LatrobeCity
a new energy

Our Ref: 09/01/0067
Your Ref:
Reg No. 02/08105
WGTB:EMJ

16 August, 2002

Secretary: ......J. La........

RECEIVED

19 AUG 2002

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

Latrobe City ABN 92 472 314 133
Telephone Toll Free 1300 367 700
Facsimile (03) 5174 5832
Post to PO Box 345 Traralgon 3844
Email Address latrobe@latrobe.vic.gov.au
Internet www.latrobe.vic.gov.au
AUSDOC DX219290 Traralgon

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

Dear Committee Secretary

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES.

Thank you for the opportunity to provide a submission into the above Inquiry.

The importance of regional airlines services into the Latrobe City region and Greater Gippsland is important, especially in relation to accessing Sydney, as the nation's business capital and Canberra as the seat of Commonwealth Government.

It is understood that the Chair of the Standing Committee is Mr. Paul Neville MP. The writer knows the Honourable Member when undertaking similar employment in Gladstone Queensland.

Thank you once again for the opportunity of providing this submissions

Yours sincerely

WILLIAM (BILL) G. T. BARBER
Investment Manager
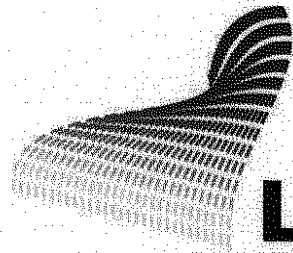
8BB038.DOC

Moe 44 Albert Street   **Morwell** 16-18 Hazelwood Road   **Traralgon** 34 -38 Kay Street

LatrobeCity
a new energy

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

Prepared by: William (Bill) G. T. Barber
Investment Manager

Latrobe City Council
Civic Centre, Kay Street
TRARALGON VICTORIA 3844

Telephone: 1300 367 700
Mobile: 0409 142 976
Facsimile: (03) 5175 0300
Email: billba@latrobe.vic.gov.au
Internet: http:/www.latrobe.vic.gov.au
PO Box 345
TRARALGON VICTORIA 3844

INDEX

LatrobeCity
a new energy

**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**

Prepared by: William (Bill) G. T. Barber
Investment Manager
Latrobe City Council
PO Box 345
Traralgon Victoria 3844

STATEMENT

**Regional Air Services are more about moving Country People to
Major/Capital Cities, rather than Transporting City People to the
Country.**

**Services must operate in time slots, which are user friendly for
Country People to visit the City, undertake business and where
possible return the same day.**

**Air time tables, which are not country friendly, will not be
patronised, and alternative methods of transport will be utilised.**
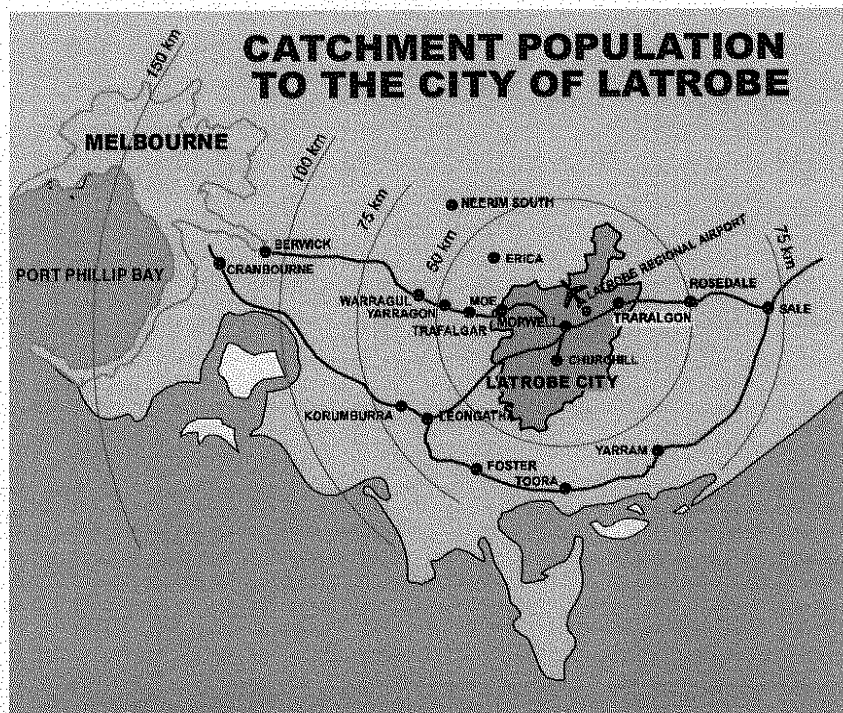
LATROBE CITY - An overview

