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Secretary
House Transport and Regional Services Committee
Parliament House
Canberra ACT 2600

To the Secretary,

Cradle Coast Authority submission to Federal Inquiry into commercial regional aviation services in Australia and transport links to major populated islands

Please find enclosed a hard copy of the Cradle Coast Authority's submission as forwarded to your office via email on Monday 23 September.

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Kind regards,

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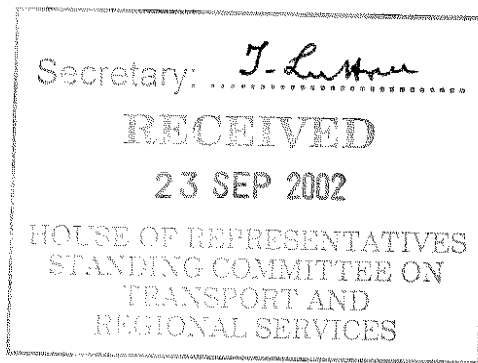
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Submission to:
**Federal Inquiry into Commercial
Aviation Services in Australia
and Transport Links
to Major Populated Islands**

Submitted by:



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Executive Summary

The Cradle Coast Authority is a joint authority created to coordinate and drive economic development across the nine local government areas of northwest and western Tasmania.

Its primary role is to identify regional priorities for economic development and to broker partnerships between levels of government, industry and community groups to address them.

The region represented by the Authority includes the municipal areas of the Latrobe, Devonport City, Kentish, Central Coast, Burnie City, Waratah-Wynyard, West Coast, Circular Head and King Island Councils of northwest and western Tasmania.

The Authority is in a unique position to coordinate regional involvement in State and Federal Government initiatives, and would welcome any opportunity to help improve commercial air services and transport links to major populated islands in this region, on a partnership basis.

The Authority recognises that many of the general issues outlined in this submission (such as ticketing issues, timetables, frequency, government monitoring and the need for back-up services in exceptional circumstances) would be shared by other remote and regional areas of Australia.

In addition, issues arising from the unique dependence of the Cradle Coast region and Tasmania in general on reliable, viable commercial air services have also been addressed. In many ways the remote, island community of King Island can be viewed as a microcosm of these issues and its needs have also been outlined.

The core issues identified in this submission are:

- Air services are currently adequate in the region with the exception of King Island. With regard to King Island, urgent research is required to identify the extent of any latent demand for increased air services to the Island.
- There is an urgent need for maintenance of minimal levels of competition and services to be ensured and upheld to increase confidence in the reliability of air services in the region.
- There is a belief that all levels of government should investigate measures that could be adopted in exceptional circumstances to assist the unique dependence of islands on air services.
- King Island presents a unique case for transport needs and concentrates the primary issues of reliability, crisis management and competition. Possible latent demands for air services to the island currently require investigation while sea transport is under question because of an ongoing dispute between the operator and the State Government over contract details.

Recommendations for action on these and other more specific issues are outlined in this submission. Opportunities are also presented for regional areas to work with all levels of government to find solutions to air transport issues, assist in the gathering of information and support, and manage the effective delivery of solutions.

Submission to Federal Inquiry into commercial aviation services in Australia and transport links to major populated islands

The views expressed in this submission are not necessarily those of the Authority, but provide a representation of a wide variety of views and issues regarding commercial air services in the region.

Who we are

The Cradle Coast Authority

The Cradle Coast Authority is a joint authority created to coordinate and drive economic development across the nine local government areas of northwest and western Tasmania.

The Authority's primary role is to identify regional priorities for economic development and to broker partnerships between levels of government, industry and community groups to address them.

The Authority's member Councils contribute to its core operating budget, with all regional development activities funded through partnerships and funding agreements with other bodies.

The Authority is currently engaged in 26 regional development initiatives including major infrastructure, regional tourism, natural resource management and education projects, based on partnerships with all levels of government, educational institutions and community-based bodies.

The Cradle Coast Authority is in a unique position to coordinate regional involvement in State and Federal Government initiatives, and would welcome any opportunity to help improve commercial air services and transport links to major populated islands in this region, on a partnership basis.

The Cradle Coast region

The Cradle Coast region includes the municipal areas of the Latrobe, Devonport City, Kentish, Central Coast, Burnie City, Waratah-Wynyard, West Coast, Circular Head and King Island Councils of northwest and western Tasmania.

Methodology

This submission was constructed through the undertaking of current and historical research. Additionally a survey was constructed and distributed to key regional representatives across a spectrum of tourism representatives, air service providers, users of freight services and peak regional and local council area bodies.

As a result this submission presents a summary of a wide range of views. These are not necessarily the views of the Authority.

Current transport infrastructure in the region

The region is serviced by an excellent road highway system which allows for the easy and efficient movement of freight to both road and sea ports in the North and South.

Likewise a competitive road freight market exists with numerous small and large carriers servicing the region.

Tasrail also provides a Statewide rail service.

However, the cost of transporting goods outside of the state is obviously made more expensive if regional air freight services are unavailable in region. There is also the issue of the extra time required, an important consideration when dealing with perishable commodities.

