

**Submission  
No 28**

## **INQUIRY INTO REGIONAL AVIATION SERVICES**

**Organisation:** Armidale Dumaresq Council

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# Submission to Inquiry into Regional Aviation

Armidale Dumaresq Council would like to submit the following submission to the Legislative Council - Standing Committee on State Development – Inquiry into Regional Aviation Services.

By way of background, Armidale Dumaresq Council is located on the Northern Tablelands of New South Wales, half way between Sydney and Brisbane on the New England Highway. Armidale is the administrative centre for the Northern Tablelands region and has a population of 24,473. Armidale is a vibrant city steeped in its history of education and cultural activities.

The Northern Tablelands region is predominately rural based with large agricultural properties producing prime lamb, fine wools and beef. Armidale City is the home of the University of New England as well as a number of excellent and well established boarding schools for both boys and girls. The city also has a strong and growing industrial and commercial centre.

The Armidale Regional Airport services not only the city but also a number of smaller rural centres such as Inverell, Glen Innes, Guyra, Walcha and Uralla.

The city and the surrounding areas are well serviced by road, rail and air.

In response to the particular terms of the inquiry the following is submitted:

## **1. Cost of services to Sydney Airport , Regional New South Wales airports and other landing fields**

Council imposes a passenger fee of \$14.90 inclusive of GST per arriving and departing passenger on Regular Public Transport (RPT) flights. These fees are reduced to \$9.70 inclusive of GST where the purchase price of the ticket is less than \$180.00. When the 70,000 passenger threshold is reached on the Armidale Sydney route all subsequent passengers fees are charged at \$9.70 inclusive of GST.

These fees are considered fair and reasonable in that it covers some of the costs of providing facilities for RPT aircraft including runways with associated lighting and navigational aids, taxiways, aprons and passenger terminal facilities.

While Armidale Dumaresq Council has received grants to provide new or upgrade facilities, the ongoing running costs and maintenance of these facilities is the responsibility of the council. These

costs are significant and need to be covered by the airport users. It is also important to point out that a regional airport such as Armidale Regional Airport does not have the access to non-aeronautical revenues such as duty free shops, retail outlets and car parking that the capital city airports have. The main revenue for Armidale Regional Airport comes from the aeronautical side.

Armidale Regional Airport is currently serviced by Qantas Link on the Armidale to Sydney route. The airline operates five (5) return services a day Monday to Friday using Dash 8-200 or 300 aircraft and three (3) return services a day on the weekends. Brindabella Airlines did operate an Armidale to Brisbane service but this was terminated by the airline on 8 June 2012 due to low passenger loading. The midday scheduling times didn't meet consumers expectations as the majority of consumers desired an early morning and early evening departure and arrival time.

The Armidale to Sydney route is a deregulated route under the NSW Department of Transport guidelines. This means that the route is open to competition from airlines. Council welcomes this competition and Regional Express will shortly commence services (28 March 2014) on the Armidale to Sydney route with three (3) return services per day and two (2) per day on a weekend using the Saab 360 aircraft.

With a deregulated route any operator is able to provide an air service between Armidale and Sydney provided they can demonstrate to the Civil Aviation Safety Authority (CASA) that they have the appropriate licences and procedures in place to operate a safe air service. The financial viability of the airline to operate the route is not taken into consideration as that is considered a commercial decision of the airline.

Under a deregulated route the airport is required to provide the necessary infrastructure to allow operators to compete on an even footing. This results in the airport assuming the financial risks without any guarantees that payment of passenger fees/ airport operating fees will be made or that the airline will continue to operate the route in the long term.

With the recent demise of Brindabella Airlines, airports have been left with debts exceeding \$1 million. Airports in the northern part of NSW were owed in excess of \$500,000.00. Such losses cannot be sustained by regional airports.

It is the Council's view that there should be some guarantees put in place as to the timing for payment of passenger / airport operating fees i.e. seven (7) days at the end of each month. Also these fees should be added to the overall fare which is collected by the airline on the Council's behalf. Such a scheme is not dissimilar to the International Departure Tax collected by all International Airlines as part of the fare structure.

## **2. Financial Management and viability matters impacting on RPT operations.**

This section is mainly for RPT operators to comment on. However the “*hub*” and “*spoke*” system is of concern to Council. Traditionally the “*spoke*” operations are at a higher cost than the “*hub*” sector. Some form of government subsidies would need to be introduced to keep airfares at a realistic level and tax offset would need to be made available to airlines to

### **Economic Impact on Regional communities of gaining or losing RPT services**

It is without doubt that a regular RPT service is important for the economic development of Armidale Dumaresq Council and the neighboring communities which the airport serves. With a major university situated in the city, a viable and regular air service is important for attracting visiting academics and students.

