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PARLIAMENT OF NEW SOUTH WALES  
LEGISLATIVE COUNCIL

STANDING COMMITTEE ON STATE DEVELOPMENT

Interim Report

on

Provision and operation of rural and  
regional air services in New South Wales

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## **INQUIRY'S TERMS OF REFERENCE**

### **Provision and operation of rural and regional air services in New South Wales**

*(Reference received 28 May 1998)*

That the Standing Committee on State Development inquire into and report on the provision and operation of rural and regional air services in New South Wales, and in particular the impact on country communities of:

- landing fees at Sydney (Kingsford Smith) Airport;
- landing fees at regional airports;
- the allocation of slot times at Sydney (Kingsford Smith) Airport;
- proposals to limit access to Sydney (Kingsford Smith) Airport and direct country services to Bankstown Airport; and
- 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 consideration of measures to maintain services.

## CHAIRMAN'S FOREWORD

On 28 May 1998 the Minister for Transport, the Hon Carl Scully, MP, requested that the Standing Committee inquire into and report on the provision and operation of rural and regional air services in New South Wales. The Minister referred this matter to the Standing Committee to ensure that there would be no adverse impacts on rural and regional communities in New South Wales through proposals to deregulate intrastate air services or as a result of changes to pricing and access arrangements at Sydney Airport.

The Standing Committee has not addressed the terms of reference in its entirety in this interim report. It addresses the impacts of deregulating New South Wales air services (chapter 2), but does not make a final recommendation on deregulation as the Standing Committee had not fully investigated this matter at the time of tabling the interim report. This report fully addresses landing fees and slot allocations at Sydney Airport (chapter 3) and the direction of regional services to Bankstown (chapter 4). The Standing Committee will report to the Legislative Council on landing fees at regional airports and further report on the impacts of deregulating air services in New South Wales at a later date.

During the inquiry process the Standing Committee heard many opinions about deregulating intrastate air services. The overwhelming majority of country councils warned against deregulation, fearing, among other detrimental impacts, the loss of air transport services, the use of smaller planes and hubbing arrangements, and the demise of regional airlines may result. Some regional airlines, including smaller operators, also cautioned against deregulation, stating that they would possibly become unviable in a deregulated environment. There was, however, some support for deregulation, primarily from the larger regional airlines, who support the recent finding of the Independent Pricing and Regulatory Tribunal (IPART) that full deregulation should proceed. However, most of the country councils that gave evidence in this inquiry disputed IPART's finding.

The Standing Committee recognises that, given the expiry of intrastate licences on 30 April 1999, regional airlines must be advised, in the very near future, about arrangements for intrastate operations after that date. The Standing Committee, therefore, completed this interim report in a timely manner. This report recommends that the Minister for Transport not proceed with deregulation until the Standing Committee has further investigated the impacts of deregulation and alternatives to ensure that air services to country communities are maintained.

Rural and regional communities are concerned about deregulation in the light of pricing and access arrangements at Sydney Airport. This report, therefore, recommends a

package of measures to ensure affordable access to Sydney Airport for regional operators and the Standing Committee intends to consider the Federal Government's response to these recommendations in its further deliberations on deregulating intrastate air services.

Access at Sydney Airport is determined by the slot management scheme, while Sydney Airports Corporation sets prices, subject to prices surveillance by the Australian Competition and Consumer Commission. Sydney Airports Corporation is introducing a new pricing structure from 1 October 1998, which increases the minimum landing fee to \$100. Negotiations between Sydney Airport and regional airlines have resulted in a rebate scheme targeted at smaller regional airlines. While commending the slot management scheme and the rebate scheme for regional airlines, the Standing Committee is concerned that these schemes do not ensure affordable access in the future. The Standing Committee has, therefore, recommended that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to introduce a number of changes that will guarantee affordable access to Sydney Airport for regional air services.

Throughout the inquiry process, the Standing Committee heard strong objections to regional air services being directed to Bankstown Airport. Rural and regional communities rejected the redirection to Bankstown, as it would increase travelling time, increase travel costs and is inconvenient, particularly to passengers wanting to connect to interstate or international flights or travel to the centre of Sydney. The airline operators opposed any redirection to Bankstown, primarily for the reason that passengers do not want to travel to Bankstown. Residents in the Bankstown area have been vocal in their objections to regional aircraft using Bankstown Airport for reasons of noise and air pollution and safety considerations. Additionally, residents under the flight paths for Sydney Airport objected to regional aircraft being redirected to Bankstown, as these smaller aircraft provide relief from the noisy jets at Sydney Airport. These residents do not want 200-350 seat jets replacing 18-36 seat turbo-prop aircraft at Sydney Airport. The Standing Committee has therefore firmly recommended that regional air services maintain access to Sydney Airport and that they should not be directed to Bankstown Airport.

In my capacity as Chairman and on behalf of the Members of the Standing Committee on State Development, I would like to acknowledge the secretariat staff who worked on the inquiry. Thanks must go to the Director, Ms Anna McNicol, the Senior Project Officer, Ms Anna George, and the Committee Officer, Mr Matthew Scott for their work.

