

**Submission
No 25**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: AlburyCity

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

Dear Sir or Madam

Inquiry into Regional Aviation Services

Thank you for the opportunity to make a submission to the New South Wales Legislative Council's Inquiry into Regional Aviation Services.

Albury is a major urban centre in the Murray region servicing a population of approximately 170,000 people. Located adjacent to the Murray River between Sydney and Melbourne on Australia's busiest inland transport corridor, Albury is a strategic hub for commerce, transport, industry, health and education and has a strong tradition of regional leadership. Combined with our sister city Wodonga, Albury-Wodonga is the 18th largest city in Australia.

Albury Airport is owned by the Albury City Council and is a major regional airport providing important air transport links to Sydney and Melbourne. It supports Regular Passenger Transport (RPT) services, air charter operations, air ambulance services and a range of aircraft maintenance and aviation related industries. RPT passenger numbers have plateaued over recent years and currently stand at approximately 280,000 passengers per year. The airport infrastructure allows the operations of passenger jets on a routine basis and the airport operates under positive air traffic control administered by Airservices Australia from a control tower located on the airport.

With regard to the detailed Terms of Reference, AlburyCity offer the following response:

1. Cost of access to Sydney Airport, regional New South Wales airports and other landing fields including:
 - a. *airport operator landing fees imposed at various airports and services and facilities included in those fees; and*
 - b. *methodology for calculating landing fees for different classes of aircraft.*

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Albury Airport is operated in accordance with sound business principles. It is recognised that the airport plays an important role in the economic growth and lifestyle offer of our community. It is also acknowledged that the airport operates in a cost sensitive environment and any increase in charges has a flow on effect to key stakeholders and the local economy. Accordingly, passenger related charges are established on a user pays regime with the overall primary objective for total income to cover operating costs, provision for capital improvements and return on investment.

As part of our *Albury Airport Conditions of Use* agreement with our partnering airlines, Council offers rebate schemes for new services and/or increased total passenger numbers. This allows a risk and benefit sharing arrangement with the airlines, thus encouraging active participation in the marketplace. In addition, Council has implemented a number of initiatives to increase ancillary passenger related income streams such as paid car parking, leasing and improved commercial retail activities.

RPT charges at Albury are separated into two items, being passenger charges and passenger security charges (if applicable). Passenger charges include the respective provisions for infrastructure, operations and facilities while security charges are specifically calculated to meet the costs associated with passenger screening and checked baggage services. All ancillary passenger related income streams at the facility are considered when establishing the passenger charges. Passenger charges are based on passenger throughput (no landing charge) while passenger security charges are based on available departing seats. General aviation charges are levied on a per landing basis for itinerant aircraft and an annual basis for locally based operators.

2. Financial management and viability matters impacting on RPT operators, including:
 - a. *economics of operating various types of aircraft, including modern single engine turbine compared to older twin engine piston aircraft;*
 - b. *impacts of compliance costs, including per passenger costs;*
 - c. *suitability of "hub and spoke" systems for potential routes for smaller passenger numbers;*
and
 - d. *the viability of passenger loading for different classes of aircraft.*

There is an expectation in larger regional communities such as Albury that air services will be timely, convenient and affordable. Therefore, it is important that the aircraft utilised is appropriate for the designated route and the passenger profile. This is likely to provide the most cost effective service at the lowest price, encouraging utilisation and improving viability of such a service.

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Albury Airport passengers are predominantly business related with a demand for regular convenient services that are consistent with demands. Therefore, it is Albury's preference to maintain flight frequency rather than reduce frequency in lieu of larger planes. Airlines will determine financial viability based on factors such as aircraft availability, demand, potential industry contracts and en-route opportunities. These factors will primarily determine thresholds for passenger loading for respective classes of aircraft.

Access to Sydney Airport is critical for the broader Albury community, especially in the peak periods. Fortunately this provision is legislated in government policy and has been "ring fenced" for regional carriers. As available slots diminish, pressure will increase for larger aircraft to access these slots and this may be to the detriment of smaller regional services. While establishing future strategies for air services into Sydney, including slot management, movement caps, curfews and alternate sites, we encourage the government to continue to guarantee slot allocations into Sydney Airport to regional carriers in peak periods

Another expectation of all regional communities is safety and thus the aviation industry is highly regulated. The cost of compliance is excessive, which inevitably is recovered through passenger security charges. Lower economies of scale at regional ports result in relatively higher per passenger charges and this, coupled with other passenger and aeronautical charges may result in services not being affordable to a significant portion of the community. Safety is not simply related to individual airports and is of national importance. Infrastructure to facilitate a consistent safe operating environment is costly and therefore may impact on route viability. It is important that State and Federal Government continue to assist with the establishment of national safety initiatives at all airports.

While Albury Airport is prepared to consider any "hub and spoke" arrangements, it is critical that the customer and the broader community are not inconvenienced from any change in flight route or scheduling. Albury's position is to maintain direct access to capital city airports such as Sydney Airport for convenience and seamless travel en-route. There may be opportunities in the future for smaller centres, not already serviced with direct capital city access, to hub to larger regional centres and connect with regional port schedules. It is our view this may be cost prohibitive without some support from State Government.

