

Director  
Strategic and Economic Policy Projects  
Data, Analytics and Policy Division  
Department of Infrastructure, Transport,  
Regional Development and Communications  
GPO Box 594  
CANBERRA ACT 2601

Dear Director

## THE FUTURE OF AUSTRALIA'S AVIATION SECTOR: FLYING TO RECOVERY

Thank you for the opportunity to comment on the above-detailed discussion paper, along with the deferred *Regional Aviation Policy Issues Paper*, released in March 2020. In providing this submission, the Town asserts its ongoing commitment to ensuring a viable and productive aviation sector and recognises the pivotal and central role of regional RPT airports in facilitating recovery outcomes.

The Town of Port Hedland (Town) located in the remote Pilbara region of Western Australia, approximately 1800 km north of Perth, hosts a resident population of 14,469 of which 16.1 percent are Indigenous.<sup>1</sup> The Town comprises two settlements, Port Hedland and South Hedland separated by a 16km causeway, requiring considerable duplication in local government infrastructure and services.

Quantifying the Town's non-resident fly in, fly out (FIFO) population is complicated by FIFO workforce not being counted as a category in the ABS census. It is estimated that 135,000 people are currently employed in the

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<sup>1</sup>Australian Bureau of Statistics, *2016 Census QuickStats*. Available at:  
[https://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/LGA57280?opendocument](https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA57280?opendocument)

**Town of Port Hedland Office**

Civic Centre, McGregor Street, Port Hedland, WA 6721  
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Western Australian resources sector.<sup>2</sup> In 2018, the House of Representatives Standing Committee on Industry, Innovation, Science and Resources in its report *Keep it in the Regions*, commented that 63 percent of the then 96,200 WA resource sector workforce were FIFO, equating to about 60,000.<sup>3</sup> In 2018, a report prepared for the Mental Health Commission on FIFO mental health and wellbeing referenced statistics from the Chamber of Minerals and Energy 2015, citing 60,000 FIFO workers then in WA.<sup>4</sup> FIFO workers are particularly prominent in Western Australia compared to other mining jurisdictions.<sup>5</sup> It is also forecast that an additional 8,000 workers (FIFO/residential) will be needed in Western Australia's resource sector over the next 12-18 months to meet recovery demand.<sup>6</sup> While the Town receives rates from industry, this is limited to non-production infrastructure, placing a financial impost on local government infrastructure and services. The Town cannot account for FIFO in State or Federal funding submissions to meet any shortfall.

In the submission, the Town responds as follows to comments cited and questions raised, in the two discussion papers, with particular regard to the following points:

- The importance of aviation in servicing the needs of regional and remote communities, and the notion of shared responsibility in retaining essential aviation services in those communities.
- Supporting critical aviation infrastructure to facilitate connectivity and essential service delivery.
- Affordable airfares.

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<sup>2</sup> Australian Mining, *WA's nickel, iron ore sectors drive record job growth*, Media Article, 29 September 2020. Available at: <https://www.australianmining.com.au/news/wa-resources-industry-achieves-record-job-growth/>

<sup>3</sup> Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Industry, Innovation, Science and Resources, *Keep it in the Regions: Mining and resources industry support for businesses in regional economies*, November 2018, p135. Available at: [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/024209/toc\\_pdf/Keepitintheregions.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/024209/toc_pdf/Keepitintheregions.pdf;fileType=application%2Fpdf)

<sup>4</sup> Centre for Transformative Work Design, *Impact of FIFO work arrangements on the mental health and wellbeing of FIFO workers*, report produced for the WA Mental Health Commission, September 2018. Available at: <https://www.mhc.wa.gov.au/media/2547/impact-of-fifo-work-arrangement-on-the-mental-health-and-wellbeing-of-fifo-workers-full-report.pdf>

<sup>5</sup> Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Industry, Innovation, Science and Resources, *Keep it in the Regions: Mining and resources industry support for businesses in regional economies*, November 2018, p135.

<sup>6</sup> Regional Development Australia Pilbara, *Pilbara Quarterly Economic Update*, Issue No.6, October 2020, p1. Available at: [http://www.rdapilbara.org.au/resources/site1/General/Economic%20Updates/RDA0110\\_Quarterly%20Update\\_Issue%206\\_WEB.pdf](http://www.rdapilbara.org.au/resources/site1/General/Economic%20Updates/RDA0110_Quarterly%20Update_Issue%206_WEB.pdf)

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- Reducing costs for aviation businesses and securing local investment in the latter.
- Ensuring the highest level of aviation safety and security standards.
- Supporting general aviation services.
- Fostering regional development, and vibrant and sustainable communities.

