

20 August 2014

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Our ref: A02/0278-2:1/2014/19861

Ms Madeleine Foley  
Director – Committees  
Standing Committees on State Development  
Legislative Council  
Parliament House  
SYDNEY NSW 2000  
Via email: dsteller@armidale.nsw.gov.au

Dear Ms Foley

**Standing Committee on State Development- Inquiry into Regional Aviation Services held 22 July 2014 – Supplementary Question**

I refer to the supplementary question raised by the Committee following the hearing of the Inquiry held in Tamworth on the 22 July 2014.

***Your submission raises the considerable debt airports were left with following the demise of Brindabella Airlines (page 2). You suggest that there should be some regulatory framework in place in relation to the timely payment of passenger fees by airlines to councils. What are the current terms and method of payment of passenger fees and do these arrangements differ between airlines? How do you think this could be administered in the future to prevent similar instances of outstanding debt?***

The Passenger Fees levied by Council on the RPT Services are advised to the airlines at the commencement of services and at the commencement of each financial year. If there are any increases to these fees then the airlines are required to be advised at a minimum of three months prior to their implementation.

The Passenger Fee is incorporated in the airline fare structure and the airline has the use of Council's money often many months in advance of the actual travel. Airlines advise Council at the end of each calendar month of the number of passengers that were carried by the airline both inbound and outbound. Council then raises an invoice for the Passenger Fees which apply for the previous month. In the case of Armidale Regional Airport these fees are significant and are often in excess of \$100,000 per month. Should these fees not be paid for a number of months then the debt owed to the Council becomes quite significant and being an unsecured creditor such funds are usually not recoverable if the airline goes into liquidation and ceases flying.

It is Council's recommendation that the Passenger Fees should be treated in a similar way to the departure tax on international passengers which is collected by the airline on behalf of the Federal Government and then paid when the passenger departs the country. Similarly for Regional Airports the fees could be collected by the airline and paid at the end of each month when the passenger

travels. The Passenger Fee needs to be treated as secured payment and not left as an unsecured payment which airport owners then have no chance of recovering if the airline ceases to operate. Specifically in the case of Brindabella Airlines the Council provided six (6) months of no Passenger Fees to assist the airline in establishing the route between Armidale and Brisbane. For the following six (6) months the Passenger Fee was phased in as a percentage of the full fee each month. The airline withdrew from the Armidale – Brisbane route during this six month period and Council received no payment for the Passenger Fees which were due.

The Airport Passenger Fees levied on the airlines as detailed to the Inquiry forms a substantial part of the airport's revenue and any losses of these fees incurs a financial impost on the operations of the airport and ultimately the rate payers of the city.

Please contact me on \_\_\_\_\_ or by email at \_\_\_\_\_ if I can be of further assistance.

Yours sincerely

David Steller  
**Director Strategic Projects & Public Infrastructure**