existing aircraft (A320) are a suitable aircraft for the route however there is the option of upgrading capacity to enable the airframe to carry more weight – believed to be an additional 2000kgs. This would need to be considered in the context of airfield capacity, and impacts of the CKI runway upgrade will need to be monitored closely to ensure that key stakeholders are responsive to supply chain issues as they arise.

Limited quantitative data was made available for analysis, however by of example, Perth spent $35 million on lighting and other systems however still divert planes when weather sets in.

[12] Total arrivals into the IOT will reach 10,375 in 2024, and 13,980 by 2030, representing a growth over the 2019 base year of 10.4% and 50% respectively. Arrival figures for residents/visiting friends and relatives are assumed to remain very stable, with leisure travellers driving growth trends (*IOT Destination Management and Marketing Plan May 2021* – Ayre Group).

[13] CATIII is an aviation system is the most effective way in which an airline can maintain its schedule throughout the year without any diversions due to weather. This can result in lower costs incurred by otherwise expensive diversions due to weather. Implementation of this system would also require crew training.

Due the complexity and impracticality of pursuing airstrip upgrades, no recommendations in this area have been made.

5.6. Excess baggage price structure

Interest was expressed by stakeholders for reviewing VARA's excess baggage pricing structure, specifically increasing the price of excess bags (currently $85 per 23kg item). Currently, IOT residents are choosing to move goods through passenger baggage over shipping and air freight because the pricing structure is significantly cheaper. These additional bags place pressure on the capacity of RPTs, reducing the amount of freight that could be loaded from Freightshop, or the ability to sell more passenger tickets.

The cost savings are significant: if an item weighing 23kg was sent through the Freightshop, it would cost a minimum $194.35 (23kg x $8.45) for the item along with the consignment fee of $75 totalling $269.33. This price difference is impacting consumer decisions and behaviours.

However, using a price mechanism was also rated very low in terms of community benefit when tested with key stakeholder groups. Stakeholders pointed out that IOT residents are already disadvantaged without access to mainland resources and the rising cost-of-living. Therefore, we have not pursued a price mechanism recommendation.

6. Implementation Plan and Evaluation Framework

To ensure the outcomes proposed in this report are achieved successfully and in a timely manner, an associated Implementation Plan and Evaluation Framework (in the form of Program Logic) are included in Appendix D.

7. Participating stakeholders

The Supply Chain Review Joint Committee and Centred Solutions would like to thank the following stakeholders for their important contributions towards this review.

- Indian Ocean Territories Regional Development Organisation Australia
- Department of Infrastructure, Transport, Regional Development and Communications and the Arts
- Federal Minister for Regional Development, Local Government and Territories
- Virgin Australia Regional Airlines
- Altitude Island Logistics
- Toll Group
- Zentner Shipping
- Phosphate Resources Limited
- Linx Cargo Care
- Acker Pty Ltd
- Territories Courier Service
- Cocos Keeling Islands Tourism Association
- Christmas Island Tourism Association
- Shipping, Security, Policy, and Regulation – Marine and Shipping Branch
- Knight Frank Australia
- AECOM
- Freightshop
- Altitude Aviation
- Drumsite Electrical

8. Data Catalogue

Data title	Author	Year
Issues paper: addressing freight concerns for the Indian Ocean Territories in the short term	IOT Regional Development Organisation Australia	2021
Stakeholder consultation report: addressing air freight concerns for the Indian Ocean Territories in the short term	IOT Regional Development Organisation Australia	2021
Joint Standing Committee on the National Capital and External territories (JSCNCET) – Air and sea freight services for the IOT: Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) Submission	Department of Infrastructure, Transport, Regional Development and Communications	2021
JSCNCET – Air and sea freight services for the IOT: DITRDC Supplementary Submission	Department of Infrastructure, Transport, Regional Development and Communications	2021
Inquiry into economic, social and environmental sustainability in the IOT: **Interim Report**	Parliament of the Commonwealth of Australia	2022
Inquiry into economic, social and environmental sustainability in the IOT: **IOT RDO Submission**	IOT Regional Development Organisation Australia	2021
Inquiry into economic, social and environmental sustainability in the IOT: IOT RDO Submission: **City of Karratha submission**	City of Karratha	2021
Inquiry into economic, social and environmental sustainability in the IOT: **RDO Pilbara submission**	Regional Development Association Pilbara	2021
Freightshop freight lodgements April-May	Freightshop	2022
Freightshop freight on-hand records July-August	Freightshop	2023
IOT Destination Management and Marketing Plan	The Ayre Group	2021
CKI Airfield Upgrade Project: Community Consultation Session 6	Australian Defence Department	2022
Petition to the Minister for Infrastructure, Transport and Regional Development; and the Administrator, IOT	The people of CKI	2021
Community Report into IOT Air Services	CKI Community Resource Centre	2022
Towards a long-term shipping solution for Norfolk Island	Australian Department of Infrastructure, Transport, Regional Development, Communications and the Arts	2023
Virgin Australia IOT Bulletin	Virgin Australia	2022
Virgin Australia Airline Services to the IOT FAQ	Virgin Australia	2022
Inquiry into the Changing Economic Environment in the IOT	The Parliament of the Commonwealth of Australia - JCSNCET	2010
Australian Government's Response to the Inquiry into the Changing Economic Environment in the IOT	Minister for Regional Australia, Regional Development and Local Government	2011
CKI Airfield Upgrade Project: statement of evidence to the Parliamentary standing committee on public works	Australian Department of Defence	2022
Indian Ocean Territories Air Services Survey – Summary of Survey Responses	Department of Infrastructure and Regional Development	2014

