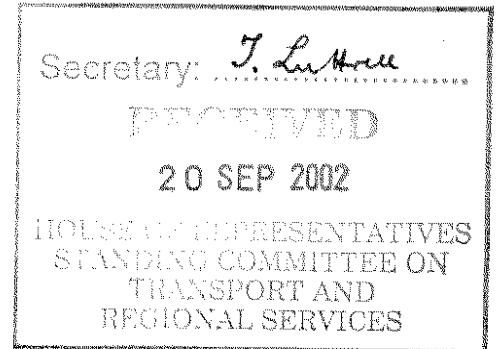


SUBMISSION NO. 151

*Minister for Transport
Minister for Roads*

19 SEP 2002

Mr Ian Dundas
Committee Secretary
House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
CANBERRA ACT 2600



Dear Mr Dundas

I refer to your Committee's Inquiry into commercial regional aviation services in Australia and transport links to major populated islands. The Committee has invited interested persons and organisations to make submissions addressing the Terms of Reference of the Inquiry.

Accordingly I am pleased to endorse and formally submit the response prepared by New South Wales Government agencies with an interest in regional aviation, including the Department of State and Regional Development, Treasury, Tourism New South Wales, Planning NSW, Transport NSW and Premier's Department.

The viability of commercial regional aviation services is a critical issue in New South Wales and I trust that the Inquiry will give careful consideration to the contents of this submission.

You would also be aware that last year the New South Wales Government convened the Air Transport Summit and the submission prepared by the Summit Working Party was recently sent to your Committee under separate cover by Transport NSW.

I thank the Committee for the opportunity to comment on this critically important subject. Please discuss any matters arising from the attached submission with John Morandini of Transport NSW on telephone 02 9268 2828.

Yours sincerely

CARL SCULLY MP
Minister for Transport

INQUIRY INTO REGIONAL AVIATION SERVICES IN AUSTRALIA NSW GOVERNMENT AGENCIES SUBMISSION

ISSUE

Parliament of Australia, House of Representatives Standing Committee on Transport and Regional Services. Inquiry into commercial regional aviation services in Australia and transport links to major populated islands.

BACKGROUND

The Committee has invited interested persons and organisations to make submissions addressing the Terms of Reference of the Inquiry. These Terms of Reference are:

- The adequacy of commercial air services in regional and rural Australia.
- Policies and measures required to assist in the development of regional air services, including:
 - regional hub services;
 - small scale owner-operator services; and
 - the deployment of most suitable aircraft types.
- The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services.
- Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).
- The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.
- The role of major air transport carriers in providing regional services.

This is in response to the Committee's invitation and represents a coordinated position by New South Wales Government agencies with an interest in regional aviation, including the Department of State and Regional Development, Treasury, Tourism New South Wales, Planning NSW, Transport NSW and Premier's Department.

ADEQUACY OF REGIONAL AIR SERVICES

According to statistics published by the Federal Government, passenger numbers on regional airlines in Australia increased by 670% in the twenty years up to the year 2000. This is substantially greater growth over the same period than in the domestic (interstate) and international sectors. However, in absolute terms, passenger numbers in the latter two sectors still far exceed those in regional aviation, which only accounts for some 12% of total air passenger movements in Australia.

Rural communities make the point that, despite the small scale involved, their capital city air links play a vital part in respect to the viability of their towns. The key issues for them include attracting and maintaining business investment, serving local industries and accessing a range of capital city based services, which without air services are effectively beyond reach.

Overall position in NSW

There were 1.4 million passengers carried on NSW regional airlines in the 2000/01 financial year between rural and regional centres and Sydney Kingsford Smith Airport. However, regional aviation is experiencing the patronage downturns associated with cost pressures on the industry and the collapse of a number of operators and services over the last couple of years. For the 2001/02 financial year, NSW intrastate air travel to and from Sydney Airport had fallen to 1.0 million passengers.

