



Submission to the Rural and Regional Affairs and Transport Reference Committee

**Inquiry into the Operation Regulation and
funding of air route service delivery to rural
regional and remote communities.**

February 2018

OVERVIEW

Flinders Council makes this submission to the Rural and Regional Affairs and Transport Reference Committee (the Committee) inquiry into the Operation Regulation and funding of air route service delivery to rural regional and remote communities of behalf of its ratepayers, the people who reside in the municipality, or service the Community from the Mainland. By necessity of remote island life, all must use air transport on a regular basis, the cost of which impacts on living and service costs to the Islands.

EXECUTIVE SUMMARY

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.

The Australian Government's Regional Aviation Access Programme (RAAP) provides much needed funding to assist with the costs of capital works (but not operations) at the Airport. Council considers it essential that this program continues and potentially past the current Round 4 allocation.

Currently a 1 for 1 funding split is applied regardless of location or size of airport. As a comparison, the Building Better Regions Infrastructure Program, a more recent Australian Government Program, classifies Flinders as "Very Remote" with a 3:1 funding allocation applicable. Ideally allocations should be based on relative disadvantage through financial reporting, much like the Grants Commission equalisation methodology, but this change seems a reasonable start, with minimal additional administration required by the Australian Government.

Flinders Council supports the Tasmanian State Governments Submission to the Inquiry recommending that the Australian Government consider a risk-based approach to any proposed enhanced security requirements for regional airports. Also extending current assistance programmes for regional aerodromes to help them meet all costs related to installing additional security measures to meet national standards and meet on-going costs in operating and maintain these systems. It is essential that issues such as potential security risks need to be balanced against the likelihood of probability, as well as the long-term viability and existence of communities.

Council recognises the difficulties in obtaining a meaningful view of how airlines determine pricing as there are many complex intertwined factors and that there are many issues that are commercial in confidence. Notwithstanding this difficulty, it is suggested that the Inquiry should pursue this aspect; especially with the Airlines, as they have potentially much to gain. Without this information any sound policy development and with it potential improvements to future funding at an Australian Government level will be difficult to achieve.

The cost shifting and financial impacts on Council following the 1990's handover of the Flinders Island Airport to Council, go to the heart of the Inquiry directly related to the pricing of airfares. The need for the Australian Government to take a holistic review and be willing to provide needs based operational funding as well as capital assistance could not be clearer.

BACKGROUND

General

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 very 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.

Airport

The Flinders Island airport is owned and operated by the Flinders Council after being handed over to the Council by the Commonwealth Government in the 1990s. It is located some 5km north of Whitemark; which is the only administrative centre for the Island and as such supports a raft of other services that are required by passengers. The Airport comprises two runways. The longer (1,720m x 30m) north-south runway which has the greatest usage and the shorter (1,070m x 30m) east-west runway.

When Council took control of the Airport the quality of runway pavement it inherited was then fit for purpose but over time issues have arisen. Compared with previous aircraft that operated out of the Airport, the smaller wheels and higher point landing loads of the aircraft that the current Regular Passenger Transport (RPT) operator (Sharp Airlines) uses, have increased the impact on the Flinders Airport runway, which has likely accelerated its deterioration.

Over the past few years Council has investigated options including construction of a new north-south runway on a modified alignment but the \$19m construction cost made this option cost prohibitive. A new alignment would potentially improve flight paths for RPT carriers but Council has been advised that there are very few days during the year that the current airport alignment is insufficient for the number of weather induced cancellations for RPT Operators.

Last Year Council instituted a trial section of foam bitumen stabilisation which looks to be a cost-effective option to extend the life of this runway by many years. During the 2017 winter no issues with pavement deformation arose.

