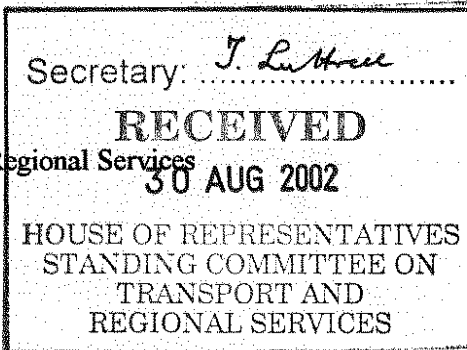


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House of Representatives  
Standing Committee on Transport and Regional Services  
Parliament House  
CANBERRA ACT 2600



28<sup>th</sup> August, 2002

**INQUIRY INTO COMMERCIAL REGIONAL AVIATION SERVICES IN AUSTRALIA  
AND TRANSPORT LINKS TO MAJOR POPULATED ISLANDS**

Please find enclosed the submission from Edge Aviation (Aust) for this inquiry. It is pleasing to see the government take an interest in this issue and one can only now hope that the inquiry will shed light on solutions to this significant regional problem.

Edge Aviation is an aviation consulting business that also holds a CASA Certificate of Approval for aircraft design. Both myself and my partner have both previously started and run successful Regular Public Transport (RPT) services in the Gippsland region of Victoria. One of Edge Aviation's business activities is technical writing, currently responsible for approximately 60% of operations manuals for air operators in Australia. This means we have extensive knowledge of the Civil Aviation Regulations, and this coupled with our industry knowledge means we can contribute positively toward a solution for aviation services in regional Australia.

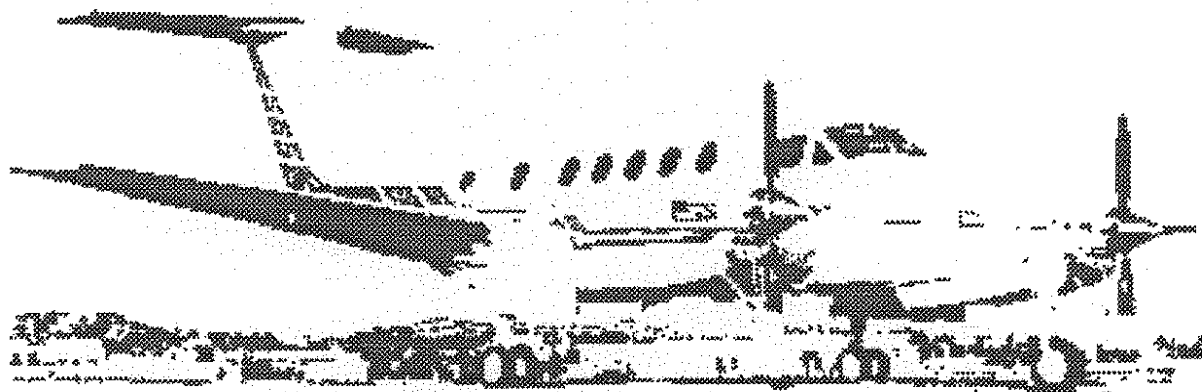
Should you wish further information, please contact us.

Yours faithfully

Lorraine A Gilligan  
General Manager



**INQUIRY INTO COMMERCIAL REGIONAL AVIATION SERVICES IN AUSTRALIA  
AND TRANSPORT LINKS TO MAJOR POPULATED ISLANDS**



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The following submission will reference some issues in Gippsland, Victoria, a large regional centre, and serve as an example for many other regional areas in Australia.

#### **THE ADEQUACY OF COMMERCIAL AIR SERVICES IN REGIONAL AND RURAL AUSTRALIA.**

Most regional centres across Australia have had less than adequate, if no air services for the past 10-15 years.

In the past there has been a focus from the government on the future of larger operators, such as Qantas, Ansett and now Virgin. Whilst it is recognised the significance of these operators, neither them, nor any of the subsidiaries have been adequately servicing regional centres. This situation has been further compounded with the demise of Ansett and the amalgamating, and new 'face' of what was Kendell and Hazelton, Regional Express. This will still prove over time to not address the real issue of air transport in regional areas.

It is a fact that commercial air services in regional and rural Australia are not adequate.

