Honourable Steve Bredhauer MP
Member for Cook

Queensland Government

Minister for Transport
Minister for Main Roads

1 8 SEP 2002

Mr Paul Neville MP
Committee Chair
House of Representatives Standing
Committee on Transport and Regional Services
Parliament House
Canberra ACT 2600

Dear Mr Neville

Thank you for your letter of 27 June 2002 to the Premier inviting a submission from the Queensland government for the House of Representatives Standing Committee on Transport and Regional Services Inquiry into Commercial Regional Aviation Services in Australia. The Premier has asked that I respond to you on his behalf.

It was decided that the Queensland government Aviation Steering Committee would coordinate the submission. Queensland Transport was the lead agency in the preparation of the submission.

Queensland Transport consulted with officers from the Departments of State Development, Queensland Health, Tourism, Racing and Fair Trading, Primary Industries, Aboriginal and Torres Strait Islander Policy, Local Government and Planning, Families and Tourism Queensland.

Enclosed for your attention are two copies of the final submission.

Should you require any further information on the submission please contact Mr Allan Parsons, Acting Executive Director (Public Transport) on (07) 3253 4011.

Yours sincerely

Steve Bredhauer
Minister for Transport
and Minister for Main Roads
Member for Cook

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QUEENSLAND GOVERNMENT
AVIATION STEERING COMMITTEE

Submission on

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

August 2002

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

TERMS OF REFERENCE

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

The House of Representatives Standing Committee on Transport and Regional Services is to inquire into:

- The adequacy of commercial air services in regional and rural Australia.

- Policies and measures required to assist in the development of regional air services, including:
  - ➤ Regional hub services;
  - ➤ Small scale owner-operator services; and
  - ➤ The deployment of most suitable aircraft types.

- The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services.

- Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting).

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

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

Executive Summary

The following submission from the Queensland Government has been prepared in consultation with the Departments of State Development, Queensland Transport, Queensland Health, Tourism, Racing and Fair Trading, Primary Industries, Aboriginal and Torres Strait Islander Policy, Premier and Cabinet, Local Government and Planning, Families and Tourism Queensland. Major points outlined within each of the inquiry Terms of Reference are outlined below.

The adequacy of air services in regional and rural Australia is determined by the airline industry, based on their need to operate profitably. There are regular air services provided to 97.5% of Queenslands regional and rural population. Queensland Government's regulated air service regime enables adequate air services to be delivered to remote areas of Queensland.

The Queensland Government has policies to assist the development of air services. The Aviation Steering Committee co-ordinates the Queensland Aviation Strategy (QAS) that includes measures to regulate air services, under the *Transport Operations (Passenger Transport) Act 1994* (TOPTA). Minimum service levels legislated under TOPTA ensures the deployment of the most suitable aircraft types within the regulated regime. The Queensland Government is investigating the potential for hub services across regional Queensland. For the regulated air services, the public tender process used allows for offers to be received from any operator able to meet the minimum service levels for a declared route, including small-scale and / or owner-operators. However, there are potential costs and consequences associated with an airline securing a government regulated air service contract for the first time.

There are air and sea transport options available between the major populated islands of the Torres Strait. These island communities have access to other islands and the mainland via air and sea transport options from Thursday Island to either Cairns or Bamaga.

To operate in a manner most advantageous to the public interest, the Queensland Government ensures the regulated air service regime maintains interconnectivity with major national and international air services, particularly with regard to timetable scheduling to allow for convenient on-carriage, through-ticketing, and service frequency.

There is an urgent need for the Commonwealth to better co-ordinate and develop a national aviation strategy that assists the development of the aviation industry in regional areas. Through the Queensland Aviation Strategy, the State Government's role has been clearly enunciated. There are opportunities for Local governments to increase their role in securing regional air services through partnership development with airlines, their communities and possibly the State and Federal government.

Due to the difficulties experienced by the aviation sector post-September 2001, the role of major Australia air transport carriers in providing regional services appears limited to the extent that only commercial business drivers deterimine the introduction or cancellation of any additional services. This need to ensure profitability does not allow for the major carriers to consider a social benefit to providing regional Australia with essential air services.

- *A "commercial air service" includes all airline regular passenger transport (RPT) services including regulated sectors as well as air services provided by general aviation charter operators.*
- *"Regional and rural Australia" is defined as all areas outside of a State capital city.*

1.0 The adequacy of commercial air services in regional and rural Australia

There are a number of factors that need to be considered when making an assessment on the adequacy of regional air services in Australia. The most critical factor is the dependency on air services. A regions dependency on air services is usually economically or socially driven.

Regional destinations in Queensland vary widely in their dependency on air travel. Destinations that have no comparable alternative transport options or are isolated or some distance from major population areas are more highly dependent on air transport than destinations with good, year-round road access. For example:

- The Gold Coast and Sunshine Coast regions have large population catchment areas and receive dedicated high density jet operations from southern markets as well as international and domestic passenger feed from Brisbane airport, which essentially acts as a strategic aviation gateway to south east Queensland. These destinations have a lesser dependency on the air travel market since road transportation still provides the highest number of visitors.

- Cairns is the international gateway for north Queensland's tourism industry. However, it has recently suffered losses in air capacity from Singapore, Indonesia and Malaysia due to the destination's dependency on the economics of leisure-related travel. Domestically, seat capacity is being rapidly reinstated due to the need to cater for international passenger feed from Sydney and Brisbane as well as domestic market demand.

- Other destinations such as Mackay, Rockhampton and Townsville have smaller population catchment areas but act as significant regional centres servicing a range of surrounding communities and industries, including mining, agriculture and horticulture. This creates opportunities for Qantas and Virgin Blue to capture and service a high yielding corporate air travel market, that would provide good revenue performance and complements a relatively small leisure traffic base.

- In contrast, the Whitsunday Islands are critically dependent on the leisure air travel market to service its rapidly developing tourism-related accommodation and infrastructure. The area has the added complexities of not being within a short drive distance from an international gateway, low population critical mass, low proportion of drive market travellers and little to no high yielding air travel patronage. Whilst airline capacity to this area has recovered to almost pre Ansett demise[1] levels, lack of revenue and yield performance for airlines will always create significant challenges when seeking additional capacity to this destination.

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[1] Ansett Australia was placed in the hands of receivers 13 September 2001.

At present within regional and rural Queensland, air services are provided by a number of airlines and general aviation charter companies. These services are categorised into the following three main air service sectors: commercial, regulated, and chartered air services. The Queensland Government regulated air service regime extends across some of the most remote (and air transport dependent) locations within the State. Without this regulated network, commercial air services would not be able to deliver an essential level of service to these remote areas of Queensland. Further details of this policy initiative are included later within this submission.

Appendix 1 lists all known destinations in regional and rural Queensland that receive commercial or regulated passenger air services. All other towns / localities within Queensland are serviced only by chartered air services and / or bus and sea services. The Appendix shows there are air services provided to 49 of the 125 local government areas within Queensland, covering 97.5% of Queenslands regional and rural population[2].

1.1 Factors influencing the adequacy of commercial air services

This section only refers to the adequacy of 'commercial' air services.

The scale, scope and adequacy of commercial air services to regional Australia are determined by what the airline industry perceive to be of critical importance, namely the:
- ability to operate air services in a profitable and commercially sustainable manner;
- willingness of the regional airports and/or the local communities to "incentivise" or commit to working with the airlines in a true strategic alliance or partnering sense, from both a cost and revenue perspective; and
- willingness of the Commonwealth, State and Local Government authorities to proactively develop a sensible aviation policy framework that actively encourages the further development of air services to regional Australia.

Queensland experience suggests that airlines look for most, if not all of the following precursors prior to adding frequency or capacity to regional destinations:
- a large catchment area in terms of population;
- a traffic mix that has a generous proportion of high fare paying passengers (e.g. corporate market) as well as a leisure component which is frequently preferred as top up volume;
- minimum seasonality for travel patterns with little or no directional imbalance in passenger traffic flows; and
- the strategic importance of the destination in terms of providing regional domestic passenger feed to an airline's trunk route operations.