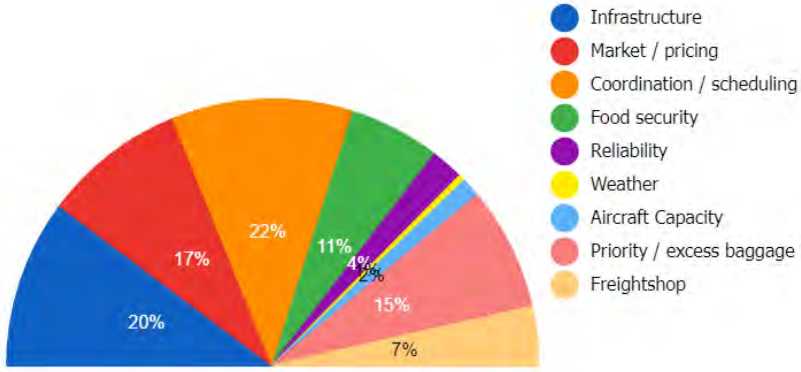
Strategic Community Plan 2023 - 2033	Shire of Christmas Island	2023
IOT Operational Review	Virgin Australia	2023
Freighter and RPT freight data by weight and route	Department of Infrastructure, Transport, Regional Development and Communications	2019-2020, 2022-2023
Annual freight figures	Department of Infrastructure, Transport, Regional Development and Communications	2016-2021
IOT freight uplift records by category	Department of Infrastructure, Transport, Regional Development and Communications	2021-2022
Shipping statistics – general cargo and bulk fuel	CI Ports	2021-2023
IOT passenger and baggage uplift data with averages	Virgin Australia	2021-2023
Offloaded excess baggage on IOT services	Virgin Australia	2017-2022
IOT shipping - non-weather-working-days records	Office of the Administrator of CI and CKI	1946-1981, 2016-2022

9. IOT Stakeholder engagement dashboard

Who we spoke to

Government bodies	Airline/airfreight operators
32%	21%
Local business & residents	**Sea freight operators**
21%	16%
Tourism operators	
11%	

Key themes identified



Key issues and ideas raised by stakeholders:

Airfreight

CI airport runway needs upgrading.

Local supermarkets need improved supply and access to reliable freight coordination.

Currently takes too long to resolve airfreight backlogs.

Airfreighter scheduling should be increased.

Perishables purchased online is putting pressure on the system.

There are lasting impacts of Amazon's former free postage policy.

Information about freighter capacity should be readily available to users.

Residents and service providers have conflicting advice regarding consignment fees.

Freightshop do not have the capacity to properly screen cargo for cases of 'gaming' the category system.

Passenger services

Review pricing structure to reduce amount of excess baggage on passenger flights.

Priority baggage system is failing and impacting on residents and tourists.

Flights are too expensive.

Unreliability of flights and recovery flights are a major issue for tourism.

More passenger flights are needed to meet demand.

Long transit time to IOTs due to re-fueling at Learmonth, where passengers are unable to disembark if needed.

Virgin excess baggage rates are too low and the number of allowable items is too high.

Need better ways to enforce priority baggage system.

Lack of in-service catering and food options on flights.

Sea freight

Scheduling and coordination of sea freight needs improvement.

Sea freight pricing is well above many parts of the world, and is unregulated.

Residents don't have any influence over their shipping service provider and no security of service from the incumbent.

Lack of market competition and contestability.

Zentner's new ship is not suitable for CI infrastructure and will impact on other shipping activity.

CI port infrastructure is not suitable for swell season offloading.

CI and CKI port infrastructure leads to reduced container size and tonnage offload.

Investment in CI port infrastructure is needed to reduce delays.

IOT SUPPLY CHAIN FLOWCHART

Appendix A

Air freight

Medical | AOG spares | Perishables | Post | Priority general | General

Goods ordered
Consumer Orders from supplier

Collection and Arrival
Cargo delivered to Freightshop warehouse before noon Wednesday, for the Friday flight

Regulatory
Freightshop organises export documentation, paperwork and charges fee for each individual supplier

Prioritisation step
Freight is prioritised into 6 categories:
Must-Fly Medical
AOG spares (aircraft on ground)
Perishables
Post
Priority general
General

Notification step
Freightshop notifies and gets approval for must fly category 1 & 2

Decision step
Freightshop determines goods to go on flight

Delivery step
Deliver at least 50% of cargo to relevant CTO 48hrs before departure, for preparation to load onto aircraft, due to the sheer amount of cargo

Refer to 'Freightshop flowchart' for further detail on internal processes

Loading Plane
CTO load plane with goods based on available weight

Plane Departure
Freight plane departs every fortnight

Plane Arrival
Plane arrives at destination

Unload Freight
Ground handlers unload freight

Collect Goods
Consumer collects goods

Passenger flights

Ticket purchased
Passenger purchases plane ticket

Airport arrival
Arrive at the airport 2 hours prior to flight, check in, Nominate priority bag where they have multiple bags.

Passengers
Proceed through to customs to departure lounge (passport not required)

Board plane
Fly to destination

Flight lands
Flight arrives at destination

Collect bags
Collect bags and proceed through customs

Baggage
Baggage goes through system to ground handlers to be loaded onto the plane

Transit
Baggage flies to destination

Flight Lands
Baggage arrives at destination

Collect Bags
Bags are collected

Offloaded baggage
Capacity constraints due to high passenger numbers, high excess baggage and/or fuel requirements results in offloaded baggage

Baggage storage

Baggage uplifted on next available flight & arrives at destination

Sea freight

Customer orders good
Customers populate a statement of contents form online and pays associated costs.

