
REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO PROVISION AND OPERATION OF RURAL AND

REGIONAL

AIR SERVICES IN NEW SOUTH WALES

—

At Lismore on Wednesday, 12 August 1998

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The Committee met at 9.30 a.m.

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PRESENT

The Hon. A. B. Kelly (Chairman)
The Hon. I. Cohen, The Hon. J. R. Johnson
The Hon. I. M. Macdonald, The Hon. Dr B. P. V. Pezzutti

JOHN FREDERICK CROWTHER, Chairman, Airport Committee, Lismore City Council, and

CRAIG WILLIAM KELLY, Group Manager, Business and Enterprise, Lismore City Council, sworn and examined:

CHAIRMAN: I officially declare the hearing on the provision and operation of rural and regional air services open. Councillor Crowther, in what capacity are you appearing before the Committee?

Cr CROWTHER: As a councillor and as Chairman of the Airport Committee for Lismore City Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr CROWTHER: Yes.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr CROWTHER: I am.

CHAIRMAN: Mr Kelly, in what capacity are you appearing before the Committee?

Mr KELLY: As a representative of Lismore City Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr KELLY: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr KELLY: I am.

CHAIRMAN: You have made a submission. Would you like that submission to be incorporated as part of your sworn evidence?

Mr KELLY: We would.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. I might say at the outset that, in order to keep within the time schedule, you might give the Committee a short summary on the matters raised in the submission and then we will ask questions. The number of questions will have to be limited, and we might ask you to take further questions on notice and provide answers later. Also, if we ask you any questions that you would like to deal with in writing at a later stage, or on which you would like to supply supplementary information, you might treat those as being on notice.

Cr CROWTHER: I support the submission that you have from the council, and there are a few things in that submission that I think need to be brought out. One in particular refers to what we look at as a de facto type of

deregulation that is envisaged with the present, very strong two-airline system. That is a generally accepted fact: there cannot be complete deregulation whilst we have the dominance of the likes of Qantas and Ansett and some of the subsidiaries that have developed.

The deregulation process should ensure that country people are protected and that we at least maintain the level of services that we have at the present time. That means access to Sydney airport. We are very concerned about the recent emergence of Bankstown being a possible alternative to Kingsford Smith airport. We reject that at the present time because of the lack of infrastructure for Bankstown and also, from an old pilot's point of view, the very heavy traffic movements that there are at Bankstown and how that affects the overall public safety.

One of the reasons for the cap on movements into Sydney is total control of that traffic, whereas Bankstown has a mixture of total control and a more liberal approach. So that is one reason we are concerned about the proposition that Bankstown could be used as an alternative to Kingsford Smith airport.

We are concerned that there should be an investigation into increasing the cap on Sydney movements. Just last night I was perusing some of the other submissions that have come in. The cap has been based on noise abatement or noise concerns. The regional airlines are being unfairly dealt with, because most, if not all of the aircraft, are not a problem as far as noise is concerned. So we are all being put into the one barrow, and the cap of 80 movements per hour is applied to everybody, whereas I believe there should be some flexibility to give the regional airlines more frequent access and not be involved in the slot system. That is a point that has been overlooked in relation to the types of aircraft using Sydney.

CHAIRMAN: Craig, did you want to add to that, or making a statement?

Mr KELLY: If I could make one further point. The council's position is that it is against the proposed deregulation—not because we have a flat-earth policy, but because we do not believe that there is the opportunity for true competition with the market dominance of the two major airlines in New South Wales and the extreme barriers to entry: the slot times into Kingsford Smith airport, the control of the ticketing systems, and the control of infrastructure at major airports. There are not going to be opportunities for smaller operators to come into the market to effectively compete with those major airlines.

There is reasonable concern that there will be two levels on the playing field: there will be one level for the major suppliers, and another level for the smaller regional suppliers. If that sees the smaller regional aircraft shifted to Bankstown, that would be a major decrease in the service level that we currently have here in Lismore. Because of our concern about the ability for an effective duopoly to truly compete, we have a general caution about deregulation. Unless there can be some sort of guarantee factored into this process of deregulation, some measure that guarantees a level of competition, then it is very difficult for Lismore Council to support it.

CHAIRMAN: Is Lismore serviced by one airline, Hazelton?

Mr KELLY: That is correct.

CHAIRMAN: So there is only one licence issued here. What is the number of passengers for Lismore?

Mr KELLY: It is about 50,000. I can give you the exact figure, if you want me to get that.

CHAIRMAN: You might send that to the Committee. I will have some questions to ask, but I will ask the Hon. Ian Cohen to ask his questions first.

The Hon. I COHEN: I was just wondering about the passenger figure that you have given. You have noted in the submission that it is 18,000 for Lismore. I am told that is wrong. With the Casino, Ballina and Lismore airports being so closely situated geographically, and the inability to find a seat to come to Lismore from Ballina, et cetera, how does that impact on the council's view of dealing with the overall deregulation process?

Cr CROWTHER: We look upon that as a separate issue. There is an element of deregulation or competition between those airports, particularly Ballina and Lismore, in the available markets. The market centre of gravity is round about Goonellabah, so there is a fair swing to Ballina as far as passenger uptake is concerned. I think that is mainly due to the fact that they have one jet service a day there. Also, Ballina council has been very proactive as far as the development of its airport is concerned, and I think that puts pressure on Lismore, which is a regional centre, to provide a good air service for its community. So the council has recently announced that it will spend quite a lot of money on an upgrading of the airport, et cetera.

The Hon. I COHEN: Does that include the access road?

Cr CROWTHER: The access will be off the highway. It will be a brand new terminal. It might be of value if Committee members were able to see the recent report to council on the whole airport structure because it has all of those figures in it.

CHAIRMAN: That would be much appreciated. No doubt you have a five-year management plan or development plan. Perhaps you could send to the Committee a copy of that report as well as a copy of the development plan.

The Hon. Dr B. P. V. PEZZUTTI: Does that plan have in it the expected projections of travel?

Cr CROWTHER: Yes. That plan does not take into consideration other airlines coming in. It is based wholly and solely economically on the present traffic. The present traffic situation in this area, as a matter of interest, has grown in less than a decade from a very modest number up to about 140,000 passengers a year; that is, about 90,000 out of Ballina and 50,000 out of Lismore. That gives something of an indication of how bringing in another airline in a controlled deregulation system, such as Hazelton in this area and Ansett in Ballina, has helped the competition in just that small area, getting fares down and giving us a better service with the smaller types of aircraft.

CHAIRMAN: How far apart are Ballina and Lismore?

Cr CROWTHER: About 30 kilometres.

The Hon. I COHEN: In terms of Ballina taking some of the clientele from the Casino-Lismore catchment—and Ballina flies a big jet generally once a day, but not always on the weekends, but a midday flight—from your point of view, would there be a big advantage in having a big jet coming into Lismore, and Casino for that matter, or are you looking at having a better service through the smaller Saabs that operate the route at the moment?

Cr CROWTHER: Although the airport could handle larger aircraft, the present 23 services through Lismore are doing an exceptionally good job for the community. That is why we have some concern about unbridled deregulation: if somebody could put a 737 or something like that into Lismore, it would be a rather untenable situation as far as the viability of the other service is concerned, because that is an excellent service and it has served the community well on its own.

The Hon. I COHEN: Are there any noise problems in this area?

Cr CROWTHER: None as far as Lismore is concerned.

The Hon. I COHEN: Would there be a noise problem with the bigger aeroplanes?

Cr CROWTHER: No, there is no noise pollution problem.

The Hon. I COHEN: I am just a bit concerned that if you had Ansett, for example, trying to establish a service in Lismore, one of the carrots might be a larger craft servicing Lismore at a particular time, and therefore will we get problems quite apart from the competition?

Cr CROWTHER: The lay-out of Lismore airport and the noise footprint established there eliminate any problems as far as noise is concerned, particularly in the urban area and on the approaches to the airport itself. It has a runway that runs south-east/north-west. It is at the western end of the city, and it does not have any problems as far as noise is concerned.

Mr KELLY: We have also bought up some contiguous property to minimise the impact of the noise of the airport on residents.

The Hon. J. R. JOHNSON: Do the people of Alstonville and Goonellabah use Ballina airport more than they would use Lismore airport?

Mr KELLY: There is no clear market evidence at this stage to determine the "bleed" of passengers from the Lismore local government area to Ballina airport.

The Hon. J. R. JOHNSON: Is it about an hour and a half to travel from here to Coolangatta airport?

Mr KELLY: Yes.

The Hon. J. R. JOHNSON: Is that extensively used?

Cr CROWTHER: No, it is not. It used to be. It is not extensively used now.

The Hon. J. R. JOHNSON: There are many people in the metropolitan area who would have to travel more than an hour and a half to Kingsford Smith airport.

Cr CROWTHER: I appreciate that. Country people are not happy about that. There are limits to airport sites around capital cities, but there are a lot of airports in country centres that have been established for some time and, from the councils' point of view, we have to make sure that they operate economically. Lismore airport does operate economically and it provides a good service to the community, so it will stay there.

The Hon. J. R. JOHNSON: I heard on a news cast this morning that six new small jet aircraft are being purchased to service this area and other parts of the north coast. Do you have any information on that?

Cr CROWTHER: Yes. I keep a fair eye on that. There is quite a family of new smaller jets—up to 70 and even 100-seaters—that will be suitable for the sorts of routes that are now being serviced by the smaller turbo-props.

The Hon. J. R. JOHNSON: Which operator is putting these jets on the north coast?

Cr CROWTHER: I do not know. Well, Hazelton have not told us about any of their plans, and I do not know of any operator who at this stage is actually committed to any of those smaller jets in New South Wales services. But they are around, and I would say that within five years we will see them in New South Wales.

The Hon. J. R. JOHNSON: I heard about it on your regional news this morning.

Cr CROWTHER: Impulse are putting some new turbo-props on, but there are no straight-out jets involved in the services at this stage. They will probably be used first by more substantial operators, like Hazelton and possibly Eastern Airlines, and some Queensland services that are going through extensive route restructuring. We can see the jets being beneficial to this area from a marketing point of view, as well as Dubbo and Broken Hill. They would benefit from this kind of aircraft.

The Hon. J. R. JOHNSON: What is your major concern?

Cr CROWTHER: Very briefly, our major concern—our trepidation, really—is that full deregulation will have an impact on the present level of services when those present services are entirely satisfactory. I think you have to take into account recent history. We in this area have had quite a depression in airline fares, and there have been very good offers made with the present competition. We have competition with Coolangatta, and we have competition with Ballina. There is a fair bit of competition, and that is keeping airline fares nicely depressed, and it is keeping passengers up. As I said, there are 23 services a week out of Lismore, and I believe Ballina has about the same level of services. So we have quite a good level of services here and a reasonable fares structure.

CHAIRMAN: We can make a number of recommendations to the government regarding deregulation. Do I glean from what you are saying that we should recommend that the status quo should remain?

Cr CROWTHER: I think you will find that is what our submission suggests.

The Hon. Dr B. P. V. PEZZUTTI: If I could recap the history of the north coast. From memory, the original airport was at Evans Head, and then the decision was taken to move that regional airport to Casino, and that was extensively built under the regulated process. Then Lismore and Ballina, at about the same time, decided that they would like to get into airline direct routes. So, under the regulated process, the airports have moved closer to the population. We now have a situation that we have three major airports all being serviced on a regular basis. In the old days, I think there used to be two flights out of Casino, and now we have seven flights most week days to and from Sydney out of both Casino and Lismore, through Hazelton, or out of Ballina through Kendell and Ansett.

Over time, those services have gone from two jet services a day to one jet service a day, and we have gone from a Fokker fleet to substantially a fleet that is made up of Saabs and the current 737 jet. As I understand it, these routes are both very profitable for the airlines, for Ansett, Kendell and Hazelton. So we have achieved a frequency of services for the people of Lismore who, as you say, have a choice of going out of Lismore or Ballina. Those Saab flights are commonly fully booked into and out of Lismore and into and out of Ballina. The problem that I, as a local person, see it is in the ability for the Saabs to expand to cater for the tourist trade. Do you have any comments on that? I note that the big jet from Sydney is almost entirely carrying tourists to Ballina, Byron Bay and also Lismore. Do you see any ability by Hazelton and Kendell to service a growing tourist market with their current airline fleets?

Cr CROWTHER: Lismore is more business oriented and government department oriented market. That is not to say, though, that we do not strongly support Hazelton's becoming involved in the tourist market. We do not think we need a jet for the tourist market. As a matter of fact, a jet service was set up in this area as an obligation by Ansett

to continue to service the area with a jet aircraft. We do not think that necessarily there is a need to put that type of aircraft in to service the whole of the market.

The Saab does that well at this particular time but, as has been mentioned, there is a new generation of small jets on the way that can be operated just as economically as turbo-props. They have the added pizzazz of being jets, which is a great attraction in the market-place, and I believe that we will see those in this region within five years. They will not be 35-seaters; they quite probably will be 50 and up to 70-seater aeroplanes. That would depend on the airline or whoever operates here, to see what they see as being their future expansion.

The Hon. Dr B. P. V. PEZZUTTI: As you indicated, and as I understand, the only reason that Ansett flies a jet into Ballina at the moment is because of its obligation under the current regulated arrangement.

Cr CROWTHER: I do not think it is under the regulated arrangement. I think it is an undertaking given by Ansett to Ballina to develop the airport, saying, "We will give you a jet service if you develop the airport." I think, quite rightly, they have seen a quite good tourist market there, and they are looking to expand that tourist service.

The Hon. Dr B. P. V. PEZZUTTI: Do you think, under a totally regulated industry, that jet service could disappear?

Cr CROWTHER: I could not say. I would not like to offer an opinion.

The Hon. Dr B. P. V. PEZZUTTI: You are a person who knows a bit about airlines.

Cr CROWTHER: It would depend on the airline's commitment. It would be up to the airline to make a decision, to see how serious their commitment is.

CHAIRMAN: Coffs Harbour Council has expressed that concern.

The Hon. Dr B. P. V. PEZZUTTI: I heard on radio this morning that there was a possibility of Impulse coming back to service Sydney-Port Macquarie, Port Macquarie-Lismore, and Lismore-Brisbane. That is under a current regulated market. Do you think that that service would continue, or do you think there would be considerably more competition for that sort of property route, including Brisbane?

Cr CROWTHER: I was involved with a discussion with Impulse yesterday. They are putting a 19-seater aeroplane into the market. They say they have a niche that they wish to develop—and that is up and down the coast on a whistle-stop service. It is to Newcastle, not Sydney.

The Hon. Dr B. P. V. PEZZUTTI: I am sorry, yes, Newcastle.

Cr CROWTHER: We have had a tremendous amount of disquiet since Impulse pulled out of here just on 12 months ago, with a loss of service to government departments and the university and some business interests up and down the coast, with people wanting to get to Coffs Harbour in a hurry, or to Port Macquarie, Newcastle or Brisbane. I thought, particularly, the Brisbane leg would have very little use at all. It is a 2-hour drive to Brisbane. But that has emerged to be a very important factor in their network.

We are pleased to see Impulse coming back into it. They have an excellent service, an early service out of Lismore to Brisbane which will get that business person back into Lismore later in the day, and so on. They have been prepared to develop on that. But they have no ambition to get into the traditional Lismore-Ballina-Sydney service. As they

explained to us, they will be looking at other ways of doing that; they will go to Newcastle, Canberra and Melbourne, and go round the present traditional tracks.

The Hon. Dr B. P. V. PEZZUTTI: Is it possible that with deregulation we could see more of these innovative markets being tried?

Cr CROWTHER: I would have to admit that, personally, that is one of the great things of deregulation, that we get operators who will explore ways of going across the track. It is up and down from Melbourne through to Brisbane and Cairns at the present time, and there is not much effort being placed into going across those tracks into the west, and bringing the west to the coast, particularly on the tourist trade. I think that more people from Moree, Goondiwindi and Narrabri, and places like that, could catch an aeroplane to go to Ballina or to Coffs Harbour, Yamba or some place like that. I do not see any encouragement there at this point in time.

CHAIRMAN: That could be done now. The regulated market only regulates flights to Sydney, so Impulse could do whatever it wanted as long as it did not go to Sydney. So the promotion of the services that you are talking about could happen now.

