# SOUTH EAST AUSTRALIAN TRANSPORT STRATEGY INC.

SEATS

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'The South East Australia region between Wollongong and Melbourne will have high quality transport links that form a National corridor enhancing and underpinning the economic development and prosperity of its constituents'.

Mr Ian Dundas,
Committee Secretary,
House of Representatives Standing Committee
on Transport and Regional Services,
Parliament House,
Canberra ACT 2600.
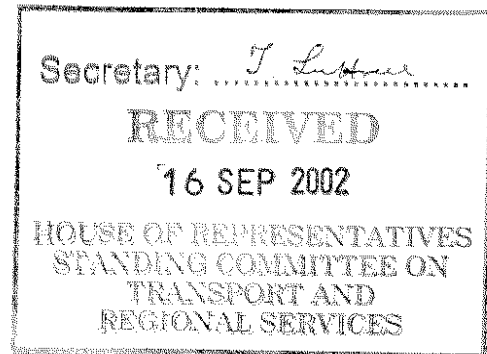
Dear Mr Dundas,

Attached is the SEATS submission to the Inquiry into Commercial Regional Aviation Services.

Please let me know if you require clarification or elaboration on any point.

Yours sincerely

Geoff Robin
Chief Executive Officer
16 September 2002

SUBMISSION

TO THE

PARLIAMENTARY INQUIRY

into

COMMERCIAL REGIONAL AVIATION SERVICES

About SEATS

The South East Australian Transport Strategy Inc (SEATS) aims to stimulate
and facilitate investment in transport infrastructure in south eastern NSW,
eastern Victoria and the ACT region. Members of SEATS include Local
Government, regional development organisations, government agencies,
regional industry and a regional university. The SEATS region is in a triangle
to the east of a line linking the NSW City of Shoalhaven to the north, the
Victorian City of Greater Dandenong to the south and the ACT region to the
west.

South Eastern Australia is rich in primary resources, has a skilled labour force
and a wealth of natural assets. Inadequate transport is impeding orderly
development with hundreds of millions of dollars of identified investment being
withheld from the region. Limited access is reducing the returns for existing
businesses. Independent consultants report that key transport improvements
could generate many millions of dollars worth of new investment.

While there are some ports in the SEATS region and rail services are being
improved in Victoria, most of the region is dependent on road transport and air
services. Air services are essential in several areas to meet community,
commerce, industry, tourism and freight needs.

In the past two years SEATS has spent considerable effort seeking to improve
regional air services in the region. This included considering presentations
from the now defunct Hazelton, Kendell and Impulse airlines. A report on
those presentations can be made available to the Committee if required.

THE OPERATING ENVIRONMENT

Given the distances to be covered in Australia, it is obvious that an effective regional aviation system is of crucial importance to rural and regional communities.

Airline services in Australia fall into five categories. These are:

1. International
2. Main domestic RPT (Qantas and Virgin)
3. Major regional RPT (in our region, REX and Horizon)
4. Small plane RPT services (in our region, Island Air Tasmania)
5. Charter

The principal destinations for RPT services at present are the capital cities. Regional cities and holiday destinations usually have a capital city at one end of the journey. Australian domestic aviation is dominated by Qantas and Virgin Blue, both of which have limited interest in regional aviation, except to major holiday destinations like the Gold Coast.

All capital city airports are all privatised. They are monopolies.
Most regional airports are owned by local government. Some are leased to private operators.

Under current arrangements, some capital city airport slots are reserved for regional aviation, but these slots are not reserved for specific linkages. A slot that has been used in the past for a link with Cooma, for example, could easily be switched to increase the service between Sydney and, say, Port Macquarie.

Governments regard regional aviation as just another industry being like any private sector commercial operation that is open to competition. Aviation is seen as a volatile industry in which operators need to achieve high levels of efficiency through focused business planning and sharp management to stay ahead of potential competitors. Once they step outside of a viable business plan then there are increased risks of failure.

