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IVERINA EASTERN REGIONAL
ORGANISATION OF COUNCILS

Secretary: *J. L. Russell*

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23 SEP 2002

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

**RESPONSE TO THE
INQUIRY INTO COMMERCIAL REGIONAL
AVIATION SERVICES**

*Prepared by: Riverina Eastern Regional Organisation of Councils
P.O. Box 646
Wagga Wagga NSW 2650
Ph: (02) 69 319050 Fax: (02) 69 319040
www.reroc.com.au*

**RIVERINA EASTERN REGIONAL ORGANISATION OF
COUNCILS
SUBMISSION TO
INQUIRY INTO COMMERCIAL REGIONAL AVIATION
SERVICES**

The Riverina Eastern Regional Organisation of Councils (REROC) is a voluntary association of fifteen local government bodies located in the eastern Riverina region of NSW. Originally formed in 1992 the aim of the organisation is to assist councils to operate more efficiently and effectively through working together to achieve economies of scale and a more informed and representative voice.

REROC's membership is comprised of thirteen General Purpose councils (under the NSW Act) and two Water County Councils. Our members are the councils of: Bland, Coolamon, Cootamundra, Culcairn, Gundagai, Holbrook, Junee, Lockhart, Temora, Tumbarumba, Tumut, Urana and Wagga Wagga as well as Riverina Water and Goldenfields Water. All members have been consulted during the preparation of the preparation of this submission.

Councils across Australia are very active participants and promoters of development. In regional and rural areas they take a prominent role in facilitating and attracting new investment, in supporting existing businesses to grow and prosper and in attracting people to live and work in their communities. It is primarily in the light of this role that this submission is made to the Inquiry.

There can be no doubt that the tyranny of distance is the reality of life in rural and regional Australia. Government and business actions over the last decade that have resulted in the removal of many services from these communities have only served to highlight this problem. People are now forced to confront the daily reality that if they are to live and work in a rural or regional location then they must also be able to access the metropolitan locations where services are located and decisions are made.

The need for communities to access adequate air services that will connect them with major metropolitan locations has never been greater, yet somewhat ironically the services have never been fewer and where they are provided, many people are concerned about their on-going viability.

The *Ansett* collapse demonstrated clearly the precarious nature of the airline industry and despite assertions that the regional arms of the airline in NSW (*Kendell* and *Hazelton*) were operating profitably, securing a buyer for them proved to be a difficult task that took a long time to finalise. The advent of *Regional Express* (Rex) has provided more competition into the local market in the REROC region, which our communities are grateful for, however, every community is concerned about the sustainability of the operations of regional providers.

There is no question that regional markets are “thin” and this combined with the high cost of running an air service has the capacity to undermine the financial viability of businesses that enter the market or alternatively means that no-one chooses to enter the market at all.

At this point the REROC region, which encompasses 13 local government communities, is serviced by from either Wagga Wagga or Albury by two carriers *Rex* and *Qantaslink*. There are no other services operating in the region, which covers an area of over 41,000 sq. kilometres and a population base of 125,000 people. *Country Connection Airlines*, which operated from Cootamundra and serviced West Wyalong and Cowra, ceased operations almost eighteen months ago and no other carrier has expressed interest in taking their place.

Consequently, residents of some of our member communities are forced to travel in excess of 100 kilometres to avail themselves of air transport services, it is not surprising therefore that many our communities question the adequacy of this type of arrangement.

This issue is further exacerbated by the lack of public transport in the region. Outside of Wagga Wagga and Albury there are virtually no public transport options and certainly none that would allow commuters the opportunity to link with an airline service.

For those people that are able to access air services from Wagga Wagga and Albury the services are certainly adequate with a number of flights to choose from to both Sydney and Melbourne, however, for those that cannot get to one of these airports there are no options.

Regional hub services are often put forward as an answer for small communities; however, our discussions with providers indicate that such arrangements are not viable. “Short hops” are uneconomic for carriers because of the fuel that is used in landing and take-offs, therefore the idea that small operators could fly into

larger airports e.g. Cootamundra to Wagga Wagga is unlikely to prove a viable option.