The Hon. Dr B. P. V. PEZZUTTI: But into Brisbane they are regulated in some way as well.

CHAIRMAN: Into Queensland?

The Hon. Dr B. P. V. PEZZUTTI: They deregulated, but there was an issue there similar to Sydney airport, but Brisbane has more capacity and is not affected by noise.

Cr CROWTHER: I was very interested to hear yesterday a remark about a route that Impulse might consider and they said, "Ansett won't let us do that." I think that is a thing that we have got to be very concerned about—that the big operators are not going to be the regulators of the route system.

CHAIRMAN: I would like to be clear on that. Could you repeat that? It was Impulse that said that?

Cr CROWTHER: Yes, that "Ansett won't let us do that."

CHAIRMAN: My impression was that Impulse and Hazelton are the only privately owned airlines not controlled by Ansett.

Cr CROWTHER: The route involved Brisbane to Canberra, and that is deregulated; it is an interstate service. But, somehow or not it is not. It is a fact that, through the involvement of these airlines in computer networks and what-have-you, they have some kind of hold over it.

The Hon. Dr B. P. V. PEZZUTTI: Could I get back to what John would be very much aware of. You said that there are about 50,000 people flying to Lismore. That is basically Hazelton, is it not?

Cr CROWTHER: It is all Hazelton. That does not include Impulse.

The Hon. Dr B. P. V. PEZZUTTI: No. You said that that has kept the prices low. I got my ticket today, and it is exactly the same price between Sydney-Lismore-Sydney or Sydney-Ballina-Sydney. It is precisely the same price at \$499. How do you think that a deregulated industry might affect that price?

Cr CROWTHER: I think, first of all, that price is not dictated by what the Coolangatta mainstream price would be. I think a deregulated system is not going to be terribly different from that. I think those prices would be based pretty much on bulk throughput. Anybody who wanted to come under that price would have to take a risk for a while.

The Hon. Dr B. P. V. PEZZUTTI: What are the landing price differentials between here and Ballina?

Cr CROWTHER: Lismore is \$6.50 per head; I believe Ballina is \$6.50, plus \$4 a tonne.

Mr KELLY: That is per adult, and they have a differential rate for children, which I think is \$3 a head.

CHAIRMAN: In your management plan that you will provide us with, you will have your landing fees and so forth, and projections as well?

Cr CROWTHER: Yes, with the projections through for the next 20 years.

The Hon. Dr B. P. V. PEZZUTTI: To date, what has been your return on investment at the airport?

Cr CROWTHER: Lismore airport has barely been cutting even because of the capital works that we have become involved in.

The Hon. Dr B. P. V. PEZZUTTI: So it is not a loss to council?

Cr CROWTHER: Not a loss, no.

Mr KELLY: If I could clarify that. In the last year I think we have had a \$50,000 loss after allowing for about \$250,000 worth of depreciation. So it has been cash positive but it has generated an accounting loss.

The Hon. Dr B. P. V. PEZZUTTI: So it has got a cash profit but an accrual accounting loss?

Mr KELLY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Of course, such a service to Lismore is of enormous value to the business community and also to the ratepayers generally?

Cr CROWTHER: That is right.

Mr KELLY: As we put in our submission, and we are defending locally, the council's view is that it is an essential community service, given our proximity to Sydney and the need to have that facility and service available. That is why we have never tried to exploit it.

The Hon. Dr B. P. V. PEZZUTTI: Has council been aware of the sunsetting on regulation for some time?

Cr CROWTHER: Yes.

The Hon. Dr B. P. V. PEZZUTTI: And council has made a decision to continue to upgrade the airport in spite of that?

Cr CROWTHER: Council has made the decision on behalf of the community. In most recent times, the real

reaction has come from the business community of Lismore. They have said that they wanted their service at Lismore consolidated, that they want a better terminal, and they want better services over there. That is exactly what the council has done. We have been pretty modest about it.

The Hon. Dr B. P. V. PEZZUTTI: Is council therefore confident that in a deregulated market Lismore airport and Lismore services will not be at risk?

Cr CROWTHER: With those reservations that we have expressed.

The Hon. Dr B. P. V. PEZZUTTI: Would the Casino service be at risk, because the Casino council is not making a submission to us?

Cr CROWTHER: I do not know the scene over there.

Mr KELLY: I think that is something on which they would have to address you.

The Hon. I. M. MACDONALD: I follow up on the question by the Hon. Dr Pezzutti about the fact that, with nearly \$2 million in spending, you would have to be very confident. To me, that seems like a bit of a gamble in this current climate.

Cr CROWTHER: I think you will find that we have done a very detailed analysis of the situation. We are not in the habit of taking risks with public money.

The Hon. I. M. MACDONALD: Would you concede that there would be the potentiality in a deregulated market for the bigger players, of which Hazelton is one, to wish to go to say Ballina and hub in the area?

Cr CROWTHER: We view that as a reality if we had not taken the step to make sure that we have the right services available for an airline in Lismore. If we did not, they would not come here. I think that is fairly important.

The Hon. I. M. MACDONALD: So you do see a danger of a hubbing impact if there is deregulation?

Cr CROWTHER: Not for this area, not in the present circumstances.

The Hon. I. M. MACDONALD: What about in the changed circumstances of deregulation?

Cr CROWTHER: No, I do not think so. I think if there is any hubbing to take place, that would be at Coolangatta.

The Hon. I. M. MACDONALD: Which would in effect knock over three airports to some degree?

Mr KELLY: We have very clearly identified in our reports a very strong market for business users of the airport, and they have a high expectation about service delivery. So, if that situation did eventuate, that for whatever reason Hazelton left Lismore and went to Ballina, then there would be an opportunity for somebody to come in and provide a service. Basically, of our 50,000 commuters, 75 per cent of them are business travellers. So if you have got a 35,000 to 40,000 passenger market, there is always going to be somebody who will want to service that market.

The Hon. I. M. MACDONALD: But if several players go into, for instance, Ballina they would offer an incredible frequency and flexibility, would they not, rather than one operator coming into the one city?

Mr KELLY: The information that we have is that demand for air travel tends to be sporadic, short term and therefore a very high yield market, and that makes it a very high yield market compared to the bulk tourism markets that go into Ballina. With those factors included, it still makes it a very attractive market to get another operator into here.

Cr CROWTHER: If I could add something. This is a point that has not been covered very strongly. There is a danger in full deregulation of an operator coming up with a less than suitable aeroplane. You could operate a service quite cheaply by putting on the run a Navajo or something like that. This is something that must concern councils and airport owners around the country: they must make sure their present services at least are on a par and they do not support services that use a lesser type of aircraft that is not pressurised and does not have the same kinds of features as the presently operating aircraft. To start up an airline costs a lot of money, but you can do it in various ways. You can go right down to the standard of a piston-engined aeroplane.

I believe that if you have a good service, the council could demand there be a turbo-prop aircraft at least, that it carry 30-odd passengers, that it be pressurised, and that it have cabin service, and things like that. Whereas, in a fully deregulated market, someone will say, "It is deregulated now. I will give you a service between Lismore and Sydney with a 15-seater piston-engined aeroplane." The idea of going for some kind of controlled deregulation is to make sure that the standard of services to country people is kept at a fairly good level.

CHAIRMAN: We may have time for one more question from each member.

The Hon. I COHEN: In terms of the balance between speed and efficiency, compared to a whistle-stop service, and looking at 75 per cent of travellers from Lismore being business people and the bulk tourism from Ballina, what do you think would be the direction of development for Lismore airport, and Ballina airport also perhaps? Would it be that one-stop, quick and efficient service to Sydney, or is there going to be a greater demand for more whistle-stops?

Cr CROWTHER: The present situation at Lismore is that it is triangulated through Casino.

The Hon. I COHEN: I am sorry, that is not what I was thinking of in terms of whistle-stops. That really is like a double pick up, is it not?

Cr CROWTHER: Yes, but it is triangulated.

The Hon. I COHEN: People can travel by car. We are talking about Coffs Harbour, Armidale, et cetera. I am very interested in Newcastle, because it is very hard to get to Newcastle by aeroplane at the present time.

Cr CROWTHER: I do not think it would wear in the Lismore market anyhow. They expect a direct service. There is a bit of criticism about the triangulation through Casino. I think people would be deterred from travelling if they had to go to say Ballina, Coffs Harbour or Coolangatta to pick up a flight to go to Sydney. I would imagine that type of hubbing would be more attractive to the western areas where there are smaller pick-ups. But, with the kind of passenger pick-up that we have here and at Ballina, that just will not wash.

The Hon. Dr B. P. V. PEZZUTTI: We used to have that service from Ballina-Coffs Harbour-Sydney.

Cr CROWTHER: Yes. It will not wash.

Mr KELLY: We are getting a regular, full service at the moment, so there is no real need to have a whistle-stop tour on the way to Sydney. The demand is obviously there for people to go directly from Lismore to Sydney.

The Hon. I. M. MACDONALD: That is likely to be what you will get under a deregulated environment. If the major players go to Ballina, they will put whistle-stops for small aeroplane on the other centres.

Cr CROWTHER: Yes, and you get a degraded service. That is the sort of thing that we are really concerned about. The other side of deregulation, I concede, is that an opposing airline could say to us, for argument's sake, "We will not triangulate with Casino. We will give you a direct service into Sydney." We have a bit of an attachment as a community to Casino, and it is essential that Casino is looked after. That would be the kind of danger in deregulation.

The Hon. I. M. MACDONALD: How far away is Casino?

Cr CROWTHER: In flying time, about five or six minutes.

CHAIRMAN: It was announced on the flight last night that it was six minutes.

The Hon. J. R. JOHNSON: Gentlemen, what use of your airport is there by small, privately-owned aeroplanes? Is it extensive?

Cr CROWTHER: Yes. We have got a fairly extensive general aviation industry, both in aircraft and particularly in engineering. We have one organisation that has its headquarters here in Lismore, and they have based another one at Griffith and another one at Cairns. They bring in engine overhauls, aircraft overhauls, from those centres back into Lismore. That is another part of the story as far as Lismore City Council's responsibility is concerned—to help to develop that engineering and service sector to the general aviation industry. There is quite a potential there.

Also, in the field of flying training, with the advent of user pays with some of the secondary airports, particularly Archerfield, there will be a heavy load placed on the present operators to pay, for instance, for their air traffic control services. That will probably lead to a degrading of Archerfield, and some of those operators would be attracted to places like Lismore, where they would not have that kind of fee to pay. So the flying training side of it is an important matter that the council is looking at encouraging.

Just as a matter of side interest, at the present time we have a shortage of airline pilots in the world. I have been involved in aviation for over 40 years, and this is the first time that I have ever heard of it. That is due to the fact that the military people are making it more attractive for their pilots to stay with them. There is not such a bleed off of pilots from there, and there is not such a flying training segment in this country.

The Hon. J. R. JOHNSON: There is not?

Cr CROWTHER: There is the potential there for flying training, and for extension of the present engineering services, and so on, in general aviation.

The Hon. Dr B. P. V. PEZZUTTI: The Committee has taken evidence from the Kingsford Smith airport—and I was not at that briefing—but I understand that the slot times are allocated to an airline and not to a particular service, and secondly, that the allocation of the slot times is done by a committee on which the regional airlines at the moment have the numbers. The third thing that we found out is that Kingsford Smith airport has a legislative requirement to ensure the landing of interstate and international jets, not regional aeroplane. So there has been a bit of a push to consider Bankstown as a landing place in Sydney. What impact would it have on a service to Lismore if the Lismore service were moved to Bankstown and the Coolangatta service, being an interstate service, could go straight into Sydney?

Cr CROWTHER: That would be a totally unacceptable situation for Lismore, and I believe it would be totally unacceptable to Hazelton too, particularly in this area, where you have a jet service that will have access to Sydney—by operational need mainly, because they could not handle that kind of aeroplane at Bankstown. That would be a deregulation reverse, if you know what I mean. Apart from the airline operation, the infrastructure at Bankstown is not there. People wanting to get to the Sydney central business district would have the expense of a taxi service. I do not know of any bus services. There is a rail service, but I believe it is difficult to access. So there is no infrastructure, or no ability for Bankstown to interchange for on-flights to Melbourne, Brisbane or whatever. So I think Bankstown will be impossible as far as established airlines are concerned.

Privately, I think there will be an interest. I have heard recently that there is an application in for an airline to operate from Moorabbin airport to Bankstown. They will be niche situations which I believe will probably work up to a market. I am not sure about that though. But that is deregulated now; there is nothing to stop anybody from doing that with an interstate service. But, as far as we are concerned, Bankstown is not an alternative to service this community.

The Hon. Dr B. P. V. PEZZUTTI: If Qantas decided to come into Ballina, would that have an impact on the services out of Lismore?

Cr CROWTHER: I have my doubts.

The Hon. I. M. MACDONALD: In your submission to IPART you state that over the last five years passenger traffic for Lismore aerodrome has risen from 15,100 per annum to around 43,800. That is an incredibly impressive increase in that period of time. What have been the major factors in that increase? And in what years was there that increase? I was not quite sure whether it was from 1992 to 1997. Is that the five years that we are talking about?

Cr CROWTHER: It would be about that period, yes.

The Hon. I. M. MACDONALD: What are the major things that have been done in this region that have led to that increase in passenger traffic?

Cr CROWTHER: I think glaringly, there was not a service here before, and people suddenly found that they had an air service to use. That would be the main reason.

Mr KELLY: We have also seen the rapid development of health services and the Southern Cross University during that period. Associated businesses that spin off those major industries in Lismore, as well as the development of Norco as a key private sector industry, has driven that demand. That is reflected in a high level of business users of the facility.

The Hon. I. M. MACDONALD: What is the real data in relation to the air fare situation over that period of time?

Mr KELLY: "The real data"?

The Hon. I. M. MACDONALD: What did it cost to travel Sydney-Lismore-Sydney in 1992? I have an idea what it costs to Ballina or Lismore now, round the late four hundreds.

CHAIRMAN: Would you take that on notice and send it in with the other information?

Mr KELLY: Yes.

The Hon. I. M. MACDONALD: I want to see what has been the impact of the current regime over time.

CHAIRMAN: Since the Committee commenced its inquiry there has been a suggestion that there be developed a charter of user rights regarding continued and affordable use of Kingsford Smith airport by country airlines. In a previous hearing we have heard that that really is not worth the paper it is written on, because it really has to be enshrined in Federal legislation. Federal airports legislation now says that Kingsford Smith airport must maintain a service for international and interstate airlines but does not mention regional airlines. What is your view about that? Do you go with the charter of user rights, or do you go with legislation?

Cr CROWTHER: I do not know how you would do it, but I am rather astounded by that statement, because we have had feedback from the Federal people that they will include regional airlines.

CHAIRMAN: In legislation?

Cr CROWTHER: Well, they have given a kind of guarantee. It might be a de facto guarantee. But they have been prevailed upon by the Local Government and Shires Association, the Country Mayors Association and the Australian Airports Association. Their submission to them is that regional airline access to Kingsford Smith airport must be guaranteed. How they do that, by legislation or by some other means, I do not know. But we have got to include regional airlines in that scenario.

CHAIRMAN: I thank you very much for your attendance here today. If there is anything that you would like to send in with that supplementary information, by all means add it.

Cr CROWTHER: Do we get a report from you?

CHAIRMAN: We will give you a copy of the transcript for checking.

Cr CROWTHER: Could we have a chance to respond to some more of those things, or add some more information?

CHAIRMAN: Yes, you may send in more information along with the management plan. If you realise that there is something you would like to add to fully answer a question that has been asked of you here, just send in that additional information. We have to report in about six weeks, so we will need that information fairly soon.

Cr CROWTHER: As long as we have a chance to look over it first.

The Hon. Dr B. P. V. PEZZUTTI: There was a further arm to our inquiry, which was to inquire on behalf of the Minister for Transport, the Hon. Carl Scully, on the proposal about the charter of user rights. Perhaps we could send a copy of the letter that was sent to the Committee to John and Craig, so that they might express a view on that issue separately.

CHAIRMAN: Yes, supplementary to what we were talking about before.