Supplier Responsibility
Suppliers must ensure all items in the consignment are prepared, protected and marked in accordance with Zentner guidelines

Goods arrive at Zentner

Goods are classed at Export Cargo

Goods are packed into 20ft shipping containers and the ship is loaded

Goods in transit (ship departs once a month)

Zentner ship **arrives as scheduled** (4-6 days)

Zentner ship **arrives late** due to weather conditions

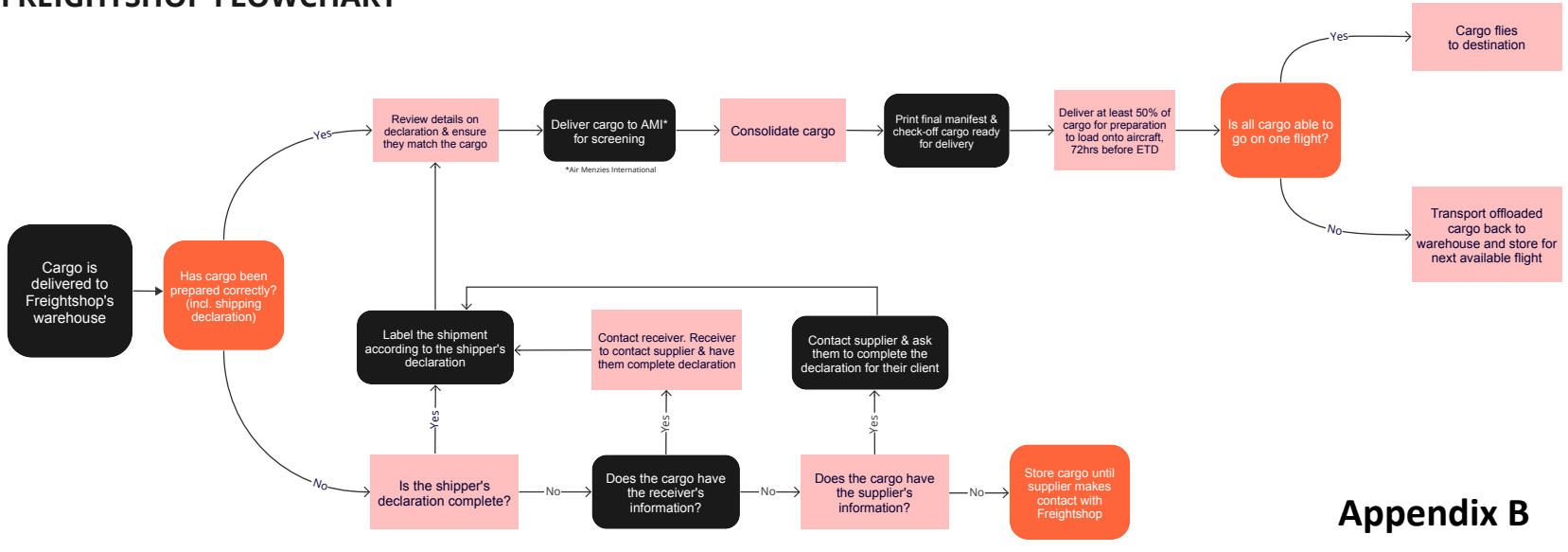
Weather (swell) prohibits ship from docking safely

Offloading
Ship shares the same barge system as P&R, (cannot safely use the P/C crane mooring)

Ship waits in IOT waters until weather permits docking

Weather does not improve, ship must return back to origin

FREIGHTSHOP FLOWCHART



Appendix B

centred SOLUTIONS

Appendix C – Consultant Information

Mark Coffey PSM GAICD – Company Director (Centred Solutions)

Mark is committed to supporting regional and remote Australia having lived in the Northern Territory for over 38 years. During this time Mark worked for both the Northern Territory and Australian Government and developed a deep understanding of how policy interacts with service delivery, regional leadership and the importance of community engagement.

Mark draws on 22 years in the Northern Territory Police where he served as Assistant Commissioner before joining the Australian Public Service as a Senior Executive where he worked in Indigenous Affairs and economic development.

Mark previously led the Office of Northern Australia (Commonwealth) over four years driving economic development and working closely with state and federal governments and industry.

Mark has extensive experience working across federal, state and local governments to achieve outcomes. He has delivered multi-tiered placed based programs to improve opportunities and support for communities. One such program, the Alice Springs Transformation Plan delivered significant reforms, infrastructure and services over a short period of time for Aboriginal communities in Central Australia.

Mark also holds a Private Agents License, which allows him to conduct formal investigations. Mark is chair of the Connellan Airways Trust, a charitable trust supporting regional Australians, a member of the Northern Territory Parole Board and a Director of Central Australia Supported Accommodation Services. Mark is a recipient of the Public Service Medal awarded in 2020.

<u>Key Qualifications</u>

- Graduate Certificate in Applied Management
- Bachelor of Policing (Investigations)
- Executive Fellows program (Australia and New Zealand School of Government)
- Graduate of the Australian Institute of Company Directors
- Executive Coaching

Fionn Griffin – Company Director (Centred Solutions)

Fionn is a long term Central Australian resident, with over 17 years' experience in senior roles across all levels of Government, non-government, not-for-profit and private sectors. Fionn has a high level of intuition, internal and external stakeholder management skill, as well as the detailed focus required for negotiation, planning and implementation. As a consultant she has led organisational reviews, informing improvements to strategic, human resource management, operational, program and associated systems improvements. She has guided organisations through complex technical tender writing exercises, grant writing, strategic planning, project planning, implementation plans and workforce development strategies.

