

Response to the House of Representatives Transport and Regional Services Committee from **Port Macquarie Airport**, August 2002.

The following is a response to the enquiry into commercial regional aviation services in Australia and transport links to major populated islands. The response has been prepared by Hastings Council who own and operate Port Macquarie Airport.

The report will comment in part from each term of reference.

REGIONAL HUB SERVICES

Major issues concerning into viability of regional hub services include;

- Expensive set up costs for new services
- Catchment areas are small – distance from hub to hub are vast
- Regional airports need triangulation from hub to maintain viability
- With assistance neighbouring regional airports maybe able to market in co-operation
- Limited market information available, with improved market intelligence the regional airports can respond as a group not in isolation.
- Currently market is volatile with one player with significant market share hence airfare priced accordingly
- Deregulation is not working with Port Macquarie experiencing Impulse, Ansett and Hazelton services reduced or withdrawn in a period of twelve months.
- This has the effect of reduced consumer confidence and with one carrier available ie QANTAS and flights are full forces air travellers to the road system ie drop in passenger numbers hence income to Airport
- Require stability in air services to win back the lost air commuters.

SMALL SCALE OWNER OPERATOR SERVICES

- Start up cost expensive
- Difficult to compete with established airlines
- Market information not readily available
- Investigate rebate from Airport owners to assist in fee relaxation ie honeymoon period say three to six months with possible reimbursement to councils for the rebate
- Bigger airlines swallow up smaller competition ie Impulse

DEPLOYMENT OF MOST SUITABLE AIRCRAFT

- Port Macquarie – Impulse ran effectively 19 seaters
- Market at that stage required two carriers
- Require mechanism for Airlines and owners of airports to structure services to suit commuters.
- Investigate smaller aircraft with greater frequency
- Investigate subsidy for Airport operators to conduct market research to increase patronage on less than break even routes

- Co-ordination with government departments on charter usage. There may be effectiveness with interdepartmental co-operation
- Will need to charge more for heavier aircraft.

ROLE OF THREE LEVELS OF GOVERNMENT

- Will require some degree of regulation and hence government intervention to control competition and hence market share.
- Investigate schemes to assist in local Councils infrastructure requirements.
- Co-operation amongst three level to utilise RPT services rather than ad hoc booking of charter services

ROLE OF MAJOR AIR TRANSPORT CARRIERS

- Require the support of hub/spoke services
- May have to investigate now profitable routes with government assistance.
- What guarantees are given to Government on services to regional areas by carriers such as Hazelton when they are given financial assistance eg Rex will not support Port Macquarie, a previous Hazelton route.
- Major carriers should assist in marketing consumer confidence in air travel
- Lobby government to ensure that CASA regulatory responsibility is not lessened with decrease in full tax contributions

ON CARRIAGE TICKETING FREQUENT HANDLING TIMETABLING AND AIRPORT SLOTTING

- Regional start up operators must be given slot access at Kingsford Smith
- Access to main terminal for interconnecting flights needs review ie current Hazelton terminal
- Frequency of flights need to reflect customers demands.

ECONOMIC ISSUES

Australia is a large country with a small population and even though Australians might like concept of competition and cheap airfares, the washup of the Regional License Arrangements suggests that its effect has been a failure for regional Australia.

In broad terms the Regional License Arrangements has opened up competition on any route with annual passenger numbers of over 20,000. Given that growth in the overall regional aviation market has now been static for a number of years, this increased competition appears to have led to a decline in airline profitability. This is clearly reflected in problems faced by Hazelton, Impulse and Kendell. Even Qantaslink in their annual report for the trading year 2001 reported a decline in Qantaslink profit contribution from \$67.2 m (2000) to \$6.4m in 2001.

A reasonable level of business is essential to sustain any business over time.....the result, Port Macquarie with the second highest regional growth centre in NSW has been left with only one provider of air services to Sydney and no services to

Brisbane. Many other smaller regional and rural areas have been left without any air services whatsoever.

A major issue for Hastings Council is therefore that of achieving, and maintaining, a strong competitor to Qantaslink so as to ensure timely, regular and price competitive services. In the past, lower priced and improved services seem to have been dependent on the presence of small entrepreneurial carriers more than anything else. It is understood that in some regional areas monopolised by one major carrier, fares are considerably greater than those serviced by some form of low cost competition.

While not necessarily relevant to this submission it should be noted that the US Department of Transportation documents case after case of established airlines jealously guarding their monopolies by undercutting prices offered by small start up airlines, adding extra flights and using their economic muscle to convince local business and travel agents to sign exclusive contracts. Chastened and frequently broke, the smaller airlines are often forced to withdraw from the market leaving the incumbent free to raise its prices and cancel the added services.

Qantas also appears to be very good at maintaining margins on those routes with high demand routes.

The current dominance by Qantaslink is destined to have significant negative consequences on regional economies, on regional tourism and on local communities, thereby further marginalising these areas against the city cousins.

This document prepared by Hastings Councils Airport Manager and Economic Development Manager.