The City of Latrobe is centrally located in eastern Victoria, approximately two hours by car from the Greater Metropolitan Area of Melbourne. It is serviced by road from Melbourne by a combination of freeway and dual carriageway. There are thirteen return passenger rail services to Melbourne of a duration of approximately 2 hours 30 minutes on broad gauge rail.

Latrobe City has an approximate population of 70,000 encompassing the major towns of Morwell, Traralgon, Moe and Churchill, and is the third largest regional city in Victoria.

The Latrobe Valley generates approximately 90% of the State of Victoria's electricity. Additional brown coal reserves are being opened and further brown coal and green waste power stations are planned for construction between 2002 and 2007. Other major works are planned over the same period.

Education is well serviced by Government and private schools. The major TAFE College for the Gippsland region is located at Morwell, and a Monash University Campus at Churchill.

Diversity of business in Latrobe City includes the National Information Processing Centre for the Australian Securities and Investments Commission, the Gippsland Intermodal Freight Terminal, National Foods, Gippsland Aeronautics and Australian Paper Mills. Timber related production and engineering businesses closely aligned with the power industry are located in the Latrobe Valley.

CATCHMENT POPULATION TO THE CITY OF LATROBE

AIR FACILITIES - An overview

The Latrobe Regional Airport located between the Cities of Traralgon and Morwell. It is the only registered Regional Passenger Transport (RPT) airport to the east of Melbourne. The airport's capabilities will form part of this submission. The airport is owned and operated by Latrobe City Council under a Section 86 Committee of the local Government Act.

In addition to revenue derived from direct use of the airport and it's terminal operations, Council also provides funding, in order to maintain and retain this important life line for the whole of the Gippsland region.

Gippsland Aeronautics who are the only Australian builder of passenger aircraft is located within the air port precinct. Other tenants include a flying school, aircraft hangars and the Helimed helicopter which is available 24 hours a day for emergency transit to trauma site and when appropriate immediate evacuation to Latrobe Hospital on the air port boundary, or to Melbourne and other locations.

Council is committed to the concept of an air park and air related industry facilities being located within the air port boundaries. Marketing plans and surveys have been conducted and initial discussions underway to relocate potential and existing businesses to Latrobe Regional Airport.

LATROBE CITY/GIPPSLAND - Demographics

Population within the municipality is 70,000. Located within approximately one hours drive is Baw Baw Shire 34,737, East Gippsland Shire 38,028, South Gippsland Shire 24,597 and Wellington Shire 39,288. The eastern region of Cardinia Shire could also access Latrobe Regional Airport. The northern area of Bass Coast could easily access the airport but have not been factored. Total population *excluding* Cardinia and Bass Coast Shires is 207,010 persons.

From the Latrobe Regional Airport it is possible to drive within 90 minutes to Wilsons Promontory National Park, Mount Baw Baw snowfields, Phillip Island, the Gippsland Lakes, Port Welshpool and Lakes Entrance.

LATROBE CITY - Geographical/Transport

Road

The Princes Highway is the major link to Melbourne, and also continues through East Gippsland and a further 800 kilometres to Sydney, driving time approximately 11 hours. There is a deviation from the south coast and from Orbost to Canberra, total driving time approximately 8 - 9 hours.

Rail

A broad gauge rail line exists from Melbourne through the Latrobe Valley as far as Bairnsdale. At this point of time, 13 return rail passenger services from Monday to Friday operate from Melbourne to Traralgon. Three of these continue to sale. Although planned in the future, there is no train passenger service to Bairnsdale.

There are also plans to re-open a rail service from Leongatha to Melbourne, however this will not happen before 2004/5.

Air

With the cessation of Ansett's Hazelton, a six-day week service from Latrobe Regional Airport to Sydney via Albany was abandoned. The only regular passenger service utilising Latrobe Airport operates Monday, Wednesday and Friday from Essendon Airport to Latrobe, then to Flinders Island and Launceston. An eight-seat non-pressurised Piper aircraft operates the service.

