

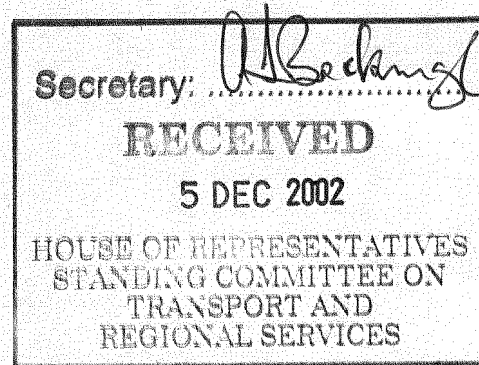
**GREAT BARRIER REEF AIRPORT
HAMILTON ISLAND**

SUBMISSION NO. 163

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4 December 2002

The Committee Secretary
Ian Dundas
House of Representatives
Standing Committee on Transport & Regional Services
Parliament House
Canberra ACT 2600



Dear Sir,

**RE: INQUIRY INTO COMMERCIAL REGIONAL AVIATION SERVICES IN AUSTRALIA AND
TRANSPORT LINKS TO MAJOR POPULATED ISLANDS**

Introduction

Great Barrier Reef Airport (GBRA) is owned by Hamilton Island Enterprises Limited (HIE).

GBRA is located on Hamilton Island and is the gateway to the Whitsunday Island region. The Airport is located off Queensland's central coast, approximately 1,100 kilometres north of Brisbane. The Whitsunday Island region consists of over 70 Islands between the Australian mainland and the Great Barrier Reef. The region is home to some of Australia's best known and internationally recognised resorts. These resorts depend highly on the provision of RPT traffic through GBRA.

GBRA is serviced by domestic passenger airlines each day. Qantas and Qantaslink provide the airport with between 5 and 7 RPT direct flights from Sydney, Brisbane, Cairns and Melbourne. Aircraft landing at the airport range from Dash 8, B717, B737, plus GBRA is capable of receiving B767s. Along with RPT Services; GBRA is also serviced by regional passenger airlines, such as Hamilton Island Aviation and Island Air Taxis, providing passage from local surrounding islands and the mainland.

The aeronautical configuration at the Airport is based on a one-runway system and associated taxiways. There is a terminal complex adjoining the main RPT apron and a GA apron.

The airport is host to lessees and other companies that operate from the airport facilities and surrounding grounds. These are as follows:

- Ground handling services are contracted to Australian Airports Corporation (AAC) who acts as the airline's on Island representative for all associated issues.

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and operated by Great Barrier Reef Airport Pty Ltd ABN 63 090 590 891

- Shell Aviation operates all airport refuelling. The company is situated at the airport but holds all contractual arrangements with Hamilton Island Enterprises Limited (HIE).
- The airport has a fully operational control tower, which is serviced by Air Services Australia. The Tower is operational for all jet RPT services 7 days per week and hours of operation are available by NOTAM.
- GBRA has one fixed base operator, Hamilton Island Aviation (HIA). HIA operates from their own leased area. All lease arrangements are in place with HIE and not GBRA. HIA operate light aircraft operation which service not only other islands, the mainland but also the tankers from the ocean and carries out pilot training operations.

History of Commercial Aviation Services to GBRA-HI.

In 1983, the airport commenced all operations but it was not until July 1984 that the airport officially opened with an inaugural B737jet service from Sydney. At this time, Ansett had exclusive access to the airport until October 1998 when Qantas commenced to operate one service per week into GBRA-HI. As of April 1999, the exclusivity of Ansett totally ceased with Qantas introducing full services to the airport. From this time, passenger movements continued to grow as the demand to fly to GBRA and the surrounding area increased. This increase continued up until the collapse of Ansett in September 2001. Total passenger movements for the financial year ending in June 2001 were 315,570. The collapse of Ansett stunted this growth for the financial year ending in June 2002, where movements finished at 247,822. The demand for seats into GBRA was high and Qantas and Qantaslink proceeded to satisfy this demand with an increase of capacity into the airport. As capacity increased, passenger movement followed and for the period ending June 2003, GBRA are forecasting 307,988 total passenger movements, resulting in the growth prospect for GBRA to become a regional hub for the Whitsunday region.

Forecasts

Growth of the Whitsunday Region (supplied by Tourism Queensland)

Approximately 313,000 domestic visitors travelled to the Whitsundays in the year 2000. While the majority of visitors to the region are from Queensland, approximately 20% of visitors were from Victoria, and 18% of the visitors recorded were from New South Wales.

Domestic visitors spent approximately 1,470,000 visitor nights in the Whitsundays with the average length of stay 4.7 nights. Domestic visitor number from the interstate markets of Sydney, Other New South Wales, Melbourne and Adelaide to the Whitsundays have declined slightly from 1999 to 2000. This decline is most likely attributable to parallel reduction in air capacity to the Whitsundays over the same time period.

International visitors to the Whitsundays increased 16% from 181,216 in the year to June 1999 to 210,215 in the year to June 2000.

Tourism Queensland's Destination Marketing Department is focused on increasing visitor number and yield to the Whitsunday region. The marketing campaign "The Whitsundays – Out of the Blue" has the following objectives for 2001-2004.

- Improve consumer awareness, preference and intention.
- Close the gap between preference and intention to visit the destination
- Increase advertising awareness to 30% or above per annum
- Improve access to destination and product information
- Increase co-operative investment by industry in marketing campaigns.