In addressing these issues, the Town provides the socioeconomic context in which Port Hedland International Airport, some businesses and the community operates.

### A fluctuating economy

The Department is aware that the Town's economy fluctuates markedly in line with the cyclical nature of the resources sector, particularly given the Pilbara region's high dependence on iron ore with Port Hedland host to global iron ore majors and home to the largest bulk export Port in the world. This cycle creates complexities and uncertainties and commands sound demand forecasting to meet need whilst ensuring scalability (if feasible) and financial feasibility in a downturn.

Between 2003-04 and 2013-14 a number of major expansions in the State's resource sector, coupled with record high commodity prices, led to a 'near quadrupling' of the value of production from the sector to \$120 billion.<sup>7</sup> Thereafter, the resident population which had increased by about 3 percent per annum reduced and labour market conditions moderated as resource projects transitioned from construction to production. This marked entry into a less labour-intensive phase with a resultant softening of employment growth and an escalation in regional and State unemployment.<sup>8</sup>

In the September quarter of 2014, \$142 billion in projects were under construction, but only \$6.6 billion were given the 'green light' with weaker commodity prices underpinning the decline in investment.<sup>9</sup> In 2014, Deloitte Access Economics on behalf of the Chamber of Minerals and Energy, forecast

<sup>7</sup> Chamber of Minerals and Energy Western Australia (prepared by Deloitte Access Economics), *2015-2025 Western Australian Resources Sector Outlook*, November 2014. Available at: <https://cmewa.com.au/wp-content/uploads/2019/07/2015-2025-Western-Australia-Resources-Sector-Outlook.pdf>, p7.

<sup>8</sup> Regional Development Australia Pilbara, *Transitioning Regional Economies*, Submission, February 2017, p9. Available at:

<http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/Submissions/Transitioning%20Regional%20Economies%20-%20Feb%202017.pdf>

<sup>9</sup> Chamber of Minerals and Energy Western Australia (prepared by Deloitte Access Economics), *2015-2025*, p7.

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a reduction in the then resource sector workforce from 105,200 to 87,000 by 2025, principally due to less demand for construction workers.<sup>10</sup>

As at 2020-21, the resources sector is recording consecutive record yearly investment, the majority in the Pilbara. In 2019-20 almost \$19 billion was invested in the State's resource sector (up from \$17 billion in 2018-19) and \$129 billion worth of resource projects are currently in the pipeline. Iron ore sales reached a record \$103 billion in output (an eight-year price high and the first Australian commodity to break the \$100 billion mark).<sup>11</sup><sup>12</sup> Forecasting agencies have recently raised their price outlooks with Macquarie Bank predicting iron ore at US\$115/t for the remainder of 2021 and US\$99/t for 2022.<sup>13</sup>

In the Pilbara, demand for Copper, salt and fertiliser has risen significantly. Going forward, Lithium, Manganese, Cobalt and Nickel, and Copper, required for electric battery technologies, are expected to increase markedly as demand for electric vehicles increases.<sup>14</sup>

The Port of Port Hedland is also looking to expand general cargo capacity to cater for non-iron ore shipments given demand on the existing general cargo berths and Fortescue Metals Group, iron ore shipping capacity.<sup>15</sup><sup>16</sup>

## Cost cycles

The cost of doing business in the Pilbara generally cycles in line with economic fluctuations. The baseline cost for goods and services exceeds Perth even in a downturn due to remoteness, cost of transport, limited economies of scale and the capacity of the resource sector to generally pay more. In 2011, when the Pilbara was 'booming', the Regional Price Index (RPI) for Port Hedland stood

<sup>10</sup> <https://cmewa.com.au/wp-content/uploads/2019/07/2015-2025-Western-Australia-Resources-Sector-Outlook.pdf>, p8.

<sup>11</sup> Regional Development Australia Pilbara, *Pilbara Quarterly Economic Update*, Issue 6, October 2020, p1. Available at:

[http://www.rdapilbara.org.au/resources/site1/General/Economic%20Updates/RDA0110\\_Quarterly%20Update\\_Issue%206\\_WEB.pdf](http://www.rdapilbara.org.au/resources/site1/General/Economic%20Updates/RDA0110_Quarterly%20Update_Issue%206_WEB.pdf)

<sup>12</sup> Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia, *Iron ore becomes first Australian commodity to break the \$100 billion annual export mark*, Media Release, 25 July 2020. Available at: <https://www.minister.industry.gov.au/ministers/pitt/media-releases/iron-ore-becomes-first-australian-commodity-break-100-billion-annual>

<sup>13</sup> Regional Development Australia Pilbara, *Pilbara Quarterly Economic Update*, Issue 6, October 2020, p5.