According to one survey respondent, the owner of a medium-size manufacturing business, the single biggest obstacle to businesses in the region is Bass Strait in terms of both cost and logistics.

In the case of King Island, air freight availability is even more crucial given that it is the only way of speedily getting goods and services off the island to either mainland Tasmania or mainland Australia. King Island's only alternative to air freight is a weekly sea service.

The existing options for exporting goods from the region to mainland Australia are through the population centres of Burnie and Devonport and King Island. Details are outlined below.

Burnie

Air

Wynyard aerodrome was privately constructed on the present site in 1934 and acquired by the Commonwealth Government in 1937.

A new runway was built following the hand over of management of the site to the Burnie Port Corporation in 1992 (The Burnie Airport Corporation, a Joint Venture between the Burnie City Council (51%) and Australian Regional Airports Pty Ltd (49%), purchased Burnie Airport from the Burnie Port Corporation, effective from February 1, 2002). The new runway is 1650 metres long by 30 metres wide and is accredited to medium jet standard. A secondary runway remains in service and the original runway now acts as a taxiway.

Burnie Airport experienced throughput of 90,382 passengers in 2000/01.

Tasfast Air Freight which uses small planes, such as Navajos, operates out of Morabbin and flies in and out of Burnie on a daily, early morning (3 and 4 am) service.

The terminal building at Burnie comprises two older buildings at either end, which have been linked with the construction of a central section to create a larger facility. The building is in reasonable condition, despite its age and is capable of meeting the level of traffic currently using it.

¹ Cradle Coast Authority Air Services Survey, August/September 2002.

Although it is functional as an entrance to the north west of Tasmania, the air terminal does nothing to present a visitor with a memorable first impression of their destination. There is opportunity to do a lot more to create a better first impression. Survey respondents cited the need for improved road infrastructure to the airport.

The terminal is currently serviced by Qantas and Rex airlines to Melbourne.

Additionally, Tasair provides flights between Burnie and King Island.

Sea

Brambles Shipping operates a daily shuttle service for freight between Burnie and Melbourne utilising the *Tasmanian Achiever* and *Victorian Reliance*.

The *ANL Bass Trader* freighter calls into Burnie each Saturday from Bell Bay and sails that night to Melbourne.

The Mediterranean Shipping Company and P&O Nedlloyd consortium make a weekly call for freight from Sydney to Burnie via Bell Bay - with either the *P&O. Nedlloyd Nelson* or the *MSC New Plymouth* - and returning to the mainland through Melbourne the same evening. This is the only direct sea freight service between Tasmania and Sydney.

There are no sea freight services between Burnie and King Island.

Devonport

Air

Devonport Airport is situated eight kilometres from Devonport, a 10-minute drive from the city.

The airport is located on the outskirts of the city of Devonport and experienced passenger throughput of 127,994 in 2000/01.

The terminal is of sufficient size to comfortably cater for up to 200,000 passengers per year and has some of the finest facilities found at a regional airport in Australia.

The terminal building contains a spacious public concourse and under-cover baggage collection areas, and generous space for the major airline operators.

Qantas and Rex both provide passenger services to Melbourne from Devonport.

Tasair provides services from Devonport to King Island.

Sea

TT Line's *Spirit of Tasmania 1* and *2* operate a daily passenger, vehicle and rolling freight shuttle service between Devonport and Melbourne.

From Monday to Saturday Patricks runs a daily freight shuttle service between Devonport and Melbourne utilising the *Searoad Mersey* and *Searoad Tamar*.

On Sundays the *Searoad Mersey* travels between Devonport and King Island and then on to Melbourne.

King Island

Air

King Island Council acquired local ownership of the Commonwealth owned King Island Airport in 1992 and current budget allocations amount to around \$300,000pa to administer and maintain the facility. Council has also adopted a policy which provides that the airport is to be totally self-funding and is not to be a financial burden on the ratepayers of the island, ie user-pays principles will apply.

This policy/objective has been difficult to achieve in recent years due to the failure/collapse of three airline operators and the loss in revenue to Council of around \$100,000 for landing charges. With regard to this issue, Council would benefit from the introduction of Federal or State legislation allowing airport owners to take direct action to prohibit Regular Public Transport (RPT) aircraft from landing or allow the impounding of aircraft where fees remain unpaid. At present the only course of action for airport owners is the costly and time consuming alternative of pursuing the matter through the courts.

As there have been no regular sea passenger service to King Island for over 50 years, air travel is the only means by which more than 10,000 visitors visit King Island each year.

King Island is currently serviced by:

- King Island Air, which connects to Moorabin airport in Victoria.
- Tasair, which provides services to and from Burnie and Devonport to King Island.

Prior to the collapse of Ansett and the Kendell network, Kendell Airlines ran services on a Melbourne-King Island-Burnie route. Since the demise of Ansett and Kendell, King Island has lost this connection from mainland Tasmania through to Victoria and return.