I would also like to thank all of the individuals and organisations who gave their time and expertise to lodge submissions and appear before the Standing Committee.

Hon. Tony Kelly, MLC  
Chairman

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## **MEMBERSHIP OF THE STANDING COMMITTEE**

The Hon A.B Kelly, MLC  
*Australian Labor Party* Chairman

The Hon Dr B.P.V Pezzutti, RFD MLC  
*Liberal Party* Deputy Chairman

The Hon I Cohen, MLC  
*The Greens*

The Hon J.A Gardiner, MLC  
*National Party*

The Hon J.R Johnson, MLC  
*Australian Labor Party*

The Hon I.M Macdonald, MLC  
*Australian Labor Party*

The Hon E.M Obeid, OAM MLC  
*Australian Labor Party*

## **SECRETARIAT TO COMMITTEE**

Ms Anna McNicol Director

Ms Anna George Senior Project Officer

Mr Steven Carr Senior Project Officer

Ms Nichole Hertogs Research Assistant

Mr Matthew Scott Committee Officer

## **ESTABLISHMENT AND FUNCTIONS OF THE STANDING COMMITTEE**

In June 1988, the Legislative Council of the New South Wales Parliament resolved to establish two Standing Committees—the Standing Committee on Social Issues and the Standing Committee on State Development. After the 1995 election a third Committee, the Standing Committee on Law and Justice, was established. At that time the Standing Committee on Privilege and Ethics was reconstituted by resolution.

The functions of the State Development Committee, as set out in the Resolutions of the Legislative Council, are to inquire into, consider and report to the Council on:

- options for future policy directions and emerging issues to ensure that opportunities for sound growth and wise development for the benefit of the people in all areas of New South Wales are pursued;
- any proposal, matter or thing concerned with economics and finances, resources and energy, transportation, tourism, public administration, local government, Olympics, primary industry, industrial and technological developments and environmental issues in New South Wales;
- employment practices, issues and conditions; and
- any proposal, matter or thing concerned with the problems or disadvantages uniquely or predominantly experienced in country areas, including the viability of cities and towns in those areas.

## OPERATION OF THE STANDING COMMITTEE

Matters for inquiry may be referred to the Standing Committee by a Minister of the Crown or by resolution of the Legislative Council. Additionally the Standing Committee may inquire into and report to the House on any annual report or petition that has been tabled in the Legislative Council that is relevant to the functions of the Standing Committee. The Standing Committee may publish papers and evidence taken in public, as it considers appropriate. In that connection the Standing Committee may prepare and distribute discussion papers as aids to its inquiries.

The Legislative Council resolution enables the Standing Committee to:

- summons witnesses;
- make inspections;
- call upon the services of government organisations and their staff with the consent of the appropriate Minister;
- accept written submissions concerning inquiries from any person or organisation;
- conduct public hearings; and/or
- meet and make joint reports with other federal and state parliamentary committees.

Reports must be tabled in the Legislative Council within ten days of adoption by the Standing Committee. Each report is debated in the House. The Leader of the Government in the Legislative Council is required to respond within six months to any recommendations for Government action that have been set out in Standing Committee reports.

## PUBLICATIONS BY THE STANDING COMMITTEE

Discussion Paper 1 May 1989

*Public Sector Tendering & Contracting in New South Wales: A Survey*

Report 1 August 1989

*Public Sector Tendering & Contracting in New South Wales: Supply of Goods and Services*

Report 2 October 1989

*Public Sector Tendering & Contracting in New South Wales: Local Government Tendering & Contracting*

Discussion Paper 2 November 1989

*Coastal Development in New South Wales: Public Concerns & Government Processes*

Discussion Paper 3 June 1990

*Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting: Management Options*

Report 3 April 1991

*Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting. Volume A*

Report 4 September 1991

*Coastal Planning & Management in New South Wales: A Framework for the Future. Volume I*

Supplement to 4 September 1991

*An Alternative Dispute Resolution Primer*

Report 5 December 1991

*Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting. Volume B*

Report 6 December 1991

*Payroll Tax Concessions for Country Industries. Volume I*

Report 7 June 1992

*Public Sector Tendering & Contracting in New South Wales: Supply of Goods and Services: Follow Up Report*

Report 8 October 1992

*Coastal Planning & Management in New South Wales: The Process for the Future. Volume II*

Report 9 April 1993

*Public Sector Tendering & Contracting in New South Wales: Local Government Tendering & Contracting: Follow Up Report*

Discussion Paper 4 August 1993

*Regional Business Development in New South Wales: Trends, Policies and Issues.*

Report 10 May 1994

*Regional Business Development in New South Wales: Achieving Sustainable Growth: Principles for Setting Policy. Volume I*

Report 11 November 1994

*Regional Business Development in New South Wales: Achieving Sustainable Growth: Initiatives for Setting Policy. Volume II*

Report 12 August 1996

*Rationales for Closing the Veterinary Laboratories At Armidale and Wagga Wagga and the Rydalmere Biological and Chemical Research Institute*

Report 13 October 1996

*Factors Influencing the Relocation of Regional Headquarters of Australian and Overseas Corporations to New South Wales*

