

Australia's airports: middle-sized operators seek role support

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Stronger than expected advance ticket sales augur well for the latest regional airport to offer regular passenger flights as an alternative to capital city-based services.

Illawarra Regional Airport near the NSW city of Wollongong commenced daily flights to Melbourne and Brisbane on October 30.

Pre-launch bookings were 75 per cent above expectations with more than 2000 tickets sold before the first flight, according to airline JetGo.

The initiative is the third attempt in 20 years to sustain regular passenger services at the airport, which is 100 kilometres south of Sydney Airport.

Illawarra's previous Qantas service to Melbourne relied on business traffic connected to the region's once-thriving steel industry. Steel's decline coupled with high fuel costs led Qantas to shut the service in 2008.

That left a potential catchment area population of 450,000 with no choice but to make a three to four-hour round trip to Sydney Airport by road or rail.

Research by Shellharbour City Council, which owns the airport, indicates high demand for family visits, business needs and growing tourist traffic to the Illawarra and NSW south coast districts will support a profitable service.

JetGo's managing director Paul Bredereck says every flight to Melbourne and Brisbane will offer seats at \$155 but some seats will sell at higher prices.

Bredereck says advance ticket sales were encouraging but cautions: "We can't underestimate the power of a \$65 Jetstar flight or \$49 Tiger Air flight from Sydney.

People will drive two hours to save \$50 per passenger, particularly if the whole family is travelling.”

Shellharbour Council invested about \$750,000 to ready the airport for JetGo, which uses 44 to 50-seat Embraer regional jets, and to lay the basis for future expansion.

The money paid for a temporary terminal to replace its fire-damaged predecessor, security services, facility upgrades and design of an expanded airport.

“When patronage increases to about 30,000 passengers a year, that will trigger the need for a bigger permanent terminal, better parking and other facilities and runway improvements,” Shellharbour Mayor Marianne Saliba says.

“We have a development application under way for a \$14 million expansion and we will ask federal and state governments to contribute via grant funding,” Saliba says.

However, regional airports such as Illawarra may find it difficult to obtain government funding for infrastructure under current arrangements.

The Australian Airports Association launched a campaign last month aimed at maintaining safety and improving access at regional airports, many of which are owned and operated by local governments.

Backed by the Australian Logistics Council, Regional Aviation Association of Australia and the Royal Flying Doctor Service, the AAA campaign calls on the federal government to establish a new \$25 million-a-year program over four years to assist regional centres ineligible under the federal Regional Aviation Access Program (RAAP), due to expire next year.

AAA chief executive officer Caroline Wilkie says the new program is needed to help overcome a \$170m shortfall in maintenance and infrastructure funding for areas such as runways, fencing and lighting. Wilkie says airport costs are expected to increase 40 per cent in the next 10 years.

“We are asking for this funding based on a 50-50 contribution split between local/state government and the commonwealth,” she says.

Such a scheme would potentially benefit regionals such as Bundaberg in Queensland, with 167,000 passengers on services to and from Brisbane in 2015-16, and Western

Australia's Albany, with 53,000 passengers on the Perth run.

The AAA argues that enhanced regional airports will greatly benefit agricultural exports with Australian fresh produce increasingly sold across Asia and other markets.

“Improved infrastructure will enable more Australian regional suppliers to tap into this lucrative expanding sector,” Wilkie says.

The association says many regional airports are in the wrong location to qualify for RAAP. It was set up to funnel grants to remote airstrips.

The same regionals are often too small to compete for grants from general infrastructure funds such as the federal Building Better Regions Fund.

AAA policy director Simon Bourke says a few big regional airports have managed to win Better Regions funding but “most are unable to demonstrate the same sort of economic-generation benefits that other types of infrastructure projects can”.

“Airports with fewer than 250,000 passengers per year often need funding assistance, particularly for things like a new runway,” he says.

“Above that number they tend to be self-sufficient with the ability to cover their operating and capital expenditure costs.

“There is a group of 100 to 150 regional airports that operate at a loss or very small profit and are not eligible for any direct funding assistance from the commonwealth.”

Regional airports accounted for almost one quarter of Australia's domestic regular passenger transport (RPT) movements in 2016.

A study commissioned by the AAA and presented to the federal government last year found that 61 per cent of regional airports had budget deficits in 2014-15.

Shellharbour Council says RPT services have been successful at airports with smaller populations than that within the Illawarra catchment. It cites Ballina, Armidale and Orange, all in NSW, as examples.

The mayors of four councils neighbouring Shellharbour — Wollongong, Kiama, Shoalhaven and Wingecarribee — attended the official launch of the JetGo service in

October and Saliba expects they will strongly support Shellharbour's funding applications.

"We all recognise the importance of this service to our communities," she says.

"It will be a great stimulus to our tourism industry and create more jobs in an area where youth unemployment is above the state and national averages." JetGo's Bredereck says Shellharbour Council's research gave it "a high degree of confidence that the market would be viable and their airport investment would not turn into a white elephant".

"In the segment we operate in — regional jet aircraft in the sub-50 seat category — we have lots of councils coming to us on a regular basis saying 'we want air services' to here and there.

"Some of them make sense and some don't. Others you don't know until you try. For example, Melbourne to Port Macquarie looked good on paper but we took a bath on it," Bredereck says.

The presence of hills around the airport required JetGo and the airport to redesign instrument approaches to permit landing and takeoff in bad weather.

"It was not as straightforward as flying into Dubbo or Wagga or Albury or Tamworth," Bredereck says.

"Those airports have long runways, no hills at the end of them, big terminals with security screening already in place, high-volume fuel facilities already in place, an instrument approach that gets you down to a nice, low altitude, and councils that are experienced at managing airports.

"Illawarra Airport has been a learning experience for us and Shellharbour Council. Fortunately they hired a very experienced airport manager who has done an excellent job."

The airport's funding application will likely stress the need to upgrade its second, east-west runway, which is too short and soft for JetGo's Embraers.

In the meantime JetGo is seeking approval to use the airfield at HMAS Albatross naval base near Nowra when bad weather such as low cloud closes Illawarra Airport or strong westerly winds prevent landing on Illawarra's main north-south runway.

“Nowra has bigger runways aligned to the wind and it is only an hour away by bus. Passengers will accept that for a few days a year when the weather might rule out landing at Illawarra,” Bredereck says.

“Without approval to land at Nowra, there is always a risk that the schedule will be compromised. I think it will be essential we do get that permission to be able to protect the integrity of our services,” he says.