

Submission from David Miller – Managing Director Air Link Pty Ltd.

- **The Adequacy of Commercial Air Services in Regional & Rural Australia.**

Many smaller regional centres have lost their air service and I am aware as an operator more communities are receiving services that are very marginal, financially, for the service providers. Anecdotal evidence would suggest that air services are very important to their communities, however patronage is declining. The cost of air travel is cited as the major deterrent.

- **Policies and measures required to assist in the development of regional air services including:**

Regional Hub Services

Hub services can work and have worked in a few isolated areas quite successfully.

Deniliquin in South Western NSW was serviced twice daily with a service that connected with Airlines of NSW in Wagga (1970-1991).

The writer of this submission has serviced up to seven (7) towns in North West NSW hubbing into Dubbo.

Hubbing requires, from our experience:

- a) Suitable timetable for passengers to be able to have a full day in the country or for country people to have a full day in their capital city. Almost all major regional centres in NSW have the first flight of the day originating in large regional centres between 6.30am and 7.00am eg Tamworth, Dubbo and Wagga. For hubbing to be successful, the first flight needs to commence from the capital city. The flights from the smaller regional centres commence early then hub at around 7.45am to 8.00am. This type of scheduling practise allows travellers from the city and from the bush to be at their destinations by around 9.00 – 9.30am.

- b) The relationship between the operator of the "spokes" of the hub i.e. the smaller aircraft operator and the operator of the major route in the larger aircraft needs to be committed to the concept of hubbing. Issues that are important are airfares, seat availability, co-operation during turnaround with baggage handling, passenger transfers etc.
- c) As a rule of thumb, unless you can save passengers a three (3) hour drive, the tendency is for people to drive to their closest major centre.

Small Scale Owner – Operator Services

The challenges facing a small charter operator from up-grading to hold a low capacity RPT A.O.C. to enable him or her to operate scheduled services are:-

a) A.O.C. up-grade:

This process is administered through C.A.S.A. The requirements affect the operation by requiring Training and Checking for aircrew and also require a more proactive approach with Control and Systems of Aircraft maintenance. This task is daunting initially, however, in my opinion should be encouraged. (Our customers must have confidence in our product). CASA may or may not accept that an owner operator can fulfil the role of CEO, Chief Pilot and Maintenance Controller.

b) Distribution (Marketing):

To enable customers to book on your services you need to be displayed in the Computer Reservation Systems used by travel agents. This requires:

- i) An IATA Airline Designator – Now quite expensive.
- ii) Hosting in a Central Reservation Computer
- iii) Participation with Computer Reservation Systems as used by travel agents. In Australia this would require participation with a minimum of three CRS's to give reasonable exposure.

c) Administration:

Unlike conducting a Charter flight which is normally one transaction per flight, when conducting scheduled services each passenger is a transaction. With various local taxes, GST, levies (eg Ansett \$10.00 levy), the administrative costs to a small operator are significant.

Deployment of Most Suitable Aircraft Types

Aircraft types can be broken down into three (3) categories for most of Regional and Rural Australia.

- i) 8 – 9 Seat Capacity
- ii) 18 – 19 Seat Capacity
- iii) 30 – 36 Seat Capacity

i) 8 – 9 Seat Capacity:

The most common aircraft types in this category are the Cessna 400 series and the Piper Navajo Chieftain. The possible replacements are the Cessna Caravan and the Pilatus PC12 both of which are single engine turbines.

The twin engine piston aircraft argument versus the single engine turbine aircraft has a whole list of pluses and minuses and will vary from area to area. The customer reaction to single engine turbine is yet to be tested in markets where there is another option. i.e. fly to a larger regional centre and hire a car. Cost is a major issue. If markets cannot support a capital cost of 500,000 - 600,000 Aust \$ then it is impossible to see how it could support an aircraft of a capital cost 10 times greater.

ii) 18 – 19 Seat Capacity:

The three dominant aircraft in this category are the British Aerospace J32, the Fairchild Metroliner and the Raytheon B1900. The B1900 is the only aircraft of this capacity still in production.

iii) 30 – 36 Seat Capacity:

This sector of the market has been dominated by the Bombardier DASH 8, the SAAB 340 and the Embraer Brasilia. The DASH 8 is the only aircraft of this size still in production.

The aircraft available to the Australian Regional Airline Industry is influenced primarily by the U.S. market and to a lesser degree by the European markets. With the introduction of Regional jets in the U.S. demand for 30 – 36 seat turbo-props has influenced the manufacturers to cease production of the turbo-props. Economics, sector lengths and runway suitability will be factors affecting Australian operators from following the U.S. trends.

Economics and deregulation have been cited for the almost extinction of 9 seat services in the U.S. and a dramatic decrease in the use of 19 seat aircraft. Australia is in the position of having many markets that cannot justify bigger aircraft and have many markets that can only be serviced by 9 or 19 seat equipment.

- **The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services:**

The writer has no experience in this area and therefore should not comment.

- **Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).**

It is our belief that any regional air service no matter how small must be part of the airline system. Connections and on-carriage represent up to 20% of our passenger traffic. If we cannot provide convenience to our customers we cannot expect their patronage.

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

The cost of an airline ticket is perceived by the market as being too expensive by the consumer. The (advertised) costs of travel on the trunk routes are used as a benchmark to regional airlines. The regional operator has much higher unit costs and this is difficult to explain to the potential regional airline customer. The taxes on an airline ticket, whilst individually can be argued as not excessive, collectively add up to in excess of 25% of the ticket price.

I believe that there needs to be immediate action by government to maintain current services and development needs to be looked at more long term. Since September 2001 our business which currently services eight (8) regional communities with 9 seat equipment, has only survived because we own our aircraft and had cash reserves to call on. Our markets declined up to 30%, we were an Ansett hosted carrier and creditor and incurred significant losses. We worked hard to re-establish ourselves in the Qantas Reservation system and still have many issues to address to get our services right. Any relief on taxes would be of benefit in stimulating travel by air. The \$10.00 ticket levy should not apply to any regional services.

The regulatory body, CASA, needs to be aware of the pressures the industry is enduring. The Regulatory Reform Process needs industry representation and many operators I have spoken with have difficulty putting the time into this process that they would like.

- **The Role of Major Air Transport carriers in providing regional services.**

I do not believe that a major carrier should be expected to provide regional services. It should be recognised that Major Carriers have a responsibility to their shareholders and have cost structures or overheads that are difficult to support by regional operations. Major carriers benefit from on-carriage, provided by regional operators and should ideally assist regional operators by recognising this on-carriage contribution and consider its charges for services to regional operators as marginal costs and charge accordingly.