The only problem with this view, of course, is that with so many areas struggling to maintain one air service, the potential for competition is merely a destructive element. That is, if there were competition where one service operates, one and possibly both services would fail. The risk of competition is an additional reason why financing an upgrade of air services is not attractive to lending institutions.

Airports in the SEATS Region

This submission deals mainly with the RPT airports. There are five RPT airports in the region, as well as defence establishments and numerous airfields. The five RPT airports are:

- Latrobe Regional Airport
  - Owned and operated by Latrobe City Council. The airport is the site of an industrial estate development and is the home of a small aircraft manufacturing business. Currently an RPT service operated by Island Air (Tasmania) provides a vital air link to Flinders and now Lady Baron in the Furneaux Group of islands in the Bass Strait. Three return services to Launceston per week fly from Essendon Airport to Flinders Island and onto Launceston via Latrobe Regional Airport. Before its collapse, Hazelton operated a link with Albury and Sydney. It is understood that Australiawide REX will operate a Melbourne, Latrobe, Merimbula, Sydney link from October 1. (See submission from Latrobe City Council)

- Merimbula
  - Merimbula airport is owned by Bega Valley Shire Council and leased to a private company, Airport Agencies of Merimbula. Before the Ansett collapse Kendell flew from Melbourne to Merimbula on a regular daily service. Hazelton flew from Merimbula via Moruya to Sydney each day. While under receivership, Hazelton established a Merimbula, Canberra, Sydney link. It lasted two weeks.

- Moruya
  - This airport is owned and operated by Eurobodalla Shire Council. A daily RPT service is operated to Sydney from Moruya by REX. The operating hours have changed and are less satisfactory than they were before the collapse of Ansett. (See submission from Eurobodalla Shire Council)

• Cooma	• The Snowy Mountains (Cooma) airport is owned and operated by Snowy Mountains Shire Council. Currently a twice daily service to Cooma is operated by Horizon operating a 19 seat Beech 1900D aircraft, which will soon be phased out. The possible replacements - a 33 seat Shorts 360-300 or a 33 seat Dash 8 - require higher loading rates to reach break even point and there is fear locally that the service may only prove profitable during the ski season. (See Snowy River Shire Council submission.)
• Canberra International	• Canberra International Airport (CIA) has the status of a major airport. It is fully privatised and has direct links to Sydney, Melbourne, Brisbane and other ports. If hubbing systems were to be developed, Canberra International would be an obvious hub. However CIA may be in an anomalous position in regard to regional aviation because of the effect of the Australian Capital Territory border. Any plane crossing that border is by definition interstate rather than intrastate.

Questioning the Underlying Assumption

Assumption
> *That unless market forces are able to sustain it, regional Australia does not need a stable, reliable regional airline system*

Unlike the United States and some other nations with deregulated regional air services, Australia has neither the population base nor a strong enough regional economy to sustain a comprehensive regional air network by market forces alone. Current government policies do not recognise this reality.

We understand that even in the United States deregulation led initially to a plethora of new, small airlines which undercut established operators before collapsing themselves, leaving rural communities with poorer, less viable services than they had initially. We do not believe regional Australia can afford such vicissitudes at this time.

Two years ago many regional air services like the then independent Kendell and Hazelton airlines were surviving rather than flourishing.

Ansett acquired Hazelton and Kendell and then collapsed, forcing the regional airlines into receivership. Scheduled flights were suspended and some were subsequently reinstated. These and subsequent events have undermined the belief of some potential passengers that the purchase of a ticket means they will fly to the planned destination on the planned day. Consumers are naturally more wary of investing too much in advance on regional air tickets.

With Hazelton and Kendell now owned by Australiawide and operating under the name "REX" there is hope, rather than confidence, that regional airline services will be re-established. It is in the interests of regional Australia that governments take whatever action is necessary to ensure that this venture operates in conditions which enable it to survive and eventually flourish.

Some have argued to SEATS that air services and operators will change over time and that this is healthy.