There is no service at this time linking Canberra or Sydney, however it is envisaged Sydney will be linked via Merimbula by Australiawide Airlines from 1st October 2002.

AREAS OF CONCERN

It is imperative for business and commerce in Latrobe City and the Greater Gippsland region have a direct line of air passenger transportation between Sydney, Canberra and Launceston. A Melbourne service could be used for day meetings saving in excess of 4 - 5 hours from Latrobe City to Latrobe City. Tullamarine is also an important connection for flights to other capital cities and also overseas. Essendon Airport is also available for commuter/regional aircraft services.

Sydney

The nation's business capital and an important infrastructure for major corporate and international business relationships. The Great Dividing Range to the north is a natural barrier. Present transport alternatives are;

- By rail to Melbourne, approximately three hours. When available, a rail service to Sydney from Melbourne a further 11 hours.

- By air, drive to Melbourne Airport approximately three hours, then by air a further four hours, allowing for security ticketing, and air travel baggage collection.

- By car, approximately 10 hours by road, depending on weather, especially during winter.

Canberra

The Australian Alps form an impenetrable surface barrier between the Latrobe Valley / Gippsland region to the Nation's Capital. Present alternatives are;

- By Car. Either via Melbourne and the Hume Highway, approximately 9 hours, or by Princes Highway through Orbost and Bombala, or via Eden 11 hours. Times depending weather, when on occasion roads are impassable due to fog, snow or flooded roads..

- By rail, not really practical, as there is no direct connection from Victoria. Train travel north to Goulburn with a rail / coach change south to Canberra, depending on the availability of connections.

- By air, drive to Melbourne's Tullarmarine Airport approximately three hours. Fly to Canberra from Melbourne a further three hours, including security, check-in and flight time.

Tasmania – Launceston

The main synergies with Tasmania would be through Launceston into Northern Tasmania. There was a catamaran service out of Port Welshpool about ten years ago for a short period of time. The service was unreliable due to swells in the Bass Strait exceeding four metres. The following alternatives are;

- By Car. Drive to Melbourne, then take overnight ferry including car to Devonport. Time elapsed one day in each direction.

- By rail, not available

- By Air. Island Air (Tasmania) small non pressurised eight-sea aircraft on Mondays, Wednesdays and Fridays. Unable to complete same day return flight. Loss of time between 2 - 3 days.

- By Air (Alternative) Drive to Melbourne then fly from Tullarmarine Airport to either Burnie (Wynward), Devonport, Launceston or Hobart. Time taken, at least a half-day minimum in each direction.

- By sea. Rail or self drive to Station Pier Melbourne, then the Bass Strait overnight ferry to Devonport.
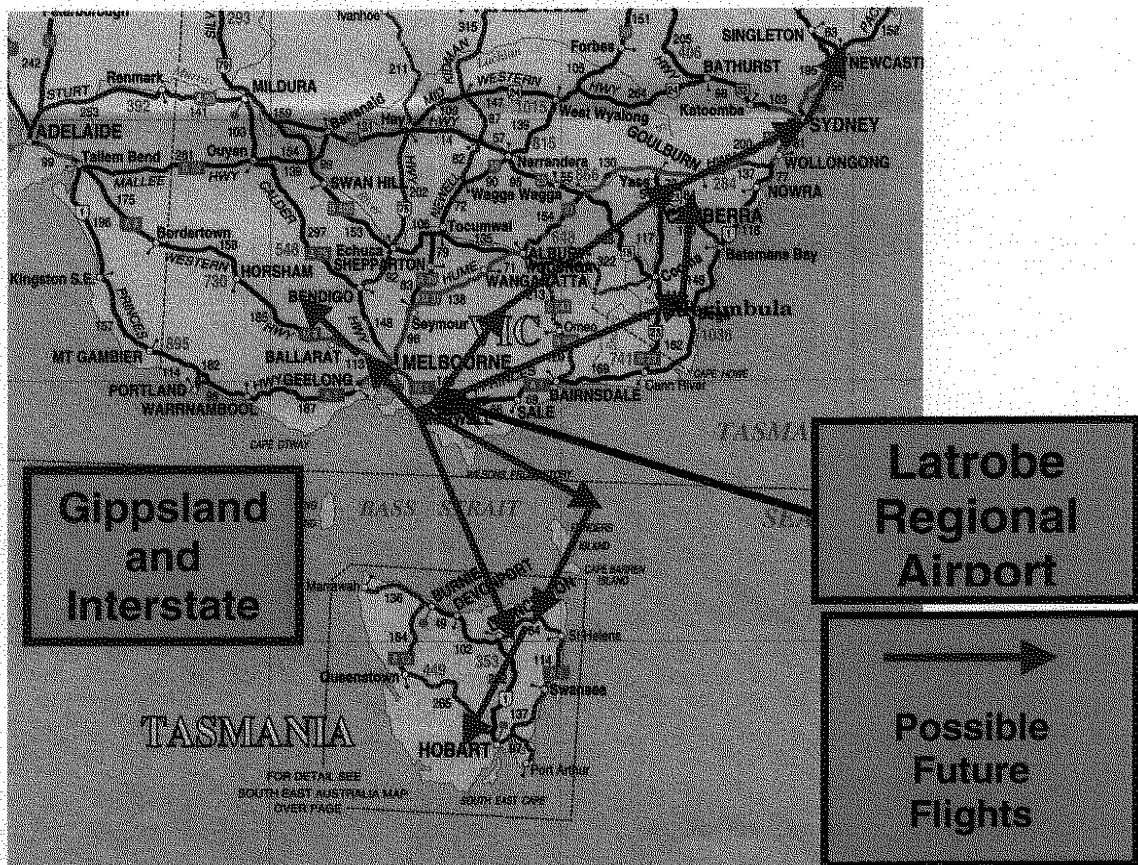
TERMS OF REFERENCE

