



BROOME INTERNATIONAL AIRPORT

Dr Jane Thomson
Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Dr Thomson

Inquiry into the operation, regulation and funding of air route service delivery to rural, regional and remote communities

Thank you for your invitation dated 22 November 2017 to provide a submission to the above-mentioned inquiry.

Broome International Airport (BIA) is the aviation gateway to Broome and the Kimberley, and in the 2016/17 financial year approximately 365,000 passengers travelled in and out of the airport. This is well down from our peak passenger number of 456,000 passengers in 2011/12, however it is pleasing to note that for the 2017/18 financial year we expect 410,000 passengers to travel through the airport, a growth of 12%.

Based on surveys undertaken in the terminal, our current passenger mix at the airport is as follows:

Tourism –	46%
Business/Oil and Gas –	34%
Broome residents –	20%

In recent years there has been a marked increase in the proportion of passengers who travel through the airport from Business/Oil and Gas. This reflects greater diversity in the passenger mix at the airport, although tourism remains the largest block of passengers who use the airport. The establishment of Broome as a major service hub for the Oil and Gas industry, for companies with interests in the Browse Basin, has been beneficial to Broome.

The airport is serviced by three airlines – Qantas, Virgin Australia and Airnorth. During the dry season we typically have 6 services a day between Perth and Broome, serviced by Qantas and Virgin. Airnorth fly direct to Darwin on most days and codeshare with Qantas for these flights. This activity reduces during the wet season due to the seasonal nature of tourism in the Kimberley. In recent times all of the above mentioned airlines have announced capacity increases into Broome, a welcome show of confidence in this destination.

Qantas is the only airline that flies to Broome direct from East Coast Capitals and during the busy season each week operates 3 x Melbourne services, 2 x Sydney services and 1 x Brisbane service. About 1/3 of the passengers that come and go from the airport are from the Eastern States (approximately 125,000), however only about 1/3 of these can fly to Broome direct. Given this demand scenario, and the population base in Eastern Australia, BIA sees significant scope for more services to Broome from the East, and is keen to see competition introduced on these routes, in the hope that it will bring more people to the region and reduce airfares.

BIA has worked hard to establish long term airport pricing agreements with all the airlines who fly to Broome, and prides itself on having very competitive aeronautical fees. Internal analysis has revealed that on a per passenger basis, BIA's aeronautical fees are the 4th cheapest, when compared to all other regional airports in Western Australia and the Northern Territory. This played a significant part in the establishment of the long-term airport pricing agreements, securing these carriers servicing Broome into the future.

The aeronautical fee per RPT passenger for a turnaround service into Broome on a Boeing 737-800 is approximately \$60, which consists of the following;

Security Fee -	\$13.24 (departing passengers only)
Landing Fee -	\$6.00 (based on 80% load factor, \$23.65 per tonne, B737-800 MTOW 70.535 tonnes)
Terminal Fees -	\$40.74 (\$20.37 per passenger departing and arriving.)

Based on an \$800 return fare between Perth and Broome, this represents 7.5% of the ticket price, or based on a \$1,000 return fare, 6%. This clearly shows that our airport charges are not material to the price of regional airfares to Broome.

BIA regularly monitors the price of airfares between Broome and connecting destinations and we note that over a span of 10-15 years the price of fares into Broome have not materially changed. However, during this period the operation of low cost carriers in Australia has grown considerably, delivering much cheaper airfares on other higher volume routes around the nation.

Our monitoring of airfares to Broome has also revealed that if fares are booked early, i.e. at least a number of weeks before travelling, the chance of accessing discount fares and/or a more attractive fare increases significantly.

The low-cost carrier model is a high volume, low margin model, that typically requires a high population base at the city/town at either end of the service, or an airport at either end that has in excess of 1,000,000 passengers per year. With a permanent population of approximately 15,000, and an airport processing under 400,000 passengers per year, Broome has neither, and therefore it is very difficult for a low-cost carrier to successfully operate in and out of Broome on a year-round basis. The volume is simply not there.

The Perth – Broome route has around 300,000 passengers per year, and differing economies of scale. This makes it difficult to compare the price of fares to other routes of a similar distance when they have a much higher number of passengers.

BIA has worked extensively with Oil and Gas Companies to establish the Broome Heliport, which is now one of the largest Heliports in the Southern Hemisphere. During the last 5 years, the oil and gas industry has brought significant economic benefits to the region and many employment opportunities to local people. We hope it continues. Significantly, this industry provides greater numbers of passengers on routes to Broome which in turn has resulted in more flights on existing air routes to Broome.

Although we have lost some services in the last five years as tourism has faced some challenges, we would have lost far more if not for the establishment of the Oil and Gas industry in Broome. It is therefore imperative for Broome and the Kimberley's economic future that this industry is supported and developed to its full potential. BIA will continue to play its part and is seeking to establish heavy helicopter training facilities near Broome to retain the Oil and Gas industry business in the town well into the future.

BIA is a restricted international airport under Section 15 of the Customs Act 1901 and has hosted international flights in the past, principally to Denpasar. These international services failed due to lack of passenger numbers and Broome being proven to be an outbound market only. We are currently working hard, as part of a Broome based consortium, to seek to establish a regular service between Broome and Singapore and we are optimistic that this will be successful. In May/June 2018 SilkAir will operate a series of trial flights to test the market between Broome and Singapore. The establishment of a regular international service to Broome would be one of the most exciting developments in Broome for 10 years and we are confident that tourism and corporate traffic will use the service.

Along with the rest of the community, BIA would like to see cheaper and more competitive fares to Broome. We believe this would bring more people to enjoy what Broome and the Kimberley have to offer. Having established a world class heliport for the Oil and Gas industry, BIA continues to work closely with airlines, and other key stakeholders to further grow services, develop competition on major routes and to ultimately see airfares at a level that makes Broome an attractive and sustainable tourism destination. We will also continue our quest to develop an international service to Singapore.

Please do not hesitate to contact me directly if you would like more information. In due course we look forward to receiving a copy of the inquiry's report.

Yours sincerely

Paul McSweeney
Chief Executive Officer
Broome International Airport

24 January 2018