

13 March 2014

The Hon. Richard Colless
Chair
Standing Committee on State Development
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Dear Mr Colless

RE: SUBMISSION TO THE INQUIRY INTO REGIONAL AVIATION SERVICES

Regional Development Australia – Northern Rivers welcomes the opportunity to contribute to this enquiry and seeks to provide a regional perspective on the potential economic and social impacts of any changes to current service provision of aerial Regular Public Transport (RPT) services.

Regional Development Australia – Northern Rivers (RDA-NR) is a leadership voice for the region. We support the building of local economies and dynamic communities and enhance liveability in the Northern Rivers by: improving access to government funding and programs; facilitating partnerships and linkages with all tiers of government and the community; and managing a diverse range of projects that create economic, social and natural capital. We are a non-profit, community-based organisation.

The main focus of our submission to this Inquiry is the third question before the Committee regarding the **economic impact on regional communities of gaining or losing RPT services**. For clarity we outline our responses under the same headings provided by the Inquiry's Terms of Reference.

3 A) THE ECONOMIC IMPACT ON REGIONAL COMMUNITIES OF GAINING OR LOSING RPT SERVICES FOR THE LOCAL BUSINESS COMMUNITY

The NSW Northern Rivers is currently well served for air travel by its three Regional airports: Ballina/Byron, Lismore and Clarence Valley (near Grafton), which respectively account for 13%, 2% and 1% of domestic regional aerial RPT services in NSW. In terms of passenger numbers,



Ballina/Byron was ranked third busiest in NSW, after Newcastle and Sydney airportsⁱ. The north of the region is also within easy reach of the Gold Coast and Brisbane International airports and the Coffs Harbour regional airport is within easy reach of parts of the Clarence Valley.

An economic impact review prepared for Clarence Valley Airport in 2011 estimated that the airport and supporting operations contribute almost \$9 million to the local economy per annum. Given higher passenger numbers but less income from other sources (Clarence Valley Airport receives approximately \$4 million per annum for hosting the Rural Fire Service) it is reasonable to assume that Lismore Airport makes a similar contribution to Lismore's local economy.

Ballina Shire Council estimates that by June this year, Ballina/Byron Airport will provide services for 400,000 passengers with a direct turnover of \$4.5 million, not including any flow on effects.

The ABS no longer publishes standard multipliers for airports. However the Regional Airports Association estimates that nationally, regional airports contribute 1.2% to Gross Domestic Product.ⁱⁱ With a Gross Regional Product of \$13.562 billionⁱⁱⁱ, it follows that regional airports in the Northern Rivers contribute \$162.74 million to Gross Regional Product (GRP).

Our airports are also vital to the success of other important sectors of our economy including tourism and related services, which in 2010/11 contributed \$1.43 billion (13%) to our GRP^{iv} and our Food sector, which in 2009/10 contributed \$715.4 million (7.1%) to our GRP^v, of which almost half (\$335 million) is spent by domestic tourists.

In terms of the visitor economy and the total inbound economic value from international tourism, the Northern Rivers ranks 18th destination nationally, accounting for 1.7% of NSW income from international tourism^{vi}.

With the exception of retail trade, Tourism and Food are our largest private sector employers at 10% (compared to 4.5% nationally) and 14.1% respectively^{vii}. 15% (3,995) of businesses in the Northern Rivers are tourism-related and 19% (5,139) are food-related^{viii}. Consistent with the remainder of regional NSW, the vast majority of businesses in the region employ five or fewer employees. This represents significant opportunities for business growth in the region, in turnover through export activity and increased employment capacity, if key infrastructure drivers such as key-worker mobility, transport and telecommunications can be improved.

Current lack of commercial-quality broadband requires business owners and managers from the Northern Rivers to travel to Sydney to engage face-to-face with clients or their employers. The arrival of NBN in the Clarence is already providing opportunities for businesses to operate more effectively and is already attracting new businesses to the region. It is projected this will create additional demand for RPT services as the NBN is rolled out across the region.

Northern Rivers businesses already encounter high opportunity costs of travelling to Sydney, which is not only our State Capital, but the main hub to the remainder of NSW. This cost would be exacerbated if our current airports or RPT services were decreased. Due to curfew restrictions, during daylight savings months it is not possible to arrive in Sydney from the Gold Coast before 10am.