We believe that the first imperative is to have an effective and stable regional air service. The time to apply the rigorous efficiencies of the market place is after that is achieved and consolidated. A system that keeps failing because of inappropriate adherence to the ideal of market place economics is not in the best interests of regional Australia.

In regional Australia, the owners and investors taking the risk are not the only ones injured when a service fails. Economic development is often influenced by the capacity for local commercial and industry leaders and potential investors to travel quickly to major centres. Small businesses investing in the development of tourist facilities and services take into account the availability of air services. The viability of new primary industry ventures in horticulture, agriculture, fishing and some foods is calculated on the ability to get perishable goods quickly to market.

In short, governments do have community service obligations in the context of regional air services, although there is room for debate about where the line should be drawn.

ADDRESSING THE TERMS OF REFERENCE

• *THE ADEQUACY OF COMMERCIAL AIR SERVICES IN REGIONAL AND RURAL AUSTRALIA*

An adequate commercial regional service would:

- provide regular air service
- have operating schedules which were designed where possible to all one day return trips
- have affordable fares comparable with major domestic airlines
- go to destinations that people wanted to go to
- link with flights going to a variety of destinations
- have ticketing and marketing systems which were integrated with the major airlines
- be stable enough to encourage community confidence in the future of the service
- be linked with "total packages" at both ends, so that the tourist markets of the regions could be properly developed and so country visitors to major cities could get access to the same markets as other travellers
- be safe

Only this last, and most important requirement, is generally satisfactory.

In other respects commercial air services in rural and regional Australia are not adequate.

The travelling public has justified apprehension about regional air services. Indeed how could it be otherwise, given the closing in the year 2000 of small companies like Yanda and with others like Country Connection going back to charter; followed by the collapse of Ansett; the lengthy process involved in the sale by administrators of Hazelton and Kendell to Australiawide; the starting then stopping after two weeks of the Merimbula-Canberra service; and the failure of the Shepparton-Canberra service following an agreement with Qantas that went wrong. .

People living in regional Australia need basic services and in many parts of the country aviation is one of those essential services. Certainly the wheels of commerce and industry, local businesses, holiday markets and visitors all require air services. So do people needing access to health, education and other facilities too expensive to be replicated in every town. And so do families, for a wide range of reasons and needs.

So while we support the principles of the market economy and recognise the need to satisfy shareholder expectations, we also insist that part of the economic reform over the past decade is the recognition of community service obligations, transparently administered and open to scrutiny.

Community service obligation should apply to a community like Merimbula, for example, which is eleven hours away from Sydney and Melbourne by the only other public transport available - the coach.

- ***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 THE MOST SUITABLE AIRCRAFT TYPES.**

- **Regional Hubs**

As a general principle, the development of regional hubbing networks makes a lot of sense for Australia in the long term. Our support for regional hubbing is qualified to the extent that it should not be implemented in a way which disadvantages individual communities. For example, badly applied, regional hubbing could have a disastrous impact on a community like Moruya.

Take for example a hypothetical proposal to develop Canberra airport as a regional hub for passengers from Merimbula, replacing the Merimbula Sydney link. The Merimbula-Sydney flight stops at Moruya, making that route viable as it draws passengers from both Merimbula and its surrounding area and Moruya and district.

Merimbula passengers travelling to Sydney would not be greatly disadvantaged, whether they went via Canberra or Moruya, and they might benefit if they could take advantage of cheaper prices on the Canberra Sydney leg. Merimbula passengers wanting to travel directly to Brisbane, Adelaide or other non-Sydney ports including other regional centres hubbing with Canberra might also benefit by getting from more direct and easier flights from Canberra.

However without the payload coming through from Merimbula, the Moruya Sydney leg may not be viable. On the other hand, Moruya might benefit if the service was guaranteed and if, without the time constraints on aircraft flying in from Merimbula, the service to Sydney departed earlier.

Apart from improved flexibility in some circumstances, hubbing systems could potentially save many millions of dollars in public investment in infrastructure for new airports.

