



***SUBMISSION FROM
EUROBODALLA SHIRE COUNCIL***

***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***

This submission was endorsed by Council at its meeting on 27 August 2002

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INTRODUCTION

Eurobodalla Shire has a population of 34,000 people and is located on the Far South Coast of New South Wales 4½ hours driving time south of Sydney and 2½ hours driving time from Canberra.

An airport is located at Moruya. The main runway is sealed and the cross strip is partly sealed. An RPT service is operated to Sydney from Moruya by REX.

The Princes Highway and Kings Highway are the main transport accesses.

There is no rail service.

Term of reference:

The adequacy of commercial air services in regional and rural Australia.

Economic development is often influenced by the capacity for local commercial and industry leaders and potential investors to travel quickly to major centres. Small businesses investing in the development of tourist facilities and services take into account the availability of air services. The viability of new primary industry ventures in horticulture, agriculture, fishing and some foods is calculated on the ability to get perishable goods quickly to market.

The need for local residents to be able to access medical specialists in the capital cities is most important. A good air service provides that mechanism without the discomfort and trauma of long road journeys.

A regional air service to our region can and should provide:

- ability to conduct business and medical appointments in Sydney and return in one day;
- linkage to international and major domestic airlines in Sydney for inbound and outbound tourism (10-15% of trips);
- express freight including fresh food and flowers;
- economical transport for general social travel.

This Shire is now serviced by Australiawide . Passenger numbers into and out of Moruya are approximately 10,000 in a "normal" year. The landing and departure fee is \$7.60 per passenger.

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The make up of passengers by type is approximately:

- Business 60%
- Medical 10%
- Social 30%

Flight time to Sydney direct from Moruya is approximately 50 minutes (road 4.5 hours, bus 6 hours).

Flight time to Sydney via Merimbula from Moruya is 1 hour 45 minutes.

From 1 September 2002 the following timetable will be implemented as part of a Sydney Merimbula service:

Weekdays

Depart Moruya to Sydney

- 7.35am via Merimbula (arriving Sydney 9.20am)
- 6.20pm via Merimbula (arriving Sydney 8.05pm)

Depart Sydney to Moruya

- 6.35am (arriving Moruya 7.25am)
- 5.20pm (arriving Moruya 6.10pm)

Weekends

Depart Sydney to Moruya

- 10.05am (arriving Moruya 10.55am)

Depart Moruya to Sydney

- 12.35pm (arriving Sydney 1.25pm)

The new Moruya/Sydney service is not considered to be satisfactory given the size of the market.

The previous service offered three return journeys per day. The two morning services provided for business people flying direct to Sydney at 7.05am and a later morning flight for holidaymakers/shoppers at 9.15am which went via Merimbula and a late afternoon flight at 4.40pm. From Sydney there was an early morning flight at 8.00am, an afternoon flight at 3.00pm and an evening flight at 7.10pm.

It is considered however that there is an opportunity to develop a route to Melbourne via Merimbula. Especially given the large number of ex Victorian people who reside in the Shire.

Term of reference:

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.*

On face value the development of regional hubs sounds logical. However there are a number of negative impacts that need careful consideration:

- The need to change planes at the hubs will lead to increased journey times and inconvenience to passengers.
- Increased possibility of missed connections both at the hub and then at Kingsford Smith on going major domestic or international flights.
- Increased ticket costs due to additional landing charges (more landings per flight).
- Increased ticket prices due to possible need to change airlines.

Any forced introduction of regional hubs needs to address these impacts.

The use of a hub where the majority of passengers can remain on the same plane would be much more acceptable to the market.

In the specific case of this Shire where the air service to Moruya operates as a part of the Merimbula to Sydney service, the use of Canberra as a hub would be the most logical.

However, if Merimbula flights operate directly to Canberra it would leave Moruya with relatively small passenger numbers. This would presumably result in a small aircraft service being offered from Moruya to Canberra. This would be unpopular with passengers especially as the flight would involve crossing the escarpment with increased possibility of turbulence in a non-pressurised aircraft.

Financial support from the Government for the introduction of modern 12-14 seat pressurised aircraft for use on the spokes of the hubs could overcome some of these concerns if a hub system is forced on the airlines.

If the Merimbula service was to operate to Canberra via Moruya it would mean two intermediate stops for Merimbula passengers, (Moruya and Canberra) including a possible change of plane at Canberra. This is a much poorer level of service than is currently provided.

