

**Submission
to the
House of Representatives Standing Committee
on
Transport and Regional Services**

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



Department for Planning and Infrastructure
Government of Western Australia

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Introduction

This submission has been prepared by the Department for Planning and Infrastructure (DPI) on behalf of the Western Australian Government and incorporates the views of the following State Government agencies.

- Western Australian Tourism Commission
- Department of Housing and Works
- Department of Local Government and Regional Development
- Main Roads WA
- Workcover WA
- Small Business Development Corporation
- Department of Fisheries
- State Supply Commission

The submission also reflect the views of various Regional Development Commissions (RDCs) in terms of their participation in the State Government's Intrastate Air Services Review (see Background section). The Kimberley Development Commission has submitted detailed comments and given the importance of air services to and within the Kimberley region, the Commission's comments are attached. (Attachment 1)

This submission addresses the following key issues confronting regional aviation in Western Australia (WA). These issues are considered relevant to Inquiry's Terms of Reference.

The key issues are:

1. The fragile nature of regional airlines in maintaining profitability with many routes being marginally viable from a commercial perspective.
2. The difficulty for intrastate air services in meeting the needs and expectations of regional communities.
3. The traditional dominance of one carrier in WA and the advantages and disadvantages this brings.
4. The difficulty for regional airlines to operate independent of large carriers including issues of access to Computer Reservation Systems (CRS) and on-carriage of passengers.
5. The importance of air services to regional centres from a business, government, tourism and social perspective.
6. The costs of operations for regional carriers such as airport charges, Commonwealth service charges including en-route fees and other imposts such as compliance with Civil Aviation Safety Authority (CASA) regulations.

7. The need for Commonwealth incentives to encourage intra-regional Fly In/Fly Out operations.
8. The need for the Commonwealth to join with the states in financially supporting regional air services that are not commercially viable but serve a need for the community.
9. The need for the Commonwealth to provide funding to upgrade airports and airstrips including Remote Air Service Subsidy (RASS) scheme routes.

Background

The State Government takes responsibility for the provision of adequate regional air services within WA and is consequently undertaking an Intrastate Air Services Review. The Review is examining the commercial viability of all air services, jet and non-jet, within WA and also the prospects for growth in the future.

The Review was initiated prior to the collapse of Ansett Australia (Ansett) as a result of concern in the Gascoyne, Pilbara and Kimberley regions at the adequacy of services provided by Ansett, Qantas Airways (Qantas) Skywest Airlines (Skywest) and other smaller airlines. Following the collapse of Ansett and its subsidiary Skywest, the Review was widened to encompass the whole of the state in recognition that all air routes were likely to be affected.

An independent consultancy is undertaking the Review which is being overseen by the Aviation Ministerial Council (AMC). The AMC is a committee comprising the:

- Premier (Chair)
- Minister for Planning and Infrastructure
- Minister for Local Government and Regional Development; The Kimberley, Pilbara and Gascoyne
- Minister for Tourism; State Development; Small Business
- Several CEOs of government agencies with an interest in air services, tourism and regional economic development in WA.

The level of membership and attention to the issue of air services indicates the importance of aviation in Australia's largest and most isolated state.

The consultancy team will report to the AMC in October 2002 and the AMC will be offering to the Standing Committee a copy of the public report that will result.

This submission is offered, using the knowledge that has been gained from the Review over the last five months, WA's extensive history of intrastate air services, our dependence on aviation as a major transport mode and more recently our experience with the effects of the collapse of Ansett and Skywest and its aftermath.

The AMC or a sub-committee representing the AMC, would appreciate the opportunity to meet with members of the Standing Committee when it visits WA as part of this Inquiry as it is only through this level of contact that the depth of issues in WA can be fully and properly represented.

RESPONSE TO INQUIRY TERMS OF REFERENCE 1

The adequacy of commercial air services in regional and rural Australia

In regional WA, Qantas and Qantaslink operate jet services using BAe 146 and Boeing 737 aircraft into Broome, Port Hedland, Karratha, Newman, Paraburdoo and Kalgoorlie. Skywest operates 46 seat Fokker 50 turbo-prop aircraft to the coastal ports of Exmouth, Carnarvon, Shark Bay, Geraldton, Albany and Esperance and inland to Laverton, Leonora and Leinster.

