

*Hunter Economic
Development Corporation*

SUBMISSION TO INQUIRY INTO COMMERCIAL REGIONAL AVIATION
SERVICES IN AUSTRALIA AND TRANSPORT LINKS TO MAJOR
POPULATION ISLANDS

SUBMISSION TO HOUSE OF REPRESENTATIVES STANDING
COMMITTEE ON TRANSPORT & REGIONAL SERVICES

30 August 2002

Submitted by Hunter Economic Development Corporation

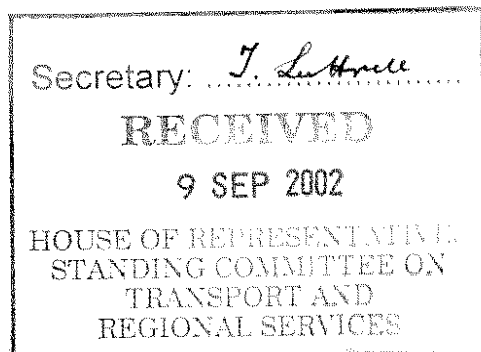
This paper assesses the impact of regional air services on economic growth and development in the Hunter Region.

This paper supplements submissions from the Newcastle Airport and Economic Development & Tourism Unit of Newcastle City Council, NSW.

ROLE OF HUNTER ECONOMIC DEVELOPMENT CORPORATION

The role of the Hunter Economic Development Corporation (HEDC) is to seek out and secure employment generating investment for the Hunter Region and to provide direction and co-ordination for the Hunter's employment creation efforts.

Part of this role is gauging the level of attractiveness of the region to potential investors.



AIR SERVICES AND ECONOMIC DEVELOPMENT

One of the key requirements for business location is a region's access to national and international markets.

Research conducted by the HEDC with Sydney business decisions makers in September 2001* revealed that for the Hunter region

“ongoing urgent attention is required for air links to Australian destinations if the Hunter is to be seen as an attractive business location for investors”.

The 2001 survey measured perception changes following similar surveys undertaken in April 1998 and September 1999. In 2001 “there appeared to be greater concern regarding transport into and from the Hunter with the percentage of survey participants identifying the *lack of a large / international airport.....rising to 6.3%*”.

“The presence of air links to major Australian destinations was rated as being very important in the choice of location for business investment or expansion but relatively poorly performed in the Hunter.”

This illustrates the vital link the airport provides for the region's transport infrastructure and it's importance to economic development in the region.

** “Sydney Business Community Attitudes Towards the Hunter Region”, prepared for Hunter Economic Development Corporation by The Hunter Valley Research Foundation, report prepared February 2002.*

IMPACT OF INCONSISTENT/REDUCED REGIONAL AIR SERVICES

The merge of QANTAS and Impulse Airlines in May 2001 and the September 2001 collapse of Ansett Australia has resulted in reduced services to the region. Qualitative research suggests that this is not only reducing the appeal of the region for re-locating companies but also presents a barrier for organisations conducting business within the region.

Whereas there are alternative competitive major airlines in metropolitan centres, the only alternative to rescheduled timetables and removal of service at Newcastle Airport is to drive to Sydney airport for connecting flights.

Costs of service out of the region are not comparable with metropolitan centres. Recently a cost comparison was conducted between Newcastle and Sydney airport for a flight to Adelaide.

- The Qantas flight direct from Newcastle to Adelaide was **\$1306.97**
- Driving to Sydney and flying Virgin Blue Fair Fare flight direct Sydney to Adelaide was **\$258**

Note: Both flights refundable (Virgin Blue flight \$30 penalty if cancelled)
(inclusive of all taxes, booked over the phone) enquiry made 3 September 2001.

AIR FREIGHT DEVELOPMENT

The Hunter is known nationally as a strong inter-modal rail, road, and shipping freight hub. Air freight is the obvious gap and weakness in the Hunter's freight transport system

Newcastle Airport has unique geographical, operational, and cost advantages that make it ideal for air freight operation. Of particular advantage is available vacant land adjacent to Newcastle Airport, proximity to horse and wine production, and natural linkages to other developed transport modes.

Currently, the Hunter sends out 32% of NSW exports, with only 9% of the state's population. Such a large exporting region should have an air freight capability.

A strategy is being worked on by Newcastle Airport to identify potential demand for air freight services, infrastructure needs, potential markets and economic benefits for the Hunter.

SUMMARY

Regional air services are vital to the Hunter:

- to service existing business within the region
- in order to facilitate economic development by attracting new investment to the region

Recent changes in the airline industry have been proven to have a negative effect on the perceptions of the region externally and have proven disadvantageous to business located in the area.

We urge the Federal Government to give serious consideration to the regulation of air services in regional areas.

Contact

Gillian Summers

Chief Executive, Hunter Economic Development Corporation

Ph: (02) 4908 7300

Email: gillian.summers@business.nsw.gov.au