Report 14 April 1997

*Interim Report on the Fisheries Management Amendment (Advisory Bodies) Act 1996*

Report 15 April 1997

*Waste Minimisation and Management*

Report 16 July 1997

*The Fisheries Management Amendment (Advisory Bodies) Act 1996*

Discussion Paper 5 October 1997

*Future Employment and Business Opportunities in the Hunter Region*

Report 17

November 1997

*Fisheries Management and Resource Allocation in New South Wales*

Report 18

March 1998

*Operations of the Sydney Market Authority (Dissolution) Bill from Commencement until 31 December 1997*

Discussion Paper 6

May 1998

*International Competitiveness of Agriculture in New South Wales*

Report 19

July 1998

*Future Employment and Business Opportunities in the Hunter Region; and The Downsizing of the Rack Rite Investment Proposal*

## GLOSSARY

<i>IPART</i>	Independent Pricing and Regulatory Tribunal of New South Wales
<i>ACCC</i>	Australian Competition and Consumer Commission
<i>IATA</i>	International Airline Transport Association
<i>BARA</i>	Board of Airline Representatives of Australia Inc
<i>AAA</i>	Australian Airports Association
<i>KSA</i>	Sydney (Kingsford Smith) Airport
<i>RPT</i>	Regular Public Transport



# RECOMMENDATIONS OF THE COMMITTEE

**Recommendation 1** ..... page 25

The Standing Committee recommends that the State Government defer deregulating regional air services until the Standing Committee further investigates this matter and assesses options to maintain services to smaller regional centres.

**Recommendation 2** ..... page 37

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to sponsor amendments to the *Airports Act 1996* to require any lessee of Sydney Airport to guarantee access to the airport for intrastate air passenger transport services.

**Recommendation 3** ..... page 41

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to investigate the possibility of community-owned slots at Sydney Airport and other options for ensuring peak period access for all rural and regional communities.

**Recommendation 4** ..... page 41

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to consider inclusion of rural and regional community representation on the Sydney Airport Coordination Committee.

**Recommendation 5** ..... page 44

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to review the slot management scheme with a view to protecting operators of air services to smaller rural and regional communities from losing slot allocations under the “use it or lose it test”.

**Recommendation 6** ..... page 49

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to legislate for the rebate scheme for landing fees for regional operators at Sydney Airport, to ensure the future continuation of the scheme.

**Recommendation 7** ..... page 53

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Treasurer to introduce a price-cap on landing fees at Sydney Airport, that price cap to be determined using the same methodology used for other capital city airports.

**Recommendation 8** ..... page 53

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to ensure that any future lease for Sydney Airport includes a continuing requirement for affordable landing fees for regional airlines.

**Recommendation 9** ..... page 54

The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development, in any future review, to consider changing the basis on which landing fees are charged from a minimum landing fee to a per passenger fee.

**Recommendation 10** ..... page 60

The Standing Committee recommends that, if the Federal Government does not chose to accept recommendations 2 to 9, the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to implement a Charter of User Rights to ensure affordable, appropriate access to Sydney Airport for regional air services.

**Recommendation 11** ..... page 76

While acknowledging that there are no formal proposals to direct country services to Bankstown, the Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to guarantee affordable access to Sydney Airport for regional airlines and that regional air services WILL NOT be directed to Bankstown Airport.

# 1 INTRODUCTION

## 1.1 This inquiry

On 28 May 1998, the Minister for Transport, the Hon Carl Scully, MP, requested that the Standing Committee on State Development inquire into and report on the provision and operation of rural and regional air transport services in New South Wales.

The Standing Committee advertised for public submissions on 13 June 1998. To date, the Standing Committee has received 82 submissions and heard evidence from 57 witnesses at public hearings held in Orange, Griffith, Wagga Wagga, Lismore, Coffs Harbour, Newcastle, Bankstown and Parliament House, Sydney.

The *Air Transport Legislation Repeal Bill 1998* (see appendix A) passed through the Legislative Assembly in April 1998, but the Minister referred the matter to the Standing Committee before the bill was introduced to the Legislative Council. In addition to the deregulation issue, the terms of reference require the Standing Committee to inquire into the impact on country communities of landing fees at Sydney Airport and regional airports, the allocation of slot times at Sydney Airport and proposals to direct country services to Bankstown Airport. The Standing Committee has had a strong response from the community, councils and airline industry participants in relation to this inquiry and acknowledges the strength of emotions and views in relation to air transport services.

This interim report does not address the terms of reference in its entirety.

The interim report addresses the impacts of deregulating New South Wales air services (chapter 2), but does not make a final recommendation on deregulation as the Standing Committee, at the time of tabling this interim report, has not had sufficient time to fully investigate this matter. This report fully addresses landing fees and slot allocations at Sydney Airport (chapter 3) and the direction of regional services to Bankstown (chapter 4). The Standing Committee will report to the Legislative Council on landing fees at regional airports and further report on the impacts of deregulating air services in New South Wales at a later date.

