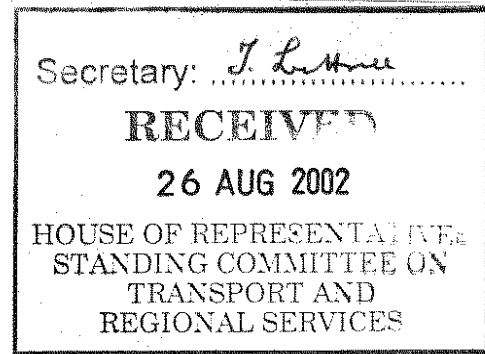


Reference: 50/10/0001  
Contact: Mr Dale Blampied

23 August 2002

The Secretary  
House of Representatives Standing Committee  
on Transport and Regional Services  
Parliament House  
CANBERRA ACT 2600



Dear Sir

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

Attached is a submission from the City of Albury which addresses the Terms of Reference of the above enquiry.

The City of Albury, as the owner and operator of Albury Airport, one of the busiest regional destinations in terms of passenger throughput, is a significant stakeholder in the provision of commercial regional aviation services.

The availability of convenient, economic and reliable air access from regional centres to capital cities and beyond is crucial to the economic development of regional cities. Convenient air services also add significantly to the quality of life available to the regional population.

For these reasons the City of Albury is resolved to support and encourage the growth of regional services throughout the region.

Our submission identifies a number of issues relating to regional commercial aviation and wherever possible suggests courses of action for Government consideration.

Issues such as continuing convenient access to capital city airports, air traffic control services, hubbing, passenger facilitation, and the ageing of the owner/operator aircraft fleet are addressed.

Council understands the Committee may hold hearings in regional centres and would like to suggest, in view of the importance of Albury Airport in the regional network, that some evidence be taken at Albury. Council would be happy to make appropriate facilities available.

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**Inquiry into Commercial Regional Aviation Services in Australia and Transport Links  
to Major Populated Islands**

23 August 2002

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Our contact in relation to this submission is Mr Dale Blampied, Manager Albury Services, who may be contacted directly on (02) 6023 8747 or via email [dblampied@alburycity.nsw.gov.au](mailto:dblampied@alburycity.nsw.gov.au).

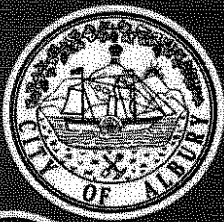
Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Henderson', is written over a diagonal line.

Mark Henderson  
**GENERAL MANAGER**

**House of Representatives  
Standing Committee on Transport and Regional Services**

**INQUIRY INTO  
COMMERCIAL  
REGIONAL AVIATION  
SERVICES IN  
AUSTRALIA AND  
TRANSPORT LINKS TO  
MAJOR POPULATED  
ISLANDS**



**CITY OF ALBURY**

**Submission by the City of Albury  
August 2002**

## **INTRODUCTION**

This submission is made by the City of Albury in response to a call for submissions to a House of Representatives Inquiry into commercial regional aviation services in Australia and transport links to major populated islands

## **SCOPE OF SUBMISSION**

The submission focuses on the importance of regional aviation to the social and economic development of centres such as Albury and issues raised in the terms of reference of the inquiry. It does not address issues related to transport links to major populated islands.

The submission is divided into two sections.

The first places Albury into perspective as a significant Australian regional centre with considerable potential for further economic and social development. This section also profiles the Council owned airport which serves the extended community.

The second deals in detail with issues directly related to the terms of reference.

## **EXECUTIVE SUMMARY**

The following is a summary of the main points contained within the body of the submission.

### **Section 1 - Overview**

- Albury is a major Regional centre and the gateway to both northeast Victoria and the Murray Valley. It is an important road, rail and aviation regional hub. Air services between Albury and Sydney carried 103,501 passengers in the year ended 31 March 2002. Significant, but lesser numbers were carried on Albury/Melbourne services.
- Albury Airport is owned by the City of Albury and has infrastructure which will allow the operation of 100 passenger jets on a routine basis and 150 passenger jets on a more limited basis. The Airport operates under positive air traffic control administered by AirServices Australia staff from a control tower located on the Airport.
- Council views the provision of air traffic services as a valuable safety initiative and strongly supports the retention of these services and continuing the subsidy against the full cost of provision currently afforded the aviation industry.

