



SHIRE of WYNDHAM | EAST KIMBERLEY

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Dr David Worth
Principal Research Officer
Economics and Industry Standing Committee
Parliament House
Perth, WA 6000

Dear David

Submission to Economics and Industry Standing Committee

I refer to correspondence of 26 June 2017 from Ms JJ Shaw MLA Chair of Economics and Industry Standing Committee – Inquiry into regional airfares in Western Australia inviting a submission from the Shire.

As one of the more remote Shires in Western Australia being located some 3,000km from Perth and the operator of a regional airport with regular public transport services the opportunity to participate in the work of Standing Committee is appreciated.

I attach a submission outlining a number of experiences and suggested approaches that can support lower airfares to regional areas.

The Shire would appreciate the opportunity to formally present the submission at the Public Hearing in Kununurra and provide any further detail that can assist the Committee.

If I can provide any further information please do not hesitate to contact on carl.askew@swek.wa.gov.au or 08 9168 4100.

Yours sincerely

Carl Askew
Chief Executive Officer

Economics and Industry Standing Committee

Inquiry into regional airfares in Western Australia

Submission from Shire of Wyndham East Kimberley

Context

The Shire of Wyndham East Kimberley (SWEK) comprises one of the most remote areas in Western Australia being some 3,000km from Perth and has the added challenges of a severe climate that includes a wet season that results in periodic flooding and isolation while bushfire can be an issue in the dry season.

The East Kimberley region is a major contributor to the State and broader national economy as host to the Ord Irrigation Scheme, resources sector and tourism.

The general isolation from higher order services, often family networks and need to provide support to a sizable indigenous community are added social considerations.

As such high air fares are an impost on the East Kimberley community, economy and governments through the cost of delivering health and community services such as PATS State subsidy.

It is emphasized that the Shire maintains good working relations with the RPT operators. In particular, following the industry impacts of Pilots Strike and loss of Ansett there were threats to RPT services to Kununurra. The delivery of flights by operators Airnorth and Virgin has supported the region.

The following are a series of considerations drawn to the attention of the Committee that can improve the availability, cost and funding of regular public transport (RPT) services.

East Kimberley Regional Airport

The East Kimberley Regional Airport (EKRA) is located at Kununurra and accommodates RPT and general aviation services. The next closest regional airports are Darwin (860km by road) and Broome (1,100km by road). EKRA provides a limited RPT service to Halls Creek (370km) with the use of 12 seat aircraft. The Curtin Airport at Derby services a range of air force and non-RPT traffic.

Regional Location of EKRA and other Airports



The EKRA comprises a site of 275ha owned by the Shire and is four kilometers west of the town center. Infrastructure includes a sealed runway of 1,829m x 30m together with a modern Terminal of 1,660m². The Airport can accommodate aircraft to Code 3C having a capacity for 100 passengers.

There are currently 74,000 annual RPT passengers utilizing 48 RPT services per week:

- Kununurra - Darwin 9x flights in each direction (Airnorth)
- Kununurra – Broome 7x flights in each direction (Airnorth)
- Kununurra – Perth 4x flights each direction (Virgin)
- Kununurra – Perth 1x flight each direction - seasonal (Airnorth)
- Kununurra – Halls Creek 3x flights each direction (Aviair)

With continuing population and economic growth, the EKRA passenger numbers are estimated to increase significantly over next twenty years.

Cost of Flights

To illustrate the level of fares from Kununurra the following Table details the current cost of booking a flight to Perth at short notice (one week) and longer term notice (3 months) together with a comparison to a similar scale of trip on the east coast between Cairns and Melbourne.

Route	Airline	Fare – 1 Week in advance*	Fare – 3 Month in advance*
Kununurra – Perth (3,199km)	Virgin (Direct)	\$452	\$402
	Airnorth/Qantas (Stop Broome)	\$1097	\$516
Cairns – Melbourne (2,943km)	Virgin (Direct)	\$532	\$248
	Virgin (1x Stop)	\$278	\$209
	Jetstar (Direct)	\$249	\$155
	Airnorth (1x Stop)	\$216	\$174

*Fares via web search on 24 July with travel on 31 July and 24 October 2017 respectively.