As General Manager Indigenous Engagement with Voyages Indigenous Tourism Australia she worked in partnership with Indigenous communities and stakeholder groups, designing and implementing multiple

programs and projects to create economic, training and employment outcomes for Aboriginal people linked to commercial enterprise and cultural tourism.

In senior roles in the Commonwealth Government she facilitated large scale infrastructure project models, designing project delivery and governance models where Aboriginal organisations were project owners, whilst scaffolding capacity building and risk management models within and across each project. Fionn was also responsible for compliance, risk management and complex investigations into funded organisations delivering Commonwealth programs and services. Fionn has also worked in Native Title reform, including managing the Victorian Government's Land Use Activity Agreement Implementation Project, as part of the Victorian Traditional Owner Settlement Act 2010 legislation reform project.

Key Qualifications

- Graduate Certificate in Management
- Graduate Diploma in Management
- Master of Business Administration (current)
- IAP2 Accreditation

Lucy Regter – Senior Consultant (Centred Solutions)

Following four years in policy and project roles with the South Australian Government, Lucy moved to Alice Springs to gain skills and experiences from a regional perspective. Her former role with the Department for Environment and Water saw her assist in the delivery of the Protected Areas Program, which involved investigating and assessing land acquisitions to be added to national parks and reserves. This has equipped her with strong strategic analysis and community engagement skills. Lucy is also a devoted environmentalist and brings a keen interest in helping individuals and businesses pursue more sustainable practices.

Kaitlyn Lawton – Projects Coordinator (Centred Solutions)

Kaitlyn is a local Central Australian Indigenous woman with over 9 years experience in not-for-profit Indigenous corporations and state / Territory government. Most recently Kaitlyn has gained valuable experience in private enterprise, emerging as Operations Manager for her husband Troy's successful local Indigenous company. Utilising her first-hand experience in resource coordination, Kaitlyn provides solid organisational practice and support to Centred Solutions and their wide variety of projects. Kaitlyn has a strong passion for projects supporting Indigenous-led solutions, which is what led her to take on this role with Centred Solutions. In her private time, Kaitlyn values the time she gets to spend with her young family.

Appendix D

IOT Supply Chain Review

Implementation Action Plan and Evaluation Framework (Program Logic)

Prepared by Centred Solutions Pty Ltd

INDIAN OCEAN TERRITORIES
Regional Development Organisation
Australia

CHRISTMAS ISLAND BUSINESS ASSOCIATION INC.

SHIRE OF CHRISTMAS ISLAND

SHIRE OF COCOS KEELING ISLANDS
MAJU PULU KITA | ADVANCE OUR ISLANDS

Labor Marion Scrymgour
Federal MP for Lingiari

Introduction

This document includes the Implementation Action Plan and Evaluation Framework (in the form of a Program Logic) to accompany the IOT Supply Chain Review Report. It is a key deliverable as part of the Supply Chain review, and guides action towards outcomes for IOT.

Both Implementation and Evaluation are mapped against the 15 recommendations given in the report, across a timeline of three horizons - short term (less than a year), medium term (1-2 years) and long term (3+ years).

Both the Implementation Action Plan and the Evaluation Framework should be considered as tools or living documents. They should serve to guide action, rather than be a document that is static or sits on the shelf. They can be revisited and revised as new insights are generated and changes are implemented. This is particularly true for the longer term horizon.

The Implementation Action Plan prioritised action and inputs (resources), and answers the key questions: *What are we doing? What do we need?*

The Evaluation Framework is presented as a program logic, which provides clear expectations for all staff, teams, leadership, collaborators and community. It includes evaluation measures to monitor and evaluate data from activities listed in the Implementation Action Plan and delivered across the organisation. It answers the key questions: *What are we expecting to change? How do we know if we are successful? How will we measure success?*

This document in context

This document is part of a suite of deliverables which form the outputs of the IOT Supply Chain Review. The key deliverables are:

The IOT Supply Chain Review Report (the Report) examines the challenges and opportunities of strategic supply chain management to improve efficiency and quality, optimise logistics, improve transparency and deliver value to the stakeholders.

To support IOT RDO to take action and achieve outcomes, 15 recommendations are outlined in the report.

The IOT Supply Chain Review Implementation Plan and Evaluation Framework (Program Logic) outlines the key actions, inputs, outcomes and success measures required to meet the recommendations in the Report. Both Implementation and Evaluation are mapped across a timeline of three horizons - short term (less than a year), medium term (2-5 years) and long term (5+ years). The Implementation Action Plan prioritises action and inputs, and the Evaluation Framework is presented as a Program Logic with outcomes and measures.

Screenshot of Smartsheet – Implementation Action tracker

The Implementation Action Tracker sheet is in Smartsheet, and takes the actions described in the Implementation Plan and inputs them into a sheet for IOT RDO to use to monitor action and progress. This sheet is focused on action, that is ‘what activities are we doing?’

Screenshot of Smartsheet – Evaluation Plan outcomes monitoring

The Evaluation Framework Monitoring sheet is in Smartsheet, and takes the measures described in the Evaluation Framework and inputs them into a sheet for IOT RDO to use to monitor outcomes. This sheet is focused on outcomes, that is ‘what impact are we having?’

