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25 July 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**

SUBMISSION from MACKAY PORT AUTHORITY to
SECRETARY, HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

BACKGROUND

The Mackay region is situated some 1000km north of Brisbane, and nearly 1000km south of Cairns. Mackay airport is situated centrally in the Mackay statistical district which includes the shires of Mackay City, Mirani, Sarina, Broadsound, Belyando, Nebo, Bowen and Whitsunday, and **is a service hub** to the Bowen Basin, a large coal mining area in Queensland, as well as for the 143,000 population of the region which **is growing** at above the national rate. The region includes diverse industry segments of Sugar, Mining, Beef, Grain, Tourism and is developing a service and manufacturing industry for the mining, grain and sugar industries. These industries are very important to **the national export economy**.

Mackay airport is the only airport in the region that still has Air Services Australia facilities including a Control Tower and Aviation Rescue & Fire Fighting Services. Australian Customs, Immigration and Quarantine are also based in Mackay, and are extensively used in shipping roles associated with the adjacent ports of Hay Point and Mackay.

All of **these services are vital** to the present and future operations of the airport. The airport is serviced with RPT operations by Qantaslink from Sydney, Brisbane, Townsville and Rockhampton, Virgin Blue from Brisbane, and Macair airlines from Brampton Island plus charter services by Island Air Taxis, Midstate Express and Horizon Airways, Air Pioneer, Hydro Pilots, Reef Helicopters, Whitsunday Helicopters and CQ Rescue, who together provide services to Hamilton Island, Lindeman Island, Hayman Island, Brampton Island and Keswick Island as well as Whitsunday Airport at Shute Harbour, Blackwater, Moranbah, Dysart, St Lawrence, Emerald, Clermont, Proserpine, Bowen and Collinsville.

The Mackay airport terminal has recently been upgraded to make provision for larger aircraft types and for International charters and to provide improved passenger facilities.

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FUTURE DEVELOPMENTS

The Mackay Port Authority is also investigating, through Peter Harbison from the Centre for Asia Pacific Aviation a route development plan to increase direct services from Sydney as well as commence direct charter services from Melbourne and New Zealand. The plan is to develop the Mackay region as a leisure destination for visitors to experience the Rainforest (Eungella National Park), the Great Barrier Reef, Deep Sea fishing and the nearby Brampton Island Resort, as well as the Whitsunday Islands generally, as the region has an abundance of natural unspoilt attractions and a very pleasant climate all year. To further support this plan the Mackay Tourism & Development Bureau has expanded to provide a Conference & Events division to promote the staging of conferences and events in the region. This will promote charter services from the Sydney and Melbourne markets and also give the necessary exposure to delegates that will encourage further investment and growth in the region.

The commencement of Australian Airlines services into Cairns and the Gold Coast on 27th October should provide opportunities to benefit from the expected 300,000 Asian visitors initially.

COST FACTORS A BARRIER TO REGIONAL DEVELOPMENT

One factor that has been a constant hurdle over the years is air access with affordable air fares. It has been widely reported that the high costs of access to Mackay and the Whitsunday's from the major domestic markets of Sydney and Melbourne has held back development of the Tourism industry in the region and made operations financially marginal for Queensland northern Mainland and Island tourist resorts.

This has been partly overcome with the attraction to Mackay of Virgin Blue providing services from Brisbane, achieved as a consequence of an aggressive incentive package **based on growth** offered by the Mackay Port Authority with some initial support from the Mackay City Council. The package incorporated a cap on landing fees as well as an incentive rebate scheme for direct jet services to Brisbane and Sydney which may be extended in the future. In order to further offset the costs to the airlines and charter operators, the Mackay Port Authority has only increased landing fees by 3.1% as from 1st July 2002 - unlike the massive increases imposed at large airports throughout Australia.

During negotiations with airlines on commencement of new routes, a key issue was the cost of Air Services Australia charges at Mackay as compared with larger volume airports in Australia. This cost hurdle has been exacerbated by the introductions of the Ansett Tax of \$10.00 and the Global Security Charge of \$6.80, as well as the 10% increase in domestic airfares consequent to the introduction of GST. These factors have combined to dramatically increase airfares, and when considering travel options, there is clearly a level of cost that meets buyer resistance, and the potential air traveller chooses to self drive, catch a coach or simply stay at home.

Airservices en route charges are the same for any route flown in Australia, aircraft below 20,000kg - \$1.08 per 1000kg, and above 20,000kg - \$4.84 per 1000kg.

In respect of **Control Tower (Terminal Navigation) charges**, an attempt has been made to assist such airports as Albury, Alice Springs, Coffs Harbour, Hobart, Launceston, Mackay, Maroochydore, Rockhampton, Essendon, Tamworth, Archerfield, Bankstown, Camden, Jandakot, Moorabbin and Parafield by subsidising their charges and providing a common charge of \$7.42 per 1000kg based on the MTOW of aircraft. The weighted average for this charge is \$5.38 per 1000kg.

However with **Aviation Rescue and Fire Fighting charges**, the same rationale has not been applied, so we see an airline at Sydney airport charged for these services at \$0.69 per 1000kg and at Mackay \$9.98 per 1000kg. This represents a 1,345% additional cost to aircraft operating to Mackay airport! This translates to a cost of \$47.00 at Sydney and \$679.00 at Mackay for a Virgin Blue 737-800 aircraft with an MTOW of 68,000kg. If applied on a similar basis to the Control Tower (Terminal Navigation) charges, the weighted average for this charge would be \$1.76 per 1000kg, or \$120.00 for a B737-800.

These distorted costs are inhibiting factors in developing services to regional airports such as Mackay, and are hindering regional development.

RECOMMENDATION

On the basis that safety standards are a system issue, not a location-specific issue, it is strongly recommended that:

- 1. Air Services Australia's prices for all its services revert to a network-based charge approach to remove the cost distortion impacting upon regional communities; or**
- 2. Consideration be given to at least adopting the same approach to Aviation Rescue & Fire Fighting charges as has already been applied to Tower Charges, and the cost be shown as Community Service Obligations rather than as a subsidy as currently happens in the Statement of Revenue and Expenses for Air Services Australia.**

TREVOR HEARD
GENERAL MANAGER AIRPORT
MACKAY AIRPORT