Cr CROWTHER: Yes. Just as a matter of interest, we have an Australian Airports Association meeting in Sydney next week, and I will be asking them to reiterate some of the submissions that have been put in, particularly on some of the questions that you have put here today. The Bankstown issue would be one. I would like to see them look at

the slot time system as far as it applies to aircraft that do not have to comply with noise abatement procedures. I think that is a glaring example of an area in which we could have more flexibility with country operations into Sydney.

CHAIRMAN: Thank you very much for your time.

(The witnesses withdrew)

ALAN JOHN BROWN, Mayor, Ballina Shire Council, and

GREGORY JAMES TRENT, Chief Engineer, Ballina Shire Council, sworn and examined:

CHAIRMAN: Councillor Brown, what is your full name and occupation?

Cr BROWN: Alan John Brown; I am retired, but am probably engaged full-time as mayor of Ballina Shire Council.

CHAIRMAN: In what capacity are you appearing before the Committee?

Cr BROWN: As a witness summoned before the Committee, on behalf of the council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr BROWN: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr BROWN: I am.

CHAIRMAN: Mr Trent, what is your full name and occupation?

Mr TRENT: Gregory James Trent, Chief Engineer of Ballina Shire Council.

CHAIRMAN: In what capacity are you appearing before the Committee?

Mr TRENT: As a representative of Ballina Shire Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr TRENT: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr TRENT: Yes.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to give a brief summary of your concerns, and then members will ask you questions. If at any stage you feel you need to get additional information, and take those questions on notice, would you then supply that information to the Committee by mail at a later stage.

Cr BROWN: Certainly. The Chief Engineer has prepared a submission for this hearing.

CHAIRMAN: Would you like to formally table that, and would you like that included as part of your sworn evidence?

Mr TRENT: Yes.

Cr BROWN: It has only been compiled in the last few days. We have read through it, but it does need some elaboration, and it may not be up to scratch as far as typing is concerned.

CHAIRMAN: You might elaborate on the matters that you think need highlighting.

Cr BROWN: Greg organised it, and is the author of it, and he will address you on those issues.

Mr TRENT: Briefly, Ballina Shire Council takes great pride in the fact that it has planned well for the future and for infrastructure services within our area, and we have them up-to-date. The Ballina airport is part of that infrastructure service. We have also taken the right steps at the right time in the history of this development to ensure that we have accommodated growth both in the airport and in the region. As a measure of that decision-making process, in July last year council adopted a development control plan which identified a noise footprint for the airport and its surrounding environs. That is used as a measure of controlling development to ensure the future operation of that airport, both at its current level and well into the future.

Council generally supports the notion and philosophy of competition, and believes that this competition will result in a better level of service and a more competitive fare structure. However, it has always been concerned about the premature deregulation of its service, especially in view of our reliance on larger aircraft, given the type of industry that we service. As you will appreciate, the tourism industry is of vital importance to economic growth in our region, and the larger jet aircraft that we currently enjoy on the basis of one service per day is of paramount importance to the tourist industry, especially with its capacity for luggage, the surfboards et cetera that come along with the tourists.

Council in fact, in its future planning for the airport, has provided for additional operators with the space provided at the counters and for baggage handling, so we are well placed in that regard. You are no doubt aware that other airports are available to service the region. We have Lismore airport, some 35 minutes drive time away from Ballina, and we have Coolangatta to the north about 75 minutes drive time from Ballina. As far as catchment for the Ballina airport is concerned, we compete in the northern part of our catchment with Coolangatta for the passenger flow through the Ballina airport.

To the submission that I will put before the Committee, I will attach, as a matter of interest, a graph that shows the passenger growth in the Ballina airport from its inception in 1986. It is a record of which we are fiercely proud. I think it is testimony to the fact that we have taken the right decisions at the right time, and in the right way, to facilitate future growth in the airport. We currently have an annual passenger flow of just under 100,000 passengers a year. That may seem a lot in other circles, however that kind of passenger flow, given the structure of the air services, is a basic level of passenger flow that we see as being necessary to sustain the jet service.

With respect to the terms of reference, the first term of reference is landing fees at Sydney airport. Ballina Shire Council understands that landing fees must be charged as a means of cost recovery and to control the number of flights in the time-slot periods. We see the current level of fees as acceptable whilst larger size aircraft are maintained on the route, being a fixed landing fee on a per capita rate. Deregulation, however, has the potential to introduce smaller, less acceptable aircraft to the Sydney route, with the net effect of increased capacity and landing fees. The result would be the erosion of economic viability of the existing service on the current timetable.

Another term of reference is landing fees at regional airports. Ballina Shire Council views landing fees at regional airports as being necessary, being calculated on a tonnage or per capita basis. It is probably the most reasonable method of charging, and it is our only way of cost recovery.

The next term of reference I will deal with is allocation of slot times at Kingsford Smith airport. The current system of managing slot times at Kingsford Smith airport appears from the Ballina perspective to be reasonable. Since the implementation of slot times, the current system has meant, for passengers through our airport, less in-flight time delays. There has been evidence of fewer holding patterns on the approach to Kingsford Smith airport, and there is also a greater onus on the regular passenger transport (RPT) service provider to be more punctual. That, in effect, has led to an increase in consumer confidence in our area.

I now deal with the proposals to limit access to Kingsford Smith airport and direct country services to Bankstown airport. The Ballina Shire Council strongly opposes such proposals. A major proportion of the economic growth that occurs in this region is related to the tourist industry. Hence, the considerable economic growth is reliant on good access to and from the city of Sydney as well as to interstate and overseas air services.

It should be noted that approximately 5 per cent of the total passengers to and from Ballina are overseas travellers, and a minimum of an additional 10 per cent of the total passengers are interstate travellers. That amounts to approximately 15,000 passengers per annum who are totally reliant on immediate cross-connection with the Kingsford Smith airport, hence its importance to our passenger flow. These proportions, I am told by Ansett, are still growing as the area is promoted interstate and overseas. Previous experience has demonstrated that in the absence of the availability of such access to interstate and overseas services, these passengers will simply choose to use Coolangatta airport, with the risk of losing important economic growth for our area.

The next term of reference relates to the impacts of deregulation of New South Wales air services on the provision of services to smaller regional centres and towns in New South Wales including considerations of measures to maintain services. As I stressed before, it is vitally important that we retain our jet service.

No doubt members of the Committee have been told that most non-metropolitan centres have a vested interest in the future of intrastate aviation in New South Wales from a number of different perspectives. Included among those are that most airports and most aerodromes in rural New South Wales are owned and operated by councils. Continuation of services to regional airports is important if infrastructure is to be maintained. Local government is increasingly seen as a facilitator of economic development in rural areas, and aviation is seen as a critical factor providing vital linkages to local business and tourism, and relies on the fast and efficient services that the aviation industry offers.

The Ballina/Byron Bay region is currently experiencing a high growth in tourism, agribusiness, information technology, academia and retirees, all of which have a high dependency on the level of such services. There is also the potential for significant development with high-yield business growth. An example is the Ballina Waters project, which is currently being promoted within our area, for it boasts a potential of some 700 positions. Also, the Cellulose Valley project, which is a research and development project being promoted here locally, relates to research and development of natural plant and health products, and it has close ties to the Southern Cross University, which again relies on such air services.

With regard to access, obviously access is critical to passengers in rural New South Wales. Increased passenger services allow country passengers access to medical care, business opportunities and speedy connections to interstate and overseas flights. Ballina is increasingly becoming recognised as an international destination within the tourist industry, and Tourism New South Wales and the regional tourism organisation have recognised Ballina as the gateway to the far north coastal region. The Australian Tourism Commission is now promoting the region as a future Japanese tourist destination, featuring the region's cultural aspects and natural environment. As an integral part of this, we also boast the wilderness, beaches and rainforests.

Ballina Shire Council has a very strong fear that the introduction of deregulation will see the end of the current jet service into Ballina. The loss of the jet service would have a detrimental effect on the potential growth and on the abovementioned markets, for example, tourism. The jet service also is a hallmark of confidence of the business community, and has the support of that community. The jet service contributes to the continued economic development in the region.

It is recognised that this size of aircraft required for the transport of tourists and their luggage is required to maintain business confidence and a more readily provided direct connection for the on-carriage of interstate and overseas passengers. It is widely believed that, in the interstate deregulated market, especially in the business market, the competitive edge is obtained through the level of service provided, not just through price. It is also considered that intrastate deregulation will see a flow-on effect of similar benefits; however, this will be very much dependent on the type of market, its location, strength and size, and hence its ability to withstand the pressures that accompany the determination of the level of service, the number of competitors, size of aircraft and frequency of flights in an uncontrolled market.

The Sydney-Ballina route is one of the longest, if not the longest, intrastate air services in New South Wales. In terms of flight time, it would be more appropriate to compare it to some interstate routes, hence the consumer demand for larger and more comfortable aircraft. With respect to deregulation opening up competition and hence providing cheaper air fares, there is already significant competition for the regional passenger pool from existing services to Lismore and Coolangatta. The Sydney-Ballina price structure compares favourably with the already deregulated interstate Sydney-Coolangatta route, being approximately \$100 per return air fare cheaper at the present time.

Whilst the Sydney-Ballina route is in the intrastate market, and is currently under a regulated environment, it must however compete for its share of the northern catchment passenger pool—where most of the tourist destinations are—with an option to support either airport. Therefore, it is difficult to support the economic rationalist approach that a deregulated market will bring newfound competition that will lead to cheaper air fares. We already have them.

As stated previously, direct access to Kingsford Smith airport is the key to continued regional economic growth. Larger numbers of small aircraft undoubtedly will present difficulties in accessing Kingsford Smith airport, and in the long term probably will be the catalyst for change in network structure. Airlines will be forced to reorganise networks under a deregulated environment, and inevitably will finish with a hub and spoke network. Should this occur in the Ballina market, there would be a mass movement of passengers back to the Coolangatta service, with the consequent negative effect on the regional economy overall.

As one of the main determinants on the future network structure in New South Wales will be access to Kingsford Smith airport, it is important that State government and other relevant agencies obtain a firm commitment from the Federal government that regional airlines will continue to have access to Kingsford Smith airport in a deregulated environment, especially in view of the uncertainties that accompany privatisation of that airport.

The main benefit of the current regulated environment is stability in the industry. There is a reliance on stability in the market to maintain and improve services. Ballina Shire Council has a real fear that in a deregulated environment services may be downgraded or even withdrawn, and that a less reliable operator may move in. This could have significant impacts on the regional economy in terms of attracting business and encouraging tourism. Additionally, as council owns and maintains the aerodrome and its ancillary facilities, an unpredictable future creates difficulty in terms of infrastructure planning.

For council, the prospect of less reliable operators and/or other operators leaving the market increases the level of risk associated with cost recovery. Additional capital costs associated with providing for an increased number of operators

need to be recovered. Also, the competitive nature of a deregulated environment increases the risk of council having to write off significant sums from new entrants forced to close down and unable to pay airport fees and landing charges. That brings to a close my comments in relation to the Committee's terms of reference.

CHAIRMAN: During your presentation you held up a chart that was very impressive, but it had a little blip on it. What did that represent?

Mr TRENT: The pilots strike.

The Hon. I. M. MACDONALD: Mr Trent, would not Ballina be a major winner out of deregulation? Would you not be a major winner, looking at the pluses you have in being a major tourist destination close to a lot of attractions, and given the fact that you already have considerable air services? Is it not likely that Ballina, under deregulation, would be a major winner?

Mr TRENT: In the long term, I feel you are right. In the shorter term, we have a fear that we would lose the jet service, and that jet service is vital to the tourist industry.

The Hon. I. M. MACDONALD: Why would you lose it under deregulation? Is there not under a deregulated environment the potential for Ballina to cream off air traffic passengers from around this whole region?

Mr TRENT: I think the only way in the shorter term that we would maintain the jet service is if the opposition had jet aeroplanes available within their resource pool to fly in, and I do not believe that they have. I think they are committed pretty fully in respect of their fleets at the moment. The likelihood of deregulation for us is that the opposition to the current provider would pick the eyes out of the current market—and, during the week, that is the morning and afternoon services that are currently serviced by the smaller aircraft.

The jet service across the week at the moment is a marginal operation. We are on the bottom rung of the ladder, so to speak. We have very good passenger loadings for three or four days over the course of the weekend, but during the week they are marginal. I think that if anything has to be rationalised in the totality of the air service into Ballina, the first thing that we would lose in the short term would be the jet service; and once you have lost it, it is very difficult to get it back.

The Hon. I. M. MACDONALD: I am suggesting something completely different from that. I am suggesting that under a deregulated environment the major centres—for want of a better criteria, those that have more than 80,000 or so passengers per annum—would do very well.

CHAIRMAN: That is what IPART told us.

The Hon. I. M. MACDONALD: The potentiality is that you would draw passengers from Lismore and Casino because of your growth and position in the market and your diversity.

Mr TRENT: Certainly.

Cr BROWN: But, in what we have existing at the moment we do have two providers coming into the area. We have Hazelton coming in, and that in effect would be the second provider in the region, albeit not going into Ballina airport. But the long term position, I would think, would be an advantage to Ballina airport from deregulation. That is in the long term. What Greg has said, I believe, is an issue that is terribly much on the financial table of Ansett currently running Ballina; that is, that I feel they are looking for some excuse to take the jet service out of Ballina. We are fearful of that. It is currently a condition of their licence that they provide a daily jet service into Ballina.

Whilst it may appear to those around this table to be very attractive, and to the people who see the jet going in there, I am sure for economic reasons Ansett would be very pleased to say, "You can have two more Saabs."

CHAIRMAN: Could you explain just a little bit more the condition that on the licence? Is it a condition that the council has imposed, or the Air Transport Council imposed?

Cr BROWN: The Air Transport Council put it on.

Mr TRENT: They issued a single licence on the condition that a daily jet service continued into Ballina through the licence period.

CHAIRMAN: Some of the suggestions we have had is that the status quo should remain and that regulation going on for at least another three years but that it should be beefed up a bit, because a lot of other areas do not have such a condition. For example, the operator might be issued on the basis of using a Saab, and 12 months down the track the operator might say, "Well, we are still putting in a service, but it is now a Metro." So it has been suggested that such a condition be used more generally, and that conditions be put on to say, "Okay, we will give you a licence to operate in this area for three years, but if you downgrade it then we will throw it open."

Cr BROWN: I would have no doubt that they would either drop that condition or limit it, certainly not on a daily basis. I would think that is what could happen under deregulation. If the continuance of regulation occurred, I would think that New South Wales as a State and Ballina as a region would benefit greatly if we retained the jet service. The flying time from Ballina to Sydney by jet is only 10 minutes shorter than the flying time between Sydney and Melbourne. For that reason, we argued very strongly—and so did other bodies within the area—that a jet service should be maintained to Ballina.

I believe that was the reason that the Air Transport Council put that condition on the operator. We argued that point very strongly because we had had a taste of jet service at that stage, and it was certainly supported by business, tourists and local people generally. It was a very good service. I have no doubt that if Qantas moved into the area and said, "We will put in a jet service morning and evening"—which is not very likely—but, if that occurred, if Qantas or anybody came up with such a proposal, that would be of benefit to us.

The Hon. I. M. MACDONALD: Just to clarify what I am getting at. What potentially could happen under deregulation is that Ballina would become a major centre with a lot of competition on the routes, and in that sense you might end up with more jets than you get now.

Mr TRENT: We hope you are right.

Cr BROWN: That could be the position. Another point that I would like to labour is that, whilst we have jet services running into Ballina, we could have one jet service servicing Ballina in the morning and that would be one aircraft flying into Kingsford Smith airport, and that would be one less aircraft that would need a slot time into Kingsford Smith airport. We believe that the areas that have a larger number of passengers would be entitled to have the larger aircraft, or should have larger aircraft coming into Kingsford Smith airport to alleviate the problems that Kingsford Smith airport does have. I understand that what you are saying could be the situation with Ballina.

The Hon. I. M. MACDONALD: What IPART was saying, in effect, was that under deregulation the major centres would do very well, that their business would grow and they would draw from around, and offer more frequent services, larger aircraft, and all sorts of things. Converse to that—although IPART skates over this—what would happen would be that the smaller centres would have difficulty with the size of aircraft, the frequency of service, and a

whole range of issues.

Cr BROWN: I would like to ask a question of you. Where would you think that the spokes from the hub would come to Ballina from?