Skywest competes with Qantas on Perth-Karratha and Perth-Kalgoorlie routes. Maroomba Airlines operates a limited turbo-prop service to Mount Magnet using 15 seat Jetstream J31 aircraft. Airnorth operates between Darwin, Kununurra and Broome using 30 seat Brasilias. Skippers Aviation (Skippers) operate services from Perth to Meekatharra and Wiluna using a nine seat Conquest aircraft and also from Broome to Derby using 19 seat Metro 23 aircraft. Northwest Regional Airlines (Northwest Regional) operate services from Broome to Port Hedland, Karratha and Exmouth and also from Broome to Fitzroy Crossing and Halls Creek using six and nine seat piston engined aircraft. (Attachment 2)

The adequacy of the services offered is measured by recent public comment collected as part of the Review process that shows a general satisfaction with the basic daily level of service offered to most major towns in WA. However, there is concern in regional communities that the level of service is inadequate to meet economic growth and social needs, particularly from towns that are tourism driven.

This view is in part due to the high level of service once enjoyed by smaller communities that received jet services when the State Government operated a one airline policy in a regulated environment.

This policy provided a cross subsidy mechanism so that while all intrastate airfares were regarded as high, a wide range of services were provided to smaller communities. Perhaps the most obvious example of this was the “milk run” which was an overnight jet service to all coastal ports between Perth and Darwin. Clearly this sort of service would be unprofitable in today’s aviation environment given the high operating costs of airlines with increasingly tighter profit margins. However, some communities have difficulty in understanding why airlines cannot provide services using larger aircraft and with greater frequency.

Air fare costs are a concern within WA, which has been unaffected by the ‘air fare wars’ found on the east coast. As a result, WA residents feel they are paying far more than other Australians for a similar service, particularly when the tyranny of distance becomes a factor.

For example, the option of driving by car for a business trip to Perth from Broome or Kununurra is just not an efficient use of time compared to air travel as it would involve two to three days of driving time.

WA needs a mix of jet and turbo-prop aircraft to cover its vast distances and population, who are frequent users of air services. Access to a CRS and ideally an alliance with a large domestic or international carrier is desirable if not a necessity. Mining charters and mining related airline passenger traffic makes up a very high proportion of aircraft seat usage in WA and without this important industry, WA would not have the level of service it has at present. (Attachment 3)

Ansett collapse

The collapse of Ansett affected WA in many respects. Ansett was the major service provider in WA, with Qantas operating a smaller aircraft fleet on limited mining-related routes and to Kalgoorlie and Broome. Qantaslink and Ansett also provided services to the eastern states from Broome via Alice Springs and from Kalgoorlie. Overnight, Qantas had to cover a large gap in services which in some cases has not returned to pre-Ansett collapse levels. Skywest, as a wholly owned subsidiary of Ansett, was placed in administration and ceased operating for 10 days. In its place a basic service was provided by Skippers in conjunction with Qantas on a temporary basis that ceased when Skywest recommenced operations. In addition, Skippers, Northwest Regional and Airnorth which were hosted in the Ansett CRS and lost this capability overnight.

The State Government took an active interest to ensure that Skywest was released from administration, sold to new owners and returned to operation in order to ensure an appropriate higher level of service.

RESPONSE TO INQUIRY TERMS OF REFERENCE 2

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.**

It is important to understand the fragile nature of regional air services in the state. The State Government acknowledges this and as part of the Review has deferred issuing licences to two operators wanting to compete on all or part of the Skywest network.

The view taken by the State Government is that regional air services would be exposed to undue pressure by allowing unfettered competition on the Skywest network at such a vulnerable time. There is the possibility that it could precipitate further erosion of services or perhaps another collapse of a regional airline. On this basis, it has not allowed competition on Skywest routes except for Perth-Geraldton. The situation will be reviewed in March 2003.

To monitor the situation, the State Government has appointed an "Aviation Industry Observer" who will report back to the AMC on the health of the industry. In taking this course of action, the State Government hopes to ensure that air services to regional communities can be stabilised and maintained.

2.1 Regional hub services

WA has one regional hub being Broome. All but a few regional services commence and return to Perth from around the state. One of the weaknesses of this is that some adjacent regions do not have interconnecting services.

