
CANBERRA INTERNATIONAL AIRPORT SUBMISSION TO THE INQUIRY INTO COMMERCIAL REGIONAL AVIATION SERVICES IN AUSTRALIA AND TRANSPORT LINKS TO MAJOR POPULATED ISLANDS

Introduction

- Canberra International Airport is keen to support regional aviation in Australia. We believe that regional aviation in its current state is under threat and that a revision of current industry regulation or lack thereof is crucial to the survival of hundreds of smaller routes Australia-wide.
- This submission lists some key areas requiring immediate attention to ensure the continued survival of regional aviation in Australia. These include:
 - Automatic access to the Qantas Reservations systems for all regional airlines.
 - Increased support for small, single-route airlines serving smaller regional communities.
 - Exclusive route licencing to encourage new routes without the threat of competition in the initial stages.
 - A formal process to provide protection against predatory pricing.

1 Canberra Airport as a Regional Hub

- Regional aviation is still much too focussed on major capital city airports as the primary destination. Although service to such airports is necessary, much regional traffic is about connecting traffic to other Australian capital cities.
- Sydney Airport is a clear example of where regional services, although necessary, could be reduced. Such reduction would also free up much needed slots for use by domestic and international carriers keen to enter the Sydney market.
- Canberra Airport is a major regional airport with frequent, daily, direct connections to all eastern-state capitals. Pressure should be exerted on existing and new entrants to consider operating regional services into Canberra to connect with direct services to Adelaide, Melbourne, Sydney and Brisbane.
- A direct connection to Canberra from regional centres would provide regional customers with an additional capital city destination and direct access to Federal Government agencies. Canberra also offers access to major health, education and professional services without the hassle and costs associated with Sydney. Such flights also provide a new source of income for regional economies via business traffic from Canberra.

- Wellington Airport in New Zealand is a good example of an airport in a similar situation to Canberra (similar population, national capital, located near Auckland), which has developed an array of regional routes allowing passengers to hub through the airport.
- A report produced for Canberra International Airport has demonstrated a clear market for regional services to many NSW and Northern Victorian destinations. A copy of this report is attached to this submission.

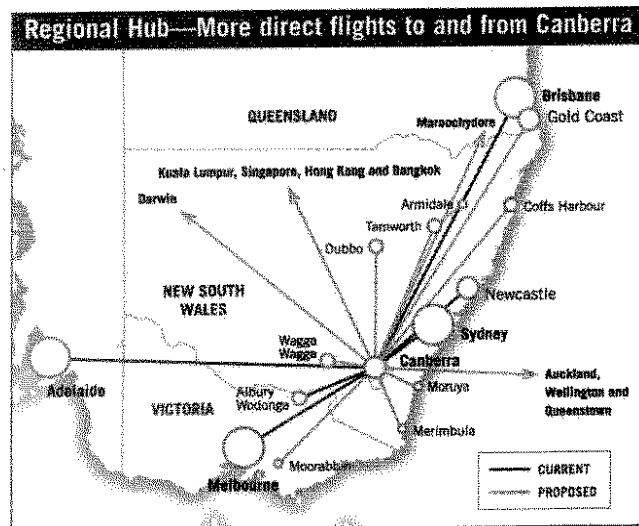


Diagram from the ASIL report, demonstrating Canberra's potential as a regional hub.

Key recommendation: Encourage Qantas and other major airlines to use Canberra International Airport as a regional hub to reduce pressure on Sydney Airport. Government to develop strategies to facilitate this on a commercial basis.

2 A new face to Regional Aviation in Australia

- Canberra Airport shares the widely held view that since the collapse of Ansett in September 2001, regional aviation in Australia is now controlled by Qantas in a near monopolistic environment. This situation is clearly anti-competitive in a long-term sense.
- For regional aviation to remain competitive, reliable and effective for regional customers, competition must not only be encouraged but also actively supported by government and private industry.
- A new breed of regional airline has already emerged with the likes of Regional Express (Rex), Alliance Airlines and Skywest. These airlines offer an excellent product to many rural communities across the country. However, without adequate protection and regulation, these airlines may struggle to survive in the long term.

- The larger regional carriers (the Qantaslink group of airlines and Ansett pre September 14) have specifically indicated their desire to move away from aircraft of less than 34-36 seats. This means that smaller regional communities will increasingly be served by small airlines operating single routes with small aircraft, connecting to larger aircraft at other regional centres. These airlines are particularly vulnerable to competitive pressures (for example Air Facilities was forced to axe its single Canberra-Albury route in February 2002) and must be nurtured, particularly in their development phase.

Key recommendations: Government support on a Federal and State/Territory level offered to new, independent regional carriers, particularly niche airlines. Supervision and regulation of competition waged by major carriers and their subsidiaries. Special need to focus on communities and routes not large enough for 34-36 seat aircraft

3 Access to reservations systems

- Computer Reservations Systems (CRS) are crucial to the existence of all airlines, as it is through such systems that all passengers book their flights. The availability and accessibility of an airline's flights on a CRS is thus directly related to the passenger loads on their aircraft.
- Regional Airlines should have the right to be hosted on the QUBE Qantas reservations system on a non-discriminatory basis for a fair price. As Qantas is the major airline in Australia, its reservations system is the most widely used and should be capable of offering customers flights to all destinations in Australia accessible by air.
- Reservations systems such as QUBE should be regulated so that regional flights compare equally with Qantas flights on a non-discriminatory basis where schedules dictate. For example, this would ensure that direct flights operated by a regional airline are shown before a Qantas-operated service operating via Sydney.
- Examples highlighting this problem are contained in a report prepared for Canberra International Airport in July 1999. A copy of this report that is even more pertinent today (although the Ansett and Impulse systems no longer exist) accompanies this submission.