<sup>14</sup> Ibid.

<sup>15</sup> Pilbara Port Authority, *Lumsden*. Available at: <https://www.pilbaraports.com.au/business-and-trade/current-projects/lumsden>

<sup>16</sup> Government of Australia, Office of the Chief Economist, *Resources and Energy Quarterly*, September 2020, p36. Available at: <https://publications.industry.gov.au/publications/resourcesandenergyquarterlyseptember2020/documents/Resources-and-Energy-Quarterly-Sept-2020.pdf>

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at 136.1 (Perth =100) and by 2017 when the Pilbara was in a downturn, the RPI for Port Hedland fell to 113.5.<sup>17</sup><sup>18</sup> By 2019, the RPI for Port Hedland reflects an upward movement again at 118.7, the Pilbara being the highest cost region, with Port Hedland and Tom Price being the highest cost Towns in the region.<sup>19</sup>

Commodity groups in the RPI reflect considerable variance against indices. While all groups sit above Perth, the 2019 RPI for the Pilbara shows housing (132.7) up 29 percent; transport (107.2) up 5.3 percent; and health and personal care (121.4) up 9.8 percent, since 2017.<sup>20</sup> In 2011 for the Pilbara, housing was 196.5, insurance was 396.2; health and personal care was 109, and transport was 112.6.<sup>21</sup>

Employee provided housing is a feature of the resources sector, but most small businesses and the majority of the not-for-profit sector cannot afford it. In 2011 the median house price in Port Hedland was \$844,000 compared to \$495,000 in Perth,<sup>22</sup> commercial rents were 1.7 times higher and accommodation 5.1 times higher than Perth with \$2000 per week in rent not uncommon.<sup>23</sup>

Exceedingly high insurance costs for both individuals and businesses prompted an extended inquiry by the *ACCC Northern Australia Insurance Inquiry* which is due to table its third and final report 30 November 2020.<sup>24</sup>

The Rawlinson's Construction Cost Guide 2019 indices for Pilbara centres compared to Perth (100) shows that costs remain at elevated levels at 160 above Perth.<sup>25</sup> In 2011, the Master Builders Association estimated costs of construction at 100 percent higher than Perth, labour costs 50 percent higher

<sup>17</sup> Government of Western Australia, Department of Regional Development, *Regional Price Index 2011*, p8. Available at: <https://catalogue.data.wa.gov.au/dataset/7ef0c9f9-6b7f-4405-af4e-19f286beba56/resource/59b1b752-545f-4fcb-b672-184e5aa86f3d/download/regionalpriceindex2011.pdf>

<sup>18</sup> Government of Western Australia, Department of Regional Development, *Regional Price Index 2019*, p8. Available at: <http://www.drd.wa.gov.au/Publications/Documents/Regional%20Price%20Index%202019.pdf>

<sup>19</sup> *Ibid.*, p8.

<sup>20</sup> *Ibid.*, p7.

<sup>21</sup> Government of Western Australia, Department of Regional Development, *Regional Price Index 2011*, pp19 and 22.

<sup>22</sup> Regional Development Australia Pilbara, *The cost of doing business in the Pilbara*, May 2013, p2. Available at: [http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/RDA%20Business%20in%20Pilbara\\_SinglePages.pdf](http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/RDA%20Business%20in%20Pilbara_SinglePages.pdf)

<sup>23</sup> *Ibid.*, p4.

<sup>24</sup> Government of Australia, Australian Competition and Consumer Commission, *Northern Australia Insurance Inquiry*. Available at: <https://www.accc.gov.au/focus-areas/inquiries-ongoing/northern-australia-insurance-inquiry>

<sup>25</sup> Regional Development Australia Pilbara, *Cost of doing business in the Pilbara*, February 2020. Available at: [http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/18842%20RDA%20Cost%20of%20Doing%20Business%20in%20the%20Pilbara%20Review%202020%20v4\\_web\[1\].pdf](http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/18842%20RDA%20Cost%20of%20Doing%20Business%20in%20the%20Pilbara%20Review%202020%20v4_web[1].pdf), p16



and site visit costs 10–20 percent higher. During 2011, the index for Perth was 234.71 percent higher than Sydney.<sup>26</sup>

The ABS reports baseline data on income changes compared to Perth. Between 2001 and 2016, wages in Port Hedland increased by 98 percent, compared to 50 percent in Perth and 34 percent for Western Australia.<sup>27</sup>

In the context of the above, the economic divide between industry and industry workforces and small business and its workforces, is significant. It also reflects a significant cost impact in areas like construction.