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It is considered therefore that the use of a hub for this region is not in the best interests of the users of the current air service. It would also do nothing to encourage the expansion of patronage.

This Shire is a member of a Transport Forum called South East Australia Transport Strategy (SEATS).

As regional air services are vital to many Councils in South East Australia, SEATS established a working party to discuss concerns about the future viability of regional airlines.

This working party met in June 2002 (prior to the announcement of this enquiry).

The meeting highlighted a number of policy issues that seem to impact on the viability of regional airlines.

The meeting was attended by industry and Government officials and was advised that mid level regional airlines (such as REX's size) grew in a regulated environment and there was cross subsidisation of small ports from the larger more profitable ones. This was the arrangement the airlines had with the Government to maintain the regulated environment.

The Government then deregulated against the wishes of the industry. The Government argument being that market forces should be allowed to rule.

The industry has lost stability. 73 operators have gone out of business in the last 20 years. The lower level is operating planes near the end of their lives and is not financially sound.

The mid level, where it was tied to Ansett, has gone down with Ansett. It is vital that stability be returned to the regional air market. Passengers need to be able to feel secure that the flight they book on will fly and that the aircraft is owned and properly maintained by a financially sound company.

Partial regulation applies in NSW. Routes to Sydney that have an annual passenger load of less than 20,000 are licensed to a sole operator for a period of three years. If the airline is successful in increasing patronage to above that figure, the route is opened up to any approved operator. The route could then conceivably be serviced by three 9-seater aircraft from different airlines instead of a 30-seater from one airline. The level of service to the public would drop. The 30 seater has lower per seat costs than a 9 seater.

The public in general is reluctant to travel in small planes. The 30 seater pressurised aircraft is at the limit of general acceptability. The 9 and 19 seaters previously used on the Moruya-Sydney route were not popular with the general public.

The key point is that any review of regional airline operations needs to ensure that the size of aeroplanes are maximised to overcome the significant apprehension felt by much of the public about small planes.

In marketing itself to the State and Local Governments at the time of applying for licences on the regulated routes, the airlines make certain commitments about aircraft type and schedules. When granted a licence there is an expectation from the community that the commitments will be upheld or enhanced by the successful airline. This appears to be not always the case. It is considered that this aspect should be enforced by the regulators. A possible offset would be to extend the licence period.

It is important that the airline be held accountable to provide the service it promised.

The Sydney to Merimbula service (usually via Moruya) carries 17,000 passengers per annum. It can be expected therefore that it will not be long before this reaches the 20,000 level. At that stage the route would become de-regulated. It is not known whether the Sydney/ Moruya leg would then remain regulated. This has the potential to severely affect the viability and the current level of service on the Moruya/Sydney run.

It is considered therefore that there is justification to extend the regulation and licence arrangement to beyond 20,000 passengers where deregulation may have an adverse impact on a co-joined service.

Term of reference:

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 importance of the regional air service to be able to provide a full business day in Sydney cannot be over-emphasised. The service currently proposed from Moruya to Sydney does not provide this as effectively as in the past, however it does provide an economical way of conducting business in Sydney or other capital cities without an overnight stay. The rearrangement of the timetable is likely to significantly impact on usage of air travel. The business traveller tends to provide higher returns to the airline than the more budget conscious social traveller does.

This ability to achieve a return trip to Sydney in a day is also important for those wishing to attend medical appointments.

The willingness of business people to relocate to and remain in this shire will be influenced by this "business day" in Sydney service. The business market is far less ticket price sensitive than the social travel market. The key factor is the schedule.

Another important issue is the ability to fly into Kingsford Smith Airport. The additional travel time from say Bankstown to the City centre is not acceptable to the business traveller or those connecting to other major airlines.

The key point out of this is the need for regional airlines to be able to be guaranteed peak morning and evening slots at Kingsford Smith Airport. The sale of Kingsford Smith Airport may well bring about pressure for these slots to be allocated to the larger aircraft of the non-regional carriers.

The ticket price is a major issue for regional airline passengers as fares are usually considerably higher than longer routes flown by the major domestic carriers. Fares are particularly price sensitive for the social traveller. It is this segment of the market that has the greatest growth potential.

Price is a bigger issue for the social traveller than timetabling or interconnectivity with major domestic or international. International passengers in particular are used to long waits. The ability to fly to Sydney to make an international or long distance domestic connection would be based on:

- surety and safety perceptions of service;
- ticket price (cost of long stay car parking is also a consideration);
- ease of access to regional airport;
- timetable compatibility;
- physical location of terminals.

