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STANDING COMMITTEE ON STATE DEVELOPMENT

QUESTIONS ON NOTICE

Dear Committee

INQUIRY INTO REGIONAL AVIATION SERVICES

We recently appeared before the Dubbo hearing of the Standing Committee on State Development into Regional Aviation Services. We took questions on notice and provide our response to these questions below.

1. Request for Council documentation about the impact of losing an air service

Attached is a calculation which was undertaken in 2009 to demonstrate the economic impact of an air service. It shows that the difference in GDP growth for the Mid-Western Region with and without an air service is \$8 million.

Attached also, is a calculation to demonstrate the economic impact of an air service in 2014. It shows that the difference in GDP growth for the Mid-Western Region with and without an air services is \$18 million.

2. Request for Council documentation about surveys conducted into the demand for an air service

Please find attached two community surveys that have been undertaken in relation to the Mudgee to Sydney air service. The first in 2009 and the second in 2014.

3. Request for a Business Case to invest in an air service provided by FlyPelican

A question asked at the inquiry was whether Council has received a business case from FlyPelican in relation to the proposal for Council to take a 30% shareholding in the airline. We have requested further information from FlyPelican but have not yet received a Business Case from them to be able to assess this proposal.

Once again, thank you for the opportunity to participate in this inquiry.

Should you have any queries in relation to this matter please contact Brad Cam

Yours sincerely

BRAD CAM
GENERAL MANAGER

Economic Impact of an Air Service

What did individuals say?

Based on the 250 survey responses received there is sufficient evidence to suggest that an air service will be commercially viable in this region in the future and that the targeted passenger figures per year can be achieved.

What did businesses say?

78% of businesses (approx 200) in the Mid-Western Region rated the current air services and facilities as inadequate for them in terms of effectively operating a business within this region.

What are the impacts of not having an air service?

The impact of not having an air service extends beyond the actual users of the service. The flow on effect is much greater for the entire community.

Lack of an air service impacts:

- The quality and level of health services available to local residents
- The access to markets and suppliers for local businesses
- The ability to attract and retain new business investment and pursue new development initiatives
- The ability to effectively host major events and conferences
- The ability to expand tourism markets and facilities

What is the financial benefit of an air service?

Research indicates that “economies of regional communities with regular passenger air services grew 1.85 times faster than those communities without such service”.

Estimated size of local economy	\$590 million
Annual growth without an air service	\$9 million
<u>Annual growth with an air service</u>	<u>\$16 million</u>
<u>Benefit of an air service (annual)</u>	<u>\$8 million</u>

The estimated annual benefit of an air service in 2009 is \$8 million.

Economic Impact of an Air Service

What is the financial benefit of an air service in 2014?

Research indicates that "economies of regional communities with regular passenger air services grew 1.85 times faster than those communities without such service".

Estimated size of local economy	\$2,017 million
Annual GDP growth without an air service	\$22 million
<u>Annual GDP growth with an air service</u>	<u>\$40 million</u>
<u>Benefit of an air service (annual)</u>	<u>\$18 million</u>

The estimated annual benefit of an air service in 2014 is \$18 million.

Air Services Survey

Demand for a Mudgee to Sydney Air
Service



Conducted by Mid-Western Regional Council
June 2009



Executive Summary

Air Services Survey

Demand for a Mudgee to Sydney Air Service

Purpose of Report

Mid-Western Regional Council has performed a survey to determine the level of demand for a regular commercial air service between Mudgee and Sydney.

Summary of Findings

A summary of the 247 completed survey responses is provided below:

- The majority of survey respondents indicated that Mudgee was their closest airport, and that they would use an air service on a monthly or six monthly basis.
- The majority of survey respondents indicated that they did not have a preferred or best day to fly. Although many survey respondents indicated that they did not have a preferred time to fly, those that did have a preference, demonstrated strong support for a Morning Mudgee-Sydney and Afternoon Return service.
- The survey indicates that \$200-\$250 is considered a reasonable charge for a return fare between Mudgee and Sydney.
- Survey respondents expressed interest in Newcastle and Brisbane as other destinations (besides Sydney) for an air service from Mudgee.

Passenger Movements

Based on the actual survey responses received, the annual demand for an air service between Mudgee and Sydney would be 5,961 return flights. This is equivalent to 11,922 passenger movements per year.

Conclusion

The survey responses demonstrate that there is strong support for an air service between Mudgee and Sydney and this demand is expected to grow in the future. It also demonstrates that despite not having an air service since December 2008, the demand for an air service has not declined.

Air Services Survey

Demand for a Mudgee to Sydney Air Service

Purpose of Survey

The residents of the Mid-Western Region have been without a regular commercial air service between Mudgee and Sydney since December 2008. Anecdotal evidence suggests that this decision was largely unpopular with individuals and businesses of the region for a number of reasons including health, business and travel.