Deniliquin's air link to Sydney ceased when Horizon Airlines withdrew in 2000. Ten other towns in NSW lost their air services to Sydney early in 2001 (Cowra, Forbes, Young, West Wyalong, Cootamundra, Gunnedah, Singleton, Scone, Coonabarabran and Maitland) with the withdrawal of two small airlines, Country Connection and Yanda. Qantas withdrew from Kempsey in mid 2001. Following the Ansett collapse in September 2001, Hazelton failed to restore services to Casino and Air Link withdrew from Brewarrina and Nyngan. No further air links have been lost since then, although some routes have experienced service level reductions or loss of competition.

At present, 33 NSW rural and regional centres have air links to Sydney Airport.

- Qantas serves Coffs Harbour, Albury, Dubbo, Wagga Wagga, Ballina, Tamworth, Port Macquarie, Armidale, Williamtown, Lord Howe Island, Moree, Grafton and Narrabri.
- Regional Express or "Rex" (which took over Hazelton and Kendell on 1 August 2002) serves Coffs Harbour, Albury, Dubbo, Wagga Wagga, Ballina, Port Macquarie, Orange, Lismore, Griffith, Merimbula, Bathurst, Parkes, Broken Hill, Moruya and Narrandera. (Its interstate network includes Sydney-Canberra, Adelaide-Broken Hill and Melbourne-Merimbula.)
- Aeropelican provides a Sydney to Belmont service and commenced operating the Sydney-Williamtown route on 29 July 2002, in competition with Qantas.
- Air Link flies into Dubbo from Cobar, Bourke, Lightning Ridge, Walgett and Coonamble and also provides direct services to Sydney from Cobar and Mudgee.
- On 17 June 2002 Air Link took over services previously operated by Qantas connecting Glen Innes and Inverell to Armidale and to Tamworth.
- Horizon Airlines took over services previously provided by Qantas to Taree and Cooma on 29 July 2002. *
- Queensland operator Macair Airlines replaced Qantas in respect of the Brisbane to Armidale and Tamworth route, starting 8 July 2002.
- Virgin Blue entered the Coffs Harbour to Sydney service from 1 August 2002.

As can be seen there are a number of recent and positive developments in the regional airline industry especially considering that last year, expressions of interest processes failed to attract any new entrants into those towns which lost services in 2001.

However the situation is far from ideal with so many towns (15) having lost their air links in the last two years and a similar number of services having ceased in the previous ten years. There are limited prospects in the current operating environment for a return of services to these places. Also of concern is the fact that a number of the services that have so far survived are believed to be operating unprofitably and there is uncertainty and further potential for instability in the industry.

Regional Air Services as a Business Climate Issue

Access to Sydney is an important issue for regional businesses and for regional communities. For businesses, it has been suggested that up to 80 % of trips from regional areas to Sydney are for business purposes. Overall, it is estimated that 70 to 80% of regional air trips are to Sydney.

Creating a positive business climate for regional areas is critical to the future of regional economies, and is a central plank in the Government's regional development strategy. Keeping costs down is critical to the competitiveness of regional businesses, as many regional firms suffer cost disadvantages relative to metropolitan competitors.

As pointed out at the June 2001 Regional Airlines Summit, increased costs apply to firms without adequate access to Sydney in a number of ways. For example, business people need to be able to access Sydney without the need for an overnight stay in the city. Equally, service providers from Sydney visiting regional businesses need daily access to regional centres.

Not only do fewer direct air services to and from Sydney have an impact on existing regional businesses. They also affect the capacity of a region to attract new firms and investors. One of the first things that businesses relocating to regional areas want to know is what the air service to Sydney is like. As the Independent Pricing and Regulatory Tribunal has noted, "Air services can play an important role in facilitating the supply of goods and services to regions and boosting regional development".