For decades Governments have agonised over the need for and location of a second Sydney airport and have spent millions of dollars in land acquisition, environment impact statements and sundry other costs. Residents, community groups and local governments in areas threatened by the prospect of a new airport have also spent money in many different ways trying to prevent or redirect the development to a different location.

If the principle of hubbing -- that is the orderly regulation of air routes to provide flexibility and the maximum benefit from existing infrastructure -- had been in place, arguably millions of dollars may have been spent more usefully and a great deal of community anxiety and disruption may have been avoided.

In a country with the population, resources and market orientation of the United States, hubbing might evolve through the push and pull of entrepreneurs driving the market forces. It will be many years indeed until such a free market system is likely to allow hubbing to evolve in Australia without government initiative.

Airport owners in most capital cities will not want hubbing to develop for larger aircraft unless they are to be the recognised hubs. Obviously it is not in their interests to reduce the use of the infrastructure from which they draw their income.

There have been one or two successful small aircraft linking with regional airports in Australia. These have been at Tamworth and Dubbo. However they are the exception rather than the rule. In the 1950's and 1960's Butler Airlines operated hubbing services out of the village of Tooraweenah. This was supported by a DC3 service from Tooraweenah to Sydney.[1]

A formalised hub-and -spoke system could be combined in some contractual way with the larger airlines so that country passengers could get the benefit of lower costs through discounted fares on the more heavily patronised segments of their journey, using larger airlines on those sectors. Hubbing could also help build a culture of inter-regional air transport.

The hub-and-spoke vision would be more likely to work if State and Territory governments were involved in developing the strategy and were prepared to remove the distortion of the capital city focus.

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[1] Source - Ian Baker of Airport Agencies, Merimbula. Mr Baker has considerable knowledge on regional aviation in Australia. He can be contacted on (02)6495 4211

The limited regulation in NSW may also need to be reviewed. Could an unprotected Merimbula-Canberra-Sydney route compete with a protected Merimbula-Moruya-Sydney route? Yet arguably, the Merimbula - Canberra route could be an important spoke if developed as a major hub because it could give passengers from eastern Victoria and southern NSW far more direct access to other airports in NSW as well as Perth, Adelaide and Brisbane and beyond.

- *Small scale owner-operator services.*

SEATS would like the Parliament to encourage the development of small scale owner operated services.

In our endeavours to find ways of improving air services in our region, SEATS has become aware of a number of issues impacting on such developments.

These include the issue of the nexus between RPT services and the regulations covering the promotion of charter services.

At present air charter operators are not allowed to advertise locally that they can, will or might fly passengers from the home base to a distant town or city. The reason for this is apparently to protect small RPT services.

We support the principle that small RPT services need to be protected. However where an RPT service does not exist we believe charter operators should be *encouraged* to advertise their availability to provide ad-hoc services, and to advertise for off-the-street passengers who might make a proposed flight viable.

These amounts to a form of market testing which may be a prelude to the establishment of an RPT service. It is certainly preferable to a small company establishing a service and then finding it cannot maintain it, undermining yet again public confidence in the RPT system.

We are told that small companies are having difficulty convincing potential lenders that financing a regional air services venture is a sound business proposal. This has been exacerbated by the investment market shying away from aviation in the aftermath of September 11 and the Ansett collapse.

Industry representatives drew to SEATS attention a problem facing the future of small commuter aircraft in Australia. This is a small segment of the regional airline industry.

Most existing small airlines in NSW operate piston-engined Chieftains and similar aircraft. These planes will be reaching the end of airframe lifetime as specified by manufacturers over the next 10 years. The cost of modern turbo-prop aircraft to replace these machines is high and in the present investment climate finance to enable small companies to upgrade their fleets is extremely difficult to obtain.

We are told that in the view of CASA this is not an issue for today but one that will unfold over the next 10 years.

In view of the constantly changing industry base of regions, it would be difficult to predict market demand on any one route. Already there is a gradual move to turbo props just as in the USA there is a gradual move from turbo prop to jet. These changes occur over time.