The large population centres enable the airline to fill capacity on a regular basis and generally permit a balanced traffic flow pattern for both inbound and outbound sectors with minimum seasonality effects. Traffic mix is critical since revenue maximisation and commercial return on assets deployed are dependent on the ready availability of a pool of high average fare paying passengers. The critical mass of high yield patronage appears to be the most critical driver of airline capacity to a destination. Many regional destinations in Australia do not fulfil the precursors listed above, and in today's volatile and turbulent

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[2] ABS defines the population for regional Queensland as "Queensland excluding the Brisbane and Moreton Statistical Divisions". The 2001 census figures estimate Queenslands regional resident population at 1,245,000 *(Source: DPI Website)*.

aviation climate, find it extremely difficult to grow or even maintain existing airline capacity[3].

1.1.1 Affordable Air Fares

The short term critical issue for coastal regional centres in Queensland is not so much the availability of seat capacity but rather the ready availability of more seats in the leisure fare classes, which in turn will impact positively on consumer desirability and affordability of Queensland destinations.

Tourism and related economic and social development objectives are crucially dependent upon the ready supply of affordable seats to all Queensland regional destinations. The quantum of affordable fares appear to depend upon several factors including:
- number of alternative transport providers to any destination, and associated competitor dynamics;
- the frequency and capacity of existing services, with the number of leisure fares and availability being generally proportional to the total number of seats operated to the destination; and
- the current and historical performance of the particular city pair route from a revenue and yield perspective for the airline concerned.

Anecdotal evidence from retail travel agents, tourism operators and various regional destinations indicate a continuing concern regarding the lack of availability of sufficient seats in leisure fare classes particularly to Mackay, Rockhampton, Whitsunday's (i.e. Hamilton Island and Proserpine Airports), Townsville, and Mt Isa.

Detailed comparative research needs to be undertaken to ascertain the relative availability of competitively priced airfares and seats prior to the Ansett collapse and the present availability of discount fares and seat capacity to more accurately quantify and identify the impact on regional Australia.

2.0 Policies and measures required to assist in the development of regional air services, including:
- **Regional hub services;**
- **Small scale owner-operator services; and**
- **The deployment of most suitable aircraft types.**

2.1 Queensland Government's Aviation Policies

The Queensland Government's role in the aviation sector is to:
- promote route development of regional, domestic and international commercial air services;
- support the growth of aviation tourism;
- ensure access to air services in rural and remote areas of Queensland;
- support the development of rural and remote airports;

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[3] An analysis of Queenslands regional domestic capacity (post Ansett collapse) is provided as Appendix 2 to this submission.

- influence regional and local planning for airports;
- attract and establish new aviation industry capabilities in Queensland;
- enhance the training and skills capability in aviation;
- achieve a high level of aviation exports and overseas business;
- purchase air travel arrangements for its employees; and
- operate aircraft in support of respective agency roles through Health, Emergency Services and the Queensland Police Service.

This role has been incorporated into an overarching Queensland Aviation Strategy (QAS). The QAS promotes a co-ordinated approach for the Queensland Government. It details the objectives and key actions of three plans, which address significant issues and opportunities for aviation in Queensland. These plans are detailed below.

The Queensland Government Aviation Steering Committee (previously the Airline Route Development Taskforce) has been established to co-ordinate the development and implementation of the QAS. The committee has representatives from the Departments of State Development, Transport, Tourism Racing and Fair Trading, Tourism Queensland, Premier and Cabinet, Public Works and Employment and Training.

2.1.1 Queensland Commercial and Tourism Aviation Plan

The Departments of Tourism, Racing and Fair Trading and State Development prepared this plan jointly. This plan is structured around five priority areas that will drive airline route development in the State: improved access, regulatory and strategic policy, research and analysis, partnership development and government leadership and co-ordination.

2.1.2 Queensland Aerospace Industry Development Plan

The Department of State Development led development of the Queensland Aerospace Industry Development Plan. This plan sets out the key objectives required to ensure the continued rapid expansion of the local aerospace industry and the establishment of Queensland as an important aviation hub for the Asia-Pacific region.

2.1.3 Queensland Airports and Regulated Air Transport Plan

Queensland Transport prepared this Plan. This plan addresses the delivery of air transport infrastructure and services to remote and regional communities in Queensland to ensure essential access to a range of business, educational, medical and social opportunities. It outlines policies for airport grants, the regulation and/or subsidisation of air services and development in the vicinity of certain airports.

Airport Infrastructure Funding

The Rural and Remote Airport Development Program was established in 1997 to assist local governments with the upgrading of their airports. Since that time over $12M has been provided in capital grants to support projects in rural and remote areas[4].

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[4] A breakdown of RRADP funding per local government area between 1996-2001 is included as Appendix 8.

Regulated Air Services

The provision of regulated air services ensure that identified transport-disadvantaged communities have year-round access to a range of essential business, educational, medical, government and cultural destinations. Air services are regulated under the *Transport Operations (Passenger Transport) Act 1994* ("TOPTA").

Regulation of air services in Queensland is achieved by means of public tender and the subsequent issue of exclusive air service contracts for previously declared routes. A subsidy is paid for certain routes where there is a shortfall between the cost of operating the air service at standards prescribed by Queensland Transport to meet the reasonable needs of the community and the revenue collected as fares on the respective service.

For the period 1987 to 2002 financial year, Queensland Transport provided in excess of $47M (Appendix 3[5]) for the operation of essential air services into remote and rural Queensland communities.

The subsidy currently attached to the essential air service regime in rural and remote Queensland is approximately $7M per annum (following the 2002 review of air services). Given this quantum of subsidy Queensland Transport obtains government endorsement for the package of regulated air service routes, including minimum service levels and operating subsidy and these form the basis of each air service contract.

Air service contracts have a five-year term. Prior to calling for tenders for new air service contracts, Queensland Transport reviews the minimum service levels and must regularly review the operating costs of the proposed regulated services to ensure that airfares, or that air fares + government subsidy will continue to deliver the prescribed minimum service levels.

2.2 Aviation Australia

Aviation Australia is a training organisation established by the Queensland Government to support the development and growth of the aviation and aerospace industries in Queensland and in the Asia Pacific region. Aviation Australia was set up with the support of Australia's major airlines and aerospace companies as well as Queensland's leading Universities.

Aviation Australia offers Certificate IV technical training including specialisations in aircraft mechanics, maintenance, engineering, avionics, specific aircraft instruction, safety training such as dangerous goods, QA procedures and training, flight crew tuition as well as leadership and general management courses.

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[5] Appendix 3 provides a breakdown of the yearly air services subsidies paid by Queensland Transport between 1987-2002.

2.3 Queensland Government Air Transport Expenditure

As well as providing funding specifically for aviation infrastructure and air service delivery, the Queensland Government provides significant levels of funding for air travel to ensure regional communities receive access to essential services such as health and education.

For example, Queensland Health manages the Patient Transport Subsidy Scheme that assists regionally based Queenslanders to access essential health services that are not available within their communities. This scheme provides around $10M annually for air transport costs[6] with the majority of funds being spent on businesses providing regional air services.

2.4 Deployment of Suitable Aircraft

Section 40(2) of TOPTA allows for the specification of minimum service levels (MSL's) under a contract with a carrier, including specifications of fares, freight capacity, licence requirements, on-ground services, frequency, timetable and aircraft characteristics. Aircraft MSL's state that as well as specifying the minimum seat capacity of the aircraft to be used on each route, all aircraft should:
- be pressurised;
- have toilet facilities, where you would reasonably expect that size of aircraft to have toilets;
- provide a food service or on-ground refreshments as a minimum; and
- provide adequate comfort with respect to head and legroom.