Key points

- *Airports in the Northern Rivers contribute \$162 million to GRP.*
- *Tourism and the Food sector are large employers; key drivers of the Northern Rivers economy and dependent to a large extent on our visitor economy.*
- *Northern Rivers businesses already encounter high expenses and opportunity costs travelling to Sydney as a destination or hub.*
- *Increases in RPTs will potentially increase our airports' contribution to GRP, improve mobility of key personnel and enable business growth.*

3 B) THE IMPACT ON GENERAL AVIATION AND REGIONAL AIRPORT MANAGEMENT OF THE GAIN OR LOSS OF RPT SERVICES TO REGIONAL CENTRES.

Currently, it is estimated that airports in the Northern Rivers support almost 300 jobs. Most of these are indirect, e.g. ancillary services including hospitality, maintenance, accommodation transfers, parking. Additional aerial RPT services would have a positive effect on these figures.

According to the Regional Aviation Association of Australia “the cost of flying to many regional and remote parts of Australia is generally more expensive than flying between the major city centres due to flights in regional and remote parts of Australia being conducted by smaller aircraft run by operators on very fine margins that cannot use the large number of seats available to the major operators to amortise their costs.”^{ix}

Fewer RPT services to our region would mean capital and recurring costs must be spread across fewer flights and carriers, which are passed on to passengers, providing an economic disincentive to

use services. This includes the costs of security services and safety, which is paramount to the industry and for which there are national standards. This has a disproportionate impact on smaller airports and carriers. Lismore Airport calculates that the need for security screening would further increase the cost of flights by \$10 per passenger, making it more difficult to compete with low-cost services provided by neighbouring airports.

While being encouraged to use local airports, State and Federal Government employees are not always able, as 'preferred airline agreements' militate against this, further increasing ground travel and opportunity costs and jeopardising viability of regional airport operations.

The Northern Rivers covers a large geographic area. While currently the vast majority of the region's population are within approximately one hour's drive of an airport, loss of RPT services from any of our airports would negatively impact this equitable access to our State Capital for business, specialist health services or leisure purposes.

Key points:

- *Our regional airports provide key services to our regional economy as recent upgrades at Ballina confirm.*
- *Increasing demand for RPT services will improve profitability for regional carriers and airports and avoid potential closures and their knock-on effects.*

3 C) THE POTENTIAL FOR FUTURE ECONOMIC DEVELOPMENT

A study by the National Institute of Economic and Industry Research (NIEIR) for the Regional Aviation Association of Australia (RAAA) concluded that "regional communities with regular air services are doing better on a number of clear quantitative measures than those without".^x

As noted in the recent Ballina/Byron Airport upgrade, increased services (passenger numbers are up 14% year on year) has increased competition; reduced fare prices and enabled the recommencement of the Jetstar Melbourne and Virgin Newcastle reintroduction of previously unviable services. This has provided fresh opportunities for local businesses and Ballina Council is now in the process of rezoning land adjacent to the airport to create a 14-Lot Lease industrial park for aviation, transport, logistics and related industries and to build a hangar to promote jobs in the airline maintenance sector by creating capacity to maintain larger planes, including 737s.

Increased aerial RPT services to the region would contribute to the region's ability to stay 'open for business'. The region currently has high levels of unemployment and under-employment and 86% of our businesses employ five or fewer persons^{xi}, offering potential for better utilisation of our workforce and business growth and expansion if we can increase the mobility of key personnel and the affordability of doing business.

With access to Sydney Airport for jet service from Ballina/Byron Airport limited to between 10am-5pm, additional RPT services would enable carriers to increase their capacity for business passengers, which are currently provided only by REX Airlines' 31 passenger Saab propeller craft.

In his presentation to RDA's in South East Queensland in July 2013, Austrade's Brent Moore (Executive Officer, East Asian Growth Markets) noted that 10 of Australia's top 12 export markets are in Asia, and while Asian countries have different needs and drivers, Australia's exports to Indonesia, Philippines, Singapore, Thailand, Hong Kong & South Korea are all being driven by consumer demand. He stated that annual air travel sales in China, South Korea and Vietnam were all projected to more than double by 2020 and provided data showing that demand for food products and agribusiness expertise would increase by more than US \$1 billion per annum across the top nine Asian economies in the same period.

