

**Submission  
No 4**

## **INQUIRY INTO REGIONAL AVIATION SERVICES**

**Organisation:** Bega Valley Shire Council

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Ref:

21 February 2014

The Director  
Standing Committee on State Development  
Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Sir / Madam

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**Inquiry into Regional Aviation Services**

**Bega Valley Shire Council Submission**

That the Standing Committee on State Development inquire into and report on the provision of aerial regular passenger transport (RPT) services to regional centres in New South Wales, and in particular:

**RESPONSE TO ITEMS**

**Background**

Bega Valley Shire Council, located on the far south coast of NSW is the owner of Merimbula Airport located just south of the township of Merimbula. The airport is situated approximately half way between Sydney and Melbourne, which are both approximately six hours travel by road, while Canberra is three hours to the west.

The area has a regional resident population approaching 50,000 people in both NSW and Victoria, with a seasonal tourist population which doubles during the summer holiday period.

The airport currently has an RPT service provided by Regional Express Airlines (REX) with three flights daily to Sydney and one flight to Melbourne. Annual passenger numbers are approximately 55,000, of which 32,000 are for the Sydney/Merimbula regulated route. Merimbula Airport forms a vital part of the transport network, as the south coast of NSW relies heavily on road transport and the Princes Highway, especially as no rail transport exists and sea transport through the deep water Port of Eden remains well underutilised.

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Access to air transport provides the only opportunity to access high cost, time poor professional services, capital city cooperate headquarters and rapid transit freight.

**1. Cost of access to Sydney Airport, regional New South Wales airports and other landing fields including:**

- a) airport operator landing fees imposed at various airports and services and facilities included in those fees.**
- b) methodology for calculating landing fees for different classes of aircraft.**

Merimbula Airport applies an \$11 per passenger charge on RPT services and provides a passenger terminal, car parking, sealed runway, taxiway and apron. No additional charges apply to the RPT service, including overnight aircraft parking.

General aviation (GA) charges are set at \$11 per single engine aircraft and \$22 per twin engine aircraft.

Landing charges were originally set approximately equal to the operational expenses of the airport, excluding asset depreciation. However, landing charges have not been increased for several years and accordingly the financial operation of the airport remains marginal, depending on passenger numbers in any particular year.

It is important to note that this does not include any capital expenditure, such as infrastructure renewal or upgrade, or any major maintenance which must be funded directly by the Shire's ratepayers. This is also true of infrastructure backlog, as asset depreciation has in the past not been included.

**2. Financial management and viability matters impacting on RPT operators, including:**

- a) economics of operating various types of aircraft, including modern single engine turbine compared to older twin engine piston aircraft;**
- b) impacts of compliance costs, including per passenger costs;**
- c) suitability of "hub and spoke" systems for potential routes for smaller passenger numbers;**
- d) the viability of passenger loading for different classes of aircraft.**

As an airport owner Bega Valley Shire Council is not directly involved in aircraft operations and is not acquainted with aircraft economics or airline financing. However, what is apparent is that the current airline operator servicing Merimbula has an aging fleet and the industry push appears to be towards larger turbine propeller aircraft of greater than 50 seat capacity. Further, if ports such as Merimbula are to remain viable or at least sustainable, passenger numbers must increase to beyond 80,000 per year.

Council investigations have indicated that this is possible with medium growth projections in the order of 150,000 passengers by 2022. From Council's point of view, there are a number of significant hurdles which if not overcome will have adverse impacts for Merimbula Airport and the Bega Valley community. These include:

- The airline business model which seemingly focuses on business travellers to Sydney and ignores opportunities in the leisure market and also opportunities on the Melbourne sector.
- The cost of replacing aircraft with larger turbo-prop aircraft.
- The additional regulatory requirements, such as passenger screening for aircraft of 50 seat capacity.
- Competition restrictions resulting in high fare pricing. Examples of those restrictions include NSW Air Transport Council regulated route monopoly of 50,000 passengers per year and access/ownership of Sydney "time slots".
- Direct flights to Sydney rather than via Moruya, which will provide greater capacity and require Sydney airport "time slots". In this regard "hub and spoke" networks provide no advantage, as they add significant cost and time to aviation travel.
- Capital costs associated with infrastructure renewals and upgrade, in particular, runway lengthening and strengthening and passenger terminal construction.

**3. Economic impact on regional communities of gaining or losing RPT services, including:**

**a) the local business community;**

- b) the impact on general aviation and regional airport management of the gain or loss of RPT services to regional centres;**
- c) the potential for future economic development;**
- d) impacts for local, state and Federal governments, including licencing arrangements for services less than 50,000 passengers per annum.**

The significance of aviation cannot be over stated in a remote regional community such as the Bega Valley, where the only alternate travel is via road. The airport therefore provides significant support to the local economy and at the same time has its own business activity generating economic benefit

The economy of the Bega Valley has been traditionally dominated by primary industry including agriculture, forestry and fishing. While these industries are still significant, a number of other key sectors have developed, in particular tourism and remote area employment.

The south coast of NSW being a significant tourist destination should be able to take advantage of aviation and the opportunity for access to capital city markets.

The recent age of fly-in-fly-out workers and home based workplaces are opportunities made available by aviation, which allows employees remotely located connection to corporate headquarters and/or worksites. The creation of such employment opportunities is and will become a vital part of sustaining remote regional communities and their ongoing business development and growth.

Further, aviation allows access to professional services such as legal and medical specialists, who are able to establish part-time or partial practices, which without an RPT service could not exist.

Council recognises the need for 50,000 PAX license limit, especially for struggling ports and maintaining an RPT service. However, for growing ports the limit entrenches airline monopoly and is a threshold barrier to competition and new market entrants.

#### **4. Potential for development of future modern RPT aviation including:**

- a) opportunities for regional aviation manufacturing and servicing;**

- b) the development and supply of sufficient numbers of trained and skilled aviation personnel;**
- c) local, state and Federal government arrangements for staff travel;**
- d) opportunities for dual use RPT services to include both freight and passenger legs on the same routes.**

Council's Master Plan for Merimbula Airport recognises opportunities for passenger growth and general aviation development. Developmental growth exists for aviation businesses namely scenic flights, pilot training, freight and aircraft maintenance. Such growth is seen as generic and relies heavily of a strong viable airport, whose principle financial strength is based on RPT services and passenger growth in the order of 4%. State and Federal Government direct support is considered necessary to jointly meet the capital demand of infrastructure renewal and upgrade. This could be via grant funding or some form of passenger subsidy, which will create incentives for airlines to provide capacity and level of service that will stimulate passenger growth.

Also, the cost of regulation and conservative approach to risk management of safety must also be addressed. Acceptance of international ICAO standards across all rural and regional ports is a significant over reaction with a corresponding cost impact. While the political and public sensitivities are recognised, the debate must be had within a risk management framework that is not absolute risk intolerant.

Yours faithfully

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Group Manager Infrastructure, Waste and Water