Small Scale Owner-Operator Services

The synergies of air service to major capital cities and high density regional centres such as Cairns and Townsville will continued to be serviced by such major airlines as Qantas and Virgin.

Apart from Australia-wide Airlines (now known as Rex Aviation) the possibility of a major regional airline operating services into regional cities is becoming remote. Australia does not have airline entrepreneurs with sufficient capital to commence multi-regional airline services. This was demonstrated following the collapse of Ansett's national and regional air-services. The only two major contenders to assume responsibility for Kendell / Hazelton services were from non established air service operators.

The Inland Marketing Group from Parkes, which was made up of a number of Central Western New South Wales Councils and Australia-wide with offices in Sydney, had expertise and appropriate financial backing.

Following the collapse of Ansett and its subsidiaries, Latrobe City wrote to every registered airline in Australia, extolling the virtues of operating air services from Latrobe Regional Airport, or using the airport as a hub for south east regional Australia. Air Facilities responded, however they have sold one of their three aircraft and leased the two others to NSW Air Ambulance. Island Airlines (Tasmania) were committed to their present service and lacked additional capital equipment to operate additional services. All other airlines either declined the offer, ceased operation or did not answer correspondence.

There are three possible scenarios for the operation of Regional City air service.

1. Local Government in conjunction with State and Commonwealth financial assistance, bank rolls or commences air services in their region. This may be start-up assistance to allow air services to become profitable or cease operating according to commercial reality.

2. Individual and a small number of like-minded companies form a business venture to fly aircraft on specific regions, preferably to one destination.

3. A co-operative venture within regions form a not-for-profit community airline to provide a service to one or at most, two destinations.

Suitable Aircraft Deployment

Operation and frequency of aircraft to regional centres depend on two factors. These are population of the region and the size of aircraft.

A viable air service will require a population of 60,000 people, with a reasonable commercial mix, including some Government Departments. Nineteen seat pressurised twin turbo propeller aircraft would be viable from 11 passengers per flight. A thirty one seat Saab aircraft would require approximately 18 seats per flight to be viable.

To provide hub services in Latrobe Airport from such locations as Flinders Island, Bairnsdale or Phillip Island, aircraft size for such a venture would need to an eight to ten seat capacity. In smaller regional areas of Australia, eight seat aircraft could be utilised to bring passengers from more remote communities to regional airports.