Sea

The Sunday service offered by Patricks is the only regular freight service to the island and that is subject to weather conditions meaning that some weeks there is no sea freight service.

This service is currently under serious threat of disappearing. Patricks has been running the weekly service out-of-contract for the past 18 months while it disputes details of a new contract with the State Government. The dispute centres on the Government's decision to no longer provide a \$250,000 subsidy to Patricks and its demand for a five-year contract. Introduction of the two new fast ferries and the subsidising of freight on them by the State Government is also part of this dispute. At present, Patricks continues to run its weekly service and will review the situation three months into the new ferries' season. If King Island loses the Patricks service, the State Government plans to place the much smaller *Matthew Flinders* vessel on a weekly freight run for the island. Comments from King Island Council indicate the *Flinders* would need to make three runs each week to deal with the capacity of freight transport required. The small size of this vessel would also likely increase service disruptions experienced as a result of weather conditions.

Use of air travel and regional airports

In Tasmania, business travel by air is very important. Business travel represents about 20-25% of trips to Tasmania each year. Air travel dominates business and convention travel

with a 95% share. Air travel also has about 90% of the visiting friends or relatives market. These statistics are considered accurate when extrapolated to the region and its importance is even more vital when considering the lack of alternative transport options across Bass Strait.²

With regard to use of regional airports, 15% of Tasmania's 1.66 million annual air visitors use Devonport as their Port of Arrival. A further 12% use 'Other Airport', which includes King Island and Wynyard terminals.³

King Island

The table below indicates the number of sector bookings for the King Island route. The chart indicates that the Melbourne to King Island route provided around 52% of all air travel to the Island with 13,710 passenger flights during the year ended 2000.

Passenger Flights to / from King island for 2000 +

Airport	In	Out	Total	%
Devonport	2040	2040	4080	16%
Moorabbin	2204	2204	4408	17%
Melbourne	6855	6855	13710	52%
Burnie *	2040	2040	4080	16%
	13139	13139	26278	100%

Source: + DOTRS avstats; * not including Burnie / Melbourne direct flights

King Island is particularly exposed to fluctuations in air services, despite, at times, being well serviced. Additionally, the high cost of air travel, as compared to other destinations in the State and the nation, is seen as a distinct disadvantage which only adds to the other problems associated with isolation and remoteness.

Timetables and aircraft

Qantas

Qantas currently provides Wednesday to Saturday services from Burnie-Melbourne and Devonport-Melbourne. Three flights depart from Burnie at early morning (06:45), mid-morning (09:55) and late afternoon (16:45). Five flights are scheduled from Devonport with nearly parallel timetables (0640, 1005, 1335, 1530 and 1700).

Aircraft scheduled for these routes are Dash 8 (100/200 series) with capacity for 36-50 economy class seats.

Rex

Rex provides daily flights to and from Burnie-Melbourne, Devonport-Melbourne and King Island-Melbourne. Timetables run parallel to those of Qantas.

Aircraft types used are Saab Fairchild 340 with a maximum seating capacity of 34.

² Tourism Council of Tasmania, *Bass Strait Visitor Access Study, Strategy Report*, October 2000, p.13.

³ *Ibid*, p 16:

Tasair

Tasair provides services from Devonport and Burnie to and from King Island and interconnecting with flights to other parts of Tasmania. Service is daily with two daily flights to King Island from each centre and one return flight to each centre. Flight times differ on weekends to cater for visitors.

Aircraft in use by Tasair are Shreik Aerocommander (7-seater) and Piper Chiefton (10-seater).

King Island

Tasair currently provides air services to and from King Island from both Burnie and Devonport.

Rex currently provides air services to and from King Island through Tullamarine Airport.

King Island Air provides two flights between Moorabin and King Island on Mondays to Fridays. Charters can be booked as required. King Island Air uses Piper Chiefton (10-seater) aircraft.

Prior to the collapse of Ansett and the Kendell network, Kendell Airlines ran two services using either Saab or Metro planes on Monday through Thursday from Melbourne – King Island – Burnie, one such service on Friday and Saturday and a direct flight Melbourne to King Island and return on Sunday.

Even with the Saab regularly flying on the route it was difficult to obtain seat allocations on weekends and therefore any airline that was attracted to provide a service would need to have flexibility to expand services as required to meet demand whilst at the same time provide that regular daily service.

Notably, since the demise of Ansett and Kendell, King Island has lost its only air service connection from mainland Tasmania through to Victoria and return.

Fares

Qantas

Standard airfare (including taxes):

Devonport-Melbourne: \$323.87

Burnie-Melbourne: \$499.87

Currently, airfares are available through the Internet from Burnie/Devonport to Melbourne and return at \$98 one-way, however the Internet presents some barriers to older persons and those without access to computers. Availability of seats at these fares is limited.

Rex

Standard return airfare (including taxes):

Devonport-Melbourne: \$560.00

Burnie-Melbourne: \$560.00

King Island-Melbourne: \$441.99

\$98 fares are also available through Rex airlines on Burnie/Devonport/King Island-Melbourne flights. Once again the number of seats available at these prices is severely limited.

