

Standing Committee on Infrastructure, Transport,
Regional Development and Local Government
House of Representatives, Parliament of Australia

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INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING PROGRAM

INTRODUCTION:

The District Council of Ceduna is a small regional council in the far west of South Australia and operates the Ceduna Airport. The Airport is serviced by daily flights from Adelaide conducted by Regional Express (REX). As Chairman of the South Australian division of the Australian Airports Association I also represent a wider aviation perspective to the development of a new regional development funding program.

There are a number of companies that contribute to the supply of infrastructure and services that facilitate effective port facilities in this region. The Port of Thevenard is a key piece of infrastructure that receives a variety of commodities by road and rail and has a direct benefit to the sustainability and development of the region.

The District Council of Ceduna strongly supports the development of a new Regional Development Funding Program that supports the development of key regional infrastructure.

Executive Summary and Overview

Airport and aerodrome projects should be eligible projects under a new program as aviation is a key element in the present and likely future of Australia's broader economic development.

Whilst the aviation industry understands the social and economic significance that aviation plays in support of communities throughout remote, rural and regional Australia there has been little independent research undertaken to quantify this. The Australian Airports Association in conjunction with Queensland University of Technology and a number of regional, rural and remote Airports have commenced a study into; 'The Social and Economic Significance of Remote, Rural and Regional Airports, A National Research Program'. Ceduna Airport has committed funds to be part of this research program.

External funding is essential if airport operators are going to have the financial capacity to make the massive infrastructure investments increasingly required to support the demand for airport infrastructure and services.

Sea Ports are also key infrastructure in regional development and as such should be eligible projects under a new program. Infrastructure requirements range from increasing channel dimensions, wharf infrastructure and ship loading equipment, land based infrastructure, support services and transport links.

The Commonwealth Auslink program provides funding opportunities for road and rail infrastructure and talks a lot about inter-modal facilities but fails to provide funding opportunities to support the critical infrastructure at Airports and Ports to enable the transport links to function effectively.

1. Airports

The current low number of regional airlines and the trend towards bigger aircraft is applying a lot of pressure to regional airports. Regular Passenger Services are a strong economic driver for communities and governments need to share with local councils in the provision of infrastructure that contributes to the economy of the region.

Airports support the service, economic and tourism requirements of their communities that need to have regular public transport (RPT), air services to and from major population centres that also support access to health services, access to government services and social inclusion. Results from a passenger survey undertaken at the Ceduna Airport verify the importance of regular air services to this region.

For an airport to sustain RPT services, it requires the appropriate approvals from the Civil Aviation Safety Authority (CASA) and part of that approval process is that the airport must have a required level of well maintained infrastructure for the aircraft being used.

The Commonwealth is currently a major beneficiary from the mining-related boom. Regional RPT airports in the mining areas are struggling to keep up with the rapid increase in passenger growth. Some airports have approached the Commonwealth for funding or loans to undertake major upgrade programs. This raises the question as to the real role airports play in the 'infrastructure debate' and the supportive role they play in the provision of significant national economic infrastructure.

Airport works don't usually achieve funding from economic development funds like South Australia's Regional Development Infrastructure Fund (RDIF) because there usually are no direct economic benefits. Rather airports support economic development and regional growth.

A lot of regional councils / communities can't fund required aerodrome works from airport revenues or ratepayers, this applies especially to communities with low passenger numbers and a small rate base. Attempts to raise user charges for airport usage have historically resulted in some communities receiving a reduction in services or in losing their RPT service altogether.

The District Council of Ceduna is presently completing plans for a new Airport Terminal to cater for the present and anticipated needs of the region. This has been brought on by our RPT service provider moving from 19 seater to 34 seater aircraft. This has meant that, including arriving passengers, departing passengers and meeters & greeters, the required capacity of the terminal has gone from needing to accommodate around 60 people to now having to cater for around 110 people as well as the associated requirements for car parking, baggage, etc. Whilst our airport usage charges are being maintained at the higher end of the industry standards and all airport revenue is reinvested in the airport, our relatively low passenger numbers mean that we have a significant shortfall in our capacity to borrow the required funds for the developments that we desperately require. Funding from a new program should take account of the community's ability to raise funds from airport revenues and other sources (ie private investment) and Airport charges should be set at commercial levels. The program should not subsidise airport charges that are set at artificially low levels.