TYPE OF AIRCRAFT

Eight Seat Capacity

Piper Chieftain twin engine aircraft which carry eight and ten passenger seats have been used extensively by such companies as the former Bush Pilots, as well as Air Facilities and Island Airlines (Tasmania) on smaller commuter services. Island Airlines fly from Latrobe Regional Airport to Flinders Island and Cape Barren Island in the Bass Strait. This type of aircraft is not pressurised, and are not certified to fly in excess of 20,000 feet. This type of aircraft therefore, is not suitable to fly from Latrobe Regional airport over the Australian Alps to Canberra except in good weather conditions. RPT services are required to fly in all weather conditions, which allow flight in what is described as fair weather safety

The single engine GA8 aircraft constructed by Gippsland Aeronautics is CASA certified. Six of these eight seat aircraft fly various services in Australia in remote areas. They could also operate in the Furneau Islands in the Bass Strait, north west of Western Australia, the Barrier Reef and Torres Strait Islands. These Latrobe Regional Airport Gippsland built passenger / cargo configured aircraft are also ferrying passengers in Belize, Africa and Indonesia. They could operate in concert with larger regional airlines ferrying passengers to regional hub airports

It is understood these aircraft could operate provided they operate under VFR (Visual Flight Rule) but must be fitted with IFR (Instrument Flight Rule). Gravel kits may need to be fitted for non sealed air strips.

Nineteen Seat Capacity

A number of aircraft, most of which are pressurised, provide two pilots without a flight attendant under CASA Certification. Aircraft of these size include Metroliners, which are operated by Sky West, Kendell, Hazelton and Lloyds Aviation. The British Aerospace J31 is another aircraft used for charter or RPT operations. The Brasilia Banderanti and Embraer, formally flown by Flight West Airlines Queensland also fits into this category.

Thirty-Six Seat Capacity

The Saab aircraft is operated by Lloyds, Hazelton and Kendell air-services throughout Australia. Qantas also fly the Dash Eight aircraft of similar size. The crew consists of two pilots and a flight attendant.

General Comment

The type of aircraft could often change for passenger demand. It may be necessary to dry lease aircraft in order to change size of configuration including freight capacity according to time of year. This may depend on passengers at Christmas school holiday or climatic conditions to freight which may be subject to climatic cycles, including harvesting, marine food or fruit picking.

The type and size of aircraft can and will vary from location to location. The smaller the population to be serviced will in most circumstances decide on the size of the aircraft. On occasions where employees work in remote locations on a fly-in fly-out basis, aircraft size may be factored into shift changes, be they daily, weekly or monthly.

AIR SERVICES/SEA SERVICES

There are only a few destinations in Australia where sea could be a competitor to air transport. Examples may be the Tiwi Group of Islands off Darwin, Rottnest Island, Kangaroo Island, Lord Howe Island, Norfolk Island and Tasmania. Interisland sea / barge services in the Torres Strait and within the Gulf of Carpentaria from Cairns are suitable for freight and the occasional passenger, however air services are of paramount importance to the Cape York region.

INTERCONNECTIVITY BETWEEN REGIONAL AIR TRANSPORT SYSTEMS

There is an important synergy between regional air travel connecting with major national and international airline services. In the Latrobe City / Latrobe Regional Airport, at present interstate passengers are forced to commute by ground transport to Tullamarine Airport in order to connect with major national (Qantas or Virgin) and international services.

Information from regional areas indicates that between 10 - 15% of regional airline passengers interconnect with major national or international air carriers. This reason the integration of airlines such as Kendell, Hazelton Sky West and Flight West by Ansett was of interest, as they provided market share for their national and international services. For passengers, the ability of being able to book luggage from a destination such as Latrobe Regional Airport direct to Brisbane or Hong Kong ensured that passengers flew the larger sectors in associated or company owned aircraft.

In relation to the former Hazelton service from Latrobe Regional Airport to Sydney, the luggage transfer service was available, however the flight arrival times in Sydney provided on-flight difficulties. As a result, most business and overseas passengers travel by land (road or rail) to Melbourne and Tullarmarine Airport.

Regional airlines while not necessarily being affiliated with major carriers, would need to be able to provide a luggage and ticketing process which allows passengers frequent and easy terminal access. This may not necessarily be a problem in Melbourne, as the domestic terminals are physically linked with the international terminal. In Sydney where the international terminal is on the opposite side of the airport, the road is approximately 3 - 5 kilometres from terminal to terminal. Additional time and resources are necessary to facilitate a smooth and timely transfer to international flights.

It would be necessary to ensure that services and inter transfer of luggage from one airline to another is not impeded or restricted. The Trade Practices Act may need to be invoked where deliberate obstruction occurs due to transfer from one airline, which is not a direct subsidiary to another operator.

