The Furneaux Region

The Furneaux Group of islands is located off the northeast tip of Tasmania in Bass Strait. It consists of over 50 islands, the largest being Flinders Island, Cape Barren Island and Clarke Island. The Furneaux Group forms the largest part of the Flinders Council District. The Furneaux Group is located some 160 kms from Launceston, the regional service centre of the Islands' population.

The region contains five settlements: Killiecrankie, Emita, Whitemark, Lady Barron and Cape Barren Island. The largest is the administrative centre of Whitemark and the second largest is Lady Barron, which is associated with fishing, tourism and the port facilities located there. The Corner is the main settlement on Cape Barren Island. The population of the Furneaux islands is less than 1000 people. The principal aerodrome for the Islands is located near Whitemark, and is the only aerodrome licensed for Regular Passenger Transport air services.

The Municipality is comprised of a rural/coastal community with the major industries being agriculture, fishing, aquaculture and tourism. The region has outstanding natural values with un-spoilt beaches, spectacular coastal and mountain scenery, native wildlife, diverse vegetation, clean coastal waters and a generally "natural" landscape. The tourism industry based on these natural values is small but there is enormous potential for growth. Aircraft provide daily transport services, and cost and aeroplane capacity are inhibitors to growth of the tourism industry.

Inquiry into Privatisation of Regional Infrastructure and Government Business Enterprises

In 1992 Flinders Council assumed ownership of the Flinders Island Aerodrome under the Aerodrome Local Ownership Plan (ALOP). ALOP did not differentiate between discretionary and non-discretionary aerodrome transfers. The Furneaux Group is reliant on air services for daily transport services for the movement of people, perishable and time sensitive goods, mail and limited freight deliveries. The Council's submission to the Inquiry into Commercial Regional Aviation Services in Australia and Alternative Transport Links to Major Populated Islands sets out the issues around service delivery to a geographically remote community. The transcript of the Public Hearing held on Flinders Island on Tuesday 25 February 2003 expands on Council's submission.

By Transfer Deed dated 2nd December 1992 the Commonwealth of Australia transferred Flinders Island Aerodrome to Council. In addition to the property transfer Council was granted funds to undertake capital works identified in the Deed and a sum of money to use as an investment account to generate revenue to offset the cost of operating the Aerodrome. The capital works grant did not meet the cost of the prescribed works and Council was forced to draw down the investment account to meet the cost of the shortfall in grant funds. The transfer of public infrastructure experienced its first significant failure in satisfying the terms of the Transfer Deed. And the trend has continued.

The attached financial analysis for the Flinders Island Aerodrome shows the impost borne by ratepayers. As stated at Note 2, the analysis includes lost revenues resulting from small regional operators failing. The analysis does not include the costs borne by the community as users of the air services, monies lost by dishonored ticket purchases, and superannuation and leave entitlements lost by resident employees of the failed airlines.

The future picture does not appear any rosier. Piston engined aeroplanes such as Piper Chieftain aircraft are reaching the end of their RPT life and the possible introduction of turbine powered aeroplanes could require Council to reconstruct and seal the long gravel runway at the Aerodrome. An engineering estimate for the works is $2.1 million (2002 values). Compliance with prescribed accounting standards will inflate depreciation expenses, operating costs will escalate and the deficit to be funded by ratepayers will grow. But sealing the runway may not increase air traffic. As Mr Dick Smith told the inquiry into regional aviation there has been "a significant drop in regional flying hours over the last 20 years".[1] That trend could exasperate Council's aerodrome activity financial results.

FLINDERS ISLAND AERODROME FINANCIAL ANALYSIS											
Item	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Income											
	est	est									
Landing charges			134320	128287	119734	127670	116667	117256	95203	79636	53005
Passenger Service Charges										10876	45157
Terminal Rent				3492	9086	11635	10196	7257	8164	4150	2625
Interest			83645	83008	51432	36571	35920	42885	28774	18652	29710
Other			1140	5732	350	10005	10421	3320	3219	830	52049
Total Income	36365	200000	219105	220519	180602	185881	173204	170718	135360	114144	182546
Expenditure											
Payroll Costs		56000	60674	81141	70229	68685	71333	84378	62381	67556	75038
Depreciation		4000	4451	18535	51727	58377	54791	43001	81344	81786	70596
Insurance		5000	8365	12755	14102	14787	13953	10693	19420	19476	25649
Operating Expenses		15000	25148	43050	77501	52536	51384	44328	62736	51770	63507
Other				549	1767	1996	25070	47398	41089	10373	49957
Total Expenditure	31862	80000	98638	156030	215326	196381	216531	229798	266970	230961	284747
Cash Surplus / (Deficit)	4503	124000	124918	83024	17003	47877	11464	-16079	-50266	-35031	-31605
Operating Surplus / (Deficit)	4503	120000	120467	64489	-34724	-10500	-43327	-59080	-131610	-116817	-102201

Notes

1. The 1992 and 1993 results are taken from summaries produced at that time from cash based accounting records.
2. Included in Expenditure - Other are amounts specifically set aside for Provision for Doubtful Debts.

In particular Aus-Air $17,000, Island Airlines $61,000 and Schutt Aviation $9,500 are included.

The withdrawal of the Commonwealth Government from the operation of aerodromes has resulted in no Commonwealth Government funds being allocated to regional and national infrastructure. The Commonwealth Government co-funds regulatory authorities such as the Civil Aviation Safety Authority, but makes no contribution to the provision of infrastructure. Revenues derived from aviation fuel excises are hypothecated to the Commonwealth Government's regulatory authorities and business enterprises, whereas a small part of excises paid on road transport fuels are returned to roading authorities to help maintain the national road network. Why can't some of the aviation fuel excises be returned to infrastructure providers - aerodrome owners - to help meet the cost providing the infrastructure?

The withdrawal of the Commonwealth Government from regional aerodromes has transferred costs from the Commonwealth and denied access to the central revenue raising capacities available to Commonwealth Governments for under-resourced, limited revenue raising capacity Local Governments. The decline in air traffic at regional aerodromes diminishes the revenue raising potential of those facilities through the application of user charges and further intrudes into the rating capacity of stagnant or declining rural and regional communities.

Air transport recognizes no boundaries and registers operated by the Commonwealth Government reinforce the lack of boundaries in air traffic movements. As such regional aerodromes should be recognized as national infrastructure and provided funding support from national revenues. The Commonwealth Government provides funds to roads and railways, but nothing to air transport infrastructure. The Committee conducting this Inquiry has the opportunity to highlight the cost shifting that has occurred as a result of ALOP and other Commonwealth Government initiatives to withdraw from air transport infrastructure.

1. *About the House September* – September - October 2003 p.27