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McKINLAY *SHIRE COUNCIL*

CIVIC CENTRE, JULIA CREEK

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Committee Secretary

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

SUBMISSION: The operation, regulation and funding of air route service delivery to rural, regional and remote communities.

I make this submission as the Mayor on behalf of the residents of the McKinlay Shire in North West Queensland

McKinlay Shire and its main centre of Julia Creek lay approximately 260kms to the east of Mount Isa and 655kms to the west of Townsville. We are serviced three (3) times per week by regional airline REX that provides a good reliable service to Mt Isa and also to Townsville operating under a subsidised regulated route by the Queensland State Government.

Living in North West Queensland travelling to major centres such as Townsville and Brisbane is critical for many reasons including business, government, health, education and social connectedness. To access Brisbane from the McKinlay Shire, Cloncurry and Mount Isa are the closest centres with direct flights however Cloncurry does not have daily direct flights whereas Mt Isa has up to 3 daily flights.

Over the years the communities such as ours have been subject to extraordinary costs for their connectivity. Qantas was the main airline servicing Mount Isa for many years until in 2014 Virgin Blue also came to service the Mt Isa region. The competition has proven to have had a nil effect on providing anywhere near reasonable airfares and relatively no difference in pricing.

The situation has become worse with the airlines blatantly treating rural and regional Australia without care and almost with contempt. Now when you book either a Virgin Flight or Qantas flight from Mount Isa to Brisbane and return you physically board an Alliance Flight. This company is the subcontracted airline to both companies. There are normally up to 12 different priced fares for each

"GATEWAY TO THE GULF"

flight so when looking at just the base average seat (if you are lucky enough to book early to secure one of these) there can be up to a \$15 difference for the passenger for each airline.

As Qantas has ceased landing QantasLink in Mount Isa and instead engaged Alliance to provide the service the airfares remained at a high price however the customer service was significantly decreased. There is little to no food provided, no entertainment and for the minority who could have afforded it no business class seating. I would urge the Senate Committee to investigate the operational costs to fly the QantasLink 717 in comparison to the Alliance Fokker 100. The ticket price has not been impacted however I would believe that the costs for Qantas have reduced but this has not been passed onto consumers.

Around the same time Qantas announced its residential fare program that would reduce the cost of a ticket one (1) way by a maximum of \$30. The criteria surrounding this discount for residents are significant and have issues for residents as detailed below:

1. Having to forcefully join the Qantas Frequent Flyer Program which at present is free for residents at present. Qantas could at anytime reintroduce the joining fee to which is \$89.50 as there is no long term guarantee that I could find on this waiver. Once a member it then bombards the member with emails and marketing. Even children are required to join the program to obtain the residential fare seat. I understand that Qantas may say this is the only way to determine current address status but I am sure there are other ways to do this i.e. drivers licence or other ID presentation.
2. You are forced to buy a return ticket to get the residential fare. This is extremely unfair on our community when travelling for medical, unforeseen emergency or family death that a return date is difficult to identify. As a scenario if you are going for medical appointment and unsure of when your return is your options are to:
 - (1) Book one(1) way and be ineligible for a residents fare for a Redi deal making the program null and void for this resident
 - (2) Book return using Redi deal and then if needing change paying a min \$99 change fee again making the resident discount on a Redi fare null and void
 - (3) Booking a flexi fare, usually significantly priced up to \$2098 return. Whilst this means no change fees and up 30% discount Qantas can't guarantee that this was the only option for this return and that there are not cheaper Redi fare seats available for the resident who is now significantly out of pocket due to this rule.
3. Additionally you can only use up to four (4) resident flights per year. Why is limited to only four (4)?
4. If the fare is on sale already then no discount is eligible for residents
5. Discount only on base of fare not taxes

The current pricing and service situation linking our residents to more populated areas of Queensland and the great part of Australia has had and will continue to have detrimental impacts for us which include but are not limited to:

1. Population Sustainability and Growth

Overall rural Australia struggles with sustaining a population and attracting new residents. There are many facets to this issue but one that can be impacted upon is the provision of reliable and reasonable cost of airfares. For current residents the cost of flights is often prohibitive for them to travel. Whilst we have good connectivity along our route from Townsville to Mount Isa via our REX service (a regulated route) it is the connectivity at either end that makes it difficult for this to be used to its full extent forcing residents to drive on many occasions. Commuting by car to Mount Isa means travelling for 3 hours or more to get to the airport and then paying \$12 per day for parking before returning. This adds at least another \$212 to the over travel cost. For family, educational, business and social connectivity reasonable airfare pricing is critical. This issue also plays a significant factor in attracting new residents to our shire and region especially when they are considering how they might continue to maintain their business, professional development and stay connected with family and friends.

