

Rural and Regional Affairs and Transport Reference Committee Inquiry - Recommendations from the Furneaux Aviation Special Committee to Flinders Council

Overview

The Flinders Council makes this submission on behalf of its ratepayers, the people who reside in the municipality, or service the community from the mainland and, by necessity of remote island life, must use air transport on a regular basis, the cost of which impacts on living and service costs to the islands.

Flinders and Cape Barren are the two largest islands in the Furneaux Group of islands that sit in the southern side of eastern Bass Strait. The Furneaux Group has 52 islands in all and lies within the Flinders Local Government area of Tasmania. Flinders and Cape Barren Islands are considered to be remote. The Local Government area resident population at the 2016 census was 906 and rising (17% rise between the last two census counts), with 833 of these residing on Flinders and around 70 on Cape Barren Island (CBI). The Flinders economy is based on agriculture with a nurtured and growing visitor economy and a negligible return from fishing.

Access to the islands by sea is by a barge, the Matthew Flinders II, operated by Furneaux Freight out of Bridport, Tasmania. This vessel is designed to carry general cargo and livestock to move the 22,000 head of cattle and 40,000 head of sheep that leave the Islands each year. There is a general cargo run once a week from Bridport to Flinders and once a month to CBI. The number of passengers carried by the Matthew Flinders II is minute and travelling conditions are basic.

Flinders Island is currently in a phase of stable air access with the Regular Passenger Transport Service (RPT) supplied by Sharp Airlines once to thrice daily from Launceston, Tasmania and 2-7 times weekly from Essendon, Victoria, based on the seasonal demand. Refer to Annexure 1 (Sharp Airlines summer schedule 2017-18) Sharp Airlines operates Metroliners, configured to carry 17 or 19 passengers.

There are two small charter companies that regularly service the islands for freight and passengers, one based on Flinders Island and the other based at Bridport. The Bridport based company also undertakes the mail run to both Flinders and CBI.

Cape Barren Island is serviced by RPT, via Airlines of Tasmania, twice weekly from Launceston. This service is subsidised by DOTARS under the Remote Access Program.

Whitemark airport is owned and operated by the Flinders Council after being handed over to the Council by the Federal Government in the 1990s, and operates at a loss. It is capital hungry. The Flinders Council recognises that should it try and recoup all operating costs from the current small number of users the cost of landing would be inhibiting to the use of the facility.

It is recognised that affordable airfares, for a safe, regular and reliable service supports population growth in remote regions such as ours and that growing population in regional areas is advantageous in both relieving the stress on metropolitan centres and making services in remote regions sustainable.

Recommendations for Submission

The operation, regulation and funding of air route service delivery to rural, regional and remote communities, with particular reference to:

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

Flinders Council has a clear desire to grow the permanent population on Flinders Island to levels that will support greater sustainability; access to a greater range of choice for local services and goods; and increase ongoing service delivery for essential activities associated with health, education, employment and enterprise. Flinders Island Tourism and Business Inc., supported by council funding, has embarked on a major marketing program to encourage regional economic growth through increased tourist visitation with the hope of also converting some visitors into residents. Council has invested in upgrading community facilities to enhance liveability for current and future residents.

As the Whitemark Airport is the main 'highway' between Flinders Island and mainland Tasmania and Australia, airfare pricing has a direct social and economic impact by effecting population growth and tourist visitation.

The cost of getting on and off the Island is a major consideration for people considering permanent relocation to Flinders Island as residents need to remain connected to families who live on the mainland and travel for work and health related reasons. Tourist visitation is also hindered by the airfare pricing with some overseas destinations costing less than flights to Flinders Island.

We understand that the most effective way to keep airfare pricing down is to build passenger numbers however air travel needs to be priced to encourage rather than hinder that growth.

An important effect of supporting population growth in regional areas is that this population growth can act as a release valve for high density population areas by reducing some of the demand on overstretched city infrastructure.

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

Charter airlines have less regulatory burden than RPT services and the additional regulatory compliance for RPTs adds substantial cost. On Flinders Island this disparity causes pricing issues and the RPT airline is having difficulty competing. An increasing number of passengers are choosing to fly with the charter airlines to and from Bridport at a cheaper rate, rather than to Launceston with the RPT. This is compounded by the fact that people can leave a car at the Bridport airport for free rather than paying the \$600 per year car parking fee at the Launceston airport. Landing at private airstrips in Bridport and on Flinders Island could compromise the safety of passengers as these strips may not be well maintained.

c. how airlines determine fare pricing

Council does not fully understand how airlines determine fare pricing however research shows that the per km rates across regional Australia are similar and understands that short routes, e.g. Flinders - Launceston, can be more expensive. Research also shows that pricing is disproportionately higher in regional and remote areas.