### 1.1.1 The impacts of deregulation and affordable access to Sydney Airport

Despite the Independent Pricing and Regulatory Tribunal's (IPART) findings that New South Wales would benefit from deregulating air services, there is considerable concern about the impact of deregulation on regional communities. Concerns raised with the Standing

Committee include fears that: smaller communities will lose their air services; regional airlines will suffer financial hardship and perhaps cease operations; smaller aircraft and hubbing arrangements could be introduced; and community involvement in decisions about the provision of air services to their region will be lost. Additionally, there are concerns about deregulating intrastate air services in the light of pricing and access arrangements at Sydney Airport.

Throughout the inquiry process, the Standing Committee heard strong calls for affordable access to Sydney Airport. Rural and regional communities not only want to ensure that they have a sufficient allocation of slots at convenient times, but that those slots are affordable. There is significant concern in rural and regional communities that regional aircraft will be priced out of Sydney Airport.

Pricing and access issues at Sydney Airport are the responsibility of the Federal Government, while the deregulation of intrastate air services is the responsibility of the State Government. The Standing Committee will consider the Federal Government's response to recommendations relating to pricing and access (set out in chapter 3) when it further considers the deregulation issue.

### **1.1.2 The direction of country services to Bankstown**

In its investigations, the Standing Committee did not find any firm proposals to direct country services to Bankstown Airport, but addressed fears that such a redirection could occur. There are strong objections to any suggestions that regional airlines be directed to Bankstown Airport. Rural and regional communities, the Bankstown community and communities under Sydney Airport flight paths were unified in their support for regional airlines maintaining their presence at Sydney Airport and not being directed to Bankstown. The representatives of regional airlines shared this view. The Standing Committee recommends against the direction of regional aircraft to Bankstown (see chapter 4).

## **1.2 The importance of air services**

To put this inquiry in context, air transport services are vital to regional and rural communities. They play an important role in regional development and tourism, provide access to government and medical services based in Sydney and link regional New South Wales to interstate and international flights at Sydney Airport.

The following comments in a submission from Mr Bevan Edwards, Coffs Harbour Regional Airport Manager, are indicative of views about the importance of regional air services that were put to the Standing Committee throughout this inquiry:

... I cannot express too heavily the importance that rural New South Wales puts on local air services. They are seen as vital links for business, economic development, tourism and health. An efficient and affordable air service puts us that much closer to the State's centres for commerce, government and specialist medical services. Sydney is also the gateway to the rest of Australia and the world.<sup>1</sup>

In particular, the link between the provision of air transport services and regional development and the continued viability of smaller centres was continually brought to the attention of the Standing Committee. Cr John Beattie, Mayor of Narrandera Shire Council, described the role of air services in regional development:

In council's numerous discussions with developers and representatives of existing industry, it has been evident that air services are critical to the success of regional development. The 1994 report by McKinsey & Co to the Federal Government entitled *Lead Local, Compete Global* identified the critical role of air services for regional communities to achieve their growth potential and the importance of access to domestic and international airports as considerations in selecting a regional centre for business relocation.<sup>2</sup>

The airlines also recognise the importance of their services in relation to regional development. Eastern Australian Airlines outlined the role of air services in their submission:

Aviation is an integral part of rural Australian life as it provides the vital link between geographically remote communities and the economic, social and medical facilities of the metropolitan cities.

On the reverse side of the equation, it also provides cities with fast, direct access to the major agricultural and aquacultural industries that produce a large proportion of our national wealth.<sup>3</sup>

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<sup>1</sup> Submission 69, Coffs Harbour City Council, p1

<sup>2</sup> Evidence of Cr Beattie, Narrandera Shire Council, 21 August 1998, p232

<sup>3</sup> Submission 66, Eastern Australian Airlines, p3

## **2 THE IMPACTS OF DEREGULATING INTRASTATE AIR SERVICES**

### **2.1 Current regulatory environment**

#### **2.1.1 Current legislation**

The *Air Transport Act 1964* (see appendix B) requires a state licence for the carriage of passengers by air between two ports in New South Wales for both chartered and scheduled air services. The Act does not cover safety issues, which are the responsibility of the Commonwealth Government. In fact, the state has no jurisdiction over air transport safety issues. Intrastate operators are, however, required to hold an operating licence from the Civil Aviation Safety Authority.

There are two types of scheduled routes—regulated routes and open routes. The regulated routes typically have Sydney Airport as a point of origin or destination, and include routes that are hubbed through regional centres. The route, schedule of services and aircraft type are sometimes conditions of licence. Generally, a single operator services routes with below 40,000 passengers per annum while larger routes have two operators, although there are a number of exceptions. The open routes typically connect regional centres and are open to any operator who meets essential minimum entry requirements. Although the routes are specified on the open licence, the aircraft type is not a condition of the licence.

#### **2.1.2 The Air Transport Council**

Under the *Air Transport Act 1964* the New South Wales Minister for Transport is the licensing authority, although in practice the Minister delegates many of his responsibilities to the Air Transport Council, which was established in 1987 by an amendment to the Act. The Air Transport Council monitors the activities of 12 regional airlines<sup>4</sup> (that provide regular public transport services on over 40 routes) and more than 90 charter firms operating in New South Wales.

