

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

rrat.sen@aph.gov.au

RE: The operation, regulation and funding of air route service delivery to rural, regional and remote communities; Tourism Central Australia Submission

To the Senate Standing Committee;

Tourism Central Australia, the official Regional Tourism Organisation for the #RedCentreNT, would like to submit this paper to inform the inquiry regarding air route service delivery.

We would like to thank the committee for addressing this important topic. As the peak body for the tourism industry in the #RedCentreNT, we are well placed to advise on the potential developments that will grow the visitor economy to this region, and air routes are a major factor for future growth.

I will outline our organisation's purpose, followed by our input for the inquiry.

Tourism Central Australia

Tourism Central Australia (TCA) is one of two official Regional Tourism Organisations (RTOs) in the Northern Territory, with the other being Tourism Top End. TCA is a not for profit membership-based organisation, with over 330 tourism business members from around Australia. Members are primarily located in the areas of northern outback South Australia, Uluru/Yulara, Kings Canyon, Alice Springs, the MacDonnell Ranges, Tennant Creek, the Barkly and up to and including Elliot and Newcastle Waters. We are responsible for marketing the Red Centre region (#RedCentreNT on social media channels), providing member businesses with advice and industry insights, operating the Alice Springs Visitor Information Centre and advocating to Government and stakeholders on behalf of our members for pro-tourism policies and developments.

The 2020 Tourism Strategy, with its attached ambitious target of tourism to be worth \$140b in Overnight Visitor Expenditure (OVE) to the Australian economy by 2020¹, has provided much guidance and incentive to our organisation to grow the tourism industry in our region. In the Northern Territory, with a 2020 target of \$2.2b in OVE², we have already achieved

¹ The overview of the strategy can be found at <http://www.tourism.australia.com/about-us/tourism2020.aspx>

² As per <http://www.tourismnt.com.au/en/strategies/nt-tourism-vision-2020>

growth from \$1.69b when the target was set to \$2.5b to the year ending June 2017³. We have not only reached our \$2.2b target but have beaten it by a significant margin. Not only that, but the growth to \$2.5b has been maintained over four reporting quarters, meaning that the growth is sustainable, and has the potential to increase. With more investment from Federal, State and Local Governments with private enterprise, the Northern Territory will continue to make up some of the potential shortfall in the national target by 2020.

The Board of TCA has a long term, strategic approach to tourism development. Each year the Board meets to update and prioritise the three-year strategic plan, setting the strategy for the up-coming financial year. A copy of the three-year strategic plan for the 2017-2020 is attached to this submission.

The #RedCentreNT Context

As you will notice in the strategic plan (particularly pages 5 and 10), air travel has direct positive and negative impacts on our region and we are therefore keen to contribute to the inquiry to plan the growth of aviation services to rural, regional and remote Australia.

The #RedCentreNT features three main air gateways, plus many small and remote airstrips. The three gateways are Connellan Airport at Yulara (directly accessing the Uluru Kata Tjuta National Park), Alice Springs Airport and Tennant Creek Airport. The predominant leisure and business travel services operating to and from these airports are:

- Connellan Ayers Rock Airport (AYQ)
 - QANTAS
 - Direct services from
 - Alice Springs
 - Cairns
 - Sydney
 - Virgin Australia
 - Direct services from
 - Sydney
 - Jetstar
 - Direct services from
 - Sydney
 - Melbourne
- Alice Springs Airport (ASP)
 - QANTAS
 - Direct services from
 - Perth
 - Darwin
 - Connellan Ayers Rock Airport

³ See the visitation snapshot at

http://www.tourismnt.com.au/~media/files/corporate/research/quickstats_snapshot_ye%20june%202017_updated.ashx

- Cairns
 - Brisbane
 - Sydney
 - Melbourne
 - Adelaide
- Virgin Australia
 - Direct services from
 - Darwin
 - Adelaide
- Air North
 - Direct services from
 - Tennant Creek
 - Katherine
 - Darwin
- Tennant Creek Airport (TCA)
 - Air North
 - Direct services from
 - Alice Springs
 - Katherine
 - Darwin

These airports also feature private charter services, scenic flight options and service aircraft.

Viewing this information leaves the reader with the impression that the region is well serviced, however this is a misperception of the reality the #RedCentreNT faces; that more competition is required to reduce costs and increase air services.

The #RedCentreNT receives just over 400,000 overnight visitors per annum⁴; 50% of visitors to the Northern Territory. When taking into consideration trips made by locals to other areas, our three airports receive the following passengers in the 2016/2017 financial year⁵:

- Connellan Ayers Rock Airport
 - 364,818
- Alice Springs Airport
 - 617,186
- Tennant Creek Airport
 - Commenced services, data pending

The comparison between AYQ and ASP is interesting; whilst ASP receives almost double the passengers of AYQ, there is no budget carrier going into ASP whereas there is one to AYQ. Of

⁴ See the visitation snapshot at

http://www.tourismnt.com.au/~media/files/corporate/research/quickstats_snapshot_ye%20sep%202017.ashx

⁵ Sourced from https://bitre.gov.au/publications/ongoing/files/WebAirport_FY_1986-2017.xls

note is that ASP does have more direct routes, however AYQ consistently features lower airfares than ASP.

