



# AUSTRALIAN HOTELS ASSOCIATION

Northern Territory Branch



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Committee Secretary  
Senate Standing Committee on **Rural and Regional Affairs and Transport**  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Sent via email: [rrat.sen@aph.gov.au](mailto:rrat.sen@aph.gov.au)

**Submission: Inquiry into the 'Operation, Regulation and Funding of Air Route Service Delivery to Rural, Regional and Remote Communities.'**

Thank you for the opportunity to provide a response to this Inquiry.

The Australian Hotels Association NT Branch is the peak employer representative for the Territory's hospitality industry. Our Membership is comprised of five divisions; Accommodation Hotel Division, Restaurant Division, Hotel Division, Licensed Clubs (ClubsNT) and Wayside Inn Division.

Specifically, in the Accommodation Division, the major accommodation properties in Yulara, Alice Springs, Tennant Creek, Katherine, Nhulunbuy, Kakadu, Darwin and Palmerston area are members of the AHA (NT).

Our Members are vital contributors to the NT's economy, employing 16,000 people and supporting the NT's \$2 billion-dollar tourism industry.

Given the NT's geographic location, air routes and services are obviously vital for our economy and continued growth and development of the NT's hospitality industry.

The AHA (NT) will continue to provide feedback from our Members to both Federal and NT Governments regarding this matter.

Below are some key areas we wish to raise to the Committee regarding this matter:

***Hospitality Staff Shortage***

The impact to the NT's hospitality industry from air route supply and high airfare pricing is two-fold.

Firstly, the high cost of flying domestically, makes recruitment of employees extremely difficult for NT hospitality employers. A recent survey of our Members (94 businesses completed the survey) showed over 1,000 employment vacancies are expected in 2018. Specifically, the skilled occupation jobs in shortage were:

*Skilled occupations that NT employers surveyed were having difficulty filling were:*

Chefs - 168

Cooks - 64

Cook (Ethnic Cuisine) - 25

Café/Restaurant Managers - 48

Hotel/Motel Managers - 57  
Gaming Workers (Managers) - 33  
Bar Attendant Supervisors - 31  
Hotel Service Managers – 30  
Crowd Controllers – 22  
Waiter Supervisors - 14  
Bakers – 9  
Pastry Cook - 9  
Sales and Marketing Managers - 8  
Conference and Event Organiser – 4

*Semi-skilled occupations that NT employers were having difficulty filling were:*

Bar Attendants - 144  
Waiters - 116  
Hotel/Motel Receptionists - 61  
16 Baristas  
Housekeeping and Guest Services –204  
Kitchenhand - 123  
Breakfast Chef –21  
Maintenance and Gardener - 13  
Caravan Park Manager - 3

*Were you to extrapolate this information across our sector the vacancies increase to approximately 3,000 positions.*

The NT's local labour supply, including the number of graduating apprentices and trainees simply cannot meet this huge demand that exists currently and will continue to impede our industry.

Hospitality employers are regularly recruiting and advertising their job vacancies interstate. The AHA (NT) also participates in the NT Government's 'Worker Attraction Expos and Seminars' in locations throughout Australia, in regions experiencing high unemployment.

The aim of these events is to sell the jobs, career and lifestyle opportunities in the NT. However, when speaking to people from other States/Territories one major issue is the cost of living in the NT, particularly the cost of airfares to travel to and from the NT to visit family and friends.

It is the AHA (NT)'s experience from the many Career and Jobs Expos we have attended over the years that the high cost of airfares out of both major airports in the NT, being Darwin and Alice Springs, are a major impediment to our recruitment of Australians to vacant skilled and semi-skilled jobs in hospitality.

For instance, when speaking with a Chef in Wollongong who was seeking career advancement, full time employment and a better paying job in order to look after his family, the reality is that most Chef positions currently available in locations throughout the NT could deliver on this.

However, when speaking to the Chef about 'liveability' of the NT, the cost of airfares needs to be considered. If this Chef was to fly back through Sydney to Wollongong once a year for Christmas to see family and friends, based on Christmas airfares in 2017, the Chef and his 3 other family members would have paid over \$2,500 for a return airfare from Darwin to Sydney (a three-hour flight). This cost would have increased dramatically if the flights were booked more than months in advance.