## **Section 2 - Terms of Reference**

### **Reference 1**

- In general, regional commercial services operating through Albury are considered adequate, although there is room for improvement in airline scheduling to allow business travellers convenient same day access and return to other locations.

### **Reference 2**

- The economics of airport operation will inevitably cause the major airports such as Sydney and Melbourne to seek ways of maximising the revenue from each aircraft movement. Smaller regional aircraft may have difficulty obtaining convenient landing slots or be forced to operate from secondary airports.
- This problem can be overcome by consolidating smaller regional flights into larger aircraft at a regional hub airport and operating these consolidated services into the major airports using large aircraft. Planning for the future development of Albury Airport recognises the need for these hubbing services and the operational ability of the Airport to undertake this role.
- Small scale owner/operator services should be regarded as a third level of regional commercial aviation.
- Third level services should not operate from major capital city airports due to operational limitations of the aircraft used and airport capacity constraints. They should hub with other regional services at locations other than capital cities.
- Aircraft used by airlines for services to Albury are industry standard and appropriate.
- Owner/operator services, however, must rely on older type aircraft to provide their services and there are no emerging replacement types.
- There may be a role for airworthiness authorities to provide more specific advice and assistance on issues of economic life of components and overseas refurbishment techniques for this class of aircraft.

### **Reference 4**

- Interconnectivity is highly dependent on commercial partnership arrangements between the levels of airline operation – regional, domestic trunk and international.
- The Qantas group of companies is able to offer seamless facilitation arrangements between all levels of service and this is highly regarded by patrons.

- Regional Express, under new ownership, will presumably not have the same parent company access to domestic and international operations and this will limit the degree of interconnectivity which can be achieved.
- Oncarriage from regional to domestic or international flights at Sydney and Melbourne airports could be facilitated by removing the need for multiple passenger security screenings as passengers transit from the regional to trunk environment.
- This could be most easily achieved by conducting screening at regional ports which would also provide the same level of security for regional operations as are currently enjoyed by trunk and international passengers.

#### **Reference 5**

- The Commonwealth has not become involved in the fostering and development apart from some subsidies to remote rural communities. Assistance was provided to regional airlines under the Regional Route Recovery Scheme following the collapse of Ansett, but there is no assistance available to regional airlines to assist in maintaining services during drought or other times of rural crisis or downturn.
- Regional airline activity in Australia will probably be dominated by two major companies –Qantas and a merged Regional Express. There are few innovative or discount fares offered on regional services and it is considered that the Australian Competition and Consumer Commission should conduct surveillance over regional airline costs and fare structures to ensure that regional travellers are not disadvantaged.
- Unlike road and rail, there are no development funds available for regional development in aviation infrastructure even though the availability of a convenient air service is often a determinant in industry assessments of regional establishment or expansion.
- Provision should be made for aviation infrastructure proposals which can be justified on economic or social grounds to compete on their merits with other regional transport infrastructure projects.
- The City of Albury owns and operates Albury Airport. It is a valuable regional resource and Council is mindful of the dual responsibilities of setting charges at a level which will stimulate development whilst at the same time procuring for ratepayers a satisfactory return on investment.

#### **Reference 6**

- The decision whether or not an airline will service a particular route is dependent on a range of economic and operational factors. In some cases, potential for oncarriage and interlining may prop up a marginal route, but these are commercial decisions.

- Apart from special subsidy arrangements for services to remote communities, there does not seem to be a role for Government in this process.
- Provision of commercial regional aviation services is at best a marginal undertaking and there has been a rationalisation of ownership where the major airlines have absorbed most of the other organisations. This has improved efficiency and provided benefits in economy of scale and a widening range of services.
- Regional commercial aviation services have a role in providing convenient and appropriately priced air travel to those members of the community who reside or do business outside the capital cities.

## **SECTION 1 - OVERVIEW**

### **The importance of Albury/Wodonga as a Regional Centre**

Albury is the major urban centre of the magnificent Albury Wodonga region servicing a population in excess of 100,000 people and is one of Australia's fastest growing business, cultural and residential centres.

Albury Wodonga, located adjacent to the Murray River between Sydney and Melbourne on Australia's busiest inland transport corridor, is a strategic hub for commerce, transport, industry, health and education and has a strong tradition of regional leadership.

