

## Submission to the House of Representatives Standing Committee on Transport and Regional Services

### Inquiry into commercial regional services in Australia and transport links to major populated islands

In my response I have omitted to comment on the adequacy of commercial air services to major populated islands and the adequacy of alternative sea services as detailed knowledge of the subject is beyond my area of expertise. Similarly my comments on rural and regional air services are based on my experience of operating in New South Wales and consequently focus on that state.

In commenting as to the adequacy of commercial air services in regional and rural Australia I have defined regional as the major regional centres with passenger traffic figures in excess of 20,000 pa eg Tamworth, Dubbo, Wagga etc and rural as the balance, with an emphasis on towns with an annual passenger uplift of less than 10,000.

This distinction (below 10,000 passengers) is drawn because the vast bulk of services are provided by small, independent operators utilising 9 passenger piston engined aircraft. Above 10,000 passengers are usually operated by operators owned or controlled by major airlines and utilise 19 and 36 seat turbo prop aircraft.

Air services to large regional towns and cities are generally adequate as the large population base allows multiple daily services with larger aircraft however smaller communities are losing services. Over the past 20 months air services to Sydney have been lost from West Wyalong, Young, Cootamundra, Forbes, Cowra, Coonabarabran, Gunnedah, Scone, Singleton, Maitland, Kempsey and Casino. Services from Glen Innes and Inverell now hub, with aircraft changes, through Tamworth. It is unlikely any of the above services will be replaced. This concentrates services to the larger regional centres to the detriment of smaller communities and assists the larger centres to suck in and absorb smaller neighbouring communities.

A careful study of New South Wales's population centres will show the ability for regional hub services to be encouraged is limited. This may not be the case in other states but the hub and spoke model that developed in the United States following airline deregulation there does not easily transfer here due to differing population densities and spread. Hubbing has been successful with services centred on Dubbo due in part to the geographic situation of the feed towns more widely spread than anywhere else in the state.

Hub services will only be successful when both the major and feeding operators have an excellent working relationship and both perceive the advantages of and are prepared to share the rewards from the combined operation.

The only operators in the past who have been prepared to supply air services to small communities have been the small owner-operator (mom and pop) companies. Larger companies with larger aircraft are unable to meet the cost structures and personal commitment required. These small companies have been under severely increased costs in the past several years. The NSW Air Transport Summit Working Party made a submission to The Australian Transport Council's Aviation Working Group Review of Costs Impacting on Small Regional Airlines in July 2001. I recommend the submission to the Committee.

Applying the most suitable aircraft type for the task is essential for an operator to have the best chance for profit. Across larger services this task requires the operator to choose between a group of newer designs whereas the small operator has a choice of older piston twins or newer single engine turbo prop aircraft. Over the immediate past CASA has perceived its role as one to encourage the use of single engine turbo prop aircraft over the use of twin piston engine aircraft. CASA has gone so far as to circulate a briefing paper titled "Ageing Aircraft". As well it forwarded a letter to the Executive Director of the New South Wales Air Transport Council from Mr Rob Elder, Executive Manager, Government, Industry and International Relations promoting the use of single engine ASEPTA

(Approved Single Engine Turbine Powered Aeroplanes) over the commonly used piston twins. Both these documents use emotive terms designed to reinforce the CASA line. The NSW Air Transport Summit Working Party's submission calls on CASA (page 8) to avoid generalisations about the aging aircraft issue. To rigorously articulate and justify its views on the matter. And to clarify its precise regulatory position on the future of those aging twin piston engine aircraft which are maintained at or above the specified standards, and which retain an operating life well within the manufacturers design specification and in accordance with CASA's Airworthiness Directive PA 31-37. Hardly a ringing endorsement of the regulator.

I will dwell on the effect of the regulator its attitude and approach at greater length later in this submission.

The entire airline transport system, rural/regional, national and international interlinks and depends on the other sections to a greater or lesser extent. All carriers, if they wish to be part of a universal reservation system, need to have a two or three letter airline designator. The International Air Transport Association (IATA) assigns this designator. Designators allow an airline to list their flights in a reservation system and be part of the message switching system etc. Major carriers such as Qantas and the defunct Ansett had their own reservations systems and also listed in the major CRS's. Both Qantas and Ansett also "hosted" smaller independent airlines in return for those airlines on carriage. This hosting also extended to terminal and turnaround facilities at major airports. Charges for these services were discounted from cost based on the perceived value of the on carriage provided by the small carrier. There were variations of the charging systems depending on the relationship between carriers. However the smaller carrier was and is utterly dependent on the support provided.