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Growth of Hamilton Island

Hamilton Island Enterprises is budgeting for strong growth in 2002/03 year across all business sectors compared to the 2001/02 results. In room nights sold HIE is forecasting a growth of approximately 13.4% to 189,293 room nights sold for the 2002/03 year, up from the 166,882 room nights sold in 2001/02 year. This growth in room nights sold extrapolates out to an increase in total resort guests of more than 38,000 from the 397,292 total guests accommodated in 2001/02 to approximately 435,374 total guests projected for the 2002/03 financial year.

Further to the projected growth for the 2002/03 year Hamilton Island Enterprises is in the process of completing its master planning for the next 5-7 years, which shows continued strong growth and development.

The HIE master plan provides an overall strategy for the potential growth and development of the resort. At the completion of the initiatives detailed within the master plan, the resort will be able to cater for a peak population of more than 7,000 people, which represents an increase of more than 2,000 people from current. This anticipated population comprises approximately 5,500 guests and day visitors with an additional approximate 1,700 people staffing and servicing the resort. These peak population figures reflect a total of approximately 3200 dwellings, 355 marina berths, 2500 restaurant seats and over 4000 m2 of retail space.

Growth of GBRA

Like much of the world GBRA has been affected by the events of US terrorist attacks of September 11th and the Ansett collapse of September 14th. The terrorist attacks in the US completely eliminated the US holiday market for a period of time, fortunately this market segment only made up a small proportion of the total passengers utilising GBRA. However, the follow on effects of September 11th slowed all international travel for the normally very busy period leading up to the New Year. This slowdown in international travel was additionally compounded by the collapse of Ansett who at the time of ceasing to operate were supplying approximately 50 % of the total airline capability to GBRA.

The Qantas group responded very quickly and was able to add additional capacity to bring the total seat availability to approximately 90% of the total seat capacity available when both Qantas and Ansett were operating into GBRA before September 14th. It does appear that the negative effects of the two previously mentioned events have had on the overall passenger numbers have been relatively temporary as load factors are now quite strong and demand is out pacing supply. Additionally, discussions are progressing for further increasing capacity through the Qantas group and/or via a second carrier.

GBRA is budgeting for continued growth in passenger numbers for the 2002/03 year. Total passenger numbers for 2002/03 is forecasted at 307,988, which represents a 21% increase from the 2001/02 year end from 247,822 passenger movements.

Issues confronting commercial regional air services to GBRA and the Whitsunday region

Costs

Airlines are cost focused. There is an assumption by the airlines that GBRA is a low yield route due to being predominantly a leisure destination, not a business destination. There are two aspects here; passengers tend to travel on packages, thus reducing the airfare component and there are also less business class seats sold than on one of the major city routes. Therefore, the calculated yield per seat is lower than that of other major city routes. Further, the costs

incurred by the airlines are the same if not higher than those of other ports, so lowering the airlines incentive to service GBRA.

Some of the charges mentioned above include:

- ❑ Air Services Australia charges – en route charges are the same as any port in Australia: aircraft below 20,000kg - \$1.08 per 1000kg and aircraft above 20,000 - \$4.84 per 1000kg.
- ❑ Introduction of the Ansett tax of \$10, which seems set to stay in place
- ❑ Global Security Charge of \$6.80
- ❑ GST

Discussions take place regularly concerning landing fees at the airport to attract new routes and new airlines to the port. To assist in this issue, GBRA did not raise landing fees in July 2002 (unlike some of the larger ports in the country) and GBRA have investigated and put in place an incentive package with Qantas, which has the potential to be extended into the future.

A further problem for GBRA is the issue of affordable airfares, which plays a part in reducing the attractiveness of traveling to the Whitsunday region for some passengers.

Should a more systematic procedure in relation to charges incurred by the airlines be put in place, then all airports, including GBRA could be on a win/win situation with the airlines. This could lead to the introduction of new airlines and or new routes and services into the airport, allowing for public perception of the ease to fly to Hamilton Island to come to fruition.

Potential other costs affecting GBRA.

- ❑ Closure of the Control Tower will affect GBRA with the incurrence of a Certified Air to Ground Radio Operator
- ❑ Introduction of Part 139 H and the responsibility of introducing Aviation Rescue and Fire Fighting Services in the foreseeable future
- ❑ Introduction of 100% Domestic Checked Baggage Screening.

All these charges will be an industry charge that cannot be fully absorbed by GBRA. There will be some on charging to the airlines. This will only add to the cost issues plaguing GBRA for attracting more and new services to the aerodrome. This in turn will affect the growth and development of the local region.

Conclusion

- ❑ People have a concept of flying to GBRA should be easier. With the current window of schedules, this proves difficult in relation to meeting connections.
- ❑ Historical graphs produced by GBRA reflect the demand to fly to the aerodrome and the region. When frequency increases, passenger movements increase in line with this. The perception of the airlines needs to change to allow for more capacity and increased frequency to the port.
- ❑ Seat pricing is a major issue to the travelling public and GBRA.
- ❑ Charges incurred by airlines by Air Services to be put into some sort of system to avoid affecting regional communities. This could lead to lower airfares, impacting on the region in a positive way

Thankyou for the opportunity to provide some information for this inquiry and should you require any further information or require any explanation on the above, please do not hesitate to contact me on the numbers below.

Yours faithfully,

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