Key recommendation: That regional airlines be guaranteed access to the Qantas Reservations system (QUBE) and that all reservations systems be regulated to ensure an accurate representation of existing air services is provided to the customer. This is particularly important for airlines operating aircraft of fewer than 36 seats and for routes that Qantas does not serve.

4 Disclosure of passenger numbers

- All Australian airlines, domestic and regional, should publicly disclose their passenger numbers. Canberra International Airport believes that this would constitute the lightest form of regulation, which would provide invaluable data to airports, the tourism industry and local communities across Australia.
- This data should also include numbers of connecting passengers on a certain route or through a particular airport, allowing airports to better plan transit facilities and estimate passenger flows through the terminal at a particular time of day.
- Complete data would allow airports and Governments to more accurately develop future strategy, including capital works and route development. Conversely, it would allow airports and tourism authorities to work together with airlines when a particular route is not performing to expectations.
- Such data would be easily accessible to the airlines, as it is readily available in their reservations systems.

Key recommendation: That all airlines in Australia be compelled to publicly publish detailed passenger data. Data should include numbers of connecting and origin-destination passengers.

5 Exclusive Route Licencing

- Canberra International Airport believes that an effective way of encouraging regional and other airlines to begin operations on a new route is to issue them with an exclusive licence for a set period of time (12-24 months).
- This would prevent a situation whereby an established regional carrier begins the route in response, rendering it financially unviable for the first carrier.
- Canberra International Airport believes this is a more effective way of supporting regional airlines in Australia than providing direct subsidies, and has the further benefit of providing service to regional communities not previously serviced by air (or where air services have been suspended in the past).
- This form of re-regulation of the regional aviation industry would be best controlled by the industry (eg: airports) for inter-state services but needs to be supported by government. Alternately, individual State governments could perform such regulation for intra-state services.

Key recommendation: Develop a licencing system whereby regional carriers beginning a new route have the opportunity to serve the route exclusively for a given period.

6 Distinguishing between independent and Qantas regional airlines

- Whilst Canberra International Airport urges caution in the granting of direct subsidies to regional airlines, it believes that any such assistance should take into account the affiliation or not of the airline with Qantas.
- Qantas regional airlines (under the Qantaslink banner) enjoy significant traffic feed through Qantas mainline services. In most situations, these airlines are also either wholly owned or controlled by a very profitable Qantas. Independent regional carriers do not have access to this feed from mainline routes, nor do they have access to the vast capital reserves that Qantas does.
- Canberra International Airport believes that a clear distinction be made between the following:
 - *Qantaslink carriers* (Airlink, Southern Australia Airlines, Eastern Australia Airlines, Impulse Airlines and Sunstate).
 - *Qantas-affiliated regional carriers*, with frequent flyer and reservations systems links but who are otherwise independent (eg: Aeropelican, Air North, Airlines of South Australia, O'Connor Airlines).
 - *Independent regional carriers* (eg: Regional Express, Alliance Airlines, Skywest, Emu Air).

Key recommendation: In providing assistance to regional airlines, independent airlines should be distinguished from Qantas-affiliated airlines.

7 Extension of Sydney Airport regional price cap to Canberra-Sydney route

- The nature of the Sydney-Canberra route lends a strong case to its inclusion under the regional price cap for Sydney airport. The route is operated at high frequency using small regional aircraft operated by regional carriers such as Rex and Eastern Australia Airlines (and previously Impulse, Kendell and Hazelton).
- Given the nature of the aircraft servicing the route, Canberra-Sydney is liable to be threatened in the future in terms of slot allocation at Sydney Airport. Failure to nominate the route as regional may lead to the stifling of competition on the route.

- Canberra Airport does not support the inclusion of the infrequent Qantas mainline 737 operations on this route under the Regional Price cap.

Key recommendation: That the Canberra-Sydney route be included in the Regional Price Cap at Sydney Airport.

8 Predation

- Following the collapse of Ansett, there has been much concern raised regarding predatory tactics employed by some players in the Australian aviation industry.
- Canberra International Airport supports strict supervision and regulation of major players in the Australian aviation market to ensure that independent airlines are not disadvantaged by the misuse of market power. Canberra Airport recommends that a formal supervisory and regulatory structure be put in place under the ACCC for this purpose.

Key recommendation: That a formal regulatory structure be put in place to ensure continual supervision and rectification of possible anti-competitive practises employed by major airlines and their subsidiaries on domestic and regional routes across Australia.

9 Attachments

- “Anti-competitive Behaviour in the Aviation Industry: Computer Reservations Systems and Related Issues” – ACIL Consulting, July 1999.
- “Canberra Airport, A Regional Asset” – ACIL Consulting. Key Findings of the ACIL study, showing the viability of Canberra as a regional hub for South-Eastern Australia.
- “Predatory Practices in the U.S. Airline Industry” – Article produced in 2001 providing many parallels to problems now experienced in the Australian regional aviation marketplace.