Whilst the AHA (NT) recognises the regional nature of our two major airports – Darwin and Alice Springs, the costs of return airfares to southern capital cities do not seem justify against the actual costs of operations (i.e. fuel, staff, airport fees), as airfares continue to increase in price rapidly right up to last minute bookings.

Tasmania has been earmarked as a great opportunity for hospitality and tourism staff to work both 'peak' seasons in Tasmania over summer and in the NT during the slower Tasmania winter months. Both jurisdictions rely heavily on hospitality and tourism trade and both locations experience some degree of seasonal fluctuations. However, when taking into consideration the costs to travel back and forth between the two locations, you can see why a seasonal 'swap' program has never been successful.

Additionally, to the hospitality industry skill shortage, the AHA (NT) is also aware that Pilots are also in shortage in Australia, with regional and remote areas hardest hit. When discussing increases to airline supply, the Senate Committee should also consider the availability of skilled workers to work in this sector and the ability for employers to recruit overseas when there are insufficient workers available in Australia.

### **True Costs**

The most recent inquiry by the Western Australian 'Economics and Industry Standing Committee on the 'Perceptions and Realities of Regional Airfare Prices in Western Australia', found that:

*"Unfortunately, the Committee encountered a general resistance from airline to provide information that would have enable it to draw conclusions regarding the reasonableness of fares on unregulated routes. In the absence of clear information regarding costs and fare construction, it is difficult for the Committee to conclude that airlines are genuinely setting fair prices. And without proactive community engagement to explain their position, it is impossible for industry operators to change community perceptions or allay concerns."*

The AHA (NT) believes that this Senate Committee should request the information detailed above on commercially in-confidence to consider for this inquiry.

### **Northern Territory vs Western Australia**

It is the AHA (NT)'s experience that when attending Job and Career seminars and expos interstate the NT competes with other regional states, such as WA for skilled and semi-skilled workers. Both capital cities in these areas are over 3-hour flight times for the nearest capital cities, however, Perth airport seems to have more airline capacity and flights each day than Darwin. A quick example of this is that Qantas has 7 flights leaving Perth airport on Tuesday 20 February flying Qantas to Sydney, whilst Darwin has just one option flying Qantas to Sydney. Prices are slightly cheaper from Perth to Sydney return than Darwin to Sydney, despite the flying time being longer from Perth.

Obviously, the demand from Perth is greater to justify multiple flights to the one city each day, but this provides people considering moving to Western Australia for work, more options and the potential for cheaper airfares back to the eastern capital cities, over a capital city like Darwin.

### **'Do the NT'**

The second negative impact of high airfare pricing is its impact on tourists visiting the NT, with fierce competition from other states and territories to attract tourists, particularly high-spending international visitors, the cost of airfares into and out of the NT becomes critical for competing for our market share in tourism.

Below are international visitor statistics for the Northern Territory, showing the dispersal of international visitors throughout the NT (source: Tourism NT).

Visitor numbers YE June 2017*	All purposes	Holiday only
Greater Darwin	126,000 ▼	91,000 ▼
Kakadu Arnhem	32,000 ▼	31,000 ▼
Katherine Daly	40,000 ▲	39,000 ▲
Barkly	18,000 ▲	18,000 ▲
Alice Springs – MacDonnell	124,000 ▲	117,000 ▲
Lasseter	166,000 ▲	164,000 ▲

These statistics show a decrease of over 90,000 international visitors to our capital city, Darwin, which has substantial flow-on effects through the regions, as Darwin serves as a gateway to regional tourists' locations such as Kakadu, Katherine, Arnhem Land, Tiwi Islands. This huge decrease comes while the NT Government announced a further increase of \$8 million, to produce a \$43 million budget for tourism marketing and associated activities in 2017/18.

The role that our current airline supply and pricing needs to be seriously considered as the possible cause of the substantial decline in tourist visitors, particularly international visitors, at a time when the NT Government is spending \$43 million on marketing the NT as a visitor destination.

While the cost of airfares is not solely responsible for the decrease in international tourist, the AHA (NT) believes it is a contributing factor to our declining tourism industry. Over the past couple of years there has been a 'levelling-out' of accommodation hotel room rates in Darwin and Alice Springs, since the peak in 2013-14. During this time, media reports focused largely on the cost of accommodation hotels and its impact on tourist and not necessarily other factors affecting tourism, such as the cost of airfares.

