

## PROJECTS

## Commercial feasibility of flights between remote islands in the Torres Straits

NineSquared advised on impact of ending government-subsidised air services to Torres Straits islands, leading to continuation of commercial flights without subsidy

**LOCATION**

Queensland

**CLIENT**

Department of Transport and Main Roads

TRANSPORT ECONOMICS

COMMERCIAL ADVICE

### Background

For many island communities in the Torres Straits, air services provide a vital link between themselves and the services and opportunities available on Thursday Island and the mainland. These vital services are mostly provided on a commercial basis by a mix of RPT and charter services operating in often challenging environment.

One of the challenges in operating into and out of some of the islands in the Torres Strait is that runways can be very short (the shortest commercial runway in Australia is the Torres Straits) with the ocean at either end. This can raise safety concerns and, as a result, CASA, the national safety regulator suspended operations of the incumbent operator to two islands in 2022. To ensure service continuity to the communities on these islands, the State Government contracted another operator to provide services. When the contract with this second operator neared the end of its term, the State Government engaged NineSquared to provide advice on the likely impact on service levels to the islands in the event the contract, and the government subsidy that accompanied it, expired

### Our role

NineSquared reviewed the existing and previous aviation market in the Torres Straits with particular focus on the islands where services had been suspended. The review included examining:

- Current market participants in the Torres Straits and Cape York regions to determine potential entrants
- Documenting the operating environment on the relevant islands
- Reviewing existing aircraft types that were available to these market participants and assessing their suitability for providing the services required to the islands
- Analysing commercial and charter flight data to identify market share, operating and route strategies and market position of operators as well as estimating demand for services from island residents and others.
- Assessing the extent to which the supply of services did or was likely to meet the demand for air travel to and from the islands

- Assessing the feasibility and likelihood of new entry into the market if and when the existing contracting arrangements and subsidies were ended, and
- Assessing the potential impact on fares in the event the subsidy ended.

## **Project outcomes**

NineSquared provided a report documenting our opinion, supported by the evidence base developed through the engagement, as to the financial and commercial feasibility of flights to the two islands. As a result of the report, the client made recommendations to not renew the contracting arrangements and subsidy. The island communities continue to receive air services that are once again provided on a fully commercial basis without subsidy by the State Government.

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## **ABOUT MABUIAG AND DARNLEY ISLANDS**

### **Mabuiag Island**

Mabuiag Island is located 72 kms north of Thursday Island in the Torres Straits. As at the 2021 census, 253 lived on the island. The population has seen moderate fluctuations in the past but grew at an annual rate of just under 4 percent in the five years between 2016 and 2021. The island's residents are primarily indigenous Torres Strait Islanders.

### **Darnley Island**

Darnley Island is located approximately 200km north-east of Thursday Island and is the most easterly of the islands in the Torres Strait group. At the 2021 census, the population was 292, down from 310 in the 2016 census. The island's residents are primarily indigenous Torres Strait Islanders.

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## **FOR FURTHER INFORMATION**

For more information, find one of our experts at [ninesquared.com.au/people](https://ninesquared.com.au/people)