### Port Hedland International Airport

In 2016, the Town leased the land occupied by Port Hedland International Airport (PHIA) for a period of 50-years, and sold airport operations, to a private consortium.

Historically, the Town and Governments have invested substantially in infrastructure and facilities at the PHIA, including \$11 million dollars in local government funds prior to handover for water and sewerage works. The sale/lease aimed to achieve more efficient and effective airport operations and to facilitate further investment (upfront and ongoing) in airport and community infrastructure to achieve economic and regional development outcomes. Forty million dollars in new works was agreed with the new owners of the airport business. The Town retains its statutory role in terms of approval of development proposals.

The PHIA collectively caters to approximately 50 RPT and charter flights (predominantly industry) per week and over 400,000 passengers per annum,<sup>28</sup> affording flights between Perth and Port Hedland, between Pilbara mining airports, a weekly flight to Brisbane, and flights to Denpasar (Bali). The PHIA also caters for emergency services, is a major base for the Royal Flying Doctor Service, and supports charter, flight training, general aviation services, domestic freight services and helicopter operations.<sup>29</sup> It is also an entry point for border force, biosecurity, and the Police Airwing.<sup>30</sup>

<sup>26</sup> Regional Development Australia Pilbara, *Cost of doing business in the Pilbara*, June 2014, p31. Available at: [http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/16009%20RDA%20Business%20in%20Pilbara%202014\\_4\[2\].pdf](http://www.rdapilbara.org.au/resources/site1/General/Publication%20Reports/16009%20RDA%20Business%20in%20Pilbara%202014_4[2].pdf)

<sup>27</sup> Regional Development Australia Pilbara, *The cost of doing business in the Pilbara*, February 2020, p11.

<sup>28</sup> Port Hedland Internal Airport, homepage. Available at: <https://www.porthedlandairport.com.au/>

<sup>29</sup> PHIA Operating Company Ltd, *PHIA Master Plan 2018-2038*, January 2018, p2.

<https://www.porthedland.wa.gov.au/documents/628/attachment-1-to-item-1155-port-hedland-international-airport-redevelopment-strategy>

<sup>30</sup> Port Hedland Internal Airport, homepage. Available at: <https://www.porthedlandairport.com.au/>

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During 2012/13 at the height of the mining boom, the PHIA peaked at approximately 512,630<sup>31</sup> passengers up nearly 403,000 passengers from 110,000 passengers in 2005.<sup>32</sup> In 2017, during the downturn, passenger numbers fell to around 350,000. The significance of these fluctuations is discussed further below.

The Airport precinct comprises 817 hectares. The *Port Hedland International Airport Master Plan 2018-2038* provides the roadmap for large-scale airport development over the next 20 years, based on forecast passenger numbers, freight transport, other airport commercial usage, and regional growth. The Master Plan includes six precinct plans, with land use guidelines developed for each. Critically, it includes planning for the staged delivery of the aforementioned 40 million dollars of key infrastructure to accommodate forecast airport and regional growth including:

- A significant redevelopment of the passenger terminal.
- Apron and taxiway development including 15,000 sqm of new taxiway pavement, runway lighting and signage.
- Helicopter parking and extension of the general aviation apron for Royal Flying Doctor Service and Police aircraft.
- Carparking.
- A Freight and Logistics Precinct to facilitate regional mining, oil and gas, agricultural and other industries leveraging the PHIA as a strategic regional location and domestic and international airline connections.
- A land use plan to foster growth of businesses that offer a diversity of jobs and career opportunities for the community.

## Wodgina Aerodrome

In April 2018, the Western Australian Government granted Mineral Resources Limited (MRL) two miscellaneous [mining] licenses, permitting the construction of an aerodrome 100km from Port Hedland. The approval conditions were largely non-specific regarding the operation and capacity of the aerodrome. MRL cited that the aerodrome was required to create efficiencies by reducing travel time from, and to, PHIA and that it was a necessary precursor to the expanded Lithium Hydroxide plant. The aerodrome has a Code 4C CASA approved runway, capable of landing an Airbus A320 or Boeing 737 (the same type of aircraft as the PHIA) and includes an apron for airplane parking, an access road off Great Northern Highway, terminal facilities and a jet fuel storage facility.