It is generally regarded as a baseline requirement for firms doing business in the new global economy to be within an hour or so of an international airport. This is one of the reasons why the economy of inner Sydney ("global Sydney") has developed so dramatically in recent years and why regions such as Illawarra and the Central Coast have advantages over more distant regions. One way that the latter regions can remain competitive is to have first class linking air services to Sydney. In the case of regional firms, regular connecting flights to international flights from Sydney can be critical. To the extent that regional air services are diminished, a key element of a regional location's international competitiveness is removed.

Regional Tourism

The tourism industry in particular has a close interest in the maintenance of regular passenger services to regional destinations. Many locations in regional New South Wales rely on the tourism sector, or are attempting to build niche tourism markets based on direct, reliable, quick access to Sydney.

It has been estimated that the impact of tourism adds \$5.4 billion to regional economies, creating over 110 000 jobs in the regional tourism sector with over 60 000 flow-on jobs within regional areas. The 2000 Olympics provided a fillip to regional tourism, creating substantial exposure for the State in international tourism markets, and regions are attempting to build on this beneficial international exposure. First rate regional air services are a critical part of the regional tourism mix.

Identification of broader regional air service needs is being assisted by the preparation of Regional Tourism Development Plans across New South Wales. The Plans are being prepared to inform regional tourism industry stakeholders as to the range of development considerations,

including regional transport/access considerations, and marketing considerations relevant to their regions.

Some airport and service considerations have arisen from the process to date, and wider tourism planning activity and include the following;

- The difficulty of staging large scale conferencing in regional New South Wales due to the constraints of air service capacity.
- Concerns regarding service quality and scheduling associated with the operation of triangulated routes.
- Increased opportunities for direct interstate services to regional New South Wales destinations.
- The standard and capacity of regional airport facilities.
- The emerging importance of hub and spoke services to regional operations.
- Opportunities to develop tourism experiences and attractions associated with the airport precincts.

Access to Services

In addition to businesses and investors, there is a genuine community concern over adequate access to medical and other services only available in the city. Such access is compromised when services are cut or eliminated, or when direct city access is threatened.

Threats to Regional Air Access to Sydney

While the debate over regional air services has been dominated by the recent collapse or withdrawal of regional airlines and services, other issues remain of concern to regional businesses, regional communities and their representatives. Ongoing access to Sydney Kingsford Smith Airport, in particular, and related fears of various pressures forcing regional air services eventually to Bankstown, remain of concern to regional passengers. There is currently an absence of infrastructure (high speed public transport connections to the Sydney CBD) that would cause substantial increases in costs and inconvenience for regional businesses, if Bankstown were to be used as a regional airport.

The prospect of regional airlines in the future being forced to use Bankstown Airport is not an attractive proposition for regional airlines and regional communities. One estimate of the increased annual travel costs for regional people accessing the city of Sydney that would result from a move to Bankstown Airport is \$45 million.

The related issue is peak hour access to Sydney Airport. While the current situation relating to slots for regional peak hour access may be adequate (following Commonwealth legislation introduced in 2001), there are no guarantees about future access under the current "ring fencing" arrangements. In the event of service withdrawals, there are time limits on how long slots are required to be preserved before they can be allocated to other operators, including interstate or international operators and this remains a concern for regional communities.

Access is needed at peak hours, particularly for businesses, to save on costs – through avoiding the need for overnight stays – while maximising the time available to do business in Sydney. Similar arguments apply in relation to people accessing medical and other services in Sydney.

Any developments which limit the future growth of peak hour regional airlines' direct access to Sydney's Central Business District will not help the creation of a business climate that allows regional businesses to compete effectively with metropolitan businesses.

The recent privatisation of Sydney Airport and ensuing increases in costs and charges at the Airport have only increased regional community concerns about future access.

POLICIES AND MEASURES REQUIRED

The Standing Committee's Terms of Reference for this Inquiry refer to what policies and measures are required to assist in the development of regional air services.