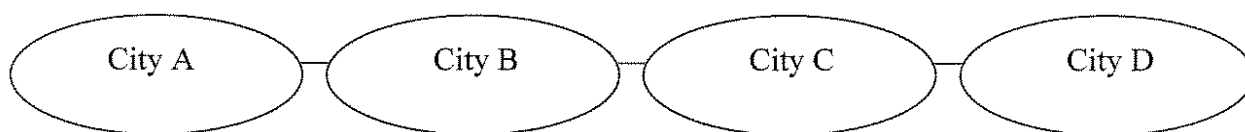## 2.5 Establishment of Regional Aviation Hubs

There are three main route structures used by airlines: point-to-point; multi-stop - also known as a 'milk-run'; and hub and spoke – also known as 'hubbing':
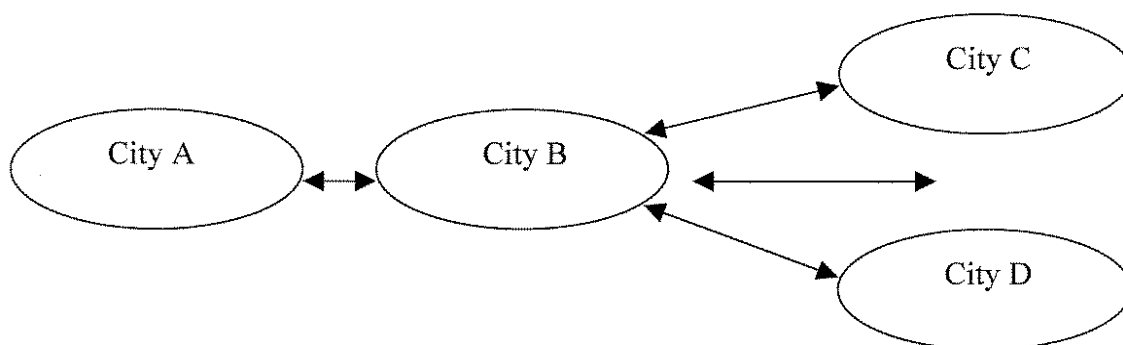
A. Point to Point

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[6] Air transport charges covered by PTSS over the past three years have been $10.62M (1999-2000), $9.8M (2000-01) and $10.73M (2001-02).

B. Multi-Stop

C. Hub and Spoke

Air services to regional Queensland currently comprise only point-to-point and multi-stop route structures.

2.5.1 Commercial Air Service Hubbing

Australia's principle aviation hubs are Sydney, followed by Melbourne and Brisbane, and simply reflect the essentials of hub economics, namely:
- the requirement for a large population catchment area;
- low seasonality or fluctuations in air travel demand patterns;
- a sound balance of business and leisure travel mix which provides both high and low yield traffic; and
- strategic location to access domestic traffic feed and connectivity.

However, hubs could also develop in Australia's regional centres, and/or other locations, for a variety of operational or commercial reasons, although the scale and scope of activity is expected to be significantly smaller. Cairns, and its potential development into a regional hub by Australian Airlines, is an excellent example of a regional centre that has real potential for an expansion of air activity.

Cairns' success as a regional hub will be due to:
- its geographic proximity to all of the Asian markets, in particular Singapore and Hong Kong which also serve as gateways to the long haul markets of UK and Europe;
- the business "fit" between Cairns which has leisure product as its core strength and a range of airlines that can potentially provide low cost air services from different international markets;
- excellent domestic and international airport infrastructure;
- good potential to expand domestic connectivity to a range of Australian ports and cities; and

- good accommodation and tour product infrastructure to cater for a variety of consumer preferences.

Tourism contributes $1.2 billion to the economy of North Queensland and represents 40% of total export income to the region. Cairns/Tropical North Queensland (TNQ) is the second largest holiday destination in Australia for international visitors, after Sydney. TNQ has more holiday visitors than Western Australia, Tasmania, South Australia, Northern Territory and Victoria. Cairns airport is the 6th busiest airport in Australia and the 5th busiest for international services. International visitors arriving by air have grown at an average rate of 7% p.a. for the past 3 years. Air access is critically important for the continued development and growth of the tourism industry in North Queensland.

Cairns has the potential to develop as a regional international aviation hub, focussed on leisure based air travel, from a range of Asian markets, principally due to the hubbing initiative by Qantas' proposed new economy international carrier, Australian Airlines. Australian Airlines will bring 26 international services from six Asian markets to Cairns and carry approximately 350,000 tourists per annum.

As Australian Airlines network develops, it is reasonable to assume that Qantas will correspondingly increase its domestic air services and connections to Cairns, in order to more effectively distribute international passengers from Cairns to the rest of Australia, thus strengthening Cairns' claim to regional hub status.

2.5.2 Regulated Air Service Hubbing

Queensland Transport's 2002 review of the regulated air services regime "2002 QT review" recognised the worldwide drift to hubbing as a more efficient method of delivering regional air services and as such, the review recommended Queensland Transport examine the potential for hubbing services for regulated routes, across the term of the next generation of air service contracts (2002-2007).

Moving to hubbing arrangements may provide certain efficiencies and assist in keeping Queenslands' regional air services on as much of a commercial footing as possible, even allowing for government involvement. However, moving to a hubbing model for regional Queensland will take considerable discussion with the industry and the communities affected to ensure essential levels of services and key destinations are not lost.

To ensure community consultation is undertaken at a sufficient level, Queensland Transport in association with the relevant airline(s) servicing each of the communities who receive a regulated air service, will be setting up Air Users Groups across the State. Each Air Users Group will be operational by the end of 2002, allowing the government and the airline to have a recognised consultation path for all issues associated with the regulated regime.

2.6 Small-scale owner-operator services

Appendix 1 details the main airlines providing commercial or regulated RPT air services in Queensland. Known small-scale and / or owner-operator aviation businesses operating around the State are listed in Appendix 4. Although this list is not comprehensive, it includes the majority of known operators that provide transport through either

supplementary airline RPT or charter services to regional (and particularly, remote) areas within Queensland.

The Department of State Development provides a range of business support services to these regionally based aviation operators through its network of State Development Centres located throughout Queensland.

2.6.1 Using small-scale owner-operators within the Regulated Air Services Regime

The public tender process used to award air service contracts for routes covered by the regulated air services regime allows for offers to be received from any company able to meet the minimum service levels for a declared route, including small-scale and / or owner-operators. However, there are potential costs and consequences associated with an airline securing a government regulated air service contract for the first time, including:

- Changeover costs for information technology in support of travel agents. There was approximately a $200,000 cost to Qantaslink to replace the Ansett / Flight West Airlines booking system;

- Route agents and travel agents conditions are often re-negotiated with the change of contract holder, including remuneration. One western Queensland travel agent recently invested $60,000 to link to the Qantas booking system, even though the airline provides a support terminal at the airport;

- Customer check-in facilities and aircraft parking at major airports (eg. Brisbane, Townsville, Cairns) may need to be re-negotiated with the airport owner or Qantas subject to that airline's relationship / affiliations with the major carriers;

- Replacement of signage and support equipment may be required at airports where that airline has not previously flown;

- Newly contracted airlines are asked by the community to continue marketing initiatives or support events agreed to by the previous contract holder (eg. support for Year of the Outback) at the expense of revenue and with little historical evidence to support the view that rural and remote routes will grow in patronage; and

- Freight arrangements with local businesses and Australia Post may need to be re-negotiated by the incoming airline (Australia Post uses several of the regulated routes to deliver mail to remote locations).

In addition to the above list, all aviation businesses have experienced significant increases in other aspects of their business operating costs, as a direct result of instability within the aviation industry. The impact of these escalating costs often results in such significant financial pressure that only larger aviation operators can remain viable. Some of those impacts are listed below.

- Aviation Fuel Costs

  The 2002 QT review revealed aviation fuel amounted to approximately 20-25% of the operating costs for aircraft up to 40 seats in capacity. The average price of Jet A1 aviation fuel in the year ending 1999 was approximately $0.34 per litre. The average price of Jet A1 fuel in the year ending 2001 was $0.48 per litre. This is an increase of 40% in the average fuel costs in two years not accounting for prices based on local conditions.

  The price of Jet A1 aviation fuel at Windorah, for instance, was $0.97 per litre in June 2002, due to Shell's requirement that the local facility recoup its full maintenance costs and this fuel increase impacted on Macair Airlines who fly regulated RPT services to Windorah.

- Lease, Maintenance and Insurance Costs

The majority of aircraft leases, spare parts and engine maintenance are sourced from overseas and as such are affected by the current exchange rate. Maintenance costs account for approximately 15-20% of the total operating costs of aircraft up to 40 seats.

The value of the Australian dollar compared to the US dollar at the commencement of the air service contracts in November 1996 was $0.78. In June 2002, the Australian dollar was valued at approximately $0.51. This equates to a 35% increase in the cost of imported aircraft support and maintenance products.

The 2002 QT review was unable to confirm the rate of increase in security and insurance costs since the commencement of the service contacts in 1996. However, anecdotal evidence from the industry suggests significant increases in these areas since the September 11 terrorist attacks on America.

- Aging Australian Aircraft Fleet

SCOT reported in September 2001 that the fleet of small aircraft used by regional airlines in Australia was the oldest in the world. Replacing these aircraft would require a considerable additional investment for small regional airlines especially with the recent decline of the Australian dollar against the US dollar.

In the present aviation environment, government policies and legislative/contractual frameworks need to be flexible enough to sustain further change to the fundamental costs of small-scale and / or owner operator aviation businesses.