<sup>31</sup> PHIA Operating Company Ltd, *PHIA Master Plan 2018-2038*, January 2018, pp 17-18.

<sup>32</sup> *Ibid.*, p18.

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MRL initially lodged a Development Application with the Town (later withdrawn), along with a Social Impact Assessment which was deemed by the Town as insufficient. The Social Impact Assessment cited no impact on the PHIA as current MRL flights to the PHIA would remain. MRL later advised publicly of its intention to expand the aerodrome to nearby mine workers or contractors.<sup>33</sup>

Wodgina aerodrome now services MRL operations at the Wodgina Lithium Mine, nearby FMG Iron Bridge construction workforce<sup>34</sup> (3,000 construction) and Atlas Iron.<sup>35</sup> Iron Bridge is constructing an aerodrome in the East Pilbara local government area (145km south of Port Hedland), due for completion in November 2020.<sup>36</sup>

## Sustainable communities

Regional RPT Airports are an integral part of an 'socioeconomic ecosystem' both dependent on, and responsive to, a range of services, government agencies, organisations, business types and individuals. Regional towns are host communities for the lifespan of a project and have an expectation of corporate social responsibility from industry in return. Some mining companies adopt a sound approach to the latter which realises significant community benefits.

This 'ecosystem' is identified in the discussion paper when the importance of aviation for regional and remote communities is outlined in the context of transport and freight, medical, search and rescue, social and law enforcement, business and tourism travel and essential aviation-related businesses (i.e. servicing industries).

The sustainability of remote communities and their capacity to function effectively is complex and in part, is based on a community's ability to be resilient in different economic conditions. This is underpinned by access to skills and education, access to infrastructure and services, availability of natural resources, financial resources for businesses and individuals and industry diversity.

<sup>33</sup> North West Telegraph, *Firm to build airstrip*, Article, 12 December 2019.

<sup>34</sup> Aerodrome Management Services, *Wodgina Airport*. Available at: <https://www.amsaustralia.com/map/wodgina/>

<sup>35</sup> Advice to the Town of Port Hedland.

<sup>36</sup> Aviation State Engagement Forum, *Notification of proposed aerodrome (Iron Bridge)*, 26 June 2020. Available at: [https://www.avsef.gov.au/sites/default/files/consultation/pdf/wa\\_avsef\\_-\\_notification\\_of\\_proposed\\_aerodrome\\_iron\\_bridge.pdf](https://www.avsef.gov.au/sites/default/files/consultation/pdf/wa_avsef_-_notification_of_proposed_aerodrome_iron_bridge.pdf)

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In the context of the PHIA (and community infrastructure), the effect of economic (and cost) 'cycling', coupled with remoteness, is as follows:

- Costs for construction and services are always higher in the Pilbara, particularly in terms of labour, materials, transport and construction.
- It is more affordable to construct infrastructure during a downturn based on demand forecasting than it is during an upturn when costs escalate markedly.
- Accurate demand forecasting for infrastructure based on passenger numbers, is critical to ensure infrastructure investment facilitates economic outcomes during peak times and the capacity to repay that infrastructure during both upturns and downturns.
- Supply chains, social services and small business (located on and off the airport precinct) dependent on airport performance, rely on the accuracy of those forecasts.
- Economies of scale are central to airfare pricing for local businesses, not-for-profits, government agencies, local government, and residents.
- Local government infrastructure (i.e. roads) planning is informed by airport data and the airport supports investment in community infrastructure.

In simple terms, demand forecasting is principally founded on an assessment of FIFO throughput based on existing projects, projects under construction and committed projects, as well as other factors such as residential passenger numbers, tourism, etc. As an example [and excluding the fact that the airport business has been sold], in 2012/13 the PHIA needed to cater for over 500,000 passengers, yet in 2017 that number was down to around 350,000, a differential of 150,000 in throughput; however, the PHIA still has to afford committed infrastructure. This fiscal quandary is recognised in Chapter Two of the *Regional Aviation Policy: Issues Paper*, with specific reference to the Pilbara<sup>37</sup> when it notes that the need to have a sufficient regional population that regularly uses air services when FIFO demand falls.