Cost Pressure Issues

In response to the evolving crisis in the regional airline market the NSW Government convened the Air Transport Summit (June 2001) which identified a wide-range of cost pressures and associated factors that were at work including, but not limited to:

- Changes to Federal Government tax laws relating to the sale and purchase of aircraft, which adds greatly to the cost of merely buying or selling an aircraft,
- Impact of increased fuel cost, of 80% over two years,
- A similar increase in new aircraft and aircraft components costs,
- Increasing compliance processing costs associated with CASA air safety regulation, which have a relatively greater cost impact on regional operators compared to domestic airlines,
- Landing and terminal fees at 6.2% (as a percentage of overall airline operating costs),
- Introduction of navigation charges by Airservices Australia for low capacity regular public transport operators, at 4.3% of costs,
- Increasing reservation charges for services provided by the major airlines, and
- Lack of market power affecting the prices small regional airlines pay for their inputs.

Overall, Government influenced cost categories were found to account for at least 50% more of the total costs of small regional airlines compared to large regional airlines.

The findings of the NSW Summit and submissions from other state and territory governments were made available to the Federal Government in August 2001 through processes established under the Australian Transport Council.

The Summit's findings suggest that there is a link between government taxes and charges and the viability of smaller operators. However, Federal representatives have questioned the existence of any such link. This inquiry should ascertain the existence and significance of any such link.

Effective from 1 October 2001 NSW Government licence fees of 0.2% of airline turnover were removed on routes with an annual passenger volume of less than 20,000.

As of 1 January 2002 Airservices Australia exempted passenger aircraft of less than 15 tonnes (equating to about a 36 seat aircraft) from air navigation charges, estimated at 4.3% of the cost structure for a typical small airline.

However there are arguments against governments moving further away from cost recovery for the services they provide, as recognised by the Productivity Commission in its Inquiry Report on *Cost Recovery by Government Agencies*. **This inquiry should balance cost recovery goals with other policy goals in the regional aviation industry.**

Since the Summit was held there have been changes to Federal price regulation of airport services, which could give rise to increases in charges at major Australian airports. In addition the Federal Government introduced a \$10 air passenger ticket levy on 1 October 2001. Regional passengers contribute 12% of revenue generated by the levy in NSW. The levy incorporates an in-built exemption for regional operators with aircraft of less than 17 seats. However this exempts only 1% of regional passengers in NSW. It would also affect most intrastate air travellers in other states and territories. **This inquiry should consider the appropriate coverage of the levy exemption and whether there is merit in its extension.**

In view of the findings of the NSW Summit, it is considered likely that removal of further cost pressures would have a beneficial effect for the regional aviation industry, especially in stimulating recovery of the small end of the market. **The key areas yet to be addressed are the new taxes on the sale and purchase of aircraft, assistance to operators (or CASA) to organise and fund compliance processes, airport fees and charges and the passenger ticket levy. The Inquiry should examine these issues.**

Regional Hub Services

There is some evidence that a more extensive hub system would result in overall benefits to regional travellers. On the negative side there are time penalties as well as the disutility associated with making a connection rather than flying non-stop. On the other hand a hub can significantly reduce the passengers' schedule wait and add origin-destination choices to the network.

Costs can be reduced due to the higher traffic densities. Regional airline hub concepts also warrant consideration in relation to the potential for growth in "short haul" trips, identified by the tourism industry post September 2001, which might include a greater role for regional centres in the domestic (interstate) travel market.

Hub and spoke model operations may not only assist the provision of services to major regional centres, but also the distribution of travellers on air services to minor centres. It is expected that this model might also support the development of the small scale owner-operator services discussed elsewhere in this submission.

The operator Air Link provides a significant and successful hub arrangement out of Dubbo to five smaller towns and is an example of regional air connections to smaller communities, which could be developed further across regional air service networks. There would be tourism and other benefits associated with such a broader network of services.