Tasair

Fares vary from \$88 to \$165 one-way for Burnie/Devonport-King Island service.

King Island Air

Fares are \$295 return economy for residents and are discounted to \$215 return after a person has been a King Island resident for at least six months.

King Island

King Island airfares were for the most part linked with packages involving travel, accommodation and tours.

Because of the opportunity to obtain segment airfares: Melbourne to / from King Island, King Island to / from Burnie or Melbourne there is a greater elasticity of market price not necessarily governed by prices for other discounted airfares in or out of Tasmania.

Impact of the loss of Kendell Airlines

King Island

To highlight the actual consequences of uncertainty of reliability when combined with isolation, it is worth noting the significant impact to King Island from the loss of Kendell Airlines as King Island suffered significantly from the loss and disruption caused by the recent air service crisis.

With an estimated 68% of the market share the demise of Kendell Airlines has had a significant impact on the tourism operators on the Island and this has flowed through to other businesses reliant on visitors to generate revenues and demand for trade and service industries. For example one King Island accommodation business lost approximately \$60,000 in revenue following the loss of Ansett and Kendell airlines.

The accommodation, transport and tourism facilities are geared to operate on capacity and visitor numbers were steadily increasing prior to Kendell's demise.

Key issues

1. *The adequacy of commercial air services in regional and rural Australia.*

The following issues are of importance to this region and many are no doubt shared in some degree by other regional and remote areas of Australia with poorer access to air services.

Issues arising from the unique dependence of the Cradle Coast region and Tasmania in general on reliable, viable commercial air services have also been included. Additionally, the needs of King Island have been outlined in detail as, in many ways, this remote, island community can be viewed as a microcosm of the issues affecting this region and Tasmania in general.

Isolation

The primary issue for the region in relation to the adequacy of commercial air services is isolation.

If there were no air services to and within the region, the Coast (and Tasmania in general) would be far worse off than any other region of Australia, as there are no land based alternatives.

This situation is explained clearly in Bass Strait Air Transport, interim report on Term of Reference No. 1 Legislative Council Select Committee, Parliament of Tasmania, 2001:

Tasmania's physical separation creates a transport disadvantage of **isolation**. This is distinguishable from the transport disadvantage of **distance** suffered by remote parts of mainland Australia.

Significantly, these places have the benefit of access to the extensive national highway system, with most also having the added benefit of the rail system – both being forms of transport funded by successive Federal Governments.

This is in direct contrast to Tasmania's situation where, of course, it is not possible to have either road or rail contact with any other State. Nor has there been any significant or sustained funding to assist passengers to cross Bass Strait by air.

There can be no better illustration of the nature and extent of Tasmania's transport disadvantage of isolation than the consequences which flow from a disruption of air or sea passenger services. This has occurred in times of industrial unrest, during the 1989 Pilots' Strike; the grounding of Ansett aircraft during the Christmas 2000 period and Easter 2001 and the collapse of Ansett Airlines on 14 September 2001. Similar problems have occurred during the disruption of the *Spirit of Tasmania's* services due to fuel contamination and its annual survey.

In such circumstances people wishing to cross Bass Strait do not have the options which are available to their counterparts in other States to travel by car or bus or, as in most places, by rail. Not only are these modes of transport available to those travelling between mainland States and Territories, but they

are modes of transport which are much cheaper and involve more flexibility than either air or sea transport.⁴

During the past few years both Commonwealth and State Governments have taken steps to create the equivalent of a 'highway' over Bass Strait through introduction of the Bass Strait Passenger Vehicle Equalisation scheme and, more recently, the two-ferry *Spirit of Tasmania 1* and *2* shuttle service between Devonport and Melbourne. These actions have improved issues of Bass Strait vehicle and passenger access, however, it should be noted that air and sea services largely attract separate markets and there is limited transferability between the two.⁵ Thus, improved sea access will not satisfy the need for air services to the region and Tasmania as a whole.

Reliability

The biggest issue to surface in discussions about the adequacy of commercial air services in the region is that of reliability. Survey respondents noted that the recent loss of Ansett and Kendell airlines had engendered a certain amount of 'paranoia' in the area with regard to the dependability of flights in and out of the region.⁶ Additionally, the experience of seeing some other remote and regional areas of Australia totally cut off from air services during this crisis has added to negative feelings about the reliability of air services in the region.

This mindset has negative effects for both people movement (tourism and business) and freight movement. As one survey respondent observed: Tourists need to know they can book a flight for travel in six months' time and that their travel plans won't have to change.

Another respondent with interests in time sensitive freight stated that it would be a 'brave' act for a business to freight its goods using a new air carrier given the lack of successful competitors entering the market in the past. The demise of Ansett and Kendell has appeared to solidify a mindset that even the long-established and dependable companies cannot be depended on 100 per cent of the time.

While the entrance of Rex airlines is a positive for competition and costs, survey respondents cited uncertainty that the airline will be able to survive long-term.

