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29 July 2018

Mr Rod Sims  
Chair  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

Dear Mr Sims

**Request for an ACCC inquiry into airline services to regional and remote communities**

I write on behalf of the councils of the North West Queensland Regional Organisation of Councils (NWQROC). Members of NWQROC include the Burke, Carpentaria, Cloncurry, Flinders, McKinlay and Richmond Shire Councils; Doomadgee Aboriginal Shire Council and Mount Isa City Council.

These councils serve the people and support the businesses in some of the State's and Australia's most remote communities and, daily, they live and work under the tyranny of distance from major service centres. Transport services, in particular airline services, are vital to the health and wellbeing of the region's diverse communities and the operation of commerce and industry.

Members of the NWQROC warmly welcomed the Senate inquiry into airlines services to rural, remote and regional communities and actively participated in writing submissions and appeared before the Committee's hearing in Cloncurry on 12 April 2018. Whilst the Committee is yet to finalise its report the NWQROC believes the issues at the heart of the inquiry – excessively high costs, declining service levels and a lack of real competition, requires the level of investigation and scrutiny that only the ACCC can bring to the task. Indeed, Senators at the hearing encouraged the councils to approach the ACCC when alerted to these particular issues.

On behalf of these councils and their communities we ask that the ACCC consider initiating such an investigation.

**1) Background:**

On 16 November 2017, the Senate referred the following matters to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 30 March 2018.

“The operation, regulation, and funding of air route service delivery to rural, regional, and remote communities, with reference to:

1. social and economic impacts of air route supply and airfare pricing;
2. different legal, regulatory, policy and pricing frameworks and practices across the Commonwealth, states, and territories;
3. how airlines determine fare pricing;



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4. the determination of airport charges for landing and security fees, aircraft type and customer demand;
  5. pricing determination, subsidisation, and equity of airfares;
  6. determination of regulated routes and distribution of residents' fares across regulated routes;
  7. airline competition within rural and regional routes;
  8. consistency of aircraft supply and retrieval of passengers by airlines during aircraft maintenance and breakdown;
  9. all related costs and charges imposed by the Civil Aviation Safety Authority; and 10. any related matters."

On 8 February 2018, the Senate agreed to extend the reporting date to 20 September 2018. This arose from the overwhelming nationwide interest in the inquiry resulting in 178 submissions being received.

The following submissions from member councils, the State Member of Parliament and representative bodies as well as an ABC online news article are reflective of the issues identified in most of the submissions to the Inquiry.

McKinlay Shire Council

<https://www.aph.gov.au/DocumentStore.ashx?id=a53a093b-90db-4d82-b3f1-e8dd4c0c60ae&subId=563099>

Mount Isa City Council

<https://www.aph.gov.au/DocumentStore.ashx?id=0c1028a2-cecc-44e4-9467-142e9309036a&subId=563104>

ELT & KL Camp (Cr Ernie Camp, Mayor, Burke Shire Council)

<https://www.aph.gov.au/DocumentStore.ashx?id=55fe054f-a31a-463a-8146-4e9d72f8f70e&subId=563250>

Mr Robbie Katter MP, Member for Traeger

<https://www.aph.gov.au/DocumentStore.ashx?id=373f89c8-598b-48c9-b3d6-2e4e472e673c&subId=563237>

Local Government Association of Queensland Ltd

<https://www.aph.gov.au/DocumentStore.ashx?id=16633c2a-ef01-485d-aeff-f027b5448931&subId=564076>

Isolated Children's Parents' Association of Australia Inc.

<https://www.icpa.com.au/documents/download/1118/federal-submissions-1/regional-air-fare-inquiry-submission-feb-2018.pdf>



ABC News

<http://www.abc.net.au/news/2018-04-12/huge-cost-air-travel-regional-queenslanders-senate-hearing/9642914>

## 2) Issues:

The key issues identified in the submissions are highlighted as follows:

1. High costs
  - a. Airfares continuing to rise despite the two major carriers competing on the Mount Isa to Brisbane route since 2014.
  - b. For a direct return flight from Brisbane to Mount Isa on 28 & 29 August 2018:
    - Qantas fares are \$758 (Red e-Deal) and \$1,258 (Flexible)
    - Virgin fares are \$875 (Elevate) and \$1,178 (Freedom). Getaway fares are already sold out if indeed any were available.
  - c. There are limited opportunities for discounted fares with onerous access conditions. These are usually not available for urgent medical or short notice family related travel e.g. illness or death.
2. Poor service levels from both major carriers
  - a. Neither major carrier flies the Brisbane – Mount Isa route with their own planes. Their flights are subcontracted to Alliance which uses older and smaller aircraft e.g. ashtrays in armrests.
  - b. There have been recent incidents of cancellations and enroute diversions caused by engine failures.
  - c. There are limited food services (no hot food) and no inflight entertainment for a 2½ hour flight.
  - d. There is an increasing incidence of toilets being inoperable during the flight.

## 3) Impacts:

These issues and their wider awareness is having the following impacts:

- Population sustainability and growth is adversely affected by the high cost and quality of airline services to the region.
- Individual health and well-being is affected in times of stress associated with access to major city medical services particularly when urgent and immediate travel is required out of the region.
- The costs of doing business are higher when specialist services or equipment has to be flown in from out of the region.
- Growth of the fly-in fly-out tourism sector is curtailed by the high airfares. This industry is vital to the economic diversification of the region.



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- Family gatherings and holidays are forced into long distance higher risk motor vehicle travel because the cost of whole families flying is unaffordable.

#### 4) Actions:

Several actions could be considered to alleviate these impacts.

- Airfare pricing parity in rural and remote areas similar to that between metropolitan areas and coastal cities.
- Monitoring by the ACCC of airline ticket pricing methodology.
- Cost reductions in aviation fuel taxes and more effective competition in airport fuel supply arrangements.
- More flexible visa arrangements for qualified pilots entering Australia.
- ACCC monitoring prices imposed on airlines at Australian regional airports.
- Allowing overseas airlines to operate in regional areas.
- Governments subsidising regional air routes in a similar fashion to public transport in metropolitan and regional cities.

The importance of airline travel within Australia is understood across the nation. However, the adverse impact of high costs and poor service levels in rural and remote areas is not fully appreciated outside of metropolitan areas. The ACCC can bring the necessary rigor and prominence to these issues through an inquiry focussed on the economic and social wellbeing of effective, efficient and far-priced rural and remote airline services.

We would greatly appreciate your consideration of this request. Please contact me if you require any further information.

Yours sincerely

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