It would also be necessary to ensure ticketing between major regional airlines and major carriers can interface. This may necessitate the regional airline having direct access to Qantas and Virgin Airlines ticketing systems.

Some regional airline operators were concerned that having their entire service and time tables available to major carriers, could provide unfair access to their market information, and could be the catalyst for predatory activity, which, it has been alleged, has taken place in the past.

For small regional airlines, the problem of air slotting into such airports as Kingsford Smith (Mascot) together with major imposts to land, terminal and take off, concludes to the possibility of regional services hubbing at such airports as Canberra and passengers being taken to Sydney in larger domestic airlines.

Major airports such as Townsville and Canberra should be encouraged to provide major frequency destination services to larger capital cities. As an example, a service from the Latrobe Regional Airport to Canberra would then provide reasonable access to Adelaide, Sydney, Brisbane, Perth and North Queensland.

ROLL OF GOVERNMENT AT ALL THREE LEVELS SUPPORTING AND ASSISTING REGIONAL AIRLINES AND ISLAND SERVICES

General Comment

Commonwealth

At this point in time, it is understood that the Commonwealth Government has no official stance on regional airline services. They expect them to be operated along commercial structures and to be self funded and commercially viable as any other private business.

Victoria

The Government of Victoria has indicated that they have no plans to assist regional airlines operating within the State of Victoria.

Local Government / Latrobe City

Has always supported regional airlines including the provision of infrastructure, use of Council property and on occasion waiving or discounting landing and passenger terminal fees.

RECOMMENDATIONS

Commonwealth

The Commonwealth Government needs to decide on the importance of the future of regional airlines. If the Commonwealth decides that regional airlines are an important lifeline to regional and remote communities, they may need to consider some type of subsidisation by way of start-up grants, payroll exemptions or guaranteeing a short fall in operation costs. One method could be to assist on services where 65% of seats are not utilised on air services. When aircraft are carrying in excess of 65% of passengers no subsidy is paid.

The Commonwealth Government also needs to ensure that DOTARS continues to be "User Friendly". The major outcomes from this Inquiry, needs to form part of DOTARS policy to ensure the department has a working knowledge of the regional airline industry, and is an active participant in the ongoing pursuit of the regional air industry in Australia.

The Commonwealth Government needs to make available funding through DOTARS, through its RAP (Rural Assistance Program) DAIRYRAP and Stronger Regions Programs, to ensure airport infrastructure and CASA requirements continue to be operational. Grants could often be made available to Local government or approved bodies for assistance rather than to simply bankroll regional airlines.

State

The amount of State Government activity could depend on the size and transport logistics. Large states such as Queensland, and Western Australia rely heavily on regional air transport. Northern Territory requires regional air services to access areas in Arnhem Land, Gove and other difficult regions. This can be exacerbated when ground transport is unavailable due to the Northern Territory "Wet"

Tasmania needs constant regional air links to King, Flinders and Cape Barren Islands, linking to both mainland Tasmania and mainland Australia.

All States need to appreciate the importance of air links within their boundaries. These include business, access to health and hospital, business only available in major / capital cities, education and tourism. Victoria has indicated it will not assist regional air services due to a good land based rail / road structure. They concede that the State Government subsidises land-based travel to all areas of Victoria through road and rail.

State Government through their State Development and Infrastructure Departments needs to assist in funding to ensure airports used by regional airlines are kept up to CASA standard, and to ensure terminals, car parking and other essential operations are funded by way of grants.

Local Government

Local Government is the closest to remote, rural and regional communities. It has been at the forefront of assisting regional airlines in providing "In Kind" and financial commitment to ensure regional air services continue to service their community. As most regional / rural airports are Council owned the cost of infrastructure can be a heavy burden on Councils.

It is imperative that regional airlines offer access for country people to major regions and capital cities, rather than city people to the country.

In the case of Latrobe City, this Council played an active role immediately Ansett and its subsidiary service to the Latrobe airport, Hazelton, ceased operation. This include paying for a passenger survey of business and the community, providing special rates for potential regional air services using the Latrobe Regional Airport facilities and offering marketing assistance. Latrobe City has funded at least one third of an economic development manager's time, plus travel and administration back-up since the Ansett demise to ensure every opportunity was explored to bring a regional air service back to the region.

