



**SUBMISSION TO
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***

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

Introduction

Rockhampton City Council, as owner operator of Rockhampton Airport and in recognising its geographic location in relation to Central Queensland, has continued in its endeavours to provide air transport facilities, which are not only compatible with user's expectations, but also capable of encouraging greater use.

Recent expansion works at Rockhampton Airport have now provided this airport with the capability of facilitating all aircraft up to and including the latest wide bodied variants.

If the potential of the region is to be realised for the benefit of all, Rockhampton requires the services of a stable and growing airline industry.

Increased use of Rockhampton Airport, resulting from the ability of individuals and organisations to use aircraft as a means to economically access the resources and facilities offered by Central Queensland, will make a significant and ongoing contribution to Australia and the Australian economy.

As a member of the Australian Airports Association, Council has received advice recommending that airports should, when making a submission, focus on the issues and their impacts relative to the local community served by the responding airport member.

Accordingly, it is with respect that this submission is offered to the Standing Committee in order to highlight some of the aviation issues that Rockhampton City Council feels are worthy of consideration from a Regional Airport Operators perspective.

Background

Rockhampton Airport – Current Facilities and Operations

Airport Traffic

Domestic Operations

Present aircraft operations comprise:

- Regular public transport (RPT) flights south to Brisbane are provided by Qantas using BAe146 jet aircraft and a new airline, Alliance has recently commenced operations using F100 jet aircraft, whilst prop services are provided by Sunstate Airlines using Dash 8 aircraft. Services north to Mackay and beyond are provided by Sunstate using Dash 8 aircraft. The number of RPT jet services average 11 per day, while the RPT prop and commuter services average 8 per day.

In addition Qantas operates 5 B717 direct Sydney-Rockhampton services each week.

- General aviation operations include charter flights by Rockhampton Aero Club, Horizon Airways and various external charter organisations.
- Rockhampton Airport serves as a base for, Queensland Aerial Ambulance, Royal Flying Doctor Service and the Capricorn Rescue Helicopter Service.

Defence Force Operations

Defence force operations are associated with exercises in the Shoalwater Bay Training area. These exercises are held up to three times a year and usually range between three to six weeks, although mobilisation and withdrawal from the airport extends the period of aircraft activity. The aircraft used include C5 Galaxy, C17 Globemaster, C130 Hercules aircraft and F/A-18, A4 and PC9 fighters. Blackhawk, Chinook, Super Puma and Iroquois helicopters are also based at the airport during these exercise periods.

International Operations

To date international airline operations have been predominantly for the transport of troops between Singapore and Rockhampton. However, direct Japan/Rockhampton flights are carried out by Qantas on an annual basis approximately twice a year.

The above flights have been carried out using B747, B767, B777, A310 and A340 aircraft.

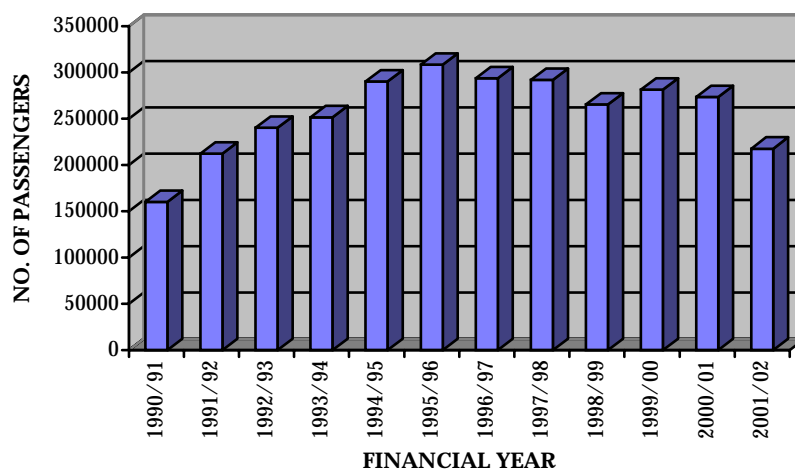
Existing Passenger Trend

Annual passenger numbers peaked at 309,685 in July 1996, however have decreased at an annual average rate of approximately 9.19%. *Refer Statistical Profile.*

The situation in the last year has been made more difficult following the demise of Ansett. Rockhampton's available seat capacity was reduced by 40% overnight and passenger numbers declined by 29%.

The situation has improved slightly, with total passengers for the 12 month period ending 31 July 2002 showing a decline of 21% over the 12 month period ending 31 July 2001.

**PASSENGER MOVEMENTS
1990/91 TO 2001/02**



Terms of Reference

The Adequacy of Commercial Air Services in Regional and Rural Australia

When announcing the decision to deregulate domestic aviation in 1987, the then Minister for Transport and Communications, Senator Gareth Evans, set out the Government's objectives, which included amongst other things, widening the range of fares and types of service through increased competition in domestic aviation markets.

