

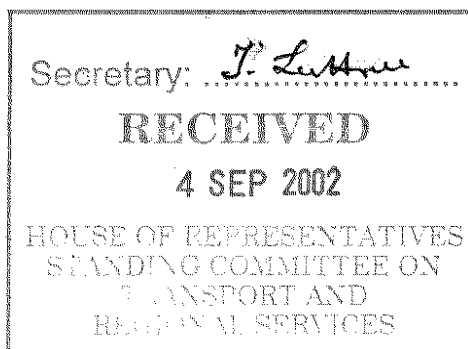
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Committee Secretary
House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
Canberra ACT 2600



Dear Sir/Madam

**Submission to Parliamentary Inquiry into Commercial Regional Aviation
Services in Australia and Transport Links to Major Populated Islands**

Thank you for the opportunity to make a submission to the above-mentioned Inquiry. This is a matter of particular concern for Tasmania's two Bass Strait Islands.

The Local Government Association of Tasmania has not addressed each of the Terms of Reference but has outlined the broader issues regarding commercial aviation affecting councils and their communities today.

The Association's submission is enclosed.

Yours sincerely



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l o c a l g o v e r n m e n t a s s o c i a t i o n
o f t a s m a n i a

Submission to the Inquiry into Commercial Regional Aviation Services in Australia and Transport Links to Major Populated Islands

August 2002

Introduction

The Local Government Association of Tasmania (LGAT) has prepared this submission in relation to the terms of reference of the Standing Committee on Transport and Regional Services for the Inquiry into Commercial Regional Aviation Services in Australia and Transport Links to Major Populated Islands.

Given Tasmania is the most dispersed State in the Nation, the subject matter of this Inquiry has long been an issue of concern to Tasmania, particularly to our Islands and East and West Coasts, and the Association appreciates the opportunity to be able to contribute to this debate.

Airports are the major component of infrastructure required for the provision of aviation services to regional and rural Tasmania and are often critical for the social and economic development of local and regional communities.

The airports on King and Flinders Islands are owned and operated by the local councils. The councils are entirely dependent on commercial forces to provide reliable, cost effective and appropriate air and sea services for the movement of people, produce, livestock and freight, on and off the Islands.

The Local Government Association of Tasmania is concerned with a number of issues with regard to commercial regional aviation services:

1. The Provision of Aviation Services to Regional and Remote Tasmania
2. The Inequity of Aviation Services to Regional Areas
3. The Lack of Competition and Market Failure in these Areas
4. The On-going Costs of Maintenance
5. The Replacement of Aircraft

The future of commercial aviation services to regional areas and populated Islands is under threat given ageing aircraft, competition from State operated and subsidised services, under-resourced operators and a general lack of Government assistance and cooperative effort.

It is not the intention of the Local Government Association of Tasmania to address each of the Terms of Reference, but to outline the broader issues regarding commercial aviation affecting councils and their communities today.

The Provision of Aviations Services to Regional and Remote Tasmania

Regional air services are seen as significant community assets and play a key role in the sustainability of regional communities. In these communities, the air services provided are critical to the livelihood of the community. Basic services such as public transport and delivery of food, medical supplies, mail, educational materials and urgent supplies rely of the use of airport infrastructure. Airports gain further importance as entry gates to regions for business and industries that support and encourage ongoing regional and economic development.

Regional areas of Tasmania significantly contribute to the economic well being of the State. In 1997/98 the top 10 exports formed 79% of total exports. With the notable exception of catamarans, all of these top ten exports were raw materials and food produce, generally produced in the regional areas of Tasmania. Within this top ten, beef (8), cheese and curd (9) and milk, cream and milk products (10) are sourced primarily from King Island. Seafood (5) is another major contributor to King Island's economy. While the majority of Tasmania's exports are freighted by sea, the high value industries such as pharmaceuticals, salmon, trout, cheese and other specialist food stuffs are being sent by air. The increased use of just-in-time stock control is also having a significant impact on basic manufactured goods also being sent to 'mainland' Australia by air.

The collapse of Ansett has led to a significant reduction in aviation services to Tasmania's Islands and a substantial loss in revenue to Local Government arising from unpaid airport charges. King Island has also suffered the collapse or withdrawal of four regional air carriers. This reduction in aviation services results in increased isolation of regional and remote communities and the diminished viability of the Local Government operated airports in Tasmania for the non-Island areas. While Island airports are becoming increasingly economically less viable for Local Government to operate, aviation services are essential and therefore non-negotiable.

