

Regional Aviation Association of Australia

19 October 2001

Professor Richard Snape  
Presiding Commissioner  
Inquiry into Price Regulation of Airport Services  
Productivity Commission  
Locked Bag 2  
Collins St East  
Melbourne Victoria 8003

Dear Professor Snape

**PRICE REGULATION OF AIRPORT SERVICES: DRAFT REPORT**

This letter is in response for comment to the Draft Report issued in August 2001.

The writer is the Chief Executive Officer of the Regional Aviation Association of Australia Ltd (RAAA) and while only being recently appointed to this position (1 October 2001), I have over 30 years regional aviation experience including 15 years as General Manager/Managing Director of Skywest Airlines in Western Australia.

Since the issuing of the Draft Report in August, you would be aware of the very significant events (listed below) that have occurred and we believe will impact substantially on what has been recommend in the Draft Report.

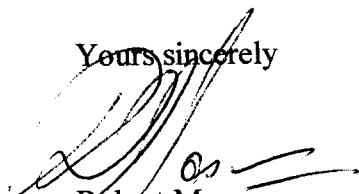
- The catastrophic events in the USA on September 11 this year, resulting in substantial alterations to market and social behaviour.
- Australia's subsequent involvement in the campaign to eradicate world terrorism is already being shown to heighten tensions of the traveling public and increase costs throughout the aviation sector.
- Proposed changes to the safety and security operations at principal and country airports.

- Substantial changes to the Insurance Liability Coverage for airlines has seen a major reduction in war risk coverage for third party damages to people and property on the ground, and a substantial increase in premiums by insurance providers which has seen the Australian Government provide additional indemnity. This has resulted in major cost increases to aviation companies.
- The imposition of a \$10 per ticket levy on all Australian RPT air travel in aircraft above 16 seats has had an impact through the obligation on carriers to collect this levy and is a disincentive to the traveling public.
- The collapse of Ansett left many of the regional operators, not only being owed money but having no reservations system, no passenger oncarriage and no ticketing or sales distribution outlets available to them while they endeavored to recover and restructure their business.
- Despite all of these adverse effects, the independent regional operators are struggling to not only “fill the gaps” left by the Ansett demise, but to ensure their own aviation future and in most instances, the only air service to their community.
- An increase in the cost of aviation fuel effective 1 October 2001 increased airfares, a further disincentive to the traveling public.
- Any changes to the pricing structures of the nominated airports in the Draft Report will have a “flow on” effect to other regional airports.
- Increased cost recovery by some airport owners if applied may result in some of the smaller operators becoming extremely marginal.

At this point in time, many operators are unable to articulate the cumulative effect all of these events are having on their financial and operating costs with any accuracy, as the industry has not yet “settled” due to the uncertainty of what may or may not happen with Ansett and the proposed early expansions of Qantas and Virgin Blue.

We strongly submit that it would be appropriate for a new Draft Report to be issued taking into account all of these additional factors. If it is not appropriate to withdraw the Draft Report then we strongly urge that the Final Report take into account the dramatic changes and effects that have occurred.

Yours sincerely



Robert Mason

CEO

Regional Aviation Association of Australia Ltd