THE ROLE OF MAJOR TRANSPORT CARRIERS IN PROVIDING REGIONAL SERVICES

General Comment

It would be reasonable to conclude that the predicated nature of most of the major Australian air transport operators bought about the demise of regional transport services.

Commercial reality would indicate the best and most efficient regional airlines were successful, when they were operated by country organisations. The Late Don Kendell and also Max Hazelton operated efficient, successful and viable air services for a number major reasons. These were;

- They were structured to carry country passengers to the city, not city to country.

- Being local airlines, they enjoyed the support of the community.

- Timetables were country user friendly.

- Aircraft and crew overnight in country locations, allowing for early morning outbound and evening in bound flights.

- Additional local economy generated with crews staying overnight.

- Seen as good ambassadors to the country.

- Supported local communities, offering free flights to the needy and as prizes to country shows

- Country owned and operated.

Once these airlines were taken over by the major national carriers, they lost their identity. Major airlines saw regional airlines purely as a market segment. By purchasing a regional airlines, it ensured the 10-15% of passengers, who would transfer to a major carrier to fly to other locations, continued on their major airline.

Overheads and on costs rose considerably due to the size of major carriers. In order to successfully operate a regional airline, administration and on the ground operations, including head office imposts needs to be closely monitored. Major costs of regional airline operation are therefore safety, maintenance and ongoing servicing of the fleet. Dry leasing of aircraft often assist in keeping maintenance to high standards, as they are carried out by the owners of the aircraft.

Regional air services are often timetabled to connect with their major air services rather than to meet the requirements of passengers needing a few hours in attending business meetings or clinics.

In the past major Australian air carriers have undertaken predicated activities to crush regional air services, by price cutting or overloading services by introducing additional aircraft to services which do not require additional services.

Examples are the introduction of jet aircraft on the Coffs Harbour service, effectively freezing out smaller regional services. Cessation of Kendell services from Launceston due to the introduction of additional jet services. Immediate introduction of multiple pure jet air services introduced on the Canberra Sydney service effectively freezing out thirty-one propjet services as soon as they were introduced.

Recommendations

- Where at all possible, regional air services should be independent from major overseas and multi-national air service operators.

- Encouragement of community based air services, along the principle of the "Bendigo Bank" share or investment opportunities by local communities.

- Governments to assist to ensure slots are available at capital city airports so that country flights are not seen as second class to services from capital cities or overseas locations.

- Governments consider some type of assistance or subsidy in the same manner as they assist metropolitan ground related transport.

- Government assistance, subsidies or grants be linked to ensure it is used to ensure ongoing regional air transport is supported rather than bank rolling airline operators.

- That subsidies are used to pay towards ensuring aircraft operate at 55 - 65% capacity. It would be the operator's responsibility to ensure their businesses are viable on this premise.

- That regional areas where less than 50,000 reside are protected from large major airlines entering the market in order to circumvent local regional carriers providing a community user friendly service.

LATROBE REGIONAL AIRPORT

General Comment

The Latrobe Regional Airport is the only RPT accredited airport east of Melbourne in the State of Victoria. It is located between the major townships of Traralgon and Morwell in the Latrobe Valley.

- The Latrobe Regional Airport is owned and operated by Latrobe City Council.

- Fully licensed with no curfew or flight restrictions.

- Can accommodate passenger aircraft up to SAAB and Dash 8 configuration.

- The main sealed runway has PALC lighting system, which is cockpit operated.

- Has Non-Directional Beacon (NDB) navigation.

- Aviation fuel, AVGAS and AVTUR is available.

- Aviation mechanical services are in close proximity.

- There is a modern air-conditioned modern terminal.

- A recently sealed and upgraded car park, free for passengers

- Hire Car companies have their desks at the airport.

- Taxi services are also available.

- The major populated centres of Traralgon, Moe, Morwell and Churchill (70,000 people) within a 20 minute drive of the airport.

- Melbourne is approximately 150 kilometres to the west.

- Prepared to relax landing charges.

- Immediate access to trained airside, ticketing and baggage handling staff.

- Excellent quality accommodation available up to five star.

- Major regional hospital alongside the airport.

- Helemed rescue services at the airport.

- Australia's only passenger aircraft manufacturer located at the airport.