According to Tourism Research Australia, China and India are the fastest growing international tourism markets for Australia, with annual growth rates since 2001 at 17.1% and 14.9% respectively.^{xii} Additional aerial RPT services to the Northern Rivers would undoubtedly increase opportunities for tourism from these valuable markets.

In 2012, visitors from China generated \$4.2 billion in total tourism expenditure in Australia.^{xiii} It is estimated that visitor numbers from China have the potential to grow to between \$7.4 billion and \$9 billion in total expenditure by 2020.^{xiv} As the Northern Rivers accounts for 1.7% of Australia's international tourism spend, increasing aerial RPT services to the Northern Rivers airports would potentially contribute an additional \$153 million from Chinese visitors alone.

Increasing wealth and living standards within Asia are increasing demand for the types of food items produced in the Northern Rivers, in particular meat and dairy products. Reductions in aerial RPT services affecting the viability of regional airport operations would have a knock-on effect to cargo services for some of our key agricultural industries. While the Northern Rivers' traditional industries of beef, dairy and macadamias remain strong, and to some extent can be supported via road transport services, emerging sectors such as blueberries and guavas (of which the region grows

almost 85% and 60% respectively of Australia's demand^{xv}) and other fresh produce with short shelf lives, are more reliant on air freight to ensure delivery to market. In April 2014, NSW Trade and Industry is organising trade missions for NSW agriculture and food businesses to Malaysia, Indonesia and Singapore to discuss export opportunities.

Other opportunities for time-critical freight commodities such as cut-flowers and frozen foods (Lismore-based Norco is the biggest contract ice-cream manufacturer in Australia) could be further exploited if additional cargo capacity was created, particularly at Grafton airport where the Council is already in the process of rezoning adjacent land on the Pacific Highway for industrial use as a transport and logistics hub.

While the demand for tourism and food products grow in China and India, so does the demand for training for pilots and other aviation sector workers to serve those nations' growing domestic aviation markets. Airports in the Northern Rivers could become training centres, bringing additional employment for private and commercial flight instructors and the associated industries.

Key Points

- *Increasing aerial RPT services to the Northern Rivers will help the region remain 'open for business' and offer opportunities for development of new export markets for our fresh produce and other time-critical commodities.*
- *Economic development in Asian nations will create many opportunities for the Northern Rivers in terms of tourism, fresh food, and time-critical freight exports.*
- *Decreases in aerial RPT services to our regional airports has the potential to threaten their viability, increase distances that our businesses and residents must travel for basic aviation services and reduce our ability to remain competitive in growing export markets.*

3 D) IMPACTS FOR LOCAL, STATE AND FEDERAL GOVERNMENTS, INCLUDING LICENCING ARRANGEMENTS FOR SERVICES LESS THAN 50,000 PASSENGERS PER ANNUM.

The central issue is ensuring equitable access to our capital city – and the rest of the State – for all residents of NSW. Only one of our airports currently provides services for more than 50,000 passengers per annum, but moving all aerial RPT services to Ballina (which already accounts for 13% of regional passengers in NSW) would have serious impacts on the other LGAs in the region and their residents.

Ballina airport recently received a Federal grant of \$3.5M (through the Regional Development Australia Fund) to upgrade its infrastructure to better enable investment, economic and commercial development in the region. Grafton airport has been awarded a \$1.1 million Clarence Valley airport upgrade grant, but has not yet commenced works. Both projects represent significant Federal, State and Local Government investment in aviation infrastructure.

Reductions in aerial RPT services to the Northern Rivers would increase on-ground travel costs and opportunity costs in lost time for business persons, MPs and public servants who are based locally or visiting the region.

Grafton airport is the primary base for the Rural Fire Service (RFS) and State Emergency Services (SES) for fire and flood (both of which are likely to be more prevalent as adverse weather events increase) for nine local government areas (Clarence and Richmond Valleys, Kyogle, Tenterfield, Glen Innes, Severn, Guyra, Armidale Dumaresq, Bellingen and Coffs Harbour). The RFS has expressed an interest in making Clarence Valley airport its State headquarters and this would add further to the Valley potential for economic development.

According to the NSW Health Northern Health District (LHD), the region is heavily reliant on specialist medical locum services to fulfil essential health service gaps in the region.^{xvi} In fact, locum fees, airfares and associated expenses are a major part of the LHD medical services budget. It can be difficult to attract appropriate professionals, and the LHD believes that anything that would make transport more difficult, such as longer ground travel or less convenient departures from Sydney would exacerbate this problem and significantly increase costs to NSW Health.