The WA Parliament Inquiry into Regional Airfares in 2017 indicates an average pricing of 0.51 - 0.69 cents/km and one submission to that Inquiry stated that the airfares were the most expensive in Australia. For the Flinders service, operated by Sharp Airlines, the standard fare price for the Flinders Launceston route operates at \$1.06 /km and the longer, but less utilised, Essendon Flinders Route operates at 0.67 cents/km. A search of other routes operated by Sharp Airlines shows a disparity in the pricing structure. Routes in and out of Flinders have two types of air fares - a standard fare (Tasflex) and an occasional discounted fare (Promo); while King

Island routes have an additional discounted fare (Just Go) and other Sharp Airline routes have a range of fare types.

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

Council owns, operates and maintains the Whitemark airport at a loss of approximately \$180,000 per year and provides free carparking at the airport. Cost of maintenance is much higher in rural areas. As there is only one RPT and few charter airlines, Council is unable to pass on the full operational costs to the airlines. In effect, Council is subsidising passengers to the value of approximately \$200,000 per year.

The Australian Government's Regional Aviation Access Programme (RAAP) provides much needed funding to assist with the costs of ongoing maintenance at the airport. It is recommended that this program continues past Round 4.

Proposed increased national security measures at regional airports will no doubt have a flow on affect to passengers. It is yet unknown if these measures will be introduced at Whitemark airport however it is anticipated that the regional terminals at Launceston and Essendon airports will eventually be affected. The 2017 WA Parliament Inquiry into Regional Airfares found that newly introduced security screening added an average of between \$11 - \$22 per passenger each way to the cost of flying. It is also understood that the Mildura airport lost an airline because of the resultant price increase. Currently most of the Island's visitors come from Essendon so an increase could adversely affect tourist numbers. Flinders Island has a history of RPT airlines going out of business and it is vital to the Island's economy that our RPT airline thrives as well as encourages visitation.

Introduction of screening in an everyday scenario for our regional RPT service would be time consuming and especially costly on a per passenger cost basis and if necessary, should be limited to periods of very high national alert related to terrorism only.

If security screening were to eventuate we would look to the Federal Government for assistance to offset the impost.

e. pricing determination, subsidisation and equity of airfares

The State Government currently provides subsidies for health, education and a pensioner rebate and the federal government supports RPT flights to Cape Barren Island by Airlines of Tasmania through the Remote Air Services Subsidy Scheme. Sharp Airlines is eligible to receive a subsidy for remote service through the Airservices Australia Enroute Charges Payment Scheme. It is understood that the Department of Health and Human Services and Sharp Airlines are lodging their own submissions to this Inquiry.

Residents of Flinders and Cape Barren Islands are eligible for a Special Zone B Tax Allowance to offset the costs of living in a remote area. This allowance has not increased in 20 years and does not take into consideration the increased cost of airfares over that period. Given the social and economic challenges of living in a remote area, an increase in the Special Zone B Tax Allowance in line with CPI increases would be appreciated as would resident rate airfares with the RPT airline.

Increased support is also required from the State Government to cover increasing biosecurity costs.

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

g. airline competition within rural and regional routes;

Another RPT could come in at any time and operate however the size of the route would not make this a long-term viable proposition. Competition with charter airlines currently exists there being two island based small charter companies operating small aircraft from Lady Barron and Whitemark with other companies servicing the Island from the mainland.

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

Sharp Airlines cover maintenance and breakdowns in the best and most efficient way they but it comes at a cost. Passengers usually only wait a few hours for a replacement service. They are unable to land after last light so in winter this could mean passengers have to wait until the next morning for a flight.

In winter with less passengers they sometimes ration flights and flights are occasionally cancelled with only one or two days' notice if not enough seats are booked. In this case they move people to the next available flight. This can be extremely inconvenient, particularly for business travellers who plan to fly in and out on the same day, as it can incur additional accommodation and travel costs.

i. all related costs and charges imposed by the Civil Aviation Safety Authority (CASA)

CASA costs are standard for all airports and not a huge impost at present. As this is a federal requirement, it would be appreciated if a federal program was introduced to subsidise CASA costs for regional airports.

j. any related matters.

Council staff are required to be on-call every night of the year for late Royal Flying Doctor Service landings at a cost of \$40 per night. This cost is carried by Council and cannot be transferred to the user.