Government at all levels has to be committed to the provision of rural and regional air services. Any lack of commitment or lip service to it will result in degradation of services. The basics required for support can be found in the NSW Air Transport Summit Working Party's submission.

The only role major carriers have in providing regional services is the responsibility they have to their shareholders to be profitable. Government policy over a considerable period of time has removed any requirement for them to provide community obligation services. Air services have been used as a cash cow by governments of all persuasions. In the dim distant past government recognised the community benefit of regular air services to all communities as a way to assist isolated areas. However the advent of economic rationalism et al saw costs for small carriers balloon and benefits from larger carriers reduce ie the major carrier sought to recover the full cost of services provided because they in turn were under cost pressures. This, together with the attitude of the regulator, meant that small operators (owner operators) have voted with their feet and left the industry.

In the outset of comments about the regulator let me be quite clear I personally believe we, the operators and public, need a regulator who is strong and fearless. However we need a regulator who, together with its staff, is responsible and accountable. That accountability must be available, speedy and affordable and, most importantly, genuine. Currently this is just not available. Consequently we have a regulator who simply ignores complaints concerning the behaviour of its staff or fobs off the complainant. A regulator who has come to believe it is above the law (see comments of the Director in questions from the floor following an address to the National Press Club last year) is of no use as a regulator. Nor is it of any assistance in reversing the steady decline in rural air services we have observed over the last decade. A decline which has accelerated in recent years.

An other example of the regulators arrogance comes with the proposed changes to the regulations currently subject to the farce of the "consultation process" is the incorporation of a "Manual of Standards" which will have the operating detail rather than place it in the regulation. Many of the industry believe the main purpose of the tactic is to remove the regulatory process beyond the scrutiny of the Parliament.

It should be noted at this point that:

1. Significant sections of the regulator do their best to assist and encourage the industry but that this is based on individuals whereas the regulator in general appears to work on the basis that the best way to have total safety is to stop any flying.
2. On the 31<sup>st</sup> January, 2001 I advised the regulator that, following their serving my company with a show cause notice and the subsequent farce of an informal conference, that under no

circumstances would the directors of my company apply for the re issue of our AOC. Nor would we be involved with an AOC while the current use and abuse of power by CASA continue. On 1 February 2001 the delegate of CASA declined to renew our AOC. My comments on the regulator, while coloured by this event, should be taken in the light of my abiding view that unless the system is reformed rural air services, my life for over 30 years, will continue to decline.

For a small-scale operator to assume the role we played until last year would require that person to commit nearly \$2,000,000 in equity and/or debt. While we took nearly 20 years to accumulate the equipment and other necessary assets any replacement would need to stump up the dollars up front. While this would be daunting in itself to then have to deal with the regulator, with its constantly changing requirements and idiosyncratic interpretation of the rules by individual CASA staff. An organisation that can take over 6 months to add a single simple additional type to an AOC is simply too much for most prospective recruits to the ranks of small operators.

In this regard I have documentary proof that the regulator, ie its staff, have:

1. Ignored letters of complaint. Probably in the hope the problems would just go away.
2. Ignored advice of possible wrongdoing of staff including deliberate lies and/or incompetence.
3. Have operated a "hit list" or "white board list" of operators. Most if not all on this list have ceased operating. The regulator denies the existence of such a list, however its existence is confirmed by present and former staff and staff from the ATSB who have sighted the list.
4. Deliberately sought to mislead other government bodies, both Federal and State, concerning the ongoing service of piston engine aircraft. See NSW Air Transport Summit Working Party submission.
5. Failed to comply with the requirement of Section 13 of the Administrative Decisions (Judicial Review) Act of 1977 which allows the person subject to the requirement 28 days to provide detailed reasons. On the 56 th day I was compelled to threaten the use of the Federal Magistrate to compel compliance.

With this sort of list it is no wonder that rural services are in decline.

Should the Committee so decide I would be available to expand my thoughts and provide documentary proof of my statements.

