



Appendix D - Regional Airport Survey

Survey aims

1.1 As described in the submissions and evidence, many councils expressed varying degrees of difficulty in managing their airports. The committee therefore decided to conduct a survey of councils that own and operate regional airports, in order to gain an understanding of:

- The variation in fees charged by airports;
- How much it costs to operate and maintain an airport;
- How much income is generated from airport operations; and
- Which councils were struggling to operate and maintain their airports.

Who was surveyed

1.2 The committee chose to survey all of the councils that had made submissions to the inquiry, and added another 30 or so councils whose passenger statistics up until 2001 appeared in Bureau of Transport and Regional Economics' Avstats data. The number of surveys was considered representative of councils that own airports, and was also manageable given the time available. Councils surveyed included those with large populations and viable air services, through to smaller councils that have no current air services.

Survey design

- 1.3 A simple survey was designed and mailed to 89 councils. The survey featured 16 simple questions. A copy of the survey can be found in Appendix E. The survey was approved through the Statistical Clearing House at the Australian Bureau of Statistics.

Results

- 1.4 The committee received 69 responses from the total of 89 surveys sent out to councils. A total of 63 surveys provided data for analysis. The committee was disappointed that 20 councils could not find the time to respond to the survey.

Taxes and levies

- 1.5 Twenty airports charged a passenger tax and a weight levy, 21 airports charged the passenger tax only, and six airports charged a weight levy only. There seemed to be no guidelines as to which charges are made by a particular council.
- 1.6 Passenger head taxes varied dramatically. Some passenger head taxes were given as GST inclusive, some as GST exclusive. Forty airports charged a passenger head tax, with values ranging from \$5.00 (Flinders Island) to \$22.00 (Derby/West Kimberley), with an average of \$11.30 (n=41).
- 1.7 Only Narrandera Shire stated that it had waived its head tax. Fourteen councils had no RPT services, therefore had no passenger charges.
- 1.8 Twenty six airports charged a weight levy for passenger aircraft. All levies were charged per tonne, with some airports charging nothing below a certain weight, and having higher fees above a certain weight. Levies ranged from \$4.00 per tonne (Port Augusta), to \$17.60 per tonne (Port Hedland), with an average of \$8.30 per tonne (n=26). Only four airports with RPT services charged by weight only, rather than a combination of weight levy and passenger head tax. These four airports were Barcaldine, Port Augusta, Cooktown and King Island.

Airport operations and maintenance costs

- 1.9 Operations and maintenance costs ranged from very low figures to just over \$4 million (Mackay Airport), with a mean of \$535 508 (n=62). Nine airports had costs of over \$1 million.
- 1.10 For the airports that do not currently have air services, operations and maintenance costs ranged from \$7 500 (Yallaroi Shire Council) to \$193 000 (Richmond Valley Council), with a mean of \$73 337 (n=15).
- 1.11 The committee formed the view that many councils were spending considerable amounts of rate payers' money on maintaining a facility that is not providing a service for its community. In most cases, these towns have not had RPT services for a considerable time, and in the committee's view, are unlikely to see services return. The committee is of the opinion that some of these councils should abandon any hope of having RPT services, and limit the amount of money spent on little used community facilities.
- 1.12 For the airports that currently have RPT services, operations and maintenance costs ranged from \$35 389 (Barcaldine) to \$4 024 000 (Mackay), with a mean of \$697 246 (n=47).
- 1.13 The committee found there to be a considerable difference in costs between various airports. The committee would expect high operations and maintenance costs at airports that have high passenger numbers. However, the cost of operating Mackay airport seems to be extraordinarily high at \$4 024 000 per annum, given that 362 000 passengers use the airport. In comparison, Rockhampton Airport serves a relatively high 300 931 passengers per annum, yet the annual operations and maintenance costs amount to only \$682 115.
- 1.14 Another example concerns the centres of Gladstone in Queensland and Albury in New South Wales. Gladstone has 131 883 passengers per annum, with an annual operations and maintenance cost of \$1 591 608. Albury has a similar number of passengers at 130 000 per annum, yet the cost of operations and maintenance is almost twice that of Gladstone, at approximately \$3 000 000.
- 1.15 The dramatic differences in operations and maintenance costs between various regional centres have not been accounted for. The committee suspects that irregular, major maintenance projects may have contributed to the somewhat out of proportion figures for some airports.

- 1.16 The committee also found several examples of airports that have very high operations and maintenance costs, yet have only low numbers of passengers per annum. The Shire of Wyndham/East Kimberley, for example, has only 18 512 passengers per annum, yet operations and maintenance costs amount to \$933 757.
- 1.17 The committee concluded that the remoteness of the north west of Australia, and the subsequent increase in the cost of transport for maintenance materials, may be a contributing factor to high costs in the region.