Mid-Western Regional Council has performed a survey to determine the level of demand for a regular commercial air service between Mudgee and Sydney. The purpose of the survey is to measure the extent to which a service would be utilised by local residents and businesses on a regular basis.

The survey was included in Council's Community News on June 12 and was also available for completion via Mid-Western Regional Council's website. Survey respondents were asked to indicate their expected frequency of use and preferences in terms of the best days and times to fly. They were also asked to indicate what would be a reasonable fare for the service.

Number of Responses

Mid-Western Regional Council has received 247 completed surveys at the time of writing this report.

Air Services Survey

Demand for a Mudgee to Sydney Air Service

Closest Airport

Survey respondents were asked to indicate their closest airport. The results were as follows:

	Number	Percentage %
Mudgee	212	86%
Other	35	14%
TOTAL	247	100%

Table 1: Closest Airport

The above table shows that Mudgee airport is the closest airport for 212 survey respondents (86 percent). 35 respondents (14 percent) indicated that they were closer to another airport (such as Sydney, Dubbo and Coonabarabran).

The majority of survey respondents indicated that Mudgee was their closest airport.

Analysis

Given that the survey was circulated in the Mudgee region it is not surprising that the majority of respondents were closest to Mudgee airport.

The fact that respondents from outside the region have also completed the survey, demonstrates that the demand for the Mudgee to Sydney air service is not only driven locally. Mudgee is a destination for both business and leisure activities and therefore, a Mudgee to Sydney air service would also be utilised by non-residents of the region.

Frequency of Service

Survey respondents were asked to indicate how often they would use a Mudgee to Sydney air service. The results were as follows:

	Number	Percentage %
Daily	8	3%
Twice a week	9	4%
Once a week	9	4%
Fortnightly	15	6%
Monthly	86	35%
Six monthly	95	38%
Once a year	25	10%
TOTAL	247	100%

Table 2: Frequency of Service

The above table shows that 41 survey respondents (17 percent) indicated that they would use an air service at least once a fortnight (ie. daily, twice weekly, weekly and fortnightly). 181 respondents (73 percent) indicated that they would use an air service either monthly or six monthly. 25 respondents (10 percent) indicated that they would use an air service once a year.

The majority of survey respondents indicated that they would use an air service on a monthly or six monthly basis.

Analysis

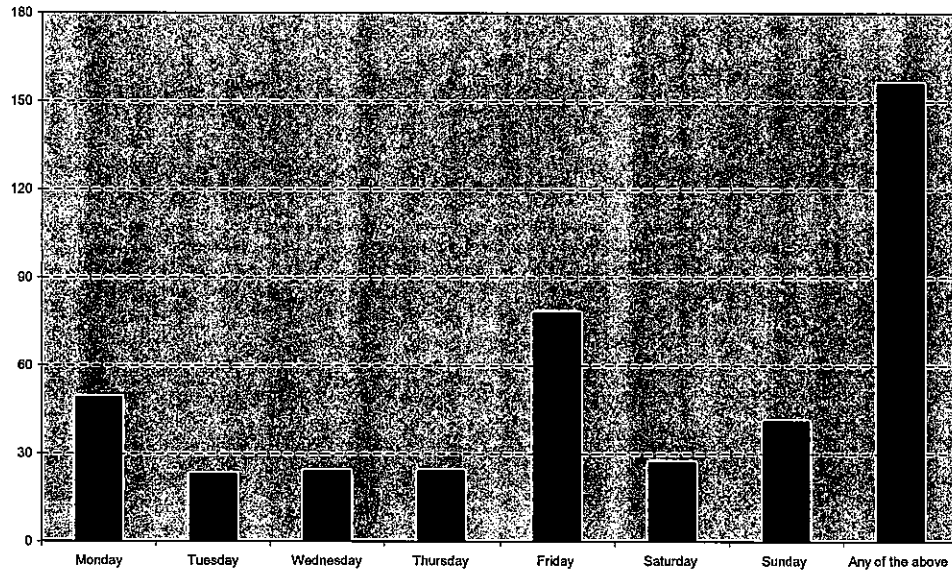
The responses demonstrate that there is demand for a regular air service across all categories and that some individuals or businesses would use an air service as frequently as daily.

Survey respondents who have indicated that they would use an air service at least fortnightly are mostly businesses. The wide economic diversity of the Mid-Western region contributes to a strong business sector and attracts a range of skilled professionals who value a Mudgee to Sydney air service.

The mining and health sectors of the local economy in particular have a high level of interest and demand for a daily air service with visiting field experts and specialists. With 3 established mines and 1 new mine in the region, the expansion of mining activity within the region (both from existing and new mines) increases the requirement for visiting mining personnel, which will undoubtedly generate even greater demand for an air service in the future. Similarly, the health sector attracts regular medical practitioners and specialists to town who require access to a regular air service.