3.0 The adequacy of commercial air services to major populated islands and the adequacy of alternative sea services

3.1 Island Transport Systems

The majority of Queensland's populated islands are located in the Torres Strait. The 150km area between the northern most tip of Australia and the south coast of Papua New Guinea has over 100 islands. Torres Strait's overall population of 8000 is dispersed throughout 19 small island communities. The communities are all remote, located approximately 1000km from the nearest city, and each has a population between 80 and 1200 people.

Thursday Island has the largest population compared with other islands within the Torres Strait. Appendix 5 provides a summary of the major features of Thursday Island. There are air and sea transport options available between the islands of the Torres Strait. The island communities within the Torres Strait have access to other islands and the mainland via the following air and sea transport options from Thursday Island to either Cairns or Bamaga:

- A twice-daily air service between Cairns and Horn Island (Thursday Island) forms part of the Queensland Government's regulated air service regime. The flight takes 2

hours and a one-way full economy fare costs $374. Qantaslink was recently awarded the contract after being selected as the preferred operator through a public tender process;

- A ferry service connects passengers landing on Horn Island to Thursday Island, as there is no airstrip on Thursday Island;

- Regional Pacific Airlines and Aerotropics Air Services provide commercial RPT services to the outer islands of the Torres Strait;

- Peddells Ferry provides a sea service between Thursday Island and Siesia twice daily (except Sundays) from June to September with three services per week provided from October to May. A one-way trip for an adult costs $40;

- Peddells Ferry provides a sea service between Thursday Island and Punsand Bay daily (except Sundays) from June to September only. A one-way trip for an adult costs $40; and

- Seaswift provides a weekly barge service between Cairns and Thursday Island. This service takes 48 hours and costs approximately $300 one-way.

Although the regulated air service network extends to the Torres Strait, RPT airfares and air charter costs are still too high for many Aboriginal and Torres Strait Islander people who are generally not well off financially. For example, bringing a family to Thursday Island from Mer Island (an outer Torres Strait island) would cost approximately $3,500 to charter a plane for six people, or $750 return per person. A helicopter costs approximately $770 per hour.

Additionally, in the Torres Strait many people are afraid to fly due to:
- the number of small aircraft accidents in the past few years;
- the condition of the small charter aircraft (e.g. lack of lifejackets, rain entering plane enroute);
- the planes have extremely cramped conditions which is difficult for many of the Torres Strait islander population; and
- the state of island airstrips (currently being evaluated).

The alternative to air travel is sea but current boat services are very time consuming which is not advantageous to Island Councils and government workers.

3.2 Infrastructure

Queensland Transport's Rural and Remote Airport Development Program (RRADP) provides grants to local government to assist in the upgrade of airstrips throughout rural and remote Queensland. Over the last two years, this program has allocated funds for work on many airports in the Torres Strait.

In late 2000, works to seal the runway on Saibai and Mabuiag Islands were completed. Under the RRADP, Queensland Transport contributed $663,746 and $143,571 respectively, toward these projects. In December 1999, at Kubin Island a project was completed which involved extending and sealing the airstrip. To this $564,000 venture, Queensland Transport allocated $422,366 under the RRADP.

At Badu Island, work commenced in October 2001, and was jointly funded with the Torres Strait Regional Authority (TSRA). This $750,000 project was officially opened in March 2002.

Boigu Island is a new RRADP funded project for 2002/2003, deferred from 2001/2002, to seal the airstrip. The total cost of the work is $950,000, and is being managed by the Department of Main Roads. The TSRA has agreed to contribute $300,000 to the project. Work began in August 2002 and is expected to take approximately six weeks to complete.

One of the more significant completed projects has been at Palm Island, off North Queensland's coastline. In this joint venture initiative with ATSIC, costing $1,000,000, a contribution of $500,000 was made under the RRADP, with matching funds from ATSIC. The new aerodrome was officially opened on 12 April 2002.

Currently Queensland Transport is working with the TSRA and Skytrans Airlines to have Airservices Australia provide Global Positioning Systems (GPS) for Yorke and Saibai Island airstrips. This would involve a contribution of $7,000 from Queensland Transport, toward the $14,000 cost.

During the next financial year, Queensland Transport through the RRADP will continue approve funding for the upgrading of airport infrastructure for eligible rural and remote communities. This program, in conjunction with other government initiatives, helps to ensure access to essential air services for Queensland's transport-disadvantaged communities.

4.0 Interconnectivity between regional air transport systems, major national air services and international services (including on-carriage, through ticketing, freight handling, timetabling and airport slotting)

4.1 Interconnectivity of the Regulated Air Services Regime

To operate in a manner most advantageous to the public interest, the Queensland Government's regulated air services regime has had to consider and ensure the regime maintains interconnectivity with major national and international air services, particularly with regard to:
- timetable scheduling to allow for convenient on-carriage;
- through-ticketing; and
- service frequency.

The *Transport Operations (Passenger Transport) Act 1994* (the Act) prescribes that offers for service contracts are to be awarded based on which offer is most beneficial to the public. The Act and the *Transport Operations (Passenger Transport) Regulation 1994* lists criteria that are required be to considered when assessing tenders.

The following criteria form the basis for the evaluation of proposals for the 2002 regulated air service contract(s):
- service frequency;
- aircraft standard;

- fares and charges;
- timetables;
- airline experience/company credentials; and
- amount of subsidy required.

A weighting is applied to each of the evaluation criterion. The weighting reflects the requirements of government, importance of issues raised by the community at the time of the last review of services and items outlined by the legislation. Important issues for the community are aircraft standard, service frequency and timetables.

Within each evaluation criterion a number of factors are assessed. Two criteria (that contribute 20% toward the successful offeror) are related to national / international interconnectivity. They are: service frequency (frequency of flights for normal operations, suitability of route structure, any additional route destinations); and timetables (suitability of the timing of flights, ability of flight to connect to other flights, suitability of timing during holiday periods).

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

Although Australia has a deregulated aviation market, it could be argued that Australian carriers still experience "disguised regulation" from all levels of government. The Centre for Asia Pacific Aviation (December 2001) has listed a range of current national, state, local and international agencies and organisations that still regulate the aviation industry. The list is included as Appendix 6.

5.1 Federal Government

The Federal Government's role in regional government particularly in a decentralised State such as Queensland is critical. Specifically, adequate airport infrastructure is a necessity for the growth and development of industries ranging from major mining and minerals processing projects to service industries such as Information Technology, Bio-tech and business services.

5.1.1 Airservices Australia charges

There has been a decline in international flights to regional Australia, in particular Cairns, over the last 12 months. Singapore Airlines, Malaysia Airlines and Garuda Indonesia have withdrawn services from the region. However, all three airlines reported flights were extremely well patronised with load factors in excess of 80%. The principle factor driving the decline in flights has been a lack of route profitability due to a combination of low average airfares and high operating costs.

Whilst the Commonwealth has minimal opportunity to influence an airline's revenue performance, it can influence an airline's operating costs. The specific operating costs include location specific Rescue Fire Fighting (RFF) and Terminal Navigation (TN) charges.

Listed below are the comparative Airservices Australia charges to operate a B747-400 into each of the seven busiest airports in Australia. As is clearly evident, based upon total air service charges (RFF and TN) Cairns is almost twice the cost of Brisbane Airport; three times the cost of Melbourne Airport; and twice the cost of Sydney.

Comparative Airservices Australia charges to operate a B747-400 into each of the seven busiest airports in Australia

Airport	Terminal Nav Charges (per tonne)	Terminal Nav Charges (B747-400)	Fire and Rescue (per tonne)	Fire and Rescue (B747-400)	Total Charges	% lower than Cairns
Cairns	$8.75	$3,452.97	$3.83	$1,511.41	$4,964.38	
Brisbane	$4.96	$1,957.34	$1.46	$576.15	$2,533.49	49%
Darwin	$3.31	$1,306.21	$7.23	$2,853.14	$4,159.35	16%
Melbourne	$3.45	$1,361.46	$1.09	$430.14	$1,791.60	64%
Perth	$7.49	$2,955.74	$2.40	$947.10	$3,902.84	21%
Sydney	$4.82	$1,902.09	$0.69	$272.29	$2,174.38	56%
Adelaide	$9.74	$3,843.65	$2.69	$1,061.54	$4,905.19	1%

Note: MTOW - Maximum Take-Off Weight   *Source: TQ Aviation Unit*

These additional cost imposts create incremental disincentives for an airline industry that is already struggling to cope with making leisure destination economics more sustainable in the long term. A review of Airservices Australia charges at regional airport, and the charges levied directly by the airport operators themselves, should be undertaken. The review should seek to create a more level, competitive environment for smaller regional and general aviation airports that are currently severely disadvantaged by location-specific pricing. The outcome required is delivery of the Government's stated aim of increasing use of regional gateways.

