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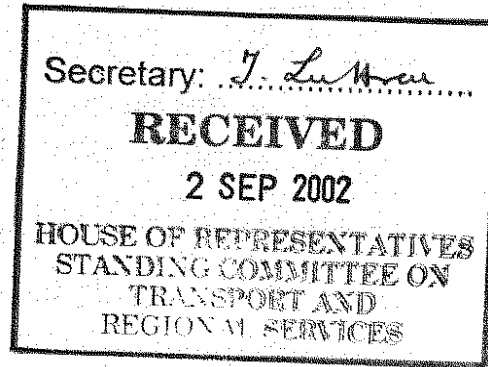
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If telephoning ask for:
Mr Michael Dubois
Technical Services Department

Please address all correspondence
to the General Manager

2 September 2002

Mr Ian Dundas
Committee Secretary
House of Representatives
Standing Committee on Transport
and Regional Services
Parliament House
CANBERRA ACT 2600



Dear Mr Dundas

Re: Submission to House of Representative Standing Committee on Transport and Regional Services

Please find attached Council's Submission to the Inquiry into Commercial Regional Aviation Services in Australia and Transport Links to Major Populated Islands.

Should you require any additional information please contact the undersigned on [02] 6760 7611.

Yours faithfully

Michael Dubois
Business Development Manager

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**TAMWORTH CITY COUNCIL
SUBMISSION TO
HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
TRANSPORT AND REGIONAL SERVICES**

Introduction

Tamworth City Airport is the major regional airport in the North West New South Wales which is a centre of commerce, industry, transport, education and health services.

At present there is a total of six [6] RPT return services a day between the capital cities of Sydney and Brisbane. Feeder services are provided to and from Glen Innes and Inverell twice daily to meet these regional services.

The airport provides excellent support for industries based at the facility including the BAe System Flight Training Academy and Eastern Australian Airlines which undertake the heavy maintenance activities on the QantasLink Dash 8 fleet.

Background

For many years aviation in Australia was regulated by the Federal and State Governments. On a national basis there was the two airline policy which resulted in the growth of Ansett and Trans Australia Airlines [TAA] which eventually became Australian Airlines and then part of the Qantas group.

On a State level, East West Airlines, which had its main maintenance base and Head Office in Tamworth, Airlines of NSW and Hazelton Airlines were the predominate players in Regional services. A larger number of routes within NSW were subsidised by the New South Wales Government in order that regional communities received a viable and regular service to the State's capital city of Sydney.

Following the takeover and eventual demise of East West Airline by the Ansett Group and the elimination of subsidies on Regional routes the NSW Air Transport Council introduced managed competition on major regional routes while lesser routes were regulated to a single carrier. All routes were reviewed by the Air Transport Council every four years.

~Tamworth ~NSW~ Australian Country Music~

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Regional routes which had passenger numbers in excess of 100,000 passengers fared well under this system. Routes with passengers between 60,000 to 100,000 struggled with the two airline competition as most routes fell into a 1½ airline route system.

Tamworth suffered under this system and the City saw a number of airlines come and go ie Tamair, Norfolk Island Express, Southern Pacific Airlines, Ansett Express and Impulse Airlines. All of these companies with their demise owed considered debts to Council in unpaid Airport Operating Fees and rental payments.

The Air Transport Council eventually introduced total deregulation on all routes within the States which had passenger numbers exceeding 20,000 per annum.

Tamworth Airport initially incurred additional costs in modifying its terminal building to accommodate additional airlines on the route between Tamworth and Sydney. The Airport eventually achieved stability and growth on the route when Hazelton Airlines became the second operator with Qantas Link and combined their Tamworth route with Armidale.

Unfortunately this stability was short lived with Hazelton being affected with the collapse of its parent company Ansett and the amended scheduling system put in place by the administrators did not service the Tamworth business market.

Terms of Reference

- **Adequacy of Commercial Air Services in Regional and Rural Australia**

The answer to this question will vary depending on the airport. Airports with more than 100,000 passengers per annum will respond with adequate services. Any rural town will no doubt complain that they have no viable aerservices at all. The Tamworth-Sydney route has been left with one operator [QantasLink] who is unable to service the market in terms of providing adequate capacity to service the early morning and late evening flights. The uncertainty in capacity and unavailability of seats at short notice is affecting the passenger numbers [down 20%] on this route.

