

**Submission
No 24**

INQUIRY INTO REGIONAL AVIATION SERVICES

Name: Mr Kevin Anderson MP
Member for Tamworth Electorate

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MEMBER FOR TAMWORTH ELECTORATE

14th March 2014

The Director
Standing Committee on State Development
Parliament House
SYDNEY NSW 2000

Dear Sir

Regional Aviation Services (Inquiry) – NSW Parliament

Regional Air Services represent an essential and vital service to the residents of Regional NSW and I appreciate the opportunity to submit the views of my constituents to the NSW Parliament Standing Committee on State Development Inquiry into Regional Aviation Services.

Residents of Regional NSW must be afforded equitable access to sustainable, reliable and safe air services to our State Capital and Sydney Kingsford Smith Airport, together with other intra, interstate and international connections, where possible and available. Modern and efficient regular regional air services are vital to the social, economic and the overall wellbeing of regional communities.

Air travel from regional areas to Sydney's Kingsford Smith Airport (KSA) represents an essential service to conduct business, and for access to an ever increasingly wide range of services including health and medical services, education, legal, sporting and cultural events available only in the Sydney metropolitan area together with tourism connections to international flights.

Tamworth Regional Airport regular passenger air services to Sydney via the current carrier, QantasLink, provides a valuable air travel service to the New England North West Region, a population of approximately 176,000 people. The importance of RPT services from this Region to Sydney is clearly demonstrated by the steady growth of QantaLink regular passenger travel statistics to KSA for the past three financial years.

For the Financial Years 2010-2011, 2011-2012 and 2012-2013 for the Tamworth to Sydney route, QantasLink annual passenger numbers were 134477, 135759 and 137778 respectively with an increase of 3,301 or 2.45% over that period recorded. For the first quarter Q1 of the current financial year, air travel numbers are tracking at an increase of 4,700 passengers when compared to the numbers for Q1 for the previous financial year 2012-2013. These figures clearly reveal sustainable growth in Tamworth to Sydney RPT market and strong support and use of the service by the regional community.

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QantasLink is to be acknowledged on the RPT service from Tamworth to Sydney route in terms of the frequency and convenience of flights, the quality and reliability of the service offered and continued access to the prime destination of Sydney KSA for regional residents. The only expression of public concern with the current QantasLink RPT service is the lack of competition on the route representing a second carrier and the cost of air travel.

On behalf of my constituents, I acknowledge that market forces will determine the viability of a second carrier but I submit that growth in the Tamworth to Sydney route must be accompanied by regular review of passenger flight costs by Qantas.

Competitive affordability with other forms of travel to Sydney – rail and road – must be a central component of the Qantas business model for the Tamworth to Sydney route, thereby providing equity and fairness in pricing for air commuters and a reasonable rate of return on investment for Qantas and its shareholders.

Up until very recently, Tamworth Regional Airport through the carrier, Brindebella Air, provided a Tamworth to Brisbane return air service which, over the years of operation, developed to be a most valuable and well used service for the regional community. I am aware that a number of initiatives are currently on foot to secure another carrier and restore this service to the Region

There is little doubt that the Tamworth Sydney RPT service has been a factor in the strong and sustainable growth of the City of Tamworth and the surrounding region over recent years. The existence of the Tamworth Regional Airport and direct air travel access to Sydney as the State's capital is a significant contributing factor in the business investment, and the overall economic development, of this Region.

The importance of access to Sydney Kingsford Smith Airport cannot be overstated. Sydney KSA underpins regional business, tourism and visitor travel to Sydney for a variety of reasons mentioned earlier. Sydney Airport creates jobs and economic growth for Sydney and Regional NSW, and there is clear evidence that it is a major employment and wealth creator for the NSW economy.

Sydney Airport must always be operated as business as it should be, however, continued regional access to Sydney must always be factored into the business strategies and business model for the Airport. Regional access must not be reduced or restricted for more profitable air traffic access. Sydney Airport is a highly prized piece of national infrastructure that belongs to all Australians and continued access from NSW regional areas must always be a foundation stone of the current and future operational capacity of the Airport.

I now turn to perhaps a new approach to licensing RPT service providers. In my view, NSW regional airport owners and operators should be included in the process for granting licenses to RPT service providers. I believe that local councils as airport owners and operators have the capacity to provide insightful and relevant information to the process of licensing RPT regional air services.

It is my firmly held view that all airport owners and operators must be directly involved in the granting of licenses for RPT air service providers in NSW. Such a move would produce a more balanced and comprehensive approvals process and arguably provide for greater longevity of operators.

I am reliably informed that the primary focus of the current licensing process is the airworthiness and the ongoing support of RPT operator registered aircraft but the process fails to undertake a due diligence business review of the financial capacity and the soundness of the operator's business model to deliver the RPT service over time.

Aviation airworthiness and safety is paramount, however, almost as equally important is the current financial position and capacity of the operator in terms of such factors as:

1. the extent to which current assets cover current liabilities;
2. the ability to meet short-term obligations;
3. the extent to the business relies on external borrowings to fund its on-going operations;
4. interest coverage as an indicator of the ability of the business to meet its interest commitments out of profit;
5. return on investment;
6. gross profit margin as an indication of the profitability of the business; and
7. break-even sales reflecting the level of sales to be generated in order to cover expenses.

In conclusion, I look forward to the outcomes of the Regional Aviation Services Inquiry and trust that the Standing Committee on State Development take the comments and views expressed in this submission into account when arriving at recommendations for reliable, safe and economic RPT aviation services for Regional New South Wales.

Yours faithfully

Kevin Anderson MP
Member for Tamworth