

**Submission
No 55**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Riverina Regional Tourism

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Tuesday, February 18, 2014

The Director,
Standing Committee on State Development,
Legislative Council,
Parliament House,
Macquarie Street,
Sydney 2000

Dear Director,

Inquiry into Regional Aviation Services

Riverina Regional Tourism would like to formally submit a response to the Inquiry into Regional Aviation Services but first we would like to give the Committee members an overview of the Riverina thus affording a better understanding of our importance to the economy of both NSW and Australia and the importance of a viable and affordable air services is for our region.

Background

Located in southern NSW, the Riverina extends from the rolling foothills of the south-west slopes to the outback. Our major cities are Wagga Wagga and Griffith, with larger towns including Deniliquin, Leeton, Narrandera, Junee, Cootamundra, West Wyalong and Temora. Scattered amongst them are the quaint and charming towns and villages that make the Riverina so unique and a wonderful place to explore and discover.

Our natural assets include the majestic Murrumbidgee River, Edward River and Lachlan River, as well as a number of National and Regional Parks that provide hours of entertainment for travellers.

Known as one of the most productive and diverse agricultural areas in the country, and often referred to as the *'food bowl of Australia'*, a drive through the Riverina will reveal changing landscapes and gourmet food and wine experiences to tempt every taste bud.

We are proud of our rich history, that includes everything from Bushrangers, gold, trains, planes and agriculture, and these themes can be explored throughout the region's many and varied galleries, museums and other heritage tourism experiences.

The Riverina is readily accessible by major highways from Sydney, Melbourne, Canberra and Adelaide, and is also serviced by air, coach and rail services.

Predominately rural land is used for irrigated agriculture, including intensive horticulture, citrus, prunes and viticulture, rice, canola, vegetable, cotton, wheat with some sheep and cattle grazing and dry land cropping.

All this clearly demonstrates that for the Riverina, we need access to affordable Air Services as part of the overall mix of essential services that contribute to growth!

It is our contention at the outset of our submission that Regional Aviation is an essential national transport infrastructure for the 21st century. It supplies essential services to hundreds of regional communities and both State and Federal Government must recognise this fact and that they have an important part to play in ensuring this essential service is maintained and is affordable for the communities that are serviced by Air.

Issues

It is very evident in recent times that our airline industry is facing an uncertain future this has been further reinforced, in recent months; regional carriers Aeropelican and Brindabella Airlines have gone broke as financial pressures have taken their toll on regional carriers.

This is further demonstrated, with our major regional carrier Rex Airlines recently downgrading its profit forecast by 60% and our national carrier Qantas proposing to cut up to 5000 jobs in a bid to stay viable & competitive.

Regional Air Services as mentioned earlier are essential transport infrastructure in Australia. They enable the development of vital medical, educational and professional services in regional Australia and allow fast and efficient access to major cities for people living in regional communities. The Carbon Tax (CT) means higher costs for regional air services and may further discourage people to move from the crowded major cities to opportunities in the regional centres.

The CT only applies to domestic carriers. International operators are not being charged the tax on fuel thus forcing an unequal burden on regional operators. In Europe all international flights are subject to a carbon penalty through the European ETS.

Regional aviation has experienced a 'quadruple whammy' since 1 July 2012. This has had a considerable dampening effect on the sector and has threatened the viability of some routes.

Specifically:

- The Carbon Tax (through the increased fuel excise)
- The removal of the successful en - route rebate scheme
- New and costly security screening measures and subsequent operating costs increase at regional ports.

For example Rex's our leading regional airline, paid \$2.4 million in carbon tax in 2012/13, a cost it did not have in the prior year.

However the real concern is its fuel bill in the 2012/13 financial year was \$36.2 million, down six per cent from \$38.6 million in the previous year. Which clearly demonstrates how unfair the CT is to the Air industry...they can introduce measures to reduce fuel but have no control over the CT.?

As an aside, it is interesting observation from a regional perspective, the biggest competitor to regional air services is the car and we all know that private motorists are not subject to the Carbon Tax.

At the same time that Government regulation and taxes are slowly dampening regional aviation, people are being actively encouraged through financial incentives to move to regional areas from Sydney, Newcastle and Wollongong.

We believe here in the Riverina, that any potential C Change candidate will look for a number of key requirements from a region and apart from the obvious ones of employment, schools and medical facilities is access to a reliable regional air service.