In addition, the Commonwealth is potentially stymieing tourism and regional development aspirations because of inconsistencies in policy outcomes between its various government departments and agencies involved in aviation. These clearly demonstrate the urgent need for the Commonwealth to better coordinate and develop a national aviation strategy and policy.

5.1.2 Current International Aviation Policy

In addition to Airservices Australia charges, the Commonwealth is strongly urged to adopt the following initiatives (from the Regional Aviation Taskforce Report 2001[7]) to enable regional areas such as Cairns to fully develop and mature as strategically important regional aviation gateways for Australia:

- In order more precisely to align aviation practice with Commonwealth Government policy statements about unrestricted international aviation access to secondary airports, the Commonwealth Government should *de-link* implementation of the Regional Reform Package (RRP) from the bilateral negotiation process immediately. The RRP should be expanded to include trans-Tasman fifth freedoms at secondary gateways.

- The Commonwealth Government should announce, on a *unilateral* basis, that all international airlines have immediate, unconditional and unconstrained direct access to secondary airports in regional Australia, subject only to Australia's air safety requirements.

- The Commonwealth Government should offer increased access to Sydney, Melbourne, Brisbane and Perth in bilateral negotiations as an incentive for increased capacity into secondary airports by designated international airlines or their subsidiaries. This measure has precedents: it may need to be more widely used to deliver the results desired under the Regional Reform Package.

- As part of a strategy to facilitate economic development across Northern Australia, and in order to enhance and accelerate the viability of international aviation services in this remote region of Australia, the Government should take further steps. In particular, it should allow eight- or ninth-freedom rights (consecutive and stand-alone cabotage rights, respectively) for international airlines operating services between regional gateways such as Broome, Darwin, Townsville and Cairns. If domestic carriers wish to participate in such services, code-sharing arrangements with international carriers may be required.

- A review of border control costs, directly incurred by regional airports, should be undertaken, with these costs either being replaced by funding from Consolidated Revenue or, at the very least, made more uniform across Australian airports. In addition, consideration should be given to allowing regional airports to charge rent to the Commonwealth Government for border control authorities' occupation of airport space.

5.1.3 Impact on Inbound Tourism of securing "Open Skies" agreements

Inbound tourism will be a clear beneficiary if Australia is able to gradually move to an "Open Skies" agreement, on a bilateral basis with all of its trading partners. A bilateral reciprocal "open skies" policy which removes restrictions on access to each country's markets, including unlimited intermediate and beyond rights, would loosen the regulatory

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[7] *International aviation access and regional tourism and business: an analysis of current and emerging problems and recommended policy responses*. Report for the Regional Aviation Taskforce, prepared by Access Economics Pty Ltd. Canberra, June 2001.

restrictions which currently constrain airline growth from a number of Australia's key source markets. While the airlines would potentially face greater competitive pressure, they would also be better able to reduce costs and develop their markets.

A consequence of a liberalised bilateral framework would be expanded airline networks, innovative travel products and competitive fares. More specifically, the Commonwealth should be encouraged to actively seek opportunities to negotiate reciprocal "open skies" agreements on a bilateral basis, which would remove restrictions on:
- frequency and capacity to, from and beyond Australia and the bilateral partner;
- code share, including third country code share;
- not specifying routes or points of access;
- multiple designations; and
- ownership as a basis for airlines designation.

There will be a number of countries not willing to liberalise their Air Service Agreements with Australia, in terms of negotiating an "open-skies" agreement. In these cases every possible liberalisation initiative should be incorporated in the bilateral process. The Productivity Commission Inquiry into International Air Services (1998) also outlines several scenarios to progressively liberalise the regulatory framework. The document raises some options worth emulating in the future, including:

- *Plurilateral "Open Club" Concept*

  A group of like-minded nations led by Australia could develop an "Open Club" based on a common "open-skies" agreement. This would allow carriers within the group to fly freely among the member countries, subject to a common set of rules. Australia may wish to explore opportunities under the auspices of APEC or ASEAN.

- *Multilateral Agreement under the WTO*

  Ultimately, a liberal multilateral agreement under the WTO, which covers all or most countries would allow international air services to develop in response to market pressures. Given the entrenched position of the bilateral system and the difficulties of negotiating a truly liberal multilateral agreement, reciprocal bilateral and plurilateral liberalisation options may offer the best prospects for increasing inbound tourism in the medium to long term.

5.2 State Government

Since the demise of Ansett, the Queensland Government has had to provide a series of one-off short-term support measures to assist smaller aviation companies operating regional routes that were directly affected by the disappearance of Ansett from the market. The Commonwealth also has a role in this area under its regional development responsibilities and there will likely be an increase in the number of requests from the Queensland Government to the Federal Government for joint industry initiatives.

Following the Commonwealth withdrawal from the regulation of air services in 1987, Queensland Transport has undertaken ongoing monitoring of the state's air services network. During this time it has become apparent that the economic and social benefits of continuing the regulation of air services are substantial as these services are often the only link to the rest of Queensland during the wet season for many communities. They

provide essential access and mobility for many Queenslanders and other visitors to the State to do business in two significant regional economic zones (Northern and Western Queensland). As such the services are clearly linked to the government's priorities, particularly Building Queensland Regions and Better Quality of Life.

The tumultuous events of September 2001 experienced by the aviation sector in Australia and overseas have added further complexity to the regular Queensland Transport Review of Regulated Air Services. Both Flight West Airlines ("FWA") and Ansett Australia were holders of Queensland Transport air service contracts for certain transport-disadvantaged communities when they collapsed without warning on 19 June 2001 and 14 September 2001, respectively. FWA was receiving approximately $4M per annum in Queensland government subsidy at the time it entered administration and ceased operations.

The collapse of FWA and Ansett, and the September 11 terrorist attacks on the USA changed the landscape of aviation in Australia and overseas. Airlines claim that these events have resulted in a dramatic increase in operating costs (eg. new security charges and increased insurances) and a significant decline in airline patronage (eg. reduced consumer confidence). The current environment is one where there are less airlines flying, less competition, more airlines under acute commercial pressure from increased costs and more communities in danger of losing a basic level of service that keeps them in touch with reasonable business, educational, medical and cultural opportunities.

The Queensland government's co-ordinated response to the events of September 2001 and to what has been a global rationalisation and re-nationalisation of the airline industry, also added a further dimension to this review. Responsible governments worldwide regularly review their aviation strategies and aviation policy frameworks to help maintain a healthy aviation industry and their existing air service networks. The *Queensland Aviation Strategy* is typical of a responsible government seeking to limit the impact of recent turmoil to the travelling public and the aviation industry alike.

Queensland Transport's 2002 air services review is therefore also about ensuring that the department's current legislative and policy frameworks continue to support the Queensland government's Aviation Strategy for Queensland and the government's social justice objectives.

5.3 Local Government

In 1990, under the Federal Government Aerodrome Local Ownership Plan, many local government authorities became owners of their local aerodromes. With ownership, local governments became responsible for asset maintenance and most recently, upgrades to security equipment following the events of September 11, 2002. These financial pressures are currently impacting heavily on regionally located local governments who have few options of obtaining revenue through their aerodromes.

5.3.1 Opportunities for LGA's to improve their air services

Airlines today are focused on adding seat capacity and frequency to routes that are financially sound. Airlines essentially operate highly expensive mobile assets (i.e. aircraft) to destinations that will potentially deliver a commercially acceptable return-on-assets. If a destination fails to deliver on these fundamentals, then, in the absence of other

influences, airlines reallocate capacity to another destination that offers a better commercial performance.

This type of operating philosophy provides little certainty for local governments who need to decide whether to invest in airport, tourism or other related infrastructure developments, most of which are by nature fixed or "immobile".

It is therefore critical that local governments (as airport owners) and local communities build a long term strategic alliance or partnership with all airlines that operate to their destination in order to better influence and shape airline thinking in a more timely and constructive manner as well as providing greater long term certainty for airline access. This in turn will assist in influencing the 'adequacy' of air travel capacity and frequency to regional destinations.