Mr TRENT: Given that we have got Coolangatta just up the road.

CHAIRMAN: So you are saying that the hub could end up at Coolangatta?

Cr BROWN: That is right.

Mr TRENT: In terms of the reference to IPART, I think it is very difficult to draw broad-ranging assumptions that satisfy everyone. The reason we are here this morning is to try to judge things on their merit. We are looking at the Ballina case, from a Ballina perspective. Probably, the ideal size and type of aircraft to fly into Ballina would be a 50- to 70-seat jet, and they are just not within the fleet at the moment. There is a big step up from a 34-seat Saab to a 114-seat 737.

At weekends, we have the BAE, which is still 96 seats or something. Hence our comments about the jet. It is a much larger sized aircraft, and it is a much greater step up, and hence the comments about it being marginal over the course of the week. I think that when you have to start to have to fly in a Saab an hour and a half plus to get to Sydney, people definitely prefer the larger aircraft and its comfort.

There is a perception that the large aircraft is a safer aircraft, and it probably is. As a measure of that, we still have people in the northern part of our catchment, from say Byron Bay north, who go to Coolangatta. We have price schedules that show that it is approximately \$100 dearer to fly out of Coolangatta, but people are prepared to go that way—because probably their business is paying for it—because they have a more regular service, a better timetable and a bigger aircraft.

CHAIRMAN: So it is genuine competition?

Mr TRENT: It is genuine competition. People are voting with their wallets. They are prepared to spend the extra money to get that security and safety perception.

The Hon. Dr B. P. V. PEZZUTTI: When there was deregulation and Qantas moved into Ballina there were two jet services a day. But, unfortunately the jet that held 55 seats disappeared off the market because of the crash of the company that was making that aeroplane, the Fokker Friendship. Because they disappeared, you then had a choice of going up to the BAE, which has 90 seats. Ansett was then faced with a difficult decision, having lost the 55-seater, to heavily discount fares, and that has been of enormous advantage to bus and tourist trades. The people going from Byron Bay or travelling into Byron Bay get a choice of travelling 20 minutes down the road to Ballina or 40 minutes to Coolangatta. That is the problem, is it not?

Cr BROWN: Yes.

The Hon. Dr B. P. V. PEZZUTTI: As well as that, we do not have as yet the large tourist infrastructure where you can load in 40 people at a time into a resort, because there has been a lack of development of those resorts across the whole of the north coast.

The Hon. I COHEN: For good reason.

The Hon. Dr B. P. V. PEZZUTTI: Well, there may be good reason, but I am saying that is the reality. The reality is that Ballina has to take a step up and keep the 113-seat jet, even on a daily basis, which is, as you say, quite marginal, even though Ansett is flying that jet in here at a time when it is convenient.

The Hon. I. M. MACDONALD: Is this a speech?

The Hon. Dr B. P. V. PEZZUTTI: It is because, because there are a lot of things that others might not understand but that I do since I have travelled in and out of the area for 10 years. The reality is that unless we have a jet service, the tourism industry is going to fail, and then we will lose all that service to Coolangatta, and we will lose the frequency that we now have with Lismore and Ballina. We have seven flights a day now.

The Hon. J. R. JOHNSON: Ask a question.

The Hon. Dr B. P. V. PEZZUTTI: That is the reality.

CHAIRMAN: Do the witnesses agree with your comment?

The Hon. Dr B. P. V. PEZZUTTI: Do you agree with what I have said so far?

Cr BROWN: Well, no, not entirely. I do not think that the tourist industry would crash if that happened, and that was the statement that you made. I believe that the tourist industry is very much alive, not only in Ballina but in Byron Bay, and we very much look to Byron Bay to feed our airport. In that sense, we believe that the larger aircraft would do that for us. The F28 did not leave because there was a breakdown in the aircraft. The F28 left because of the noise problem associated with it going into Kingsford Smith airport. It was not allowed to continue. I understand the F28 is still flying out of Brisbane.

The Hon. Dr B. P. V. PEZZUTTI: In Western Australia?

Cr BROWN: Yes.

The Hon. Dr B. P. V. PEZZUTTI: What percentage of the traffic in and out of Ballina airport is tourist traffic? We have heard from Lismore council today that it is about 75 per cent of business travellers out of Lismore. What percentage of the traffic out of Ballina is business-related?

Cr BROWN: I do not know. Greg might know.

Mr TRENT: I do not know exactly, but it is well in excess of 50 per cent.

CHAIRMAN: With any of these figures, you might take them on notice and send them in later.

Cr BROWN: We can get that information.

CHAIRMAN: What we would like you to send us also is a copy of your management plan. You would have a development plan or management plan for the area for the next five or 10 years, would you not?

Cr BROWN: Yes.

CHAIRMAN: No doubt it incorporates such things as the landing fees and the projected increase in landing fees, and your passenger mix perhaps, and a number of such things. So, if you have any documents like that which you could send to us, that would be appreciated.

The Hon. Dr B. P. V. PEZZUTTI: Particularly if you could split it up into what is straight tourism, local people travelling for their own pleasure, and business travel. Have you any idea what the bleed is out of Coolangatta for people with post codes in this area?

Cr BROWN: No. We have asked Ansett to supply some of those figures.

The Hon. Dr B. P. V. PEZZUTTI: And Qantas?

Cr BROWN: We do not have the same access to Qantas as we do to Ansett.

Mr TRENT: I could tell you that the figures from the tourist industry are that 60 per cent of total air traffic into Byron Bay is Qantas.

The Hon. Dr B. P. V. PEZZUTTI: Yes, it comes out of Coolangatta.

Mr TRENT: It comes out of Coolangatta. I cannot recall the percentage split as far as Ansett is concerned for Coolangatta-Ballina.

The Hon. Dr B. P. V. PEZZUTTI: There was a window of opportunity, before the development of a freeway north which will shorten travel time, for Ballina airport. My interest in this is that if you want to have a service that supports local people, you get frequency because of the tourism. That is the most important part to us, the frequency point of view. Down the track from that, of course, you have to get landing slots. What understanding do you have of the security of those landing slots for Ballina if there is an increase in tourism, as the Hon. Ian Macdonald suggested, and there is an increase in the need, for frequency, of getting those slots times into Sydney?

Cr BROWN: As I have said previously, I would think that the slot times could be reduced by the use of larger aircraft that are more suitable to accommodate the passenger numbers. I do not really have any problems with the slot times. It is the airlines, I suppose, that do have problems with slot times.

Mr TRENT: In relation to the tourist industry, most tourists do not like to fly in the early hours of the morning. I do not think, if we have a growth in the tourist industry, there will be such a big problem with slot times because the majority of them want to fly in the middle of the day.

The Hon. Dr B. P. V. PEZZUTTI: What about for local people, though? The introduction of the service out of Ballina and Lismore at 6.30 to get into Sydney on time has been a reasonably recent innovation. If we have bigger craft, will they still be able to sit on the ground at Lismore or Ballina to service that early morning need for the locals who want to go and do business in Sydney and come back again that night?

Mr TRENT: About our only chance, as far as a jet is concerned, would be possibly for that jet to stay overnight in Brisbane. That has been discussed, but not to any great length. The problem with overnighing larger aircraft is the support staff that you need to kick-start them of a morning.

The Hon. J. R. JOHNSON: Is the council still involved in promoting Summerland as a place to visit?

Mr TRENT: Summerland, I suppose it is safe to say, is dead and gone in terms of promotion. There is a regional

tourist authority that operates and represents something like five to six councils. Tropical New South Wales was a promotional thing.

The Hon. I COHEN: It was a bit wide.

Mr TRENT: But there have been various efforts to surpass what Summerland used to be and to take it further.

The Hon. J. R. JOHNSON: So you are working against each other, trying to draw people to your airports instead of drawing people to the area?

Cr BROWN: I would not say that.

Mr TRENT: I would not say that. We do not approach it from that point of view. We just see ourselves, by way of our geographic placement, as being the logical place for the tourist traffic to come into the area. Operationally, as far as the larger aircraft are concerned, it is a better location as well.

The Hon. J. R. JOHNSON: What leads you to believe that Ansett would take off the jet service when it is getting such a good number of passengers?

Mr TRENT: It is getting good passengers for only four days of the week. The other three days of the week it is very ordinary.

The Hon. J. R. JOHNSON: You made the statement that there is a perception that the jet aircraft is safer. I think you would need to elaborate on that. All aircraft are safe, and you do damage to the industry if you maintain that certain aircraft are not safe.

Mr TRENT: I am not saying that at all. I am saying that as you go up in size of aircraft there are increasing levels of safety standards that must be adhered to.

The Hon. J. R. JOHNSON: Thank you.

Cr BROWN: That certainly was not the intent of that statement.

The Hon. I COHEN: You said there was a perception that the jet is safer.

Cr BROWN: It is a perception. People, particularly tourists, get off jets from overseas and they see a propeller-driven aircraft and they are taken back a bit.

The Hon. I COHEN: I have to say, before I ask a question, that I never go to Coolangatta on principle.

Cr BROWN: I applaud you for that.

The Hon. I COHEN: We have touched on this issue a few times, but, in terms of the larger jet, it comes in during the weekday and I understand that it does not get much clientele. It has a special over the weekend so that it appears—correct me if I am wrong—that there is an artificial maintenance of this rather inappropriate-size jet at the present time. Is that correct? I travel roughly business hours to get to the city early, or getting back late at night after a day's work, and I have no opportunity for a jet. Is that restricted by the time slots in Sydney, or is this jet almost artificially being placed there to maintain a jet service? It is not making a lot of sense to me as a frequent user.

Cr BROWN: What we have in place currently is what Ansett put to us was a temporary arrangement: that Kendell would come in and supply two aircraft, morning and evening, for the numbers of passengers that were coming in. Certainly, the jet that is currently going into Ballina is probably larger than is required, but that is the only jet aircraft that they have available to service Ballina.

The thing that we emphasise is that we are dealing with New South Wales, and Ballina is an area in which I consider a jet service is complementary to any flying operation that was going on. That is because of the distance that we are from Sydney, the number of passengers that we do have—and we are increasing those numbers weekly—and I believe we have the ability to maintain the number of passengers that we have and increase them. If someone would bite the bullet and give us a proper jet service, as Greg mentioned, of up to 70 passengers, that would be excellent and it would possibly solve the problem of overnighing.

The Hon. Dr B. P. V. PEZZUTTI: Are those jets available?

CHAIRMAN: They are.

Cr BROWN: No. They have not got a jet.

CHAIRMAN: Not that company.

The Hon. Dr B. P. V. PEZZUTTI: Qantas does not have them either.

Mr TRENT: We are led to believe that that is the case. We are pressing Ansett to reconsider its timetable. I am sure that if that jet were able to come in a couple of hours later in the day, we would have much better loading.

The Hon. I. M. MACDONALD: Is not Ansett really trying to lock the tourist trade in rather than service the business community? Is that their strategy?

Mr TRENT: That is the biggest potential. Anyone going into a business, whether it be air transport or not—

The Hon. I. M. MACDONALD: I am not agreeing with you. I am sorry I interrupted.

The Hon. I COHEN: Relating again to the jet and to the rapid transport concept, I asked a similar question of the people from the Lismore council. How does an efficient service direct to Sydney compare with port hopping, where you are actually getting an input from the west and from other centres up and down the coast? Can you see that as being an advantage? How would that tie in with deregulation?

Mr TRENT: That is the hub and spoke arrangement that I spoke to.

The Hon. I COHEN: Perhaps a hub and spoke arrangement, but generally looking at various points along the way that may in themselves be attractive to tourists, because at the moment everything has to go through Sydney.

Mr TRENT: Across the border we have 100,000 passengers a year who want to go to Sydney. That is demonstrated by the figures that we use. So there is an obvious need for a direct service. Undoubtedly, in the future—and perhaps this will come with deregulation—we will see the development of other services up and down the coast. We all too readily forget about the potential for the development of services north, beyond Brisbane as well.

The Hon. I COHEN: One further question. I think Mr Trent mentioned you want competition, but you are

concerned with premature deregulation. Are you ever going to get to the point where you are well and truly looking towards deregulation in the Ballina environment?

Mr TRENT: Ideally, if we get a passenger flow of 120,000 or more a year, we would be only too pleased to see open competition.

CHAIRMAN: I have one more question that I would ask you to take on notice. The Minister, Mr Carl Scully, has asked the Committee to consider and respond to him and the government in relation to a charter of user rights, as is proposed by a country summit. What are your views on that, and what should be in a charter of user rights? It has been suggested to the Committee by some other councils that that is one alternative but that there really needs to be something stronger than a charter of user rights and that, as the Hon. Dr Pezzutti pointed out earlier, the Federal Airport Act has enshrined in the Act that Kingsford Smith airport should provide services for international and interstate flights, but it does not mention intrastate regional and rural air services. One council suggested to the Committee that the charter of user rights is not worth the paper it is written on, and that there really needs to be in that Federal legislation a guarantee of formal access for ever. Could you please take that issue on notice and give us your views on that?

Mr TRENT: In short, we would agree with that view.

CHAIRMAN: That it has got to be in legislation?

Mr TRENT: Yes.

CHAIRMAN: I thank you very much for your time this morning.

(The witnesses withdrew)

COLIN FREDERICK FRANCIS, General Manager, Glen Innes Municipal Council, and

ROBERT HAROLD SCHRODER, Councillor, Severn Shire Council, and

MURRAY JOHN ERBS, Director, Technical Services, Severn Shire Council, sworn and examined:

CHAIRMAN: Mr Francis, in what capacity are you appearing before the Committee?

Mr FRANCIS: As a representative of the Glen Innes Municipal Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr FRANCIS: Yes.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr FRANCIS: I believe so.

CHAIRMAN: Councillor Schroder, what is your full name and occupation?

Cr SCHRODER: Robert Harold Schroder, I am a grazier and Severn Shire Councillor.

CHAIRMAN: In what capacity are you appearing before the Committee?

Cr SCHRODER: As a shire representative.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr SCHRODER: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr SCHRODER: Yes.

CHAIRMAN: Mr Erbs, what is your full name and occupation?

Mr ERBS: Murray John Erbs; I am a civil engineer and my position is Director of Technical Services.

CHAIRMAN: In what capacity are you appearing before the Committee?

Mr ERBS: As a representative of Severn Shire Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr ERBS: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr ERBS: Yes.

CHAIRMAN: I note, first of all, that the councils have agreed to give their evidence together. As far as I am aware, there is no written submission from either council. Do you have any documents that you wish to table?

Cr SCHRODER: Yes, we have.

CHAIRMAN: And none from Glen Innes?

Mr FRANCIS: No. We support the submission of the shire council.

CHAIRMAN: Would you like that to be taken as part of your sworn evidence?

Mr ERBS: Yes.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. We might ask the Severn Shire Council to make a brief statement to summarise your document and your views, and then we will ask for a similar statement from the Glen Innes Municipal Council. Then we will have questions from members of the Committee. We might ask you at some stages to take some questions on notice and supply information later on. So, if there is any technical evidence or material that you would like to give to the Committee, you might prefer to do it that way. If we run out of time, we might ask you to take a few questions on notice as well.

Cr SCHRODER: We would like to present this document as a joint document from both councils.

Mr FRANCIS: Yes, we do.

CHAIRMAN: Would you then like to address the Committee?

Mr FRANCIS: The shire is actually the owner and operator of the airport, so it is probably more appropriate for them to lead.

Cr SCHRODER: Before we start, if the Chair would accept it, I would like to put in an apology for Robert Langford, who is in bed with severe back pains. So we have been bundled down here today on short notice, and we will do our best. We would like to read through the submission and in doing so I would expect you to interrupt me at various stages and ask questions.

By way of introduction, I thank you all for the invitation to give evidence here today. Council is appreciative of the opportunity to appear before the Standing Committee on State Development and to comment on the provision and operation of New South Wales rural and regional air services. Severn Shire Council owns and operates the Glen Innes aerodrome. This services Glen Innes and the surrounding district, including Tenterfield. The air service to Glen Innes is presently provided by New England Airways. It comprises a triangular route—Sydney/Glen Innes/Inverell.

