

12<sup>th</sup> March 1998

Prof. Richard Snape  
Presiding Commissioner  
Industry Commission  
International Air Services Inquiry  
Locked Bag 2  
Collins Street East Post Office  
**MELBOURNE VIC 8003**

Dear Professor Snape

**RE : INTERNATIONAL AIR SERVICES INQUIRY**

Broome International Airport welcomes the Industry Commission's Inquiry into International Air Services and the opportunity to provide comment to assist with outcomes through the inquiry.

Located in the North of Western Australia 1680 km by air, Broome is at the Gateway to the Kimberley Region. Asia's proximity to the region provides an ideal opportunity for the Asian and European markets to enter Australia via the Kimberley Gateway with Bali/Denpasar 1350 km and Singapore 2950 km, being possible departure ports for these markets.

Large international tourism markets travel through the Singapore hub, the European backpacking markets travelling through the Asian spine visiting destinations in Indonesia. The close location of these markets provides Broome's International Airport as an ideal entry point into Australia.

Visitors to the Kimberley Region describe the area as some of the last adventure lands of Australia.

Significant business opportunities exists between Indonesia and the Kimberley Region. Huge developments in agriculture and aquaculture in the Kununurra Valley and Broome Region will provide large quantities of food products to feed the Asian food bowl.

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## **BRIEF OVERVIEW OF AIRPORT ENGINEERING SERVICES (AES)**

In October 1990, the Australian Property Group (APG), an Australian Federal Government enterprise, sought expressions of interest for the purchase of the Broome Airport. Airport Engineering Services (AES) on behalf of Wallace Emery & Associates (WEA), the operating company, submitted a final tender in February 1991.

AES were the successful tenderer and final purchase arrangements were completed for freehold title of the Broome Airport in April 1991 from the Australian Commonwealth Government, the Shire of Broome and AES by a Heads of Agreement which agreed to certain matters relating to the relocation of the Airport outside of the existing Broome townsite which was mutually agreed by the Shire, AES and the Minister for Lands, subject to the State granting to AES freehold title to land on which the new airport is to be constructed.

The Shire and AES also agreed that it is necessary for AES to sub divide and sell or develop parts of the airport land. AES were to raise the monies required for the design and construction of the new airport location.

Arrangements were facilitated with the support of the Premier, State Government, Local Government and Regional Tourism Agencies for the expenditure of \$4M for runway extensions and new terminal facilities which enabled the Airport to achieve International status in the first quarter of 1992 with a restricted access approval.

During the period 1992 to 1996, a number of heavy jet charter flights operated through Broome.

National Jet Systems commenced Regular Public Transport (RPT) operations in January 1996 with a weekly service to Bali/Denpasar and Jakarta on Thursday returning to Broome on Monday. The aircraft, whilst overseas operated services for Christmas Island Casino from Asia to the Island for patrons visiting the resort.

Brand identity and lack of a partner airline for oncarriage of traffic, coupled with poor marketing and difficulties with the Christmas Island Casino, forced the service to cease operating some 12 months later.

Since that time, AES, in conjunction with the Western Australian Tourism Commission and the Kimberley Tourism Association, have worked together to attract operators to commence International Regular Public Transport services.

Approaches to both Ansett Australia and Qantas/Airlink, have to date been unsuccessful in replacing the National Jet flights.

Attached is a paper identifying the potential for International flights to Broome.

**AES – APPROACHES TO MERPATI NUSANTARA AIRLINES THROUGH SETIA TOURS AND TRAVEL**

Setia Tours and Travel Managing Director, Mr Nurdin Purnomo, approached AES for consideration in assisting with marketing monies to market services from Indonesia to Broome.

Merpati Nusantara Airlines Managing Director, agreed to provide aircraft capacity to Setia Tours and Travel on a flight block hourly cost subject to Government's approval.

Prior to the final agreement, the following points were discussed by AES with the Department of Transport and Regional Development in Canberra in late August, early September 1997.

