



Inquiry into the impact of the global financial crisis on regional Australia

The Regional Aviation Association of Australia (RAAA) represents nationally most of the major regional airlines (26) and a large number of aviation support businesses (46). The Royal Flying Doctor Service (RFDS) is also a member of the RAAA. Total annual turnover of RAAA members is well in excess of \$1b.

RAAA members, on a daily basis, are providing essential transport and freight services to many regional centres and remote communities. In addition, hundreds of workers are flown everyday to the economically vital mining sites. The RFDS provides its essential aero-medical services seven days a week to regional and remote Australia.

Given Australia is a vast country with a relatively small population it is obvious that high quality regional aviation services are essential if regional and remote communities are to continue to develop. These services should be seen in the same light as health, education and telecommunications, that is, a vital part of any town's infrastructure.

Regional air routes, particularly those to inland towns and communities, are often very marginal in terms of profit and are under constant review by operators. They do, however, provide an essential link to the coastal cities for business, education and medical services as well as transporting vital freight. The liveability of many towns is enhanced considerably by having access to regional air services. Unfortunately, according to the Bureau of Infrastructure, Transport and Regional Economics 2008 Report, the number of regional airports being served by airlines fell from 278 in 1984 to 170 in 2005. This trend has continued and will accelerate in the current recession.

While it is unlikely that the 1984 service levels will be revisited any time soon the Committee may wish to consider ways of ensuring that regional air services continue to meet the needs of regional Australia. Regional operators operate smaller aircraft than those on the major domestic routes and have higher fixed costs in proportion to the number of passengers being transported. The large number and cost of the charges levied by the Civil Aviation Safety Authority (CASA) and Airservices Australia under a 'user pays' policy does not encourage regional airlines to expand their services. In addition, new airport security charges as well as increased landing and passenger-charges by airport owners discourage airline operators from considering new routes. This could be a lost opportunity for regional Australia in that many regional centres and even smaller towns have under-utilised airfields where passenger terminals have been built but where airlines no longer arrive.

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

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Initially, the challenge is to ensure the maintenance of existing regional air services. Further retreat will harm regional Australia by discouraging people from moving to regional centres and towns. It is understood that governments do not control markets but the removal of certain government charges imposed on regional airlines would encourage the development of air routes. For example, CASA and Airservices charges should be removed entirely given that they are charges levied by government monopolies for services that are essential to airline operators. It may be no coincidence that regional aviation flourished when there were few government charges and air traffic control and regulatory services were funded through consolidated revenue. Given the very small margins for operators on regional air routes everything possible should be done by government to ensure that existing and future services are not discouraged by unnecessary, ideologically driven charges.

Regular air services have opened regional Australia up to ongoing commercial development, employment growth and provided towns and communities with a time-efficient link to the major cities. The importance of these air routes in a country with Australia's demographic cannot be underestimated. The emerging recession may force a contraction of air services to those towns/communities that can least afford it. It is therefore incumbent on government to remove every reasonable barrier to the maintenance and growth of these essential air services.

While subsidy models may tend to distort the market, the Queensland government has partnered with a number of regional airlines to provide regular air services to its smaller towns. This has been a boon for that state and encouraged strong regional communities to develop. A closer analysis and application of the Queensland model is warranted. NSW has developed a similar model although it is more Sydney-centric.

It is interesting to note that by far the greatest percentage loss of air routes have been intra-regional. This trend should be investigated carefully if Australia is not to end up with a system that is dependent always on a major city hub.

The RAAA has made major submissions to the government through the Aviation White Paper development process. These submissions are publicly available through the Department of Infrastructure, Transport, Regional Development and Local Government web-site. In these submissions there are many points relevant to the effect of an economic downturn on regional towns and remote communities. The Committee's attention is drawn to these submissions.

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