#### **POLICIES AND MEASURES REQUIRED TO ASSIST IN THE DEVELOPMENT OF REGIONAL AIR SERVICES:**

Whilst in the past there was a need to deregulate some states or territories, this has not proven to be beneficial when talking about regional air services. Larger operators have had the capacity both financially and operationally to 'bully' the smaller operators out of business in some areas. The net result has been no protection for the smaller regional operator. Deregulation on major routes has facilitated a more competitive environment, however failed miserably on regional routes, where it in fact had the opposite effect. Deregulation for regional routes has in fact created a non competitive environment.

Some regional areas/routes need some form of regulation to provide protection for the smaller operator. The operators that may be locally based and interested in providing the service required by their communities should have some protection from the larger operators. In some cases larger operators have pushed out the low capacity local operator, continued the service for a time then abandoned it, or never taken the service themselves.

#### **NOTE: *Regulatory Issues***

Our present Civil Aviation Regulations, Act and Orders in respect of the operations of RPT services are written primarily for the medium to high capacity operator. Whilst recognising the need to regulate for, and maintain safe air services, there are many regulations that do not 'fit' with the smaller operator or the area requiring the air service.

The government needs to address the fact that our current regulations do not accommodate smaller operators. 'Small' does not automatically mean 'unsafe' despite what is the perception. This perception has been created by media hype over some accidents and the impression created by our Civil Aviation Safety

Authority. What it does mean is that some regions requiring a regular service (RPT) operation, do not need, nor should it spell out, you must have 19 seats, twin engine, pressurised, 2 pilot operation, IFR (Instrument Flight Rules), with cabin attendant aircraft. It may be that a remote service *could* mean single engine, VFR (Visual Flight Rules), 6 seat, single pilot operation, because that is all that area requires for their own regular air service. That should not suggest that it is unsafe as long as it is regulated within its applicable boundaries.

The regulations at present make it nearly impossible for a smaller operation to commence let alone survive. In many cases applications for Air Operators Certificates can take between 6 months and two years to obtain. Most of the delays are due to the inconsistencies within CASA in administering their own regulations. In some defence of CASA it is difficult for them to administer regulations that do not fit the regional type operation.

There has been in the past, and still are, smaller operators that have run very safe and efficient operations only to be pushed out of business by CASA, enforcing regulations that are neither practical nor necessary for these type of smaller operations. Essentially the operator is regulated out of business.

- *regional hub services*

After consideration is carefully given to the demographics and geographics of particular areas, hubs should be identified that would serve to be natural feeders to larger regional centres and our capitals.

Many operators are already recognising the need for hubs, a concept already adopted and proven successful by many overseas countries.

*Example: I personally operated a low capacity RPT operation in 1999 from West Sale Aerodrome in East Gippsland, Victoria to Canberra. I had identified Canberra as a logical hub for linking passengers all the way up the east coast and to some other major regional centres, with flights departing Canberra at regular intervals. The reason for this was there was no benefit in my service competing with the major operators. The reasons were, it was cost prohibitive and unnecessary as this was already serviced adequately by the larger operators.*

The other significant consideration when determining the most likely hubs in regional areas is to identify the economic and socioeconomic characteristics of the area. What type of service is needed versus what a community can afford.

The ability to link with other services for on carriage will be factored into the overall service requirement. This ensures an area has a service that best meets the requirement of their community. Hubs should be identified at two levels, larger

regional and smaller community. This should be done always considering how to provide smaller communities with the best options for destinations.

Whilst moving the country people to the cities is the priority the benefits are that city people will have a greater number of destination options in the country which provides for a much greater scope in the area of tourism. Decentralisation of some types of industry also spells greater opportunity in some areas for regional development. This is better facilitated with a streamlined transport infrastructure.

- ***small scale owner-operator services.***

Small scale owner operator services have always, and will always, be the most attractive option in most regional areas. The reasons for this are both simple on one hand and complex on the other.

There are many regions that have no greater requirement than a maximum of nineteen seats and in many cases 8-10 seats. Past and present medium to high capacity operators fall into one or several of the following areas:

- they have no desire to service smaller regional areas, or
- do not wish to align themselves with smaller operators, or
- do not wish to operate aircraft in this capacity, or
- already service some areas at less than break even loads, or
- don't want that service and don't want anyone else there either.