Best Days to Fly

Survey respondents were asked to indicate their preferred days to fly. The results were as follows:



Graph 1: Best Days to Fly

The above graph shows that more than 150 survey respondents indicated "Any of the above" when asked for the best days to fly. For those respondents that did indicate that they had a preference for specific days of the week, Monday (49 responses), Friday (78 responses) and Sunday (41 responses) rated the highest.

The majority of survey respondents indicated that they did not have a preferred or best day to fly.

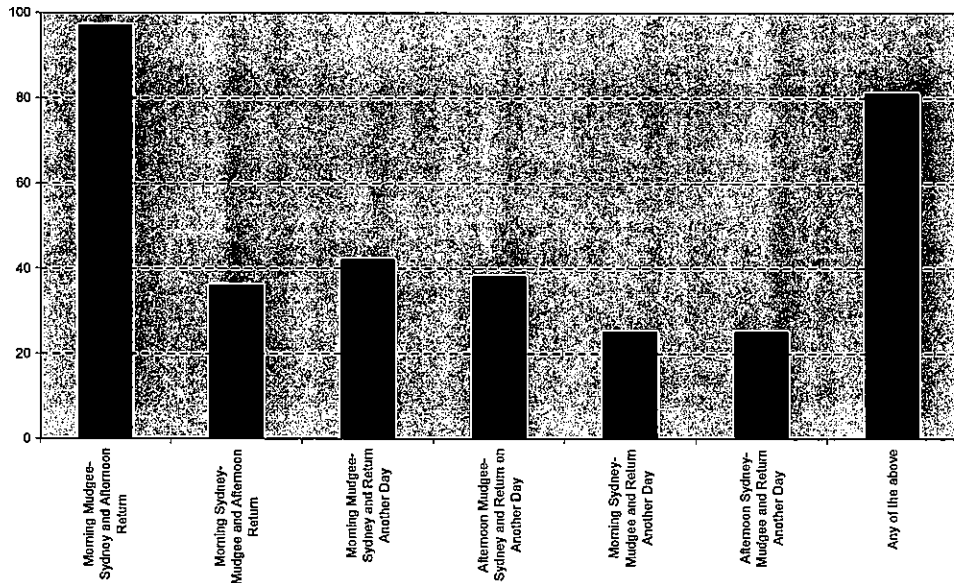
Analysis

The responses demonstrate that there is demand for a regular air service on every day of the week and that the majority of respondents do not have a preference for specific days. The spread of demand across the week, demonstrates that there is regular business and personal travel into and out of the region on a daily basis.

Where survey respondents did indicate a preferred or best day to fly, Monday, Friday and Sunday were most popular. As this coincides with weekends, it suggests that individuals travelling for leisure might take any extra day either side of a weekend to maximise the time spent at their destination. It could also demonstrate that business travellers return home for the weekends.

Best Times to Fly

Survey respondents were asked to indicate their preferred times to fly. The results were as follows:



Graph 2: Best Times to Fly

The above graph shows that close to 100 survey respondents indicated "Morning Mudgee-Sydney and Afternoon Return" as the best time to fly. Over 80 respondents indicated the best time to fly as "Any of the above". The responses were fairly evenly distributed (ie. 20-40 responses) across the alternative times to fly.

Many survey respondents indicated that they did not have a preferred time to fly. Those that did have a preference demonstrated strong support for a Morning Mudgee-Sydney and Afternoon Return service.

Analysis

There was a strong preference for a "Morning Mudgee-Sydney and Afternoon Return" service which demonstrates that many businesses and individuals only spend the day in Sydney. An air service is the most convenient means of transport in this situation as alternative methods (such as a car) usually require being away from the region for more than a day. This inconvenience can impact on business and work commitments which generally outweigh the cost of travel. Likewise, visiting business travellers such as mining and health specialists, value the convenience of a daily return air service.

Cost of Service

Survey respondents were asked to indicate a reasonable charge for a return fare between Mudgee and Sydney. The results were as follows:

	Number	Percentage %
\$150-\$200	69	28%
\$200-\$250	93	38%
\$250-\$300	59	24%
\$300-\$350	21	8%
\$350-\$400	5	2%
\$400+	0	0%
TOTAL	247	100%

Table 3: Cost of Service

The above table shows that 93 respondents (38 percent) believe that a reasonable charge for a return fare between Mudgee and Sydney would be \$200-\$250. 69 respondents (28 percent) thought a charge of \$150-\$200 was reasonable and 59 respondents (24 percent) thought a charge of \$250-\$300 was reasonable. Only 26 respondents (10 percent) indicated that \$300 or greater was a reasonable charge for a return fare between Mudgee and Sydney.

The most common response indicates that \$200-250 is considered a reasonable charge for a return fare between Mudgee and Sydney.