Northern LHD is also reliant on aviation services for emergency transfers for patients requiring medical services that are not available locally, in particular specialist cardiac services. This is particularly true for Grafton, which has a smaller hospital than other major centres in the region and is further away from specialist health services. The LHD uses a combination of charter flights and air ambulance (fixed wing and helicopter) services. In 2012-2013, this included: 38 charter flight transfers of which 24 were from Grafton and at a total cost \$144,521; 113 fixed wing air ambulance transfers, including 87 from Grafton, at a cost of \$540,646; and 216 helicopter air ambulance services, of which 114 were from Lismore and 67 were from Grafton, at a total cost of \$1,311,982. Whilst not relying on RPT services for patient transport, the LHD is reliant on the facilities that the airports provide for them.

Key points:

- *Recent investments in Ballina and Clarence Valley airports by Federal and local government represent considerable public expenditure and maintain equity of access to Sydney and the remainder of NSW for Northern Rivers businesses and citizens.*
- *Clarence Valley airport is host to the Rural Fire Services and that capacity provides a positive opportunity for the NSW Government to reduce expenditure.*
- *The Local Health District is reliant on air transport from regional airports for medical locums and patient transport. Therefore, reduction in services would have a negative impact on the NSW Health budget.*

QUESTION 5: ANY OTHER MATTERS RELATING TO THE PROVISION OF AERIAL REGULAR PASSENGER TRANSPORT SERVICES.

We understand from the recently published *Sydney Airport Master Plan* that access to Sydney airport by regional airlines during peak periods is currently legislated by government policy and supported by slot allocation rules. We advocate that despite current pressures and challenges, the availability of these slots should be maintained, even where passenger numbers per flight is fewer than 50. Relocating regional RPT to alternate locations, even with additional transport infrastructure would be detrimental, creating negative impacts on both inbound and outbound flights.

We do not support any changes to legislation that would decrease passenger mobility and affordability as a matter of fair and equitable access to Sydney for our populations, whether travelling for business, accessing health services or leisure purposes.

We also propose that the Terms of this Inquiry should be broadened and/or further research should be undertaken to understand more fully the economic importance (and multipliers) of regional access to Sydney airport, not only for the people of regional New South Wales, but to Sydney's regional economy.

Thank you for the opportunity to provide this submission on behalf of the Northern Rivers of NSW.

Yours sincerely



Dr Ian Tiley

Chairman

Regional Development Australia – Northern Rivers

References

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- ⁱ Drabsch, T (2011), *Population, Housing and Transport Indicators for NSW – Statistical Indicators 4/11*, NSW Parliamentary Library Research Service
- ⁱⁱ Australian Airports Association (2012) *Australia's Regional Airports Facts, Myths & Challenges*
- ⁱⁱⁱ Clarence Valley Council, *Clarence Valley Economic Monitor, December 2013*, prepared by Lawrence Consulting
- ^{iv} Tourism Research Australia (2011) *The Economic Importance of Tourism in Australia's Regions*
- ^v Regional Development Australia – Northern Rivers (2013) *Northern Rivers Regional Profile Update 2013*
- ^{vi} Transport NSW website *Quarterly Passenger Statistics* <http://www.transport.nsw.gov.au/content/quarterly-passenger-statistics-nsw-air-routes-and-sydney-airport> (accessed 19 February 2014)
- ^{vii} *ibid* RDA-NR 2013
- ^{viii} Tourism Research Australia (2012) *Regional Profiles 2010-11* <http://www.tra.gov.au/statistics/Regional-overview.html> (accessed 19 February 2014)
- ^{ix} Cited in *Clarence Valley Airport Business Plan 2009-2013*
- ^x Clarence Valley Council December 2010
- ^{xi} *ibid* RDA-NR 2013
- ^{xii} Tourism Research Australia (2013) *International Visitor Survey Q3 2013* <http://www.tra.gov.au/publications/latest-ivs-report.html> (accessed online 21 February 2014)
- ^{xiii} Tourism Australia <http://www.tourism.australia.com/markets/market-regions-greater-china.aspx>
- ^{xiv} *ibid*
- ^{xv} Regional Development Australia – Northern Rivers (2011) *An Appetising Destination*
- ^{xvi} Telephone interview 7 March 2014