The impact of depreciation in passenger numbers associated with economic swings is compounded by the emergence of mining aerodromes in close proximity to regional airports. This is exemplified by the following impact calculations pertaining to Wodgina Aerodrome which date from 2018 and include flight movements, revenue, arrival and departure spend, surface transport industry change, direct/indirect jobs change and adjustment to household expenditure across low, medium and high impact scenarios.

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<sup>37</sup> Government of Australia, *Regional Aviation Policy: Issues Paper*, 2020, p7

Based on diversion of an estimated 14,000 passengers annually (Wodgina Lithium Project only), the economic impact under a low impact scenario is estimated at \$2.3 million per annum. A diversion of 36,200 per annum (Wodgina Lithium and some adjacent mining operations), considered a medium impact scenario is \$6.5 million per annum. A diversion of 48,200 passengers (Wodgina Lithium Project and all mining operations within the Wodgina catchment), a high economic impact scenario, is \$8.6 million.<sup>38</sup> The Wodgina Lithium project is subject to a 21-year lease with an estimated 30-year lifespan, so multiply those cost impacts (which are not indexed) by 30 years and that is a significant cumulative impact on a small community.

At this early stage of operation, Wodgina Aerodrome is servicing three mines, yet it appears there are no policy limits imposed in this regard. In the Town's view this represents commercialisation of an aerodrome with the risk of this mining aerodrome morphing into a second regional airport.

The discussion paper references the high cost of regional airfares. As mentioned, lowered economies of scale impact airfare pricing.

The Chair of the Economics and Industry Standing Committee's report *Perceptions and Realities of Regional Airfare Prices in Western Australia* noted that in the regions, air travel is 'not a luxury – it is an essential service, akin to buses or trains in the metropolitan area.'<sup>39</sup> The report noted that stakeholder cited impacts of high airfares on 'social amenity, government service delivery, the operation of local businesses, and the development and sustainability of a vibrant tourism industry.'<sup>40</sup>

The State Government has since negotiated lower airfares and introduced community feedback mechanisms for regional residents in the Pilbara in relation to airline performance, but resident airfares remain relatively high at \$800 return. Flights for non-residents are often between \$1000-\$1500. Given the earlier mentioned cost of doing business and wage differential between the resource and non-resource sector, fluctuations in economies of scale can substantially reduce access to skills and education, infrastructure and services, financial resources available to businesses and individuals, industry diversity and other factors (such as connectivity, supply lines and a local workforce). In other words, a diminishment of the very factors identified as

<sup>38</sup> Data available – Town of Port Hedland.

<sup>39</sup> Parliament of Western Australia, Economics and Industry Standing Committee, Legislative Assembly, *Perceptions and Realities of Regional Airfare Prices in WA*, tabled 30 November 2017, Chairman's Foreword.

<sup>40</sup> Ibid.

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contributing to the resilience/sustainability of communities and the capacity of airlines to be viable in the context of a reduced residential population.

### Addressing regulatory issues

As the discussion paper evidences there is significant investment by Government in regional airport infrastructure to improve passenger safety, connectivity, service provision and passenger air services. It seems nonsensical to invest in airport infrastructure and both infrastructure and services to realise Governments' regional development agenda and then undermine that investment through approval of satellite airports.

Over the next 15 years, the Town will be investing \$443.6 million in new and remediated infrastructure, a significant financial commitment in the context of a limited revenue stream. Secondary airports risk by-passing residential settlement of industry workforces, industry community investment and the sustainable use of community infrastructure.

To balance economic and social imperatives, a 'hub and spoke' model should be the functional approach to management of regional passenger throughput in regional areas. For FIFO (and other services) that equates to flying into the regional airport and being bussed to mine sites. This supports a community investment model and is a reflection of corporate social responsibility.

#### i. Local Government Assessment processes

Western Australian local governments' capacity to effectively assess impacts of aerodromes is extremely circumscribed at a State level. Under the *Mining Act 1978* (which is the primary source of approvals for mining activities with the exception of State Agreement Acts), miners can apply for various project components under multiple forms of mining tenement (General Purpose Lease, Mining License and Miscellaneous License) which:

- are subject to different levels of assessment regarding their impact in the context of sound planning principles, the local scheme, and community amenity.
- are supported by differing quality and form of supporting documentation, aligned to tenure type and are heavily focused on environmental as opposed to social and economic impacts and do not provide for offsets.
- leaves the proponent with the discretion to provide supporting information to the local government.