Annually, approximately 4,000 to 5,000 passengers pass through the Glen Innes terminal. In addition, a further 9,000 to 10,000 passengers pass through Inverell. The towns were, until recently, serviced by Tamair Pty Ltd with a 19-seat Metroliner. This company has passed into receivership, and the same directors are now trading under the new name of New England Airways. We are now being serviced by a combination of 9-seater Piper Chieftain and a 19-seat Metroliner aircraft. Council has requested the Minister for Transport, Mr Carl Scully, to investigate the licence changeover from Tamair to New England Airways. Both Inverell and Severn Shire Councils prefer that Impulse Airlines be the new provider.

The airport is a vital link for rural air travellers from the north of the State to Sydney and is a necessity for business, medical and tourist reasons. The following comments are based on the impact on Severn shire and Glen Innes communities as well as regional airports in New South Wales and rural communities as a whole.

I move on then to landing fees at Sydney (Kingsford-Smith) airport. The proposed new landing charges for the Federal Airports Corporation of \$2.84 per tonne for maximum take-off weight, with a minimum of \$140 per landing and peak period surcharge of \$250 will disadvantage regional airlines using smaller aircraft. It is acknowledged that the \$140 charge will be phased in over a three-year period. The cost per passenger for a 19-seat aircraft will be \$21. This compares to \$3 per passenger on a B737 aircraft. This will seriously affect the economics of providing a regional airline service to rural communities. In contrast, interstate and overseas travellers will have a price reduction.

The next matter is landing fees at regional airports. Landing fees at Glen Innes airport are \$10 per passenger on and off aircraft on regular passenger transport services landing at Glen Innes. There is no aircraft weight tax applied. Expenditure on the Glen Innes aerodrome strip and terminal building in the last 18 months has been over \$300,000. This is a very large investment in our aerodrome, particularly when compared to the return of \$40,000 to \$50,000 per year received in landing fees.

Airline operators do not contribute any money to maintaining the aerodrome other than in landing fees and to hire a portion of the terminal building for \$2,000 per year. The landing fees are passed directly on to the passenger using the service. Therefore, the airline company has very little cost in using the Glen Innes aerodrome. I believe this is the same for the majority of regional airports.

I now move on to allocation of slot times at Kingsford Smith airport. Council supports the introduction of the slot system as a guarantee of suitable times for regional airlines to have access to Kingsford Smith airport. Council has two concerns that need to be addressed. The first is that slot time allocation should be allocated to a particular route and not to the airlines. This will ensure that airlines do not use a slot time for another route and thus take away a service to a regional centre or town in preference to another centre or town. The second concern is that slots, if allocated to an airline, will become a valuable commodity for trade in access to Kingsford Smith airport. The trading of slot times may stop an airline servicing a regional centre by allocating to another regional centre. Regional communities should have representatives on any committee that allocates slot times to airline or routes and have input to the changing of slot allocations from a community.

I now turn to proposals to limit access to Sydney Kingsford Smith airport and direct country services to Bankstown airport. The proposal to direct regional air services to Bankstown is totally unacceptable for the following reasons. Firstly, the airport does not have the infrastructure to cater for regional air services. Secondly, the airport does not have the capacity to service the number of flights from regional New South Wales.

From a safety aspect, there have already been numerous incidents involving light aircraft. More importantly, regional airlines need to be close to interstate and overseas facilities for connecting flights. The distance of Bankstown from

the city is a major disadvantage. The cost of travelling to and from the city along with the time factor would mean that rural travellers would be better off driving to Sydney for business and medical attention. A cost-benefit and socio-economic analysis needs to be done on any proposal to transfer regional services to Bankstown.

I now speak about the impacts of deregulation of New South Wales air services on the provision of services to smaller regional centres and towns in New South Wales, including considerations of measures to maintain services. Severn Shire Council, along with many other regional councils, has previously objected to the full deregulation of air services within New South Wales. Council is in support of partial deregulation; that is, competition that is managed to ensure that regional air services to towns like Glen Innes and Inverell are guaranteed access to Kingsford Smith airport, preferably aircraft of at least 19-seat size.

A fully deregulated air service could achieve a monopoly or at best an oligopoly of a few airlines with access to Sydney airport. Marginal regional routes would be abandoned by the major airlines, which would result in reduced services for the many regional airports. This would assist the demise of rural towns, depriving them of tourist trade, economic and direct access to Sydney airport for business and medical services. Council is concerned that under the Airport Act, under which Sydney airport will operate, there seems to be no provision for intrastate air services to operate into Sydney airport. The Act needs to be amended to include intrastate air transport.

Conclusion: Sydney airport access is required for the survival and development of regional New South Wales. This access must be ongoing. It may be achieved by the use of the slot system and partial regulation of air routes and also by not pricing regional aircraft out of landing at Sydney airport. Overseas, interstate and intrastate air services are all interdependent and for the development of New South Wales and Australia must co-exist and complement each other.

CHAIRMAN: That is a common theme of a lot of councils. The only variation—and I suppose it is not a large variation of your submission in comparison with others—is to do with regulation. You would entertain a change of operator. Some submissions that we have received urge that we recommend to the government that we extend regulation for another year or 18 months. Another option was that we recommend to the government that the Air Transport Council be kept in operation and that it go through another three-year process of issuing licences, and that in doing so it could have public hearings, enabling the issue of a licence to Impulse as opposed to the newly-named Tamair under their normal process, because I believe existing people get some preference provided they have done the right thing in providing services. But, generally, if a council has a big push to change, they can change under that process.

The other suggestion received by the Committee, regarding the maintaining of regulation and going through the normal three-year process, was that perhaps the government should beef up the regulatory requirements, because in the past some companies have been given a licence for say a Saab 34-seater and six months down the track they have slipped in a Metroliner of 19 seats, or they start off with a Metroliner and then slip in a Navajo Chieftain.

The Hon. Dr B. P. V. PEZZUTTI: And some just give up.

CHAIRMAN: Yes, and some just give up. Some recommend that the Air Transport Council should issue the licence for three years but, if the conditions alter, then, subject to discussion with the local council, the service would be re-advertised. Would you like to comment on that?

Mr ERBS: If I could comment on the Tamair situation. Tamair has gone into receivership owing our council some \$50,000, Inverell council over \$100,000, and Tamworth council over \$200,000.

CHAIRMAN: In each case, that would be 2 to 3 per cent of the rates of those councils.

Mr ERBS: Yes. So they have gone into receivership and taken that money from us as unsecured creditors. It costs us \$70,000 a year to run the aerodrome, and we have just blown the money that would have been received in landing fees over the past couple of years. That is our particular problem with Tamair and the fact that, Tamair having gone into receivership, the Air Transport Council passed the licence over to New England Airways, which is largely the same company.

CHAIRMAN: The Air Transport Council has done that already?

Mr ERBS: Yes, it has done that, without any consultation with any of the councils involved. We have still got New England Airways servicing our towns at the moment, and in realistic terms we have very little hope of collecting any money from them in the near future unless they can change their financial system or financial ways. And they have a poor track record, so we are really concerned about that.

The Hon. J. R. JOHNSON: How long have they been operating?

Mr ERBS: New England Airways probably has been operating for about six weeks now, or two months.

The Hon. J. R. JOHNSON: And you do not expect them to pay?

Mr ERBS: Their track record is not good. Paul Bredereck is the same managing director in New England Airways who was in charge of Tamair. So it is a question of whether the leopard will change its spots.

The Hon. J. R. JOHNSON: Same horse, different jockey.

Cr SCHRODER: Yes. They finished up being something like \$1 million in debt round the country.

Mr ERBS: And \$6 million in total.

Cr SCHRODER: What hurts us is that they are allowed to change a name, owe us \$50,000, and come and fly out of Glen Innes with a different name and downgrade our service.

The Hon. Dr B. P. V. PEZZUTTI: According to your submission, a lot of that problem with Tamair was that Tamair got involved with another company in Tasmania. Up until then, that is up until about two years ago, Tamair was paying its way and doing reasonably well, was it not?

Mr ERBS: Well, they never had the track record of the previous provider.

The Hon. I. M. MACDONALD: Who was that?

Mr ERBS: That was Impulse, whom we never had any financial problems with. I do not know what the status of the individual companies are, but I know how they paid councils, and Impulse had a good track record in regard to paying on time.

CHAIRMAN: Why did the Air Transport Council change from Impulse and give the licence to Tamair? Did one operator pull out?

Mr ERBS: No. All licences were thrown open two years ago. There was a lobby from the Inverell council and others to get the Tamair route in. There was a lot of jockeying going on about where the routes would be and how the

routes should go around, and whether we stay on milk runs, or which milk runs. When the cards were laid down at the end of the day, Tamair had that route.

Cr SCHRODER: Impulse had previously done a great job, and they did have the full support of Severn and the municipal council, but it was Inverell that pulled the strings and took Tamair.

The Hon. I. M. MACDONALD: So, at the moment, you have lost your \$50,000.

Cr SCHRODER: Yes.

The Hon. I. M. MACDONALD: Was that for landing fees?

Mr ERBS: That \$50,000 is for outstanding landing fees.

The Hon. I. M. MACDONALD: So that is equivalent to one year of landing there and not paying a cent.

CHAIRMAN: And that was \$50,000 towards the \$70,000 that it cost.

Cr SCHRODER: Yes.

The Hon. I. M. MACDONALD: Are you satisfied at the moment with the New England Airways operations?

Mr FRANCIS: No.

Mr ERBS: We are very concerned about it.

The Hon. I. M. MACDONALD: Have they been paying their landing fees?

Cr SCHRODER: They have. But what has happened is that they have given us a worse air service. We had a 19-seater, and now we are back to a 9-seater Chieftain. In Inverell and Glen Innes they are jumping into their cars and going to Armidale and hopping on a 36-seater. We are not going to have an air service too much longer.

The Hon. J. R. JOHNSON: Where is your nearest airport to the north?

Mr ERBS: North, you head to Queensland, and I do not know where it would be.

The Hon. Dr B. P. V. PEZZUTTI: Warwick.

Mr ERBS: Which would be heading into Brisbane.

CHAIRMAN: Tamair is under receivership, and it has an administrator appointed. Is Tamair continuing to trade or not? They are not, theoretically.

Cr SCHRODER: Tamair is not, no. But they have changed their name.

Mr FRANCIS: I got the service timetable from the local travel agent just yesterday, and it is still listed as Tamair. It is still advertised as Tamair.

The Hon. I. M. MACDONALD: What has gone wrong is not so much to do with the regulator in effect; it is a bad business or bad company that got the route. It was more to do with that, rather than whether Inverell or Glen Innes are bad destinations. It is just bad business practice.

Mr ERBS: I think so. Other companies have been able to have the route as a viable route, and prior to Tamair it was Impulse that had it as a viable route. There are other providers quite willing to come back in and take over the route now.

The Hon. I. M. MACDONALD: So you want the flexibility under the regulations to be able to re-advertise and get someone else in there if you can?

Mr ERBS: Yes. We believe, having gone through the process we have gone through, the re-allocation or transfer of the licence from Tamair to New England Airways should not have happened automatically; we should have come back and gone through the process of selecting an operator.

The Hon. I. M. MACDONALD: How can it happen automatically?

The Hon. Dr B. P. V. PEZZUTTI: Ask Mr Scully.

Mr ERBS: We do not really know.

The Hon. I. M. MACDONALD: Would it have been approved by the Air Transport Council?

Mr ERBS: I believe it has been approved by the Air Transport Council.

The Hon. I. M. MACDONALD: On the basis of getting some service in there quickly, or whatever?

The Hon. Dr B. P. V. PEZZUTTI: How do we know?

CHAIRMAN: We will write to the Air Transport Council and ask it what it has done in that regard and see what it says. I should also inform you that Tamair will be coming to talk to us in the next few weeks

The Hon. J. R. JOHNSON: They might not come now.

CHAIRMAN: Is there any of this that you wanted dealt with in camera?

Cr SCHRODER: No.

The Hon. I. M. MACDONALD: Your submission also refers to Bankstown. This intrigues me a bit, because I come from Young and so I am concerned about the service staying with Kingsford Smith airport, although I do not regularly travel with Country Connection to Young. Would your objections to Bankstown decrease by the year 2002, when the M5 extension is complete and you will be able to travel by freeway from Bankstown right into the city?

Mr ERBS: I think travel time is the key to it, and how you get from one point to the other. If you can get there quickly, then the speed is the essence of it. When you are travelling out of places like Inverell and Glen Innes, if you can organise the travel to be such that you can get down to Sydney in a day, do your business and come back in the same day, and avoid overnighing, it becomes effective. So, whatever mechanism is in place, it needs to support that, because that is the key to the whole issue. Everything else that we have put in our submission—such as protection of

slot times—is all aimed at being able speedily to get from the outer parts of what region it is into Sydney, to be able to do your business, and to get back out again.

The Hon. I. M. MACDONALD: Once the extension is complete, it will link with the extension of the eastern part of the airport, and come down Woollah, and go straight under Taylor Square. You are probably talking about 30 to 35 minutes from Bankstown through to the city, which is a lot different from the present 1'10". Some of the objection about the use of Bankstown for more general purposes would probably dissipate a bit, would it not?

Mr ERBS: It comes down to the time to travel. I think there is some sort of threshold in people's minds about the time it takes to leave home to get somewhere. There is a trip-over point, and if it takes you an hour and a half or two hours—and I am not sure where the point is—but, if it goes into three hours it becomes unattractive. It can be due to any one of a number of hold-ups. It can be the fact of hubbing through Tamworth from Glen Innes, and that might add 20 minutes to the trip. Any segment of the trip that adds to the overall time of it will impact on the service. If Bankstown were the only part of the equation, and you could get to Bankstown within an hour and then it took half an hour into the city, I do not think that would be a problem.

The Hon. I. M. MACDONALD: I am suggesting you might be able to do that in 2002, which is the current projection for the opening of the M5 extension. Bankstown airport is very close to that freeway and it has a number of interchanges. You would be able to get onto the freeway very quickly and be in the city probably quicker than it takes to get from Kingsford Smith airport to the city at the moment.

CHAIRMAN: But there will also be an eight-minute train from Kingsford Smith airport next year.

The Hon. Dr B. P. V. PEZZUTTI: But it is a bit rough if you have got to fly from Glen Innes to Bankstown, take 35 minutes to get to the city, and be at the airport for half an hour before the next flight that takes you to Melbourne or somewhere else. On-flying accounts for a substantial number of people; about 5 to 10 per cent would be on-flying. So you get to Sydney airport and then you have to wait another 35 to 40 minutes, at the minimum, to catch a flight to Melbourne or wherever.

CHAIRMAN: Where do you fly? Do you go from Glen Innes, to Tamworth and then to Sydney?

Cr SCHRODER: No. Glen Innes, Inverell and direct to Sydney.

Mr FRANCIS: If I could just mention something. I believe we have already lost our service, in effect, by the scheduling of aircraft services that we have got. If we want to get down to a meeting in Sydney at a reasonable time, say 9 o'clock, we cannot fly out of Glen Innes; we have got to drive down to Armidale and catch a flight from there.

The Hon. I. M. MACDONALD: Why is that? Is that because the service times have changed as well?

Mr FRANCIS: The service does not get there on a Monday until 10.15 in the morning.

CHAIRMAN: Would you table that timetable that you have got for incorporation.

The Hon. I COHEN: There is a similar problem travelling from Ballina, because you cannot get to business appointments reliably at 9 o'clock.

CHAIRMAN: We had best return to asking our questions.

The Hon. I. M. MACDONALD: What were the previous times of those flights out, and when did they arrive?

Mr ERBS: I would have to get information on that. But, if we go back about three years to the previous provider, we had far better times in and out of Sydney.

CHAIRMAN: If you are able to come by a copy of that, would you send that to the Committee as well?

Mr ERBS: Yes. We have that on record.

Cr SCHRODER: We must take on board too that a lot of air travellers from the country are going to the city for health reasons. Many are being referred to doctors in Sydney, and so on.

CHAIRMAN: Have you got any idea what percentage they would be?

Cr SCHRODER: I have not, no. But it would be substantial.

The Hon. J. R. JOHNSON: When the aeroplane was operating with a 19-seater, was it full?

Mr FRANCIS: I am not answering because I have only been there for two years.

Mr ERBS: At times, through the week, yes, it was definitely full, and there were times when you could not book on the flight because the 19 seats were taken up. Of course, there were other times during the week when it would be flying with eight or nine passengers.

