



21 May 2019

Mr Michael McMahon
Chief Executive Officer
Dubbo Regional Council

Sent by e-mail: council@dubbo.nsw.gov.au

Rex Submission – Draft Revenue Policy 2019/2020 Dubbo City Regional Airport

Dear Mr McMahon,

Regional Express (Rex) strongly opposes the **13%** proposed increase to the Dubbo City Regional Airport (DCRA) passenger tax from \$14.90 to \$16.89 (incl. GST), as outlined in councils 2019/2020 draft revenue policy.

In the most recent financial year ended 30 June 2018, DCRA reported airport income from user charges of \$3.952M and other income \$136K, a total of \$4.088M. In the same year ended 30 June 2018 council received some \$10M in Government grants and contributions for capital purposes.

Since 2002 when Rex first commenced operations, the revenue at DCRA has increased from less than \$1M per year to more than \$4M per year. The increased airport revenue has been derived by increases in charges, significant passenger growth and in recent years additional new revenue has been generated by airlines providing additional services to new destinations such as Brisbane, Melbourne, Newcastle and Canberra.

It is outrageous that an annual income of some \$4M is not sufficient for council to manage the airport and that a further 13% passenger head tax increase is being proposed. One can only fully appreciate the extent of council's greed by looking at the airport head tax / user charges revenue at airports in proximity to Dubbo:

Airport	Annual Head Tax Revenue (approx.)
Parkes	\$300K
Bathurst	\$300K
Broken Hill	\$600K
Griffith	\$600K
Orange	\$1.2M
Armidale	\$1.3M

Council's justification of the increase *"to assist to meeting increased operational expenditure and contributing to DCRA future capital works program focused on supporting on current RPT demands and future growth"* is unsatisfactory and Council needs to justify why \$4M of annual revenue is not sufficient to operate a regional airport when other airports seem to be doing very well with revenue 1/10 to 1/3 of DCRA.



Furthermore, Rex opposes council's statement that *"financial modelling on Council's fees and charges and specific RPT related capital works program suggests that future increases to passengers will be moderate"*. Council needs to be transparent about the about the RPT related capital works program and this program should be determined by the principle airport users. ie Rex and QantasLink.

In relation to airport security screening, Rex maintains its longstanding opposition to airport screening charges being imposed on airlines, such as Rex, that operate aircraft that are not legally required to be screened under the Federal Government's security screening regulations.

With regards to the proposed change in which security charges are levied to airlines, (currently security costs are allocated to airlines by % of seats and proposed is a flat \$6.60 fee per arriving and departing passenger) Rex makes the following points;

1. In 2017/18 Rex paid \$5.32 (incl. GST) per arriving and departing passenger for security screening (a total of \$351K) and in 2018/19 YTD until March 2019 Rex has paid \$5.40 per arriving and departing passenger for security screening. Council needs to justify the proposed \$6.60 fee which is \$1.10 more than what Rex has been paying on average.
2. Rex believes that council is being disingenuous in saying that it will cover any additional operating costs associated with security if it is collecting an additional \$1.10 per arriving departing passenger, as this will be very healthy buffer of some \$200K per year. Any shortfall can always be recovered the following FY if needed.
3. Whatever the per passenger security fee is deemed to be, there should be an annual security cost recovery reconciliation whereby any over-recovery is rebated back to the airlines or any under-recovery is charged back to the airlines. This annual reconciliation process is common practice at many airports.

Regional Express (Rex) looks forward to receiving a detailed response from Dubbo Regional Council to the matters raised within this submission.

We hope that Rex's submission is appropriately considered by Dubbo Regional Council and that the Draft Revenue Policy 2019/2020 for Dubbo City Regional Airport has not been delivered to airport users as a "take-it-or-leave-it" offer.

Yours Sincerely,

Warrick Lodge
Manager, Network Strategy & Sales
Regional Express (Rex)





Copy *Productivity Commission, Economic Regulation of Airport Services*
Dugald Saunders, NSW State Member for Dubbo
Michael McCormack MP, Minister for Infrastructure, Transport and Regional Development
Anthony Albanese MP, Shadow Minister for Infrastructure, Transport, Cities and Regional Development
Dr Stephen Kennedy PSM, Secretary, Department of Infrastructure, Regional Development and Cities
Graeme Samuel, Chairman Airlines for Australia and New Zealand (A4ANZ)
QantasLink
Fly Corporate
Fly Pelican



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24 April 2019

Regional Express
General Manager
PO Box 807
MASCOT NSW 1460

Dear Sir/Madam

DRAFT REVENUE POLICY 2019/2020 - DUBBO CITY REGIONAL AIRPORT

I wish to advise that included in Council's Draft Revenue Policy for the 2019/2020 financial year are the proposed fees and charges for RPT operators at Dubbo City Regional Airport (DCRA). The relevant sections of the draft policy are set out in the attached document.

