

**SHIRE OF DERBY/WEST KIMBERLEY**

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8 August 2002

Mr I. Dundas  
 Committee Secretary  
 House of Representatives,  
 Standing Committee on Transport and Regional Services  
 Parliament House  
 CANBERRA ACT 2600

Dear Mr Dundas

**Inquiry into Commercial Regional Aviation Services in Australia and Transport Links to Major Populated Islands**

I refer to your correspondence of 5 July 2002 inviting the Shire of Derby/West Kimberley to provide input to the above inquiry.

The terms of reference are highly relevant to our situation as we have subsidised air services operating into Derby airport and Fitzroy Crossing airport from Broome.

It is appreciated that Government policies and measures to assist in the development of regional air services will be formulated in conjunction with the views and opinions of the regional air operators as well as airport operators, users of the air services and other organisations and persons whom I am sure will respond to this inquiry.

Our views have been determined after experiencing considerable change to the Derby air service from jet aircraft to small turbine propeller aircraft over the past decade.

From this experience it is the Shire of Derby/West Kimberley view that the following key issues must take priority when policy is formulated for development and assistance of regional air services.

- Ensuring adequate market analysis and subsequent marketing support for the regional air service is provided.
- Ensuring issues pertaining to airline interconnectivity and airport transit are reduced.
- Ensuring affordable and realistic priced air travel is available to the consumer through subsidy of air services and air operators.

Supporting local economies and air operators to meet these objectives will allow equitable air travel opportunity with our city counterparts and bolster the commercial strength of air service providers to the extent that fleet upgrades and the accompanying efficiencies derived from new aircraft can occur.

In the context of the specific Terms of Reference we offer the following additional comment to support our views.

### **Role of Major Air Transport Carriers**

It is appreciated that regional carriers act as feeders into domestic and international air services. Hence, a hierarchy situation exists amongst the airlines.

This suggests it is important for the major carriers to be prepared to work with the smaller regionals as best they can to ensure operational issues, such as interconnectivity are minimised, irrespective of their affiliate airline status.

Qantas now serve Broome International Airport and their co-operation in the provision of improved schedules that allow for improved interconnectivity for users of the Derby air service is appreciated.

Smaller regional airlines are essential, such as Skippers Aviation and North West Regional Airlines who operate the regional routes out of Broome to Derby and Fitzroy Crossing respectively. Qantas are just not appropriately structured to operate at this level nor would they wish to be.

Clearly the role of the major airlines can have a very large influence on who and to what level the services are provided. This was most apparent just this week with a change in the Qantas schedule requiring Skipper's Aviation to operate out of Broome versus Derby to provide the optimum level of interconnectivity.

An appropriate level of communication with key stakeholders, which should include the airport operator, and importantly the community over changes to the air service are very important if the user needs are to be valued.

In the case of the Shire of Derby/West Kimberley all users of the air transport services are very important to us and growth of passenger numbers is our prime objective.

The air service generates a revenue stream for the airports. Our airports currently do not trade profitably and without the air services would be even more reliant upon external funding sources.

### **Interconnectivity**

Being able to through ticket from Derby or Fitzroy Crossing to Perth and vice versa with least time lost to interconnectivity is vital for the sustainability of the regional air services.

Most regional air services to the Kimberley, including those to Derby and Fitzroy Crossing, are through Broome airport.

To ensure the air service remains attractive to business, locals, Government and other users such as tourists interconnectivity issues must be minimised.

Users value their time, which when added to the air fare is the true cost travel.

Affiliate airlines will work together on scheduling issues but when the air service is provided on a State Government subsidy basis, as is the case from Broome to Derby, then the air operator may not always be aligned and interconnectivity issues can arise such as transit delays at Broome, second ticket requirements, second check-in of baggage and high airfares.

It is appreciated that small aircraft are not in the same position to offer airfare prices or discounts like the larger aircraft. For instance, the ticket cost on the Derby-Broome sector for a flight to Perth is 25% of the total cost but in travel terms the Derby-Broome sector represents only 10% of the total distance to travel.

This disparity is deemed a penalty for those living in the regions and whereas it is appreciated that this not something that a commercial operator can help it is deemed an area where Government may be able to help.

### **Role of Three Levels of Government in Supporting and Assisting the Development of Regional Air Services.**

The Shire of Derby/West Kimberley, as the owner and operator of the Derby and Fitzroy Crossing airports, believes there is a very important role for all three tiers of Government in developing and supporting essential air transport services.

Our airport serves a catchment, which is the local economy and the health of the local economy (airport catchment) dictates the health (demand) for the air service.

Airport operator's are in an excellent position to actively participate/undertake market analysis as it is in their business interests. Airports are businesses.

All community air transportation needs may be different. For instance, some communities may have greater demand for tourist travel or resource development generated travel.

At Derby and Fitzroy Crossing it is Government and business travel that is in demand.

Once the local economic picture is understood then an appraisal of the level of service and potential for that service can be appropriately made.

In our opinion, it is from this point forward where Government can play a very important role by;

- contributing constructively to marketing arrangements to increase use of air transport services.
- entering into subsidy support arrangements to maintain essential air services.
- providing subsidy support to an airline to provide a higher level of service than perhaps the operator can sustain to trigger for example private sector investment in tourism infrastructure.

- financially supporting private and public sector regional development projects that will stimulate local demand for air services.

Without focus some local economies and their associated regional air services will flounder.

It is appreciated that buoyant local economies may need no support but when support is needed it should involve all three tiers of Government.

The Shire of Derby/West Kimberley presently receives State Government subsidy support to sustain air services from the Broome hub to Derby and Fitzroy Crossing.

Without this subsidy the air transport service would collapse in its present state.

However, this is not to say that the service doesn't have growth potential.

The air transport service was carrying approximately 6,500 passengers before Ansett's demise and passenger numbers had stabilised on the daily Metroliner 23 aircraft service, ranging on average over 50% and up to 75% load factor on occasions. This pre-Ansett annual passenger activity should be possible to resurrect over the next twelve months provided Government also gets behind the marketing efforts of the air operator and the airport operator and that subsidy arrangements remain in place.

It is considered totally inadequate for the Government to act and subsidise air services without being serious supporters and monitors of their actions with clear objectives established together with the airport operator, community and the air operators to grow service numbers. It has got to be a partnership.

A monitoring role is essential to allow corrective action to be taken as and when necessary to keep the traffic growth objectives on target. It may well take several years but half measures will not give the stability the community deserves, let alone the air operator.

Yours sincerely



Cr Elsie Archer  
President, Shire of Derby / West Kimberley