In the case where there is a larger operator, these services are usually less than optimum for the community/region and in most cases not cost effective for the larger operator. They are quite often operating aircraft way in excess of the capacity required for the area. Therefore they are not financially viable, which invariably results in the service being terminated or at the very least scaled down. The community ultimately suffers with either of these scenarios. There would be only a few large operators that would not fall into this category.

A service because it is not locally based, that is, aircraft and crews based at the departure point, have timetables that are not what the communities want and more importantly need.

There is one very important thing to remember and this was said by one of the Ansett subsidiaries founders.

***'YOU NEED TO TAKE THE COUNTRY PEOPLE TO THE CITY, NOT THE CITY PEOPLE TO THE COUNTRY'***

Because a service is coming into the region from the city, the arrival time into the region is usually somewhere between 11am and 3pm. The departure time will in most cases be a minimum of 30 minutes later. This timetable has not been conducive to providing a service that will allow minimal time for business people away from their employment or business.

In regional centres most air travel is 90% business 90% of the time and 90% recreational 10% of the time. The exception will be in dedicated tourist regions and/or islands.

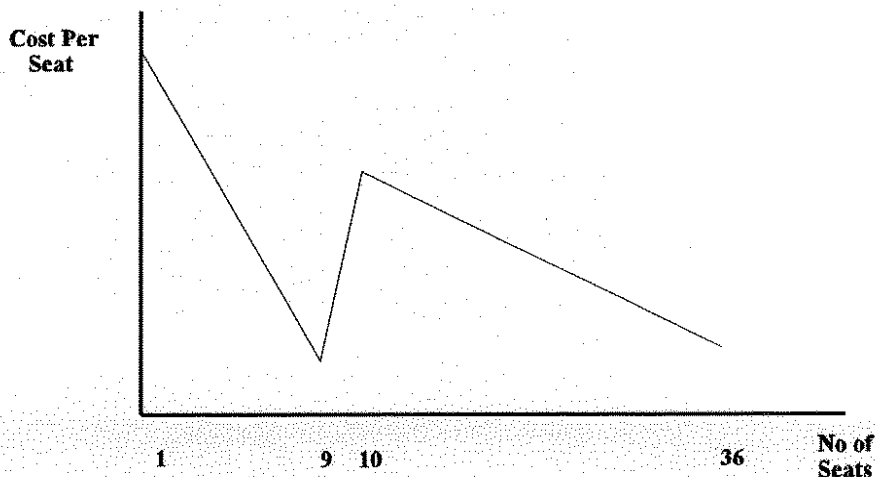
In the case of the Gippsland region past operators (larger subsidiaries) have been departing for Sydney at approximately 1.30pm. If you have business in Sydney, you essentially lose 3 working days for one day of business. Not only is this inefficient and costly for regional businesses, it does not allow for business growth and development because of time constraints and the associated costs.

***Small scale owner-operator services are the only solution for adequate regional aviation services.***

- ***The deployment of most suitable aircraft types.***

The aircraft type used for a particular service will play a large part in the viability of that service. Most commuter type aircraft despite size and/or seating capacity require between 35% and 55% loads to break even on their operating costs. There are very few aircraft that fall in the lower part of that scale.

In most regional centres you would find that approximately 10-12 seat capacity would be ideal. When operating aircraft carrying more than nine passengers operators require two pilot crew, refer Civil Aviation Order (CAO 82.3). This for smaller operators places a significant financial burden on the service. This can be best highlighted by the following graph.



Essentially the cost per seat decreases with each passenger carried until you introduce a second crew member at the nine seat point. The cost per seat then increases again until you fill more seats and the cost reduces. This point is critical for smaller operators, as in a lot of cases it makes the cost prohibitive.

*Note: A bus/coach driver can carry 50 - 60 passengers long haul with one driver. It could be argued that the risks associated with one driver controlling such a large passenger contingent on our roads today is questionable in respect of safety.*

This also serves to highlight that the regulations for this type of air service are not practical. An increase to 15 seats for single pilot operations on certain routes (provided the aircraft is certified for single pilot operations) would not compromise aircraft or passenger safety. Many aircraft up to this capacity are frequently utilised for charter operations, single pilot with no safety issues. Today with most types of aircraft, sector times are reduced and fatigue for pilots is not an issue. Most of these regulations haven't been changed to accommodate improved technology and procedures particularly in relation to low capacity RPT operations.