Arguably it should be possible for regional airlines to purchase on behalf of their clients tickets at a corporate or special rate to supplement their own services and for major domestic and international passengers to book through to their ultimate destination. This did happen for a while when Ansett owned Hazelton and Kendell.

One of the major impediments to the development of regional air services is the cost. Public expectation on the cost of air fares is partly conditioned by the much publicised "specials" promoted by the major airlines. Added to this is the fact that insurance and related costs are also burgeoning, introducing a degree of buyer resistance not previously seen in the industry.

- ### *Suitable Aircraft Deployment.*

SEATS is not an expert in this area. However we understand that there is some consumer resistance to smaller aircraft.

It follows that we would support policies and strategies which encourage larger aircraft operating on regional air services in the SEATS region.

- ### *THE ADEQUACY OF COMMERCIAL AIR SERVICES TO MAJOR POPULATED ISLANDS AND THE ADEQUACY OF ALTERNATIVE SEA SERVICES*

Island Air (Tasmania) operates a RPT service linking Essendon/ Latrobe/ Flinders Island/ Launceston three times a week.

The service is an essential service for the people of the Furneaux islands and provides access to a wonderful part of Australia for those who like to visit remote areas.

While SEATS does not know whether the current services are regarded as adequate by the island people, we believe there is real potential to develop adventure tourism linkages between Tasmania, Furneaux Islands, Gippsland and Victorian and NSW beaches, villages and National Parks.

We have long argued for a fast ferry linkage between northern Tasmania and Port Welshpool or Westernport. Similarly, we support any action to improve regional air services catering for this market. Critical to the development of this market is for such travel to be affordable.

***INTER-CONNECTIVITY BETWEEN REGIONAL AIR TRANSPORT
SYSTEMS, MAJOR NATIONAL AIR SERVICES AND INTERNATIONAL
SERVICES (INCLUDING ON-CARRIAGE, THROUGH TICKETING,
FREIGHT HANDLING, TIMETABLING AND AIRPORT SLOTTING)***

Regional air services do not stand on their own. They should be recognised
as an important part of the inter-modal transport system needed to support
regional Australia.

The nation's investment in road, rail and port networks need to be backed by
fast and timely aviation services providing links into the major transport
networks and especially to the large domestic carrier systems.

For the citizens of regional Australia to be properly serviced and for the
potential of regional Australia to be realised, on-carriage, through ticketing,
freight handling, timetabling and airport slotting need to be coordinated with
the major domestic air services.

We are aware of one instance where an apparently successful regional air
service failed after negotiating a ticketing arrangement with Qantas.
The small airline operating from Shepparton in Victoria linking through to
Sydney was viable. We have been told that Qantas persuaded the company
to operate to Canberra and link with Sydney through that connection, offering
integrated ticketing as one of the incentives. The airline and its service
collapsed when the promises made were not delivered in line with the small
company's expectations.This example might be worth investigation by the
Committee.

In many aspects of the tourist and travel industry, travel agents and other
operators are able to negotiate industry deals. From the community point of
view, it should not be beyond the wit of the major airlines to cooperate with
regional airlines in the coordination of on-carriage, through ticketing, freight
handling, timetabling and airport slotting.

Freight services: Gippsland is seen by many as the natural food bowl of
Australia. It has good soil at considerable depth and does not need either
irrigation or the heavy use of fertilisers to be productive. However food and
horticultural produce such as cut flowers are perishable and the ability to get
produce to market quickly has a profound impact on the ability of the region to
realise its potential.

Before the collapse of Ansett, Hazelton operated a regular service from
Latrobe to Albury with connecting flights to larger markets. We understand
that this service was viable (just) because it was supported by (and
supported) the cut flower industry. If Australia is to get maximum potential
from its rural production, especially in perishable foods, including sea foods,
and horticulture (including flowers) it must underpin these industries with a
secure air service.