Statements have been made by Governments over time that deregulation has provided:

- Significant reductions in fares across the domestic trunk route network, not confined to the major high-density routes;
- Improvements in flight frequency and non-stop services;
- Substantial increase in domestic airline capacity;
- An outlook for continuing vigorous competition within the domestic industry.

There have been many occasions over the last decade when some or all of the above deregulation benefits have been evident on the major routes connecting capital city airports. Similar benefits that have flowed to Rockhampton as a regional airport have been marginal and on most occasions short lived.

In support of this statement, reference can be made to the catastrophic effect felt by regional and rural airports as a result of the continuing demise of new airlines and in more recent times of one of Australia's major airlines. Rockhampton Airport, as an unsecured creditor, had a direct loss resulting from the Ansett collapse of \$265,000. At the same time available seat capacity at Rockhampton fell by 40%.

Recent happenings within the industry would therefore suggest that competition alone will not necessarily provide adequacy of commercial air services in regional and rural Australia. On the contrary, competition may, over time, reduce the adequacy of service, or in some cases eliminate the service altogether.

It has been our experience at Rockhampton Airport that commercial reality does not allow airlines to provide a long term commitment to service regional and rural communities to the extent that adequacy of service remains stable, let alone provide for increased capacity to encourage growth.

The demise of Ansett has reinforced the need for two airlines to service the major regional routes. During the last 12 months the inability to secure reasonable economy and/or discount fares out of Rockhampton increased dramatically when the second airline ceased operating.

Conclusion

In order to provide adequacy of air services in regional and rural Australia, Government regulation and/or subsidisation may be required for various services in order that they remain commercially viable while charging community acceptable fares.

Policies and Measurers Required to Assist in the Development of Regional Air Services, Including:

Regional Hub Services

During the 1980's Rockhampton Airport operated as a regional hub for commuter services linking Moranbah, Dysart and Middlemount with the trunk line service between Rockhampton and Brisbane. Although now discontinued, the service operated by Piccolo Aviation, was at the time, of great benefit to the region and its communities.

Council believes the idea of hubbing to major regional centres should be re-examined and expanded to allow small commuter planes to bring passengers from communities such as Emerald, Blackwater, Clermont and Biloela as well as Moranbah, Dysart and Middlemount to join flights flying from Rockhampton to Brisbane in the early morning and returning from Rockhampton late in the afternoon.

It is apparent there's likely to be a major increase in coal mining in the southern Bowen Basin with new mines planned for Rolleston, Theodore and Monto and a major upgrade of the coal mining facilities outside Moura.

These developments may well mean there is a good chance of developing new feeder services between these towns and Rockhampton. The use of regional services to aggregate passengers from smaller centres and then deliver them into the major trunk routes makes a great deal of sense.

Such a strategy may prove more cost effective than flying larger, subsidised planes directly from Brisbane to those smaller centres.

There is also a need to provide air services from Rockhampton, as the major Central Queensland service centre, to Longreach and Central Western Queensland. For many years Rockhampton has been one of the major providers of goods and services to Central Queensland and an air service to a natural major service centre in Rockhampton makes more sense than using subsidised services to connect Longreach with Townsville.

Small Scale Owner-Operator Services

The flights linking Rockhampton with Longreach, Barcaldine, Emerald, Blackwater, Clermont, Moranbah, Dysart, Middlemount, Moura and Biloela are of such a size that they would be ideally operated by small scale owner-operator services.

They would be in a position to provide well timed services for comparatively small numbers of passengers.

As stated under the previous heading *Regional Hub Services*, Rockhampton has during various periods, operated as a hub to airline services provided by a small scale owner-operator.

The small scale owner-operator has traditionally provided a service that has long been recognised within rural communities as a valued asset.

To meet the demands and expectations of rural/small communities and to fulfil their statutory responsibility in terms of the aviation regulators, exposes the small scale owner-operator to at best marginal returns on investment.

From a cost benefit approach, particularly in relation to encouraging the use of the safest form of public transport, it is felt that every effort should be made by Governments to ensure the viability of small scale owner-operators. Such support will lead to the much needed continuation of air services between remote/rural Australia and the regional and major city airports.

This support may also lead to the development of upgraded maintenance and training capabilities at regional airports such as Rockhampton.

The Development of Most Suitable Aircraft Types

The issue of ageing aircraft being used in rural and regional RPT services is obviously the result of small operators not being in a position to afford an upgrade to the new generation of small aircraft types.

Conclusion

Governments need to work together in support of the Aviation Industry to ensure that regional Australia has airline services that at least meet community expectations.

Interconnectivity Between Regional Air Transport Systems, Major National Air Services and International Services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting)

Rockhampton, as a major east coast regional airport, does not experience problems with regard to interconnectivity between major national and international services.