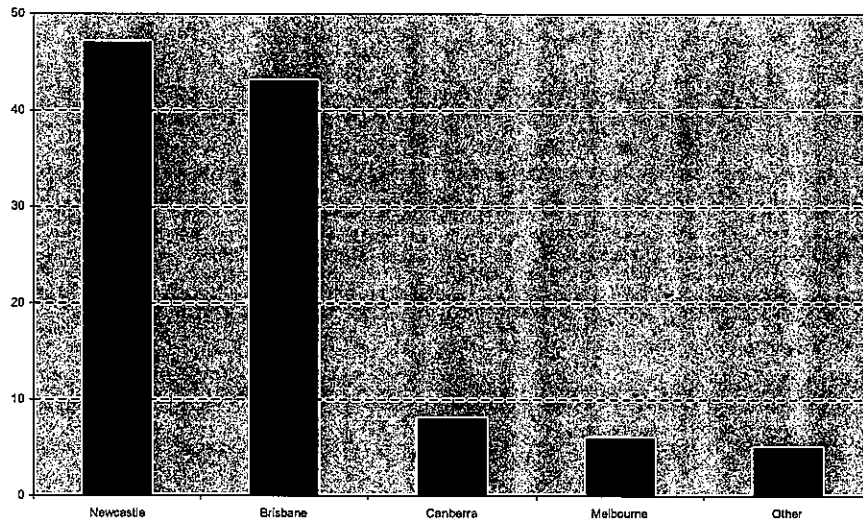
Analysis

Although the most common response indicates that \$200-\$250 is considered a reasonable charge for a return fare between Mudgee and Sydney, there was also considerable support for a slightly lower (\$150-\$200) and slightly higher (\$250-\$300) fare. What this demonstrates is that there is a wide window of what is considered a reasonable fare.

It is important to note that the responses are an indication of what respondents consider a reasonable fare for an air service and not what they would be willing to pay. In many instances, users of an air service between Mudgee and Sydney would not be price sensitive and would be willing to pay a higher fare if required for the convenience of a direct flight into/out of Mudgee.

Alternative Destination

Survey respondents were asked to indicate their preferences for an air service to other destinations (besides Sydney). The results were as follows:



Graph 3: Alternative Destination

The above graph shows that close to 50 respondents would be interested in an air service to Newcastle and over 40 respondents would be interested in an air service to Brisbane. There were less than 10 respondents interested in an air service to other destinations (Canberra, Melbourne, Other).

Survey respondents expressed a preference for Newcastle and Brisbane as other destinations for an air service from Mudgee.

Analysis

The general feedback and comments received from survey respondents was that the priority was to have a Mudgee-Sydney air service and that other destinations were not a priority at this stage. However, there was interest in Newcastle and Brisbane as alternative destinations, which demonstrates the increased business and leisure travel to Queensland.

Given the large mining sector in Queensland and the expanding mining sector within the Mid-Western region, there is a significant need for travel of mining specialists and personnel between Brisbane and Mudgee. Currently, mining specialists and personnel are required to take two flights (Brisbane to Sydney to Dubbo) and then a 1 hour 45 minutes car trip to travel between these locations.

Air Services Survey

Demand for a Mudgee to Sydney Air Service

Actual Survey Response

The following table demonstrates the passenger figures that can be derived from the actual survey responses received to date.

Frequency of Travel	No. of Responses	No. of Return Flights
Daily	8	2,920
Twice a week	9	936
Once a week	9	468
Fortnightly	15	390
Monthly	86	1,032
Six monthly	95	190
Once a year	25	25
TOTAL	247	5,961

Table 4: Actual Survey Response

Based on the actual survey responses received, the annual demand for an air service between Mudgee and Sydney would be 5,961 return flights. This is equivalent to 11,922 passenger movements per year.

As stated above, Mid-Western Regional Council has received 247 completed surveys at the time of preparing this report. This is considered to be a good response, given that the responses were received over a timeframe of approximately 3 weeks and with limited survey promotion. If the survey period were to be extended and a more rigorous promotional campaign undertaken, it is expected that the responses or demand for return flights would increase above these numbers.

Sensitivity Analysis

Although there are a number of businesses that would realistically use an air service on a daily basis (ie. at least one visitor or employee of the business would fly between Mudgee and Sydney each day), it is recognised that the responses for "Daily – Frequency of Travel" may be overstated given that they do not allow for holiday periods, weekends etc.

An analysis has been undertaken to determine the sensitivity of the number of flights/passenger movements to changes in frequency of travel.

Scenario 1

Under this scenario, the responses for "Daily – Frequency of Travel" have been interpreted as business/working days only (ie. not weekends). Therefore, the actual return trips per week are 5, not 7.

The following table demonstrates the passenger figures that can be derived under Scenario 1.