For example, for some time the Kimberley, Pilbara and Gascoyne regions did not have connecting services although Qantas operate separate jet services to centres such as Karratha and Port Hedland in the Pilbara region and Broome in the Kimberley region from Perth and Skywest from Perth to Exmouth in the Gascoyne region.

To address this matter, a Northwest Regional service between Broome, Port Hedland, Karratha and Exmouth, (to which the State Government provides some financial support), was initiated. However, the route does not provide the same level of service and capacity as jets. This is discussed in greater detail later.

Broome acts as a hub for services to Derby, Fitzroy Crossing, Halls Creek and Kununurra by Skippers, Northwest Regional and Airnorth respectively that connect with the Qantas services between Perth and Broome. In addition, there have been limited services in the past between Broome and Asian destinations such as Denpasar.

Although these services are no longer operating, there is future scope for Broome to be once again linked to Asian cities. For the Committee's information, Broome is a designated regional international gateway under DOTARS guidelines.

Fly In/Fly Out Operations

Over the last decade, WA has seen increasing growth in charter operations for the Fly In/Fly Out (FIFO) of employees for the resources sector. (Attachment 3) The industry is effectively based in Perth and radiates out to mining locations throughout the state. In terms of market, Table 1 shows the percentage of charter seats to overall seat capacity of charter and RPT combined. For some regions such as the Goldfields region, charters are a relatively high proportion of capacity.

Table 1: Regional Distribution of Charter Capacity, 2002

Region	Projects or Mine sites	Weekly Seats	Share
Kimberley	3	314	10%
Pilbara	12	731	22%
Goldfields-Esperance	19	1,457	45%
Mid-West	15	697	21%
Northern Territory	1	72	2%
Total	50	3,271	

The FIFO workforce predominantly lives in Perth, hence the concentration of charter operations in Perth. However, some of the workforce live in regional centres such as Geraldton in the Mid West. The State Government supports further location of FIFO workforces in regional centres where possible to promote regional economic development.

The State Government is working with the resources sector to use Regular Passenger Transport (RPT) services where possible to encourage use rather than charter services. This is because the transportation of workers by RPT can underpin the service offering benefits for the wider community. Conversely, continued growth of charter services can further undermine the viability of RPT operations.

Recommendation 1

The Commonwealth consider incentives to encourage intra-regional FIFO rather than inter-regional FIFO from Perth.

2.2 Small scale owner-operator services

Small scale aviation companies, particularly those providing RPT services, are finding it increasingly difficult to operate. Issues facing these operators include:

- the increasing costs to maintain ageing aircraft and to purchase new generation aircraft;
- safety initiatives by CASA to improve the safety of small operations who are increasingly finding it difficult to pay for compliance costs and to keep up with the volume of regulatory change. An example of this is the substantial cost to comply with CASA's directive for all aircraft over 12 seats on RPT services to be retrospectively fitted with Traffic Collision Avoidance System equipment;
- The review of CASA's Part 121b (which deals with air transport operations of small aircraft) is likely to have serious ramifications if some regional RPT airlines are unable to comply; and
- aeronautical charges, such as en-route charges, for some regional carriers are adding additional costs that can be considered unfair and unwarranted for the level of service required and provided.

Recommendation 2

The Commonwealth should consider:

- *developing an industry specific strategy to replace ageing aircraft;*
- *assisting small operators to meet the costs of complying with CASA regulatory reviews; and*
- *addressing the costs of Air Services Australia en-route charges and location specific charges.*

The State supports a safe aviation system, however due regard must be given to the ability of small regional aviation operators to meet these costs where it is likely to threaten the existence of operators that provide essential air transport services in regional areas.

2.3 The deployment of most suitable aircraft types

Given the marginal commercial viability of some routes within WA, the state is relatively well placed with aircraft types.

Analysis suggests that ideally, a turbo-prop regional operator would have a mixed fleet of 30 and 50 seat aircraft. However, this argument is not as strong if the regional operator has a small fleet. In this circumstance, an operator would opt for a larger capacity single aircraft type. This is the case with Skywest which is a relatively small regional operator with five Fokker 50 turbo-props.