However, in fairness to Qantas it is difficult to invest in larger equipment when there is uncertainty in the market as to whether another airline will enter as a competitor.

What the aviation industry needs is some stability to allow markets to grow. This could be achieved by issuing a licence for a particular route for a period of ten [10] years. This licence would need to stipulate the type of aircraft that should be used [ie 50/36 seater aircraft] and the frequency of service. Should passenger numbers increase significantly then additional services or larger aircraft would need to be introduced. A ten [10] year period would allow an airline to invest in equipment and achieve a capital return. Any lesser period would not be practical in terms of recovering the cost of the investment. These licences could either be covered under State Government jurisdiction or negotiated directly with the owner airport or Local Government Authority.

- **Policy and measures required to assist in the development of Regional Air Services**

- **Regional Hub Services**

The question of hub and spoke operations has always been met with resistance from local communities. The system of hub and spoke operations has however worked well out of some regional centres such as Dubbo.

Recently it has been introduced between Glen Innes/Inverell and Tamworth and while these communities are now receptive to a hub and spoke arrangement the current scheduling does not permit them to travel to Sydney and conduct their business within a reasonable period of time. With the present scheduling these communities are either faced with a drive to Tamworth or Armidale to catch the early morning departure from these regional centres or late evening departures from Sydney or have a two night stay in Sydney. For hub and spoke operations to be effective they must service the early morning flights from Regional Centre and late evening flights from capital cities.

In any hub and spoke operation the spoke legs always incur the most cost and therefore Governments need to consider a form of subsidy to keep costs at a realistic level and make the fares and operations viable. Hub and spoke operations can have a number of benefits in that it can relieve the pressure on slots at capital city airports [ie Sydney] and also allow the equipment on hub legs to be utilized to its maximum capacity.

- **Small Scale Owner/Operator Services**

Clearly there is a need for these types of owners and aircraft if hub and spoke operations are to be encouraged. As such there needs to be incentives in taxation to allow these operators to upgrade their equipment to meet the relevant safety standards determined by the Civil Aviation Safety Authority. New aircraft would also gain a greater customer acceptance in the use of these aircraft for regular public transport routes.

- **The Development Of Most Suitable Aircraft Types**

The answers to this question is best left to aircraft operators rather than airport operators. Clearly an operator must make a commercial judgement on the level of risk in terms of investment which they are prepared to accept.

- **Adequacy of Commercial Air Services to major populated islands and the adequacy of alternative sea services.**

Tamworth Airport has no comments to make in regard to this item.

- **Inter connectivity between regional air transport systems, major national air services and international services [including on carriage, through ticketing, freight handling, time tabling and airport slotting].**

The Tamworth-Sydney route is currently serviced by QantasLink as such the availability of ticketing onto major trunk routes and international services are available at our airport.

~Tamworth ~NSW~ Australian Country Music~

However regional services need to be aligned to a major carrier to achieve the benefits of "seamless travel".

- **The role of all three levels of Government in supporting and assisting the development of regional air services and island transport systems.**

Clearly deregulation on the Domestic and Intrastate routes has not worked and Federal and State Government intervention is now needed. What the aviation industry needs is some stability to allow the markets to grow. The continuous failure of airlines through the creation of unrealistic markets and fares cause this instability and result in substantial financial hardship for regional and rural communities. As a result of the Ansett collapse these communities have lost over \$12 million as unsecured creditors and they have been advised by the Administrators that these funds will not be recoverable. Simply the communities go through "all the pain for no gain".

It is time that a National Aviation Policy was developed with the Commonwealth Government to initiate this process. The role of the State and Local Government should be complementary to the Commonwealth Government initiatives. This may result in some subsidies being given to assist third level operators on marginal routes or those which are providing feeder services into major regional routes.

- **The role of major air transport carriers in providing regional services**

Council has no comments on this item however would be interested in whether the major airlines believe they have a social obligation to support or assist third level operators.

Should the Committee wish to meet with Council it would be more than happy to expand on the issues raised in this submission.