Now with room rates back to rates not seen since 2011, they offer very competitive prices all year round, when compared to other capital cities and tourists hot-spots. However, the cost of airfares is still a factor that tourists need to consider when making their travel bookings, and something the NT cannot currently compete with lower prices of other destinations.

### ***Backpacker Tax***

Working holiday makers have always played an important role to the NT's hospitality industry, from a patronage and employee point of view. The much publicised and negative media debate about the increase in tax to backpackers' pay has impacted on the overall of numbers coming to Australia, with Sydney and Melbourne often acting as the backpacker 'entry-point.'

Without official data available, the feedback from our Members is that there has been a large reduction of the number of backpackers migrating from Sydney or Melbourne to 'Northern Australia, given the distance between the two locations. The cost of flying would no doubt impact on the decisions of backpackers as to where they work and holiday.

### ***Costs for Visitors***

Apart from explicit visa application fees, the real costs of visas include biometrics fees, Visa Application Centre fees, courier fees for paper-based applications, and the Passenger Movement Charge (PMC). The

Passenger Movement Charge of \$60 is the second highest department tax in the world, and because it does not vary with distance it is the highest departure tax on short-haul sectors.

The PMC can account for 10% of a return ticket from Indonesia, an important source markets for the NT's tourism industry. When considering all associated costs, Australia is one of the most expensive destinations and it is likely that this high cost will adversely affect the overall consumer perception of not only the NT, but Australia's competitiveness. The AHA (NT) believes that visa application charges should be internationally competitive with competing destinations such as New Zealand, the United Kingdom, United States, Canada and the Schengen countries.

Furthermore, visa applications charges should reflect the cost of processing rather than functioning as a source of consolidated revenue for Government. Declines in the cost of processing enabled by investment in IT processes and automation should be incorporated into future prices of visa application charges. In addition to visa application charges alone, consideration should be given to the real costs of visas (including the PMC) to ensure that Australia is international competitive.

### ***White Paper on Developing Northern Australia***

Airline routes and capacity was certainly raised as a key point in the Federal Government's White Paper on Developing Northern Australia's economy. The White Paper recognised that aviation and land transport services to northern Australia will play a critical role in the long-term development of the region. While there has been some development of Darwin Airport, specifically its doubling in size with increase in baggage services and security, there has not been much development in way of airline capacity and routes into the airport. In fact, over the past year or so, there have been several airlines announce that they are pulling out of Darwin for some of their routes, both domestically and internationally.

The White Paper has hospitality and tourism as industries with "bright growth prospects", with the right reforms in visa processing and infrastructure improvements, set to see annual international tourist numbers double, exceeding 2 million visitors a year by 2035. However, the White Paper does not specifically provide any details or projects which would see an increase in airline supply (routes and capacity).

It is appropriate for this this Committee to consider what can be done in way of deregulation or other initiatives to ensure this objective of doubling our visitor numbers is met.

### ***Cabotage***

Over many decades the NT Government and sectors of the hospitality and tourism industry have advocated for cabotage rights. There have been Reports and Inquires held over many years on this matter, including the 'International Air Services Inquiry Report' by the Productivity Commission in 1998. In this specific report, the NT Government at the time stated that cabotage rights for foreign carriers between Darwin and other cities would improve airline returns:

*"The benefits of cabotage rights would be the ability for carriers using Darwin as a set down point en-route to other Australian cities to earn revenue on the sectors beyond Darwin and therefore increase the carrier's revenue raising capacity and hence its commitment to Darwin (sub. 40, p. 4)"*

The Productivity Commission found granting foreign carriers the opportunity to operate domestic sectors is unlikely to result in Australia's domestic carriers losing a large amount of market share in the passenger market. The Report stated that the availability of own-stopover rights for foreign carriers operating services between ports in Australia could facilitate joint tourism packaging between States and increased traffic on international flights at secondary gateways. The regional reform options proposed by the Productivity Commission included the 'Glenda Jackson' offer who was a UK Minister for Aviation who at the time

offered unlimited capacity to secondary gateways in the United Kingdom (all airports except Heathrow and Gatwick). The PC recommended Australia do something similar like offering unlimited capacity to all cities other than Sydney, outside ASA restrictions, as long as reciprocal rights (including codeshares) were also made available to Australian airlines. The pursuit of further unilateral options was also recommended.