Travel to and from islands and regional areas is not confined to residents and tourists alone. The demand for business passenger seats is also growing. Manufacturing industries in regional areas are increasingly requiring greater access to and from urban centres by business officials. Government agencies and Local Government are increasingly required to hire consultants and temporary staff (eg environmental consultants, specialist doctors etc) from non-regional or island areas.

The Inequity of Aviation Services to Regional Areas

The Commonwealth has recognised the unique nature of Tasmania as an island State and for a number of years has introduced a range of means to provide equality of access to and from Tasmania as is the case between 'mainland' Australian States.

While the impact of the introduction of the new Bass Strait ferries and the increased Commonwealth Government commitment to the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) is already being realised, and appreciated, by 'mainland' Tasmania, both King and Flinders Island are seriously disadvantaged by their introduction. The new ferries will have an adverse effect on the number of visitors to Tasmania's Islands, the cost of air and sea transport and the continued viability of the services that are currently being offered to the Islands.

Australia is a federated nation that prides itself in the provision of equity to all. However, the Commonwealth fails to recognise the disadvantage that island residents and potential tourists confront in travelling to the islands. They do not have the option of a heavily subsidised sea service on State owned and operated ships or a variety of discounted air services. Those who would otherwise have chosen to holiday on one of the Bass Strait Islands can now holiday on 'mainland' Tasmania for a fraction of the price and have the luxury of their own car for no extra cost.

Access to King and Flinders Island from either Victoria or Tasmania should be a continuation of the current Commonwealth subsidy, however, given that there is no comparable sea route, the subsidy should extend to air services. The Commonwealth should not differentiate between State borders but provide a subsidy for freight movement between Islands; 'mainland' Australia, 'mainland' Tasmania, King and Flinders Island. This would provide the equitable access desired by the Commonwealth, the State and the isolated islands.

The Lack of Competition and Market Failure in these Areas

Given that regional and island areas tend to be minimally populated and the requirement of commercial aviation service providers to be continually profitable and progressive, the viability for more than one or two (if any in some circumstances) regional air service providers is not evident. The high cost of maintenance, landing fees, staff and taxes and no guarantee of demand for services do not warrant private industries investing in the provision of air services to and from regional areas and/or populated islands.

The cheapest return airfare from Melbourne to King Island is \$250. Devonport/Wynyard to King Island is \$297.

The cheapest 'through' fare (Melbourne to King Island to Wynyard) is \$502, more than double the comparable fare for crossing Bass Strait by either ship or plane.

Those private industries that do 'bite the bullet' and take the risk of providing an air travel service for regional areas and/or islands more than likely do so for the reason of no (or lack of) competition, are effectively able to monopolise the market.

King Island has access to three air travel service providers, however each one offers a different route and/or service. Each provider operates out of a different base, either Devonport, Moorabbin or Tullamarine.

There must be, at some level of Government, recognition that there is a community service obligation to provide air services to remote Regional areas and/or populated islands.

The On-going Costs of Maintenance

Local Government continues to play a major role in ensuring that regular aviation services are provided to regional and rural communities. However there is significant concern with the ongoing cost of maintenance and the increasingly litigious society in which Local Government operates causing increased potential for liability claims.

Landing charges generally do not cover the full cost of operating and maintaining regional and island aerodromes, let alone the cost of upgrading aerodromes to meet increasing technological requirements.

King Island estimates the shortfall between operating costs and income is to be over \$49,000 for this calendar year. This annual operating loss does not include the cost of previous airline operator failures unpaid landing charges. King Island has written off over \$70,000 in unpaid landing fees over the last few years.

The Replacement of Aircraft

Aircraft currently servicing regional and/or populated islands in Tasmania are tired. The average age of an aircraft operating on regional services in Tasmania is 20 years old. The newest aircraft servicing King Island is over 10 years old, the oldest 28.

It is likely that in the near future that the current aircraft used to service these regions will be uneconomical to maintain, or fail to meet the safety standards required by the Civil Aviation Authority. Private industries will either be forced to upgrade their fleet at a significant capital cost or withdraw from the market. The latter is not a feasible option for Tasmania's populated Islands who have no other form of commercial passenger transport available on and off the Islands.

Conclusion

Aviation services currently provided in Tasmania are inadequate to meet the current and future needs of Tasmania's regional areas and populated islands, and there is no guarantee that the provision of services will continue given the ongoing costs of maintenance, increasing technological standards for aircraft and the cost of replacing ageing fleets.

The provision of aviation services to regional areas and populated islands is entirely market driven which fails in most circumstances due to the lack of potential profitability. There is no assistance provided by any level of Government to ensure equity of access or the provision of services.

The current commercial aviation services fail the regional and populated island councils and their communities of Tasmania and Australia.