

**Submission
No 48**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Newcastle Airport Pty Ltd

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Newcastle Airport Pty Ltd

Submission to the NSW Legislative
Council Standing Committee on State
Development

Inquiry into regional aviation services

March 2014



Background

Newcastle Airport Pty Limited (NAPL) manages and operates Newcastle Airport (NTL) on behalf of Port Stephens and Newcastle City Councils. Under a Head Lease agreement from the Commonwealth (via Department of Defence), Newcastle Airport operates on a leased 28 hectare site, adjacent to RAAF Base Williamtown (RAAF WLM). Newcastle Airport owns both taxiways on the southern side of the runway as well as the apron adjoining the terminal building. The current lease agreement expires in 2045.

The current Head Lease arrangement between Newcastle Airport and Department of Defence requires Newcastle Airport to “provide access to international, interstate and intrastate air transport”. Newcastle Airport currently provides interstate and intrastate air transport, and is serviced by Jetstar, Regional Express, Qantaslink, and Virgin Australia.

Newcastle Airport currently facilitates intrastate services between Newcastle and Sydney and Newcastle and Ballina, operated by Regional Express.

Whilst Newcastle Airport is classified as a regional airport, we believe the role played in the regional aviation space is limited. As mentioned above, the only truly regional route that is operated is to Ballina, which is based more on leisure demand than that of a community based service. Therefore our response to the Terms of Reference is based on our observations, rather than being a significant contributor to this sector.

Economic impact

Due to the size of New South Wales aviation is, and will continue to be, a critical mode of transport to provide essential links, primarily with Sydney, for regional and remote communities. These communities need access to regular passenger transport (RPT) air services for various reasons, including:

- > Business
- > Leisure/visiting friends and relatives
- > Medical
- > Onward connectivity

As has been evidenced at Newcastle Airport, airports can be economic drivers for a region, providing employment and revenue to a region as well as being an enabler for business. The Australian Airports Association (AAA) recently published two research papers, one titled "[Australia's Regional Airports – Facts, Myths and Challenges](#)", the other "[Connecting Australia – the economic and social contribution of Australia's Airports](#)". Both reports looked closer at the current state of regional airports and the challenges they face in the future. These papers clearly link increased economic activity in a region to the role an airport plays in its community.

However, airports are capital intensive businesses, particularly in the development stage, but also as an ongoing asset. Therefore it is essential that the operation of an airport is sustainable by means of providing viable air services for the community it serves.

How an airport chooses to charge its operators is ultimately its own business and its charges should consider sustainability for any airline to consider, or continue, to fly to its airport. As has been seen in recent years, regional airlines operate at very lean margins and are very sensitive to changes in economic conditions which can be driven by airports, suppliers (e.g. fuel) and compliance costs (e.g. passenger screening). With a limited market size to draw on, and in some cases competing with road travel, the ability for an airline to be self-sustaining on many routes is difficult.

Sustainability

In December 2013 Brindabella Airlines (including Aeropelican) ceased operations and went into receivership. The airline had previously operated routes to various regional ports from Sydney and Newcastle with some success, but became the latest victim in a shrinking regional aviation space.

Whilst domestic aviation across Australia has grown significantly in the last 10 years, driven by the growth of Jetstar, Virgin Australia, and Qantas, this has been based on large 150+ seat aircraft linking major centres to Capital cities. Smaller airlines and smaller aircraft have become fewer over that corresponding period. This trend continues, making it increasingly difficult to serve any routes with less than 50,000 passengers per annum and not have to charge extortionate airfares to justify operations.

The loss of an air service for a regional community can be devastating. Connectivity to a major city is essential for business as well as the onward connectivity this can provide to other interstate destinations. The number of travellers within NSW travelling for medical reasons should not be underestimated. Whilst some of the critical transfers are made by RFDS, or NSW Flying Ambulance Service, some members of the community rely on RPT services for regular appointments at major medical centres. The loss of RPT services would result in lengthy road trips to secure the same outcome.

As can be evidenced in some parts of New South Wales, multiple airports serving overlapping markets can affect the viability of regional services. In the past Lismore, Ballina, and Casino all had RPT flights serving their communities; however services today only operate to Lismore and Ballina. As mentioned above, due to the capital intensive nature of airports and the markets they serve, serious consideration has to be given the role an airport plays in its community.

Wyong Council is proposing a Central Coast Regional Airport be developed on a Greenfield site adjacent to the M1 Sydney to Newcastle freeway. \$2 million has been allocated for a preliminary site assessment and master plan in FY14/15. One has to question the viability of such a capital intensive project for a community that is adequately served to the south by Sydney Airport and to the north by Newcastle Airport, both providing links to interstate and intrastate destinations. When considering these developments the NSW Government should consider their long term viability and this should not be at the detriment of an existing airport or community.

Newcastle Airport has worked with NSW Regional airports such as Dubbo and Narrabri to promote and develop air routes to link regional travellers to Newcastle in order to hub through to interstate destinations such as Melbourne, Brisbane or Gold Coast, rather than travel through Sydney. The use of hubbing to secondary airports in NSW provides an opportunity to reduce the impact of regional services on Sydney Airport capacity. The use of less complex airports for first time and infrequent travellers provides a more positive experience for connecting passengers.

Conclusion

NSW needs the services provided by regional airlines. For the reasons outlined above air connectivity is an essential part of today's fabric of community life. Airports, local communities, the Government and airlines need to work together to encourage, support and grow air links to major centres. This can be in many forms from licencing routes, to subsidising operations or forming partnerships with community or corporate groups to underwrite services. However this is done, it must be understood that a partnership approach, by *definition* "an arrangement in which parties agree to cooperate to advance their mutual interests", presents the best chance of a successful and sustainable outcome for regional aviation in NSW.

References

Australian Airports Association (2012) [Australia's Regional Airports – Facts, Myths and Challenges](http://airports.asn.au/wp-content/uploads/2012/12/AAA-Regional-Airports-Research-Paper_FA.pdf.pdf) retrieved from http://airports.asn.au/wp-content/uploads/2012/12/AAA-Regional-Airports-Research-Paper_FA.pdf.pdf

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