Frequency of Travel	No. of Responses	No. of Return Flights
Daily	8	2,080
Twice a week	9	936
Once a week	9	468
Fortnightly	15	390
Monthly	86	1,032
Six monthly	95	190
Once a year	25	25
TOTAL	247	5,121

Table 5: Sensitivity Analysis - 1

Under Scenario 1, the annual demand for an air service between Mudgee and Sydney would be 5,121 return flights. This is equivalent to 10,242 passenger movements per year.

Scenario 2

Under this scenario, an adjustment has been made to Scenario 1 to take into account those respondents who indicated demand for an air service between Mudgee and Sydney on a "Daily" basis, but who may realistically use it on a "Twice a week" basis. The demand for a "Daily" service has been halved (ie. from 8 to 4) and the demand for a "Twice per week" service has been increased accordingly (ie. from 9 to 13).

The following table demonstrates the passenger figures that can be derived under Scenario 2.

Frequency of Travel	No. of Responses	No. of Return Flights
Daily	4	1,040
Twice a week	13	1,352
Once a week	9	468
Fortnightly	15	390
Monthly	86	1,032
Six monthly	95	190
Once a year	25	25
TOTAL	247	4,497

Table 6: Sensitivity Analysis - 2

Under Scenario 2, the annual demand for an air service between Mudgee and Sydney would be 4,497 return flights. This is equivalent to 8,994 passenger movements per year.

Future Demand

Without more detailed statistical analysis it is difficult to use this data to forecast total passenger movements for the entire Mid-Western Region population on an annual basis. However, what the survey responses do demonstrate is that there is clearly strong support for an air service between Mudgee and Sydney and this demand is expected to grow in the future.

The source of increased demand for an air service will come from the following sources:

- 1) Population growth – the population of the Mid-Western Region continues to grow. The current population is around 23,500 and is projected to increase to 24,730 by 2011 (ie. around 5 percent) and 26,530 by 2016 (ie. around 12 percent). Increased population growth will make a significant contribution to the demand for air services.
- 2) Business growth – the Mid-Western Region has a diverse economic base and therefore, caters for a range of businesses (both size and type). Increased economic activity is expected to occur within this region as a result of a number of new business and development activities, including:
 - Expansion of existing mines – 2 out of 3 of the existing mines have plans in place to expand current capacity by up to 50 percent which will generate employment and business activity.
 - Establishment of new mines – work has commenced on the construction phase of a new coal mine which will produce coal in 2010 and create approximately 350 new jobs in operations; investigations are also under way for an additional mine in the region.
 - Designs are being finalised for the \$9 million development of a multi-purpose regional sports complex at Glen Willow sport site.

- Development plans have been submitted for a \$65 million retirement village.
- Tourism activities and events – the Mid-Western region is a highly desirable tourism destination. The wineries and cellar doors attract a significant number of visitors each year, culminating in an annual wine festival. There are a number of other events and festivals such as Day on the Green, Mudfest Film Festival, Horse Racing, Bike Muster, Small Field Days etc. which attract large numbers of visitors.
- Expansion of accommodation – there are a number of developments in progress and planned initiatives which will lead to an increase in accommodation in the region to cater for business and tourism expansion.

Further Information

This report was compiled by the Economic Development Unit at Mid-Western Regional Council.

For further information or to ask a question in relation to the contents of this report, please contact the Economic Development Officer.

Contact Details

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Air Services Survey 2014



**Conducted by
Mid-Western Regional Council**

The future of an air service between Mudgee and Sydney

Q1 Company, Organisation or Individual Name?

Answered: 119 Skipped: 2

The future of an air service between Mudgee and Sydney

Q2 Address?

Answered: 104 Skipped: 17

The future of an air service between Mudgee and Sydney

Q3 Contact Telephone?

Answered: 101 Skipped: 20

The future of an air service between Mudgee and Sydney

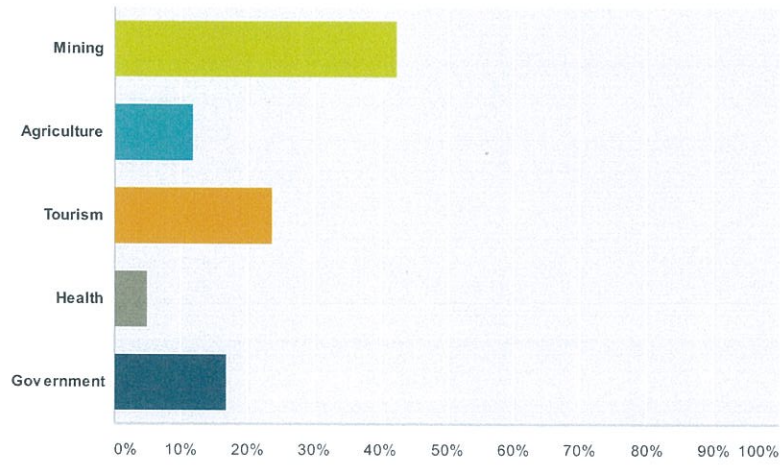
Q4 Email address?