It is a well-known fact that businesses looking to relocate to a regional area will look for a centre which has a good and reliable air service.

Equally important to the economic development of the Armidale Region is the social benefits of a regular RPT service. Visiting medical personnel and the legal fraternity as well as the community wishing to visit friends and relatives rely on a regular and reliable RPT service.

RPT services contribute to the financial viability of the Armidale Regional Airport. Without that important income stream the airport would need to be funded by the general rates as the facility would still need to be maintained to operational standards to support medical evacuation and general aviation flights. Armidale Regional Airport is also a NSW Rural Fire Service Air base for fire fighting within 1 hour flying radius of Armidale. This area covers expansive World Heritage National Parks and wilderness areas that frequently experience large bush fires that have the potential to devastate the world heritage assets and adjoining private properties if not adequately protected. Both fixed wing and helicopter water bombing aircraft use this facility to reload with liquid fire retardant and refuel.

Reduce financial viability would place additional strains on the Council’s budget which is limited by rate pegging to provide valuable services to the city and surrounding area ratepayers.

General aviation activities at the airport benefit from increased economic development and expansion of business through increased charter flights and recreational flying activities.

Tourism is an important aspect of the economic development of Armidale and surrounding regions. Armidale was recently voted one of the most attractive regions in Australia and regular and reliable air services is important to capitalise and develop this important industry. The airport provides valuable infrastructure for helicopter joy flights to the regions natural attractions.

The current deregulated licence arrangement for the Armidale to Sydney route works well and Council continues to encourage competition on the route.

### **3. Potential for the development of future modern RPT aviation.**

Armidale Regional Airport already provides opportunities for general aviation and aircraft maintenance with a number of businesses conducting their activities at the airport. Adequate available land is available for the development of hangar facilities and incentives are available to attract trained personnel to regional centers through the Evocities campaign and the region has an excellent training facility in Aviskills, located at Tamworth Regional Airport for the various aviation skills.

Freight services are important to the region to ensure that goods and services can be delivered in a timely manner. While RPT services have the capacity to carry additional freight, the services can have limitation on carrying capacity in hot weather conditions. A daily freight service on a Monday to Friday exists with Toll Aviation and there are facilities at the airport to receive and distribute goods.

### **4. Any other matters relating to the provision of aerial regular passenger transport services**

Council is concerned about movement constraints at Sydney Airport and the effect it has on regional development. The Sydney Airport Demand Management Act of 1997 was introduced at a time when aircraft noise was a strong social issue and was designed to share aircraft noise around the airport and achieve a balance between the efficient use of the airport and the broader environmental impacts.

Today's modern generation of aircraft emit far less noise than the aircraft in operation when the Act was introduced. New generation aircraft such as the Boeing B787 and the Airbus A350 will produce even lower noise foot prints than current aircraft.

There needs to be robust discussion between the Federal and State governments on how these limitation constraints can be eased before the construction of a new airport in the Sydney basin. The existing constraints are unrealistic for the premier airport in Australia.

Sydney Airport is keen to expand facilities for domestic and International services because of the larger income in terms of aeronautical revenue (landing fees) and non-aeronautical revenue (duty free, retail shopping and car parking fees) that these services provide as opposed to regional services.

In 2001 following the collapse of Ansett Airlines, slots issued to regional services within a defined hourly period were “ring fenced” so as to protect services within NSW and provide access to Sydney (K-S) Airport. The number of movements allocated to regional services varies on an hourly basis but it is up to seventeen (17) movements in the peak morning and evening periods. If a particular slot is not used within a two year period it is returned to the general slots for allocation.

The Sydney Airport Demand Act is impacting on regional development. There are presently no slots available in the morning and evening peak period times and any new slots which become available are given on a preference basis to international and then domestic services. This restricts and does not encourage new entrants into regional markets.

As Sydney Airport comes under increasing constraints, pressure will mount to either relocate regional services to an alternate airport such as Bankstown or force regionals into a hub or spoke system where major regional centres can become the hub for flights to Sydney.

Such a move would impact on smaller regional communities in that it would increase travelling times and increase airfares unless there were some government subsidies to keep airfares at a realistic level.

Should the committee hold public meetings into this enquiry then Armidale Dumaresq Council would welcome the opportunity to address the committee in person.