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Committee Secretary
Senate Standing Committees on
Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Email: rrat.sen@aph.gov.au



Principal Office

324 Commercial Street West, Mount Gambier
PO Box 724, Mount Gambier SA 5290
Telephone (08) 8721 0444
Facsimile (08) 8721 0410
Email info@dcgrant.sa.gov.au
Website www.dcgrant.sa.gov.au

Branch Office

5 Charles Street
Port MacDonnell SA 5291

To the Rural and Regional Affairs and Transport Reference Committee

This submission is provided to the Committee by The District Council of Grant, the southernmost council in South Australia's Limestone Coast, who are owners and operators of the Mount Gambier Airport. The Mount Gambier Airport services a catchment area of between 100 and 150 kms radius (approximately 60-90 minutes travelling time) from the airport and services a population of between 70,000 and 80,000. Mount Gambier is South Australia's largest regional city with a population of 27,000 and is located equidistant between the metropolitan capitals of Adelaide and Melbourne.

The airport serves the local General Aviation Community and is the only facility in the Limestone Coast that has regular public transport (RPT) air service with regular airline services to Adelaide and Melbourne provided by Regional Express.

ADDRESSING TERMS OF REFERENCE

- **SOCIAL AND ECONOMIC IMPACTS OF AIR ROUTE SUPPLY AND AIRFARE PRICING** and
- **AIRLINE COMPETITION WITHIN RURAL AND REGIONAL ROUTES**

Between the years of 2005-2007 the Mount Gambier Airport saw passenger numbers grow at an average of 12.9% per annum. During this period, the region was serviced by two RPT operators, locally based O'Connor Airlines and Regional Express (REX). Extremely competitive pricing ultimately saw the demise of O'Connor airlines in 2007 and a monopoly situation created. At the peak, just prior to the cessation of service by O'Connor Airlines, the airport had a healthy 117,000 passengers annually. After the collapse of O'Connor Airlines, the market suffered from pricing increases and a rationing of services. These factors contributed to an average market decline of 6.5% per annum and in the 2016/17 financial year, passenger numbers stabilised at 78,204 persons. Currently, the travelling public has no choice other than what is offered by the remaining airline in relation to fares or flight availability, when needing to travel by air to Adelaide or Melbourne.

Anecdotal evidence indicates that many people who would otherwise be potential air passengers, are choosing to drive rather than fly due to unpalatable pricing or lack of availability of flights. This alternative method of transport usually involves a four and a half to five hour trip by car, increasing the traffic on our rural roads and increasing the risk of road

accidents. It also has the compounding effect of reducing the apparent demand for air travel and reducing the viability for airline operations (from a demand point of view at least) so creating a “Catch 22” situation.

RECOMMENDATION

That the Federal Government consider initiatives to keep downward pressure on airfare costs in regional markets to encourage more people to fly and so grow the market, making it more attractive and sustainable for airlines to operate.

THE DETERMINATION OF AIRPORT CHARGES FOR LANDING AND SECURITY FEES, AIRCRAFT TYPE AND CUSTOMER DEMAND

As with most airports, the depreciation costs at Mount Gambier Airport are high, amounting to around \$600,000 per year out of an annual income of about \$1 million. Mount Gambier Airport operates with a level of financial independence from the Council and does not borrow funds for upgrades or maintenance. Airport costs are recovered from airport tenants and VH-registered aircraft operators, retaining a small surplus each year which is held in reserve for airport maintenance and upgrades, when required. Mount Gambier Airport charges a modest and competitive head tax of \$9.50 (ex GST) levied for each commercial passenger carried. . RA Aus registered aircraft operators are not charged as their contact information is not freely available.

Regional Express flights to Mount Gambier use 34 seat Saab aircraft. These aircraft have been out of production since 1999 and airport management estimate that they will be nearing the end of their useful life by 2030. As there are no aircraft of a similar size currently in production, Airport management expect replacement aircraft to be larger. Mount Gambier Airport have selected the Bombardier Dash 8-Q400 and Fokker F100 as the design aircraft for the main runway into the future. Plans to upgrade the runway to accommodate these aircraft have been developed, with Federal Government funding currently being sought through the highly competitive Building Better Regions Fund to complement funding already secured from both State Government and Local Government partners to undertake the proposed redevelopment project.

It is also understood that new counter terrorism measures including the mandatory scanning of all passengers are currently being considered by the Federal Government to increase security at regional airports. These measures have the potential to considerably increase the cost to airport operators, both for the initial installation of security equipment and the cost of its ongoing operation further reducing the viability of services.

The Royal Flying Doctor Service has also expressed the need for proper perimeter fencing at regional airports as a vital part of any security upgrade to keep not only people, but animals including wildlife out of secure places. Currently the Mount Gambier Airport has approximately 550 Royal Flying Doctor flights per year.

RECOMMENDATION

That significant Federal Government funding be provided for both the provision of infrastructure for any proposed mandatory security upgrades (including scanning and fencing) as well as ongoing security operational costs to assist in keeping downward pressure on running costs and so ensuring that regional airports remain viable and sustainable.

That in view of the essential nature of the availability of affordable air travel to regional communities, the establishment of a separate, dedicated infrastructure fund for essential airport runway upgrades be considered, to assist in maintaining the future sustainability of regional airports.

Yours faithfully

Trevor Smart
CHIEF EXECUTIVE OFFICER