To a large extent the 'paranoia' now at the forefront of people's minds is proven through history:

Airline services into Tasmania have generally been highly reliable, although the volatility in the airline market in 2001 and the suspension of Ansett services has adversely affected performance. A mitigating factor is that airlines have the ability to provide additional capacity at short notice to overcome reliability and capacity problems. However, problems encountered by Tasmania during the 1989 pilot's strike and in the aftermath of the suspension of Ansett services in 2001 have highlighted a significant weakness in Tasmanian access arrangements. With air having

⁴ Bass Strait Air Transport, interim report on Term of Reference No. 1 Legislative Council Select Committee, Parliament of Tasmania, 2001, pp. 4-5

⁵ *Ibid*, p.i.

⁶ Cradle Coast Authority, Aviation Services Survey, August-September 2002.

more than an 80% share of the market, **Tasmania is very vulnerable to disruptions in air services.**⁷

And

Tasmania is reliant on air and sea modes both of which are vulnerable to disruptions. The situation is further exacerbated by

- an imbalance in mode shares – air has more than 80% of the access market so any disruption in air services is magnified;
- a shortage of spare capacity – sea transport currently has limited spare capacity and limited flexibility to increase capacity in the short term, so sea transport cannot provide an adequate backup to air; and
- a lack of substitutability between the modes, in particular, air transport is not an adequate substitute for sea transport because sea is dominated by travel with a car.⁸

Similar conclusions are also expressed in *The Stanley Report*:

... the transport disadvantage suffered by Tasmanians and those wanting to travel to Tasmania is not simply a matter of higher travel costs per unit distance, the limitations imposed by air-sea timetables, the difficulties, at times, of obtaining passage and the physical characteristics of travel (by sea and air), adds to these problems for many people. The risk that access/egress will be cut off because of service cancellations, for whatever reason, (eg. The airlines strike) compounds this problem".⁹

Viability

Viability of airlines, particularly new entrants to the region, is clearly a concern both for local businesses and the new entrants themselves. New operators are hesitant to enter the market as, although there is an established need for both freight and people movement, initial set-up costs can be high and support can be hard to establish because of concerns about reliability as outlined above.

For example, Kendell Airlines provided a through service on the Melbourne-King Island-Tasmania route prior to its collapse. To date, no operator has stepped in to service this route leaving King Island with no services connecting Victoria and mainland Tasmania with it.

Air freight

Air freight is generally used by smaller, high value and/or time sensitive producers, such as flower growers, so reliability and timetabling are the major issues which need to be adequately addressed.

⁷ Tourism Council of Tasmania, p. 23.

⁸ *Ibid*, p. iii.

⁹ Report prepared by Mr John Stanley for the Hon Hugh Hiscutt, the Hon Athol Meyer and the Hon Don Wing (*The Stanley Report 1993*), "Tasmania's Transport Disadvantage: How to Rectify the Problems of Bass Strait", September 1993, p.4.

The timetabling of flights was raised in surveys as a particular frustration with the general feeling that air service operators force both freight customers and air passengers to fit into scheduling that suits the airline rather than scheduling that meets demands. Parallel scheduling of flights so that different airlines run flights which leave within 15 minutes of each other was noted as particularly frustrating.

There already exists a healthy level of manufacturers in the region which require transport services to move their products by both air and sea to mainland Australia. The State Government needs to monitor the growth of industry in the region with a view to sustaining and encouraging regional economic development.

One manufacturer expressed feelings that freight service is no longer adequate as the demise of Kendell/Ansett means there is only one air courier operator, Australian Air Express, running reliably in and out of the region. This lack of competition was cited as resulting in lack of service and lack of incentive to provide competitive prices and timetabling. This situation also raises questions about reliability.

King Island

King Island is further isolated which compounds the issues outlined above.

Research undertaken for this submission reveals there are two views with regard to the adequacy of commercial air services to the island at present: one is that in general the current, known need is being met in terms of both freight and people transportation. The second view is that there is a latent demand for air services which is not presently being adequately serviced by commercial air services.

With regard to the first view the central concern is that this 'adequate' level of service continue and not be allowed to fall.

With regard to the second view, in-depth research needs to be commissioned and completed to confirm the suspected latent demand for services is a reality. If this suspicion is confirmed, appropriate action will need to be taken to bring current services up to the standard required.

Tourism needs are expected to fall into the category of latent demands for increased air service as statistics show the predominant market for air travellers to King Island is for tourism (estimated to exceed 80 per cent of visitors annually).

King Island representatives also note that there is a growing demand for business passenger seats as many businesses, Government Agencies and the Council are required to outsource consultants and staff from outside the island. In particular, doctors, surgeons and other health care professionals are regularly flown to King Island to conduct consultations and clinics. Islanders also need to travel to either Burnie or Melbourne for medical and specialist appointments. Alternative transport via air ambulance is only available for emergency airlifts.

With regard to education services, there are also currently 37 children who regularly travel off the island for schooling. Most recently Clarendon College established a private recreational school at Grassy to cater for approximately 50 students on rotation each semester. The State Government currently maintains subsidised air travel for students from King Island who attend schools in Tasmania and Victoria.