In general, rural communities have sought to maintain or re-establish direct air links to Sydney, rather than access services through larger regional centres. While this is always likely to be the preferred option, clearly hub and spoke services are appropriate if direct services are not viable.

However, it would appear that the Federal Government's strategy for Sydney Airport (which includes provision for larger aircraft to replace smaller ones) is dependent on more hub services being established in regional areas in the future.

Alternative strategies such as development of Badgerys Creek as a second major airport for Sydney or redevelopment of Bankstown Airport are not being pursued by the Federal Government and in any case are opposed by the State Government and a wide range of constituent groups within Sydney and elsewhere.

This being the case, **there is a need for investigation of what type of hub services should be planned and how to implement such arrangements to achieve the most appropriate and beneficial outcomes for regional air travellers.** This principally requires consultation with operators. However it would assist if the Federal Government were to facilitate such consultations, involve State and Local Government and oversee resolution of any major issues that might arise.

Service Viability and Most Suitable Aircraft Types

Significant work was undertaken by Hazelton's Administrator and bidders for the airline on the viability of regional air services. Outcomes of this work can be summarised as follows:

- In terms of providing a commercial return to operators, it was considered that there is scope for two airlines only on routes with a volume in excess of approximately 100,000 passengers per annum. This represents the top 4 routes in NSW (Coffs Harbour, Albury, Dubbo and Wagga). The analysis assumes each operator commits one 36 seat aircraft full time to each route, equating to 3 daily return services per operator to Sydney.
- The next category down is in the range 100,000 to 65,000 (Ballina, Tamworth, Port Macquarie, Armidale and Newcastle-Williamtown). The analysis considered that these ports would be capable of supporting one carrier with full time aircraft and another with partly committed aircraft.
- Between 65,000 and 35,000 (Orange, Lismore and Griffith) the view was that only one operator using 36 seat aircraft full time is commercially justified.
- It is considered that towns generating passenger volumes between 35,000 and 6,000 could support one carrier using 19 seat aircraft on a full time or part time basis. (Taree, Grafton, Moree, Lord Howe Island, Bathurst, Merimbula, Cooma, Parkes, Narrabri, Broken Hill, Narrandera, Moruya, *Casino, Kempsey*)
- Below 6,000 passengers per annum, it is thought that only small 9-12 seat aircraft would be viable, generally feeding into larger regional centres and having on line booking arrangements with one or more of the principal carriers. (Inverell, Glen Innes, Mudgee, Cobar, *Cowra, Forbes, Gunnedah*, Lightning Ridge, Bourke, Walgett, *Young, Cootamundra, West Wyalong, Singleton, Scone, Coonabarabran, Coonamble, Maitland, Brewarrina, Nyngan and Deniliquin*)

Places *shown thus* lost their air services during 2001 (2000 in Deniliquin's case).

In the context of the current operating environment in the NSW regional aviation market, the above analysis suggests that for most towns in the second last category (generally served by 36 seat type aircraft) operators might deploy smaller 19 seat planes in due course.

Small Scale Owner-operator Services

Establishment of more small scale operators at local country aerodromes is seen as a desirable goal in that they provide air links to larger regional centres, thereby saving time and improving safety issues by avoiding long rural road trips. They also bring other benefits such as servicing agriculture and other industries, better emergency responses, employment and pilot training.

Air Link is the only small scale operator remaining in the regional airline industry in NSW.

Some additional operators may emerge as a result of new CASA air safety rules, due by late 2003, which effectively will allow charter operators to fly regular services. However operators are unlikely to make this move unless the cost pressure issues previously identified are addressed. It is hoped this potential development in the industry could see a return of air services to fill the gaps left by the withdrawals identified in this submission. It would also be desirable if new markets could be initiated.

Apart from the cost pressures identified as impacting negatively in these cases, there are other barriers to be overcome if this sector is to survive in the longer term. Small regional airlines are under pressure from CASA to introduce new turbine engine aircraft. Most are unable to comply due to the massive investment needed relative to maintaining their ageing piston engine fleets. Also, Avgas production is likely to cease in the foreseeable future.