Despite the Government encouraging consultation between miners and local government in the context of Scheme provisions, the supporting process does not adequately facilitate either consultation or due diligence by local

#### Town of Port Hedland Office

Civic Centre, McGregor Street, Port Hedland, WA 6721

PO Box 41, Port Hedland

T: (08) 9158 9300 | F: (08) 9158 9399

E: [council@porthedland.wa.gov.au](mailto:council@porthedland.wa.gov.au)

[www.porthedland.wa.gov.au](http://www.porthedland.wa.gov.au)

government authorities in the assessment of applications against the local planning framework. Nor does it provide sufficient data by which State Government can consider a proposal 'on its merits', a key intent of the Mining Act referral provisions.

Additionally, the timeframe for assessment under the referral provisions is 35 days (now 14 under temporary amendments to the *Mining Act Regulations 1981*) which is inadequate to assess the impact of a major development on a range of stakeholders, services and infrastructure.

Further, the absence of a legislated requirement for the proponent to conduct a social impact assessment or progress a development application process effectively places the onus and cost of discovery on a local government with limited revenue. Where insufficient information is provided by a proponent, the Town's only resort is a time consumptive process of objection through the Warden's Court.

Further, a miner's resort to a Miscellaneous License as opposed to a General Purpose Lease or Mining License, bypasses Section 120(2) of the *Mining Act 1978*. This Section triggers an additional stage of assessment whereby local government can inform the Minister for Mines and Minister for Planning that a Mining Lease or General Purpose Lease if granted could authorise the carrying out of mining operations contrary to the provisions of the Town Planning Scheme. The Minister for Mines must then consider the Minister for Planning's recommendation on the issue.

When the provisions pertaining to a Miscellaneous License were put and passed in 1978, it was intended to be a 'minor' license for pipes, roads and bridges, not a large-scale piece of economic infrastructure such as an aerodrome. An aerodrome was added about 25 years ago to the Miscellaneous Licence provision when aerodrome operations were not at the scale they are now.

The State Government's *Draft State Aviation Strategy 2020*<sup>41</sup> in responding to a recommendation of the aforementioned report of the Economics and Industry Standing Committee of the Western Australian Parliament recommended that the Department of Lands, Planning and Heritage outline the process under local planning schemes to trigger consideration of aerodromes in the context the Scheme. The Town of Port Hedland understands that process and considers this markedly insufficient to address

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<sup>41</sup> Government of Western Australia, *Draft Aviation Strategy 2020*, p35. Available at: [https://www.transport.wa.gov.au/mediaFiles/aviation/AV\\_P\\_WAAviationStrategy.pdf](https://www.transport.wa.gov.au/mediaFiles/aviation/AV_P_WAAviationStrategy.pdf)

the severity of impacts from large-scale mining aerodromes on regional airports and communities.

## ii. State Charter Policy

In Western Australia, non-RPT charter routes are required to be licensed under the *Transport Coordination Act 1966* (WA) and *Transport Coordination Regulations 1985* (WA) and proponents must provide written advice with details of their charter operations on non-RPT routes to the State Department of Transport.

One of the objectives of the State Government's Charter Policy<sup>42</sup> is to 'maintain an adequate level of air services to regional communities' and to 'adopt a consistent and transparent State Government policy in the interest of fair charter assessment and management.'<sup>43</sup> For non-RPT routes this equates to charter operators being able to provide unlimited closed charter on any non-RPT routes, such as mining site airstrips **without seeking approval** from the State Government.

Unless an exemption is provided due to passenger numbers on RPT routes (through regional airports) being deemed sufficiently high enough not to be impacted by charter flights, charters operating on RPT routes are unable to offer the general public seats on flights; have controls imposed on the frequency of flights; and may have to purchase seats to ensure the viability of RPT routes. Yet, 100km down the road there is no such requirement, yet extreme impacts on RPT flights. This non-RPT approach is counterintuitive in the context of the Charter Policy's objectives.

## iii. CASA

In the case of Wodgina Aerodrome, once approved by State Government 'on its merits' (undefined) on mining tenure, CASA then certified the aerodrome as a Code 4C runway, the same capacity as the PHIA. Wodgina then extends aviation services to other mining operations at a distance of 100km from Port Hedland PHIA in uncontrolled airspace. This issue of uncontrolled (Class G) airspace has been raised by CASA with the State Government and is referenced in a State Aviation Strategy supporting document entitled *WA Airports*.<sup>44</sup>

<sup>42</sup> Part 7 Charter Policy. Available at:

[https://www.transport.wa.gov.au/mediaFiles/aviation/AV\\_P\\_Charter\\_policy.pdf](https://www.transport.wa.gov.au/mediaFiles/aviation/AV_P_Charter_policy.pdf)

<sup>43</sup> Ibid., p63.