The New South Wales Department of Transport supplies staff to the Air Transport Council secretariat. In 1997-98 the Air Transport Council had a total income of \$396,726. Expenses

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<sup>4</sup> Air Link, Aeropelican, Ansett, Air Facilities, Country Connection, Eastern, Hazelton, Impulse, Kendell, Kentialink, Yanda and Sydney Harbour Seaplanes.

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in 1997-98 were \$214,487, which was lower than previous years due to reduced staff numbers in anticipation of deregulation and the consequent abolition of the Air Transport Council.

In allocating a scheduled service licence, the Air Transport Council will:<sup>5</sup>

- call for expressions of interest for all regulated routes into Sydney, from which a short list is to be made;
- send proposals for each route to local councils who will be asked to indicate their preferred operators;
- seek submissions from the public;
- provide draft determinations to the industry for comment;
- seek additional submissions from the industry;
- review draft determinations; and
- submit the determinations to the Minister for approval.

The New South Wales Minister for Transport is the determining authority and ultimately approves route allocations. The Minister is not obliged to follow Air Transport Council recommendations.

### **2.1.3 Criticisms of the current regulatory environment and workings of the Air Transport Council**

The main criticism that the Standing Committee heard about the Air Transport Council was that it does not take any action when service levels on a route fall below the level promised in the bidding round. The most commonly cited example was that of Hazelton Airlines ceasing services on 14 routes in 1991. Mr Greg Russell, Managing Director of Hazelton Airlines, said:

There were 14 services from which we withdrew in September 1991, basically because the company could not afford to continue to operate them and stay in business.<sup>6</sup>

When routes are abandoned the Air Transport Council can reissue licences. Yanda Airlines commenced services on the Coonabarabran and Gunnedah routes when Hazelton Airlines

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<sup>5</sup> Independent Pricing and Regulatory Tribunal of New South Wales, *Review of Regulation and Licensing of Air Service Operators in New South Wales*, July 1997, Sydney, p4.

<sup>6</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p14.

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ceased servicing these routes. Mr Paul Rees, Proprietor of Yanda Airlines, made the following comments about Hazelton's withdrawals:

It is my belief that Hazelton should have had to go back to the Air Transport Council in respect of all of their runs, because they got the big ports on the basis of serving the little ports. So, if they do not want to serve the little ports any more, the big ports should go back in the pot. That did not happen.<sup>7</sup>

The Standing Committee heard evidence that more recently service levels have fallen without the Air Transport Council acting. In their submission (of July 1998), Impulse Airlines stated:

Routes are being downgraded. Glen Innes and Inverell are currently being serviced by a Navajo type aircraft with a totally compromised schedule. They were awarded the licence on the basis of a pressurised aircraft and a specific schedule.<sup>8</sup>

Ballina Shire Council, in its submission, called for tighter regulation when services are downgraded:

... the licence conditions should contain specific provision that at least maintain if not improve the standard of service. In the event that the current operator fails to satisfy the licence conditions and/or opts out of the licence, then the route should be thrown open to other competition.<sup>9</sup>

Additional criticisms related to the Air Transport Council protecting the incumbent where their service provision has been adequate, regardless of the terms and conditions offered by a 'new' firm competing for the licence for that route. However, the Air Transport Council advised the Standing Committee that:

There is no automatic right of licence renewal – this encourages a high standard of service delivery and reliability.<sup>10</sup>

Other aspects of the bidding system that have been criticised include:

- that operators bid for routes when they don't have the aircraft to service them;

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<sup>7</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p315.

<sup>8</sup> Submission 38, Impulse Airlines, p 1.

<sup>9</sup> Submission 77, Ballina Shire Council, p2.

<sup>10</sup> Correspondence from Air Transport Council, 9 September 1998.

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- that two commercially affiliated airlines are unlikely to be awarded both licences on a duopoly route;
- that operators make bids that contain service levels that exceed what the market will deliver in order to win the route; and
- that local councils have considerable weight in the decision making process when the majority of the traffic originates in Sydney.

In relation to the Air Transport Council's charter licences, Mr John Fitzgerald, Metro Captain of International Aviation, stated:

... in terms of its practical effect on us, we have to have a piece of paper stuck on the wall that we have to renew every year. I do not know what contribution it makes to protecting anybody or anything, other than it costs us money.<sup>11</sup>

When questioned in hearings, Mr Gerry McGowan, Managing Director of Impulse Airlines, stated that he did not believe that the Air Transport Council had a reason for existing and was very critical of the regulatory process.<sup>12</sup>

The Standing Committee concludes that the Air Transport Council is not exercising its full powers and functions.

While noting these criticisms, the Standing Committee understands that there is considerable support for managed competition (refer to section 1.3.1.5).

## 2.2 IPART investigation

In April 1996 the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) commenced a review of regulation and licensing of air service operators in New South Wales. The Tribunal held hearings in Coffs Harbour, Griffith, Dubbo and Sydney in October 1996 before releasing an interim report in February 1997. IPART released its final report in July 1997.