The Hon. J. R. JOHNSON: So the new operator believes it is better to fill every aeroplane than to half-fill them, as was the position in the past?

Mr ERBS: I think there was that aspect to it, but I also think that they are looking at the hubbing situation. They are flying a smaller plane to Tamworth, transferring passengers to a bigger plane, and filling up the bigger plane to fly into Sydney. That is the economics of it from their point of view.

The Hon. J. R. JOHNSON: And they draw on Moree, Gunnedah, Boggabri, Manilla.

Mr ERBS: Yes, and other centres, and they fill the plane up and take it on down to Sydney. Those are the economics of it. But that does not address any of the social impacts of having that type of service. If you take a purely economic rationalist approach, I guess that is where the dollars appear to line up. But, when you start to consider the social issues and the provision of a service, and what an airline or transport system is there for, it has a lot of failings.

The Hon. Dr B. P. V. PEZZUTTI: You are concerned about the transferability of slot times. Are you aware that slot times can be sold? Can Ansett sell a slot time to Eastern or to anybody else?

Mr ERBS: I think there is a concern that that is where it is going to end up—that they will be able to do that.

The Hon. Dr B. P. V. PEZZUTTI: Are you aware how slot times are allocated?

Mr ERBS: No, I cannot tell how that is done at the moment.

The Hon. Dr B. P. V. PEZZUTTI: Your loading is 10,000 a year at Inverell, getting on and coming off, is it not?

Mr ERBS: That is at Inverell. At Glen Innes it is about 4,000 to 5,000.

The Hon. Dr B. P. V. PEZZUTTI: That is 10,000 getting on and taking off, is it?

Mr ERBS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Or is that just 10,000 getting off?

Mr ERBS: The 5,000 getting on is 2,500 on and 2,500 off.

The Hon. Dr B. P. V. PEZZUTTI: So you are looking at about 12 people per day getting on and 12 per day getting off.

CHAIRMAN: It is not as good as the Newcastle trains!

The Hon. Dr B. P. V. PEZZUTTI: Well, it is not as good as the Newcastle trains. But the reality is that if a plane is leaving Glen Innes and arriving in Sydney with seven people on board, it takes just as long, or longer, for that plane to land as a 747. Given that there are a certain number of take-offs and landings at Kingsford Smith airport—only 80 in one hour—you can see why Kingsford Smith airport, being pressured to keep to only 80 in an hour, and that they could sell those slot times any number of times, there would be some rationality, whether economic rationalism or not, that would drive a 9-seater off the track. I am not saying whether that is good or bad. What approach do you think should be taken to ensure that intrastate operators have reasonable, guaranteed access to landing at Kingsford Smith airport?

Mr FRANCIS: I would like to see the slots allocated to airports rather than to airline operators. I would like a guarantee of a certain number of slots for regional centres.

The Hon. Dr B. P. V. PEZZUTTI: If you had an arrangement like that, on what basis would government or Kingsford Smith airport, which has more customers than it needs, allocate to Inverell? Would they allocate one landing slot per two weeks, on the basis of the number of passengers, or one a day, or two a day?

Mr FRANCIS: Perhaps one a day would be too much, but it is difficult to say. You have a finite resource, which is Kingsford Smith airport, and you have a virtually unlimited demand upon that finite resource, so I suppose you have got to come back to the practicalities that we are not going to retain guaranteed daily access to Kingsford Smith airport. But I believe three times a week for a community of 10,000—which is the Glen Innes and Severn shire—is fair. We have a social right to have access to the capital city.

The Hon. Dr B. P. V. PEZZUTTI: Given the landing cost per person from Inverell is vastly higher than the landing cost per person from Melbourne, do you think that the State government could have a community service obligation to help fund what is basically a community and social service, rather than a commercial service? Kingsford Smith airport is obviously not providing a commercial service if it is offering a service from Inverell for a 747. Do you think the State government of New South Wales, or perhaps the Commonwealth, should come forward with community service obligation payments to assist Kingsford Smith airport in being fair and reasonable?

Mr FRANCIS: I would certainly support that.

Cr SCHRODER: Yes.

The Hon. Dr B. P. V. PEZZUTTI: We heard this morning that 75 per cent of the passengers out of Lismore are business and government travellers. The more public servants that fly to and from the country will require that sort of access, as they do out of Lismore. Surely, if there were more government employees in country areas there would be a basis on which to build an airline, would there not, rather than what we have seen recently, which is ripping them out of the country and taking them back to the city?

Mr FRANCIS: We would obviously favour such a process.

The Hon. Dr B. P. V. PEZZUTTI: In terms of Bankstown, if for example there was a hubbing process into Tamworth, you would not want to further hub into Bankstown before you got to Kingsford Smith airport. Would a reasonable application be for you to hub at Tamworth?

Mr FRANCIS: It is difficult to say. I would be against it, personally.

Mr ERBS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: So your community view would be that you should have access, especially since you are so far away, the same as Lismore and Ballina people say it is equally offensive to land at Newcastle before they went on to Sydney. You would take the same view?

Mr FRANCIS: Yes.

Mr ERBS: Yes.

The Hon. J. R. JOHNSON: Do your particular concerns have the same standing with your local Federal member, the Rt Hon. Ian Sinclair?

Mr FRANCIS: You are asking us to answer that question?

The Hon. J. R. JOHNSON: Have you had discussions with him?

Mr FRANCIS: I have had no discussions with him, no.

CHAIRMAN: So council has not made any representations to him about it?

Mr FRANCIS: Our council certainly has not, no.

Cr SCHRODER: We have dealt with Ray Chappell.

The Hon. Dr B. P. V. PEZZUTTI: It is substantially a Federal issue.

CHAIRMAN: The slot times are.

Cr SCHRODER: The general manager has written to Ian Sinclair, but I cannot tell you what the reply was.

The Hon. Dr B. P. V. PEZZUTTI: Could you dig it out for us, because that would be of some interest to the Committee?

Cr SCHRODER: Yes.

CHAIRMAN: To be fair to him, he probably has just acknowledged the letter; it would probably be similar to all the others, who have not got a response yet. The interesting part would be your letter to him.

Cr SCHRODER: We could get you a copy of that.

The Hon. I COHEN: I might have missed the point but, regarding your major complaint, are we looking at service or size of plane, or is it both, in terms of facilitating the community?

Mr FRANCIS: It is timing of the services more than anything else.

Cr SCHRODER: Yes.

Mr FRANCIS: Yes, the size of the aircraft is probably okay, but it is the timing of the service.

Mr ERBS: We would like to have at a minimum a 19-seater coming in. There is a perception in the community that they will not travel on a 9-seat Chieftain. Again, people believe that travelling on a bigger aircraft is safer.

CHAIRMAN: And perception is reality.

Mr ERBS: Yes. We believe that threshold exists somewhere between a 19-seater and 9-seater, other than the fact that it has got more seats.

The Hon. I COHEN: From the perspective of either of your councils, is there anything you can do other than appeal to the Minister regarding Tamair and New England Airways? Do you not have power to put pressure on those airlines to restrict their access to your airport?

Cr SCHRODER: Not that I know of.

Mr ERBS: Not that we know of. I think our only course of action is through Minister Carl Scully.

CHAIRMAN: You may not be aware that a country summit suggested that there be a charter of user rights to guarantee continued access to Kingsford Smith airport. Some councils have suggested to us that that is not worth the paper it is written on, and that it really needs to be embodied in the Federal Airports Act. Do you have a view on the proposal for a charter of user rights? You can take that question on notice and make some suggestions as to which way you think the Committee should go, and how effectively it could be done.

The Hon. I COHEN: Also, I think you mentioned the cost of airport maintenance and airport extensions. Do you have any figures on that?

CHAIRMAN: Do you have a management plan for the airport, or a five-year plan?

Mr ERBS: It is built into our council management plan.

CHAIRMAN: You might be able to give us the extract from that.

Mr ERBS: Yes.

The Hon. I. M. MACDONALD: Who monitors and assesses the safety standards at your airport? How regularly is that done? What amounts have you spent on those airports?

Mr ERBS: We are a licensed aerodrome, and we have an independent consultant come in annually and carry out the annual safety inspection on the aerodrome, and that then is audited by CASA in the normal course of their duties. So that is in place. My position includes the aerodrome management position, overlooking the safety issues. We have a lighting consultant who comes in quarterly to carry inspections. So we have a number of procedures in place, and I overlook that whole course of events, and then CASA are carrying out an independent audit on that under the terms of our licence.

CHAIRMAN: Do you have night lights?

Mr ERBS: Yes.

CHAIRMAN: Solar powered?

Mr ERBS: No, they are wired in.

CHAIRMAN: And they come on automatically?

Mr ERBS: Yes, operated by a radio frequency.

The Hon. Dr B. P. V. PEZZUTTI: In operability terms, is it possible for a 19-seater or 9-seater to overnight at Inverell? To get what you want, to get to Sydney by 9 o'clock, you have got to leave Inverell by about 6.30, and for that purpose you therefore need to have a plane on the ground. Is it possible to overnight in Inverell and have some service facilities that that might entail?

Mr ERBS: It is, and Tamair were doing that in the early stages of their licence. They were leaving a Metroliner in Inverell overnight.

CHAIRMAN: So they have reduced their service?

Mr ERBS: Yes, they have reduced their service over time.

The Hon. Dr B. P. V. PEZZUTTI: Did you see the article in the *Financial Review* of 24 June, which I read this morning on the plane on my way up here. I will give you a copy of it. It gives some history to the Tamair debacle. I just wondered whether Tamair was providing you with a good service when it first started, or has it always been bad since Tamair got the new licence through the Air Transport Council?

Mr ERBS: When they commenced, they commenced providing a service on the level of their bid to get the route. It was over a period of time that the service deteriorated.

The Hon. Dr B. P. V. PEZZUTTI: When the Air Transport Council gave the licence to Tamair, did the council come and take evidence in your local area?

Mr ERBS: Yes, they did.

The Hon. Dr B. P. V. PEZZUTTI: When the Air Transport Council transferred the licence from Tamair to New England Airways, which is seen to be a new entity from a legal point of view, the council did not do the same thing.

Mr ERBS: No, they did not come and take evidence from us at all. We were unaware of the change.

The Hon. Dr B. P. V. PEZZUTTI: They did not consult you in any way?

Mr ERBS: They did not consult with us in any way in terms of that change.

The Hon. J. R. JOHNSON: Were many people left with tickets that they had purchased in advance and were not able to take up because of the receivership?

Cr SCHRODER: If we could get Impulse in tomorrow, Impulse would honour all those tickets.

The Hon. J. R. JOHNSON: So there were a number?

Cr SCHRODER: Yes.

The Hon. I. M. MACDONALD: Will New England Airways not honour Tamair tickets?

Cr SCHRODER: I cannot say that, but I think they are, to be honest. I cannot say for certain.

The Hon. Dr B. P. V. PEZZUTTI: I am concerned about the \$800,000 that they have left owing their employees as well. That is a huge issue in a country area.

CHAIRMAN: So when they went from Tamair to New England Airways you were not advised and the Air Transport Council just issued a new licence. But then they commenced with a Metroliner and subsequently downgraded the service a bit, and were overnighing—

Mr ERBS: They were overnighing at Inverell.

CHAIRMAN: Then they reduced that service by changing the times. At no stage was there any re-advertising, or there has been no inquiry from the Air Transport Council as to whether you had any problems with that? Does the Air Transport Council just hand out a licence and not want to know anything for the next three years?

Mr ERBS: It appears that is the case.

Mr FRANCIS: The only communication we have had was regarding proof of debt. That is all we got from the administrator. He asked us to submit our proof of debt, which we did not have of course.

The Hon. J. R. JOHNSON: Is there much use of your airport by privately owned aircraft, even during the Rose Festival?

Mr ERBS: General aviation aircraft move through the airport. We have only one agricultural plane resident at the aerodrome. I cannot put numbers on general aviation. We do not collect any landing fees on general aviation movements through the airport, so we do not collect any data on those movements. I could get an idea from the aerodrome groundsmen, just of general observations.

The Hon. I. M. MACDONALD: Why don't you collect a fee from the general aviation sector?

Mr ERBS: It is too hard.

CHAIRMAN: A lot of these airports are not manned all the time.

The Hon. I. M. MACDONALD: What if you put someone in and paid the person say \$30,000 a year?

Mr FRANCIS: You would not cover it.

The Hon. Dr B. P. V. PEZZUTTI: If you put an honesty basket out, only the honest people pay it; the dishonest ones do not.

CHAIRMAN: Basically, that was the Tamair system. They pay on radio connections and there is an honesty system telling you how many passengers they have.

Mr FRANCIS: Yes.

CHAIRMAN: When the administrator has written to you and asked for proof of debt, you did not have it?

Mr FRANCIS: They did not owe us any money at all; it was owed to the shire.

CHAIRMAN: So you have got the Avdata system?

Mr ERBS: No, we have not. We chose not to take on the Avdata system. Many rural aerodromes have taken it on. But it relies on the aircraft that are moving into the area to do the correct thing and radio in, and you pick it up from the call sign.

CHAIRMAN: Sometimes they do not radio in, and then suddenly the plane is there, to avoid paying the \$5 or whatever.

Mr ERBS: Yes.

Mr FRANCIS: I was involved with Cairns international airport for a good number of years. I was financial controller there for the port authority, and we never really got on top of the general aviation scene, even in a major airport like that. It is very difficult to administer.

CHAIRMAN: So, with Tamair, it was an honesty system, was it?

Mr ERBS: With Tamair, we know from the information coming through on passengers in and out of the ticket office of Harvey World and others.

CHAIRMAN: If there is any further information in addition to the material we have asked you to send along, or if there is anything that you think you should have told us today, please write to us and tell us. We are trying to get our report on this pretty quickly, so would you send in those responses as soon as you can.

Cr SCHRODER: Unfortunately, with the illness of Robert Langford, we were left a bit high and dry.

Mr FRANCIS: There is one point that perhaps needs a bit of emphasis. I and the council do not believe that a system of total deregulation would work once an airport is below a certain size. The system just would not work. There is a sort of built-in assumption that deregulation is a good thing. Well, I am sorry, for a smaller airport like this, in small communities, it will not work.

CHAIRMAN: IPART has said that the major airports should have a better service under deregulation, but it skipped over what would happen for the smaller airports. To me, the surprising thing is that none of the larger councils that we have spoken to so far have come out and said they want total deregulation. The best we have heard from the larger airport operators is that they have got mixed views on it. One of them, who gave evidence this morning, said that even the larger operators with 100,000 to 150,000 customers a year could see a drop in current services under deregulation. They are all concerned, not just the smaller councils.

The Hon. Dr B. P. V. PEZZUTTI: If the Sydney Airport Corporation is to be sold—and they are all being sold, and the legislation for that has gone through—then a commercial operator has to act commercially. Therefore, if government sees a need for a community service, then it should acknowledge its community service obligation, as it does for just about every other service that is provided for by your payment of State taxes. I think there is a fair role for government to provide certainly and also to provide the dollars if people are prepared to pay for it.

Mr FRANCIS: Particularly when I understand there is no cap on the charges that the new commercial operators of Sydney airport can impose in the future.

CHAIRMAN: There is for up to four years. The \$140 has now been dropped back to \$100 over a four-year period. After that period, there is no cap.

Mr FRANCIS: But four years is nothing.

CHAIRMAN: I thank you very much for your time.

(The witnesses withdrew)

WILLIAM KENROSS VINCENT, Mayor, Inverell Shire Council, and

GARRY MICHAEL HEFFERNAN, Councillor, Inverell Shire Council, and

PAUL JOSEPH HENRY, General Manager, Inverell Shire Council, sworn and examined:

CHAIRMAN: Councillor Heffernan, what is your full name and occupation?

Cr HEFFERNAN: Garry Michael Heffernan, farmer and grazier.

CHAIRMAN: In what capacity are you appearing before the Committee?

Cr HEFFERNAN: As a councillor of the Inverell Shire Council, and also as Chairman of the Northern New South Wales Airport Management Association and as alternate delegate for the Australian Airports Association of New South Wales.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr HEFFERNAN: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr HEFFERNAN: I am.

CHAIRMAN: Councillor Vincent, what is your full name and occupation?

