

**Submission
No 56**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Qantas Airways Limited

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The Director
Standing Committee on State Development
Parliament House
Macquarie St
Sydney NSW 2000

QantasLink Submission: Inquiry into regional aviation services New South Wales

Thank you for the opportunity for QantasLink to make this submission in response to Standing Committee on State Development's *Inquiry into regional aviation services*.

QantasLink is the culmination of more than 65 years of regional commitment in New South Wales. Our roots go back to August 1949 where as a one pilot, one aircraft operation in Tamworth, Mr Jim Packer formed Tamworth Air Taxi Services to provide air services to the farming and grazing communities of Western New South Wales. Various name changes and years later this would form the QantasLink operation we know today.

QantasLink is pleased to provide the following information about our operations in regional New South Wales and would be happy to provide further information that might assist the committee.

Network

QantasLink is a full service regional carrier that operates a large range of aircraft types and connects millions of travellers each year between regional centres and major domestic metropolitan centres.

As a collective of 100% wholly owned subsidiaries of the Qantas Group, QantasLink offers communities a safe, reliable sustainable air service that also enables fleet flexibility to service the community's demand needs which no other carrier in Australia can currently match.

QantasLink provides services to 11 intrastate destinations in New South Wales - Albury, Armidale, Coffs Harbour, Dubbo, Lord Howe Island, Newcastle, Port Macquarie, Sydney, Tamworth, Moree and Wagga Wagga, using Bombardier Q400 74 seat, Dash 8 Q300 50 seat and Dash 8 Q200 36 seat aircraft.



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QantasLink offers interstate services between Lord Howe Island and Brisbane, Newcastle and Brisbane, Sydney and Canberra, and Sydney and Gladstone. QantasLink also operates seasonal services from Port Macquarie to Lord Howe Island, Sydney to Hobart from 14 April 2014 and will commence new services announced from Brisbane to Port Macquarie.

QantasLink provides at least a daily return service to and from each of the regional communities that it serves. Within New South Wales, the number of flights to regional centres is generally four and up to six return services per week day on routes that exceed 100,000 customers per annum.

Qantas recognises the importance of providing customers from both ends of each market with the opportunity to spend the best part of a working day in either the regional or the metropolitan centre. Services are carefully coordinated to ensure the optimal schedule is provided to each community based on market demand.

Connectivity

QantasLink ports and customers, are integrated with Qantas' global network through intrastate, interstate and international connections; access to the Qantas booking system and qantas.com; Frequent Flyer and lounge benefits; affiliation with the Oneworld alliance and our partnership with Emirates. Connectivity to Qantas regional, domestic and international network covers over 200 destinations in 50 countries, 63 in Australia and more than 137 in other countries including destinations served by codeshare partner airlines.

QantasLink pro-actively seeks to ensure that maximum benefits are available to customers through creative timetabling, application of special sale fares and pricing initiatives and through the many Qantas Group's wide sponsorship support of regional, state and national community activities.

The recent relocation of QantasLink to Terminal 3 at Sydney Airport provides customers with more seamless travel experiences with connections to Qantas domestic, international and Oneworld partner services and access to the retail, dining experiences and for eligible customers, the Qantas Lounges. Passenger feedback in relation to the Terminal 3 improved facilities, access to lounges and improved connectivity has been very positive.



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Fleet

The QantasLink Fleet currently consists of:

<i>Aircraft Type</i>	<i>Seat Capacity</i>	<i>Total Aircraft Today</i>	<i>Total Aircraft Mid 2014</i>
Bombardier Dash 8 Q200	36	5	3
Bombardier Dash 8 Q300	50	16	16
Bombardier Dash 8 Q400	74	30	31
Boeing 717	100-125	15	18
Total		66	68

The Q400 has revolutionized regional air travel in Australia, with the Bombardier Q400 featuring improved passenger comfort, jet-like speed reducing travel by up to 20 percent and delivering environmental benefits compared to comparative jet aircraft.

Qantas has an ongoing commitment to regional air services in Australia. QantasLink's fleet strategy is to continue to purchase larger and faster aircraft and has recently acquired an extra 7 new 74-seat Q400 aircraft to increase the QantasLink Q400 fleet to 31 aircraft and 5 additional B717 aircraft to increase the QantasLink B717 fleet to 18. Investment in larger more efficient fleet has enabled QantasLink to expand its product offering to customers, providing flexibility and scale to accommodate specific requirements.

QantasLink first introduced the Dash 8 Q series aircraft in 1998 and was the first airline to take delivery of the Dash 8 Q200, Q300 and Q400 aircraft in the Southern Hemisphere at a cost of approximately \$20-\$30 million each. In the last decade, QantasLink has invested more than \$850 million in its Dash 8 turboprop fleet making the average age of the entire fleet less than 7 years – the youngest average fleet age in regional turboprop aviation in Australia.

Opportunities for new services

QantasLink's emphasis on the larger Q400 turboprop aircraft and the gradual retirement of Q200 and Q300s means that a number of smaller towns in New South Wales are not suitable for QantasLink services and are better served by regional carriers with smaller aircraft. Limitations are often operational (e.g. runways not permitting larger aircraft to land), commercial (e.g. insufficient passenger demand to make larger aircraft commercially viable) or both. As a general rule, QantasLink rarely operates on routes with less than 30,000 passengers per year. QantasLink has



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no immediate plans to extend its footprint into new regional towns in New South Wales.