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

a) *regional hub services;*

Melbourne's Tullamarine, Moorabin and Essendon airports remain the central hubs for air services to the region, King Island and Tasmania in general.

The lack of an air service connecting King Island with both Victoria and mainland Tasmania exacerbates the isolation of the Island by making it logistically simpler for tourists, business people and freight companies to bypass King Island.

Additionally many smaller operators are not able to use Tullamarine airport, causing difficulties such as time delays in passenger and freight transfers and increased costs for transportation between airports. These issues need to be dealt with to increase the attractiveness of small air services for operators, passengers and freighters of goods.

b) *small scale owner-operator services;*

Viability issues for small regional air services, particularly those to King Island, is a central concern.

These issues can be dealt with in part through conducting research about the actual and potential demands for both passenger and freight services to and from the island.

Issues relating to airport costs and levies at the three Melbourne airports and the Devonport and Burnie terminals should also be examined and monitored to determine means by which the development of reliable and viable small scale owner operator services can be encouraged.

c) *the deployment of most suitable aircraft types*

At present it appears that air service operators, for reasons of viability, prefer to use smaller aircraft on flights to and from the region. Tourism and business passengers have been shown to prefer larger, less noisy aircraft and can be discouraged from travel by unsuitable aircraft types. With regard to accessibility issues for elderly, infirm and disabled passengers, some smaller aircraft are not able to meet their specific needs, making air travel uncomfortable or impossible.

Steps need to be taken to encourage operators to communicate with their clients on a regular basis to keep them more closely in touch with the needs of their market. In the current climate, decisions appear to be made on a commercial basis only and the use of undesirable aircraft may in fact be discouraging travel and reducing the potential of the airlines.

3. *The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services.*

As outlined above under section 1, current air services to and from King Island are generally viewed as adequate by Government. However, there is a strong perception from residents of King Island itself that there is a need for larger aircraft and, in fact, a latent demand for more air transport services for business, tourism and freighters of goods. This

latent demand requires further in-depth research before it can be adequately and effectively addressed.

The introduction of two new fast ferries between Melbourne and Devonport will assist with transfer of both people and freight by sea to the region, however there remains no sea service between King Island and either Tasmania or Victoria with regard to the transportation of people for either business or tourism purposes.

It is important to note the observations of the Tourism Council of Tasmania with regard to the different markets catered to by sea and air transport:

Sea and air transport cater for different travel markets, and are not substitutes for each other.¹⁰

[Tasmania is vulnerable to disruptions which are exacerbated by] an imbalance in mode shares – air has more than 80% of the access market, so any disruption in air services is magnified.¹¹

There are clearly separate markets for air and sea passengers and freight, consequently sea and air must be considered independent of each other in many cases.

Tourism

With regard to tourism specifically there are no sea passenger services to King Island – air is the only alternative. There is a need to investigate options for the future and to determine if there is a viable market for sea passenger services to King Island.

Regarding air services the State Government markets Tasmania strongly on its regional nature and actively encourages tourists to visit remote and regional areas. As a result the State Government must bear some responsibility for ensuring air services are adequate, reliable and attractive for tourists wanting to visit the region. This also includes a responsibility for the Government to ensure road infrastructure provides adequate access to regional air and sea terminals for tourists.

The entry of new operator Rex into the King Island market has also raised concerns that this new entrant will cut corners to remain viable, resulting in a loss of service standards. These issues include:

- Costs to Tasmania/Melbourne appear to be high and cut-price seats are difficult to access because of low limits;
- Lack of adequate personnel representing Rex on the island to deal with customer service and ticketing issues; and
- The requirement to pay for tickets by credit card. Many older people do not have access to this means of payment or are not confident paying in this way¹²

These comments raise issues regarding the need for monitoring of service levels in the region to ensure remote areas are not discriminated against with regard to customer service levels.

¹⁰ Tourism Council of Tasmania, p. i.

¹¹ *Ibid*, p. ii.

¹² Calls to office of Senator Richard Colbeck, 2002.

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

On-carriage

There are several connectivity issues with regard to security and passenger, baggage and freight handling which can affect the ability of passengers and freight on smaller airlines to meet up successfully and smoothly with larger carriers.

Additionally, Tasmania's quarantine needs are critical and present unique issues with regard to delays. Their success is also partially dependent on the competent enforcement of guidelines by air service operators.

Connectivity with regard to security and passenger, baggage and freight handling for small airlines meeting up with large airlines can cause difficulties.

The ability of new entrant Rex to interconnect fluidly with interstate and international flights is yet to be truly put to the test. Rex currently has no affiliation with a major carrier, restricting carriage to its limited network.

Through ticketing

Small airlines interconnectivity through airline booking systems and terminal access arrangements are very expensive for small airlines, making it difficult for them to link with Qantas/Virgin Blue. Availability of codeshare arrangements with major airlines may assist with this issue.

Access to Computer Reservation Systems is also very expensive, with technical compatibility of systems used by small operators and CRS being a major hurdle.