If the nine seat restriction for single pilot RPT operations was amended to fifteen seats this would alleviate a significant obstacle for low capacity operators. This would allow some available aircraft that are currently economically impractical, to be used for RPT services. This would also then align the seating capacity with the requirement for cabin attendants as outlined in Civil Aviation Order (CAO 20.16.3 sub section 6).

The current issue is that the regulations are not such that the most appropriate aircraft can be used for the requirement and demand of certain areas. A review of the regulations in this area would most certainly address many of these problems.

Presently operators are very limited with aircraft available that are cost effective and safe. This is why the Piper Chieftain PA31-350 aircraft was and still is so popular. Unfortunately many of these aircraft are aged and will need to be replaced. Suitable aircraft to replace the PA31-350 Piper Chieftain would fall into the two pilot crew situation which exacerbates the cost issue.



## **THE ADEQUACY OF COMMERCIAL AIR SERVICES TO MAJOR POPULATED ISLANDS AND THE ADEQUACY OF ALTERNATIVE SEA SERVICES.**

This paper can only deal with the services relating to Victoria, however, it would probably be safe to say that this would apply to many other regions.

Tasmania being the main island off Victoria is well serviced by sea. However, other major islands in Bass Strait are not, and rely heavily on air services for a connection with the mainland. Services that have run between King Island have been satisfactory however could be improved with the availability of smaller more economical aircraft. King Island is not serviced by sea. The Furneaux Island Group is not serviced by sea and has always been somewhat lacking in a reliable air service due to cost restraints. Several operators have come, and gone due to the costs, with the only service surviving being supported by Flinders Island resort businesses.

It is often assumed that sea is the best form of transport, however that is not always the case, with air still being the more attractive option. The difficulty has been the ability to operate aircraft that would be more suitable for many of these routes.

The issue of satisfactory air services between the islands and the mainland will get back to the same things previously outlined in this document. The regulations would require review to be allowed them to match up with the local and/or regional requirements.

## **INTERCONNECTIVITY BETWEEN REGIONAL AIR TRANSPORT SYSTEMS, MAJOR NATIONAL AIR SERVICES AND INTERNATIONAL SERVICES (INCLUDING ON-CARRIAGE, THROUGH TICKETING, FREIGHT HANDLING, TIMETABLING AND AIRPORT SLOTTING).**

It appears that not much consideration is given to where and when different services may in fact connect. This is a problem across the public transport industry and not necessarily isolated to air transport. It would be fair to say that the interconnectivity works in some areas and fail miserably in others.

### ***Regional, major national and international service links:***

Most international and national carriers operate apparently oblivious to the timetables of other, or more particularly smaller regional operators. It is also the case that smaller operators on occasion give little regard to when they can link with the larger carriers, however this is not as common. This is a difficult issue to address because some operators would have to come to terms with the feeling that they may end up with competition on certain routes. I believe we have lost sight of the fact that competitiveness should be encouraged.

Often passengers in regional areas chose to travel by road or rail to major airports for air travel to ensure that links with major national and international carriers is trouble free. Some of this problem is also attributed to smaller operators not having the knowledge of how to ensure connectivity with major airlines. The logistics of ensuring this seems to escape most operators.



***On-carriage, through ticketing, freight handling:***

As already stated above the problem primarily lies with all operators being aware of and knowing how to ensure that these things occur with little and preferably no disruption to the passenger. Operators rather than share information prefer to operate in isolation with an apparent fear that nobody else should know what they are doing. Whilst commercial in confidence information needs to be respected across operators, there should be policy that provides for the streamlining and exchange of information to ensure efficiency across services.

This demonstrates a lack of communication, policy and legislation that encourages operators to consider all aspects when becoming part of what is supposed to be a transport infrastructure. An effective and efficient infrastructure cannot exist if the industry is fragmented. This is presently the case.

To be fair to air transport this issue flows onto the connection between air, rail and road services. Many regional areas experience excessive delays with connections to other services such as road and rail, or they don't exist at all.

In today's environment there is a fear of predatory behaviour if operators have visibility of passenger loads via ticketing systems, hence having access to valuable market information. This has been an issue in the past as larger operators have influenced loads on smaller services with these services in some cases ceasing to operate. This can be overcome with smaller operators being able to develop their own systems via internet booking. Once again the introduction of suitable policy would provide some protection for the smaller regional operator.