Answered: 94 Skipped: 27

The future of an air service between Mudgee and Sydney

Q5 Which best describes your work industry?

Answered: 101 Skipped: 20

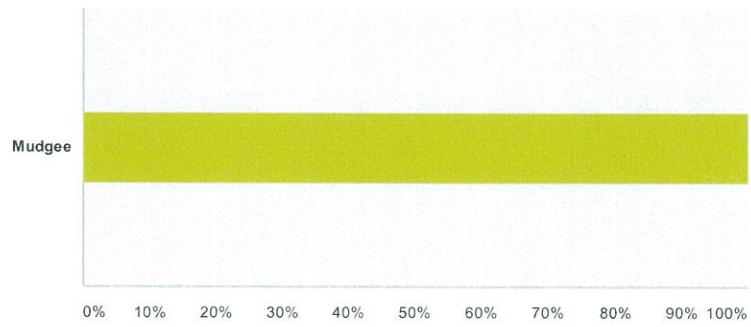


Answer Choices	Responses	
Mining	42.57%	43
Agriculture	11.88%	12
Tourism	23.76%	24
Health	4.95%	5
Government	16.83%	17
Total		101

The future of an air service between Mudgee and Sydney

Q6 Closest airport to you?

Answered: 119 Skipped: 2

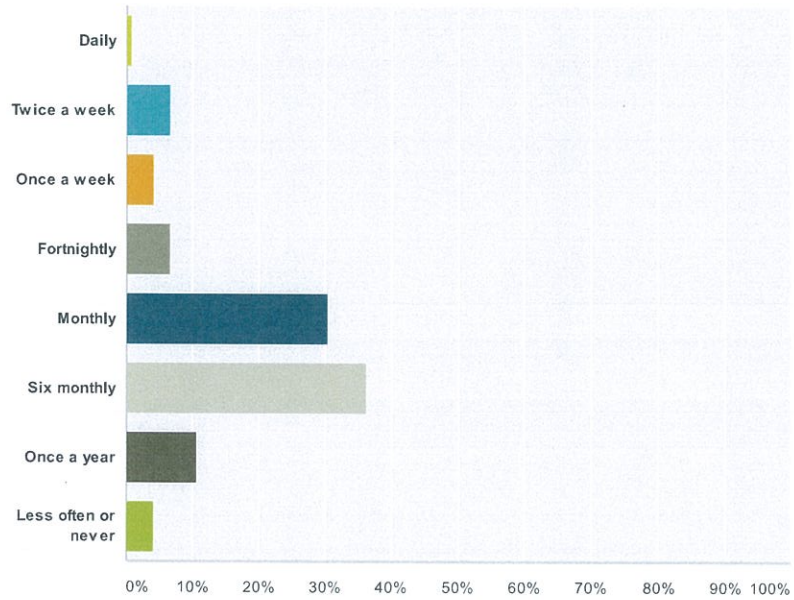


Answer Choices	Responses
Mudgee	100.00% 119
Total	119

The future of an air service between Mudgee and Sydney

Q7 How often would you use an air service between Mudgee and Sydney?

Answered: 121 Skipped: 0

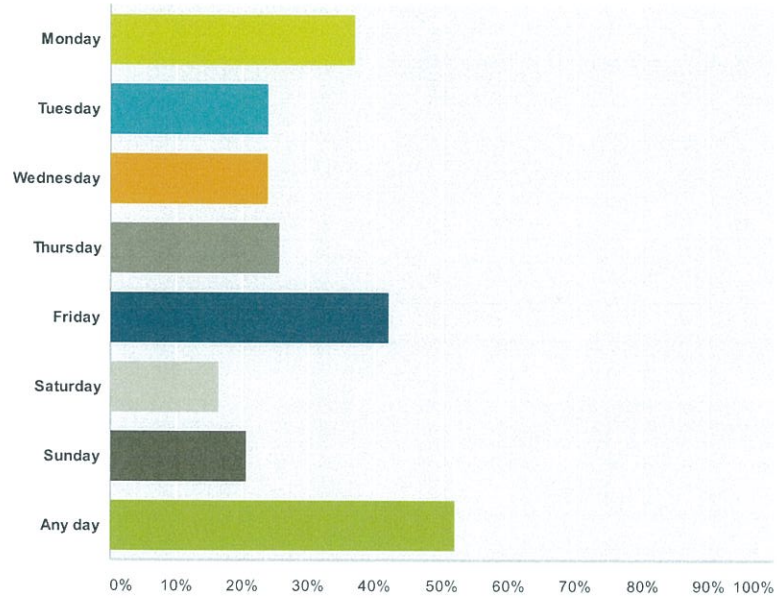


Answer Choices	Responses	
Daily	0.83%	1
Twice a week	6.61%	8
Once a week	4.13%	5
Fortnightly	6.61%	8
Monthly	30.58%	37
Six monthly	36.36%	44
Once a year	10.74%	13
Less often or never	4.13%	5
Total		121

The future of an air service between Mudgee and Sydney

Q8 Which are the best days for you to fly? Select all that apply.