The aircraft replacement problem at the small end of the regional airline market is central to any strategy for sustained small scale owner-operator air services and CASA has suggested there is about 10 years to go before the existing fleet of piston engine planes become obsolete. Unless a solution can be found nothing will be left below the 19 seater-market other than expensive "executive" type services.

A possible solution might involve Australian manufacture of a replacement aircraft, through further development of the Gippsland Aeronautics GA 8 "Airvan" aircraft, which is a low-cost single-piston engine eight seater now in production for local and overseas markets. The GA 8 manufacturer has suggested the possibility of upgrading the aircraft to a relatively low cost turbine powered variation to meet CASA air transport requirements.

Other commercially viable alternatives could evolve, either locally or from overseas suppliers. For example a twin engine diesel powered aircraft might be a suitable replacement solution. But at this stage there are no such aircraft in development and it would take several years from the time of a commitment being made to proceed with a project of this type until delivery.

In summary, the recovery of the small scale air operator sector will require significant reduction of cost pressures in the short term, but its overall survival is dependent on the availability of replacement aircraft types within 10 years. Further investigation and advice on this latter issue warrants urgent attention.

SERVICES TO ISLANDS

The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services has not been a significant issue in NSW in recent years, although it could be expected that many of the issues raised here for services over the mainland apply similarly to island links.

INTERCONNECTIVITY

This relates to interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).

The extent of interconnectivity has suffered in the wake of the Ansett collapse, with the second regional carrier in NSW, Rex Airlines, being non-aligned to any major airline.

Other independent regional airlines in NSW (Aeropelican/Horizon, both owned by IAP Pty Ltd, Air Link and Macair) are on the Qantas reservation system. While their business depends on the booking system, the arrangement is expensive and could lead to commercial disadvantage in cases where their air services compete with those of the host airline.

There is no easy solution to these issues. Options may involve subsidies for reservation system charges and regulatory monitoring to control any instances of competitive disadvantage. Subsidy arrangements, if appropriate, should be clearly identifiable and transparent.

Non-aligned airlines, especially the smaller ones, also face difficulties in relation to establishing and retaining terminal access at Sydney Airport. This is a matter that should be given due consideration by larger airlines and the Airport owner and also warrants regulatory supervision.

Airport slotting for regional airlines has been a major issue in NSW. Congestion at Sydney Airport eased with the downturn in the aviation industry and at present there is a small surplus in peak hour slots over prevailing demand. However, this is expected to be a temporary situation, as demand is likely to recover.

Regional airlines are unlikely to regain the 40% share of peak hour slots achieved up until 2001 under the Federal Government's strategy favouring larger aircraft at Sydney Airport.

Continued access to transfer arrangements at Sydney Airport for regional passengers remains an important component of the NSW air service system. Development of regional hubs will assist the access requirements of regional passengers to Sydney and distribution of visitors to the regions using Sydney Airport as the gateway.

Basically, interconnectivity for regional air transport will need to be developed through commercial arrangements between airlines and by regulatory monitoring to control any instances of competitive disadvantage. The inquiry should consider the appropriate allocation of slots at Sydney Kingsford Smith Airport and preservation of slots for when the regional routes recover back to 2000 levels.

SUPPORTING SERVICE DEVELOPMENT

The Standing Committee has sought comment on the role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems and the role of major air transport carriers in providing regional services.

The NSW Government has:

- Worked actively to identify and reduce cost pressures at a local, state and federal level;
- Provided or committed direct Government assistance in terms of loan facilities and tax concessions to assist in addressing the collapse of the Ansett subsidiaries; and
- Regulated the smaller end of the regional airline market and removed license fees on lower volume routes (less than 20,000 passengers per annum).

The NSW Government aims to work with the Federal Government and the regional aviation industry to facilitate stability and growth opportunities in regional and rural air services.