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<sup>11</sup> Evidence of Mr Fitzgerald, International Aviation, 20 August 1998, p187.

<sup>12</sup> Evidence of Mr McGowan, Impulse Airlines, 7 September 1998, p390.

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### **2.2.1 Reasons for IPART's inquiry**

The Competition Principles Agreement, agreed to by the Council of Australian Governments in April 1995, requires the New South Wales Government to review legislation that restricts competition. As part of this process, IPART conducted a review of the *Air Transport Act 1964* to determine whether the restriction of competition on intrastate air routes is warranted.

In accordance with the Agreement to Implement the National Competition Policy and Related Reforms, the Commonwealth Government provides the states with compensation payments for removing restrictive legislation. If New South Wales does not deregulate the air services industry, the National Competition Council could financially penalise the state. The likely magnitude of any financial penalty is not known, although a recent letter from the Federal Treasurer to the Premier of New South Wales in relation to the rice industry stated:

This assessment recommends that should New South Wales choose not to reform domestic rice marketing by 31 January 1999 as recommended by the 1995 independent review group, or otherwise demonstrate to the NCC's satisfaction the net community benefits to retaining the existing arrangements, \$10 m should be deducted from its remaining 1998-99 NCP Payments.<sup>13</sup>

### **2.2.2 IPART's findings**

After consulting with the Air Transport Council, the Department of Transport, the Local Government and Shires Association, various airlines, regional councils and tourism bodies,<sup>14</sup> IPART concluded:

The overwhelming conclusion that emerges from this Inquiry is that the state as a whole will benefit considerably from deregulated air services. Larger towns – such as Albury, Wagga Wagga, Coffs Harbour, Tamworth, Armidale, Dubbo, Port Macquarie and Ballina – are likely to see more innovative services and more competitive fare packages. Deregulated air routes across Australia generally have lower per kilometre fares than comparable regulated air routes within New South Wales. Tourism across the state undoubtedly will benefit.

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<sup>13</sup> Letter from the Hon Peter Costello to the Hon Bob Carr, 19 August 1998.

<sup>14</sup> Evidence of Mr Groom, Independent Pricing and Regulatory Tribunal, 7 September 1998, p355.

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It is only for the very small rural centres, where air services are currently marginal, that deregulation might lead to some reductions. However, regulation has not prevented reductions in services to date. ...

Licensing cannot guarantee any level or quality of air service if it is uneconomic to provide this service.<sup>15</sup>

In accordance with [Competition Principles Agreement] requirements and in light of the information provided, the Tribunal recommends that intrastate air services in New South Wales be deregulated. All routes should be deregulated simultaneously, regardless of market size.<sup>16</sup>

### 2.2.3 Responses to IPART's findings

The majority of evidence presented to the Standing Committee was critical of IPART's findings. Most of the councils that participated in the Standing Committee's inquiry criticised IPART's conclusion that all routes should be deregulated simultaneously (see section 2.3.1 for arguments against deregulating), while some participants criticised IPART's approach to the inquiry.

The comments in this section are indicative of those heard by the Standing Committee throughout the inquiry process.

IPART identified Coffs Harbour—with the state's busiest regional airport—as a community that would benefit from deregulation. Coffs Harbour Council, the airport owner, made the following comments on IPART's findings:

The IPART conclusion that deregulation should occur and should be introduced immediately appears to be based purely on economic rationalism. The report appeared to gloss over many of the concerns raised by the regions, arguing that market forces would prevail. Regrettably, market forces do not always offer the best result.<sup>17</sup>

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<sup>15</sup> Independent Pricing and Regulatory Tribunal of New South Wales, *Review of Regulation and Licensing of Air Service Operators in New South Wales*, July 1997, Sydney, foreword.

<sup>16</sup> Independent Pricing and Regulatory Tribunal of New South Wales, *Review of Regulation and Licensing of Air Service Operators in New South Wales*, July 1997, Sydney, pii.

<sup>17</sup> Submission 69, Coffs Harbour City Council, p3.

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In its submission, Ballina Shire Council, owner of another airport with high patronage, stated:

Ballina Shire Council does not agree with the recommendations of the Independent Pricing and Regulatory Tribunal with respect to its review of intrastate aviation services.<sup>18</sup>

Cr Helen Brayne, Mayor of Griffith, told the Standing Committee that Griffith Council does not agree with IPART's findings. Further, she stated:

I know that when we made the submission to the IPART inquiry we put our view quite strongly, but we rather got the feeling that it was not sinking in ... that the decision had been made, and they were not really listening.<sup>19</sup>

Perhaps the most scathing attack on IPART's inquiry came from Mr Paul Rees, Proprietor of Yanda Airlines, who said:

But, more importantly, if deregulation is going to come into play, it should come into play because of reasoned and logical decisions. IPART does not provide those. ... It started with a conclusion and then wrote the report.<sup>20</sup>

There was support for IPART's findings, mainly from the larger regional airlines. For example, Ansett Australia submitted:

Ansett ... supports full deregulation of intra-state aviation in New South Wales simultaneously on all routes, in line with the recommendations of the IPART review.<sup>21</sup>

The Local Government and Shires Associations of New South Wales expressed support for IPART's findings, submitting:

...the Associations support the direction taken by the Independent Pricing and Regulatory Tribunal (IPART) as contained in the *Review of Regulation and Licensing of Air Service Operators in New South Wales*.<sup>22</sup>

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<sup>18</sup> Submission 77, Ballina Shire Council, p1.