Answered: 121 Skipped: 0

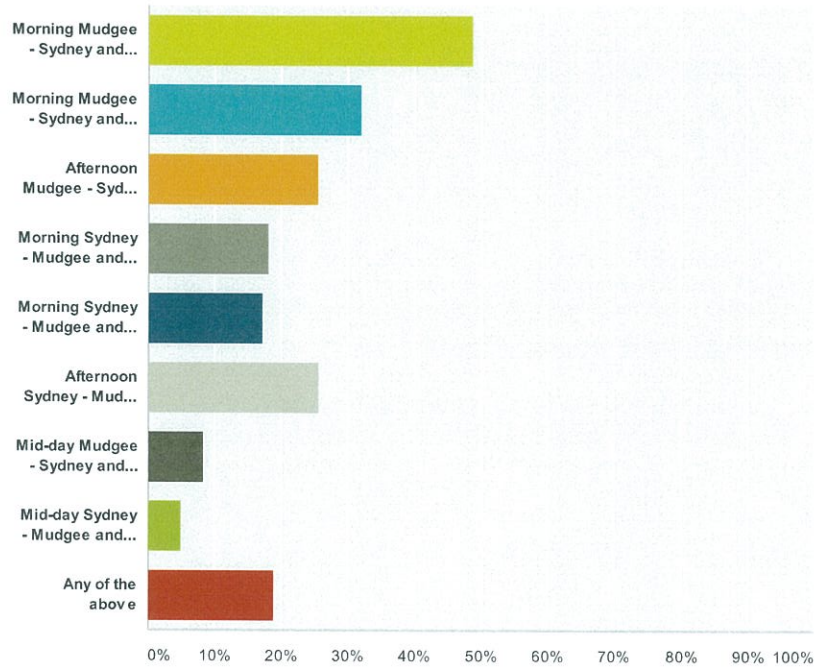


Answer Choices	Responses	
Monday	37.19%	45
Tuesday	23.97%	29
Wednesday	23.97%	29
Thursday	25.62%	31
Friday	42.15%	51
Saturday	16.53%	20
Sunday	20.66%	25
Any day	52.07%	63
Total Respondents: 121		

The future of an air service between Mudgee and Sydney

Q9 Which are the best flight schedules? Select all that apply.

Answered: 121 Skipped: 0

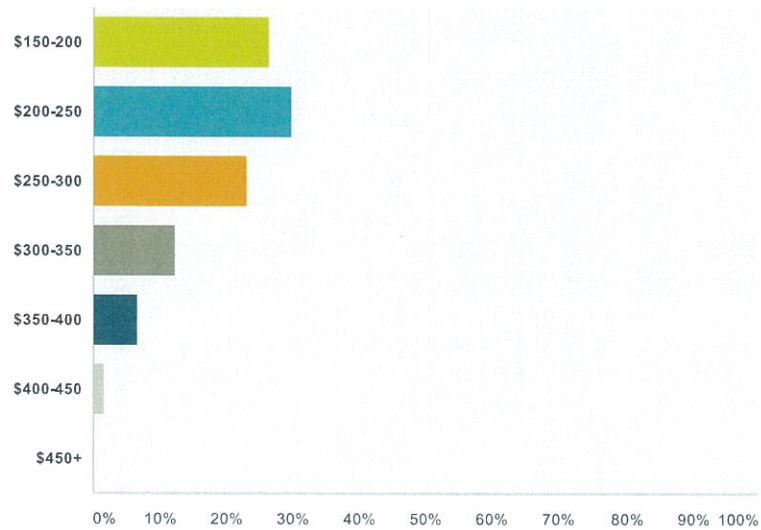


Answer Choices	Responses
Moming Mudgee - Sydney and afternoon return	48.76% 59
Moming Mudgee - Sydney and return on another day	32.23% 39
Afternoon Mudgee - Sydney and return on another day	25.62% 31
Moming Sydney - Mudgee and afternoon return	18.18% 22
Moming Sydney - Mudgee and return on another day	17.36% 21
Afternoon Sydney - Mudgee and return on another day	25.62% 31
Mid-day Mudgee - Sydney and return on another day	8.26% 10
Mid-day Sydney - Mudgee and return on another day	4.96% 6
Any of the above	19.01% 23
Total Respondents: 121	

The future of an air service between Mudgee and Sydney

Q10 What is a reasonable charge for a RETURN fare, bearing in mind the higher cost of operating a smaller regional aircraft?

