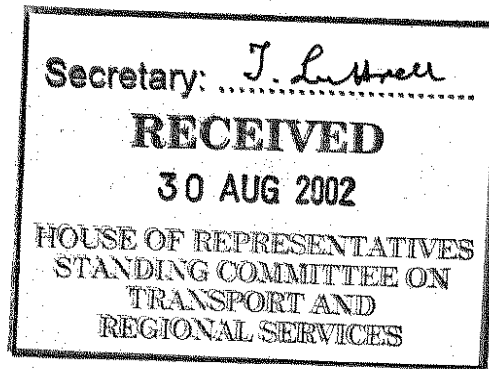


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Contact No:

28 August 2002

Chair
Mr Paul Neville MP
House of Representatives
Standing Committee on Transport
and Regional Services
Parliament House
CANBERRA ACT 2600
DELIVERY BY EMAIL – Trs.Reps@aph.gov.au



Dear Mr. Neville,

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

On behalf of Council, thank you for the opportunity to make submission to the Standing Committee with regard to regional air services to Bega Valley Shire.

Air services are a vital component of transport to Bega Valley Shire given our relative isolation from major Australian cities.

The current level of air services to the Shire is relatively modest but nonetheless of vital importance to the business and tourist sectors of our economy. Council owns the Merimbula Airport which is the single commercial airport in the Shire and, following the recent outcomes of the Ansett collapse and sale of the Hazelton Airline subsidiary, Regional Express Airlines have taken over the Sydney/Merimbula and Merimbula/Melbourne routes. Council appreciates the efforts of the State and Federal Governments in resolving some solution to what has been a very testing period for people associated with the aviation industry in the Shire.

Council has some concerns relating to the timetabling of services by Regional Express Airlines and these are outlined in the attached copy of my letter to the Chief Executive Officer of 14 August 2002.

I acknowledge that these are perhaps matters of short term interest but nevertheless indicate some of the problems when regional air service timetables do not best watch the market and community needs of the region they service.

One aspect of the recent changes seen as a significant benefit to our region is that the aircraft service capacity has increased to a 36 seat SAAB aircraft replacing the former 19 seat Metro service.

Currently, air services in the Shire are used in the main by the business community for commuting to and from Sydney and Melbourne. Tourism forms a component of this use but is still in its infancy with regard to potential.

Tourism is the single biggest industry in the Bega Valley Shire and is showing signs of sustained strong growth.

Council has under consideration a wide range of potential tourist projects some of which will cater for the higher priced sector of the market and this sector of course seeks to have a high standard of regular air services.

I feel our Council area is typical of many developing regions in Australia where perhaps some Government assistance will be necessary to allow for the transition between a very small local air service to something of a more regional scale to match the increasing capacity of on ground tourist infrastructure. This infrastructure is largely being funded by the private sector.

As a strategy, Council seeks Government commitment to the gradual improvement of air services and specifically Council would like to see in the relatively short term the potential investigated for a direct Merimbula/Canberra air service and improved timetabling and frequency of flights on the Sydney/Merimbula/Melbourne link.

Council notes with some pleasure that an improved service seems possible with Regional Express Airlines with regard to the Merimbula/Melbourne route. However better synchronisation could result in improved potential for tourist use of the service if interconnecting flights were programmed to allow, in particular international tourists, the opportunity of short stays in the Shire as part of a Sydney/Melbourne link.

The second major thrust that we feel your inquiry could assist in addressing is the major cost of both maintenance and upgrading of airport infrastructure.

As indicated at the start of this submission, Council is the owner of the Merimbula Airport and the airport is operated under lease by Airport Agencies Pty Ltd.

Significant capital investment will be needed in the next 5 to 10 years even just to maintain the current airport standards. A move to possible larger aircraft in the medium term will likely necessitate several million dollars of additional capital works for runway

improvements, associated apron trafficking areas and increase in the capacity of the airport terminal.

While Council feels it can reasonably address the ongoing maintenance issues of its airport asset, Council's funds are extremely limited with regard to potential to address major new capital works to support growth in air services.