Airport profit and loss

Airports with a funding shortfall

- 1.18 Many regional councils are spending a great deal of money on airport operations and maintenance. Some of these councils do not have current RPT services to their towns, and are unlikely to regain those services. Without a service contributing to the airport's income, many councils are having to cope with a shortfall between income and operating costs.
- 1.19 Thirty five survey responses claimed a shortfall. Of the 27 responses that provided figures, the shortfall ranged between \$7 500 and \$184 800, with a mean of \$57 362 (n=27). In most cases, the shortfall is paid for by councils from their rate base, or from a reserve fund.
- 1.20 Fifteen of the 37 responses that claimed a shortfall, were from councils that do not currently have RPT services.

Wyndham/East Kimberley

- 1.21 Based on the figures provided to the committee by the Shire of Wyndham/East Kimberley, it is estimated that the council has a shortfall of more than \$320 000. Described below are details of the airport's operations, and calculations of income and shortfall.
- 1.22 The airport has 30 flights per week landing at the airport, a total of 1560 flights per annum. This has been provided as a general guide as some flights may be cancelled or added at short notice.

- 1.23 All Airnorth Regional flights use an Embraer Brasilia aircraft, which has a maximum take off weight of 11 500 kg. The airport landing charges, for aircraft over nine tonnes, amount to \$16.50 per tonne and part thereof. Therefore, it costs \$198 to land an Embraer Brasilia aircraft. With 1560 flights per annum, the total income from landing charges is calculated at \$308 880.
- 1.24 Income from passenger head taxes, based on 18 512 passengers in 2002-2003 at \$15.95 per head, is calculated at \$295 266 per annum.
- 1.25 The council claimed that it spends \$933 757 on operations and maintenance annually.
- 1.26 When the income (\$308 880 plus \$295 266) is subtracted from the costs (\$933 757), there is a shortfall of \$329 611.
- 1.27 The above calculations do not take into account other income from general aviation, property leases and other fees charged by the airport. However, the committee is of the opinion that the income generated from such activities is still unlikely to cover the shortfall.

Richmond Valley Council (Casino)

- 1.28 Richmond Valley Council (the town of Casino in northern New South Wales) spends \$193 000 on operations and maintenance annually. With an income of approximately \$8 000, the council has a shortfall of \$184 000. Currently, the town does not have an RPT service. Of the 15 councils that do not have RPT services, but still operate and maintain an airport, Richmond Valley Council has the largest shortfall. The city of Lismore, which has three RPT services per day with Rex is just 30 km away from Casino. Ballina is 63km from Casino and is serviced by QantasLink.
- 1.29 Again, the committee is of the opinion that towns such as Casino should cease to spend valuable rate payer funds on facilities that will not be used.
- 1.30 Some airports claimed that they incurred a funding shortfall, despite the fact that the figures provided indicated that they actually make a profit. The committee suspects that this was done deliberately in order to give the impression that the councils needed funding assistance.
- 1.31 The committee believes that some councils have used the survey as a lobbying tool, with some councils happy to demonstrate that they do indeed operate at a loss, therefore requiring government assistance.

Airports that break even

- 1.32 Thirteen survey responses claimed that their airports did not incur a shortfall between income and expenditure, and did also not make a profit.
- 1.33 Annual passenger numbers for these 13 airports ranged from 8 848 at Katherine (with annual costs of 260 755) to 362 000 at Mackay (with costs of 4 024 000).
- 1.34 Some smaller airports have effectively demonstrated that it is possible to own and manage a small airport, at minimal cost, in order to serve a relatively small number of passengers.
- 1.35 The airport at Narrabri in northern New South Wales is a good example of a small airport that serves a modest number of passengers and is relatively affordable to manage and maintain. In 2002-03 the town's airport received 10 838 passengers, and with a passenger head tax of \$12.50, had an income of \$135 475. The airport's costs were only \$83 406. It is unclear whether any money had been spent on major capital upgrades during this time.
- 1.36 However, not all smaller centres follow this example. The committee formed the view that some councils may be trying to give the impression that they are coping with operation and maintenance costs, in order to maintain current RPT services, or to lure an RPT service back to their town.
- 1.37 Cowra Shire Council stated that it spent \$46 000 per annum on operations and maintenance, and received only a small amount of income through general aviation and leases. Despite an obvious shortfall, the council claimed to break even.
- 1.38 Katherine Town Council also claimed to have no funding shortfall, despite not charging passenger head tax for 8 848 passengers in 200-01, and having costs of \$260,755. The committee believes it is unlikely the airport covers its costs through income from general aviation and leases.
- 1.39 Mackay Airport claimed to break even, although the committee formed the view that if the airport's overheads were lower than \$4 million per annum, they would be making a considerable profit.