As a major transport and distribution hub Albury supports a regional airport and national rail service. It is located on the main Sydney to Melbourne road transport route and at the centre of several other important highways giving access to regions to the east and west.

This makes the Albury Wodonga region an ideal hub for integrated transport solutions. Due to its strategic position, Albury Wodonga possesses a solid infrastructure and stable workforce supporting all transport industries.

Additionally, the Albury Wodonga region is one of Australia's premier tourism destinations and is regarded as a mecca for sporting enthusiasts with world class facilities. Further, it is the gateway to both the high country and alpine regions, and the famous gourmet and wine regions of South-East NSW and North-East Victoria.

### **Albury Airport as part of the Australian Regional Network**

The City of Albury owns and operates Albury Airport.

Albury is a significant element in the Australian regional aviation network. It is among the top five New South Wales regional airports with 103,501 passengers passing through Albury to Sydney (Kingsford Smith) airport in the 12 months ended 31<sup>st</sup> March 2002.<sup>1</sup>

Whilst this represented a decrease of 10.5% over the previous 12 months, the downturn at Albury, due largely to Kendell and Hazelton Airlines entering receivership, was less marked than at most other New South Wales regional airports where decreases in passenger numbers of up to 80% have been experienced.

Significant, but lesser numbers of passengers are carried on the Albury/ Melbourne/ Albury services. Scheduled services are also provided to Canberra.

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<sup>1</sup> N.S.W. Dept of Transport statistics.



The predominantly business traveller market using Albury services has tended to moderate the downturn in activity, with both Qantaslink and Regional Express (previously Kendell and Hazelton) currently reporting improving load factors. Qantaslink have recently begun scheduling 50 passenger aircraft for some services to meet increasing demand.

The Airport infrastructure at Albury has the capability to operate services using Boeing 717 aircraft (100 passengers) immediately, and occasional services with Boeing 737 aircraft (150 passengers). Routine operation of Boeing 737 aircraft may require some pavement works which can be quickly initiated if required.

Albury Airport is situated within controlled airspace . A control tower is provided and manned by AirServices Australia.

The provision of positive air traffic control for aircraft in the vicinity of Albury is a highly valued safety initiative not only for the aviation community but also for the wider community residing in the Albury/Wodonga Region.

To complement the air traffic control facilities, Albury Airport has a range of visual and navigation aids which permit the safe operation of aircraft in most weather conditions.

Council regards Albury Airport as a valuable component in our regional infrastructure and is resolved to develop the facility to meet the emerging needs of the airlines and travelling public.

## **SECTION 2 – RESPONSES TO TERMS OF REFERENCE**

### **Reference 1 – The adequacy of commercial air services in regional and rural Australia**

The capacity and frequency of air services provided by aircraft operators in rural and regional Australia is driven by

- Infrastructure availability – will the aircraft available be able to operate from the aerodrome concerned and are there suitable passenger handling facilities?
- Demand – is there a demand for the type of service at the price being proposed and will this demand continue and grow?
- Economics – is the cost of operating the aircraft and ancillary services to provide this service able to generate a suitable return on investment and be profitable?

In the absence of government intervention a number of rural and regional communities would be denied services purely on population and economic grounds.

The Government currently provides subsidies to permit services to some remote communities and no doubt other respondents who are more involved in remote areas will provide detail of the present position.

Suffice to say here that Albury is fortunate in being able to meet the criteria for continuing regional airline services to both Melbourne and Sydney, with smaller capacity services to Canberra.

Like all other similar regional and secondary airports provided with control towers, the cost of providing air traffic control services to aircraft using Albury are subsidised by the Federal Government. This is a valuable cost saving to the airlines in particular and serves to assist with the continuation of services. It lowers government imposed charges which would otherwise be passed on to the travelling public.

Council is strongly of the view that the existing level of air traffic services, and the subsidy, should be maintained.

Passengers to and from Albury are mainly travelling on business and require services which allow for early morning departures and late afternoon return flights on services to and from Melbourne and Sydney.

Present airline timetabling does not always allow this to occur with network and other scheduling considerations sometimes taking precedence over passenger convenience.

In summary, Albury is fortunate to have the population and economic levels to attract services from both the major regional airlines, however, there is room for improvement in airline performance in meeting the expectations of Albury, Wodonga and surrounding regional communities, especially those travelling on business.