However, seamless travel for rural and regional airline passengers depending on the port of origin, can be a complex issue and one which can only be improved by industry recognition that computer reservation systems (CRS) are essential in providing consumer confidence with regard to arriving at their ultimate destination. Major carriers hosting access for all regional RPT airlines, irrespective of size and ownership, to a CRS is considered to be a critical aspect of interconnectivity between regional air transport systems and major national air services.

The Role of all Three Levels of Government in Supporting and Assisting the Development of Regional Air Services and Island Transport Systems.

The Federal Government's offer to transfer ownership of regional/remote airports in the early 1990's, in reality, left Local Government with no alternative other than to accept the offer or see the airport facility close down.

In hindsight, the financial support offered by the Government has proven in most areas to be insufficient to support the maintenance of the airport facility let alone fund future upgrade programs.

Airports require provision for large amounts of capital expenditure at staged periods throughout the airport's life. In the operation of regional airports, owned by local governments, the focus has not been on commercial returns, but rather in providing an integral and in most instances, essential community service.

Rural airports and a considerable number of regional airports do not have access to revenue generating streams capable of covering operating costs.

It is considered that ongoing Government assistance will be required to ensure that these airports remain in a safe operating condition in order to fulfil vital community service obligations.

In the case of Rockhampton Airport, the Coopers & Lybrand *Rockhampton Airport Upgrade Feasibility Study April 1998* indicated that for Rockhampton Airport to remain viable it would need to increase airport charges.

Of concern is the current trend where regional Airport Operators, who are under local community pressure are, in an effort to obtain airline capacity at their airports, surrendering to the pressure of airlines requesting greatly reduced airport charges. On the surface it would appear that on numerous occasions savings in airport charges are then used by the airlines to subsidise non-sustainable discount fares, often in a vein effort to improve market share in a deregulated market.

The same can be said with regard to Government subsidies being used by Airlines to offer discount fares. Rockhampton has recently been through a period where intending airline passengers were driving to a neighbouring port in order to obtain discounted fares offered by an airline receiving Government assistance.

Considering that as a result of the Ansett collapse, regional airports are owed just over \$12 million as 'unsecured creditors', it could be said that the discount fares offered by Ansett in the lead up to their collapse were funded, in part, by regional airports.

The demise of Ansett highlights the fact that deregulation can result, at the expense of regional Australia, in industry monies being filtered away on lucrative routes in the interest of market share.

Conclusion

There is need for all three (3) levels of Government to coordinate, in consultation with the Aviation Industry, the development of a strategy which can guide funding decisions for regional Australia in relation to Airport's, Airline services and between transport modes.

The Role of Major Air Transport Carriers in Providing Regional Services.

Notwithstanding the much appreciated contribution made by Qantas in regional Australia immediately following the Ansett collapse, it is obvious that over time the major air transport carriers, in particular the new entrants, have had scant regard for the servicing of regional routes unless it can operate as an economical integral part of their trunk services.

Since deregulation of the Aviation Industry in 1987, the major airlines have displayed little, if any, interest in recognising social service obligations in support of aviation other than on lucrative routes.

New entrants who operate jet aircraft inevitably plunder the lucrative routes and offer very little in the way of air services to regional Australia. In fact the competition and low fares they bring on the lucrative routes often leads to a further decline in the number of airline passengers visiting regional areas.

The location specific charging regime used by Airservices Australia does little to encourage major air transport carriers to engage in the provision of regional airline services between Rockhampton and the major capital city airports. Rockhampton Airport is provided Control Tower and Aviation Rescue and Fire Fighting Services by Airservices Australia at a cost to the airlines, calculated on each tonne of the maximum take-off weight (MTOW) of the aircraft with any part of a tonne charged on a pro-rata basis, of \$7.42 terminal navigation charge ie Tower and \$9.59 Aviation Rescue and Fire Fighting. By comparison the charges for the same services at Sydney are \$4.82 and \$0.69 respectively. In short the cost of Airservices Australia services when operating into a regional airport such as Rockhampton are over 200% higher than that for a higher category service in Sydney.

This type of charging regime does nothing to encourage airline services into regional airports. This is made evident by the airlines who are continually suggesting that these services be curtailed at regional airports. It is vital to Rockhampton and its region, that Rockhampton Airport retains the services of both the Control Tower and Aviation Rescue and Fire Fighting in order to protect international charter operations.

In recognising aviation safety and further considering the fact that it is the same aircraft with the same number of passengers when linking two (2) airports, irrespective of size or category, it would seem reasonable to suggest that prices for these services should revert to a network based charge.

Such a charging regime would assist in reducing the imbalance that exists in the route network, in that regional airports have higher costs resulting from providing services in low population centres.

Conclusion

As with other infrastructure, such as telecommunications, the Federal and State Governments could consider developing a universal service obligation to ensure regional and rural Australia are not disadvantaged in comparison to urban Australia.