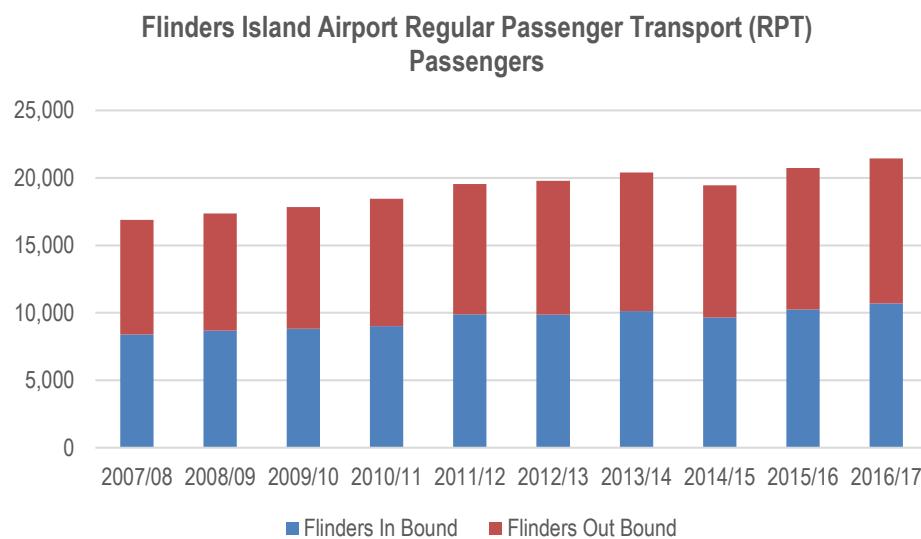
In 2017 Council followed up its intention to pursue this option and have made application under the Australian Government's Regional Aviation Access Programme (RAAP) for a \$1.8m grant towards a \$3.6m upgrade.

Section 4.2 of the State Governments submission to this Inquiry describes an overall assessment of flight and travel arrangements in the Furneaux Group of Islands but this contains an assessment of Councils operations in relation to the Airport runway that exclude this up to date information.

Council's airport is located adjacent to the sea where protection of the runway from birds remains an ongoing management issue. Flinders also has a very large wallaby population which also brings with it management issues. In 2018 Council made application under the Australian Government's Regional Aviation Access Programme (RAAP) for a \$55k grant towards a \$110k fence upgrade.

The Airport also comprises a serviceable terminal building, a sealed car park for some 100 vehicles, refuelling facilities owned and managed by Sharp Airlines, a Royal Flying Doctors Building, and one Private Hanger. Plans for expanded hanger facilities for commercial and private operators plus other improvements are in train.

Flinders Airport has a relative modest throughput of around 21,400 Regular Passenger Transport (RPT) passenger movements relative to its infrastructure base. As shown below, growth in movements has been modest at an average of around 2.7%pa. As such, unlike other locations, it is not viable to have other commercial facilities such as a cafe or bar located at the Airport in order to generate additional revenue.



The Flinders Island Airport operates at a loss and 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. The Council's overall financial performance is also masked by this operating loss, with Council's Financial Statements and overall financial indicators not being able to adequately reflect this nuance. (*Refer Annexure 1 – Flinders Island Airport Profit & Loss Financials*)

Air Travel

Flinders Island is currently in a phase of stable air access with the RPT service 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 2 Sharp Airlines Flight Info*)

Sharp Airlines operates Metroliners, configured to carry 17 or 19 passengers with a substantial freight component that assists in making air routes in the current configuration adaptable and profitable. Sharp have advised that their fleet is cost effective and suitable for the routes that they travel with acceptable travel times of 30min (Launceston) and 65min (Essendon). There are good linkages to the rest of the domestic and international flight paths via Launceston with

free connection arrangements for transfer to Melbourne's Tullamarine Airport via Shuttle Bus in place. Sharp Staff also facilitate taxi service connections at both airports as part of their customer service role.

Sharp acknowledge that the Metroliners have been out of production for many years but yet they do have adequate replacement parts through an extensive consolidated fleet of similar aircraft that they have acquired.

This service is the lifeblood of the Island with regularity of service, affordability and national access key requirements. Over recent years Sharp airlines have been able to fulfil these aspects but also in the context that they have a range of other services operating out of Launceston and Essendon Airport such that the ability to link nationally is available. They also operate to King Island, and Burnie (Wynyard) in Northern Tasmania and Portland and Warrnambool in Southern Victoria. (*Refer to Annexure 2 Sharp Airlines Flight Info*)

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 on mainland Tasmania. The Bridport based company also undertakes the mail run to both Flinders and Cape Barren Island.

Cape Barren Island is serviced by RPT, via Airlines of Tasmania, twice weekly from Launceston. This service is subsidised by the Department of Transport and Regional Services (DOTARS) under the Remote Access Program.

The Airport is also integral to the health of the Island as it provides the only effective means for local residents to access specialist health care and is also used for emergency Royal Flying Doctors Services.

Summary

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.