Thirdly, with regard to the terms of reference exploring the deployment of suitable aircraft types, Council feels the new SAAB aircraft provided by Regional Express Airlines appear appropriate for the likely developing needs in the short to medium term. Obviously Council would like to see growth in the frequency of flights and the potential for a regular service between Merimbula and Canberra, particularly given the strong growth trends Council is experiencing in short term tourist visits by the Canberra region community.

Other Possible Suggestions to Improve Regional Air Services

Council believes it is reasonable that there be some "cross subsidy" of air services in Australia whereby perhaps the more profitable routes and major capital airports provide some subsidy to the regional networks. This will very much benefit regional economic and population growth and of course expand the nations very important tourism industry.

There is plenty of evidence to suggest that international tourists are not satisfied with visits to just major centres but are more and more seeking access into the regions to experience the individual treasures contained within those regions.

Bega Valley Shire is particularly well endowed with tourist assets of national significance and as such the demand by both the national and international community to visit the area can only increase over time.

Without some seed funding from Government in the transition phase from small local services to being a more regional destination, the rate of growth of our tourism sector will be more constrained and in particular the 4 and 5 star facilities we seek to encourage in the region will not likely eventuate until a higher standard of air service is available.

There would appear to be scope for the development of better regional strategies to coordinate the other transport services (car, bus, rail, water transport etc.) with air services. In some cases there may well be a waste of resources in having multiple transport modes to a region while at the other extreme some areas such as Bega Valley have only one or two transport modes. (In our case no rail, limited bus services, minimum water transport and modest air services). I feel areas such as Bega Valley warrant a higher priority for assistance with air services than those regions with perhaps good rail, bus or other transport services.

Two further issues from Airport Agencies Manager - Mr Ian Baker

Pricing and Promotion

The pricing structures used on regulated routes in NSW generates the opportunity for operators to set prices at levels that would be totally unacceptable through unregulated ports. For example the airfare from Merimbula to Sydney is \$322.00 o/w as opposed to the airfare from Wagga Wagga to Sydney of \$277.00.

Both of the above destinations being operated over exactly the same distance with the same operating equipment. These pricing policies are a deterrent to the growth in a protected port as it is not perceived by the operator as a price sensitivity issue i.e. if you want to fly you will pay the price.

The other major issue facing regional communities is an integrity in advertising issue. For example Hazelton Airlines nationally advertised in the Sydney Morning Herald airfares between Canberra and Sydney for \$88.00, this gave many local readers the impression that to fly from Merimbula to Sydney they are being ripped off. Whilst noting these cheap airfares are not readily available they are designed to get the readers to contact the advertising airline as their first call. This continued promotion of excessively low fares advertised in the national press will continue to erode the confidence of regional communities in air travel.

Hubbing

The current belief that hubbing air services into a single port and then to our capital cities will be of benefit to the Bega Valley or Eurobodalla Shire Councils would I believe see the demise of these regional airports.

I am of this belief for the following reasons:

1. Continued improvement in the road infrastructure making Merimbula a relatively short 2¾ hour drive to Canberra, and the Eurobodalla 2 hours to Canberra.
2. Dubbo has become a successful hubbing operation for western centres in NSW due to the large distances to be travelled to reach the hub. Eg. Distances between Dubbo and Bourke, Cobar and Lightning Ridge. I believe that as stated above the short distances involved in travel to Canberra from the south coast would ultimately close the commercial viability from either Merimbula or Moruya airports.

Summary of Major Actions for Consideration

- Better timetabling needed of many existing services – may even require modest subsidies.
- Investigate potential to cross subsidise growth of regional services by major route services to stimulate regional development.
- Federal assistance for expansion of regional airport infrastructure.
- More coordination of various transport modes.
- Priority in Government assistance to be given to regions with limited alternatives to air transport.
- A need to review price structures for airfares to address anomalies between regulated and non regulated ports.

Council would welcome the opportunity to further participate in the inquiry if this is of benefit to the Members and could provide detail on the various issues raised in this submission subject to appropriate notice.

Any further contact in this regard should be directed to Council's Director Environment Planning & Development, Mr Garret Barry on (02) 6499 2142.

Yours faithfully

DAVID J HEDE
Mayor