## **Reference 2 – Policies and measures required to assist in the development of regional air services**

### **Regional hub services**

The economic cost of landing a large number of small capacity regional aircraft at major domestic airports such as Sydney and Melbourne will inevitably cause airport owners to either force smaller (regional) flights to land at secondary airports such as Bankstown or Essendon, or to consolidate flights into larger aircraft at regional hubs.

Now that both Sydney and Melbourne airports are privatised, their owners will seek to maximise the economic return from aircraft operations and thus will show a strong preference towards larger aircraft, with an increased financial return for each aircraft movement.

Sydney already approaches the current limit of operations of eighty (80) aircraft movements per hour, however the new owners have indicated they will preserve the right of access of regional aircraft into Sydney.

It is not clear whether this right of access will be able to be exercised at peak periods, or whether any new regional services can be accommodated.

Melbourne airport is not yet approaching operational capacity and has no restrictions on the entry of regional aircraft, however, smaller aircraft would be less preferred in peak times.

Regional operations must, in Council's view, operate from the major domestic and regional hubs to allow for oncarriage and access to proper terminal and other facilities.

Transfer of operations to secondary airports, with lower standards of both terminal and operational facilities, is totally unacceptable and would represent a serious discrimination against the regional passenger.

Overseas experience has shown that an effective solution to this airport capacity problem is to consolidate regional flights into a larger (100 passengers or more) aircraft at a regional centre around one hours flying time from the final destination.

Planning for the future development of Albury Airport has identified its suitability to perform as a regional hub for both airline and smaller capacity owner/operator regional services.

Government policies aimed at maximising the capacity of major airports to handle large international flights should first explore the low cost option of regional hubbing.

As an incentive for airlines and airports to participate in hubbing arrangements government consideration might be given to:

- reduction of air navigation and en route charges for flights which are part of the consolidation process to compensate for the extra costs of double handling passengers and freight.
- financial assistance to regional hubs to make infrastructure modifications where necessary to cater for hubbing (this may include such items as provision of security screening equipment).

### **Small Scale Owner/Operator Services**

Small scale owner/operator services should be regarded as a third level of commercial aviation service, after the domestic and regional airline services.

Generally the nature of the small aircraft operated by these third level services would preclude their operation into major national airports because of performance incompatibility and other operational issues which arise when mixing aircraft of this type with large domestic and international aircraft.

Third level services should hub at regional centres such as Albury to provide a service not only for those who wish to proceed further in the domestic aviation network, but also for those who need to visit the regional hub as a destination for medical and other professional services.

There is some potential for the provision of additional third level services. A recent review of aviation activity at Albury has identified interest in an Albury/Shepparton and an Albury/Tocumwal service. If introduced these services will more directly connect these centres into the regional and domestic airline network.

However, the operation of third level services will always be a marginal enterprise and there is a role for all levels of government in encouraging services which have the potential to develop into viable commercial operations.

Where subsidies are not appropriate, such as in the more populous regional areas, support may be needed for third level services to become established. There are a range of temporary incentive measures which could be considered by Government where there is no competitive element involved including:

- partial rebate on fuel excise.
- subsidies toward part of the cost of air navigation and aerodrome charges.
- assistance with business and financial planning

Assistance should be phased out after a set period to reinforce the need for the service to develop into a viable business enterprise within a known period of time.

### **The Deployment of the Most Suitable Aircraft Types**

The aircraft type to be deployed on a particular route is determined by a number of factors including availability, passenger capacity, aerodrome characteristics and acceptability by the travelling public.

Qantaslink and Regional Express both use aircraft which are recognised world wide as appropriate regional aircraft for the passenger demand and sector lengths involved.

They are turboprop, pressurised aircraft with a capacity of around 35 passengers. As noted earlier, Qantaslink has begun using 50 passenger variants of its aircraft on some Albury services to meet increasing demand and has the ability to increase this to 100 passenger jet services (Boeing 717) when demand requires.

The current aircraft have attained good public acceptance, are reportedly economic to operate, and are of a capacity which allows a reasonable frequency of service. They should therefore be considered, as far as services to Albury are concerned, the most appropriate aircraft type.

Given the cost of re-equipping with new aircraft types, and the public acceptance of the current fleet, it is not expected that the airlines will replace their aircraft with new types in the short term.