In terms of the jet routes to the north of the state, the Pilbara and Kimberley regions have more B737 services than prior to the Ansett collapse but the seat capacity has remained about the same thus indicating less frequency.

RESPONSE TO INQUIRY TERMS OF REFERENCE 3

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

Some State Government agencies believe the services to Christmas and Cocos Islands need reviewing in terms of more business friendly schedules and the prohibitive cost of airfares.

Flexibility of the service is also worth mentioning through utilising spare seating capacity. For example, the service needs to stop on its outbound leg to refuel at Exmouth. If customs services were committed at Exmouth, this service could carry domestic passengers between Perth and Exmouth.

Current estimations suggest that spare seating capacity is in the vicinity of 15 seats per flight. In addition, if the service were to be routed through Exmouth on the return leg, this would also add additional capacity on the Exmouth to Perth sector. There are also tourism opportunities in linking Christmas and Cocos Islands with the Ningaloo Marine Park such as with scuba diving trips.

However, this initiative would need to be carefully managed so as not to impact on the existing RPT service to Exmouth.

Recommendation 3

The Commonwealth investigate the prospect of carrying domestic passengers on the Perth to Christmas/Cocos Islands route bearing in mind the need to maintain the viability of the existing RPT service operated by Skywest.

RESPONSE TO INQUIRY TERMS OF REFERENCE 4

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

In WA as in other states, regional carriers find it difficult to link in with a major carrier. For example, since Skywest recommenced services in its own right, it has not been able to link in with the CRS of Qantas. This is a huge disadvantage to the airline in picking up on carriage from the major carrier.

In addition, the initial entry into a CRS and ongoing annual costs are expensive, particularly for regional operators with smaller operating budgets. The dominance of Qantas in the national market also offers little choice for smaller regional carriers. If Qantas decides not to let the regional carrier into its CRS, there are very limited alternatives.

The State Government previously funded initial access costs into the Ansett CRS for the small regional operators on subsidised routes. It suggests that the Commonwealth should provide funding for all small regional RPT operators so they have access to a global distribution and booking system.

Recommendation 4

The Commonwealth should consider assistance to small regional operations to enter into major carrier's CRS networks.

There are no slot shortages at Perth International Airport or freight handling issues.

RESPONSE TO INQUIRY TERMS OF REFERENCE 5

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

The State Government is already active in supporting aviation in WA and is developing new initiatives. In addition to assisting small regional operators access CRS networks, the State supports regional aviation through:

- subsidised air services; and
- assistance with airport infrastructure.

Subsidised air services

There are some towns across the state where air services are not viable even for one operator but are financially supported by the State to ensure services are maintained from an economic and social perspective.

The routes are:

- Route 1 Broome-Fitzroy Crossing-Halls Creek (Northwest Regional)
- Route 2 Broome-Derby (Skippers)
- Route 3 Perth-Meekatharra-Wiluna (Skippers)

Routes one and two operate six days per week and route three operates three days per week. Route one uses a nine seat piston engined aircraft. Route two a 19 seat turbo-prop aircraft and route three a nine seat turbo-prop aircraft.

The State Government and other stakeholders also support a fourth route between Broome-Port Hedland-Karratha-Exmouth which is operated by Northwest Regional on the basis that it may develop into a commercially viable service between the Gascoyne, Pilbara and Kimberley regions.

On route four, the level of service offered is a three times per week service in either a six or nine seat piston engined aircraft. On all services, commercial airfares are charged and freight is carried where possible. The shortfall between revenue and costs is met by the State Government.

Notwithstanding this, the State Government has identified the need to possibly expand government support for certain routes and is developing a comprehensive subsidy policy. Drawing on other examples from similar situations nationally and internationally such as the USA's " Small Community Air Service Program" (SCASP), the State Government is investigating ways to fill the needs of these communities through a cooperative approach.

However, it is reasonable to suggest that a comprehensive subsidy regime needs a cooperative approach from all levels of government to meet the associated cost.

Recommendation 5

The Commonwealth should join with the state governments and local government to financially support subsidies for regional services and to explore ways to develop and sustain air services to regional areas.

Assistance with airport infrastructure (Regional Airports Development Scheme)

Since 1994, the State Government has provided support for regional airports through its Regional Airports Development Scheme (RADS). Since its inception in 1994, RADS has invested \$14 million in over 60 airports and airstrips around the state. This has generated about \$35 million in leveraged funding from the Commonwealth and Local Governments and the private sector.