Answered: 121 Skipped: 0

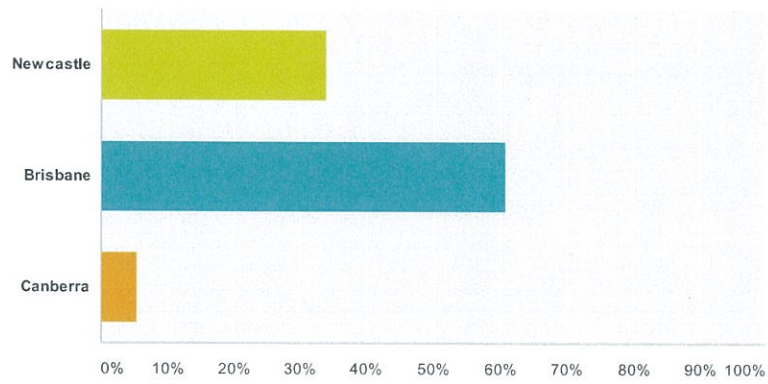


Answer Choices	Responses	Count
\$150-200	26.45%	32
\$200-250	29.75%	36
\$250-300	23.14%	28
\$300-350	12.40%	15
\$350-400	6.61%	8
\$400-450	1.65%	2
\$450+	0.00%	0
Total		121

The future of an air service between Mudgee and Sydney

Q11 Would you prefer a destination other than Sydney?

Answered: 56 Skipped: 65

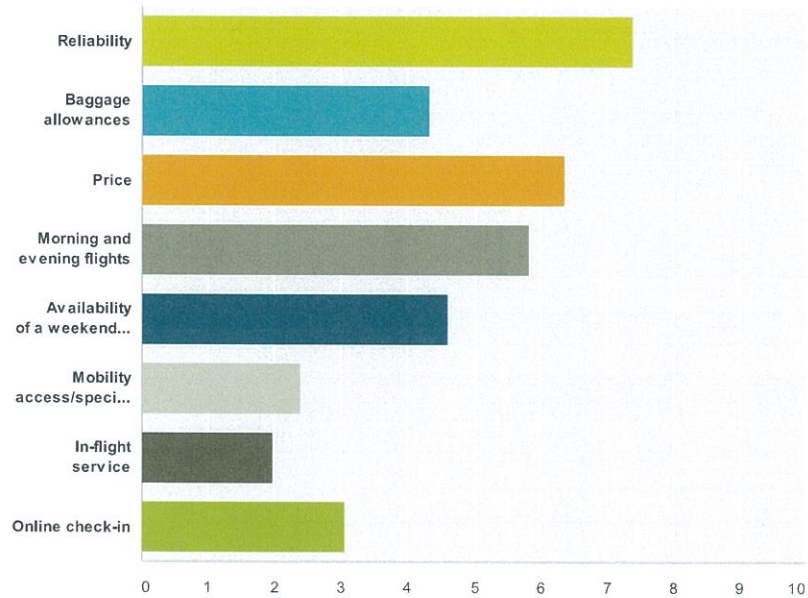


Answer Choices	Responses	
Newcastle	33.93%	19
Brisbane	60.71%	34
Canberra	5.36%	3
Total		56

The future of an air service between Mudgee and Sydney

Q12 Rank the following services associated with an air service from most important (1) to least important (8)

Answered: 121 Skipped: 0



	1	2	3	4	5	6	7	8	Total	Average Ranking
Reliability	69.42% 84	18.18% 22	7.44% 9	1.65% 2	0.00% 0	0.00% 0	0.83% 1	2.48% 3	121	7.40
Baggage allowances	2.48% 3	3.31% 4	14.05% 17	28.10% 34	23.97% 29	16.53% 20	9.09% 11	2.48% 3	121	4.34
Price	14.05% 17	40.50% 49	25.62% 31	13.22% 16	3.31% 4	0.83% 1	2.48% 3	0.00% 0	121	6.36
Morning and evening flights	8.26% 10	26.45% 32	28.10% 34	20.66% 25	12.40% 15	2.48% 3	0.83% 1	0.83% 1	121	5.83
Availability of a weekend flight	3.31% 4	6.61% 8	11.57% 14	27.27% 33	34.71% 42	11.57% 14	4.13% 5	0.83% 1	121	4.61
Mobility access/special needs	0.83% 1	0.83% 1	2.48% 3	2.48% 3	4.96% 6	31.40% 38	30.58% 37	26.45% 32	121	2.41
In-flight service	0.00% 0	3.31% 4	0.00% 0	0.83% 1	3.31% 4	11.57% 14	42.15% 51	38.84% 47	121	1.98
Online check-in	1.65% 2	0.83% 1	10.74% 13	5.79% 7	17.36% 21	25.62% 31	9.92% 12	28.10% 34	121	3.07

The future of an air service between Mudgee and Sydney

Q13 As Transport for NSW call for applications from airlines, is there anything else that is important for them to know?

Answered: 46 Skipped: 75