



14 June 2019

Mr Michael McMahon
Chief Executive Officer
Dubbo Regional Council

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

Draft Revenue Policy 2019/2020 Dubbo City Regional Airport

Dear Mr McMahon,

I write in reply to your letter of 27 May 2019 which forms the official response to the Regional Express (Rex) submission to Dubbo Regional Council's (DRC) Draft Revenue Policy 2019/20.

On 24 April 2019 DRC advised Rex that the proposed Dubbo airport fees and charges would be included in DRC's draft operational plan for 2019/20 and placed on public exhibition for 28 days from 3 May 2019 to 31 May 2019. Rex responded with a submission to DRC on 21 May 2019.

Your reply to Rex of 27 May 2019, which is prior to the conclusion of the 28 day public exhibition period, looks to be nothing more than a box ticking exercise. If DRC were sincere in considering submissions, it would have waited for the closure of the 28 day public exhibition period and then consider all submissions received in their full context prior to any decisions being made. This clearly demonstrates DRC arrogance and blatant disregard for the stakeholders' and the local constituents' views and is a prime example of a 'take-it-or-leave-it' offer by a monopoly regional airport.

Rex remains opposed to the significant 13% increase in airport charges when DRC is budgeting to return most of this increase as a \$300K surplus back to DRC's general revenue.

DRC has also completely ignored Rex's comments about the methodology of charging for security screening, in that there should be an annual reconciliation to reimburse airlines for any over-collection or to charge airlines for under-collection. It is unsatisfactory to adjust the per passenger security charge on an annual basis, as this does not address any possible over-collection in the prior year.

Rex also would like to ask DRC the following questions;

1. Did DRC budget for airport revenue from the collapsed JetGo in the 2018/19 airport budget?
2. If so, how much JetGo related airport revenue was budgeted for 2018/19?
3. Is this the true reason for DRC imposing a 13% increase in airport charges in 2019/20?

Furthermore, airline operators require at least 3months notice of any changes in airport charges, which is something that Rex has been advising Dubbo airport for more than a decade.

Yours Sincerely,

Warrick J Lodge.

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

Regional Express Pty Ltd

Head Office

81-83 Baxter Road PO Box 807
Mascot, NSW 2020 Mascot, NSW 1460
P +61 2 9023 3555 F +61 2 9023 3599

ABN 46 101 325 642

Regional Express Group of Companies:





Copy: *Productivity Commission, Economic Regulation of Airport Services*

Dugald Saunders, NSW State Member for Dubbo

State ministers of the relevant portfolio

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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27 May 2019

Warrick Lodge
Manager, Network Strategy & Sales
Regional Express (Rex)
PO Box 807
MASCOT NSW 1460

Dear Warrick

DRAFT REVENUE POLICY 2019/2020 DUBBO CITY REGIONAL AIRPORT

I am writing in response to your letter dated 21 May 2019, whereby you are seeking a response to matters regarding the proposed fees and charges for the RPT operators at the Dubbo City Regional Airport (DCRA).

The ongoing development of the DCRA is, as I'm sure you'd agree, is a positive commitment from Council, and is certainly a positive benefit for all airport stakeholders. As noted in your letter, these developments have been achieved through government grants and significant funding from Council. As a business function of Council, the DRCA does budget to return funds to the community (2019/202 budget identifies \$301,657) however this level of funding is insignificant in comparison to the corporate depreciation of the asset. Furthermore, in this financial year Council has provided additional funds to support operation of the Airport of \$1.2million. This is in addition to the capital investment alluded to in your correspondence.

While there is significant expansion occurring at the DRCA, Council makes a distinct separation of the costs of such capital projects and have not considered such costs as part of the fee structure for RPTs.

The determination of the proposed fee increase for 2019/2020 is considerably linked to our commitment to the improved runway 05/23 that has recently been strengthened. These works represent a substantial upgrade of the capabilities of that runway. DCRA now provides this new runway as part of the total airport portfolio and need to recognise the responsibility that this brings to maintain that runway through its life and also to be in a situation to be able to replace this enhanced level of service when the time comes.

Similarly, as Council saved the proportionate revenue over the lifecycle of the previous 05/23 runway, the organisation has a responsibility to do the same for this improved asset. This

All communications to: **CHIEF EXECUTIVE OFFICER**

ABN 53 539 070 928

PO Box 81 Dubbo NSW 2830

T (02) 6801 4000 **F** (02) 6801 4259 **E** council@dubbo.nsw.gov.au

Civic Administration Building Church St Dubbo NSW 2830

W dubbo.nsw.gov.au



amount is estimated to be in the order of \$2.00 per RPT passenger at current utilisation over the life of that runway surface without any consideration given to the inclusion of GST on the maintenance works. This strategic lifecycle planning is the major component of the price increase advised. To not collect that revenue over the life of the runway would defer a significant financial burden and not position the DCRA as a sustainable, self-funding operation which is the primary business objective of the Airport operations.

In addition to the runway depreciation, you would also be aware that the runway lighting has recently been upgraded and the Precision Approach Path Indicator (PAPI) system has been enabled. There have been other enhancements to the customer experience that have been implemented in recent years including the construction of a specific rental car park with an additional 118 spaces which will see an immediate improvement in availability of spaces within the public car park as they will no longer be sharing the same space.

With this further detailed information provided it should be clear that the annual value to each RPT passenger is actually greater than the proposed price increase.

There are other works considered for the RPT services at the airport that can be discussed in general terms.

- In response to feedback considered as part of the DCRA Masterplan Project, Council is conducting an investigation to expand the RPT apron area from the current 5 bay configuration to an eventual 9 bay configuration. This will reduce the congestion in that space especially when there is an unserviceable plane from any of the users. This will be staged over time, with imminent addition of one bay to the south of the current apron space and then eventual addition of another three to the north. The northern expansion is still in conceptual stage.
- There is also consideration being given to a possible extension of runway 05/23 to, at this stage, to an approximate 2200m length. That work would also involve the extension and significant strengthening of Taxiway Delta for its entire length. Again, this work would enable the use of Delta for its intended purpose by the RPT aircraft reducing congestion on the runway and with the added safety that will be achieved having taxiing aircraft away from the landing space.

In reference to your feedback regarding the Passenger and Checked Baggage Screening fee. Council's intention for the flat fee is only to cost-recover, with the understanding that the fee will either be reduced or increased for the new financial year based on the actuals of the previous year. The proposed charge \$6.60 inc GST for the passenger screening is higher than YDT of \$5.41 average as the previous charges did not include contract maintenance costs, consumables and licence charges. As stated in our communications, Council will continue to meet related operational costs of power, cleaning, rent, administration, insurance and renewals for security equipment.

As always, Council welcome's the participation of the airlines through regular consultation and communication through staff on the development of the DCRA and Regional Express are an important stakeholder and partner in creating the overall vision for serviceability in Regional NSW.

Dubbo Regional Council appreciates the active role that Regional Express plays in the service delivery through DCRA and looks forward to a long term, sustainable and mutually beneficial partnership well into the future.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Michael McMahon', with a stylized, overlapping loop at the end.

Michael McMahon
Chief Executive Officer