When the Commonwealth transferred ownership of its airports to mainly local councils in the early 1990s, it was not long before it was realised that the transfer payments through the *Airport Local Ownership Program* were not sufficient in most cases to meet future infrastructure requirements.

Hence the State Government stepped in to provide assistance to upgrade airport infrastructure through RADS. This State has continued with RADS as it views airport infrastructure as a vital component of air services development in the state.

RADS is programmed to continue for a further two annual funding rounds. The demand for airport infrastructure supports the need for the scheme. However, the State believes that there is more to be achieved but this is beyond the funding capability of RADS.

For example, the need for an alternate airport within reasonable distance to Perth has the potential to open up Perth to direct flights from European destinations thus providing economic opportunities for the state and Australia in general. Currently there is an impost on current international carriers as they have to use either Exmouth or Adelaide as alternates which requires large fuel reserves and consequent weight restrictions which inhibits the full utilisation of passenger and freight capacity into Perth.

Recommendation 6

The Commonwealth should support the work undertaken by RADS to date by contributing funds to airport infrastructure.

Remote communities on the RASS scheme network are also facing major airstrip upgrades as a result of new Commonwealth regulations. The cost of this will be substantial and needs to be addressed. (See following section.)

Remote Air Service Subsidy (RASS) scheme

In terms of more remote communities or homesteads, the Commonwealth's RASS network, which is administered by the Department of Transport and Regional Services (DOTARS) is important in maintaining air links with the more remote locations in WA.

Recently DOTARS increased the RASS network across Australia including routes in WA. However, the new scheme allowed the carriage of passengers which triggered a higher level of operator and airstrip standards required by CASA. This meant that many of the airstrips on RASS routes did not meet the new standards although they had previously been receiving mail and plane services. The cost of upgrading the airstrips is significant. For example, the cost of upgrading RASS airstrips in the Northern Territory is estimated to be over \$15 million.

There is a view within the Commonwealth that the State will upgrade the air strips. The State Government has provided some funding for this work through RADS and may provide additional funds in 2003-04. However, the scheme can only meet a small proportion of the cost and Commonwealth assistance is needed.

Recommendation 7

The Commonwealth should work with the States in funding the upgrade of the RASS airstrips.

Local Government

In WA, Local Government involvement in aviation is predominantly in airport ownership. With the exception of Perth International, Jandakot, Broome and Forrest airports and military airports such as Learmonth at Exmouth, all other public airports are owned by local councils.

Airlines have continually objected to what is perceived as high airport landing charges. Although WA regional airports have high charging regimes in relation to regional airports in other states, the issue is complex when considering charges against the high infrastructure investments of regional airports.

However, the State Government suggests that airport charges should be set to provide funds for maintenance and ongoing airport infrastructure investment only. It does not support any component of airport charges being used for off-airport activity or contributing to overall council budgets as a revenue raising mechanism.

This view was articulated in the State's submission to the Productivity Commission's *Price Regulation of Airport Services* enquiry in March 2001.

On this basis, airport charges should be kept to a minimum to meet airports needs which would contribute to keeping air fare costs down.

Having stated this, airports owned by councils on the subsidised routes contribute through the waiving of airport charges which is acknowledged. In addition, other airports participate in the promotion of regional air services.

RESPONSE TO INQUIRY TERMS OF REFERENCE 6

The role of major air transport carriers in providing regional services

Six features stand out with air services in WA. These are:

- the large average route lengths;
- the absence of large regional centres and therefore the focus on Perth;
- the increased use of turbo-prop aircraft at the expense of jets on intrastate air services;
- the large number of routes with limited passenger numbers;
- the limited opportunities provided for tourism within the current air services system; and
- the significance of mining as the foundation for air services development in WA.

These features suggest the importance of air services to WA whilst at the same time displaying the reality of the market and the potential detrimental effect on the viability of services.

As WA is large with small population centres outside of Perth, many of WA's routes are deemed long, thin routes. This impacts on the profitability of regional airlines, particularly on the turbo-prop and piston engined routes.

To this end, the Government is seeking stability and sustainability for air services given the importance of the services to the economy on a number of levels and to the wider community.

