

**From:** g ss [gts43@hotmail.com]  
**Sent:** Friday, 30 August 2002 8:46 PM  
**To:** trs.Reps@aph.gov.au  
**Cc:** gary.smith@kempsey.nsw.gov.au; bruce.snape@kempsey.nsw.gov.au;  
gts43@hotmail.com.au

**SUBMISSION NO. 162**

**Subject:** regional aviation services inquiry

30 August 2002

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

Dear Secretary,

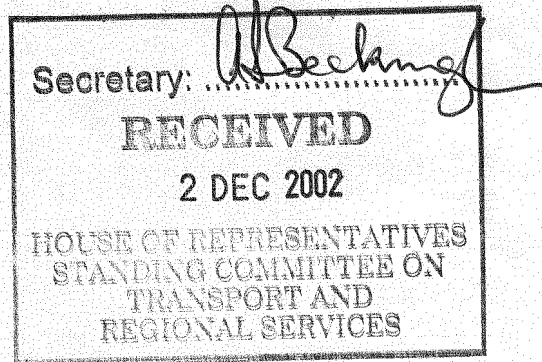
Kempsey Shire Council submission attached.  
Submission contains the views of operatives within council and those of relevant stakeholders including some airport users & operators. Formal Adoption of position by Council not applicable at time of submission.

Regards,  
Gary T Smith  
Manager Small Business  
Kempsey Shire Council

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14/11/2002



## **Inquiry into regional aviation services**

The House of Representatives Transport and Regional Services Committee is to examine the

- adequacy of regional and rural air services

Submissions

- being sought by Friday 30 August 2002

Public hearings

- held to collect further evidence after consideration of submissions

Terms of reference include

- adequacy of commercial air services in regional and rural Australia
- policies/measures in development of regional air services, including
  - regional hub services
  - small scale owner-operator services
  - deployment of most suitable aircraft types
  - role of all 3 levels of government
  - role of major air transport carriers
- interconnectivity between regional/national/international systems/services
- on-carriage, ticketing, freight handling, timetabling and airport slotting

### **Kempsey Shire Council response (arguably □)**

- adequacy of commercial air services in regional and rural Australia
  - generally inadequate
  - direct access to Sydney Airport required
  - need to consider frailties of airline operations in general
  - duly consider economic implications of RPT passenger operation
    - huge investment in equipment
    - aircraft costing five to ten million dollars each, (20-30 seat)
    - highly trained crews to fly
    - state of the art maintenance organizations
    - compliance with safety requirements of bodies incl CASA
  - duly consider industry super-sensitivity to the prevailing economy
    - one of the first industries to be affected by
      - ✓ downturn in economy
      - ✓ rise in unemployment
      - ✓ drop off in tourism
      - ✓ other things that generally affect business income
    - several weeks downturn can lead to bankruptcy
  - duly consider Australia-USA comparison
    - population sparseness(20 million vs 260 million: same area)
      - ✓ regional and rural aviation services are very poor
      - ✓ great difficulty for an airline to stay profitable.
  - rural & regional air services generally inadequate due to
    - low-density population
    - small number of large towns outside the capital cities
  - New South Wales would have about six profitable airports
    - some now doubtful following deregulation
- policies/measures in development of regional air services, including
  - regional hub services
    - battling small populations and vast distances
    - market is an unknown quantity: need to create a market
    - need to be operational to gauge success
    - high risk (win/lose)

