

# nhulunbuy corporation

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8 February 2018

Dr Jane Thompson  
Committee Secretary  
Senate Standing Committees on Rural and Regional Affairs and Transport  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Dr Thomson,

**RE: The operation, regulation and funding of air routes service delivery to rural, regional and remote communities**

The Nhulunbuy Corporation Limited would like to thank the Senate Committee for the opportunity to provide a submission to the above-mentioned inquiry.

The township of Nhulunbuy has a population of around 3,200 and is situated in East Arnhem Land on the north western tip of the Gulf of Carpentaria 600 kilometres due east of Darwin. It is considered a vital lifeline to the outer regions with respect to the provision of shopping, hospital and health care services.

Each year during the monsoonal season road access between communities within the region are not accessible by road and residents of these communities become dependent on air travel to access their basic needs.

Gove Airport is located 15 kilometres from Nhulunbuy and services the communities of Nhulunbuy, Yirrkala, Gunyangara and some 80 other communities within East Arnhem Land. It also provides residents and visitors of East Arnhem Land a link with interstate and international travel through the gateway airports of Cairns International and Darwin International. It is operated by the Nhulunbuy Corporation Limited under a Deed of Agreement with Rio Tinto Alcan.

Because of its strategic position, Gove Airport is a nominated alternate aerodrome for certain domestic and international carriers when access to their planned destination airport is inaccessible due to inclement weather or technical issues.

***a. social and economic impacts of air route supply and airfare pricing;***

A real concern for all regional areas:

Residents in remote areas already endure a high cost of living and any increase in the cost of an airfare only adds weight to the burden. This action has an adverse impact on all facets of the community including social, health, business, professional training, sporting groups, school excursions etc.

A common example is the need to travel to seek specialist medical treatment. As with so many regional communities lacking in specialist medical services the residents need to travel to receive specialist treatment or diagnosis and this becomes extremely expensive particularly if the only option is air travel, as is the situation in Nhulunbuy and surrounding communities during the monsoonal season.

# Reasonably priced airfares will not only sustain but strengthen the health of our town.

In 2013 Rio Tinto announced the curtailment of the Gove Alumina refinery. The population of Nhulunbuy was significantly reduced to around 800 residents but through sheer determination and resolve, the population has now increased and it is heartening to see that businesses survived this period of uncertainty and today the community is once again functional and appearing sustainable. The mix of employment in town is now diverse and not reliant on one single industry. It appears that most workers are now residing in Nhulunbuy and FIFO employment has diminished. Our aim is to retain existing and attract new residents by promoting diversification of industry and ultimately growing the population.

# Unreasonable and unjustifiable high costs of airfare will increase the risk of achieving our goal.

The 2016 ABS Census revealed a median age of 32 and a total of 761 families with children residing in Nhulunbuy. I'm sure that you will agree that there are many important things in life, but one of the most important things in our community is family. Having that physical interaction for even a short period for family visits is vital to forming and maintaining the family bonding, in particular between the grandparent and grandchildren.

The cost of air fares for a family of four (4) from Nhulunbuy to a city in southern Australian can be up to \$8,000. This expense tends restrict family visits to a maximum of one per year.

# Connectivity is vital to family bonding.

***b. different legal, regulatory, policy and pricing frameworks and practices across the Commonwealth, states and territories;***

The inconsistency in the cost of an airfare on the same route but at different times of the year is an example of non-existent pricing frameworks within Australia.

***c. how airlines determine fare pricing;***

There tends to be a cone of silence amongst airlines as information on how airlines determine fare pricing is not shared with the customer or the aerodrome operator.

Having said that, we understand that the fuel burn contributes to a significant portion of total operating cost therefore a fuel subsidy should be investigated. This obviously will only benefit the passenger providing it is factored into the cost of the ticket fee by the airline operator.