Cr VINCENT: William Kenross Vincent, farmer and grazier.

CHAIRMAN: In what capacity are you appearing before the Committee?

Cr VINCENT: As Mayor of Inverell Shire Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr VINCENT: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr VINCENT: I am.

CHAIRMAN: Mr Henry, what is your full name and occupation?

Mr HENRY: Paul Joseph Henry, General Manager, Inverell Shire Council.

CHAIRMAN: In what capacity are you appearing before the Committee?

Mr HENRY: As a representative of Inverell Shire Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr HENRY: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr HENRY: I am.

CHAIRMAN: The council has a written submission to give to the Committee. Do you wish that submission to be included as part of your sworn evidence?

Mr HENRY: I have that here, Mr Chairman. I would table that, and I would like it to be included as part of the sworn evidence.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session.

Because we will get a copy of it, it is not necessary to read the whole of the submission. But, if you want to you might take say five minutes or so to deal with particular points and then Committee members will ask questions.

Cr VINCENT: The submission put forward by the council reflects very generally the opinions that have been expressed and will be expressed by the Country Mayors Association. The council's position on the terms of reference, which include the question of landing fees at the airport and the allocation of slot times, is explained quite fairly in our submission. The point that I think probably is more relevant to the council's present interest in the subject is the final term, which deals with the question of deregulation, particularly as it relates to smaller regional airlines. With the indulgence of this inquiry, I would like to raise the difficulty that regulation—not so much deregulation, because that is a potential hazard, I think—but the problems that regulation can cause and is causing us in particular, as a result of the insolvency of Tamair.

You might be aware that Tamair became insolvent earlier this year and that, as a result, a scheme of arrangement was entered into with an administrator. As a result of that, the Air Transport Council, in its wisdom, without any reference to the stakeholders, particularly the council and other members of the travelling public, transferred the licence for the triangulated service between Sydney, Inverell and Glen Innes to another company which was Tamair but which is called New England Airways. It will still continue to operate as Tamair, but on a vastly reduced basis, with one Metroliner aircraft and one 9-seater aircraft.

As a result of that, the decision was made by Tamair to reduce the service to Inverell and Glen Innes to an alarming extent. In fact, it is turning the clock back more than 20 years—back to the old East West days and the Friendships. So much so, that patronage for the airline is disappearing at a wild rate. The council has made very strong representations to the Air Transport Council to reopen the matter and to give credence to the opinions of the travelling public and the council.

It has been said, of course, that the economies of small regional airlines have been a big factor in the economic difficulties of all sort of companies, particularly Tamair. Of course, that was relatively sustainable in our area up until

a few years ago, when of course there was a big turnaround. We had a downturn in passenger numbers then. Now it is turning around. But if it persists in us receiving a very poor service, all that will happen of course is that people will increasingly turn away from travelling by air.

When you consider the fact that Inverell is eight hours drive from Sydney, you can see that its dependence on air travel is extreme. If we were down in the Hunter Valley or somewhere like that, where two or three hours drive would put us into the city, it would be a different story. But that is not the case. We are extremely concerned about the impacts of deregulation. Our concern in that respect is highlighted by our experience with present-day regulation.

CHAIRMAN: Did you want to talk a little bit more about the Kingsford Smith airport access before we go to questions? In particular, you would be aware of the charter of user rights as was suggested by the country summit. There was comment at the summit that there should be a charter of user rights to guarantee continued access to Kingsford Smith airport and that that should be enshrined in legislation.

Cr VINCENT: I think in many cases they are motherhood types of statements. No-one could argue with them because that is so logical. But, whether the political process interferes with things like that in some way, I do not know. I might have expected more years ago, but I do not expect more these days.

The two aspects that I might emphasise would be the criticism of landing fees as applied to regional airports and the slot times as they apply to Kingsford Smith airport. The slot times at Kingsford Smith airport are virtually a tradeable item in the hands of regional operators. I think there is a real danger that slot times, unless they are controlled very strongly, could be traded to the detriment of the travelling public. I think our submission makes that perfectly clear.

The other point concerning landing fees at regional airports is that I think it is unfair for anyone to try to relate the landing fees that apply to Kingsford Smith airport to the landing fees that apply to regional and country airports, because quite simply the landing fees that apply in our case, for example, have to cover the whole of the maintenance of the airport as a total figure, whereas at Kingsford Smith airport the fee is just one of many fees. A good example is the one used in our submission regarding parking. We would not dare charge anyone to park in the parking area at Inverell airport, yet the same reluctance does not apply in Sydney, where people are hit to leg very solidly at the airport. Further, you have terminal facilities in Sydney, and if you go to the Qantas Club or its equivalent you do not get let in for nothing. That is not part of the landing fees. It is all extra. I think any real comparison between the two is pretty unreasonable.

Mr HENRY: Mr Chairman, if I could return to the question of the charter of user rights. I do not think we would be particularly happy with such a charter because those rights are not enshrined in the way that legislation would enshrine rights. We would be keen to have those rights enshrined in the Airports Act governing the operation of Kingsford Smith airport. I think regional air travellers would want that sort of surety of their rights to access to Kingsford Smith airport.

CHAIRMAN: Garry, did you want to make any further comment before we go to questions?

Cr HEFFERNAN: I think the main point after landing fees at Kingsford Smith airport is that they should be affordable for rural communities, because we have to go to Sydney. That is where our government is, and that is where we have got to go to see you, and you are in the heart of Sydney. If you could shift government to Condobolin or somewhere in the middle of the State, we would want to go to Condobolin. Because you are in the middle of Sydney, that is where we have got to go to, and we have to have reasonably affordable fees when we go there. As has been said, it is an eight-hour trip for us, and that is a day's work. It is a day's work getting there and a day's work getting back.

Cr VINCENT: The other point, which follows on from what Garry has just said, of course concerns Bankstown. If we only wanted to go to the Department of Local Government, that would be no problem at all because that would be very convenient. But that is just about the only reason that Bankstown would be convenient. For an overwhelming majority of reasons, Kingsford Smith airport is really the only way. Apart from that is the sheer cost of getting from Bankstown to the city, as well as the cost in time.

CHAIRMAN: I am still confused about the Tamair situation. Tamair has gone into receivership and has an administrator, so theoretically that company is not trading any more. But another company is trading under a different name. Did the new company somehow get the same assets?

Cr VINCENT: Yes.

CHAIRMAN: Is the administrator allowing Tamair to trade under a different name?

Cr VINCENT: That is right, except that Tamair's debts of more than \$6 million do not carry over to the new trading company. That does not fit very well with us, considering we are owed in excess of \$100,000 in unpaid landing fees, and Severn shire has an outstanding sum that is smaller than that but is still very substantial.

The Hon. Dr B. P. V. PEZZUTTI: It would be a very substantial amount of money for you to have outstanding, would it not?

Cr VINCENT: That is right. It represents the people's money. So the people are already subsidising the spending habits of the executive of Tamair, and that does not go down very well.

CHAIRMAN: That would be 2 to 2 per cent of your general rates.

Mr HENRY: \$100,000 is 2 per cent.

CHAIRMAN: How did Tamair get the licence from Impulse? What was the process there?

Cr VINCENT: There was an inquiry conducted by the Air Transport Council. Then the councils were invited to comment, as were the community invited to comment. It was felt by the ATC that Tamair was putting forward a much better proposition. And in fact Tamair was, because it was proposing a vastly superior service to the service that Inverell and Glen Innes were previously getting. Tamair was proposing a further triangulated service involving Gunnedah and Tamworth which was very attractive. But not only did that not happen, but the existing service deteriorated to the stage where it became the subject of disquiet throughout the community. But, of course, the council was putting pressure on Tamair for well over a year regarding the landing charges, and all that council ever got was promises.

CHAIRMAN: You raise a point that some councils have suggested to the Committee about extending regulation the way it is currently. One suggestion was that we could make a recommendation to extend regulation for another three years, and go through the process again—that is, that your shires of Severn, Inverell and Glen Innes would go through the process of advertising again—and that would allow someone other than New England Airways to get the licence. Some councils have also suggested that, in the process of issuing those licences, there should be some mechanism to try to ensure that the operators who propose the new services actually proceed with those new services, and that if they do not proceed with those services the licences should be thrown open again. So they do not keep the licence for three years and anything that they do is totally ignored. Would you support that sort of view?

Cr HEFFERNAN: There certainly needs to be greater flexibility, and there needs to be some control. Effectively the Air Transport Council, as much as it may be advising the Minister, does not have any teeth to work with. The Minister, of course, is naturally very reluctant to make a change after a decision has been made. Obviously, if the numbers are not there and the operator cannot continue to service a route at a profit, they need the right to be able to opt out. But that needs to be done in consultation. At present, we are having services reduced, and we have no say. We have just got to sit back and cop it. We had an instance where we had 12 flights a week, one on Saturday and Sunday and two flights each day during the week.

CHAIRMAN: Return flights?

Cr HEFFERNAN: Yes. The Tuesday and Thursday flights were cut back to one a day. That means that if you have a meeting in Sydney on Thursday or Tuesday you have to fly down the previous night if we are dealing with people in the middle of city, as you people are—if we are dealing with the government. That means a night's accommodation, plus your 8 per cent bed tax that the government has put on as a tax on rural people who have to stay in the city. If you want to get home that evening, you cannot get home on Tuesday evening. So you are up for two nights of accommodation. If you can retain two flights a day, much of your business can be done in one day, all within a reasonable time.

The Hon. J. R. JOHNSON: The bed tax is only at the best hotels in the CBD. It is not on beds in the outskirts of Sydney.

Cr HEFFERNAN: It is not only the best ones though. It is on the average hotels and motels, such as the Castlereagh Inn and the Park Regis.

The Hon. Dr B. P. V. PEZZUTTI: You still have to pay the hotel tax no matter where you stay.

The Hon. J. R. JOHNSON: That is not right.

CHAIRMAN: It is only in the CBD, but there is no point staying out of the CBD if you have business in the city.

Cr HEFFERNAN: And if you stay out of the CBD you are up for taxi fares and so on. But we do not stop in the five-star places all the time.

Cr VINCENT: The service we are now getting also is involving a hub and spoke arrangement, which was never anticipated. This involves a 9-seater aircraft picking up from Glen Innes and Inverell and flying to Tamworth, and then getting onto the 19-seater Metroliner.

CHAIRMAN: So the new company is not doing what the old one did?

Cr VINCENT: No.

CHAIRMAN: They are not going direct from Inverell to Sydney any more?

Cr VINCENT: That is right. It would not be so bad if that was actually happening but in the last few weeks we have been receiving complaints about the number of times that does not work—where the 9-seater is being cancelled or people are being picked up by taxi and taken to the nearest centre, whether that is Glen Innes from Inverell, or Inverell from Glen Innes, or to Tamworth. We had a case the other day of where the plane got as far as Glen Innes

and did not go any further, and a bus was ordered from Inverell to go to Glen Innes to pick up the passengers. It is third world stuff.

CHAIRMAN: So you have written to the Air Transport Council and complained about those problems?

Cr VINCENT: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Did you get any replies.

Cr VINCENT: We went for four weeks before we could even get a telephone call returned from the Air Transport Council. When we finally got a telephone call back, we were told that the matter was on the Minister's desk.

CHAIRMAN: You are happy to have this in open session, are you?

Cr VINCENT: Yes.

CHAIRMAN: You do not want it in confidential session?

Cr VINCENT: No. Then, we have had great difficulty getting any response from the Minister. I understand we have a response from the Chairman of the Country Mayors Association, Richard Tourbay, who saw the Minister last Thursday. We are being briefed on the answer tomorrow on that interview. Richard Tourbay is the Chairman of New England Local Government, a group of councils along the tablelands, which made representations on our behalf.

The Hon. J. R. JOHNSON: Which National Party member is your member, Anderson or Sinclair?

Cr VINCENT: We are right on the border of Gwydir and New England. It is Ian Sinclair or John Anderson.

The Hon. J. R. JOHNSON: But which one is your member?

Cr VINCENT: Ian Sinclair for the town of Inverell.

The Hon. J. R. JOHNSON: Have you approached him?

Cr VINCENT: Yes.

The Hon. J. R. JOHNSON: What was the response?

Cr HEFFERNAN: These are State regulations that we are dealing with here.

The Hon. J. R. JOHNSON: We are talking about the Air Transport Council.

Cr VINCENT: That is a State body.

Cr HEFFERNAN: We have mentioned it to Ray Chappell, and he is our man there.

CHAIRMAN: Would you give the Director of this Committee a call and let us know how you get on with Richard Tourbay after your briefing.

Cr VINCENT: Yes.

Mr HENRY: Mr Chairman, in answer to your question, we took up the question of the transfer of the licence to New England Airways immediately. Council had a resolved position that it did not wish the licence to be transferred to a subsidiary or a new company run by the previous owners, Tamair. We outlined our reasons for objecting to that transfer. We have had no response whatsoever from the Air Transport Council.

CHAIRMAN: How long ago was it that you took up that question with the Air Transport Council?

Mr HENRY: That was on 3rd July.

CHAIRMAN: Could you supply us with a copy of that?

Mr HENRY: Yes. I will give you a copy of that.

Cr VINCENT: One thing we did not mention was that when Tamair became insolvent we approached all the operators who were likely to be interested—Hazelton, Eastern Airlines and Impulse—and we invited them all to consider what sort of service they could supply for the Inverell and Glen Innes area if the Air Transport Council issued them with a licence. As a result of that, we had visits from the three operators. Eastern and Impulse addressed the council, but I do not think Hazelton addressed the council. I think Hazelton talked to Paul Henry.

Mr HENRY: That is correct, and then submitted a written proposal.

Cr VINCENT: Yes, but they did not address the council. As a result of that, Impulse put forward a very satisfactory proposal, far more satisfactory than anyone else, and that is the basis of the recommendation that we made to the Air Transport Council and that we want to discuss with the Air Transport Council, but without success.

The Hon. I COHEN: I am sorry to interrupt. Obviously I do not have the same experience of business that other members may have, but if Tamair has gone into liquidation—

Cr VINCENT: No, they have not gone into liquidation. They have gone into administration.

The Hon. Dr B. P. V. PEZZUTTI: Usually agreed to by the creditors.

Cr VINCENT: This was over our strongest objections, but nevertheless it was agreed upon.

The Hon. I COHEN: Who designed the position that enabled the company still to be operating? It would seem reasonable to me that the assets of Tamair be sold off so that there can be some return and a more reliable carrier.

Cr VINCENT: Yes. But the administrator determined that Tamair could trade out of its position. Paul would be able to explain this a lot more accurately than I could.

Mr HENRY: The arrangement of splitting up of the former Tamair operation into a number of subsidiary operations was carried out by the directors of Tamair, namely Paul Bredereck. Then, on some date in early February this year, I think 5 February, Mr Bredereck went into voluntary administration and a company called Starr Dean Wilcocks took over administration of a range of companies, including New England Airways, which had the assets of the plane leases and pilots and employees transferred into that company. The administrator then administered those group of companies. But Tamair was still in existence, and it held all the debts of the previous operations.

CHAIRMAN: So these companies actually existed before Tamair went into administration?

Mr HENRY: Yes. The administrator has ceased administering the companies as of Tuesday of this week. He has now handed over full control to the board of directors of New England Airways.

The Hon. I COHEN: Is that reasonable business practice to do that before creditors such as your organisation have been satisfied?

Mr HENRY: We were consulted. There were a number of meetings of creditors held. At the last meeting of creditors there was a vote taken to accept a deed of agreement that was drawn up by the administrator on how this new consortium of companies was going to be run. As the Mayor indicated, despite our vote to not accept that deed of arrangement, the majority of creditors accepted that deed, and therefore the administrator's role had finished and he handed over control to the board of directors.

The Hon. I COHEN: Who stands to gain out of that process? Obviously not you.

Mr HENRY: Theoretically, all of the creditors. Certainly, the directors could be said to gain, because they again take control of the assets, plus they receive their continued remuneration for carrying out that task.

CHAIRMAN: When you say that the administrator ceased to administer the companies, is the administrator still administering Tamair?

Mr HENRY: No.

CHAIRMAN: So none of them are being administered?

Mr HENRY: No, none of them. So the debts are still there with this company called Tamair, and there is a deed of arrangement that talks about the repayment of the debts of that company.

