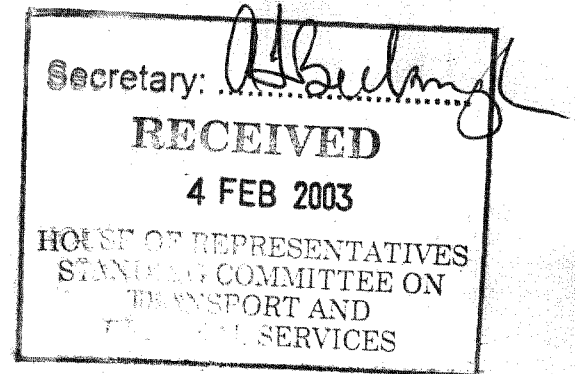


**Kangaroo
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3 February 2003

The House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
Canberra 2600



Dear Sir/Madam

Re: Inquiry into commercial regional aviation services in Australia and transport links to major populated Islands

We apologise for the delay in providing a response to this inquiry and thank you for allowing an extension of time.

Kangaroo Island is the third largest island off the coast of Australia, situated approximately 16km from the tip of South Australia's Fleurieu Peninsula. Measuring 155km long and up to 55km wide, Kangaroo Island has an area of about 4,500 sq kms.

Tourism is the major contributor to Kangaroo Island's economy. Its name and its appeal as a wildlife and nature tourism experience contribute to Kangaroo Island being the most internationally recognized South Australian tourism region outside Adelaide.

The resident population of 4,384 persons (2001 Census) is seasonally augmented by a tourist population of up to 138,000 visitors annually, with an average yearly growth rate in visitation of around 10% (TOMM 2001).

The unemployment rate on Kangaroo Island has dropped from 9.6% in the year 2000 to 5.9% in the year 2001 (ABS 2001 Census).

The average individual annual taxable income is below the state's/regional SA's average ie \$26,949 compared to \$32,863 (state) and \$30,674 (regional SA).

Air and sea services are an essential part of the Island's economy and social infrastructure.

Terms of Reference:

The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services.

Kangaroo Island has one airport located at Cygnet River, approximately 13km south of Kingscote. This airport is currently used for passenger services and limited freight. There are currently two airlines operating from the Island; these airlines offer frequent services between Adelaide and Kingscote where the journey is approximately 125km one way and takes approximately half an hour.

Kangaroo Island Sealink currently operates two combined freight/ferry vessels between Penneshaw and Cape Jervis on the mainland. The Sealink services provide all the current vehicle ferry services between the mainland and the Island as well as most of the freight service, and carries about 70% of all passengers to the Island. The remaining 30% of passengers and a small volume of time sensitive freight use air services to access the Island.

In 2001 the total number of passengers by ferry and airline to Kangaroo Island were approximately 143,500. The following figures represent the number of passengers that travelled to Kangaroo Island during 2001. They have been extrapolated from figures that were publicly available and are therefore approximates:

	Ferry	Airline
KI Residents	6,500	1,000
Visitors	102,000	34,000
Total Passengers	108,500	35,000

The following table presents a comparative cost analysis for vehicular travel from the mainland to three Australian island tourism destinations:

	Kangaroo Island (SA)	Fraser Island (QLD)	Tasmania
Distance	15km	15km	400km
One way fare (adult & car)	\$101	\$30	\$158
Cost per km	\$6.73	\$2	\$0.39

The comparative situation for travel between the mainland and Tasmania is greatly influenced by the Commonwealth travel fare rebate (Bass Strait Passenger Vehicle Equalisation Scheme). The cost of traveling one way on the ferry from the mainland to Kangaroo Island is 336% more expensive than to Fraser Island and 1,725% more expensive than to Tasmania.

The air and sea services should be treated by Government as an essential service. Government should allow a reasonable subsidy similar to the Tasmania ferry service across Backstairs Passage as if the ferry were a Government provided arterial road.

Competition in premium passenger and freight service is provided by air services. The share of the premium freight segment now held by the ferry service is small, but there is a premium passenger car segment held by the ferry.

