

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Phone: +61 2 6277 3511
Fax: +61 2 6277 5811
rrat.sen@aph.gov.au

Attention: Rural and Regional Affairs and Transport References committee. I am tendering this submission in regards to the operation, regulation and funding of air route service delivery to rural, regional and remote communities, with particular reference to:

- a. Social and economic impacts of air route supply and airfare pricing;

Economically the standard of tourism in regional areas of Queensland has improved exponentially while air transport services have lagged behind and are now a handicap to tourism development. Regional and remote areas have diversified to offset the original primary industries of wool and beef and are in need of air flight fares that make these areas accessible to both national and international people from the metropolis.

There is a drive for tourism in regional areas and there is a huge potential to increase visitation to these areas if flights were more affordable. The most economic way to visit these places at the moment is to drive; this is not an attractive option for people with limited time and experience with travelling regional roads. The idea of flying out to areas such as Longreach, Barcaldine or Winton for a long weekend tourist visit is often ruled out due to prohibitive costs of flights. Access difficulties to the region mean tourists residing both inside and out of Australia usually overlook them as a destination.

Regional residents of Australia are expected to pay air fares within Australia that are exorbitant whereas holidaying in South East Asian destinations costs a fraction of what it does nationally and the flight costs are less than travelling from regional areas into the metropolitan and coastal tourist destinations. Currently a return airfares from Longreach or Barcaldine can be in excess of \$800 on certain days, the same expenditure can and does provide Australian citizens with a return flight to South East Asia and several days' accommodation. There are regularly return flights on sale to Europe for less than \$1000 dollars return and recently there were return flights to Paris for \$900, this affects the economical viability of all tourism within Australia not just regional areas. Australian tourists find it a better option to travel overseas and support other economies rather than our own.

Socially the impact is high due to families being isolated from loved ones who live in other regions and air travel being unaffordable. The ability to get on an aeroplane and travel to visit family for a short stay is not possible without a big budget and to travel by road would mean the need to take a long time off work or away from home with the travel time being longer than the visit. The

road trip from some remote and regional areas excludes many people including, families with young children, time poor income earners and seniors from travelling by car, bus or train, yet the costs of airfares prohibits air travel and leaves them socially isolated. Due to this social isolation, people hesitate to move to regional areas for work.

b. Pricing determination, subsidisation and equity of airfares;

Regarding subsidisation, this is unknown as the contract specifics are confidential and not available. Pricing determination however is by an algorithm that calculates how much each fare should be in order for the flight to make a profit, therefore after resident fares and government fares are subtracted, the price of flights are highly changeable and the person sitting next to you will not have paid the same price. Therefore there is no equity of airfares and if you have missed out on the limited residents fares then you are subject to huge fluctuations of flight costs. The subject of equity of fares also comes up regarding the regular hike in prices of fares into Brisbane or elsewhere every time a Grand Final is on or other very popular events are being held, how disappointing for residents who find that the cost of the fare has more than tripled for the dates leading up to an event, prices should be lower on occasions like this as the demand for flights increases so does the ability to profit.

c. Determination of regulated routes and distribution of residents' fares across regulated routes;

A check with the Longreach and Barcaldine agents found that resident flights were limited and subject to how early a traveller could book their flight, they often require people to forecast months ahead, and a fee is charged for changes to travel dates. Resident fares don't take into account unexpected travel for health reasons, business or last minute emergencies. The Qantas regional manager has stated that revenue on the central regulated routes was steady, even with drought conditions limiting western Queenslanders' discretionary spending.

d. Airline competition within rural and regional routes;

There is no airline competition within regulated rural and regional routes, which is a major reason for the high price of airfares and price increases whenever the demand increases. However if competition were allowed then Qantas would likely drop those routes and residents would be left disadvantaged.