The Commonwealth has an important role to play in ensuring that regional aviation survives and that regional air services are maintained throughout Australia, particularly to remote and isolated areas. It has an opportunity to work co-operatively with other State Governments in this regard.

We also appreciate the opportunity to submit our views and to meet with the Standing Committee when it visits WA.

Attachment 1: Kimberley Development Commission's comments.

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

Comments on Terms of Reference:

Term of Reference 1:

Adequacy of commercial air services in regional and rural Australia

- Commercial air services in regional and rural Australia are characterised by high levels of uncertainty. The nature of that uncertainty relates to:
 - a) global uncertainty in the aviation industry generally;
 - b) policy uncertainty with State and Federal Governments both reviewing the policy environment within which air service providers operate; and,
 - c) the competitive structures within which air service providers operate coupled with the nature of the relationships that are required to commercially survive in a monopoly or near monopoly environment.

The impacts of these uncertainties and the changes that are inherently required upon regional communities and industries is a matter of national significance.

- This Commission has during 2002:
 - a) undertaken extensive consultation with regional stakeholders on the issue of regional air services;
 - b) participated in an overseas study tour of the USA and Canada on the issues associated with Government intervention in air service markets;
 - c) operated a regional advisory committee of key Kimberley stakeholders to synchronise aviation service levels and tourism industry market promotion;
 - d) provided regular ongoing subsidy to several sub-economic regional air service sectors; and,
 - e) participated (as the only regional representative) in the WA Government's Strategic Aviation Committee.
- On a commercial basis, many centres are not seen as viable for a regular air service, largely due to the direct and indirect costs involved in servicing routes. Since September 11 and September 14 2001, this is despite considerable efforts being made to boost tourism and economic activity by the local communities and regional stakeholders.

- When market forces fail to deliver adequate levels of air service, there is a role for Government to provide assistance to meet regional and community development objectives. Whilst the State Government role in Western Australia is established under the WA Transport Co-ordination Act, the role of the Federal Government requires expansion in view of:
 - a) the relative dependence of regional and remote communities and industries upon air services;
 - b) the uncertainty that characterises air services in regional and remote areas.

- The Kimberley represents an air service market with a limited, though important, year round business and industry demand along with a larger though highly seasonal and price sensitive market for discounted tourism related services. The current status of Kimberley air services is that demand exceeds supply, especially during the peak tourist season winter months. This situation applies to both jet services to major centres as well as smaller regional centres. (additional data can be provided to emphasise this point)

- The nature of the intra - regional air service market dictates the size and sophistication of the aircraft types utilised. The use of smaller aircraft (up to 30 seats) on Kimberley regional routes creates difficulties, which is exacerbated during the peak tourist season, because of:
 - Lack of availability of freight space on smaller aircraft.
 - Health service issues such as limited access for disabled passengers, inability to relocate coffins & deceased persons, lack of capacity to readily move medical patients on smaller planes.
 - Connection delays coupled with limited freight space resulting in no “same day” newspaper availability.
 - Lack of discount fare availability.
 - Lack of effective computer reservation systems that indicate connecting flight details, and allows check-in, ticket issue, flight change at airports and baggage transfers.
 - Due to capacity limitations there is restriction on the ability of tourism businesses to package and market competitively priced product.
 - Due to capacity limitations it is a challenge to bring large numbers of school children that are educated outside the region home and return at semester breaks.
 - Capacity limitations due to the logistical restrictions of increased fuel loadings during periods of inclement weather.
 - Baggage limitations impact both tourism and commercial travellers.

Term of Reference 2:

Policies and measures required to assist in the development of regional air services, including:

- **Regional hub services; and,**
- **Small-scale owner-operator services.**

- Regional aviation operators are essential to the long-term sustainability of tourism in the Kimberley, the region's second largest industry, as they provide links and access to remote destinations, as well as access from other regions.

- Intervention by Governments in air service markets involves a range of substantial risks and uncertainties as well as an extensive range of options. With State and Federal policy reviews concurrently underway the requirement for co-ordination is crucial. This requirement is recognised extensively throughout the State Government and will form part of a separate submission sponsored by the Department of Planning and Infrastructure.