Another cost issue facing regional air services is being able to access slots at Sydney airport and that regional air services must not become the poor cousins by sacrificing its slots for added major carriers and or International growth. The continued discussion about a second airport needs to be finalised with urgency so that this can free up some regional slots at Sydney airport.

Slots must not be taken from regional airlines and or regional airlines in major regional centres must not be redirected to the second airport as this will place further inhibitors to revenue from the business sector, which in turn will place further pressure on airlines to maintain services. This may also increase the use of the motor car to become a viable option.

Whilst this is a Federal Government issue, it needs to be included in our submission as we all have a part to play. We need to see the re- introduction of the very successful *En-Route Rebate scheme*. This will immediately have a positive effect on our operators and will certainly help offset other costs.

A further cost to regional airlines and to Councils who manage airports and whilst this is not part of the terms of reference for this Inquiry, it is an important ingredient for this submission and that has been the

introduction of security screening and whilst we should never take for granted security, it would appear by many to be just window dressing. Has a Security Risk Analysis been carried out to determine the appropriateness of the measure? This impost also comes again with a cost which in turn will threaten the viability of a number carriers or routes.

Further cost to regional airlines is the “80 movements within a 60 minute” time period. We understand that aircraft have had to be held on the tarmac fully fuelled, engines running waiting for the clock to tick over into the next 60 minute period, as a result of this procedure. Apart from the obvious impact to wasting fuel, which is a cost to already struggling airlines? It also has a direct impact on carbon emissions. We recommend that a full review of how airlines are being handled at Sydney will be one way to overcome anomalies like the above and this should be done as a matter of routine to ensure Sydney airport is keeping up with an ever changing landscape.

We would also point out that an effective regional air service is more than just transporting passengers. It has to also include freight. In a region like the Riverina which has such a high density of industries the opportunity for “just in time” freight could add to airlines profitability.

It is a paradox that while aviation is essential transport infrastructure for Australia in the 21st century there appears to be subdued interest in maintaining and expanding this infrastructure. WWII supplied a myriad of airfields that have served regional towns well but all the airfields are ageing and often expensive to maintain. Over the past twenty years many airfields were gifted to regional councils that had limited ability to develop their airfields other than to provide essential, basic maintenance.

Some council's, (Deniliquin for example) have been innovative by developing residential and commercial airparks to finance the further growth of their airfields.

In closing we would like to summarise the key points for our submissions as follows-

- Maintain the Sydney slots for regional air services
- Removal of the Carbon Tax
- Re-Introduces the En - Route Rebate Scheme
- Recognition by both State & Federal Governments that regional air services are an Essential Service. Furthermore acknowledge and enshrine regional air services are as important to Australia's economy as essential road and rail links which are heavily subsidised by the taxpayer with far more being spent per capita in regional areas.
- Conduct a cost analysis of security screening to determine need.

Lastly, Regional Australia has always been air-minded but there is a chance that aviation is being taken for granted and we may need to rekindle a deeper understanding about what it takes to maintain and grow modern regional air services. The aero-medical sector remains strong with sound government and philanthropic support but RPT, freight, charter and training companies are struggling. It would only take another major spike in fuel prices to force a number to reconsider their regional operations. I refer you again, as mentioned in this submission earlier, to the recent news of Rex and Qantas as an example of the problems facing our air industry

What is not always fully understood is the deep and broad value that aviation offers to regional NSW. This is not just the commercial value but also the social connection and benefits that air services provide to dispersed families and friends. While enhanced IT and communications can connect people to a certain extent, it is aviation that brings people together expeditiously and in-person. Aviation is providing a considerable social good, and to what extent is worth further research. This may require a joint industry/government research project.

It is obvious that regional air services cannot operate from every airfield but regional hubs should be identified where available government and industry funds might be channeled to maintain regional aviation infrastructure. It must be remembered that commercial aviation is still relatively young and that new aircraft, avionics and engines are under constant development. Regional towns are well placed to take advantage of these advances but must have decent transport infrastructure in place. This includes maintaining runways/taxiways and ensuring terminals and security are at the required standard. None of this is cheap but it will mean that regional towns have access to 21st century aviation options in both aircraft and nav aids.

Riverina Regional Tourism sees a reliable and affordable Air Services as an important vehicle for our region's success in the future and we hope that the committee can take on board the issues raised in our submission.

Yours sincerely

Gregory N Lawrence
Chair
Riverina Regional Tourism