Term of reference:

The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.

It is often suggested by airlines that if local government wishes to ensure the viability of regional air services it should be willing to charge low or nil landing fees.

This Council currently subsidises the operation and maintenance of the Moruya Airport by approximately \$125,000 per year. This does not take account of the need to carry out extensive rehabilitation of the main runway in 20 years time.

Any reduction in the passenger charge would increase the subsidy to the airport. Council is looking at ways to generate new or additional revenue to offset this operational subsidy.

The reality is that Council's ability to further subsidise regional air services is extremely restricted by:

- the devolution of Commonwealth and State Government responsibilities to Local Government without commensurate funding support;
- rate pegging.

There is no doubt that the State and Federal Governments have a much greater ability and moral obligation to support air services to Australia's regional areas. There is a strong argument that there is a community service obligation for regional air services to be provided to rural and regional Australia.

Such areas of support should include:

- the guaranteeing of suitable landing and take-off slots at Kingsford Smith Airport;
- the quarantining of regional airlines from high landing fees at Kingsford Smith Airport;
- the provision of suitable terminal facilities that provide easy access to links with the major airlines;
- subsidy of landing fees at capital cities for regional airline flights that do not compete with major carriers.

Other areas of possible support could include a subsidy for regional airports that have a regular passenger transport service on the proviso that local government remove/reduce passenger fees.

Regional airports are strategic national assets. Devolution of responsibility to Local Government with only minimal financial assistance at the time has left it with a major asset to maintain with no significant income stream with which to do it.

Term of reference:

The role of major air transport carriers in providing regional services.

Integration of regional air services with the operations of the major carriers is important to passengers and freight forwarders who desire to connect with such carriers in Sydney. It is therefore important that the major carriers be required to provide interconnectivity with and through ticketing for regional air services. This is clearly important should a hub system be imposed. The ability for regional passengers to be able to access discount fares on the major carriers at a hub port, would be vital to the viability of the hub system.

There is a need to consider protection of regional air lines from predatory pricing by major carriers where the two operate on the same routes.

CONCLUSION

In summary the key points in this submission are:

- There is no doubt that an effective and efficient regional air service is vital to the sustainability and future development of this Shire.

Economic development is often influenced by the capacity for local commercial and industry leaders and potential investors to travel quickly to major centres. Small businesses investing in the development of tourist facilities and services take into account the availability of air services. The viability of new primary industry ventures in horticulture, agriculture, fishing and some foods is calculated on the ability to get perishable goods quickly to market.

The need for local residents to be able to access medical specialists in the capital cities is also most important.

- The current Moruya/Sydney service is not considered to be satisfactory given the size of the market. It is considered however that there is an opportunity to develop a route to Melbourne via Merimbula, especially given the large number of ex Victorian people who reside in the Shire.
- The development of regional hubs can have negative impacts that need careful consideration:
 - The need to change planes at the hubs will lead to increased journey times and inconvenience to passengers.
 - Increased possibility of missed connections both at the hub and then at Kingsford Smith on going major domestic or international flights.
 - Increased ticket costs due to additional landing charges (more landings per flight).
 - Increased ticket prices due to possible need to change airlines.
 - The use of a hub for this region is not in the best interests of the users of the current air service. It would also do nothing to encourage the expansion of patronage.
- The review of regional airline operations needs to ensure that the size of aeroplanes are maximised to overcome the significant apprehension felt by much of the public about small planes.

- When granted a licence on a regulated route there is an expectation from the community that the commitments made by the airline at the time of being granted the licence will be honoured or enhanced by the successful airline. This appears to be not always the case. It is considered that this aspect should be enforced by the regulators. A possible offset would be to extend the licence period. It is considered that there is justification to extend the regulation and licence arrangement to beyond 20,000 passengers where deregulation may have an adverse impact on a co-joined service.
- The importance of the regional air service to be able to provide a full business day in Sydney cannot be over-emphasised. The rearrangement of the timetable is likely to significantly impact on the usage and viability of air travel. The business traveller tends to provide higher returns to the airline than the more budget conscious social traveller does.
- The ability to fly into Kingsford Smith Airport is paramount. The additional travel time from say Bankstown to the City centre is not acceptable to the business traveller or those connecting to other major airlines.