<sup>44</sup> Government of Western Australia, *WA Aviation Strategy 2020 - Supporting Documents WA Airports*, February 2020, p53



The State Department of Transport receives 'written advice' and 'details of ...charter operations' from Wodgina as part of its licensing arrangements, that data would likely indicate extension of those services to other mines and a 'spread' of impact on regional RPT services.

#### iv. Department of Home Affairs

CASA's certification appears to occur in isolation from the responsibilities of the Department of Home Affairs, which have separate but intersecting roles, one charged with safety regulation of civil air operations and the other aviation security.

Closed charter flights are exempt from costly security screening regulations regardless of aircraft size, while RPT flights with aircraft over 20,000kg are not.<sup>45</sup>

Considering the regulatory approval process outlined above and with respect to Wodgina Aerodrome, it now stands that the Town has:

- two 'regional airports' operating within 100km of each other approved for large-scale aircraft operating in uncontrolled airspace.
- A mining aerodrome subject to unlimited frequency of closed-charter flights, servicing both its own and other mine sites, and an RPT airport regulated in this regard.
- An RPT airport subject to high levels of costly security regulation that is not applied to the aerodrome due to affording closed charter services, both located in close proximity to some of the most valuable economic infrastructure in Australia.

The net effect is progressive impact on the viability of the dedicated regional and publicly utilised airport, significant community sustainability implications and differential levels of security and safety.

#### Summary and recommendations

The Town supports an expanded and viable aviation sector, both commercial and general aviation. It does not support duplicate infrastructure that diverts passenger numbers away from regional RPT airports or the 'commercialisation' of mining aerodromes.

The proliferation of large-scale mining aerodromes as an issue is reaching crisis point for a number of local governments across the Pilbara and Kimberley regions of Western Australia.

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<sup>45</sup> Ibid., p62.

While the Town recognises that the Federal Government is not constitutionally responsible for intrastate aviation, there is significant intersect between Commonwealth and State regulation regarding aviation, and certainly with respect to regional development.

The current approach to regulation appears fragmented, siloed, and is having significant long-term impacts on affected communities. While the Federal Government considers that State-based agencies are best placed to review State and local issues, this risks a lack of interoperability between relevant statute at the State and Federal level.

Regional towns are part of the national interest and the Town would welcome the Federal Government working collaboratively with State Government and local stakeholders to negotiate and secure the following:

- recognition of the level of investment in regional airports, importance of accurate demand forecasting, and the pivotal role of regional airports in the economic (and social) ecosystem of communities.
- commitment to adoption of a 'hub and spoke' model for mining projects in relative proximity to regional centres, with passenger throughput confined to regional RPT airports with workers bussed to mine sites.
- confining existing aerodromes to the company that owns the infrastructure and prohibiting extension of those services to other mines.
- Requiring decommissioning of aerodromes at the cessation of the mining lease.
- reviewing regulation for aerodromes, specifically:
  - o security
  - o size relative to need (i.e. size of the mining operation)
  - o number of flights on a specific route
  - o the impact of closed charter services on RPT services and regional development outcomes
  - o regulatory equity between airports that afford closed-charter services, and RPT services.

As the discussion paper notes, Government needs to adopt a long-term approach to regional development by working in partnership with communities and regions where people want to live and work. If Governments are committed to promoting better services, jobs and economic growth in Australia's regions then it must regulate to support the primacy of designated public or publicly utilised regional airports.

This is not about cutting down on flights, through restricting commercial or general aviation services, this is about making sure those flights go through

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regional airports to improve economies of scale and infrastructure readiness for upswings and affordability in down turns.

Take away economies of scale and you reduce the very population and aviation related services and infrastructure that support a breadth of aviation offerings.

[REDACTED]

Yours sincerely

[REDACTED]

Carl Askew  
Chief Executive Officer

12 November 2020

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Civic Centre, McGregor Street, Port Hedland, WA 6721  
PO Box 41, Port Hedland  
T: (08) 9158 9300 | F: (08) 9158 9399  
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[www.porthedland.wa.gov.au](http://www.porthedland.wa.gov.au)

