



BUSINESS CASE

DIRECT AIR SERVICES BETWEEN

LAE PNG & CAIRNS AUSTRALIA



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Business Case

Preface

Tradelinked Cairns in association with Cummings Economics were provided with funding from Cairns Regional Council in June 2019 to develop a Business Case for the development of direct air services between Lae Papua New Guinea and Cairns Australia.

Research undertaken to develop the following includes:

- Visits to Lae by key representatives of Tradelinked, Cummings Economics and Cairns Regional Council for familiarisations, inspections and discussions.
- Visits to Cairns by representatives of the Lae Chamber of Commerce, Lae Regional Authority and key representatives of the Papua New Guinea Government and Australian Government representation in Lae
- Discussions with the PNG Tourism Authority
- Surveying of departing passengers on flights from Cairns to Port Moresby
- Surveying of relevant businesses in Lae and Cairns communities
- Research assistance from Cairns Airport
- Discussions with airlines
- Discussions with key businesses with a potential interest.

The following presents the Business Case in three parts.

PART A – BACKGROUND INFORMATION

PART B – ANALYSIS & CONCLUSIONS – AVIATION OPERATIONS PERSPECTIVE

PART C – ANALYSIS & CONCLUSIONS – COMMUNITY/ GOVERNMENT PERSPECTIVE

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Disclaimer

The research and figures in this document are intended to be indicative only and aviation operators and others would need to carry out their own detailed independent research before committing to any actions to introduce or support direct services.



Summary of Main Findings

PART A – BACKGROUND

LAE & CAIRNS

- Lae is Papua New Guinea's second largest city, largest port and industrial centre servicing the country's major population in the Highlands, Momase and Islands region. It has a strong growing economy.
- Regional population is growing at about 2% per annum. Its airport is being upgraded to international standard and the proposed Wafi Golpu mine is likely to give a major boost to the economy when it proceeds.
- Cairns services northern Australia's largest regional population, has the largest primary industry production, the largest tourism industry, largest marine and aviation services sectors and is the location of Australia's northeast naval base. The city has well developed education, medical and other services and a significant population of PNG Nationals.
- The Cairns region has the strongest population growth track record in northern Australia and regional Queensland, with population likely to grow at about 1.5% per annum.

AVIATION CONTEXT

- Australia accounts for 58% of flights overseas from PNG and of those about 30% are to Cairns, accounting for about 16% of passengers.
- Cairns has 281 departures a week to major Australian centres on top of numerous regional services.
- Lae airport is PNG's second largest air hub outside of Port Moresby accounting for about a third of all movements outside of Port Moresby.
- Lae has more flights per week to other centres across the north of PNG than to Port Moresby, with over 100 connections a week.

IMPACTS OF DIRECT FLIGHTS

- For Lae - Cairns point-to-point traffic, direct flights bring only small savings in distances but avoidance of time delay transiting Port Moresby.
- For Lae - Brisbane transiting traffic, there are 103 connections per week from Cairns to Brisbane compared with 12 from Port Moresby and likely to be some saving in airfares.
- For Lae - transiting to and from other Australian centres, there is a saving of one transit via Brisbane or Sydney (1 flight per week). There will be flight time savings and airfare savings especially to Darwin, Perth and Adelaide.

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- Current passenger numbers over the next 12 months, to/from PNG (Port Moresby) Cairns, are estimated at 65,000 – 70,000.
- Based on City-Pair Sabre data supplied by Cairns airport, estimated pax numbers between Lae and Cairns are estimated at a minimum of 120 per week.
- Based on surveying at Cairns airport of departing pax to Port Moresby, about 12% were travelling to Lae, ie. about 160 passengers per week. Passengers to Lae were split approximately 50% Australian, 50% PNG.

About a third were transiting from rest of Australia. About 25% of PNG origin were not from Lae. About two-thirds were Work/Employment/ Business and one-third VFR Holiday.