Third level operations are generally conducted in twin engine, non pressurised piston powered aircraft having a capacity of around 8 to 10 passengers. These aircraft can be up to 25 years old and there are no appropriate replacement aircraft currently available. There are continuing issues of maintenance and economic life which may in the future limit the number of aircraft available to provide third level services.

It could be appropriate for airworthiness authorities to monitor overseas maintenance and refurbishment practices and provide the industry with continuing advice and assistance with life issues associated with the operation of aircraft providing third level services.

### **Reference 3 - The Adequacy of Commercial Air Services to Major Populated Islands etc**

No submission.

**Reference 4 – Interconnectivity between Regional Air Transport Systems, Major National Air Services, and International Services (including oncarriage, through ticketing, freight handling, timetabling and airport slotting)**

The interconnectivity of regional and other air services is heavily dependent on the commercial makeup of the industry as a whole.

Qantas through its Qantaslink, domestic and international operations is able to provide a seamless transition for both passengers and freight from Albury to any overseas destination served by the Company. For example, it is possible, and routine, to be able to obtain seat allocation and baggage checkthrough to international destinations such as London from the Albury Qantaslink check-in. This type of passenger facilitation arrangement is highly regarded by passengers and reportedly a determinant in passengers selecting a carrier. Similar arrangements are in place for the facilitation of air freight consignments.

The situation with Regional Express, under the new ownership of Regional Express, is not as clear. Whilst an alliance with another domestic carrier may be achievable, the seamless transfers which can be managed where all elements are within the one organisation will be largely unattainable. International transfers would require dealing with at least one and possibly two other organisations with inherent difficulties and uncertainties.

However, these would seem to be commercial issues and not matters for Government intervention.

Whilst the facilitation arrangements available through the Qantas network are world class the existing oncarriage system could be made more user friendly by a rationalisation of security checking procedures at Sydney Airport (where most international departures take place). Passenger security screening is an airline responsibility, but often undertaken by the airport owner on a fee for service basis.

At present, passenger screening from regional flights takes place at the time a passenger enters the Sydney terminal from the aircraft. If transferring to another domestic or international flight it is necessary to transit the public check in area and then undergo a further passenger screening before gaining access to the domestic or international gate lounge.

This inconvenience and delay could be overcome by instituting primary passenger screening at the regional airport and thus

- facilitate transit through Sydney and Melbourne Airports
- promote security over the whole passenger network and not only domestic and international segments.
- facilitate the introduction of larger aircraft and use of aerobridge passenger transfers when demand justifies their use.

**Reference 5 – The Role of all Three level of Government in supporting and assisting the Development of Regional Air Services and Island Transport Systems**

No submission will be made on island transport systems.

The Commonwealth and its agencies have both a regulatory and operational role in regional aviation.

The regulatory function is largely undertaken through the Civil Aviation Safety Authority which is responsible for the development of recommended practices and standards together with their implementation and monitoring. It has constitutional responsibilities in this area.

Regional air services conducted by the two major airlines – Qantaslink and Regional Express - are required to meet the same standards as trunk and international operations. This leads to a high quality operation with enviable records of safety and reliability. Third level operations are conducted and monitored to ensure that standards commensurate with the type of aircraft and operation involved are met.

The Commonwealth has operational responsibilities in the area of air traffic control and the installation and maintenance of navigation and other aids throughout the network, and these are discharged through AirServices Australia.

The Commonwealth has not provided much in the way of assistance, either financial or technology transfer, to encourage regional air services. There are, of course, some subsidies to assist the maintenance of air links to remote communities. Generally, however, the Commonwealth role in any proposal to commence regional air services, and particularly third level services, is exclusively related to attainment of standards and review of documentation.

Assistance was provided to regional airlines under the Regional Route Recovery Scheme following the grounding of Ansett, but there are other situations such as drought and other specifically rural events which have the potential to place regional air services under pressure do not attract assistance.

With the withdrawal of the Commonwealth from ownership of regional airports, the full cost of maintenance and infrastructure development must be borne by local communities and funded from municipal resources. As a result of this withdrawal, a valuable interface with rural communities was lost, and dealings with the Commonwealth by regional airports is largely limited to sporadic inspection visits by Commonwealth officers.

There is scope for a greater Commonwealth involvement in regional aviation and airports, particularly in the areas of providing a clearing house for information, a reference point for definitive advice, and a source of assistance for the establishment and maintenance of regional, particularly third level, services.