Another ticketing issue has been the co-operation from some travel agents. Many agents have alliances with certain carriers, so won't book passengers with smaller regional operators. This has a significant impact with on-carriage as well as the financial well being of the regional operator.

***Timetabling and airport slotting.***

I personally did not have an issue obtaining satisfactory slot times at Sydney Airport. It does however raise the issue of whether they are required for low capacity operators. With the congestion at our capital city airports operators with aircraft of less than 19 seats should be discouraged. These aircraft should be encouraged into identified hubs. Where passengers can then be connected with major carriers for on-carriage to the capitals.

***Timetabling*** is an issue that is of great significance when discussing regional air services. It is an issue that is quite often glossed over without considering the repercussions for the success of operations and the service being truly beneficial to a community and/or region.

As previously outlined in this document early departure times are absolutely paramount

for ensuring that a service is not only successful but also useful. The overall success of a timetable is the ability to connect with other services. Time tabling generally seems to be done with little to no regard for these factors.

Well researched plans require development in order for effective timetables to be constructed. This should involve all the stakeholders in a community including the carriers to guarantee the best outcome for the carrier and the community.

The following figures are approximate and were obtained by people that either flew for these airlines or were associated with them.

Executive Airlines - Melb/Sale/Merimbula - 3 times per week	loads 60%
Flinders Island Airlines - West Sale/Essendon - 2 times daily	loads 70%
Promair - Sale/Welshpool/Flinders Island/Launceston - Daily	
Sale/Welshpool	loads 20%
Welshpool/Flinders/Launceston	loads 80%
Island Airlines	
Essendon/Latrobe Valley/Flinders Island/Launceston - daily	loads 70%
Execair - West Sale/Flinders - 3 times per week	loads 70%
Hazelton - Sydney/West Sale/Latrobe Valley - daily	loads 40% - 36%
Tamair Sydney/West Sale/Sydney - daily	loads 44%
Ibis Airlines - West Sale/Canberra - Weekdays	loads 80%

**NOTE:**     *The loads that have the highest percentage loads are the locally based regional airlines.*

The percentages are higher because the airline had a timetable that was of greater benefit to the community, therefore a greater patronage.

#### **THE ROLE OF ALL THREE LEVELS OF GOVERNMENT IN SUPPORTING AND ASSISTING THE DEVELOPMENT OF REGIONAL AIR SERVICES AND ISLAND TRANSPORT SYSTEMS.**

It is understood that essentially transport infrastructure responsibility rests with the Commonwealth Government. There in lies the first problem as we do not have a satisfactory chain of communication down to the local government level. Local government sit back saying it is the responsibility of the Commonwealth Government so generally no policy is in place to address local transport issues. The State Government sits in between the two not really knowing what the communities want or need because no one tells them.

Transport issues are more generally focussed around metropolitan areas and the major routes between capitals.

### ***Local Government***

In my experience this level of government should research the needs of their communities in respect of transport. In the case of aviation services many local governments lack knowledge of what is a highly regulated, specialist industry. Aviation has inherently been an industry that has escaped the understanding of the brightest regional municipalities.

If the need for an air service is identified then local government should explore opportunities with existing local aviation industry. There is a significant problem at local government level with knowledge of the industry and being able to identify opportunities for local services using local operators.

Whilst recognising financial constraints placed on many local governments, assistance by way of public meetings, market surveys, administration assistance and concessions with the use of airport facilities are all things that can assist a new operation to be born. Endorsing the operation with representation to State and Commonwealth Government for support is a significant contribution. Education once again is needed for local government to understand the regulatory and logistical aspects of running an RPT service.

It has been brought to my attention, as well as my own observations, that Local Governments/Council work too independently in areas where these issues need to be resolved as a region, and not as a Council or Shire.

### ***State Government***

The State level can play a part by supporting local government, and already established operators, by representing them to the Commonwealth Government when looking for initiatives and plans to support services that have a significant community benefit. This level of government could play a far more active role in exploring opportunities for resolving such transport infrastructure issues particularly in relation to regional air services. There is an apparent support for road and rail services and no support or assistance with air services. This issue seems to get hand balled to the Commonwealth Government level where it gets swamped by other issues.