- The continuation of small scale owner operator services is essential for Kimberley communities and industries. Issues and impediments for Commonwealth Government to consider include the impact of Commonwealth regional development and industry development objectives, the CASA regulatory environment and the taxation policy environment, upon the ability of regional operators striving to provide safe, sustainable and competitive services. In particular:
 - a) co-ordinated strategies that provide sustainable commercial options that encourage the orderly replacement of the aging piston engined aircraft fleet;
 - b) infrastructure funding to assist relevant State agencies to provide airstrip infrastructure to support increased RASS (Remote Area Subsidy Scheme) services as well as other RPT (Regular Passenger Transport) services; and,
 - c) an active process to directly engage with regionally based commercial air service operators to provide ongoing advice of regulatory changes affecting the charter and RPT industries.

- Regional hub services provide an option for improved services for some regions. To encourage regional hub services to the Kimberley, the Commonwealth needs to implement measures to:
 - Encourage improved air services direct from the eastern states.
 - Encourage an air connection from Asian centres such as Broome to Bali and/or Broome to Singapore.

- Facilitate and encourage interconnectivity between regional air transport systems and major national air services (including on-carriage, through ticketing, baggage transfers, freight handling, timetabling and airport slotting)

Term of Reference 3:

The role of three levels of Government in supporting and assisting the development of regional air services.

- The impacts of monopoly or near monopoly situations are not only felt nationally, but also within the remote markets for regional air services. Regional communities understand that many of those markets are currently precarious and show little prospect that the future will be characterised by greater levels of certainty. Maximising opportunities for secure regional air services requires the Commonwealth to negotiate practical service delivery strategies with State, regional organisations and Local government. The Commonwealth needs to be closely engaged with the States in relation to air services policy, particularly at times of uncertainty and change.
- The experience of Australia, the USA and Canada is that it is unlikely that all internal routes will be able to be adequately served in response to market forces alone. Many regional routes do not have inherent flexibility to respond to market forces and the Commonwealth should be cognisant and responsive to this situation. The Rapid Route Recovery Scheme was seen as effective in restoring levels of essential service following September 2001. Services for regional communities require that a longer term, sustainable and transparent 'safety net' must be developed.
- The Commonwealth should immediately engage regional communities with relevant State Government agencies, in a national process to determine appropriate levels of service for individual communities coupled with strategies that involve all tiers of Government in transparent and effective processes to encourage local community involvement in committing to and supporting particular levels of service.

Term of Reference 4:

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

- Major air carriers are operating in monopoly or near monopoly situations. Most regional communities would like to share in the benefits that could flow from competition. The reality of many regional air routes, and in particular those servicing small regional economies or industries characterised by high levels of seasonality, is that sustainable competition is a commercially unrealistic prospect.

The role of major air transport carriers operating in these environments is in providing regional services with the following characteristics:

- Aircraft type and frequency that services the region's needs, allows for industry growth including marketing of packaged tourism product based on discount fares;
 - Daily or regular connections with regional hubs to regional towns and cities, with practical inter connections between states;
 - Fare structures that provide options for business, community and industry needs;
 - Freight capacity commensurate with town growth and seasonal demands, based upon servicing tourism, agriculture, aquaculture, mining and community requirements such as health and education; and,
 - Efficient interlining and thoroughfare arrangements with intra-regional connecting air services.
- The "national interest" test calls for a degree of cross subsidisation between the more populous and thus the more economic routes, and those of remote areas. The Commonwealth Government role should be expanded to co-ordinate a ***National Air Services Policy*** that incorporates:
 - a) actively monitoring the impacts of changes in air services;
 - b) establishing and articulating the levels of service that constitute the minimum acceptable services;
 - c) establishing the appropriate 'safety net' arrangements for those communities that fall beneath the minimum levels of service;
 - d) co-ordinating cross jurisdictional co-operation; and,
 - e) maximising the opportunities for community involvement in committing to, managing and securing appropriate levels of air services.

I would be available to provide additional information in relation to the above matters, and would welcome the opportunity to speak with the Inquiry team if they intend to be in the Kimberley Region of Western Australia.

Jeff Gooding
Chief Executive
Kimberley Development Commission

Attachment 2: RPT Routes with WA

Attached as PDF file

Attachment 3: Air Charter routes in WA

Attached as PDF