The NSW Government will:

- Regularly review the extent of regulation required across the NSW industry.
- Continue to licence regional air routes within the State, monitor activity levels in the industry and publish passenger statistics on all routes.
- Pursue commercial arrangements with carriers to support development of the regional tourism industry through Tourism New South Wales marketing programs.
- Develop policies on key issues in the industry, such as policies on access to Sydney Kingsford Smith Airport.
- Pursue these policies with the Federal Government through the Australian Transport Council processes and by other suitable means.
- Seek discussions with the owner of Sydney Kingsford Smith Airport on the planning, establishment and integration of any future major airport capacity serving Sydney.
- Retain and encourage open competition on higher volume regional air routes to facilitate an efficient industry and lower fares.

Other Tiers of Government

Aviation issues are primarily for the Federal Government to resolve. In addition to actions already undertaken by the Federal Government, a number of further measures have been highlighted in this submission for Commonwealth consideration to assist the recovery and development of regional air services.

Local Government has assumed responsibility of local aerodromes from the Commonwealth although many of these airports have become financial burdens, due in part to the gradual decline of general aviation and recent problems in the regional airline industry. In these cases Local Government is unlikely to be able to offer much assistance to the industry, but fees and charges at larger regional airports could potentially be a significant barrier for small operators proposing to use them.

Role of Major Carriers

Where major carriers have established regional services or networks, there are a number of significant functions that they can undertake in support of development of regional air services generally, including:

- Scheduling of services to facilitate day return trips from country to city and vice versa.
- Providing sufficient capacity at peak hours to meet the regional passenger demands.
- Reducing charges for hosting smaller airlines on their reservation system.
- Introducing protocols to ensure fair and equal treatment by the major carrier of the smaller airlines, in the day to day operation of the booking system.
- Providing terminal access.
- Providing discounts on tickets purchased by smaller operators for customers undertaking through trips (relative to the prices charged to individual customers).
- Giving ample notice of any decision to withdraw regional services so that other operators and aviation agencies have sufficient time to plan and implement alternative services.
- Investigation what type of hub services should be implemented to achieve the most appropriate and beneficial outcomes for regional air travellers.

Major domestic or international carriers who are currently not involved in regional air services or networks should consider what support roles they could play, including hosting regional airlines on their reservation system and providing terminal access.

CONCLUSION

Regional aviation is experiencing a downturn of major proportions and the Federal House of Representatives Standing Committee Inquiry provides an opportunity to take stock of the situation and endeavour to facilitate actions to address the factors at work.

New South Wales Government agencies welcome the opportunity to make this submission to the Inquiry and have provided an evaluation of regional aviation services issues in accordance with the advertised Terms of Reference.

Of greatest concern in NSW is the scale of air service losses, further potential instability in the industry and uncertainty regarding any clear direction for recovery in terms of a number of key issues. These issues include cost pressures impacting on regional air travel, structure of the route network, commercial alliances between airlines, access to Sydney Airport and availability of replacement aircraft types at the small end of the market.

Having established the need to do something about the situation, this submission highlights a number of policies and measures to assist in addressing the issues raised, including identification of specific cost pressures, support for planning of hub services and discussion of replacement aircraft concepts.

A number of areas are identified where it is considered appropriate for the Inquiry to undertake further evaluation, including the matter of the slot allocation system at Sydney Airport.