It is disappointing that despite bipartisan support to develop Northern Australia, the politics of aviation remains to a large degree stuck in the South East of the nation. As recently as April 2017, the Hon Darren Chester MP, Minister for Infrastructure and Transport, reaffirmed that there would be no change to aviation cabotage rules – some 20 years after the Productivity Commission’s findings into how they would assist in Developing Northern Australia.

### ***South-East Asia***

As outlined in the information on cabotage, the ability for international airlines to have freedom of movement should be considered by this Senate Committee.

With changes to working holiday maker visas, backpackers on the 462 visas, which include many south-east Asian countries can now work and stay in Australia longer while working in the hospitality industry. The AHA (NT) believes more targeted marketing should be directed towards this location, due to its proximity to the Northern Territory.

In addition to this, Northern Australia can be marketed with South East Asia countries (Timor-Leste Indonesia and others), and an Top End visit can be included in the Asian tour.

### ***Regional Routes***

Having flights service the regional townships of the Northern Territory is critical for business and economic development, freight and tourism. The tyranny of distance between the townships of Katherine, Tennant Creek, Alice Springs, Yulara and Nhulunbuy, requires a reliable and cost-effective aviation plan to make these areas accessible all year round.

The AHA (NT) is aware that these routes are not commercially viable and are currently only serviced by airlines that receive Government funding and support. At the time of announcing further funding for AirNorth’s ‘milk-run’ from Darwin to Katherine to Tennant Creek to Alice Springs, Nicole Manison MLA, said

*“the Government is investing in local regions to create jobs, grow our economy and ensure Territorians remain connected.”*

When the bulk of travel in regional areas of the NT is unviable as stand-alone commercial businesses and dependent on Government funding and support, there is a risk of it changing if there is a change of Government or change in policy and should be considered further by the Committee.

The Committee should consider to what degree are the costs charged by the airports at Darwin, Katherine, Tennant Creek and Nhulunbuy effecting growth in airline visitation?

### ***Darwin Airport***

It is estimated that civilian aviation at Darwin International Airport generates approximately 2% of the Northern Territory Gross State Product with 1,640 jobs and projections to grow to 3,600 jobs by 2030 (Darwin International Airport 2010).

Darwin International Airport has been a joint user airport with shared civil / defence facilities since 1945. Responsibilities between the Department of Defence and the commercial operations are set out in a Joint

User Deed. There is a cost sharing agreement for the use of the aircraft maneuvering areas (runways and taxiways) by civil aircraft. Defence and civil operators are responsible for their own facilities maintenance and services.

Townsville is the only other airport managed a Joint User Deed with RAAF Base Williamtown / Newcastle Airport governed through a lease structure whereby the RAAF is the landlord.

AHA NT also understands the vital nature of RAAF Base Darwin for the nation's security and Defence's need to operate unencumbered as their operational needs require.

We do however draw the Committee's attention to this unique arrangement for possible further exploration as there is no visibility to the local hospitality and tourism industries about how efficient this arrangement is and if it contributes to the clear price differential of flights of similar duration from the major Eastern capitals to similar sized regional centres.

The AHA NT does note that the commercial operators of Darwin International Airport assert that Airport Charges are not a disincentive for either full service or low-cost airlines to operate in Darwin, but again the Committee should consider the exact nature of this Airport's charges in a commercially in-confidence manner.

### ***Ayers Rock Airport***

The AHA (NT) has heard anecdotally that some people living in Alice Springs will drive the four hours to Ayers Rock Airport to fly out of, due to the lower airfares available (e.g. \$99) at that airport over Alice Springs airport where the airfare could be \$300 plus. The low-cost airline Jetstar does not fly into Alice Springs, only Ayers Rock Resort.

Given the relatively proximity between these two airports, the AHA (NT) believes the Committee should closely consider the operational differences between Alice Springs airport and Ayers Rock airport, including commercially in-confidence each airports, fees and charges, as well as these two airports' airline capacity and supply.

### ***Tourism Top End***

The AHA (NT) has had the opportunity to peruse the Submission provided to this Senate Committee from Tourism Top End and support their comments on:

- The high costs of flights and fluctuations in these prices as inhibiting travel to our region, in particular to loss of over 2,400 Convention Delegates, which would have equated to 12,000 room nights and \$10 million to our economy.
- The impact of the Passenger Movement Charge (PMC), particularly on low cost carriers.

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