Competition in the resident transport and the intrastate visitor transport market exists in air services. However there is no competitor car ferry for this market.

Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).

There are no direct international services to Kangaroo Island. The Kangaroo Island tourism industry relies on international services to mainland Australian airports via Adelaide airport. Additionally, there isn't any direct interconnectivity to other regional destinations. This results in extra costs to the passenger via travel costs, time, baggage etc.

For smaller airlines interconnecting with larger airlines at major airports, difficulties can arise from security arrangements for passenger, baggage and freight handling and location of the regional airline to the major airport (as is the case of the proximity of Emu Airways to Adelaide Airport).

Availability of reliable, competitively priced airfreight both in and out of Kangaroo Island is essential to industry development on the Island.

Airfreight includes essential requirements for local industry eg transfer of newspapers, importing and exporting of live industry products eg crayfish, abalone, oysters, chickens etc. Regional airlines will need to keep pace in providing services which are in line with the increasing demand of these commodities within time frames which can meet market requirements.

This problem is exacerbated by the limited amount of space available on aircrafts to meet the seasonal demands of high passenger and baggage loads and the corresponding impacts on the actual freight capacity on these flights.

Maintaining airline competition is essential to enable the provision of low cost fares, growth of Kangaroo Island's tourism market and adequate airfreight services.

Details of current transport schedules follows:

**Emu Airways Flight Schedule
Effective 01 June 2001
From Adelaide to Kingscote (Kangaroo Island)**

Flight Number	Dep Adelaide	Arr Kingscote	Frequency
EA241	0715	0745	Daily

EA249	1115	1145	Daily
EA253	1500	1530	Daily
EA255	1700	1730	Daily

Flight Number	Dep Kingscote	Arr Adelaide	Frequency
EA242	0815	0845	Daily
EA246	1015	1045	Daily
EA250	1215	1245	Daily
EA254	1600	1630	Daily
EA256	1810	1840	Daily
EA258	2000	2030	Daily

Additional flights may be scheduled during public holidays, long weekends etc.

REX Airlines - Schedule - Kingscote to Adelaide

This schedule is effective from 11 November 2002. Final flight times may be subject to change, for final flight time confirmation please refer to our [online booking engine](#) within this website or call us on 13 17 13.

Flight No.	Effective	Destination	Departure Time	Arrival Time	Days Available						
					Mon	Tue	Wed	Thu	Fri	Sat	Sun
ZL604	09/12/02	Adelaide	10:20	10:50	Yes	No	No	No	No	Yes	No
ZL604	02/01/03	Adelaide	10:20	10:50	No	Yes	Yes	Yes	Yes	No	No
ZL610	09/12/02	Adelaide	18:35	19:05	No	Yes	Yes	Yes	Yes	No	Yes
ZL610	28/01/03	Adelaide	18:35	19:05	Yes	No	No	No	No	No	No

REX Schedule - Adelaide to Kingscote

This schedule is effective from 11 November 2002. Final flight times may be subject to change, for final flight time confirmation please refer to our [online booking engine](#) within this website or call us on 13 17 13.

Flight No.	Effective	Destination	Departure Time	Arrival Time	Days Available						
					Mon	Tue	Wed	Thu	Fri	Sat	Sun
ZL603	09/12/02	Kingscote	09:25	10:00	Yes	No	No	No	No	Yes	No

ZL603	02/01/03	Kingscote	09:25	10:00	No	Yes	Yes	Yes	Yes	No	No
ZL609	09/12/02	Kingscote	17:45	18:20	No	Yes	Yes	Yes	Yes	No	Yes
ZL609	28/01/03	Kingscote	17:45	18:20	Yes	No	No	No	No	No	No

To Kangaroo Island

12th June 2002 to 3rd September 2002			
Depart Cape Jervis	Arrive Penneshaw	Service	Frequency
9.00am	9.45am	IsNav / S2000 *	daily
12.00pm	12.45pm	IsNav / S2000 *	on demand
3.00pm	3.45pm	IsNav / S2000 *	on demand
5.00pm	5.45pm	IsNav / S2000 *	on demand
8.00pm	8.45pm	IsNav / S2000 *	daily