There is a further and important role for the Commonwealth in the monitoring of fare levels under the provision of the Trade Practices Act.

Given that there will be at most two large carriers providing most regional services, and the traditional low number of fare types available to regional travellers, there needs to be a high level of surveillance over airline cost and fare structures to ensure that regional passengers are not disadvantaged when compared with their city contemporaries.

New South Wales quite rightly regards the interstate aviation issues as the province of the Commonwealth. It does, however, regulate intra state passenger and charter operations to try to preserve the viability of services to outback communities through licensing arrangements which give some route protection to emerging services.

Licenses are issued for three year periods after open competitive applications are sought for each route and local Councils, Chambers of Commerce, and other stakeholders may be consulted prior a licence being issued.

New South Wales is the only State to issue intrastate licenses over specific routes. The system has a number of advantages, and its continuation is supported.

Funds from Commonwealth and State regional development votes are more directed towards the provision and enhancement of road and rail infrastructure. There do not seem to be any current projects to develop or enhance regional aviation infrastructure, even though it is freely acknowledged that the availability of a convenient and adequate air service is a key determinant for the siting of significant professional or manufacturing facilities in regional areas.

Whilst aviation infrastructure projects which can be supported on economic or social grounds may not be as numerous as those from the road or rail sector, there should be mechanisms in place where these projects can compete on their merits. This is increasingly important now that most regional airports are owned and operated by local government.

As indicated earlier, the City of Albury owns and operates the Albury Airport – a significant commercial enterprise of the City and an important portal for the economic and social development of the region. In thus context, the region is not only the communities in the municipal districts of Albury and Wodonga, but also extends as far as north east Victoria and the tourism destinations along the Murray River.

There is a significant Defence presence in Albury Wodonga and Albury Airport is of strategic significance in the support of the rapid deployment of men and material.



A master plan has been developed for future expansion of the Airport and its associated facilities and a number of strategies are currently being pursued including facilitating the introduction of feeder regional passenger services and increased opportunities for tourism traffic as discussed elsewhere in this submission.

Council is mindful of the dual responsibility of setting airport charges at a level which will work to enhance and increase these wider regional opportunities, whilst at the same time providing ratepayers of the City of Albury with cost effective aerodrome services.

The City of Albury has developed an Airport Estate immediately adjacent to the Airport and has been successful in pursuing transport/aviation and other industries to the estate as part of its vision in creating a regional integrated transport hub including road, rail and aviation industries.

It provides a valuable reservoir of land on which further commercial aviation enterprises can be developed in an expanding regional location.

A number of strategies and policies have been successful in attracting new industry investment in the region. This includes the provision of incentive packages, technical support, project management, maintenance and other services.

The City of Albury believes that the initiatives that have been introduced will deliver significantly enhanced employment opportunities for the City and surrounding region and this in turn will value add to the providers of regional air services to Albury.

#### **Reference 6 – The Role of the Major Air Transport Carriers in providing Regional Services**

At the time of writing, Qantaslink and Regional Express provide regional airline services at Albury. The decision whether or not to service a particular route or network is one for the operator based on commercial and economic factors. Given the large capital and operational costs (and the reported slim returns) inherent in operating regional services, the commercial advantages of oncarriage and interlining will sometimes in the short term prop up an unprofitable service, but this will be highly dependent on external alliances with domestic and international carriers.

There does not seem to be any place for Government in these arrangements, save for direct subsidies to individual routes in remote areas and for special intervention funds for events such as the collapse of Ansett or other regional or rural disasters.

Larger regional airlines have in the past gradually absorbed most of the independent operators providing them with economies of scale not available to the industry in its disaggregated form. They in turn became subsidiaries of the major trunk operators producing further efficiencies allowing the development and continuation of a wider range of services.

The continuing search for efficiency could in the future involve forming alliances with owner/operators of feeder services giving them access to reservation systems, oncarriage and marketing arrangements. It is in their collective commercial interests to foster these arrangements.

Through activities such as these, Regional airlines have a role in providing appropriately priced fares throughout their network. The range of fares is much smaller than on trunk routes, and in general regional travel from ports like Albury is price sensitive given that other modes of transport are available.

Responsiveness to the needs of the travelling public is crucial. The regional commercial air transport services have a role in facilitating the growth of regional Australia through the provision of effective, convenient and efficient air transport services to that large part of the population who live or who have business interests outside of the capital cities.