TERMS OF REFERENCE SUBMISSION RESPONSES

The following specific responses are provided in relation to the Committees Terms of Reference as reference to the following:

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 Flinders Island 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 as well as being able to 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. Flinders now has a reliable integrated service, with pricing a critical issue, but this also needs to be considered in context with Sharp's overall passenger and freight operations, especially as they have now centralised their maintenance operations in Launceston. Changes in any aspect that adds operational costs to the RPT service have potential widespread consequences for that service as well as on local airfares.

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 and significant costs on overstretched city infrastructure. With proximity to mainland Tasmania and Victoria, Flinders' natural attractions, unique friendly lifestyle and soon to be upgraded telecommunications all lead to potential growth on island if the costs of airfare travel are retained at affordable levels.

Part of the social aspects and responsibilities with respect to a successful RPT operation that is key to the community's acceptance of the airline services provided involves the airlines ability to have a good customer service focus. This is especially the case for the Flinders Community and it is pleasing to see that, notwithstanding occasional lack of communication to residents over such matters as cancellations, Sharp Airlines rate highly in this aspect.

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. With proximity to mainland Tasmania and Victoria the relative difference in operating costs between an RPT Service and Charter Operations is less than in many other locations.

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. From a local political perspective Council is constrained with respect to recovering its own car parking fees, yet must fund the infrastructure to service local customers.

Any increased regulation leading to additional costs to the RPT service which do not apply to charter operators will invariably exasperate this situation, thus leading to increased landings at private airstrips in Bridport and on Flinders Island which already compromise the safety of passengers as these strips may not be well maintained.

The issue off Biosecurity is also an important one. As the current January 2018 outbreak on Flinders Island shows, the damage to the Tasmanian economy is significant with unregulated airports on Flinders Island a potential weakness. If Governments decisions are introduced that increase costs on RPT services and associated airports relative to unregulated airports and relative airfares increase as a result then there will be far wider ramifications.

Council owns, operates and maintains the Whitemark airport at a loss of approximately \$200,000 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's rates are subsidising passengers and freight to the value of this operating deficit every year. As depreciation is not funded through the airport operations, funding for airport related capital works comes from Councils overall revenue as there are no airport related financial reserves.

The Australian Government's Regional Aviation Access Programme (RAAP) provides much needed funding to assist with the costs of capital works (but not operations) at the Airport. Council considers it essential that this program continues and potentially past the current Round 4 allocation.

Currently however, a 1 for 1 funding split is applied regardless of location or size of Airport. This has been in place for many years. For small, very remote facilities such as Flinders this is insufficient. As a comparison the Building Better Regions Infrastructure Program, a more recent Australian Government Program, classifies Flinders as "Very Remote" with a 3:1 Funding allocation applicable. Finding a 25% portion of the local contribution, whilst difficult is far preferable than 50%.

Given this more recent Australian funding criteria for a similar infrastructure program, then a review is considered justified. Ideally, allocations should be based on relative disadvantage through financial reporting, much like the Grants Commission equalisation methodology, but

this change seems a reasonable start with minimal additional administration required by the Australian Government.

The State Government currently has limited / no role to play with respect to Regional Airports but as witnessed by the recent decline in provision of shipping services to King Island when circumstances dictate the State can intervene as a last resort. From a "Community Service Obligation" perspective there would appear to be some validity to the Australian Government requiring the State Government to at least be a partner in future Capital Upgrades as potentially part of this program.

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, although it is anticipated that the regional terminals at Launceston and Essendon airports will eventually be affected.

In the Tasmanian State Governments Submission to the Inquiry they have recommended that *"the Australian Government consider a risk-based approach to any proposed enhanced security requirements for regional airports and extend current assistance programmes for regional aerodromes to help them meet all costs related to installing additional security measures to meet national standards and meet on-going costs in operating and maintain these systems."*

Council strongly supports this recommendation as it is essential that issues such as potential security risks need to be balanced against the likelihood of probability as well as the long-term viability and existence of communities.

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 price increase. Currently a significant portion of tourism related visitors originate from Essendon, especially during the summer months where the schedule jumps from two to seven flights per week, so an increase in costs 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.

c. how airlines determine fare pricing

Council does not fully understand how airlines determine fare pricing but does appreciate that it is extremely complex.

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 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.