Information sharing and financial incentivisation are increasingly becoming strategic tools that airport owners are employing to actively influence airline thinking and build long-term sustainability. Information sharing could potentially include:

- statistical information regarding population size, growth trends and demographic details;
- seasonality of the air travel market-proportion of leisure versus business related travel;
- domestic and international visitor numbers/trends/origin markets;
- what constitutes a "reasonable" level of air services- i.e. what frequency and capacity would be sustainable for the community;
- preferred arrival and departure times for new services;
- support from the local community-in terms of willingness to patronise new or established services for corporate and/or leisure related travel; and
- list of companies/number of employees/frequency of travel/ number of sectors etc.

Financial incentivisation appears to be an increasingly important component of attracting and retaining air services in many regional airports in Queensland. In particular, these may include reductions in airport charges such as landing and passenger services charges, ramp handling, terminal, parking or aerobridge costs. Other incentives appear to also involve funds for joint promotions or advertising. The financial incentives appear to be for fixed terms and related to the passenger numbers carried and the number of air services that are operated.

Airport owners in Queensland are also increasingly building a reservoir of commercial business development skills in terms of airline and cargo marketing, retail management expertise and fostering important stakeholder relationships with a range of private and public sector agencies as they realise that the key to influencing increase in airline and commercial activity at airports is the ability to gain support and assistance from all stakeholders as well as presenting sophisticated airline operating proposals to increase presence at their airports.

5.3.2 LGA provision of Air Services

Historically, the Federal or State Government have been involved with regulating and / or subsidising air services. However, there is merit to investigating whether Local Governments could also have a role in stabilising air services to their region.

In January 2002, the Banana Shire Council approached Queensland Transport in order to discuss the possibility of including the Brisbane to Thangool (Biloela) route in the regulated regime to ensure long-term continuity of this air service. At the time, Council also indicated to Queensland Transport that if the route did not meet the criteria for regulating and/or subsidising an air service, Council would be prepared to waive certain fees and charges normally payable by an airline to the local council / aerodrome owner.

This offer by Banana Shire Council presented a test case for a new assistance model for marginal air services. Previously, there had been only three models for provision of air services; commercial, regulated or regulated and subsidised. The fourth option would be a partnership model across the three tiers of government whereby each government tier offered tax concessions and GST waivers, fuel discounts, purchasing agreements and fees and charges waivers as appropriate to lower the operating costs of airlines servicing marginal routes. The Banana Shire / Biloela route offers an opportunity to further investigate such a partnership model.

6.0 The role of major air transport carriers in providing regional services

International airlines, including Australian and overseas carriers, fly passengers between Australia and foreign destinations. Nearly all international passenger traffic to and from Australia arrives and departs by air. The top five airlines in terms of passengers carried were Qantas (34.4% of total), Air New Zealand (11%), Singapore Airlines (10.6%), Malaysia Airlines (5.8%) and Japan Airlines (4.3%).

The domestic airline sector, comprising major and regional airlines, provides scheduled services within Australia. The major airlines primarily operate high-capacity jet equipment between the principle cities, while the regional airlines generally link smaller centres with the larger ports using aircraft of a maximum 38-seat capacity.

Due to the difficulties experienced by the aviation sector post-September 2001, the role of major air transport carriers in providing regional services appears limited to the extent that commercial business drivers allow for the introduction or cancellation of any additional services. This need to ensure profitability does not allow for the major carriers to consider a social benefit to providing regional Australia with essential air services.

APPENDIX 1:

COMMERCIAL AIR SERVICES PROVIDED FOR REGIONAL AND RURAL QUEENSLAND (AS AT JULY 2002)

Destination	Surrounding Local Government Area(s)	Population[8]	Airline	Service Category(s)	Minimum Service Frequency
Townsville	Townsville Thuringowa	90770 52682	Macair / Qantas / Virgin	Regulated / Commercial	Daily
Longreach	Longreach	3821	Macair / Qantaslink	Regulated	Daily
Mount Isa	Mount Isa	21869	Macair	Regulated	Daily
Cloncurry	Cloncurry	3505	Macair	Regulated	Daily
Hughenden	Flinders	2037	Macair	Regulated	3 / wk
Winton	Winton	1561	Macair	Regulated	2 / wk
Julia Creek	McKinlay	1134	Macair	Regulated	3 / wk
Richmond	Richmond	1043	Macair	Regulated	3 / wk
Cairns	Cairns	123760	Macair / Qantas / Virgin	Regulated / Commercial	Daily
Doomadgee	Burke	1134	Macair	Regulated	6 / wk
Burketown	Burke	-	Macair	Regulated	1 / wk
Edward River	?		.Macair	Regulated	3 / wk
Mornington Island	Mornington	1302	Macair	Regulated	6 / wk
Normanton	Carpentaria	3882	Macair	Regulated	6 / wk
Kowanyama	Kowanyama Community Council		Macair	Regulated	2 / wk
Boulia	Boulia	533	Macair	Regulated	4 / wk
Bedourie	Diamantina	336	Macair	Regulated	4 / wk
Birdsville	Diamantina	-	Macair	Regulated	4 / wk
Windorah	Barcoo	457	Macair	Regulated	4 / wk
Charleville	Murweh	4837	Macair	Regulated	4 / wk
Quilpie	Quilpie	1234	Macair	Regulated	4 / wk
Toowoomba	Toowoomba Rosalie Jondaryan	88284 8475 12302	Macair	Regulated	2 / wk
Thargomindah	Bulloo	502	Macair	Regulated	2 / wk
St. George	Balonne	4908	Macair	Regulated	2 / wk
Cunnamulla	Paroo	2122	Macair	Regulated	2 / wk
Mackay	Mackay Sarina	78401 10079	Virgin / Qantaslink	Commercial	Daily
Gold Coast	Gold Coast	418491	Virgin / Qantas	Commercial	Daily
Blackall	Blackall	1681	Qantaslink	Regulated	3 / wk
Barcaldine	Barcaldine	1703	Qantaslink	Regulated	3 / wk
Gladstone	Gladstone	28141	Qantaslink	Commercial	Daily
Bundaberg	Bundaberg Burnett	44497 23938	Qantaslink	Commercial	Daily
Rockhampton	Rockhampton Fitzroy	58926 10032	Qantaslink	Commercial	Daily

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[8] Actual figures for 2001 supplied by ABS *(Source: DLGP website).*

	Livingstone	26155			
Blackwater	Emerald	13417	Qantaslink	Commercial	Daily
Emerald	Emerald Peak Downs	- 2929	Qantaslink	Commercial	Daily
Hamilton Island	Whitsunday	15891	Qantaslink	Commercial	Daily
Proserpine	Whitsunday	-	Qantaslink	Commercial	Daily
Horn / Thursday Island	Torres	9816	Qantaslink	Regulated	Daily
Weipa	Cook Aurukun	8671 920	Qantaslink	Regulated	Daily
Bamaga	Injinoo Community Council	-	Aerotropics	Commercial	Daily
Sue Island	Torres	-	Aerotropics	Commercial	Daily
Yam Island	Torres	-	Aerotropics	Commercial	Daily
Sunshine Coast	Sunshine Coast Noosa Caloundra	125050 43985 74666	Sunshine Express	Commercial	Daily
Maryborough	Maryborough Woocoo Tiaro	25148 3072 4901	Sunshine Express	Commercial	Daily
Hervey Bay	Hervey Bay	44162	Sunshine Express	Commercial	Daily
Saibai Island	Torres	-	Aerotropics	Commercial	Daily
Thangool / Biloela	Banana	13459	Sunshine Express	Commercial	6 / wk
Total population covered by commercial and regulated air services:				**1,214,595**	

APPENDIX 2:

TOURISM QUEENSLAND'S REPORT ON REGIONAL DOMESTIC AIRLINE SEAT CAPACITY IN QUEENSLAND

Listed below are the current levels of airline seat capacity that has been re-instated to various Queensland destinations:

Queensland Capacity Share by Airline before Ansett demise (September 2001)

Airline	Seat/wk	Seat capacity share
Qantas total	79,492	51%
Virgin total	17,748	11%
Ansett total	58,171	37%
Total	155,411	100%

Queensland Current Capacity Share (June/July 2002)

Airline	June 2002 seat/wk	Seat capacity share	July 2002 seat/wk	Seat capacity share
Qantas total	99,914	76%	103,380	75%
Virgin total	30,810	24%	35,271	25%
Ansett total	0	0%	0	0%
Total	130,724	100%	138,651	100%

CAPACITY ANALYSIS – June/July 2002

- In June, Queensland has recovered approximately 84% of the total weekly seat capacity operated by all airlines prior to Ansett ceasing operations in September 2001. This figure will increase to approximately 89% in the month of July.