- Based on a survey of Cairns businesses/ individuals, indicated increases in trips Cairns Lae with direct flights would be +40% in trips terminating Lae and +6% transiting Lae to other airports.
- Based on a survey of Lae businesses/ individuals, increase in trips Lae Cairns due to direct flights would be Cairns terminating +25%, Transits +50%.

PART B – AVIATION OPERATIONS PERSPECTIVE

- Based on the surveying, overall impact on numbers and passengers per week is estimated to lift total passenger numbers to 200 – 263 per week including diversion of Hidden Valley workers of 40 movements per week transiting through Port Moresby.
- If all traffic between Lae and Australian airports diverted through Cairns and there was a diversion of transits from the Lae catchment area, potential traffic is estimated to be of the order of 540 to 690.
- If Wafi Golpu commenced, likely estimated potential additional traffic Cairns Lae is 300 to 400 per week during the six-year construction period plus impact of the project on general Lae economy.
- Because of distance and aircraft size available to and via Port Moresby, to be competitive, an aircraft of about 70 seats would be needed. Assuming an 80% load factor, this would represent number of services (in/out) of:

Services to/
from per week

As indicated by the surveying.....1.8 – 2.4

Potential with diversion of all traffic between Lae catchment & Australian airports.....4.9 – 6.3

Additional with Wafi Golpu2.7 – 3.6

- Information from surveying about preferred days and time of day indicates preferred days were Mondays and Fridays and then Wednesdays, with peak demand Cairns Lae Monday, Lae Cairns Friday, but with reasonably balanced traffic the other way.
- In terms of time of day, preference indicated was generally morning/ early morning throughout except for Cairns based traffic that had a significant preference for return traffic on Friday and Wednesday late afternoon.

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- At present, dominant movement of PNG freight is from/to Brisbane 350 tonnes a month, Cairns 10 tonnes a month, Sydney 3 tonnes a month, mainly carried by Air Niugini. This does not include charter freight services including Hevilift that has a charter freight service weekly Cairns Lae to service the Hidden Valley mine.
- Survey of businesses in Cairns and Lae indicated freight opportunities ex Cairns mainly in machinery and parts, possible workwear and dairy products marine, hospital and education material, tourism gear, bicycles and fresh fruit and vegetables, and ex Lae agricultural products (including coffee, cocoa and vanilla), PNG artisan products and machinery and equipment sent down for repair, reconditioning.

PART C – COMMUNITY/ GOVERNMENT PERSPECTIVE

- For the Lae community, the major benefit is likely to be the reduction of travel time and costs between Lae and Australian cities. It will also include consolidation of Lae airport and Lae as the largest services centre on the northern side of PNG. Direct services to Cairns will help justify the investment in upgrading Nadzab Airport. The direct services will bring opportunities to grow tourism and develop Lae's sister city relationship with Cairns.
- For the Cairns community, the major benefits will be to reduce travel time and costs of links with Lae and the northern side of PNG, help develop business and services delivery, attract residents of Lae and the region to Cairns for recreational breaks and holidays, help develop links with the proposed new naval base at Manus Island, further consolidate Cairns airport hub role, help consolidate the sister city relationship with Lae and benefit the PNG origin community living in Cairns.
- The direct services will benefit Papua New Guinea at a national level. It will help justify the decision to upgrade Nadzab Airport to international standards, help with the PNG government policy of building up strong major regional centres other than Port Moresby, open up further opportunities for the development of tourism on the northern side of PNG and contribute to further strengthening the strong relationship between Papua New Guinea and Australia.
- As the closest Australian city to Papua New Guinea, Cairns already plays a substantial role in Australia's strong business, community and government relationship with PNG. The direct services will help further strengthen this relationship and complement the Australian government's current initiatives to strengthen the relationship at non-government levels including in fields like business, education, culture and sport. The direct services will help with links between Australia's northeastern naval base and the new Australian/US naval base at Manus Island and further assist the development of Cairns in the context of the government's northern development initiatives.