Implementation Action Plan

	#	Recommendation	Short term actions and inputs (under 1 year)	Medium term actions and inputs (1-2 years)	Long term actions and inputs (3+years)
Domestic passenger flights	1	Examine contractual arrangements with passenger and freight operators into the IOT to support an integrated freight service to reduce the number of offloaded bags and ensure that priority bags always travel.	**Actions** Commence examination, and request recommendations. Engage with freight operators and develop a change management plan for them. Implement recommendations. **Inputs/resources** Staff member or external advisor to conduct contractual review.	**Actions** Scope and implement customer satisfaction survey/instrument. **Inputs/resources** Staff member to conduct survey/instrument.	**Actions** Continue to survey for customer satisfaction (annually). **Inputs/resources** Staff member to conduct survey/instrument.
Baggage offload system	2	Improve the system of tracking and monitoring of baggage movements, from the point of check-in to departure and arrival.	**Actions** Commence review to assess where improvements can be made regarding baggage movements (i.e. internal investigation). **Inputs/resources** Staff member/team, or external advisor to conduct review.	**Actions** Implement suggested recommendations from baggage review. Engage with service providers and develop change management plan for them, if required. **Inputs/resources** Staff member/team to implement recommendations, and service providers relevant to baggage movements (VARA, Menzies, Swissport).	**Actions** Report all improvements made to tracking and monitoring baggage since review commenced. Survey for customer satisfaction. **Inputs/resources** Service providers to compile report. Staff member to conduct survey.
International Air Services	3	Analyse international charter flight opportunities commencing with a review of the Altitude Airway flights conducted in 23/24, inc detailed understanding of safety, infrastructure and operational requirements for each opportunity	**Actions** Commence review of the Jakarta – CI charter flights. **Inputs/resources** Staff member/team, or external advisor.	**Actions** Implement recommendations of the review. **Inputs/resources** IOT RDO and stakeholders relevant to the recommendations.	**Actions** Report on the status/impact of any implemented recommendations on the IOT supply chain. **Inputs/resources** Staff member/team, or external advisor.
Airfreight	4	Adjust price structure for Priority 1 goods and divide into 2 categories: • CAT1A: Must-fly aircraft on ground (AOG), life-saving medical and critical infrastructure @ $8.10 per kg and approved by the AG; and • CAT1B: Other priority freight @ $24.30 per kg	**Actions** Develop and distribute appropriate communications to the public leading up to the change. Roll out new price structure for Priority 1 goods. **Inputs/resources** DITRCDA and Freightshop to update price structure. Staff member to organise communications.	**Actions** Report on changes in category use since price adjustment. **Inputs/resources** Freightshop to provide data on freight category trends. Staff member to facilitate report.	**Actions** Monitor outcomes and make changes as required. **Inputs/resources** Nil
	5	Change pricing per kilogram for airfreight categories: • CAT1A: $8.10 Must-fly, AOG, lifesaving medical and critical infrastructure • CAT1B: $24.30 Must-fly – all other freight • CAT2: $8.10 Perishables • CAT3: $7.50 AP Mail • CAT4: $8.45 General cargo	**Actions** Develop and distribute appropriate communications to the public leading up to the change. Roll out new price structure for airfreight categories. **Inputs/resources** DITRCDA and Freightshop to update price structure. Staff member to organise communications.	**Actions** Report on changes in category use since price adjustment. **Inputs/resources** Freightshop to provide data on freight category trends. Staff member to facilitate report.	**Actions** Monitor outcomes and make changes as required. **Inputs/resources** Nil

Implementation Action Plan

	#	Recommendation	Short term actions and inputs (under 1 year)	Medium term actions and inputs (1-2 years)	Long term actions and inputs (3+years)
Air Freight Back-logs	6	Initiate a formal trigger point when air freight backlog reaches 5-tonne to ensure the following occurs: • Decision makers meet to discuss mitigation approaches to reduce the backlog • Consumers are informed of the situation and actions being taken to address the situation • Consumers are kept informed until the situation is remedied.	**Actions** Establish group of decision makers. Develop a plan that encompasses the steps to be taken when the trigger point is activated. Media release to update the public on the group and their purpose. **Inputs/resources** IOT RDO to take the lead on establishing the group. Staff member to draft and publish the plan, and media release.	**Actions** Review efficiency of the group to prevent significant freight backlog. Adjust processes and/or governance of the group if necessary. **Inputs/resources** Staff member to conduct progress review (annually).	**Actions** Review efficiency of the group to prevent significant freight backlog. Adjust processes and/or governance of the group if necessary. **Inputs/resources** Staff member to conduct progress review (annually).
	7	Initiate a formal trigger point when air freight backlog reaches 10-tonne to ensure the following occurs: • Decision makers meet to discuss situation • This automatically triggers an additional air-freight flight. • Consumers are informed of the situation and actions being taken.	**Actions** As above. **Inputs/resources** As above.		
Freightshop & Export Policy	8	DITRCDA works with Australian Border Force to develop a solution to allow multiple transactions to be consolidated into one consignment.	**Actions** Organise first meeting between DITRCDA and Australian Border Force and establish reoccurring meetings if possible. Establish collective objective about consolidated consignments. **Inputs/resources** Staff member to facilitate meeting.	**Actions** Implement any agreed-upon solutions, if not done so earlier. Develop and distribute notification to the public about consignment changes. Work with Freightshop to update internal policy and procedure. **Inputs/resources** DITRCDA and Freightshop to manage consignment changes. Staff member to develop public communications.	**Actions** Report on how changes in consignment have impacted Freightshop's service delivery and consumer behaviour. **Inputs/resources** Freightshop and IOT RDO to investigate and report.
	9	Freightshop continue to utilise the online booking system for perishables and enforce the weight and cut off times for booking these goods.	**Actions** Establish policy and procedure to enforce weight and cut off times for processing perishables. Develop and distribute public notification about new policy. **Inputs/resources** Freightshop and DITRCDA to establish policy. Staff member to develop and distribute communications.	**Actions** Assess whether new policy is being properly adhered to through external review process. Publish findings of review. **Inputs/resources** External advisor/consultant to review.	**Actions** Report on how changes in Freightshop's perishables policy have impacted freight movements. **Inputs/resources** Freightshop and IOT RDO to investigate and report.

