

Secretary: *J. L. Moore*

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HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
TRANSPORT AND  
REGIONAL SERVICES

SUBMISSION NO. 43

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The Hon P Neville MP  
Chair  
House Transport & Regional Services Committee  
Parliament House  
CANBERRA ACT 2600

Dear Mr Neville

I have attached a submission to your Committee for your inquiry into regional aviation services.

My submission is as a private individual. My background in aviation includes 37 years as a pilot with Qantas Airways and past President of the Australian Federation of Air Pilots.

Yours sincerely



D G SHRUBB

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Encl.

# Standing committee on transport and regional services.

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

SUBMISSION from Captain David Shrubbs

### OVERVIEW

1. The U.S.A. and Australia have both shown in the cruelest manner that the operation of moderate sized regional aircraft from small population centres to major airports is precarious economics.

1.1 Many small regional airlines have tried - and almost all have failed. Yet there is a social and political need for those citizens to be able to use aviation's convenience - it could be argued that rural communities have a greater need than most.

1.2 The moderate sized aircraft used by these regional carriers are relatively expensive, require two (2) pilots, have to meet costly regulatory requirements and so have a high per seat mile cost. They need to operate with high load factors - full or almost full on all flights.

1.3 A small population can render it almost impossible to operate constantly at the required high load factors.

1.4 Small populations like Cowra, Young, Gunnedah and Inverell have a real problem in providing enough traffic to pay for the long flight direct to Sydney.

1.4 With the high fixed costs associated with the industry, one long flight with a small number or perhaps no passengers will seriously erode profitability.

### ALTERNATIVE

2. But if a smaller aircraft - a 4 to 6 seater, requiring only one (1) pilot and slightly lower fixed costs - is used to fly from say Cowra and Young to Canberra and from Gunnedah and Inverell to Tamworth, then first of all the number of seats is more suited to the town's population, and secondly, if the occasional flight is empty, the loss on the short flight is not catastrophic.

## CONSIDERATION

3. All the towns used as examples in N.S.W have quality aerodromes and under utilized facilities. How can we provide a service from those "spokes" to a "hub" - Canberra and Tamworth in this example - with the passengers transferring into a bigger, efficient aircraft for the longer flight to the major city airport?

3.1 The economics are well understood by the major carriers - Qantas Airlink, Sunstate, Eastern - and they can remain profitable as the cities they service - hubs - have the required population.

## FARE LEVELS

4. How can we keep the airfare on the small feeder aircraft at a figure that gives the operator a profit but keeps the cost to the passengers at a figure which together with the fare on the bigger regional aircraft from the hub to the city combines to a total cost for the complete journey that is acceptable.

4.1 It seems that the only solution is some form of subsidy. Government's are understandably reluctant to subsidize. The problem with subsidies are many. Obvious ones are the philosophical principle - why should some tax payers help pay for a few. Then there is the administration of any type of subsidy. In this case there is the effect on other forms of transport - local bus and taxi operators.

4.2 The metropolitan train and bus service in Sydney is very heavily subsidized by taxpayers - many of whom are country people who don't use city bus or rail. Taxi operators would gain from the traffic to their local airport which they only have if there is some form of air service. I am not aware of how many bus operators would be affected.

4.3 The Federal Government recently announced assistance to aircraft under 15 tonnes with an exemption from Airservices charges for Air Traffic Control. So there are some precedents for subsidy or industry support.

4.4 Ultimately, whether subsidy is or is not provided this "hub" and "spoke" concept using smaller aircraft from the smaller towns will remain as the most effective method of providing air transport for smaller rural towns.

## SOME FORMS OF SUBSIDY

5. Additional forms of financial assistance could be :-

5.1 Direct reimbursement of either a set amount or an amount that varied with the length of the flight for each passenger on an " approved" service when they hold a ticket that connects and continues with a city flight from a hub. This has the additional advantage of limiting flights into city airports, reducing the number of small aircraft operations into airports better suited to handling big aircraft.

5.2 Provision of a taxation rebate for each passenger fare on feeder flights where the ticket connects and continues with a city flight. This gets away from the political problem of direct subsidy.

5.3 Direct reimbursement to the aircraft operator on a per passenger basis when the ticket stub complies with the requirement to connect and continue with a city flight.

5.4 Direct reimbursement to the travel agent on the same basis.

5.6 The regional airline could reimburse the passenger when processing the ticket proving the connecting flight to the city airport was completed.

5.7 Subsidize the purchase of aircraft used for this feeder service.

5.8 Subsidize the operating cost per hour when the aircraft is used for feeder service.

5. If the administration could be kept as simple and as effective as Medicare - where the recipient gets a quick, simple, form free refund - we'd be on a winner!

## DOWNSIDE

6. There are some disadvantages with this suggestion:-

6.1 Passengers having to sit in a less comfortable aircraft,

6.2 Passengers have to change aircraft. But delays and lengthy transit times can be minimized using to-day's communication and information technology. It is a simple

procedure to-day to know accurate arrival times expected passenger numbers and so on.

6.3 Keeping other transport alternatives - bus and taxi - satisfied.

### POSITIVES

7. The advantages are considerable:-

7.1 Less flights into Sydney and other major airports relieving capacity constraints on infrastructure that is very expensive to duplicate e. g. a second Sydney airport,

7.2 Less airport noise as a result of 7.1.

7.3 Effective use of the valuable airports at small towns.

7.4 Some increased employment in the smaller towns,

7.5 More efficient utilization of the hub airports,

7.6 Efficient use of the aircraft operating from hubs to city airports - more certainty of profit or perhaps slightly lower fares.

7.7 Country people have air travel as an option where otherwise they have only road or rail.

Captain David Shrubb.

ATTACHMENT - diagrammatic map of NSW with some possible routes marked for demonstration.

COSTING DETAILS - I regret that I don't have the detailed figures to cost this submission.

(1) How many passengers flew to (for this example) Sydney from each town when they did have an air service - that is how many people are likely to be affected on each feeder route.

(2) What are the operating costs per hour or per mile for the applicable feeder aircraft.

Without these and some other statistics/data it is not possible to formulate an estimate of the likely cost of this proposal. I trust that the Department could find appropriate actuarial personnel to calculate the expected costs if the Committee decides to explore this suggestion.