Airfare Costs in the #RedCentreNT

In 2017 the Chair of TCA, Dale McIver, appeared on the ABC program Q&A, in their Alice Springs special. Her comments on airfares to ASP were scoffed at by many when she stated that '...it's cheaper to fly overseas than it is to get out of Alice Springs.' However, when ABC's own factchecking service assessed the statement, they found it to be a 'Fair Call'⁶. It is common for Alice Springs residents to drive to Yulara then fly to their destination from there; even though it's a five-hour drive each way, the airfares available from Yulara are significantly cheaper than those from Alice Springs.

TCA understands the commercial imperative; that airlines exist to return profits to their owners and shareholders. In an economically rationalist society and in the presence of high demand, costs will be increased to take advantage of the necessity for people to utilise (in this case) air services. However, the cost of airfares to often our cheapest airport (AYQ) are prohibitive to visitor and population growth, let alone when considering the higher cost of travelling to ASP. In this context, TCA calls on the Federal Government to fundamentally reconsider their policy approach to airline development in rural, regional and remote areas.

Business Survey

Tourism Central Australia partnered with the Northern Territory Chamber of Commerce to promote a survey regarding air travel in the Northern Territory. The results of the survey reveal a business community frustrated with the cost of air travel, to the point where it is restricting trade and holding back business growth. Key results of this survey follow.

- Number of Northern Territory businesses that participated in the survey = 146
- Proportion of those businesses located in the #RedCentreNT = 59.58%
- Proportion of total survey respondents with an annual domestic air travel budget over \$10,000 = 51.39%

When the survey asked respondents to outline the cost of air travel to their businesses, the results became clear. 45.32% of respondents confirmed that the average price they pay for a one-way intrastate fare is more than \$400, with a further 44.6% confirming the average cost is \$300-\$400 for a one-way fare. Only 10.07% of respondents paid an average intrastate one-way airfare of less than \$300. This means that a return journey for 89.92% of respondents costs on average \$600 or more per person for flights within the Northern Territory. 47.48% of respondents further confirmed that they had at times paid more than \$500 one way for an intrastate flight.

⁶ See <http://www.abc.net.au/news/2017-08-03/fact-check-is-it-cheaper-to-fly-overseas-than-alice-springs/8754958>

It was a similar story for interstate flights. 87.59% of respondents revealed that they pay an average of \$400 one way for interstate flights, with 61.38% of respondents having spent at times more than \$500 one way.

Comments from people responsible for the air travel budget of Northern Territory businesses were scathing. Some of these comments from the survey follow.

'My business is restricted from travelling... due to the high cost of flights to and from Alice Springs. I would like to travel more to attend trade shows and training but have to heavily restrict due to high cost of flights. This has a direct impact on my business by not being able to promote at major trade shows and limits the staff training we can undertake.'

'We have lost significant business... due to excessively high flight costs in and out of Alice Springs. It has affected our business greatly...'

'My staff and I would fly more often however we... drive now due to costs. It cuts our productivity as we are on the road so much more... It is putting too much strain on small business... I have also had some family not visit for over 6 years as they can't afford to fly in... I am looking at moving my business to be based in Adelaide, so I can see family more often due to high air fares...'

'[It is often cheaper to]... fly DRW-ASP-PER... than ASP-PERTH. This is outrageous considering the plane leaves Darwin [for] Alice, unloads the passengers and reloads those continuing to Perth... We on average pay \$790 return from Alice to Darwin... It doesn't matter how far in advance the flight it booked...'

There were many more comments, almost all reiterating the theme covered in the above statements.

Solutions Focus

If the Federal Government is intent on populating remote areas, and growing the economy, a solution to the current airfares and routes stalemate is essential. Lack of access to direct flight destinations and affordable airfares fosters a transient population in remote areas; a population that enjoys the lifestyle of the remote area for a time, however eventually moves to be closer to family given the significant cost and difficulty of visiting.

As it is Federal Government policy to have airlines operate commercially, yet it is also Federal Government policy to restrict cabotage, the situation remains that remote areas such as the #RedCentreNT remain inadequately serviced and pay significant sums to travel. Whilst the Federal Government has been historically reticent to introduce cabotage measures, perhaps this is a measure that needs to be considered again. Such measures have the potential to open remote areas to inclusion on international routes, creating domestic legs on their overall journey.

Another option is for the Federal Government to significantly increase its subsidy funding for airlines opening remote domestic air routes. Such funding needs to be not only significant in value, but long term in commitment as it is the experience of TCA that once subsidies are removed from a route, the airline soon removes its service.

There are likely many other potential solutions to this issue. It is certain though that without focus on airfares from the Federal Government to drive rural, regional and remote population and economic growth, the frustrations and negative business impact experienced in the #RedCentreNT will continue.

Final Note

TCA thanks the Senate Standing Committee for exploring the topic of remote area airfares and routes. We are a willing partner to work with the Government to solve the issue of high airfares across rural, regional and remote areas, and invite the panel to Alice Springs for hearings to open the opportunity for industry and community to present. If this is planned, we ask that TCA be given the opportunity to also present to the panel.

Yours sincerely,

Stephen Schwer
CEO