Implementation Action Plan

	#	Recommendation	Short term actions (under 1 year)	Medium term actions (1-2 years)	Long term actions (3+years)
Food Security	10	Continue to promote, support and seek investment into improving local food supply, including locally grown produce.	**Actions** Review outcomes of the Australian Government's Innovative Agriculture Trials in the IOT. Establish working group of local growers and community members focused on promoting local food supply. Working group to develop 2-3 year plan of future grant applications, local initiatives/opportunities and growth strategies. Connect with local producers and expand network and information sharing about agriculture on the islands. **Inputs/resources** Staff member to review outcomes from Trials. IOT RDO to facilitate working group formation.	**Actions** Strengthen IOT's local food networks on the mainland using strategies outlined in the working group plan. Apply for relevant federal and territory funding opportunities. **Inputs/resources** Working group member/s.	**Actions** Review activities and progress made since inception of the working group. Scope the success of the working group and whether it should continue. **Inputs/resources** Staff member to review activities/make recommendations.
Sea freight	11	Seek government investment to design and implement a sea freight subsidy scheme paid direct to consumers, to incentivise the use of sea freight over air freight.	**Actions** Meet with Australian Government seeking investment. Map out how a sea freight subsidy would work. Meet with Zentner to discuss the subsidy/gain feedback. **Inputs/resources** Elected IOT RDO members/DITRCDA to engage Australian Government and Zentner operations manager.	**Actions** Develop and distribute communication materials to the public before inception of the scheme. Roll out subsidy scheme. Establish monitoring tools. **Inputs/resources** Staff member to manage communications plan.	**Actions** Report on impacts and success of the scheme. **Inputs/resources** Staff member/external advisor.
	12	Request the Australian Government conduct an inquiry into the operations of sea freight into the IOT to determine if it is in line with the principles and legislative requirements of the *Competition and Consumer Act 2010*.	**Actions** Meet with the Australian Government and outline reasoning for why an investigation is justified. Engage the sea freight provider and ask whether input will be provided. **Inputs/resources** IOT RDO to engage sea freight provider. IOT RDO to put together a brief for the Australian Government as to why the investigation is needed.	**Actions** IOT RDO to facilitate or support the Australian Government in their investigation if this is pursued. Upon completion of the investigation, assess what actions can be taken as recommended, and work with the service provider to execute. **Inputs/resources** IOT RDO to support the investigation where possible.	**Actions** Review any changes made to the sea freight surcharge system, and whether these have been adhered to, and whether there is an improvement in consumer confidence. **Inputs/resources** IOT RDO to conduct a review of any changes made to surcharge system.
Port Upgrades	13	Improve efficiency of releasing containerised sea freight after arrival on CKI by reviewing processes.	**Actions** Commence review of internal processes. Engage with sea freight operator and port managers to develop a change management plan for them. Implement recommendations. **Inputs/resources** Staff member/external advisor to conduct review.	**Actions** Review outcomes of changes in operations, specifically whether freight release has improved. **Inputs/resources** Staff member to conduct assessment.	**Actions** If freight release has not improved (per assessment conducted previously), consider a second review. **Inputs/resources** Staff member to consider second review.

Implementation Action Plan

	#	Recommendation	Short term actions (under 1 year)	Medium term actions (1-2 years)	Long term actions (3+years)
Communication, transparency & coordination	14	Establish a group of key stakeholders involved in the supply chain, who will commit to engage and implement agreed recommendations, communicate with consumers and manage trigger point issues to prevent freight crisis arising. Participants should include: • The Administrator • Member for Lingiari • DITRCDA • CKI & CI Shires • CIBA • Freightshop • Air services and air freight contractor • RDO	**Actions** Establish group of key stakeholders, including ToR. Group to organise first meeting and determine a representative from each group listed in the recommendation. **Inputs/resources** Staff member.	**Actions** Meet regularly and follow a set of agreed actions to manage trigger point issues and prevent freight crisis. Distribute public communications about the group and its purpose. Distribute public notification if and when freight crisis point is occurring, and what the group is doing to manage this. **Inputs/resources** Group members/secretariat.	**Actions** Review success of the group and whether it should continue. **Inputs/resources** Staff member.
	15	Develop a strategic, long-term public awareness and education campaign about the supply chain for residents, business, government and service providers across the IOT. This would include developing and maintaining a map of the supply chain that shows how intricate, interconnected and easily disrupted each part is.	**Actions** Establish project team for public awareness campaign. Develop project plan, including implementation framework. Develop communications/media strategy. **Inputs/resources** Staff member to facilitate establishment of project team.	**Actions** Roll out key aspects of the public awareness campaign, including distribution of supply chain map and associated media and comms. **Inputs/resources** Project team, external media advisor.	**Actions** **Inputs/resources**

Evaluation Plan (Program Logic)

Vision statement

"Supply chains will be more reliable and efficient. This will better support the movement of people, goods and services into and across the IOT resulting in business and development opportunities and improvements in liveability for our communities"