Funding is also a problem for communities without regular air services that rely on their airport for access to health services through the RFDS - health clinics, patient transfers and emergency medical evacuations.

Even airports like Port Lincoln, Kingscote and Whyalla can struggle to fund major

upgrades that might be triggered by jet services.

The Remote Aerodrome Safety Program (RASP) helps meet the needs of remote communities for airside works, but the criteria excludes terminal works at remote airports (Ceduna and Coober Pedy) and airside works at outer regional aerodromes (Peterborough, Jamestown, etc) however if the criteria for RASP was widened a significant increase in funding would be required.

Commonwealth might want to consider a sub program for airport projects, with its own specific criteria.

2. Ports

The Port of Thevenard is the major multi commodity port of the west coast of Eyre Peninsula in South Australia handling nearly 2 million tonnes of product annually. Approximately 470 people are employed in industries that directly rely on the Port and the export services that it provides.

Over the years very little funding has been re-invested into the Port of Thevenard infrastructure and as a result, the facility is struggling with the problems caused by steadily increasing ship sizes and the associated problem of channel depth. Accordingly the shallowness of the Yalata Channel and the need for additional depth at Thevenard has been identified as a key port access issue.

The Port of Thevenard is an essential and central part of the Eyre Peninsula economy, providing a gateway for exports and for the import of products and raw materials. While providing community benefit in terms of direct employment, the port also provides positive economic impacts by facilitating the development of industrial activity and providing the export and import gateways for remote industrial and mining activities. Thus the impacts are direct and indirect, and include not only the specific economic impacts but also the related impacts on the social fabric of the region.

Strengthening western Eyre Peninsula's economy by increasing business/industry investment activity is essential to the region's long term prosperity. Currently this region has a substantial opportunity to expand its economic base and attract new investment into the region at a faster and more sustainable rate than ever before via the emerging mining and resources sector boom.

The provision of efficient and productive infrastructure is a prerequisite for establishing ongoing economic growth and competitiveness. The economic services provided by infrastructure are fundamental inputs to production. The re-development of the infrastructure at the Port of Thevenard is therefore essential to it becoming the key regional base for the mining and agriculture sectors into the future.

3. Future Growth

South Australia is currently experiencing unprecedented growth in mineral exploration. This growth in exploration expenditure has also benefited the Eyre Peninsula which in recent times has seen a significant increase. Exploration activity in the Gawler Craton, Eucla Basin and Great Australian Bight has continued to escalate with an increasing number of companies undertaking gold, copper, heavy mineral sands and oil exploration particularly, in the north and western parts of the Eyre Peninsula over the past twelve months. Within the geological province of the Gawler Craton exploration expenditure in 2005-06 was \$72.3 million, a 50% increase on the previous year. Activity in this region continued to focus on the search for copper and gold with increased levels of exploration for other commodities including; heavy mineral sands (HMS), uranium, zinc, nickel, diamonds, iron ore and coal.

A large proportion of exploration has been focused on mineral sands, with exploration tenements comprising a total area of 65,000 km² having been granted. Much of this exploration has been centred on the Eucla Basin which is now being described as a 'World Class Mineral Sands Province'.

Ceduna is the preferred location for the processing and export of mineral resources mainly because of its close proximity to the significant mineral deposits and accessibility to the port facility at Thevenard. The town is already being used as the main resource centre for companies undertaking exploration and feasibility work in the region. Appropriate suppliers, infrastructure and services already exist to support the mining industry.

4. Funding Caps

Infrastructure project costs have increased significantly in recent years and a new regional development funding program would need to provide a realistic level of funding for significant infrastructure projects such as Airports and Ports.