3. Economic impact on regional communities of gaining or losing RPT services, including:
 - a. *the local business community;*
 - b. *the impact on general aviation and regional airport management of the gain or loss of RPT services to regional centres;*
 - c. *the potential for future economic development; and*
 - d. *impacts for Local, State and Federal governments, including licencing arrangements for services less than 50,000 passengers per annum.*

The Albury Airport is a key link and contributor to economic development within our community. Our passenger profile is predominantly business related and thus relies heavily on convenient, reliable and affordable air services, with a large proportion of passengers accessing same day services to capital city destinations depending on business needs. Similarly, the product and lifestyle offer of our region is influenced by the available air services. A regional community of our scale enjoys and demands seamless leisure travel services to national and international destinations. Therefore, the availability of convenient air travel to our region has a major influence on the attraction and retention of both business and residential settlement and thus plays a critical role in the health of our local economy.

Regional airports are also a hub for economic development within their own right. The higher the level of activity at a regional port the greater the number of participants. In Albury's case, the airport has developed and continued to grow in areas such as general aviation, training and aircraft maintenance activities. Fundamental to the success of this precinct is the RPT services which influence the types of business opportunities as well as the infrastructure and facilities available.

RPT services, in effect, are a cornerstone of regional airports. However, it is important that these services are provided on a commercial, and where possible competitive basis. In ports such as Albury these services must be viable in the long term without cross subsidisation from the broader ratepayer base. In larger regional ports, market conditions will determine the viability of respective routes, based on demand and other associated business activities. The gain or loss of an RPT services has dramatic impacts on a regional airport and their respective communities. Airport managers face the challenge of uncertainty on marginal routes. This may include the extremes such as the challenge of significant infrastructure investment to facilitate a new operator or the community loss of access to key destinations when an airline withdraws.

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4. Potential for development of future modern RPT aviation including:
 - a. *opportunities for regional aviation manufacturing and servicing;*
 - b. *the development and supply of sufficient numbers of trained and skilled aviation personnel;*
 - c. *Local, State and Federal government arrangements for staff travel; and*
 - d. *opportunities for dual use RPT services to include both freight and passenger legs on the same routes.*

One common characteristic of the majority of regional ports is the potential to develop when the right business opportunity arises. Typically though, the investment into these capital intensive airports prohibits development and the potential economic growth of the community. All levels of government must be pro-active in this space to facilitate development. State Government has clear designated objectives with regard to facilitating regional growth, decentralisation and regional connectivity and business development support at regional ports is an ideal mechanism to achieve this. Regional aviation manufacturing and servicing is a business discipline that has potential and should be explored, however it is likely to require significant support from all levels of government in the establishment phases.

The aviation industry is reliant on access to and the availability of a skilled workforce. This is across all industry disciplines, including pilots, air traffic controllers, airport managers and operational staff, aircraft engineers and maintenance staff. Relevant training and development is at time disparate and difficult to access. A co-ordinated industry wide approach to aviation training and improved regional access will deliver sufficient numbers of trained and skilled aviation personnel.

Government agencies procure air traffic like any other goods and services. While some may seek contracts with one carrier and leverage their economies of scale, others will adopt a best fare on the day process. This choice must remain with the individual business or agency. Albury City Council adopts a best fare on the day approach and therefore generally shares our business with all carriers.

What all stakeholders in the aviation business seek is some form of sustainability and surety. These characteristics are fundamental to airlines with regard to business growth on longevity as well as providing communities with certainty of service at a competitive rate. In some cases, industry may need to think outside the standard operating paradigms to achieve the desired objectives. If dual use, such as a combination of passengers and freight RPT services, can achieve the objectives of the carrier and the community then this should be explored and encouraged. Albury City Council would support this model if it provided an overall benefit to our airport and community.

5. Any other matter relating to the provision of aerial regular passenger transport services.

Based on the above discussion Albury City Council respectfully requests the committee consider the following recommendations:

Recommendations

- a. Reconfirm the government's commitment to access to Sydney Airport for regional ports in peak periods, regardless of other operational pressures and the current aircraft capacity;
- b. The State's overarching policies and objectives regarding regional growth, decentralisation and connectivity be further enhanced with regard to regional air servicing and funding airport infrastructure;
- c. Regulatory improvements to aviation security continue to be supported with infrastructure and implementation funding;
- d. Further consider "hub and spoke" models for non serviced areas of the state;
- e. Promote and support regional aviation manufacturing and servicing;
- f. Further develop and support aviation industry training; and
- g. Further explore the viability of dual use (passenger/freight) in RPT services.

In concluding, I thank you again for the opportunity to provide comments on the listed key strategic aviation issues. I look forward to the outcomes of this Inquiry. If you require any further details with regard to the matter, please do not hesitate to contact me on

Yours faithfully

Brad Ferris
Director Engineering