- need to cater for business class (price not an issue)
- need to cater for domestic market (cheap fares)
- need to cater for tourists (mix of business/domestic approach)
- co-operation and control between regions required
- extensive market research, questionnaires required
- smaller airports need to link with and support hub airport
- central single-point responsibility centre for co-ordination
- regional hub services may improve regional airline profitability
  - ✓ allow operators to utilise their aircraft more efficiently
- regional hub services not easy to achieve
  - ✓ centers too small
  - ✓ population mainly along coastal strip
- hubbing alternative: triangulation of services
  - ✓ operating via 2 or 3 medium towns to the capital city
- deregulation should have realized
  - ✓ competition
  - ✓ better services
  - ✓ lower fares
- deregulation actually allowed
  - ✓ stronger & larger airlines to oust small operators
  - ✓ airport profitability for 1 operator but unprofitable for 2
  - ✓ cessation of air services in some cases
- small scale owner-operator services
  - swamped by larger carriers who can cross-subsidise services
  - costs of operation have escalated beyond sustainability levels
  - start-up, insurance & maintenance costs prohibitive
  - viability can be simply lost through "cooking" an engine (say)
  - difficult to be competitive
  - small operators need large backers to get a chance
  - leasing options proven ineffective
  - industry in decline since airlines dispute, Sept 11 & Ansett
  - subsidiary air services collapse along with parents
  - certainty before deregulation, "cost-to-fly" by a formula
  - previously, small profits = sustainability for small operators
  - monopolies swallow up small operators rather than support
- deployment of most suitable aircraft types
  - sufficiently-sized, twin engine, 20-seat plane preferred
  - cater for executive class passengers to correction centre
  - bigger aircraft are better (commercially/efficiency-wise)
  - aircraft need to be at or near full carrying capacity
  - larger carriers can more likely absorb ¼ capacity flights
  - pavement strength limitations apply at local airport
  - no short answer: big/small, profit/loss, flexibility/market control
  - presumably, Hazelton SAAB 340's (30 seat) were doing well
  - now need smaller aircraft to keep up occupancy levels
  - some "no-frills" operation (no catering/clubs/frequent flyers)
  - small scale owner-operator
    - ✓ aircraft usually up to 9 seats (maximum with one pilot)
    - ✓ too expensive to operate: difficult to break even
    - ✓ difficult to comply with the rules of the regulating body
    - ✓ small aircraft not popular with the traveling public
  - most suitable aircraft types for regional air services
    - ✓ turbo prop at least twenty seats, preferably 30 – 45
    - ✓ 2 pilots (mandatory above 19 seats)
    - ✓ good accommodation

- ✓ safe and reliable
    - ✓ sufficient capacity to permit triangulated services
    - ✓ good chance of operator having a profitable operation.
  - role of all 3 levels of government
    - local government needs to be more involved (local knowledge)
    - local airports need large subsidisation to continue without RPT
    - expenditure cannot be recouped from the travelling market
    - local airports looking more at tonnage charge to recover costs
    - all governments can, themselves, utilise air services more
    - centralised advanced booking services for employees
    - need to invest in self-propagating infrastructure & services
    - need to restore more basic public-service structures
    - need to establish “doing” frameworks rather than barriers
    - need to establish regional centre for integrated transport
    - need to restore industry confidence by example of marketing
    - subsidies burdensome on the economy & non-flying public
      - ✓ governments find subsidies hard-sell to the electorate
      - ✓ huge sums of money required to subsidise air services
      - ✓ fares tend to increase under subsidized conditions
    - government needs to support security costs post Sept 11-'01
  - role of major air transport carriers
    - support subsidiary services
    - focus on market creation, customer service and networking
    - co-operate with regional transport forum
    - major carriers generally unsuccessful without subsidies
      - large size operation overheads applied to small aircraft
      - unsustainable fare levels
      - poor patronage
- interconnectivity between regional/national/international systems/services
  - need to adopt non-conflicting worldwide travel packages
  - need centralised mechanism for reporting/analysing conflict
  - third-line forcing problems with interconnecting services
    - transfer of passengers from small airport to large one
    - transfer service profit at expense of smaller airport
- on-carriage, ticketing, freight handling, timetabling and airport slotting
  - linkage with bus, train and other transport links required
  - some travel agents not ensuring easy connection at booking
  - passengers need sufficient choice to keep coming back
  - suite of suitable flights to be developed (valid market survey)
  - long-advance bookings to assist viability of smaller operators
  - freight & freight owners need similar customer service to flyers
  - airport slotting appears a major problem
    - federal government guarantee of rural/regional slots