<sup>19</sup> Evidence of Cr Brayne, Griffith City Council, 22 July 1998, p29.

<sup>20</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p316.

<sup>21</sup> Submission 60, Ansett Australia, p1.

<sup>22</sup> Submission 70, Local Government and Shires Associations of NSW, p9.

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However, the Association's support was conditional on support for smaller operations.<sup>23</sup>

## **2.3 The Standing Committee's inquiry into deregulation**

The terms of reference for this inquiry require the Standing Committee to inquire into the impacts of deregulating 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. The Standing Committee has received evidence that extends beyond smaller centres.

During the inquiry process, the Standing Committee has heard many views about the impacts of deregulating intrastate air services. Overwhelmingly, inquiry participants have cautioned the Standing Committee about the detrimental impacts of deregulation. The Standing Committee recognises the importance of the deregulation decision and has accordingly chosen to further investigate the impacts of deregulation and possible methods to ensure air services are provided to regional New South Wales before making a final recommendation on deregulation. Hence, this section summarises the views that inquiry participants have put to the Standing Committee, without drawing conclusions.

### **2.3.1 Arguments against deregulating the intrastate air services industry**

Many inquiry participants have questioned whether deregulating the intrastate air services industry will deliver benefits to regional and rural communities. An indicative comment came from the Northern New South Wales Airport Management Association, who submitted that:

Whilst deregulation may result in improvements in a few high volume tourist routes, it is certain that the majority of routes which are the life blood of inland centres would suffer enormous and possible irreparable harm, especially with the current depressed rural economy.<sup>24</sup>

The majority of local councils that appeared before or made submissions to this inquiry have objected to deregulation and/or supported managed competition of the intrastate aviation market. The Australian Airports Association submitted a survey of 17 councils, of which Ballina, Casino, Coffs Harbour, Dubbo, Grafton, Greater Taree, Griffith, Narrandera, Parkes, Scone, Tamworth and Temora did not support deregulation, while Broken Hill, Hastings,

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<sup>23</sup> Evidence of Mr Bott, Local Government and Shires Association, 21 August 1998, p206.

<sup>24</sup> Submission 68, Northern New South Wales Airport Management Association, p3.

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Cobar and Wagga Wagga supported deregulation.<sup>25</sup> In addition to this survey, the Standing Committee heard that Lismore, Severn and Inverell Councils oppose deregulation, while Albury Council supports deregulation.

Many of the smaller councils were not totally opposed to deregulation, but felt that only the routes with high patronage should be deregulated. Griffith, Narrandera, Scone and Kempsey councils made representations to the Standing Committee that they supported deregulation on the larger routes, but wanted routes under 30,000 passengers a year regulated.

However, to the Standing Committee's knowledge, out of the 12 councils with more than 30,000 passengers, only Wagga Wagga and Albury supported deregulation.

The main concerns relating to deregulation that were brought to the attention of the Standing Committee are outlined below. As previously mentioned, the Standing Committee is not making a judgement on these arguments at this stage, but is presenting a summary of evidence given to date.

### **2.3.1.1 Impact on smaller communities**

Perhaps the most concern about deregulation related to its likely impact on smaller communities. Many inquiry participants agree that some smaller centres will lose their air transport services under a deregulated environment. For example, Cr John Harding, Mayor of Wagga Wagga, said:

It may be that regional airlines will shuffle their slot times to give increased flights for the more viable routes, to the detriment of low-volume routes. ... the loss of any service, however, is seen as a detriment to regional Australia, and we remain concerned about the impact on smaller communities.<sup>26</sup>

Mr Francis Millen, a member of the Murray Regional Development Board, highlighted the board's fear for air services to smaller communities:

The concern of the board is that any carriers that are servicing those more remote airfields on less viable routes could fail as a consequence of the impact of deregulation and through carriers looking at trying to rationalise their operations to more viable routes.<sup>27</sup>

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<sup>25</sup> Submission 35, Australian Airports Association (New South Wales Division), p2.

<sup>26</sup> Evidence of Cr Harding, Wagga Wagga City Council, 24 July 1998, p36.

<sup>27</sup> Evidence of Mr Millen, Murray Regional Development Board, 24 July 1998, p76.

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This concern was confirmed by at least one airline. Mr Greg Russell, Managing Director of Hazelton Airlines, said:

We believe that smaller markets in this state will suffer [because of deregulation] ... because ultimately people like ourselves will have to devote our attention to some of these larger market-places ...<sup>28</sup>

### **2.3.1.2 Increased financial pressures on regional airlines and predatory behaviour**

During the inquiry process, participants raised concerns about airlines failing in a deregulated environment and the resulting effects. A submission from the Country Mayors Association summarised community concerns:

[On smaller routes] competition will see the demise of both operators, leaving no service at all. While the recent failure of Tamair may not be the result of deregulation, the effects of the collapse on travellers should be remembered.

