

REVIEW OF WESTERN AUSTRALIAN INTRASTATE AIR SERVICES

INTRODUCTORY PAPER

Overview

In 2001, the collapse of Ansett Airlines led to a radical change to air services in regional Western Australia. The biggest change, apart from providing new opportunities within the industry, was that air services on some routes which up to then were deregulated, became subject to regulation. The need for regulation arose to ensure that provision of potential non-economic but regular air services to certain remote communities would continue.

The power to regulate air services in the State lies with the Minister for Planning and Infrastructure (the Minister) through legislation (Transport Coordination Act 1966 (the Act)) and regulation (Transport Coordination Regulations 1985). The State level of regulation extends only to the operational issues of location, capacity and frequency of service to certain designated regional airports, but does not extend to other operational and technical matters that are regulated by the Commonwealth. The State regulation is effected through the requirement to license all aircraft operating intrastate routes for commercial purposes (hire and reward) with State Authorities, and the conditions attached to each of those licenses.

The current state of the State's regulation regime and its operational air service outcome was formed through the implementation of the recommendations made in the Review and Assessment of the Effectiveness of Air Services in Western Australia (November 2002), and the Review of Intrastate Regulated Air Services in Western Australia (April 2004). This regulation has resulted in current network of intrastate air services characterised by:

Deregulated routes and airports: The State exercises no further regulation on air services between these ports other than the mandatory requirement to obtain an aircraft license to operate on the specified route. The number of passengers available has ensured that viable competition on these routes has been maintained and there are limited barriers to entry for potential additional air service providers.

Regulated routes and airports: As result of the 2002 and 2004 Reviews, two regulated route networks were created (Coastal and Northern Goldfields) and licensed for commercial operation to 31 December 2008 through a competitive tender process, along with one regulated route. Subject to the outcome of this review, the Minister may reissue licences to the incumbent airlines operating those networks for a further two years and continue the licensing arrangements on the regulated route. A third network that is both regulated and subsidised by the State has a contract to operate to 1 July 2008 with an option for a 12 month extension.

Charter flights: Charter flights are ad hoc or semi-permanent commercial air service arrangements that are regulated only under certain conditions when operating to regulated airports. These services are not available to the general travelling public and are not considered as regular passenger services.

The Coastal Network consists of the following regulated airports: Albany, Carnarvon, Esperance, Exmouth (Learmonth), Geraldton, Kalbarri, and Shark Bay. The Northern Goldfields Network consists of the following regulated airports: Geraldton (limited access), Laverton, Leinster, Leonora, Mt. Magnet, Meekatharra, and Wiluna. The regulated route is Perth to Derby (Curtin).

The Need for a Review

Pursuant to the Act, in late 2005 the regulated air services licences were issued only for a defined period of three years (1 January 2006 - 31 December 2008) without options to extend. The approach adopted at that time was to issue those licences for three years and following the three year period, the current arrangements could be continued, at the Minister's discretion, for a further two years, based on performance and adherence to the Licence conditions. Additionally, in line with undertakings given by the Government to the National Competition Council, a review was to be undertaken at the end of that 3 year period to assess the impact of cross-subsidisation of routes under the then about-to-be introduced current network arrangements. The Review will address these items.

Additionally, the current regulatory and operational intrastate air services were constructed around conditions existing in 2005 with projections to the future. Since that time, input considerations such as passenger numbers, passenger demographic profiles (resources, corporate, tourism and leisure) and fuel costs have changed, and the Review will provide for an assessment of the situation, starting with the functionality of the current regime and project to the future using input factors based on up-to-date forecasts.

Objective of the Review

The objective of the Review is to analyse the market demand and supply, and the real extent of market intervention required, if any. This will include a review of RPT and charter air services and the effectiveness of the current regulatory model of cross-subsidisation.

Scope of the Review

The Review will consider all aspects of intrastate air services that fall within the jurisdiction of the Minister through the relevant Acts and Regulations and in recognition of the issues identified by the National Competition Council. The scope should be interpreted to include all issues associated with regulation including airports and routes, and service capacity and frequency issues.

The scope does not include air service issues associated with deregulated airports and routes, but the review will consider submissions on issues relating to whether a regulated route or airport should be deregulated or vice versa, or that no or a different regulated network regime be instituted.

Expected Outcome

The expected outcome of the Review is to identify the intrastate air service regime that best meets the needs of the Western Australian community into the foreseeable future, and make to recommendations to the Minister on the proposed way forward.

The Position of the State

The provision of intrastate air services largely concerns support to regional WA. The State strategy in relation to the regions is given in Better Planning Better Services: A Strategic Planning Framework for the Western Australian Public Sector (copy for download available at www.dpc.wa.gov.au/psmd/pubs/psrd/spfnov2.pdf) with regional issues listed at Goal 4 - to ensure that regional WA is strong and vibrant. The strategic outcomes identified against this goal and other four State goals embrace community, economic, environmental and governance outcomes where air services provide one of the enabling components essential to achieving many of these outcomes.

Conduct of the Review

The review is undertaken under the direction of the Minister by officers from the Department for Planning and Infrastructure as the lead agency and from other Government Agencies. The conduct of the review will be overseen by a Steering Committee that includes representatives from Government and from stakeholder groups. Consultants external to DPI may be engaged to undertake portions of the Review and to prepare reports. Engagement of Consultants will be through DPI's normal procurement procedures. A schedule for the Review process will be issued separately.

Engagement with stakeholders and the greater community will be in accordance with the principles of Working Together: Involving Community and Stakeholders in Decision Making issued by the Department of the Premier and Cabinet 2006 (copy for download available at www.citizenscape.wa.gov.au/documents/BlackWhite.pdf).