- 1.40 There are many councils that claimed to have a general airport fund, from which deficits are paid, and into which profits go, depending on the year's expenditure. Some airports will make a profit one year, and a deficit the next, depending on the amount of major capital works completed during that year.
- 1.41 The committee formed the view that more councils should keep their profits in a suitable reserve fund, which would then be used to fund major capital upgrades.

Airports that make a profit

- 1.42 Thirteen survey responses claimed that their airports made a profit, ranging from as low as \$27 000 to estimates of up to \$900 000. Several airports that made an obviously large profit did not provide exact figures relating to income.

Whitsundays

- 1.43 The Whitsundays Airport at Proserpine, Queensland, provided figures which led the committee to conclude that a large profit is being made by the council each year. The airport charges a very high passenger head tax of \$15.00, and receives 69 457 passengers per annum, which amounts to an income of \$1 041 855 in passenger head taxes alone¹. The council claimed that it spends \$418 622 on operations and maintenance costs annually. Subtracting the costs from the income leaves a profit of \$623 223. This figure does not include any income from general aviation, leases or concessions.
- 1.44 The committee is of the view that either the passenger head tax could be lowered to a more reasonable level, which would provide added savings for passengers, and lower costs for airlines.

Rockhampton

- 1.45 The city of Rockhampton is in a similar situation. The council claimed that it spent \$682 115 in operations and maintenance during 2002-03. The airport had 300 931 passengers that year, and at a reasonable \$5.50 per head, had an income of \$1 655 120 in passenger head taxes².

1 This is an estimate, as the passenger head tax for children is \$9.00. It is not known how many children travelled during the year.

2 This is an estimate, as the passenger head tax for children is \$2.75. It is not known how many children travelled during the year.

- 1.46 The Rockhampton Airport also charges each aircraft \$4.40 per tonne in landing fees. Landing costs at Rockhampton are in the order of \$83.60 for a Dash 8, \$224.40 for a Boeing 717 and \$299.20 for a Boeing 737³.
- 1.47 QantasLink has 63 weekly flights from Brisbane, Mackay and Sydney to Rockhampton. A Boeing 717 is used for 23 flights, and 40 flights use a Dash 8 each week. A total of 1 196 Boeing 717 flights per year amounts to \$268 382 of income from landing fees per annum. A total of 2 080 Dash 8 flights per year amounts to \$173 888 of income from landing fees per annum.
- 1.48 Virgin Blue has seven flights per week using a Boeing 737. A total of 364 flights per year amounts to \$109 909 of income from landing fees per annum.
- 1.49 The total annual income from landing fees is calculated to be \$552 179. Added to the 1 655 120 in passenger head taxes, the total income from RPT operations is \$2 207 299.
- 1.50 Subtracting the operations and maintenance costs total of \$682 115 from the RPT income total of \$2 207 299 gives a profit of \$1 525 184. This figure does not include and income derived from general aviation, leases or concessions.
- 1.51 The committee is of the view that either the passenger head tax or the aircraft landing fees could be lowered, which would provide added savings for passengers, and lower costs for airlines.

Orange

- 1.52 Orange City Council claimed that it spent \$270 371 on operations and maintenance in 2002-03. The council gave its income as \$442 141, resulting in a profit of \$171 769. The airport has one of the high passenger head taxes, at \$14.40 per head. The airport has a moderate number of passengers for a regional airport (37 950 passengers in 2002-03), and can operate without losing money.

3 QantasLink's Dash 8 weighs 19 tonnes, the Boeing 717 weight 51 tonnes, and Virgin Blue's Boeing 737 weighs 68 tonnes.

- 1.53 The committee is of the opinion that the council should lower its passenger head tax to a more reasonable level, which again would provide added savings for passengers, and lower costs for airlines. Recently, Rex has been in negotiations with Orange City Council, among others, to lower passenger head taxes. Rex claimed the charges at Orange are the highest of any in its network, and has driven passenger numbers down by 16 percent⁴. High taxes may force airlines to abandon services to particular destinations.
- 1.54 The committee noted that Orange City Council had recently lowered its passenger head tax, under an agreement with Rex. Rex claimed the charges at Orange were the highest of any in its network, and had driven passenger numbers down by 16 per cent. Passengers flying between Orange and Sydney can now travel for as little as \$79 one way, under a joint initiative between Rex and Orange City Council. Council has reduced its local airport head tax to help promote local tourism, with Rex matching Council's financial commitment to provide a further reduction in prices. A similar joint venture was also recently announced between Rex and Griffith City Council.⁵

4 Prime Network News, Orange. 28 May 2003.

5 http://www.regionalexpress.com.au/corp_info/media_release003.aspx accessed 5 November 2003;
http://www.regionalexpress.com.au/corp_info/media_release002.aspx, accessed 5 November 2003.