While it is recognized that the Cairns – Melbourne route is serviced by airports capable of handling larger jets the cost is around half that for the comparable distance between Kununurra and Perth.

Funding responsibilities for regional transportation

There is an inconsistency in the responsibilities for the provision and maintenance of major regional transport infrastructure in that:

- Highways are funded/maintained by Federal and in particular State Governments – in the case of SWEK the Victoria Highway that essentially crosses the Shire in west – east direction is not a direct impost on the local community.
- Railways although not being present in the Shire are funded through other levels of government/private sector e.g. Darwin to Adelaide.

- Airports such as EKRA have the opportunity to obtain some capital contributions through competitive grant schemes but usually need to meet operating and depreciation costs through fees and charges imposed on users.

Achieving economies of scale

A means to achieve lower unit aircraft operating costs is to utilize larger aircraft.

At EKRA the Shire funded and adopted a pre-feasibility study in 2016 providing for a lengthening of the runway from 1,829m to 2,430m that can provide for the 'design' aircraft to increase from the current Fokker 100 (100 passengers) to B737/A320 (170 passengers). Such aircraft can reach non-stop all domestic airports and key destinations in south east Asia. Such aircraft have lower per unit crew levels, tend to avoid transit landing costs and over-night stays.

However, to achieve the lengthened runway at EKRA will involve a capital cost of some \$20m including related land acquisitions. The costs of maintaining these increased assets will need careful management by the Shire.

Improved non-stop accessibility through use of larger aircraft at EKRA (red Fokker 100 and blue B737)



Fares and utilizing aircraft capacity

An ongoing community concern is that RPT services, particularly during the quieter wet season are frequently operating on passenger loads of 60% or under while there are no fare structures to encourage a higher utilization of available seats e.g. standby schemes that could especially support the local community.

Support for new routes/services

The Shire has sought to encourage additional services/routes to Kununurra which involve significant set-up costs and risk.

Through liaison and support of local businesses the Shire has committed \$200,000 in 2018 to support a six-month trial comprising twice weekly direct flights between Kununurra and Melbourne.

Provision of 'community obligation' services that need to be met by operating revenue

There are a range of costs that the Shire as operator of the Airport needs to cover by cross funding. These include:

- Provision of facilities and meet asset costs in responding to natural emergencies.
- Support for health services including Royal Flying Doctor Service and similar.

Compliance costs

While recognizing the need for vigilance in the provision of compliance systems these add a sizable cost that needs to be passed-on to travelers.

There were original subsidies towards the installation of screening equipment however replacement costs need to be met by the airport operator. The Federal Office of Transport Security (OTS) have recently introduced 'grandfathering' provisions where-by the standard and cost of scanning equipment is increased over time. In 2017-18 the Shire needs with 12 months' notice to replace Explosive Trace Detector (ETD)/Walk Through Metal Detector (WTMD) equipment at a likely cost of \$100,000, due to increased standards.

Conclusion

As outlined in this submission there is no single action that can successfully address the level of regional airfares in Western Australia, rather a suite of complimentary initiatives are considered necessary. These include:

- Increased scope through such schemes as Regional Airports Development Scheme (RADS) to regional airports towards the cost of infrastructure to accommodate more cost effective aircraft.
- Providing support to regional airports that play key economic and community development roles but are delivered/maintained by small centers of population.
- Reviewing opportunities for regional airports to meet increasing obligations for standard of screening and other equipment.
- Ensuring that during periods of lower demand that available aircraft capacity is financially accessible to local communities in particular.
- Encouraging the establishment of additional and complimentary routes that can increase choice, range of fares and better utilise aircraft capacity.