	#	Recommendation	Inputs	Short term outcomes (under 1 year)	Medium term outcomes (1-2 years)	Long term outcomes (3+ years)	Measure and baseline
Domestic passenger flights	1	Examine contractual arrangements with passenger and freight operators into the IOT to support an integrated freight service to reduce the number of offloaded bags and ensure that priority bags always travel.	Refer to Implementation Action Plan	Revised contractual arrangements to simplify and support improved freight outcomes.	Reduce excess freight. Reduce offloaded passenger bags. Improve freight options (including other methods or operators). Better coordination amongst freight contractors. Improve customer experience.	Sustained reduction in freight issues.	Less incidents of offloaded baggage on outbound passenger flights to the IOT (M) Increase in checked luggage on same flight as passengers (M) *To be implemented: customer satisfaction survey/instrument (Q)*
Baggage offload system	2	Improve the system of tracking and monitoring of baggage movements, from the point of check-in to departure and arrival.		Sources of problems are identified, and corrective actions are taken.	Reduce cases of delayed baggage arrival. Increased consumer satisfaction with baggage handling process. No priority bags being offloaded.	Increased accountability, transparency and consistency of offloading process. Further improved consumer confidence in baggage reliability.	Bags that are offloaded are tracked and data compiled to determine time to arrive (M).
International Air Services	3	Analyse international charter flight opportunities commencing with a review of the Altitude Airway flights conducted in 23/24, including detailed understanding of safety, infrastructure and operational requirements for each opportunity		Parameters and objectives of review are agreed upon and review commences.	Improved understanding of opportunities and requirements to implement additional charter flights.	Flight mobility to and from the IOT is increased and sustained.	Number of options for passenger and air freight into the IOT from the north (M). Prices for passenger flights and freight has decreased over time. (A)
Airfreight	4	Adjust price structure for Priority 1 goods and divide into 2 categories: • CAT1A: Must-fly aircraft on ground (AOG), life-saving medical and critical infrastructure @ $8.10 per kg and approved by the AG; and • CAT1B: Other priority freight @ $24.30 per kg		The public are aware of changes to the price structure. Price structure is changed with support and understanding from all relevant stakeholders.	Consumers are deterred from misusing the priority category through a pricing mechanism but still allowing priority freight for those willing to pay. Critical freight receives the highest priority. Deter Relieve the pressure on general freight and provide better estimations about delivery times.	General cargo backlogs are largely eliminated.	Significantly less cases of air freight backlogs. (M) Reduction in CAT1B priority freight in general. (M)
	5	Change pricing per kilogram for airfreight categories: • CAT1A: $8.10 Must-fly, AOG, lifesaving medical and critical infrastructure • CAT1B: $24.30 Must-fly – all other freight • CAT2: $8.10 Perishables • CAT3: $7.50 AP Mail • CAT4: $8.45 General cargo		The public are aware of changes to the price structure. Price structure is changed with support and understanding from all relevant stakeholders.	Freight delivery times increase in efficiency. User agreement that the system is simpler and more appropriately reflects the priority. All general cargo is scheduled on a 'first in first out' service providing more certainty to consumers.	Freight system is efficient and cost-appropriate. Freight delivery times provide certainty and confidence to business.	Significantly less cases of air freight backlogs. (M) Freight delivery times being more consistent. (Q)

Key for timing of data analysis and review (in Measure and Baseline column)
(A) – Annually (M) – Monthly
(Q) – Quarterly

Evaluation Plan (Program Logic)

Vision statement

"Supply chains will be more reliable and efficient. This will better support the movement of people, goods and services into and across the IOT resulting in business and development opportunities and improvements in liveability for our communities"

	#	Recommendation	Inputs	Short term outcomes (under 1 year)	Medium term outcomes (1-2 years)	Long term outcomes (3+years)	Measure and baseline
Air Freight Back-logs	6	Initiate a formal trigger point when air freight backlog reaches 5-tonne to ensure the following occurs: • Decision makers meet to discuss mitigation approaches to reduce the backlog • Consumers are informed of the situation and actions being taken to address the situation • Consumers are kept informed until the situation is remedied.	Refer to Implementation Action Plan	Group of decision makers are established with clear purpose, and strategies for managing 5-tonne freight backlog. The public are informed of the group and understand measures are being implemented to prevent freight crisis.	Improved communication, collaboration and problem solving between key decision makers. Behaviour change from consumers when aware of the stress on the supply chain.	Proactive rather than reactive management of freight backlog issues is embedded and sustained by decision makers.	Less occurrences of freight backlogs reaching crisis point (10-tonnes). (Q) Consumers change their behaviour to assist in reducing the stress on the air freight. (Q)
	7	Initiate a formal trigger point when air freight backlog reaches 10-tonne to ensure the following occurs: • Decision makers meet to discuss situation • This automatically triggers an additional air-freight flight. • Consumers are informed of the situation and actions being taken.		Group of decision makers are established with clear purpose, and strategies for managing 5-tonne freight backlog. The public are informed of the group and understand measures are being implemented to prevent freight crisis.	Improved communication, collaboration and problem solving between key decision makers. Behaviour change from consumers when aware of the stress on the supply chain.	Improved transparency within the system about when an additional freighter would be instigated. Improved consumer satisfaction through decisive and timely action to address backlog.	Additional freighter are instigated faster and more efficiently. (Q)
Freightshop & Export Policy	8	DITRCDA works with Australian Border Force to develop a solution to allow multiple transactions to be consolidated into one consignment.		Informative advice is obtained regarding consignment.	Collaboration with Freightshop to improve service delivery model per the advice, if possible. A consignment policy is implemented that benefits both Freightshop and its users.	Improved customer satisfaction. Maximised freight consolidation efficiencies.	Consumers pay less consignment fees. (A)
	9	Freightshop continue to utilise the online booking system for perishables and enforce the weight and cut off times for booking these goods.		Policy is established to ensure wight and cut off times for booking perishables. Through appropriate public communication, users understand the new policy.	The policy is rolled out with positive consumer participation. Improved planning of freight loads. Improved fairness and equity. Reduces the risk of last-minute gaming of the system using the perishables category to get freight on the plane.	Adherence to the policy is sustained, and the system is more equitable (i.e. less cases of other categories getting offloaded to make space for perishables).	All perishables are pre-booked and adhere to a weight limit. (Q) Increased reliability in the freight system, and increased consumer confidence. (A)
Food Security	10	Continue to promote, support and seek investment into improving local food supply, including locally grown produce.		Working group and associated network of growers is established to help drive opportunities and activities in this space.	Growers and producers are supported through increased funding and can expand local production. Increased local production relieved pressure on air freight to import food.	Strengthening of local economy. Provides food security should there be a breakdown in the supply chain.	Expansion of food production on-island. (A) Less perishables being imported into the IOT using air freight. (Q)