- ➔ What Bi-lateral capacity was available between Indonesia and Australia for the operation of up to two F28 or B737 services per week, commencing in late November of 1997.
- ➔ Discussions with other agencies which included AQIS, Federal Police, Security, etc.
- ➔ Process to be followed by Merpati Nusantara Airlines in obtaining approval.
- ➔ From advice received, there appeared to be no major hurdles to overcome for the Airlines subject to correct paper work being prepared for the services between Indonesia and Broome on an RPT basis. This information was relayed through to Setia Tours and Travel.
- ➔ Following a round of Bilateral discussions with Indonesia which broke down and included fifth and sixth freedom rights, we were advised that Broome was not an approved entry point within the Treaty rights between our countries. This, despite our earlier advice and understanding, we were advised that entry into Broome would be placed on the table for the next round of Bilateral discussions, possibly six months hence.
- ➔ Entry points for Indonesian carriers were major capital cities, Cairns and Townsville, although the latter had no RPT operating into port for some period of time. At this stage, we requested that the right be transferred to Broome to allow RPT services to commence. This was rejected.
- ➔ Several phone discussions were held with DoTRD, WA Transport and our Company, in an endeavour to have the service approved.

- We were advised that there was a much “bigger picture” than Indonesia/Broome services and we needed to “get our head around it”. We are still not aware of the big picture.
- We believe this response to be offensive and unco-operative by failing to provide alternative arrangements. Only after a number of phone calls was it suggested that we advise Setia Tours and Travel that approval for a three month trial period would be given to Test and Development Charters. We considered this to be unsatisfactory as it did not provide continuity of services. We were advised that a review with a rollover of the three months would be given favourable consideration.
- In the past, we have received excellent co-operation from the Passenger Processing Committee in obtaining our objective to have Broome as an International Gateway to the Kimberley.

## **OBJECTIVES AND CONCERNS OF THE BI-LATERAL PROCESS**

### **Objectives**

- Create employment opportunities by freeing up the Bi-lateral process.
- Encourage development within the Region.
- Create an awareness of the tourism market place of the Region.
- Create export freight opportunities for produce and fish product.

### **Concerns**

- The private owners of Airports need to have the Bi-lateral process more defined or totally freed.
- We consider that in purchasing the Airport, we have a constraint trade imposed by not being able to negotiate with Airlines to fly to our port.
- Bi-laterals tend to favour the two Australian Airlines who have much greater foreign ownership than in the past, which inhibits competition.
- Australian carriers have large labour and operating costs and are very slow to react to achieve improved efficiency.
- Bi-lateral process appear to be influenced by Senior Airline Executives, independent experts would achieve a better outcome.

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- Open skies within Australia produced Compass Mark 1 and 2 and grew the market and created more employment within the Airline industry and the tourism sector.
- **We must all come to grips with the value of tourism in this country.**
- Market forces should be permitted to be the determining factor. Airlines will fly if they have their costs structures are in order and the demand is available.
- Small entry points like Broome suffer because of the Bi-lateral process by not allowing Airlines to fly to any entry point within Australia.
- Alliances tend to reduce capacity and increase yield thus restricting tourism.
- We hear of the national interest prevailing, but the interest is hidden.

### **CHANGE THE BI-LATERAL SYSTEM**

#### **We Favour An Open Skies Policy**

We are of the opinion that Perth and Regional Western Australia should have “**open skies**” negotiated on a country by country basis.

Our close proximity to Asia will provide Airline operators with an opportunity to fly into the region creating that much needed Government objective of creating employment and development in the Regions.

Cabotage should also be addressed by way of code sharing with Australian carriers. We should develop the domestic market if the Australian Airlines cannot provide the capacity at a similar timeslot.

Export opportunities are very significant for the Kimberley Region. An “open skies” will provide the necessary space to achieve our objectives of creating employment and lowering our foreign debt.

We thank you for the opportunity to address this inquiry and hope that you both see the need to create that much needed competition which hurts very few people, but opens up many other doors.

Yours sincerely

**RON BUCKEY**  
**Chief Executive Officer**  
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