

14 March 2014

Hon Warren Entsch MP  
Chair  
Joint Select Committee on Northern Australia  
Parliament House  
CANBERRA NT 2600

Dear Mr Entsch

### **SUBMISSION TO JOINT SELECT COMMITTEE**

Thank you for the opportunity to make a submission on Northern Australia development matters. Northern Territory Airports comprises Darwin International, Alice Springs and Tennant Creek Airports.

I wish to put two issues to the Committee which are important to different aspects of developing Northern Australia. They are listed under the appropriate Terms of Reference headings.

#### **Conducive Regulatory Taxation and Economic Environment Conditions for Private Investment and Innovation**

The cost of constructing infrastructure in Northern Australia, particularly those parts remote from the east coast is significantly more than southern Australia. It is commonly held in Darwin that it costs some 50% more to construct a commercial or industrial building. This is due to a combination of remoteness and increased building standards in a cyclonic area.

Darwin International Airport is in the middle of a major terminal expansion and I can vouch for that 50% figure.

When you combine 50% additional infrastructure cost with the lack of economies of scale that are achieved in larger markets (i.e. more intensive use of that infrastructure) the business case for significant private sector investment is often challenging.

One Commonwealth initiative which would materially induce greater Northern Australia major capital investments would be accelerated taxation depreciation allowances. Accelerated depreciation allowances have been used historically to stimulate particular investment and would not be setting a new precedent. Substantial private Northern Australia investment would be generated by allowing depreciation for tax purposes of major infrastructure/building assets over say 10 years rather than 40 years.

Depreciation of a major infrastructure investment over 10 years would be the Commonwealth directly facilitating Northern Australia investment by mitigating the relatively high capital cost compared to the rest of Australia.

Recommendation – major infrastructure/building investments in Northern Australia be depreciated over 10 years for taxation purposes.

### **Impediments to Growth**

This issue is specific to international air service development to Darwin and concerns the category of fire service offered by RAAF Base Tindal.

Darwin has been developing as a 24 hour domestic-international hub for some years. One operational requirement for an international airline service is a 'nominated destination alternate' airport in the event of the destination airport being closed due to weather, runway incident etc. A consideration in an airline being able to nominate an airport as an alternate is the category of the fire and rescue service. The International Civil Aviation Organisation (ICAO) rules set the category of fire service required for aircraft with the categories being referenced to aircraft fuselage length and width.

One of the category break points in fuselage length is 39m. The B737-400, A319 and A320 are less than 39m and hence only require a Category 6 fire service at the take-off or destination airport. However, the B737-800 and A321 are over 39m and require a Category 7 fire service. For nominated alternate airports there is a lower standard of fire service allowed (generally 2 categories lower).

Australia does not adhere to ICAO requirements for airport fire services and has lodged a 'difference' with ICAO. The reason Australia does not adhere to full ICAO requirements in this area is because of the cost to industry (the current 23 airports with fire stations would increase to 119).

However, many other countries do adhere to the full ICAO fire service standard, including the fire service requirement for nominated alternates.

Tindal is the standard nominated alternate for Darwin with the fire service being provided by RAAF Base Tindal uniform personnel. Other eligible alternate airports for a foreign airline are too far from Darwin (eg Cairns, Alice Springs) to be commercially viable i.e. the additional amount of fuel required to be carried reduces the number of seats able to be sold to an unviable level.

There is a standing Tindal Category 4 fire service which increases to Category 6 during exercises or increased local RAAF flying. This caters for the ICAO standard alternate requirements for all aircraft up to A320/B737-400 size aircraft (remembering Australian flag aircraft are exempted from the ICAO standard).

In mid-2013 Malaysia Airlines announced the commencement of B737-800 services from Kuala Lumpur commencing late 2013. In line with common practice Malaysia Airlines required a Category 5 fire service for an alternate.

The RAAF was initially not keen to incur the additional manning cost to upgrade to Category 5 fire service for Malaysian Airlines flights. Not having the Tindal nominated



alternate as Category 5 would have meant the new Malaysian services would not have continued because the passenger load would be severely curtailed. Estimates are the 160 passenger B737-800 would be reduced by some 30 seats (~ 20%) in the dry season and some 60 seats (~ 40%) in the wet season.

After considerable lobbying by the Northern Territory Government there was a temporary arrangement reached between Defence and the Northern Territory Government for Tindal to upgrade to Category 5 fire service for Malaysian Airways flight operating windows. It is not known whether a permanent arrangement has been agreed.

However, there is an increasing trend to use of larger narrow body aircraft domestically and internationally and Malaysian Airways will not be the only foreign airline operating B737-800/A321 size aircraft into Darwin. Hence, RAAF Base Tindal upgrading from a standing Category 4 fire service to a standing Category 5 fire service is a Northern Australia development issue.

The cost to the RAAF of upgrading from Category 4 to Category 5 should only be the marginal manning cost (one or two persons per shift) as the required equipment is already located at RAAF Base Tindal. Not incurring this marginal cost will mean that foreign airline international services to/from Darwin will be impeded, with a consequent restriction on Northern Australia economic growth.

Recommendation – RAAF Base Tindal upgrade from a standing Category 4 fire service to Category 5.

Yours sincerely,



**IAN KEW**

Chief Executive Officer