Key for timing of data analysis and review (in Measure and Baseline column)
(A) – Annually (M) – Monthly
(Q) – Quarterly

Evaluation Plan (Program Logic)

Vision statement

"Supply chains will be more reliable and efficient. This will better support the movement of people, goods and services into and across the IOT resulting in business and development opportunities and improvements in liveability for our communities"

	#	Recommendation	Inputs	Short term outcomes (under 1 year)	Medium term outcomes (1-2 years)	Long term outcomes (3+years)	Measure and baseline
Sea freight	11	Seek government investment to design and implement a sea freight subsidy scheme paid direct to consumers, to incentivise the use of sea freight over air freight.	Refer to Implementation Action Plan	Meeting is held between DITRDCA and IOT RDO to discuss potential funding. Working group is established to plan and roll out the scheme. Public notification is distributed to inform users about the upcoming scheme.	Scheme is rolled out with good user uptake. Changes in consumer behaviour opting to use sea freight for items more suited to the service, such as furniture and appliances Consumers pay less for sea freight through the scheme.	Air freight operates more efficiently (less cases of prolonged backlogs, goods delivered on time) due to relieved pressure.	Significantly higher uptake in sea freight for oversized items like furniture. (Q) Increase in consumer sentiment towards sea freight. (A)
	12	Request the Australian Government conduct an inquiry into the operations of sea freight into the IOT to determine if it is in line with the principles and legislative requirements of the *Competition and Consumer Act 2010*.		Australian Government is briefed by the IOT RDO as to why an investigation is warranted.	If accepted, the Australian Government commence a review with the sea freight provider's cooperation. If necessary, recommendations are made in the review which seek to improve the efficacy of the sea freight provider's surcharge system.	If changes are recommended and implemented, the sea freight provider is more trusted and reliable service for consumers. There is increased trust in the system, and consumers feel they have all the information to make informed decisions about their freight.	Increased consumer confidence in the sea freight service provider. (A) Increase in use of sea freight in general. (A)
Port Upgrades	13	Improve efficiency of releasing containerised sea freight after arrival on CKI by reviewing processes.		Review existing process and implement measures to improve efficiency and time to release freight. CKI port managers and sea freight operators agree on actions needed for system improvements. Public are notified of upcoming works.	Actions are taken to commence and complete all suggested improvements to the release of containers on CKI.	Improved systems and processes are achieved and sustained. Increased user sentiment regarding sea freight delivery.	Faster and more efficient release of containerised sea freight on CKI. (Q)
Communication, transparency & coordination	14	Establish a group of key stakeholders involved in the supply chain, who will commit to engage and implement agreed recommendations, communicate with consumers and manage trigger point issues to prevent freight crisis arising. Participants should include: • The Administrator • Member for Lingiari • DITRCDA • CKI & CI Shires • CIBA • Freightshop • Air services and air freight contractor • RDO		Group of key stakeholders is established. Group governance and ToR are created and published. Media release announcing the group's inception is published. Action plan, detailing when and how actions are taken to avoid freight crisis, is completed. Group have met at least twice.	Group has demonstrated a proactive approach to managing freight issues. Key stakeholders are collaborating and driving solutions. Key decision makers are involved in problem solving when the supply chain issues arise. Communications with consumers is more transparent and timelier. More timely decision making.	Challenges and solutions are owned by the community. With less cases of freight crisis (backlogs of 10-tonne), consumers regain confidence in the system and can rely on their goods being delivered on time. Less misinformation arising from a lack of transparency and timely information.	Less cases of freight backlogs reaching crisis point (10-tonne). (Q) Increase consumer satisfaction in the system. (A)
	15	Develop a strategic, long-term public awareness and education campaign about the supply chain for residents, business, government and service providers across the IOT. This would include developing and maintaining a map of the supply chain that shows how intricate, interconnected and easily disrupted each part is.		Working group is established to lead the campaign. Project plan, implementation plan and risk management plan are created to guide the roll out of the campaign.	The majority (if not all) of the campaign has been rolled out to the IOT. IOT residents have access to the campaign either digitally or in-person, including a copy of a map of the supply chain.	Consumers better understand how the supply chain operates, and how their choices can impact on other components of the supply chain. Consumers are more likely to be understanding when issues arise if they have visibility of the system and challenges.	Improved consumer sentiment and less 'gaming' of the system. (A) Improved communication with Government about the system, and how it impacts people on the ground. (A)

Key for timing of data analysis and review (in Measure and Baseline column)
(A) – Annually (M) – Monthly (Q) – Quarterly