Consumer wariness of smaller operators cannot be discounted either. Recent publicly aired difficulties encountered in meeting service and maintenance standards that have affected some of the larger airlines as well as small operators has undoubtedly impacted on consumer confidence.

The cost of flying cannot be ignored either. While those choosing to commute between capital cities on the eastern seaboard can do so for less than \$200 return this is not the case in regional locations, our organisation has paid up to \$450 for a return flight to Sydney from Wagga Wagga. We recognise that there are cheaper seats available, for advanced bookings and bookings made on the Internet, however none are at the same pricing levels as offered between the capitals.

Price acts as an impediment to sustainability of regional airlines. Flying is not an affordable option for many and it adds to the overall cost of choosing to do business in the country. It is important, therefore that the issue of adequacy of air services includes addressing the issue of affordability, which is impacting on accessibility.

Regular air services to and from metropolitan locations are an important factor in the growth of business in rural and regional locations. While the power of good quality telecommunications allows businesses to service global markets from virtually anywhere, people still need to deal on a face-to-face level at some point in time. When time is money the ability of a businessperson to get to and from their capital city in a single day is vital, the inability to do so may negatively impact on a community's attractiveness to a new business or indeed on its ability to retain an expanding one.

The Federal Government's new transport strategy *Auslink* provides an opportunity for the Government to recognise the importance of air services in overcoming the tyranny of distance and the role it plays in regional economic development.

There are few public transport options in most of rural and regional Australia, there are almost no passenger rail services and the same can be said for air services. Rural and regional Australians are therefore; for the most part totally dependent on road transport, if they do not drive or own a vehicle then they are stranded.

It is not only the need for business people to be able to attend meetings etc. but also the ability of people who reside in communities that have no transport services to access specialist medical and professional services, many of which are now only available in metropolitan locations.

We would encourage the Government to look at the provision of regional air services as part of an integrated strategy that addresses the entire issue of passenger transport services in regional and rural Australia. It is necessary that all three tiers of government work together to develop passenger transport solutions that respond to the needs of rural and regional communities.

Local Government has and continues to provide strong support for the provision of regional passenger air services. A number of our members provide significant funding to ensure that airport facilities are maintained so that their communities are in a position to welcome a service provider in the future.

Recommendations

Our members recommend to the Federal Government the following actions:

- that the provision of regional air services be considered in the light of the larger issue of providing accessible and sustainable public transport options for rural and regional Australia
- that in the light of the above the Government develop an integrated approach to the delivery of passenger transport services in rural and regional Australia (door to destination) that considers using a variety of integrated options that will facilitate the movement of people
- that the issue of the pricing of air flights be considered as an impediment on the provision of services and that the Government consider options such as the subsidisation of services in "thin" markets which will off-set at least part of the cost of providing the service
- that if the hub and spoke operation is recommended that this be supported with funding for the providers of "spokes" in order to ensure that they can remain viable on "short-hop" routes
- that Federal Government provide financial assistance for air service carriers considering entering a new regional market so that they are able to undertake a feasibility study and develop business cases

- that direct financial assistance be provided to councils located in rural areas who maintain airport services in order to support the running of both passenger and freight services into their community

We support the Federal Government's continued stance to ring-fence the provision of regional slots at Kingsford-Smith Airport, however we are concerned that should new services not be provided for unused regional slots that these would be then given to national and international carriers for non-regional routes. We would therefore also recommend the following:

- that the Federal Government continue with its policy of ring-fencing regional slots
- that where a regional slot is not taken up following two consecutive seasons that if the slot is provided for use to a non-regional carrier then it is done so on a temporary basis only that no historic precedence applies to a slot that was originally designated as being regional
- the Federal Government ensures that it has in place price control mechanisms that ensure that regional air services cannot be priced out of slots at Kingsford-Smith. We are particularly concerned that this will become a more pressing issue as a result of the privatisation of the airport and the need for the new owners to realise returns on their investment.

Our Organisation welcomes the opportunity this Inquiry has provided to present our recommendations with regard to regional air services. Our members would be happy to discuss the issues we have raised and recommendations we have made with the Committee should the occasion arise at some future time.