- For key routes to Queensland in June, Brisbane has regained 73% of total capacity prior to Ansett's demise, the Gold Coast 111%, Hamilton Island 78%, Cairns 101%, Sunshine Coast 106%, Townsville 94%, and Mackay 113%.

- Due to additional or new services, which commenced at the start of July, there are several changes from June capacity figures for key routes to Queensland. Brisbane increases from 73% to 76% of total capacity prior to Ansett's demise, the Gold Coast from 111% to 120%, Mackay from 113% to 123%, Hamilton Island from 78% to 93%, Rockhampton from 82% to 88%, Proserpine from 96% to 169%, and Townsville from 94% to 103%.

- In terms of seat capacity into Queensland, Tourism Queensland estimates that the airlines have the following approximate market share: Qantas 75% and Virgin 25% for the current period.

IMPACT OF ANSETT DEMISE ON CAPACITY BY DESTINATION

For key routes to Queensland, the amount of *total capacity* prior to Ansett's demise that has been regained is listed below:

Major Centres:

Destination	Total Capacity Inbound				
	Pre Ansett demise	June 2002	June 02 as % of pre Ansett	July 2002	July 02 as % of pre Ansett
Brisbane	102,134	75,054	73%	77,324	76%
Cairns	23,407	23,562	101%	23,524	101%
Gold Coast	20,634	22,974	111%	24,800	120%
Sunshine Coast	2,284	2,415	106%	2,415	106%
Mackay	3,707	4,178	113%	4,567	123%
Hamilton Island	3,201	2,490	78%	2,982	93%
Rockhampton	3,727	3,046	82%	3,296	88%
Proserpine	732	704	96%	1,236	169%
Townsville	8,045	7,539	94%	8,251	103%
Mt Isa	1,071	965	90%	768	72%

Regional Queensland:

Destination	Total Capacity Inbound				
	Pre Ansett Demise	June 2002	June 02 as % of pre Ansett	July 2002	July 02 as % of pre Ansett
Gladstone	1,866	1,940	104%	2,042	109%
Bundaberg	1,404	898	64%	867	62%
Hervey Bay	953	660	69%	660	69%
Emerald	792	648	82%	648	82%
Maryborough	429	660	154%	660	154%
Longreach	252	266	106%	266	106%
Roma	247	309	125%	252	102%

Note: Total capacity prior to Ansett demise from OAG MAX, August 2001 CD ROM. June/July 2002 Capacity: Qantas flights are from Qantas published schedules. Virgin Blue schedules from www.virginblue.com.au

APPENDIX 3:

BREAKDOWN OF REGULATED AIR SERVICES SUBSIDIES PAID BY QUEENSLAND TRANSPORT TO WESTERN AIR SERVICES CONTRACT HOLDERS BETWEEN 1987-2002

Year	Amount of Subsidy
1987-88	$1.35 m
1988-89	$1.74 m
1989-90	$2.47 m
1990-91	$2.70 m
1991-92	$2.80 m
1992-93	$2.86 m
1993-94	$3.50 m
1994-95	$3.40 m
1995-96	$3.63 m
1996-97	$3.51 m
1997-98	$3.82 m
1998-99	$3.82 m
1999-00	$3.88 m
2000-01	$3.84 m
2001-02	$4.00 m
TOTAL	**$47.32 m**

APPENDIX 4:

KNOWN SMALL-SCALE AVIATION CHARTER AND RPT BUSINESSES OPERATING IN REGIONAL QUEENSLAND (AS AT AUGUST 2002).

Company	AOC Authority	Destinations serviced
Alliance Airlines (Queensland Airline Holdings Pty Ltd)	RPT	Gladstone, Townsville
Aerotropics (Lip Air)	RPT	Bamaga, Cairns, Coconut Is, Horn Is, Kubin, Lockhart River, Badu, Boigu, Darnley, Mabuiag, Murray, Saibai, Strathburn, Violet Vale, Warraber, Yam
Regional Pacific Airlines	RPT	Bamaga, Coconut Is, Horn Is, Kubin, Badu, Boigu, Darnley, Saibai, Warraber, Yam, Murray, Yorke
Air Mount Isa	Charter	Mt Isa and surrounding Mining Communities
Cape York Air	RPT	93 RPT aerodromes are listed on their AOC, including Cairns, Coen, Kowanyama, Normanton, Weipa, Horn Is. and other outer islands
Airlines of PNG (also known as Corporate Air Services)	RPT	PNG – Cairns Intl
Skytrans	RPT	Aurukun, Bamaga, Cairns Intl, Coconut Is, Coen, Cooktown, Horn Island, Kowanyama, Karumba, Lizard Is, Lockhart River, Mornington Is, Normanton, Pormpuraaw, Warraber is, Yorke Is, Weipa
Air Swift Aviation (Sea Swift Pty Ltd)	Charter	
Seair Pacific Gold Coast	Charter	
Savannah Aviation (Dasap Pty Ltd)	Charter	Burketown, Normanton, Mt Isa
Gulf Line Aviation (Carpentaria Helicopters Pty Ltd)	Charter	
Hinterland Aviation	RPT · Charter	Cairns, Bloomfield (Intl – PNG, Irian Jaya, Solomon Is.)

APPENDIX 5:

SUMMARY OF THURSDAY ISLAND - DEMOGRAPHICS AND MAJOR SERVICES.

Local Government Authority	Torres Shire Council	
Population	1124	
Economic Base	Administrative Centre for the Torres Strait Islands	
Distance to Brisbane	3040kms	
Closest Major City	Cairns (1035km south)	
Available Essential Services	Health:	General Hospital
	Education:	Pre-School to Yr 12, TAFE Campus connected to James Cook University
	Professional:	Nil
	Banks:	National, Commonwealth agency at Post Office
	Mail:	Australia Post offers a daily service by air
Road Quality and Reliability	Roads on Thursday Island are sealed.	
Available Transport Modes (See below for more detail)	Commercial Air services:	Nil
	Regulated Air services:	11 services per week to/from Cairns in a Dash 8 300 50 seat aircraft
	Train:	Nil
	Bus:	Nil
	Sea:	Twice daily high speed ferry to/from Horn Island to/from Thursday Island
Economic Cycles Affecting Travel Demand	There is a significant percentage of the community receiving welfare. The balance of the community is government and business people with considerably more purchasing power. In communities with depressed earnings there is a reduction in non-essential expenditures such as holidays and air travel. This is reflected in the anecdotal evidence collected during the review and historical patronage data held by Queensland Transport.	
Competition across Transport Modes	Thursday Island experiences extreme geographic isolation and seasonal wet weather patterns. Residents have little option but to use the air service for their connections south, especially during the wet season. Sea travel provides some competition, but this is minimal given the significant time differences on sea services to Cairns.	

APPENDIX 6:

CENTRE FOR ASIA PACIFIC AVIATION (DECEMBER 2001) LIST OF CURRENT NATIONAL, STATE, LOCAL AND INTERNATIONAL AGENCIES AND ORGANISATIONS THAT REGULATE THE AVIATION INDUSTRY.

Federal Government

- Department of Finance – regulates ownership and control limits, defines domestic aviation policy, imposes taxes such as departure tax, Ansett recovery tax, Sydney nose levy;
- Department of Transport and Regional Services – controls international airline access and various other commercial oversight, including airports; regulates and oversees allocation of scarce capacity at airports (slots);
- Departments responsible for Customs, Immigration and Quarantine – limit access to certain airports, imposes charges:
- Minister for Transport – ad hoc interventions, eg to lobby New Zealand government on Air New Zealand ownership, to provide subsides on specific domestic routes when airlines failed recently; applied a levy to airline tickets to pay benefits to Ansett employees;
- Prime Minister – intervention over foreign ownership issues (eg when Ansett was being sold, or in Air New Zealand's case, when Singapore Airlines sought to increase its holding beyond 25%);
- Australian Competition and Consumer Commission – broad, but sporadic regulatory control over airports, pricing, market access issues, wide array of competition issues;
- National Competition Council – adjudicates access to airport real estate, including terminals;
- International Air Services Commission – allocates limited air services rights among Australian airlines, including rulings on code share proposals;
- Civil Aviation Safety Authority – controls market access on safety grounds and levies charges. New Zealand Civil Aviation Authority and CASA impose different licensing and airworthiness requirements, preventing aircraft from operating freely on both sides of the Tasman (even thought the economic regulatory framework permits them to);
- Airservices Australia – provides airways access to capacity restricted areas, imposes charges (Minister for Transport recently intervened to subsidise Airservices charges for smaller aircraft); and
- Defence Department – while currently of limited influence in Australia and New Zealand, Defence needs determine aviation strategy in many countries in this region.