Timetabling

Timetabling is seen as one of the most frustrating elements of air services in the region both in the sense of parallel schedules and frequency. Although interconnectivity with Tullamarine airport is considered adequate, there are still concerns.

One large manufacturing business (100 plus employees) on the north west coast¹³ depends on air services to fly in interstate business contacts up to six times per week, with Tasmanian staff flying to mainland Australia and return at least once per week. Timetabling was cited as reducing productivity as interstate business contacts are generally unable to fly in and out in one day.

The general perception appears to be that timetabling is done to suit the air carriers (ie planes are put on larger runs and Tasmanian flights are reduced to accommodate this) rather than the demands of passengers. One survey respondent noted that there is a general perception that some carriers cancel flights to move aircraft to other heavier runs when there are mechanical problems, leaving Tasmanian passengers to 'hitch a ride' on a competitor's air craft. Research needs to be done to determine the accuracy of these perceptions. Parallel scheduling presents a situation where although there is more than

¹³ Cradle Coast Authority, Aviation Services Survey, August-September 2002.

one carrier operating out of each airport (Rex and Qantas) flights leave within 10 minutes of each other providing no flexibility or choice for passengers or senders of freight.

King Island

Through ticketing

One key ingredient to the success of the King Island as a tourist destination has been the ability to link flights with major airlines through Tullamarine.

The convenience of being able to walk off a flight from a major capital city or regional centre onto a King Island flight is essential to the success of both the King Island air service and tourism operators. Access to Hobart via Melbourne or Burnie was also important for business travellers.

John Simos from Travel Point (Domestic Wholesaler) who has been associated with travel promotion and tourism packaging with King Island for over 17 years and who formally worked in Kendell travel promotions, stated recently that King Island was an important weekend escape market with over \$1 million in packaged holiday sales annually. It was also his belief that not only was the triangular service Melbourne-King Island-Burnie profitable for Kendell, but that sales growth and revenue generated had exceeded budget expectations.¹⁴

The service also provided a relief valve in terms of competition for discount airfares into Hobart, Launceston or Burnie because of the opportunity to collect two sector fares and local traffic en route to Tasmania.

Timetabling

The preferred option would be a service that provided a peak capacity on Friday afternoons, Saturday mornings, Sunday afternoons and Monday mornings with a lower capacity on Tuesday through Thursday.

King Island is primarily a leisure destination and therefore the timetable should recognise peak loads on Fridays through to Mondays with a drop off during mid week particularly during winter and out of school holidays.

With regard to transport of tourists, the service must operate out of Tullamarine or have very efficient land based links to Melbourne's regional airports and be geared to a Melbourne based traveller with links to other destinations. The service should also have a southern port of call in the north or north west of Tasmania.

5 The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems. (including a list of recommendations)

All levels of government have a responsibility for supporting and assisting the development of regional air services and island transport systems, particularly in the case of Tasmania where Bass Strait presents extra cost and time delay issues for all those wishing to cross it.

¹⁴ King Island Council, *Submission Concerning Air Services King Island*, 2001, p.6-7. Submitted to Parliament of Tasmania Legislative Council Select Committee Inquiry into Bass Strait Air Transport,

In recognition of this and in light of recent experiences with the failure of air service providers particularly in the region, all levels of government should consider options to forego revenue to assist the viability of small regional airlines and to ensure a minimum service can be maintained.

Additionally there is an urgent need for all levels of government to be involved in planning for 'exceptional circumstances' similar to that faced following the collapse of Ansett. Similar to plans in place in all States for reaction to natural disasters such as fire and flood, government needs to be ready to put plans into action to ensure vital tourism, business and freight links to remote and regional areas are not cut off. Regional entities such as the Cradle Coast Authority could perform a facilitating role to assist in gathering information and support for such a management plan in the region.

Commonwealth

The following recommendations are made for Federal Government action on regional air services:

- The Tourism Council of Tasmania's Strategy Report into Bass Strait Visitor Access states that:

For air transport, the over-riding priority is to *maintain genuine sustainable competition in Bass Strait airline services*.¹⁵

The Report goes on to suggest that "Government working in conjunction with the tourism industry can play a powerful facilitation role by actively promoting the interests of Tasmania to airlines and in national forums through proactive representation and targeted assistance."¹⁶

As such, Commonwealth and State Governments should provide an environment that encourages sustainable competition – subsidies to get enterprises started or to maintain and allow innovation. Also provide funds to ensure a low level of service can reliably be counted upon.

The Commonwealth and State Governments could also work with carriers, air navigation authorities and airports to reduce the base cost of airline services to Tasmania.

Through the Federal Department of Transport and Regional Services (DOTARS), the Government has a responsibility for regional services and economic development. The Commonwealth needs to act on these responsibilities by putting in place subsidies, management plans to be enacted in cases of 'exceptional circumstances', and incentives for air service operators in regional and isolated areas.

- The Tasmanian Freight Equalisation Scheme (TFES) and Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) are now an essential part of the Tasmanian economy and must be continued and evolved to encourage provision of regional services and economic development.