The State Government could also be more active in representing these issues to the Commonwealth Government on behalf of regional communities. Many Local Government bodies flounder when trying to represent their communities with this type of specialist issue at this level.

### ***Commonwealth Government***

The Commonwealth Government should whilst claiming to recognise the needs of communities and the islands when discussing air services, should do something to assist with this massive deficiency in our transport infrastructure.

The communities can only hope that this inquiry will enable the government to play a more positive and active role in providing some assistance in overcoming the problem.

More responsibility may need to be placed at the State and Local levels of government when determining regional needs and how these needs are to be met.

#### **THE ROLE OF MAJOR AIR TRANSPORT CARRIERS IN PROVIDING REGIONAL SERVICES.**

The role of these carriers is simple and that is to look at the following points:

- ▶ Do not compete on routes that are better serviced by local operators.
- ▶ Look at partnering/hosting with smaller operators, creating feeders into their own services - this creates a win/win situation for the major as well as the regional.
- ▶ Do not undercut fares, creating non competitive environments.
- ▶ Provide opportunity for the sharing of booking systems to assist smaller operators.
- ▶ Work with regional operators/governments to develop policy for support of a true air transport infrastructure Australia wide.
- ▶ Be co-operative in scheduling services, where possible, in liaison with any relevant regional operators.

Major carriers have the capacity to be of great assistance to regional carriers for little or no cost. These carriers need to act as the big brother to the regional and assume what could be termed a parenting role. In some cases it may even be more viable for a major to initiate the service, particularly in areas that have not sufficient community base to operate a service of their own. This may be the case for more remote areas.

#### **CONCLUSION**

Many Local Governments/communities suffer great difficulty when trying to provide services that best provide for their needs. Budgets are tight in regional areas making it nearly impossible for Councils to cope with all these needs.

History tells us that for communities to survive, apart from their local industry they require transport. As long as there has been man we have had to move around in order to survive. With the pressure on communities today and the distances to travel in this vast country, regions require a transport infrastructure no different than their city counterparts. That begs the question, why are they not viewed with the same priority?

In order for us to promote, develop and then foster growth in regional Australia we must have all the tools and transport is a significant one. Yes we have road and rail, however the need for faster more efficient transport such as air is a requirement of the country areas, not just the city. Air transport is the quickest most efficient way of bridging that regional gap.

Edge Aviation recognises from being a local aviation business, member of a regional community and past operators of regional air services how this problem can be addressed.

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### SOLUTION

1. Regional air services *must* be locally based to overcome the timetable issue.
2. Regional air services are better to be locally owned and operated, to encourage patronage from their community.
3. Regional air services could be owned and operated by their community.

*Edge Aviation has already floated the concept of community airlines with neighbouring shires. For the airline to be similar to the Bendigo Bank concept.*

4. Communities demonstrating a capacity to start and run an airline could be subject to start grants or partnering from major airlines.
5. Regional air services should be provided protection from predatory behaviour from majors.
6. Governments at all levels *should* provide assistance or subsidies in relation to airport charges and airways charges.
7. Start grants could be considered on a dollar for dollar basis as a one off payment for any airline/community who has demonstrated their capacity to support their own regional air service. This would be considered risk sharing.
8. The same principal in item 7 above could be applied to major airlines who wish a stake in a sound, profitable regional services that is supported by its community. Risk sharing with their regional counterpart.
9. Government rebates could be introduced in areas requiring assistance, such as the Bass Strait sea transport subsidy. This could be applied to a limited number of seats on a service.

Edge Aviation proposes that a 'pilot' program be put in place to explore this concept of community based, owned and operated air services. Edge Aviation is currently actively pursuing this concept in regional Victoria. If successful the concept in conjunction with the Civil Aviation Safety Authority could standardize the regulatory aspects of such an operation so that it could be duplicated in any region in Australia that meets specific criteria for such a service. This concept will not ignore the regulatory requirements of running an RPT service, nor will it compromise aircraft and passenger safety.

There is sound argument for the fact that this concept would enhance safety in the operation of low capacity RPT (Regular Public Transport) service. Edge Aviation is already the provider of approximately 60% of operational documentation for air operators in Australia. Edge Aviation is presently working on the proposed Regional Airline model.