# fuel subsidy should reduce the overall operating cost and will reduce the cost of an airfare.

***d. the determination of airport charges for landing and security fees, aircraft type and customer demand;***

Nhulunbuy and surrounding communities are very well serviced by AirNorth. The airline provides jet scheduled services twice daily to Cairns and Darwin. We consider that the current type of aircraft, EMB170 with a capacity of 76 passengers is the ideal size for the route and demand. In addition, services to Groote Eylandt and Darwin are scheduled five days a week using a 30 seat EMB120 turbine propeller aircraft.

The Nhulunbuy Corporation Limited, is extremely mindful of the high cost of living in remote locations and have made every effort to ensure that airport charges are competitive and reasonable.

The departing passenger fee from our facility on an EMB170 aircraft service is \$42.50 and arrival fee is \$21.50. A breakdown is as follows;

Landing Charge - \$9.00 based on av. 75% load @ \$15 per tonne, 35.99T MTOW

Terminal Fees - \$12.50 per passenger (transit passengers excluded)

Aviation Screening - \$30 per departing passenger (transit passengers excluded)

Aviation Screening is a mandated requirement under the Aviation Transport Security Act 2004 for scheduled services using aircraft above 20,000KG maximum take-off weight (MTOW). The screening service presents a significant impost on regional aerodrome operators, in particular for those aerodromes that have low passenger numbers. Economy of scale dictates that the fewer the passenger numbers the higher the security fee and hence the dearer the airfare. As can be seen above with the passenger fee for our aerodrome, if the aviation screening fee was removed then the departing passenger fee is significantly reduced. The screening fee for this airport is based on a cost recovery only model, ensuring airport charges are kept to an absolute minimum.

The cost involved in implementing and providing aviation screening at a regional airport is unsustainable. The initial outlay for our equipment ie. baggage conveyor alterations, passenger screening, carry-on baggage x-ray, checked-in baggage x-ray, walk through metal detectors, explosive trace detection etc, was incredibly expensive and the ongoing operational and maintenance costs per annum is of a similar amount.

Another significant issue with the equipment is having to upgrade to the latest technology each time a decision is made by authorities, dictating the existing equipment no longer serves the desired purpose.

# We believe that this function is a Federal Government responsibility and that it should be either fully funded or handed over to it's rightful owner to perform and manage.

***e. pricing determination, subsidisation and equity of airfares;***

It has been suggested that an airline/s will increase the fares on a route where there is no competition and reduce the cost of fares on a route where there is competition with other airlines to enable them to be more competitive.

During the school holiday periods, public holidays and annual holiday periods etc. the cost of airfares always increase significantly with no visible justification. The airlines should provide some transparency and explanation for these increases.

# implement a Residential fare program for Gove and surrounding communities particularly during the monsoon season when roads are inaccessible.

**f. determination of regulated routes and distribution of residents' fares across regulated routes;**

Regulated air routes have been implemented in WA, NSW and Queensland. This strategy has been adopted to support the social and economic resilience of communities through safe, affordable, efficient and effective aviation services.

An excerpt from Review of Regulated Regular Public Transport Air Routes in Western Australia, Final Public Report 2015 - Department of Transport WA states:

*“Generally, a light-handed regulatory approach is preferred as it allows for a more flexible system that can be more responsive to volatile markets. However, in some cases regulation is necessary to protect the public and “achieve important economic, social and environmental objectives” (DPMC, 2013). Routes with insufficient passenger volumes to sustain competition need to be protected to ensure that regional and remote communities have reasonable access (determined RPT service. by the size of communities, other modes of available transport and travelling distance on a safe road) to air services. The key benefits of aviation regulation are that it:*

- *ensures publicly accessible services to regional communities;*
- *provides greater certainty for communities and industries; and*
- *provides an opportunity to discuss scheduling prior to changes occurring in the community.”*

I suggest that a system should be adopted to regularly review those routes with insufficient passenger volumes to sustain competition and closely scrutinize pricing, on time performance, reliability of services and communications with the intent to gauge whether the economic, social and environmental objectives are at reasonable and fair expectations with a view to regulating the route. This is a State responsibility.

# Regulated routes may be the fairest option.

**g. airline competition within rural and regional routes;**

AirNorth is the sole provider of scheduled domestic services to Gove Airport.