These proposed fees and charges will be included in Council's draft Operational Plan for 2019/2020 which will be placed on public exhibition for 28 days, 3rd May – 31 May 2019. Council will adopt an Operational Plan (including Revenue Policy) in June 2019 which will be effective from 1 July 2019.

Airport Passengers Fees are proposed to increase by \$1.99 per passenger. This proposed increase is to assist in meeting increased operational expenditure and contribute to the DCRA future capital works program, specifically projects focussed on supporting current RTP demands and future growth.

There will be no increased financial return to Council's General Rates and Revenue as a result of the proposed increased landing fees.

Council appreciates the challenges and complexities of regional transport, and as you would be aware have delivered nil or moderate increases to landing fees in recent years; 2015/2016 fee was \$14.30, 2016/2017 fee was \$14.55, 2017/2018 fee was \$14.55 and 2018/2019 fee was \$14.90.

Financial modelling on Council's fees and charges and specific RPT related capital works program suggests that future increases to passenger fees will be moderate.

All communications to: **CHIEF EXECUTIVE OFFICER**

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In light of the range of airlines, services and destinations now operating from DCRA, Council is proposing to remove the 50% landing fee reduction for any passengers over 75,000. This fee reduction has only obtained by one airline in recent years.

To assist airlines and Council to forecast, manage and monitor costs in relation to security services a standard \$6.60 Per Passenger Screening Fee has been calculated on security service provision, maintenance costs and consumable costs only. Additional operational costs associated with this service will be met by Council. This standard fee is within the average range of passenger charges that has been recovered from Airlines in the past 2 years. This standard fee will reduce administration time for Council and Airlines from the current monthly process. Council is working closely with the security contractor to ensure costs of this service, now and in the future, remains sustainable for all stakeholders. This charge remains focused on a cost recovery philosophy and will be reviewed every in 12 months to enable any adjustments to reflect this philosophy.

Council's 'Route Viability Assistance Program' is proposed to continue. Upon application in writing, at the discretion of the CEO for a rebate of 50% of the passenger fees for a period of six (6) months. Assistance will be provided based on evidence of low viability including low load factors for continual three (3) month period. This program is only available to routes that have commenced or been established within the last five (5) years and can only be applied for once in a financial year. All accounts must be up to date with no arrears. The program can be accessed by an airline for an identified route for a maximum period of three (3) years.

Yours faithfully



Michael McMahon
Chief Executive Officer

Attachment/s: 1. Pages from Draft Revenue Policy – Dubbo City Regional Airport

Name	Year 18/19 Last YR Fee (incl. GST)	Year 19/20 GST	Fee (incl. GST)	GST	Fee type	GST Code
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ECONOMIC DEVELOPMENT AND BUSINESS

DUBBO REGIONAL AIRPORT

AIRPORT PASSENGER FEES – DUBBO

Council provides for a period of 12 months, a passenger fee subsidy for routes not being effectively served by an airline or not operating under a government subsidy by reducing such fees from \$16.89 per person per, movement to a zero amount per person, per movement to develop new routes, noting further that a security screening fee will be applicable as per Council's adopted Policy.

A new route viability assistance program is available, upon application in writing, at the discretion of the CEO for a rebate of 50% of passenger fees for a period of six (6) months. Assistance will be provided based on evidence of low viability including low load factors for continual three (3) month period. This program is only available to routes that have commenced or been established within the last five (5) years and can only be applied for once in a financial year. All accounts must be up to date with no arrears. The program can be accessed by an airline for an identified route for a maximum period of three (3) years.

QANTASLINK

per passenger (Dubbo/Sydney)	\$14.90	\$1.54	\$16.89	Y	IS	10%
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REX

per passenger (Dubbo/Sydney)	\$14.90	\$1.54	\$16.89	Y	IS	10%
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FLY CORPORATE

per passenger	\$0.00	\$1.54	\$16.89	Y	IS	10%
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FLY PELICAN

per passenger	\$14.90	\$1.54	\$16.89	Y	IS	10%
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PASSENGER AND CHECKED BAGGAGE SCREENING

per passenger	\$0.00	\$0.60	\$6.60	Y	FCR	10%
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All passenger security charges are to cover the costs for the provision of passenger screening service.