A summary comparison of Fares and Air Distances is shown as follows:

Airline	Route		Discount Fare	Top Fare	Distance
Sharp	Flinders Island	Launceston	\$125	\$185	175km
Sharp	Flinders Island	Essendon (Melb)	\$125	\$252	376km
Sharp	Launceston	King Island		\$286	337km
Sharp	Launceston	Burnie (Wynyard)		\$60	138km
Sharp	King Island	Burnie (Wynyard)		\$219	200km
Sharp	Essendon (Melb)	Warrnambool	\$99-\$212	\$257	223km
Sharp	Essendon (Melb)	Portland	\$119-\$222	\$267	308km
Sharp	Essendon (Melb)	King Island	\$150	\$215	255km
Rex	Tullamarine (Melb)	King Island	\$128-\$370	\$425	260km
Rex	Tullamarine (Melb)	Burnie (Wynyard)	\$159-\$429	\$512	378km
Rex	Tullamarine (Melb)	Mt Gambier	\$175-\$430	\$474	357km

Council recognises the difficulties in obtaining a meaningful view of how airlines determine pricing and in this submission, it is clear that there are many complex intertwined factors and that there are many issues that are commercial in confidence. These include many factors such as maintenance and operating costs of aircraft, ownership model of airlines, fuel, staff costs, lease fees, CASA compliance costs, extent of freight carried, demand, sale fare incentives, insurance etc. Airport fees and charges also contribute but as previously outlined in the case of Flinders Council, they are not fully passed on and in any event, are not the major cost component to a ticket.

Notwithstanding this difficulty, it is suggested that the Inquiry should pursue this aspect; especially with the Airlines, as they have potentially much to gain. Without this information any sound policy development and with it potential improvements to future funding at an Australian Government level will be difficult to achieve

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

Councils Airport Fees and Charges is shown below.

Airport Charges	\$
Commercial Flights (MTOW per tonne)	20.50
Private Flights (per engine & per landing if paid on site)	13.00
Private Flight (per engine & per landing if NOT paid on site)	27.00
Helicopters (per landing if paid on site)	13.00
Helicopters (per landing if NOT paid on site)	27.00
Ultra-Lights (per landing if paid on site)	13.00
Ultra-Lights (per landing if NOT paid on site)	27.00
Regular Passenger Transport (RPT) Landings - MTOW per tonne	9.25
Passenger Tax (per leg) -RPT	9.00

Airport Charges	\$
Passenger Tax - Charter Flights (7 tonne & over)	10.80
Royal Flying Doctors Service (RFDS) - Call out fee per landing	195.00
Annual Hire Car Parking licence fee (per car space)	265.00
Advertising Space at Whitemark Airport Reception Area	30.50
Advertising Cabinet Units (two months duration per unit)	

The two most significant components of revenue, comprising around 93% of Council's operating revenue for the Airport, relate to the following:

Airport Landing Fees	\$95,000 pa
Passenger Service Charge	\$200,000 pa

On Flinders, whilst passenger tax applies to the RPT service and charter flights over 7 tonnes, but in reality, not all of these fees associated with charter flights are captured.

A comparative review of airport fees and charges for similar airports elsewhere revealed that Flinders Island is generally comparable with some scope to increase some fees and charges but that there was no overriding rationale in each Airports determination. This is understandable as each small Airport will have different operating circumstances.

On Flinders Island Council makes intuitive decisions on pricing based on many factors including, but not limited to the following:

- operating costs for the Airport
- effects of increasing Council rates to subsidise the Airport's operation
- comparisons with charges at similar airports
- costs of airfares and perceived impacts on the community
- perceived effects of the viability of the RPT service which is the lifeblood of the Island
- comparative low-cost operations for local Charter Flights which could easily relocate elsewhere on the Island if Councils charges are being too costly
- distinctions between local residents and visitors
- perceived and real community reaction for increase in charges
- realisation that Charter Operations provide a valuable service to the many Council outer islands which cannot access a direct RPT service

This juggling act is challenging and complex but essential that it be carried out at a local level where there is great community connection and understanding.

e. pricing determination, subsidisation and equity of airfares

The State Government currently has limited / no direct role to play with respect to Regional Airports but as witnessed by the recent decline in provision of shipping services to King Island when circumstances dictate, the State can intervene if forced.