As indicated by the table on the following page, competition between airlines produced flexibility and cheaper airfares resulting in more people using the services. This can be seen by the passenger number figure for financial year 1999/2000 when both Ansett Airlines and Qantas were providing air services to Nhulunbuy.

Financial Year	Passengers	Population	Movements	Carrier & aircraft
1999/2000	186,292	3,800	5,404	Qantas Boeing 737 Ansett Boeing 737
2001 Ansett ceased operations November				
2001/02	107,483			Qantas B737
2013/14	103,562	3869	2663	Qantas Boeing 717
November 2013 - RTA closed refinery				Qantas Boeing 717
August 2014 – Qantaslink ceases				Qantas / Airnorth
2014/15	62,937	2,074	1,987	Airnorth EMB170
2016/17	58,429	3,240	2,076	Airnorth EMB170

Note: Data source is the BITRE website.

AirNorth provide a service on their Darwin - Groote Eylandt - Darwin route, five days (5) per week using a 30 seat Embraer 120 aircraft. The scheduling of these services allows travel to anywhere in Australia on the same day.

Six (6) aircraft charter companies based on Gove aerodrome provide air charter services to around 80 local communities in the region.

One company provides a scheduled service in a Cessna Caravan (C208) in an effort to offer customers a cheaper option of travel.

In 2016/17 there were 20,020 aircraft movements at Gove aerodrome. Of the total, 2,076 movements were scheduled AirNorth operations, and the remaining 17,944 consisted of charter operations and general aviation.

# existing competition between charter operators providing air services linking the remote and regional communities effected reasonable prices to the customer.

***h. consistency of aircraft supply and retrieval of passengers by airlines during aircraft maintenance and breakdown;***

The sole carrier providing scheduled services to and from Gove Airport has four (4) relatively new EMB170 jet aircraft and an ageing fleet of EMB120 aircraft. The company is always looking to grow the business and to introduce new routes and sectors and evidently this can have an adverse impact on the on-time performance and the reliability of the scheduled service. The shortage of crew has also adversely impacted on the delivery of services to the region. Having said that, the community of Nhulunbuy and surrounding region is fortunate to have a twice daily jet service that provides links to intrastate, interstate and international destinations.

# failure of service delivery can be the result of many factors including a crew shortage.

***i. all related costs and charges imposed by the Civil Aviation Safety Authority; and***

Gove Aerodrome is classified a Certified Aerodrome under the Civil Aviation Regulations Part 139 and therefore the facility must conform to the requirements for physical standards and it must be operated and maintained to the minimum standard as prescribed in the Regulations.

Gove Airport is a multi-million dollar business to operate with delicate and structured forecasting required to ensure we recover and quarantine funds for future obligations. An example of programmed maintenance works is the cyclic resealing of all sealed movement areas associated with aircraft movements and is required every seven to ten (7-10) years on average. Resealing works in a remote area such as Gove with massive mobilisation and demobilisation costs associated with bringing specialised equipment to site can easily identify a \$3 million future liability.

# Airports are a costly business and safety cannot be compromised.

***j. any related matters.***

Find below some comments and questions directed to myself from members of our community;

1. We don't have a choice of who we fly with or how much we pay.
2. Longer distance flights and even some International flights cheaper than Gove to Cairns or Darwin - why is this?
3. Communications from the airline is almost non-existent. They don't even notify me when my flight has been delayed or rescheduled.
4. I don't want the airlines to dictate to me on when I can take my holidays based on the price of an airfare. I want to take them when I want but I know I'll pay dearly.
5. We pay the cost of a Premium ticket so we should be given a premium service that includes reliability, on-time performance and a system of communication to inform customers of changes to flight status.
6. One should not have to tack an extra day / night onto their trip to ensure that they can meet the international airline connection as is the case with many residents of community

# it is the dream of every ordinary Australian take a trip in an aeroplane. Let's turn this dream into a reality for all Australians living in rural, regional and remote communities.

Yours sincerely,

Les Mitchell  
Manager Aviation & Compliance