4th September 2002 to 31st March 2003			
Depart Cape Jervis	Arrive Penneshaw	Service	Frequency
9.00am	9.45am	S2000	daily
12.00pm	12.45pm	S2000	on demand
3.00pm	3.45pm	S2000	on demand
6.00pm	6.45pm	S2000	daily

S2000 - Denotes Sealion 2000 passenger & vehicle ferry
 IsNav - Denotes Island Navigator passenger & freight ferry
 No ferry service is available on Christmas Day (25/12/2002)
 * Island Navigator is the sole vessel operating from 19/8/2002 to 24/8/2002
 * Sealion 2000 is the sole vessel operating from 12/6/2002 to 18/8/2002
 and from 25/8/2002 to 3/9/2002

From Kangaroo Island

12th June 2002 to 3rd September 2002			
Depart Penneshaw	Arrive Cape Jervis	Service	Frequency
7.30am	8.15am	IsNav / S2000 *	daily
10.30pm	11.15pm	IsNav / S2000 *	on demand
1.30pm	2.15pm	IsNav / S2000 *	on demand
3.30pm	4.15pm	IsNav / S2000 *	on demand
6.30pm	7.15pm	IsNav / S2000 *	daily

4th September 2002 to 31st March 2003			
Depart Penneshaw	Arrive Cape Jervis	Service	Frequency
8.30am	9.30am	IsNav	daily

10.30am	11.15am	S2000	daily
1.30pm	2.15pm	S2000	on demand
4.30pm	5.15pm	S2000	on demand
7.30pm	8.15pm	S2000	daily

S2000 - Denotes Sealion 2000 passenger & vehicle ferry
 IsNav - Denotes Island Navigator passenger & freight ferry
 No ferry service is available on Christmas Day (25/12/2002)
 * Island Navigator is the sole vessel operating from 19/8/2002 to 24/8/2002
 * Sealion 2000 is the sole vessel operating from 12/6/2002 to 18/8/2002
 and from 25/8/2002 to 3/9/2002

The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.

Kangaroo Island supports the recommendation made to the Standing Committee on Transport to review the tax laws that impact on the replacement of aged aircraft.

There is a need for Government to address the age and type of aircraft in use and to provide capital assistance to enable smaller operators to upgrade their fleets which will assist the airline's viability and service provision.

Government should recognize that there is a community service obligation to provide air services to remote populated Islands and should investigate the possibility of providing financial incentives/subsidies that can assist with the costs of airport facilities and infrastructure where there is a small population base.

Regional airports require capital input into upgrading and maintenance of services, however, in the circumstance of Kangaroo Island there is a very small population and rate base and accordingly the Kangaroo Island Council is not in a position to fund airport losses or heavy maintenance or upgrading costs.

The cost of using Kingscote airport is very high when compared to other regional airports. It currently collects a \$4.40 charge per passenger arriving and departing Kangaroo Island. This amounts to a total charge of \$79.20 per aeroplane landing at Kingscote. This does not compare well with landing fees of \$40.81 at Port Augusta and \$25 at Port Lincoln. The cost of landing at Adelaide airport is also cheaper at \$30 with overnight parking cost of \$12.

Emu Airways also has to add \$10 per passenger "Ansett recovery charge" to its airfares.

We agree with the Tasmanian Government response that, quote, "DOTARs has responsibility to ensure that their policies facilitate economic development in regional Australia. Not unlike other regional areas, Kangaroo Island is reliant on adequate, viable and sustainable regional services to ensure that impediments to access are reduced for locals, tourists and business travelers. This facilitates economic

development by having viable regional airlines, tourism businesses, and both airport and non airport related businesses. It is important that the Government recognizes the importance of healthy regional communities for the overall social and economic health of Australia.”

In conclusion, we hope that you will consider our input and look forward to the opportunity of further consultation in due course.

Yours sincerely

David Furniss
Chief Executive Officer