The State Government however currently provides travel subsidies for the following:

- (a) Conveyance allowance program for Bass Strait Islands which provides financial assistance for resident families whose schooling needs are not met in the Islands
- (b) Pensioner Air Concessions travel subsidies for Bass Strait Island residents

- (c) Patient Transport Assistance Scheme (PTAS) to help with travel and / or accommodation costs to Tasmanian residents who need to travel over a certain distance for specialised services. This also applies to Furneaux Islands residents where the level of assistance for travel is calculated as the cost of a return economy air flight, plus the cost of the cheapest appropriate mode of travel from the destination airport to and from the medical service.
- (d) School teacher and school staff travel subsidies for staff and their dependents

Council also understands that Hospital staff have similar support mechanisms in place as per (d). This also raises the question of equity within the Island. For instance, Council previously had a similar provision for its staff but has now been valued and incorporated into general salaries.

Sharp Airlines are also eligible to receive a subsidy for remote service through the Airservices Australia Enroute Charges Payment Scheme.

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.

From a "Community Service Obligation" perspective the Bass Strait Islands warrant earnest consideration in a wide variety of aspects. How the Australian Government tackles this aspect is open to question but it is recommended that the Inquiry address this aspect with respect to not just capital works but also local operating costs.

At this stage Flinders and King Island Council's receive some small consideration though the Financial Grants Commission process as they are the only two Councils which receive an expenditure airport allowance for the provision of airport services. The Commission considers the special allowance to be justified because this expenditure is unavoidable for the Island Councils. These represent the recognition of need, but are not a full reimbursement of the costs of providing these services.

The current amount of \$70,000 per airport is added to the Councils overall expenditure requirement which for 2016/17 totalled \$4,510,299. This represents 1.55% of Councils total expenditure requirement. When translated, this had a very small increase of approximately \$10,700 on Council's overall Financial Assistance Grant that Council received; which would have been part of the total pool allocated to Local Government.

It is considered that it is preferable that the Australian Government, having already recognised that it should subsidise Capital Works on regional and remote airports, put in a needs base operational funding allocation program to more equitably assist regional and remote airports.

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

Council has no comment to make with respect to this aspect but looks forward to the Inquiry's review and assessment.

g. airline competition within rural and regional routes;

It's obvious that the greater the market the greater likelihood of competition from another RPT, which could come in at any time and operate. King Island is one such example where the Council has a greater population and hence revenue and has two (2) top rated golf courses which generate significant additional passenger and freight flights.

Flinders Island however has significantly less travel numbers making competition unlikely and in any event any new competition, whilst welcome from a pricing and choice perspective has the potential to undermine the viability of the existing RPT.

Competition with charter airlines has also increased over time. There are currently 4 planes at Lady Barron, 1 at Whitemark and 5 at Killiecrankie. The RPT service is finding it increasingly more difficult to compete with charter airlines often with a lack of acknowledgement of the superior safety requirements associated with an RPT service.

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

Like all airlines when there is a breakdown there are significant impacts at a customer level. Whilst Sharp Airlines cover maintenance and breakdowns in the best and most efficient way they can, 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 must 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.

In these circumstances the complex nature of aircraft operation is often not understood and timely communication is essential. However, the extent of actual delays, as opposed to perceived delays and the rationale is often not made public; a situation that could be addressed.

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

CASA costs are standard for all airports but invariably have a greater impact on operations for smaller airports with smaller usage.

As an example, Flinders Island has virtually the same pavement area to maintain but with much less air traffic than King Island and less operating revenue as a result. As this is a federal requirement, it would seem appropriate that operation funding be introduced to subsidise CASA costs for those regional and remote airports, that through no fault of their own, are not in a financial position or have difficulty in meeting CASA related costs as part of their operations.

j. any related matters.

Flinders Council inherited the Flinders Island Airport after it was handed over to the Council by the Commonwealth Government in the 1990's. In doing so the legal and fiscal responsibility was also transferred to Council.

In addressing this Inquiry into the Operation Regulation and funding of air route service delivery to rural regional and remote communities, it has become paramount that the 1990's decision to hand over facilities in one sense whilst excellent from a local operation perspective effectively transferred most of the Commonwealth's costs to Local Government.

At the end of 2016/17, Council had an operating deficit of \$1.124million and an underlying surplus ratio of -26%. This ranks as the highest in Tasmania but nevertheless is entirely brought about due to the limited rateable area relative to the size of the Municipality, the small length of state road relative to needs, the need to operate a regional airport with relatively small throughput and the inherent cost disadvantages of being an isolated community made up of over 52 islands, 2 with permanent populations. As a result, Council has a very small rate base made up of 1,253 ratepayers that generate rate revenue of \$1.55million.