¹⁵ Tourism Council of Tasmania, p. v.

¹⁶ *Ibid*, p. v.

- Both Commonwealth and State Governments should be obligated to monitor situations where local councils feel they must take over ownership of air service facilities to ensure councils are not being burdened with the provision of services which could and should be the obligation of higher levels of government.
- Appropriate Federal or State legislation is required to allow airport owners to take direct action to prohibit RPT aircraft from landing or allowing the impounding of aircraft where fees remain unpaid. At present the only course of action available to airport owners is to pursue the debt through the courts and this course of action is protracted and time consuming.
- *King Island*
Some form of subsidy/concession needs to be paid to offset the high cost of air travel to and from King Island. While it is understood that it would be difficult for current operators to offer nonviable fares to residents, as concessions would ultimately effect the long-term viability and stability of air services, there is an obligation on Government to recognise the adverse affects and unique circumstances of isolation on island residents. We would promote a return to the arrangements that existed previously whereby a subsidy was payable to residents of the island to offset the high cost of travel.

State

Recommendations for State Government attention on regional air services include:

- The capability to monitor and respond to Bass Strait and national air transport issues should be strengthened to allow the Government to monitor instances of duopoly, collusion and discrimination.
- Identification of conditions likely to lead to crises in provision of regional air services, particularly to unique areas such as islands.
- Surveys undertaken by the Authority indicated a general belief that the State Government is obligated to act to ensure the ongoing viability of air services in the region. This extended to a general belief that the Government should underwrite services where necessary to ensure a minimal air service is provided at all times to regional and isolated areas.
- Maintenance of relationships and communication with a wide variety of air carriers to the extent required to maintain minimum service levels and encourage healthy, sustainable competition. While the Government should actively encourage entrants to the industry through subsidies and other incentives (for example, assistance in marketing and promotion of services), it should also monitor passenger numbers to assist in maintaining the sustainability of current services.
- Monitoring growth in new industries, such as high value food products and cut flowers which require reliable and timely air freight services to ensure action is taken to increase air services to meet projected demands and encourage further economic development.

- Following up marketing of Tasmania's unique, decentralised image to tourists and business developers alike with measures that ensure air transport is accessible and affordable for those who contribute to that unique image by living and working in isolated areas.
- Improving road access to regional airports. This could be undertaken in conjunction with regional bodies such as the Authority or local councils themselves to ensure optimal delivery.
- **King Island**
Ensuring access and equity with regard to air services for remote communities such as King Island. This pertains to core issues of State responsibility such as health, education, banking, personal and other services. Easy access for pensioners and disabled persons is of particular concern.

For example, it is essential for that subsidised air travel for students from King Island, attending schools in both Tasmania and Victoria be maintained.

Regional

Respondents to the Authority's survey on issues surrounding regional aviation services expressed the view that there was an important role to be played by regional bodies such as the Authority.

Regional bodies were viewed as able to garner support from a wide array of groups while undertaking objective research independent of parochial traditions or rivalries.

This unique and strong position places regional bodies in a position to undertake extensive research and consultation, develop cases for new or expanded services and to work with all three levels of government to prepare effective strategies. Delivery of funding or management of program delivery could also be undertaken successfully by regional bodies.

Local

The following recommendations are made for Local Government action on regional air services:

- Local Councils, along with State Government, should be obligated to provide supporting infrastructure for airports such as adequate road access, water supplies, basic services etc.

6. The role of major air transport carriers in providing regional services

The Government (both State and Commonwealth) has an overriding obligation to ensure the provision of adequate, ongoing and reliable air services to all areas of Australia, and in particular those which are isolated by physical boundaries such as Bass Strait.

However, there is a strong belief in the region that air service providers themselves should only be obligated to provide services that allow them to be viable as the consequences of forcing operators to provide a minimum service could actually be detrimental to service provision through negative affects on reliability.

To this end Government should provide incentives and/or subsidies to ensure all areas are serviced by a minimal but adequate air service and be prepared to both identify the factors which could lead to a drop in this level of service and to act immediately in the face of exceptional circumstances which may threaten the adequacy of service.

Communities should be expected to provide support to ensure services over and above what is considered adequate remain viable.

King Island

With regard to King Island both higher tiers of Government have a community service obligation to provide adequate financial support for continued adequate air services to King Island.

Conclusion

In general commercial air services in the region are currently adequate. This submission presents a wide range of issues of concern including:

- General issues (such as ticketing issues, timetables, frequency, government monitoring and the need for back-up services in the event of 'exceptional circumstances' in the Australian air services industry) for the region of which many would likely be shared by other regional and remote areas of Australia.
- Issues (such as reliability, loss of competition and service levels, and high levels of isolation) of particular concern to King Island, the Cradle Coast region and Tasmania in general, given the unique dependence on air services of these areas.

We ask that the Government consider the recommendations outlined within the submission and take every step possible to ensure the region can be confident of ongoing adequate, reliable, viable and competitive air services for both people and freight.