We recognise that there are often calls for a hub and spoke model to extend connectivity into new (smaller) regional towns. Such ideas have existed for many years and have either never passed the concept phase or failed. QantasLink itself does not have the fleet to support this sort of model and would be surprised if other carriers were able to offer such a scheme on their own or in partnership with a larger airline. We generally observe:

- A strong preference for passengers to fly direct to Sydney rather than one stop;
- Challenging economics in providing a one stop solution which is neither the most cost effective nor the most timely method; and
- Significant problems around connectivity. Where a service currently leaves (say) Tamworth at 0700 to permit a full business day, any connecting service would need to depart its home town at 0500 or earlier.

Employment

QantasLink directly employs over 1300 staff nationally with more than 500 staff in New South Wales (Sydney, Tamworth and Newcastle). QantasLink has invested strongly in its engineering and maintenance facilities based in Tamworth which now service all of our Dash 8 aircraft including Dash 8 Q400 aircraft. To operate these facilities we employ 62 skilled engineers, 4 administration support and 12 finance employees.

QantasLink plays a key role in the economy of the communities we service. QantasLink engages local handling contractors in the majority of all markets it serves and recognises the sensitivity of employing locally and commits to recontracting handling contractors in regional communities. Local suppliers and contractors will also be utilised to provide accommodation, catering and other services where pricing competitiveness and facilities allow.

Investment in regional communities

In addition to the many regional events and organisations Qantas sponsors, through landing fees, head taxes and various other charges, QantasLink is also a major payer of rates and charges to local councils across the country.

Qantas supports the Australian produce, food and beverage industry and targets for 95% of our finished food and beverage products to be Australian made by local and bespoke suppliers. For example one of our suppliers of cookies is the Snowy Mountains Cookie Company. Last year we procured approximately 500,000 units from this business based out of Jindabyne.



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Cost of servicing regional communities

Despite increased market competition, escalating fuel prices and challenging economic conditions during the past five year period, QantasLink has provided a stable air service to regional New South Wales.

Qantas incurs a higher cost per seat per kilometre for smaller aircraft than larger aircraft which translates into higher fares per kilometre on the smaller sectors we service. Regional destinations also incur higher fixed costs including local council fees and higher security charges. There are also labour cost inefficiencies of covering a single morning and evening flight.

QantasLink recognises that airport owners require a reasonable income stream to fund airport infrastructure maintenance and development and continues to find efficiencies in its own business, including the introduction of new, larger aircraft and more efficient capacity to facilitate the introduction of more affordable airfares. QantasLink encourages mutually beneficial partnerships with airport owners to develop marketing incentives to encourage passenger growth targeted at the leisure or 'price sensitive' end. All these actions culminate in ensuring the viability of air services.

In relation to Sydney Airport, since 1 July 2002 the ACCC has monitored regional pricing for regional carriers under Part VIIA of the Act. Sydney Airport must provide a price notification to the ACCC prior to increasing its charges for regional services. These restrictions on Sydney Airport have seen regional aviation charges not increase over the past years, unlike the price increases for international and interstate services. QantasLink and Sydney Airport negotiate regional pricing as part of a broader agreement between Qantas and the Airport.

Fares and Affordability

QantasLink publishes a wide range of fares to cater for leisure customers, holiday makers, corporate customers, and VFR (visiting friends and relatives). In addition, QantasLink makes available special pricing for the New South Wales Government and associated agencies. Seat sales and other special fare initiatives are offered frequently. These are pitched at leisure travellers offering value for money, whilst stimulating discretionary travel and growing visitation and revenue for the communities serviced by QantasLink. QantasLink does this very successfully, as evidenced by its growth in customer numbers over recent years as a total airline and on many individual markets both exclusive and competitive.

Marketing

QantasLink regularly showcases regional destinations via the award winning Qantas Inflight Magazine, 'The Australian Way', as well as the on-board video presentation 'Welcome Aboard'. Both the magazine and the inflight video are seen by more than



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3 million Qantas domestic and international customers across Australia and around the world each month, which directly increases awareness and visitation to regional Australia.

QantasLink also carries its own inflight Magazine, 'Spirit' on all Dash 8 and Boeing 717 aircraft nationally with a distribution of more than 5.6 million passengers per annum .The magazine highlights all the regions across the QantasLink network, providing substantial readership and exposure value for the many regions covered in the 150 page magazine published quarterly.

Qantas works closely with Destination NSW in promoting New South Wales as a tourism and business destination both domestically and internationally through a financial commitment of millions of dollars per annum. The cooperative marketing fund focuses on key markets of the United States, New Zealand, Japan, Singapore, Germany, South America and China. Qantas and Destination NSW have a range of joint partnerships and investments and Qantas is a proud sponsor of Destination NSW's annual tourism awards.

Assistance for communities

Particular reference must be drawn to the immediate relief QantasLink provided recently to the community of Moree when it was stranded following the collapse of Brindabella Airlines. This is the second time QantasLink has provided such assistance. It was back in March 1991 when QantasLink provided assistance when the community of Moree was stranded following the collapse of Norfolk Airlines. QantasLink has continued to rescue communities following the aftermath of the June 2001 collapse of Flight West and the September 2001 collapse of Ansett, Kendall and Hazelton Airlines.

Qantas has a history of supporting aviation in regional New South Wales and continues to invest and support the communities of New South Wales with regular on time premium services, community support and partnerships. Qantas acknowledges the strong need for regional centres in New South Wales to have reliable, affordable and regular air services and this is reflected in our long history of investment and our presence today in the market ensuring the viability of air services to regional New South Wales in the years to come.

Yours sincerely,

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