Operationally, Council makes good progress but most of its modest financial reserves of around \$6.657million will be eventually required for Asset Renewal Projects. New large-scale projects are virtually impossible to achieve without external grant support.

These impacts go to the heart of the Inquiry, directly related to the pricing of airfares. The need for the Australian Government to take a holistic review and be willing to provide needs based operational funding as well as capital assistance could not be clearer.

Further Information and Input

Council trusts that this submission assists the Senate in its deliberations with representatives from Council willing to follow up with any future hearings that may result.

**Bill Boehm
General Manager**

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Annexures

Annexures

Annexure 1 - Flinders Island Airport Profit & Loss Financials

Annexure 2 - Sharp Airlines Flight Info

Profit & Loss**Financial Statements****Flinders Council**

For the 6 months ended 31 December 2017

All Figures \$k

Account	Actual 2016-17	2018 Overall Budget	Revised Budget
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AIRPORT**Statement of Profit or Loss and Other Comprehensive Income****Income from continuing operations****Recurrent Income**

Rates and charges	-	-	-
Statutory fees and fines	-	-	-
User fees	314	316	319
Grants	-	-	-
Interest	-	-	-
Other income	19	1	1
Investment revenue from water corporation	-	-	-
	333	317	320

Capital income**Grants Capital**Net gain/(loss) on disposal of property,
Recognition of land under roads**Total income from continuing operations****333****317****320****Expenses**

Employee benefits	223	230	196
Materials and services	142	150	145
Impairment of debts	-	-	-
Depreciation and amortisation	145	117	195
Finance costs	-	-	-
Other expenses	-	-	-

Total expenses from continuing operations**510****497****536****Result from continuing operations****(177)****(180)****(216)****Net result for the year****(177)****(180)****(216)**



where we fly



Sharp Airlines provides regular passenger services between:

Tasmania

Departing from Burnie (Wynyard) Airport:

- to King Island
- to Launceston

Departing from Launceston Airport:

- to Flinders Island
- to King Island (via Burnie)
- to Burnie (Wynyard)

Departing from Flinders Island Airport:

- to Melbourne (Essendon)
- to Launceston

Departing from King Island Airport:

- to Launceston
- to Burnie (Wynyard)
- to Melbourne (Essendon)

Victoria

Departing from Melbourne (Essendon Airport):

- to King Island
- to Flinders Island
- to Warrnambool
- to Portland

Departing from Warrnambool Airport:

- to Melbourne (Essendon)

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Flinders Island - Flight Schedules

Schedule from 7th February – 29th March 2018

Please Note: Flights listed below are a **GUIDE ONLY** and are subject to change

Launceston to Flinders Island	Departure time	Arrival Time	Flight No.	Frequency
	0800	0835	SHARP801	M T W T F ..
	0650	0725	SHARP801	Sa ..
	1000	1035	SHARP803 F ..
	1350	1425	SHARP811 Su
	1600	1635	SHARP807	M T W T F ..
Flinders Island to Launceston	Departure time	Arrival Time	Flight No.	Frequency
	0855	0930	SHARP802	M T W T F ..
	0745	0820	SHARP802	Sa ..
	1455	1530	SHARP806 F ..
	1455	1530	SHARP814 Su
	1655	1730	SHARP808	M T W T F ..

Essendon to Flinders Island	Departure time	Arrival Time	Flight No.	Frequency
	1030	1135	SHARP805	M W ...
	1330	1435	SHARP816 F ..
	1130	1235	SHARP813 Su
Flinders Island to Essendon	Departure time	Arrival Time	Flight No.	Frequency
	1155	1300	SHARP804	M W ...
	1055	1200	SHARP815 F ..
	1255	1400	SHARP812 Su

Additional flight 9/3, SH805 ESS 10.30-FLS 11.35 SH804 FLS 11.55-ESS 1300

Additional flight 12/3 SH803 LST 10.00-FLS 10.35 SH806 FLS 14.55-LST 1530

Additional flight 12/3 SH815 ESS 13.30-FLS 14.35 SH816 FLS 10.55-ESS 1200

PLEASE NOTE

This document is a **GUIDE ONLY** and flights and times can change without notice.
 Please check the Reservation system at www.sharpairlines.com.au for the correct information

Reservations - 1300 55 66 94

Monday to Friday – 8:00am to 6:00pm EST

Saturday – 7:00am to 12:00pm EST

Sunday – 1:00pm to 6:00pm EST