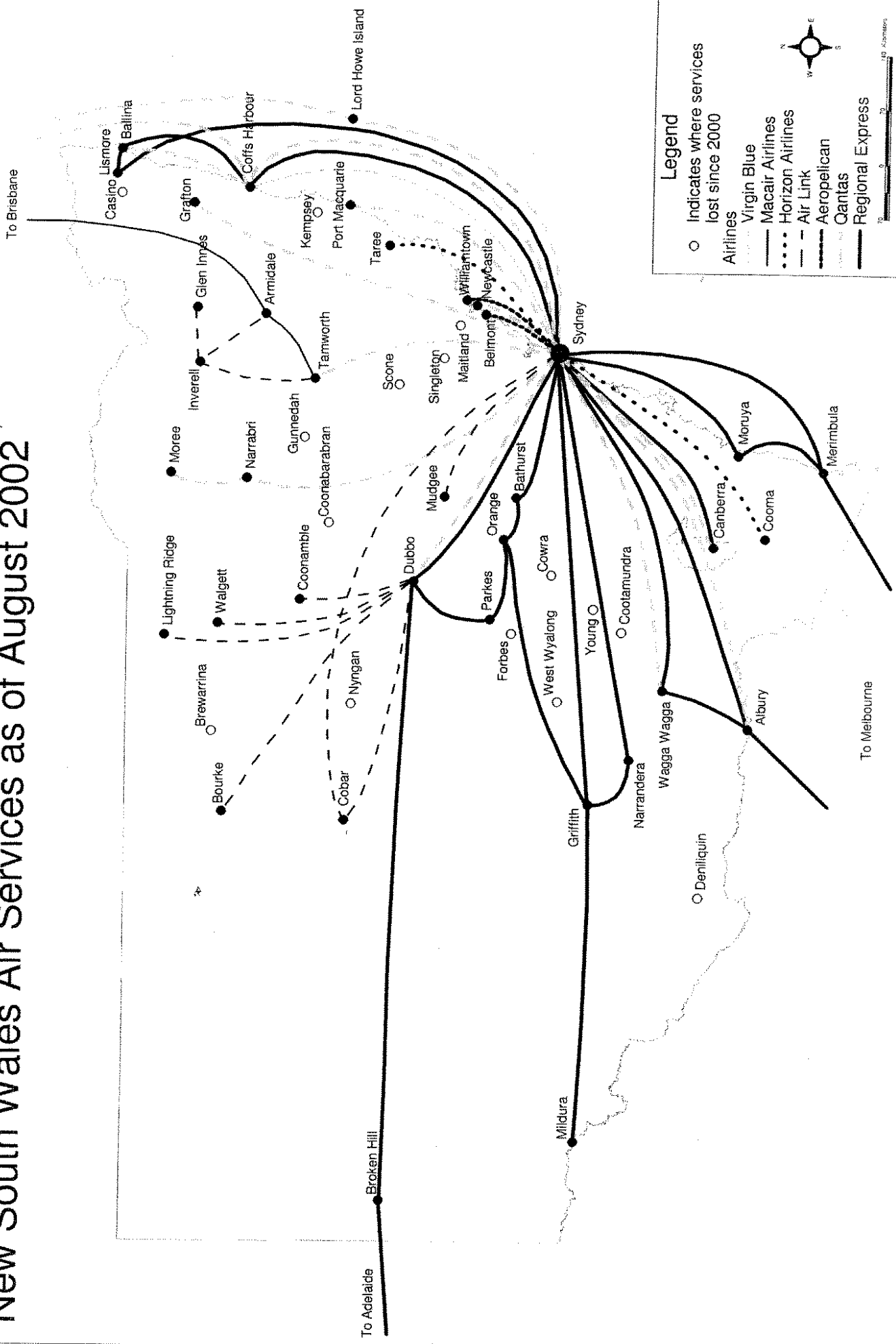
Any issues arising from this submission can be further clarified if required through the nominated contact officer in the first instance.

Contact: John Morandini, Transport NSW

Tel. 02 9268 2828



Date 29 Aug 2002

New South Wales Air Services as of August 2002



Legend

- Indicates where services lost since 2000
- Airlines
 - Virgin Blue
 - Macair Airlines
 - Horizon Airlines
 - Air Link
 - Aeroperlcan
 - Qantas
 - Regional Express

TRANSPORT
Map of NSW Air Services as of August 2002