CHAIRMAN: The administrator has fairly strong legal obligations. There must be some conception that the company will be able to trade out of the debt.

Mr HENRY: The view of the administrator is that, yes, they can trade out of it. But our views are reserved on that.

Cr VINCENT: Mr Chairman, there is one other point that is causing concern in some areas of the community, but to what extent I would not know, and that is the fact that a new company that has taken over from an insolvent company is professing to operate a viable airline very satisfactorily and with no corner cutting. There is a concern that corners must be cut, because it is a fact that the former proprietors of the company are still employed on very substantial salaries and conditions.

The concern is, from the point of view of anyone who is really confident, that the profits will go that way, rather than towards maintenance of the airlines. There is a fear that perhaps safety might be compromised, even though the proprietor of the company has been adamant in saying that they would never cut corners on safety. But the worry remains.

The Hon. I. M. MACDONALD: In the period when the negotiations were going on for the transfer of the licence from Impulse to Tamair, the council certainly would have been duchedessed by Tamair at the time, would it not?

Cr VINCENT: Do you mean to the extent that Tamair certainly sold their plans?

The Hon. I. M. MACDONALD: Yes.

Cr VINCENT: Yes, but no harder than Impulse sold theirs.

The Hon. I. M. MACDONALD: Did anyone else join in?

Cr VINCENT: No.

The Hon. I. M. MACDONALD: What was the council's attitude?

Cr VINCENT: The council's attitude was that Impulse had delivered a mediocre service and Tamair of course was a very credible airline operating from Tamworth to Inverell, with a very good public record. It was now expanding, and it was promising a very good service. We were perfectly happy with the Air Transport Council's decision to grant them the licence.

The Hon. I. M. MACDONALD: Did you support it?

Cr VINCENT: We did not dispute it because it had potential advantages to the council.

The Hon. I. M. MACDONALD: So the council made no public or bureaucratic, for want of a better word, decision to back either of the operators?

Cr VINCENT: Did we formally back either of them?

Mr HENRY: Yes. Council resolved to support the proposal of Tamair.

Cr VINCENT: And that was the same position that Severn shire took too.

The Hon. I. M. MACDONALD: You say that Tamair owes the council in the order of \$100,000 and that you are one of the unsecured creditors.

Cr VINCENT: Yes.

Mr HENRY: Yes, an unsecured creditor.

The Hon. I. M. MACDONALD: Can you explain to me why Inverell and Glen Innes charge a \$10 passenger tax for a landing fee, when that is something like the fee imposed by Parkes, two and half times the fee charged by Cobar, and four times the charge of Bourke, and is more than the fee charged by a whole range of regional centres across this country, which have substantially less in terms of passenger charges?

Cr VINCENT: It is simply a question of cost recovery. The council has a budgeted amount that it attempts to recover from landing fees. It is based on the number of passengers, times the landing fees equated to the amount of expenditure that is required. That \$10 is less than it was previously. It was higher than that and, because the passenger numbers increased, the landing charge decreased because it brought in more than the council needed to maintain the airport facility. Since then, of course, the passenger numbers have declined, and yet the cost of maintaining has continued at its former level, if not increased.

The Hon. I. M. MACDONALD: What, roughly, per annum does it cost you to maintain the airport?

Mr HENRY: \$144,000 was the cost of maintaining the airport for the 1997-98 financial year. There was income of \$83,000 received, and that was from the landing fees as well as some sundry income, such as telephone charges and advertising. Therefore the airport cost council some \$60,000.

The Hon. I. M. MACDONALD: Is that \$144,000 an historical figure, or is it higher than usual?

Mr HENRY: In 1996-97 the expenditure on the airport was \$95,000. In 1995-96 it was \$161,000 because there was some \$61,000 worth of resealing done. In 1994-95 there was \$165,000 worth of expenditure.

Cr HEFFERNAN: There are extraordinary items in that. We did improvements to the terminal, and we did resealing of the runway, which was originally sealed in 1989. There was additional sealing last year to some of the tarmac areas around there. But, generally, a figure of around \$100,000 to \$120,000 is what we look at it to run it. If we can get 10,000 passengers a year, which we should normally be able to do, charging \$10 a head, we can get that figure. One year we got up to \$120,000, when we were charging \$11 a head, and we reduced the charge back to \$10 a head.

We are trying to make an independent business that pays for itself. The other places that you mentioned do not do that. They are massively subsidising their airports, as many places are. They cry poor, and they cry non-viable airports. Cobar is one in particular. But in Western Australia the government does give some help to many regional airports. It gives them some assistance. This State government does not do that at all.

The Hon. I. M. MACDONALD: Was the \$83,000 income actually received, or was part of it committed to part of the Tamair debt?

Mr HENRY: That is part of the Tamair debt.

The Hon. I. M. MACDONALD: In other words, the airport sustained to the council a loss in the order of \$160,000 last year?

Mr HENRY: That is correct.

The Hon. I. M. MACDONALD: Does the non-payment of the Tamair landing fees go back further than for that financial year?

Mr HENRY: It falls partly into the 1996-97 financial year.

The Hon. I. M. MACDONALD: So the council really is sustaining a terrible loss in relation to its airport?

Mr HENRY: Yes.

Cr HEFFERNAN: One of the problems with the fees is that the fees are paid to the travel agents when someone buys a ticket, and in turn it is paid to the airline. Now, the airline does not pay that fee back to us, as happened with Tamair. It really is a form of embezzlement that has gone on, if I could say that under privilege, that has gone on by those people, and there is nothing that we can do about it. We are leasing our airport building and terminal building to Tamair, and if they do not pay that that is a trade loss.

The Hon. I COHEN: If that is something said under privilege, should that be in camera?

CHAIRMAN: It is still covered by privilege.

The Hon. I. M. MACDONALD: Let us not mince words. You have the chance here to tell us the full story about this Tamair incident, what you really think and what the community has suffered because of it, and what you feel should be done about it. I am trying to get at the facts. What you are saying is that not only is there an irregular service, but you have lost a lot of money over the last few years.

Cr VINCENT: We gave Tamair a tremendous go. When we were pressuring them to pay outstanding landing fees, they came over and interviewed the General Manager and me, and we said, "Right, tell us the facts. Lay your cards on the table." And they did. Well, they said they did. We came to a very reasonable arrangement with them, which they said they could meet without problems. But, of course, they did not.

We do know that they did continue to favour Tamworth City Council with payments and leave us without. That is understandable because the Tamworth-Sydney is a prize. We understand it is a very big profit-maker, whereas our route is not. But we have gone out of our way to make sure we continued to supply good service to the people. But, as the figures that the General Manager read out show, we are averaging round about \$140,000 a year in expenditure, and the total income meant that we were virtually always operating at a loss. But, in the last 18 months we have operated at an extraordinary loss.

CHAIRMAN: You may take some of these further questions on notice, if you like. I am going to ask you to send to the Committee a management plan or a business development plan for the airport, because a lot of questions could be answered by what is in that plan.

The Hon. I. M. MACDONALD: I take it that you have made very strong representations to the Air Transport Council about it allowing what is in effect the same operator to supply this reduced service.

Cr VINCENT: Yes. We have not gone overboard; I mean, we have not gone public and insulted the Air Transport Council or anything like that. We have made proper representations.

Mr HENRY: On 3 July, after going through the process that the Mayor outlined earlier, where we approached some alternative carriers, council made a decision to support the proposed service by Impulse. On 3 July a letter was sent to the Air Transport Council asking them to transfer the licence to service our route to Impulse. Despite a number of telephone calls made to the Air Transport Council to find out where the matter was up to, no decision has been made.

The Hon. I. M. MACDONALD: In the end, you would support a change to the Air Transport Council guidelines to permit you to renegotiate with someone else regarding a licence that would meet the original conditions?

Cr VINCENT: I do not think we know what the Air Transport Council guidelines are in a case like this.

Cr HEFFERNAN: There is a protocol problem too, I understand. We were dealing with the Air Transport Council, and I think the Severn Shire Council may have wished to get a decision for one of its council meetings and approached the Minister's office directly. I understand that protocol says that once it is in the Minister's hands, it is out of the hands of the Air Transport Council. So that may have been an excuse for the Air Transport Council not dealing with it.

CHAIRMAN: We will write to the Air Transport Council and find out what has happened there.

The Hon. Dr B. P. V. PEZZUTTI: My understanding of what you have said is that the reply to your approach to the Air Transport Council and the Minister is coming back through a councillor on Armidale council. Is that right?

Cr VINCENT: Yes. He is the Chairman of the Country Mayors Association.

The Hon. Dr B. P. V. PEZZUTTI: Why would the Minister be replying to one of his own party members rather than replying to council?

Cr VINCENT: Richard Tourbay did not go to see him as a member of the Labor Party; he went to see him as Chairman of the Country Mayors Association, Chairman of New England Local Government, and as our representative.

The Hon. J. R. JOHNSON: And with your approbation?

Mr HENRY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: But, in fact, neither the Minister nor the Air Transport Council has not replied to your direct approaches about this very important matter?

Cr VINCENT: That is right.

The Hon. Dr B. P. V. PEZZUTTI: On the issue of access for country airlines with loadings of 5,000 or 10,000 people, at the end of the day it may be that you cannot get any airline company to operate with those numbers without some form of support. Yet the disadvantage for people like yourselves who have to do business in Sydney, because you have to approach government in Sydney, as you said, is that there does need to be some form of support, both legislatively as you have indicated, but also in terms of financial arrangements for the company that is going to be carrying you, or else you are going to have to pay very high fares.

Cr VINCENT: We already do.

The Hon. Dr B. P. V. PEZZUTTI: Does council have the view that if there is deregulation there should be some community service obligation payment by government to ensure access of people from the New England area to Sydney?

Cr HEFFERNAN: I think there is, but with very strong qualifications. We do not want a straight-out subsidy as such. One thing mentioned here was lower landing fees. The reason that they are demanding subsidies is that they are simply not managing their airports. We are trying to break even, or make a small profit. They are not; and they are just not acting responsibly. There are others, such as Walgett, which are in the middle of a flood, that certainly need some government assistance.

There should be recognition by government. They have problems out there. They have a major community service to be delivered during flood times because of their location, and there should be subsidies for places like that. There are other places that need potential developing, such as Lightning Ridge or even further out at Wanaaring and Tibooburra. Those places do need assistance. But, so far, this government and the previous government have not recognised that. At least the Western Australian government is doing something about it.

The Hon. Dr B. P. V. PEZZUTTI: If we move to total deregulation, and everything is done on the basis of dollars—because that is what deregulation means—if there is an identified need for support, should that be carried by

the private company that operates either the airline or the airports, including the councils, or should that be a responsibility of the State and Federal governments?

Cr HEFFERNAN: We probably should not say local government, because we are dealing with airports, and we have seen in Victoria that there are all sorts of possibilities, with airports not only being owned but being transferred to lease by private enterprise. It probably needs to go to the airport so that they can subsidise it through their landing fees, provided that that fee is directly passed on. That is the way I would see it.

Cr VINCENT: I agree totally. I think we are all realistic enough to know that, come deregulation, there are all sorts of compromises that may be necessary in order to provide a viable service and to take up very limited slot times at Kingsford Smith airport. We are not saying for one second that we want the world to stop going around, and that we demand a continuation of what we have had in the past.

CHAIRMAN: Do you really think that if there was not deregulation you would need a community service obligation payment from government to continue? Was the air service profitable? Could it have paid for itself?

Cr VINCENT: I am sure that an air service to Inverell is profitable, given efficiencies and perhaps even, looking ahead, to the possibility of a hub and spoke operation involving larger aircraft. Bear in mind that Inverell is relatively close to quite large centres, particularly Tamworth and to a lesser extent Armidale. I suppose it is not unreasonable to suggest that in time, if there is a bigger erosion of the availability of slot times at Kingsford Smith airport, we may have to look at a hub and spoke operation involving large aircraft from say Tamworth, which is only 20 minutes in flying time away, and a small, faster aircraft from Inverell. But, at the present time, we are not getting that.

The Hon. Dr B. P. V. PEZZUTTI: Under the current regulated system you have got what is almost a disaster staring you in the face.

Cr VINCENT: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Under the current regulated system we have seen Hazelton pull out of 14 ports—just Hazelton alone. Having got the contract, Hazelton has simply pulled out of them. Do you think that you could get a worse system under a deregulated arrangement?

Cr HEFFERNAN: We could, because to fly is an unnatural thing to do, and we have to have an aircraft. The smaller the aircraft, the greater the reluctance of the public to use it. There is a critical mass regarding what the travelling public will accept. If it were Inverell alone, with out passenger numbers, or even our triangulated route with Glen Innes, there would be possibly two operators who would want to come in and run 9-seater aircraft. There would then be a significant loss of people who will not come back from a 19-seater to a 9-seater. If, on the other hand, we could step up to a 30-seater and probably link up with a larger centre such as Moree, there would not just be a doubling of the two existing services, there would be a multiple effect because people like the bigger aeroplanes.

The Hon. Dr B. P. V. PEZZUTTI: The point that I make is that that is either commercially viable or it is not commercially viable, whether it is a regulated system or whether it is an unregulated system. The travelling public requirements are the same whether you live in Lismore, where there are a lot of people travelling by air, or in Inverell, where there is the same need to travel but there are not the same numbers of people travelling. Because the people of Inverell have the same needs as Lismore people, do you think that that commercial gap should be perhaps picked up by a State or Federal government—in the form of a subsidy, if you like, or payment for a disadvantage, which is done in respect of a whole range of other services?

Cr VINCENT: I do not think that Inverell shire would ever look favourably on community service obligations being

the right of communities if that involved money or the equivalent of money. Our attitude generally is not to accept hand-outs. In the context of an air service, we believe it is a viable airline service based on the normal number of passengers that we would have travelling, which is 10,000 to 12,000 per annum we believe, without any big increase in tourism or anything like that. But, at the present time, of course, the number of people travelling is decreasing. That trend has got to be stopped and the number lifted back up again.

The Hon. I COHEN: Regarding hubbing and spoking, you have a diagram that shows the present network through New South Wales. Has your council or the group of country councils come to any agreement on other strategies that might be more effective in lifting the service to Inverell without being an impost on the government or airline companies? Do you have a strategy that might be agreed to by the regional councils as a group?

Cr VINCENT: No, we have not, because it has not come up, apart from this present circumstance with Tamair, where Tamair, without reference to us at all, has been hubbing and spoking. The comments that I made a few moments ago about hubbing and spoking is something that we might accept may well become inevitable under a deregulated system. But we have not got a policy in that respect at all.

Cr HEFFERNAN: The northern group are pushing for a flexible, managed competition. What I have been saying about the smaller services will affect larger centres also. For instance, Coffs Harbour has a jet service now. If you throw that open to competition, there is no way that it would be able to sustain that jet service. Ballina would probably be in a similar situation. That is a lowering of standard of living and the lowering of services to the people. It is a service that is available to people in the city, but it is not a service that is available in rural areas. It is a blatant discrimination.

The Hon. I COHEN: So your council is saying that we need to change the regulatory regime but maintain a degree of regulation?

Cr HEFFERNAN: We need competition, but we need to have a safety net underneath so that we will not be forced back to flying in match boxes. If we have got reasonable aircraft, the public will back us. If we do not have reasonable aircraft, we are in trouble.

The Hon. I COHEN: One way to resolve the issue was actually to hub to Tamworth or somewhere like that with smaller aircraft. Being from the local area and being aware of the needs of the travelling public, is there any way of getting over the perceived impasse of people not wanting to travel on really small aircraft? I mean, if you get down to the single-engine aircraft there is a real sense of danger, discomfort, et cetera.

Cr HEFFERNAN: Yes.

The Hon. I COHEN: But, is there a possibility that the public perception can be addressed?

Cr HEFFERNAN: It is very hard for the public who are not educated in matters to do with flying. I am perfectly confident because I am a private pilot, but a lot of the public are very wary about being in any sort of flying craft, and the larger it is the safer and more confident they feel and the happier they are to be in the craft.

CHAIRMAN: I thank you very much for your time. Your evidence has been very enlightening. If you can supply that extra information that you have been asked about, and anything else that you may wish to give the Committee, would you do so in the next couple of weeks.

(The witnesses withdrew)

(The Committee adjourned)