THE ROLE OF ALL THREE LEVELS OF GOVERNMENT IN SUPPORTING AND ASSISTING THE DEVELOPMENT OF REGIONAL AIR SERVICES AND ISLAND TRANSPORT SYSTEMS

At the time of Federation there were no air services in Australia. The question of Commonwealth intervention in aviation therefore did not arise. The Commonwealth powers relate to interstate trade and specifically to aviation safety.

Intra-state air trade is the responsibility of each State and Territory and each State and Territory has its own perspective. Priorities are driven by such issues as the size of the State, the importance of air services within the confines of the State border, the remoteness of communities, weather conditions and the availability of alternative modes of transport.

States do not look across the border when considering regional air services that becomes a Commonwealth matter.

Transport policies in Australia are coordinated through the Australian Transport Council (ATC), a twice yearly conference of Federal, State and Territory Transport Ministers. Local Government has observer status at ATC through the Australian Local Government Association. The ATC does not have any legal power.

The Transport Ministers are supported by the Standing Committee on Transport (SCOT), a committee comprising the bureaucratic heads of the Federal, State and Territory transport departments. SCOT is in turn supported by a number of modal committees. In the case of aviation, the Aviation Working Group (AWG) fulfils that role. Because of the challenges facing aviation in Australia, and especially facing regional air services, the profile and work of AWG are being upgraded. Local Government is represented on AWG through ALGA. Industry is represented through the aviation stakeholder's forum (a forum conducted by the Federal Government). This includes the Australian Airports Association and the Regional Aviation Association of Australia.

There is no document that represents the combined policies of all jurisdictions. To that extent at least, there is no over-arching nation wide regional air services policy or strategy for developing regional passenger or freight air services. There is no blueprint for regional aviation development in Australia.

There should be.

The Federal Government policy is to achieve market based outcomes. It withdrew from economic regulation some years ago. Interstate air services have been deregulated since the late 1970s when the Commonwealth withdrew from licensing. Further deregulation occurred in the early 1990s with the removal of the two airline policy.

The Victorian Government did establish a Victorian Aviation Strategy Committee. The report of that committee has been presented to the Minister, the Hon. John Brumby but is not yet public information.

The NSW Government held an air transport summit last year. Most stakeholders were involved. The outcomes of the summit have not been made public as the report was a submission to the Aviation Working Group and the issues are being considered by the ATC.

However the prevailing attitude of Federal and State governments appears to be that market forces will determine the future shape of regional air services.

Anyone with sufficient resources can start an interstate airline company and travel on any route. To operate an air route a company only needs to make the appropriate arrangements with the relevant airport owners and/ or operators. They must also, of course, obtain licences and meet aircraft safety standards, but these relate to quality control rather than industry structures. .

Victorian airports are fully deregulated. The Victorian Government has, however, provided financial assistance for services to Mildura and Portland. It has not provided assistance for the major Victorian regional airport in the SEATS region, Latrobe.

In NSW there is a limited regulation system. This includes a formula under which an airline providing an air service to Kingsford Smith airport will have exclusive rights to that route until it is used by more than 20,000 passengers a year. Industry leaders say this system works well.

This protection does not apply to routes between towns or cities other than links with Kingsford Smith airport. This may be an impediment to the development of hub-and-spoke systems.

Local Government
Local Governments are interested in providing their citizens with effective transport systems. Many subsidise air services by providing and maintaining local airports at fees well below the operating and maintenance costs. They do so because the existence of a regular air service is an important component of their economic development strategies and to the health and well-being of their citizens.

In the SEATS region, the City of Latrobe and the Shires of Eurobodalla, Snowy Mountains use ratepayer funds to subsidise the local airport. Bega Valley Shire has also invested in the airport at Merimbula. They do so because they believe it is in the interests of their ratepayers and essential to sustain and enhance the local economy that the airport remains open. The Shire of Cooma-Monaro is currently reviewing its policy on this. The current air service to Sydney benefits the tourist industry during the ski season. Council is considering whether it should continue to try to compete when Canberra International airport is just an hour's drive away.

