

**Submission
No 55**

**INQUIRY INTO ECONOMIC AND SOCIAL DEVELOPMENT
IN CENTRAL WESTERN NEW SOUTH WALES**

Organisation: Regional Aviation Association of Australia

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18 October 2011

The Hon Rick Colless MLC
Chairman
Standing Committee on State Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Colless,

Inquiry into Economic and Social Development in Central Western New South Wales.

The RAAA and its Members

The Regional Aviation Association of Australia (RAAA) was formed in 1980 as the Regional Airlines Association of Australia to protect, represent and promote the combined interests of its regional airline members and regional aviation throughout Australia.

The Association changed its name in July 2001 to the Regional Aviation Association of Australia and widened its charter to include a range of membership, including regional airlines, charter and aerial work operators, and the businesses that support them.

The RAAA has 29 Ordinary Members (AOC holders) and 57 Associate/Affiliate Members. The RAAA's AOC members directly employ over 5,000 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turnover more than \$1b, carry well in excess of 2 million passengers and move over 23 million kilograms of freight. Annex A lists the Ordinary Members of the RAAA.

RAAA members operate in all States and Territories and include airlines, airports, engineering and flight training companies, universities, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional areas.

Some examples of RAAA members' presence in regional Australia is the REX hub in Wagga Wagga, SkyWest in WA, Sharp Aviation in Hamilton, Airnorth, Chartair and Vincent Aviation Northern Territory networks, West Wing Aviation in Mt Isa, Airlines of Tasmania in Hobart and Skytrans operations from Cairns, to name a few.

Serving regional aviation, and through it, the people and businesses of regional Australia

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RAAA Charter

The RAAA's Charter is to promote a safe and viable regional aviation industry. To meet this goal the RAAA:

- ➔ promotes the regional aviation industry and its benefits to Australian transport, tourism and the economy among government and regulatory policy makers;
- ➔ lobbies on behalf of the regional aviation industry and its members;
- ➔ contributes to government and regulatory authority policy processes and formulation to enable its members to have input into policies and decisions that may affect their businesses;
- ➔ encourages high standards of professional conduct by its members; and
- ➔ provides a forum for formal and informal professional development and information sharing.

The RAAA provides wide representation for the regional aviation industry by direct lobbying of Ministers and senior officials, through parliamentary submissions, personal contact and by ongoing, active participation in a number of consultative forums.

RAAA Response to the NSW Legislative Council Standing Committee on State Development Inquiry into Economic and Social Development in Central Western New South Wales.

Aviation is a natural partner for the highly dispersed regional and remote communities across Australia given the large distances often involved, and the need by many to access the major cities.

This is true for regional NSW notwithstanding a number of challenges. There are now almost no intra-regional aerservices, other than charter, with operators focussed on services between Sydney and the major regional towns. Most passengers, particularly those travelling for business, want to fly out from a regional centre and return later that evening. Now that all regional slots have been allocated at Sydney Airport it is difficult to grow this part of the market unless passengers are willing to travel in the off-peak times. This may be possible for those travelling for family or health reasons but is more problematic for the business traveller.

Brisbane may become a more desirable destination for some NSW business travellers due to the slightly less congested air traffic and the ability to handle more regional services at the peak times. This could provide a more attractive business environment for those seeking a one day turnaround on their capital city meetings.

Regional airlines often operate on fine margins with high sunk capital costs including regular, expensive maintenance. These airlines are subject to the same government provisions as the major carriers and have increasing exposure to the subsequent regulatory and security costs. Their economies of scale are much smaller and therefore must operate at maximum efficiency if they are to stay in business. However they are in the business of providing modern air services to regional NSW so must choose routes that are well supported and have a long-term future. Over the years this has seen the loss of a number of NSW air services and the closure of some smaller operators. The upside is that those airlines that remain fly larger, more modern aircraft as well having consolidated finances to ensure they can weather the inevitable upward and downward cycles of the economy. This is particularly important when operating through an extended drought period.

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 councils have been innovative by developing residential and commercial airparks to finance the further growth of their airfields.

Sales of regional airfields to private interests can establish monopolies leading to draconian price increases. This is not an option supported by the RAAA.

Regional aviation will experience a 'triple whammy' on July 1 2012 with the introduction of the carbon tax, new airport security charges and the loss of the enroute subsidy scheme. While these are all commonwealth imposed costs, the NSW government and local councils would be wise to enter into discussions with regional operators, including passenger, aero-medical, charter, training and freight to discuss what mitigating assistance might be provided. Even if the assistance is small, such as reducing landing charges, it may mean the difference between the maintaining or losing a regional service. It must be understood that ticket prices on regional routes may reflect that a smaller number of passengers are flown from regional centres compared to the intensive east coast routes. This picture is sometimes confused by passengers travelling to major coastal tourism centres from major cities being counted in regional passenger statistics. If these passenger numbers are removed from the statistics, regional RPT aviation has shown little growth in the past twenty five years while operator costs have increased substantially.

The RAAA represents around 90% of the fly-in/fly-out operators (FIFO). There is no doubt that this new form of labour mobility is here to stay and is being embraced by a new generation of Australian workers. It can move people from lower employment regions to those regions experiencing a labour shortage. It means a family may exercise a choice whether to remain in a home region if the major income earner is working elsewhere. It can mean better air services for regional residents as employment and income rises with the success of the resources venture.

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.

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 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 could be identified where available government and industry funds might be channelled 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.

Aviation, including regional aviation, does not live in isolation and is part of an international industry. Comparative countries such as Canada, New Zealand and Brazil have developed successful aviation export industries, many of them based in regional centres. Unfortunately Australia has been left behind and is largely a consumer of aviation products except for some component manufacture domiciled in the major cities. This is a loss as Australia was once a significant aviation manufacturer.



The fact remains that aviation and its services are now central to the economic and social development of NSW. This will grow in importance, not diminish. The challenge for policy makers and the industry is to ensure that the required effort is made to ensure that high quality air services are maintained and that the infrastructure is there to support it. The high benchmarks for aviation safety come at considerable cost but these are relatively small when stood against aviation's ability to unite and develop Australia's most populous state. It also should not be forgotten that aviation manufacturing opportunities still exist and could be based in regional NSW. Our friends in NZ are well underway in resurrecting their aviation manufacturing and could be used as a template for NSW.

The RAAA would welcome the opportunity to work with the NSW government to enhance and further develop regional air services and aviation products.

Regards

Paul Tyrrell
Chief Executive Officer

Annex A: RAAA Ordinary Members