State Government

- Department of Transport/ Aviation Agency – economic regulation of intra-State air services, airports (eg noise constraints and or direct investments), investments in and support for airlines; and
- Office of Fair Trading/Consumer Affairs – oversees a range of aviation-related consumer issues.

Local Government

- Own and regulate local airport facilities and charges.

Foreign governments

- Restrictions on ownership and control, limiting access to routes, capacity and other commercial issues. Some have competition authorities, which may impose conflicting competition obligations on airlines (the network of some 2,000 bilateral air service agreements, controlling entry and ownership issues).

International Organisations

- Various international organisations and Conventions influence commercial regulatory issues. These include:
  - WTO/GATS: establish controls on "doing business" activities on international operations, such as ground handling, computer reservations;
  - Chicago Convention: creates the multilateral nationality and access restrictions;
  - ICAO: influences commercial policy setting.

APPENDIX 7:

AIRFARES ON SAMPLE COMMERCIAL ROUTES IN REGIONAL AUSTRALIA (ONE WAY FULL ECONOMY)

Town Pairs	2002 Fare	Dist km	$ Per Km (2002)	Airline	Quote Medium	
Sydney-Narrabri	$269	422	$0.64	Qantas	131313	
Sydney-Coffs Harbour	$282	442	$0.64	Qantas	131313	
Sydney-Albury	$274	452	$0.61	Qantas	131313	NSW
Sydney-Wagga	$223	366	$0.61	Qantas	131313	Average
Sydney-Dubbo	$216	309	$0.70	Hazelton	131713	$0.60
Sydney-Broken Hill	$401	932	$0.43	Hazelton	131713	
Sydney-Coffs	$256	442	$0.58	Hazelton	131713	
Sydney-Lismore	$288	602	$0.48	Hazelton	131713	
Sydney-Merimbula	$263	350	$0.75	Hazelton	131713	
Melbourne-Albury	$185	260	$0.71	Kendell	131300	Vic
Melbourne-Devonport	$240	412	$0.58	Kendell	131300	Average
Melbourne-King Island	$178	259	$0.69	Kendell	131300	$0.59
Melbourne-Mt Gambier	$179	358	$0.50	Kendell	131300	
Melbourne-Wagga	$210	365	$0.58	Kendell	131300	
Adelaide-Broken Hill	$214	426	$0.50	Kendell	131300	
Adelaide-Ceduna	$254	546	$0.47	Kendell	131300	SA
Adelaide-Coober Pedy	$326	748	$0.44	Kendell	131300	Average
Adelaide-Mt Gambier	$179	371	$0.48	Kendell	131300	$0.50
Adelaide-Olympic Dam	$265	520	$0.51	Kendell	131300	
Adelaide-Port Lincoln	$144	246	$0.59	Kendell	131300	
Perth-Albany	$164	375	$0.44	Skywest	131300	
Perth-Carnarvon	$315	816	$0.39	Skywest	131300	
Perth-Esperance	$223	582	$0.38	Skywest	131300	WA
Perth-Kalgoorlie	$231	538	$0.43	Skywest	131300	Average
Perth-Karratha	$375	1250	$0.30	Skywest	131300	$0.42
Perth-Laverton	$347	723	$0.48	Skywest	131300	
Perth-Leinster	$299	645	$0.46	Skywest	131300	
Perth-Leonora	$294	616	$0.48	Skywest	131300	
Perth-Monkey Mia	$314	713	$0.44	Skywest	131300	
Darwin-Alice Springs	$430	1305	$0.33	AirNorth	Internet	
Darwin-Broome	$447	1113	$0.40	AirNorth	Internet	
Darwin-Elcho Island	$280	513	$0.55	AirNorth	Internet	
Darwin-Gove	$292	647	$0.45	AirNorth	Internet	NT
Darwin-Groote	$298	630	$0.47	AirNorth	Internet	Average
Darwin-Katherine	$175	285	$0.61	AirNorth	Internet	$0.51
Darwin-Kununurra	$216	441	$0.49	AirNorth	Internet	
Darwin-Lake Evella	$330	536	$0.62	AirNorth	Internet	
Darwin-Maningrida	$210	367	$0.57	AirNorth	Internet	
Darwin-Milingimbi	$245	367	$0.67	AirNorth	Internet	
Darwin-Ramingining	$245	437	$0.56	AirNorth	Internet	
Darwin-Tennant Creek	$339	876	$0.39	AirNorth	Internet	

APPENDIX 8:

PROJECTS ASSISTED UNDER THE RURAL AND REMOTE AIRPORT DEVELOPMENT PROGRAM, AS AT DEC. 2001

AIRSTRIP	YEARS	COUNCIL	PROJECT	QT FUNDING ($)	TOTAL COST ($)
BASIC ACCESS					
WINDORAH*	1996/97	Barcoo	seal runway	200,000	200,000
BEDOURIE*	1996/97	Diamantina	seal runway	200,000	200,000
DARNLEY IS.^	1997/98	Darnley Is/TSRA	seal airstrip	110,000	110,000
YORKE IS.^	1998-00	Yorke Is/TSRA	new paving block surface	1,618,000	2,287,000
KINGAROY	1997/98	Kingaroy	re-seal airstrip	150,000	200,000
JUNDAH	1997/98	Barcoo	seal airstrip	50,000	50,000
FORSAYTH	1998/99	Etheridge	extend airstrip	185,000	185,000
BARCALDINE	1999/00	Barcaldine	extend airstrip	700,000	775,000
KUBIN^	1998-00	Kubin/TSRA	extend and seal airstrip	390,000	690,000
SAIBAI IS.^	1999-01	Saibai/TSRA	new pavement and seal airstrip	1,349,000	1,649,000
AURUKUN	2000/01	Aurukun	seal airstrip	600,000	1,200,000
HUNGERFORD	2000/01	Bulloo	sealing airstrip	250,000	350,000
ST GEORGE	2000/01	Balonne	fencing	35,000	70,000
STANTHORPE	2000/01	Stanthorpe	lighting	60,000	120,000
SURAT	1999-01	Warroo	lighting and pavement upgrade	7,000	14,000
TAMBO	1999/00	Tambo	lighting	10,000	20,000
BOWEN	2000/01	Bowen	lighting	37,500	75,000
CROYDON	2001/02	Croydon	fencing/sealing	183,000	568,000
INJUNE	2000/01	Bungil	airstrip upgrade	224,000	517,000
LAURA	2000/01	Cook	sealing/drainage	54,000	57,000
MABUIAG^	2000/01	Mabuiag/TSRA	sealing airstrip	90,000	390,000
TARA	2000/01	Tara	seal and lighting	198,000	395,000
BAMAGA^	2000/01/02	Injinoo/TSRA	reconstruct runway	1,024,000	1,094,000
URANDANGI	2000/01	Boulia	seal airstrip	100,000	407,000
RICHMOND	2000/01/02	Richmond	reconstruct airstrip	375,000	1,500,000
PALM ISLAND^	2001/02	Palm Is/ATSIC	reseal airstrip	500,000	1,000,000
BADU ISLAND^	2001/02	Badu Is/TSRA	seal airstrip	303,000	730,000
INGHAM	2001/02	Hinchinbrook	fencing and lighting	55,000	155,000
REGIONAL DEVELOPMENT					
LONGREACH	1997/98	Longreach	lengthen and strengthen runway	600,000	1,000,000
CLONCURRY	1997/98	Cloncurry	increased length and lighting	650,000	1,000,000
EMERALD	1998-00	Emerald	upgrade airstrip	1,400,000	2,800,000
ROMA	2000-02	Roma	reconstruct runway	250,000	1,000,000
TOTAL				**12,114,500**	**20,835,000**

* part of the accelerated capital works program for 1997/98   ^ projects funded directly by QT