2. Employment

Airfare pricing and reliability are critical to both employers and employees within our shire. Being able to attend training and professional development should not be out of reach for our Council or our businesses due to the high cost airfares. At present with the average basic return fare being upwards of \$742, but more often than not people are paying over \$1200 in additional to travel to and from Mount Isa and parking. There is the opportunity to board a REX flight three(3) times a week to Mount Isa at a reasonable cost to meet a connecting flight however the connections do not always line up for the purpose of the trip and reliability of the main airlines out of Mount Isa has been terrible of late.

3. Local Government

As a small rural and remote Council it is extremely important that our Councillors and staff are able to travel for the overall benefit for our community. Every year Council spends approximately \$30,104.74(2017 figures) on airfares to centres such as Brisbane for work purposes. This is a significant cost to a small Council and their community which is not taken lightly and not all of the activities that would be beneficial to attend are because of this.

4. Medical

Whilst we are fortunate to have a local hospital in Julia Creek however services are limited and often patients require transfers for emergency or other scheduled specialist appointment to Mount Isa, Townsville or Brisbane for treatment. Whilst there is a travel subsidy program in place for patients that if approved covers the full cost of airfares, pricing of short notice flights becomes a significant financial strain on families to travel for loved ones.

5. Business

Business in general is getting smatter and increasingly connected however when the National Broadband service bypasses your town of 400 and provides only a satellite connection then the possibilities to do more online becomes limited. Even in 2018 there is still little substitute for face to face meetings and training. The cost of accessing such activities is heavily impacted by airfare pricing and servicing. Reliability over the last twelve months has been lacking and this comes at a significant cost to business when training or meetings are booked which are then not attended due to flights cancelled at the last minute.

6. Tourism

Tourism has become a major economic driver for our region and Outback Queensland in general over the years to the point now that every town has a tourism infrastructure and product with local jobs that rely upon the tourism dollar to come every year. Typically these visitors have arrived by car and caravan or motorhomes. Our region has significant potential to increase its share in the market in addition to the drive market as a fly in and out destination. Centres such as Mount Isa which are serviced daily with direct flights are ready along with there outlying areas to have these people come and inject into their economy. Currently the pricing is stifling this part our economy that desperately requires reasonable airfare pricing and good reliable scheduling to attract these visitors.

I would refer to the submission to Senate Committee from the Outback Queensland Tourism Authority for more detail surrounding the impacts for the tourism industry in our area.

As detailed the impacts are significant for an area that is classed as being in a mining sector. It is interesting that although it has been said by the airlines that the price is impacted due to the mining sector certainly from our community less than 2% would be employed in the mines and utilising flights for this purpose. Additionally I understand that in Mount Isa there is a minority employed on mining level salaries with a significant percentage classed in a low socio economic bracket .

It is clear that the regulated route from Townsville to Mount Isa via Hughenden, Richmond and Julia Creek is providing absolute benefit and support to our communities. It is when we consider the service and pricing currently delivered to North West Qld by the two major airlines connecting our region to the larger centre of Brisbane and when going direct from Mount Isa to Townsville that this is set without care or attention to the residential population. The result is negatively impacting growth in many areas. The complex algorithms utilised to determine pricing are not working leaving the everyday person in the street to ask simple questions that I commonly hear:

"Why don't they drop the price then more people would fly more often?"

"Surely it's better to have the flight full than half empty with fewer people paying more"

"I can't believe it is cheaper to fly across Australia or overseas than to go from Mount Isa-Brisbane"

"If it is really so expensive for the airlines to run into rural areas such as Mount Isa then given the significant contribution of the area to GDP then why are there not better subsidies from government?"

"I wonder what percentage of the flight is Redi fare as I am always paying a higher price?"

"Why are the prices still high even though we now have Virgin and Qantas coming in?"

In the end we all choose, in most cases, to live where we live however it is critically important that those living in remote areas that are already at a distance disadvantage are not further impacted through bad policy and big business simply being able to ignore the problem at hand.

The best solution for our region and routes such as Mount Isa-Brisbane is to become a State regulated route. I understand that for the route to become regulated that three (3) criteria need to be met which, from a government perspective, have not been over the years. The criteria in general are:

1. Viability of the route
2. Community ability to get to essential services
3. Appropriate scheduling

Whilst it has been determined that the criteria has not been met I strongly disagree. The fact that two major airlines are running a subcontracted service at a high price rate factored with overall small population base demonstrates to me that the route is not viable. If the route is not viable then the ability of community to get to essential services is jeopardised meaning that the scheduling, no matter how appropriate, becomes null and void. It has been clearly demonstrated that we do not have the population to support big airline competition which has over the years compelled both parties to raise prices and deprioritise the route lessening the overall value of our community.

Regulation would ensure an open and transparent tender process allowing the one successful operator to provide a service that has a committed schedule, capped maximum pricing set by the State and a raft of KPI's for the operator to abide by including on time performance. This solution would, overall, provide a good load factor for the operator ensuring the route's viability and significantly better outcomes for our community and the greater North West population across the board.

Yours faithfully

Belinda Murphy

Mayor