A Federal program providing support for local airports was phased out more than a decade ago and airports previously owned by the Commonwealth were transferred to local councils at no cost. Councils were provided with grants for future maintenance. Despite this, there are some parts of the country where arguably there are too many airports. In such areas, such as northern NSW, Councils cooperating could provide infrastructure for viable air services if some agreed to close their facilities instead of competing with each other. Their failure to do so limits the viability of air services to the region as a whole.

While this is not directly an issue in the SEATS region, the impact is felt because it complicates the argument that Federal and State Governments should take action to underpin the development of a rational regional airlines network in Australia.

The cost of maintenance and improvement of the airport infrastructure is a major issue for Councils. An airport may be a long way from being self funded, even ignoring such things as the cost of rehabilitation of runways and lighting.

The City of Latrobe has made a significant investment in its airport infrastructure, using it as a base of an industrial complex and encouraging the development of a light aircraft industry. It has an advanced management plan reflecting the important place the airport has in the long term planning of Gippsland and the Latrobe Valley.

- ### *THE ROLE OF MAJOR AIR TRANSPORT CARRIERS IN PROVIDING REGIONAL SERVICES*

The major air transport carriers do provide some important regional air services.

Both Qantas and Virgin fly through Canberra, in the SEATS region.

We would like to see the major airlines expand their services into regional Australia, although not at the expense of those regional airlines currently struggling to survive.

We certainly believe Qantas and Virgin Blue should be much more supportive of regional air services by treating them as an extension of the regional air services system. As mentioned earlier this could be done through negotiating agreements on ticketing, freight handling and timetabling and through the development of joint marketing and package deals. While not suggesting that the major airlines should subsidise such deals, we believe they should treat them as an investment in to long term marketing of the Australian aviation industry.

CONCLUSIONS AND RECOMMENDATIONS

1. Regional Australia needs a stable, reliable regional airline system to service remote communities and strategic centres.

2. Aviation is an essential service for some communities, for commerce and industry, local businesses, tourism and most importantly to provide access to health, education and other facilities too expensive to be replicated in every town.

3. Where such services cannot be sustained by market forces alone, Governments have a community obligation to underwrite such essential services.

4. Governments should be prepared to act to stabilise existing regional air services over the next five years so that public confidence in regional aviation can be restored.

5. A blueprint for regional aviation development in Australia should be developed, with Commonwealth, State, Territory Local Government and industry representatives participating.

6. Commercial air services in rural and regional Australia are not adequate. An adequate commercial regional service is one which:
   - provides regular air service
   - has realistic operating schedules which meet community needs
   - has an affordable fare structure consistent with major domestic airlines
   - flies to destinations that people wanted to go to
   - links with flights going to a variety of destinations
   - has ticketing and marketing systems integrated with the major airlines
   - is stable and enjoys community confidence
   - is linked with "total packages" at both ends, so that the tourist markets of the regions could be properly developed and so country visitors to major cities could get access to the same markets as other travellers
   - is safe

7. A mechanism should be put in place to improve coordination and cooperation between major domestic airlines and regional air services in the area of inter-connectivity including on-carriage, through ticketing, freight handling, timetabling and airport slotting

8. In Australian conditions, hubbing will require government initiative. SEATS support for regional hubbing is subject to individual communities not being disadvantaged by the system.

9. Development of a hub-and-spoke system needs to involve State and Territory governments to remove the distortion of the capital city focus.

10. Regulations should be changed so that where there is no RPT service, charter operators can advertise their availability to provide ad-hoc services, and to advertise for off-the-street passengers who might make a proposed flight viable.

11. Major domestic airlines should be encouraged or directed to integrated ticketing and marketing with regional airlines. Impediments to this should be identified and overcome.

12. The scope for encouraging adventure tourism linkages between Tasmania, Furneaux Islands, Gippsland and Victorian and NSW beaches, villages and National Parks needs to be explored. Regional air services have an important role in this.

13. Freight services are important to regional Australia, especially where those producing perishable foods and similar goods. The development of combined freight and passenger services need to be promoted.