Deregulation may bring more operators into the market, however, the resultant competition could lead to the failure of one or more of the operators. The collapse of Compass, and now Tamair, costs intending passengers.<sup>29</sup>

The Standing Committee heard evidence about the high costs associated with setting up an airline. Mr Malcolm Campbell, Operations Manager for International Aviation, explained:

Advertising, crew training, aircraft allocation and acquisition, terminal set up, handling agents, and purchase of vehicle and accommodation are huge overheads which require huge expenditure. Landing fees on low passenger loads associated with the first year of any new sector are a huge burden and add to the chances of becoming unviable and hence withdrawn. ...<sup>30</sup>

Mr Gerry McGowan, Managing Director of Impulse Airlines, highlighted the high cash-flow nature of airlines and the extent to which the community is affected when airlines face financial difficulties:

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<sup>28</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, P12.

<sup>29</sup> Submission 80, Country Mayors Association, p3.

<sup>30</sup> Evidence of Mr Campbell, International Aviation, 20 August 1998, p179.

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Airlines are great cash-flow businesses. ... You get an airline in trouble and it means that the damage at the end of it is huge as well. People are paying up front for fares all the time through credit.<sup>31</sup>

The Standing Committee heard evidence about the competitive nature of the airline industry, which has led to the withdrawal of services and sometimes collapse of airlines. Mr Paul Rees, Proprietor of Yanda Airlines, spoke of the competitive nature of the airline industry:

To me, competition does not determine who operates the best service, who offers the best aircraft, or who has the cleanest-cut pilots, or the best PSO checking in the passengers. It is the person who can best stand the pain. If you can bleed more than the other bloke, he will drop dead before you do. And that is what it boils down to. Now, if you want to do that, I think that is a crazy situation.<sup>32</sup>

Mr Malcolm Campbell, Operations Manager for International Aviation, told the Standing Committee about competition faced by International Aviation when they commenced services on the Mildura-Sydney route (which is not subject to regulation):

As soon as we started operations, Southern Australian Airlines announced they were starting in competition with us with a Dash 8 and announced ridiculously low fares. The general feeling from people on their own staff which I am told was first hand is that they intended on putting us out of business, then dropping the run themselves, hence Mildura city would lose a direct service to Sydney. We are the only people providing a direct service at the moment. Since then, after telling the public that they were purchasing a Dash 8 aircraft to run that service, it became apparent they were not purchasing one, they were renting one from a Perth operator which since withdrew the aircraft and they could no longer operate it.<sup>33</sup>

Mr David Ward, Manager of Engineering Services for Albury City Council, described competition on the Canberra-Albury route—an unregulated route servicing around 8000 passengers a year—and the resulting debt of the surviving company:

...we had another small operator who came in and posed a challenge to the operator who was there, and for 18 months there was fierce competition, but eventually one of the airlines withdrew from the service and left the remaining operator on board. So

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<sup>31</sup> Evidence of Mr McGowan, Impulse Airlines, 7 September 1998, p396.

<sup>32</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p315.

<sup>33</sup> Evidence of Mr Campbell, International Aviation, 20 August 1998, p185.

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we have experienced that situation that emulates deregulation that would perhaps be similar in country New South Wales. There was a survivor and at the end of the day it worked reasonably well. Council at that time had to ... come into some business arrangement with the operator that survived to pay off his debt.<sup>34</sup>

In their submission the Leichhardt Airport & Urban Environment Research Group warned that if the experience of deregulation in the United States of America is any indication, deregulation would lead to an increased rate of bankruptcies within the smaller airlines.<sup>35</sup>

### **2.3.1.3 Operational restrictions at Sydney Airport**

Many inquiry participants were concerned about deregulation in the light of pricing and access arrangements at Sydney Airport (which are dealt with in chapter 3). The Standing Committee notes these concerns and will consider access and pricing at Sydney Airport in its deliberations on deregulation.

### **2.3.1.4 Protection of regional airports**

The terms of reference for this inquiry require the Standing Committee to examine landing fees at regional airports. This issue will not be addressed in this interim report, but the Standing Committee will address this matter fully in a future report. However, inquiry participants raised concerns about the financial viability of regional airports in a deregulated environment.

In 1990, under the Aerodrome Local Ownership Plan (ALOP), the Federal Government commenced transferring financial responsibility for and ownership of regional and locally-owned aerodromes to local authorities. There is no longer federal funding for capital improvements or maintenance works at locally owned aerodromes – all expenses must be funded from airport revenue and/or from local government funds.

Since the ALOP was completed in 1993-94, some councils have upgraded their airport infrastructure and are now concerned that deregulation will jeopardise their investment as they fear that there will be less services operating from their airports. For example, earlier this year Lismore Council resolved to invest almost \$2 million in redeveloping Lismore Airport's terminal. The Council submitted:

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<sup>34</sup> Evidence of Mr Ward, Albury City Council, 24 July 1998, p59.

<sup>35</sup> Submission 36, Leichhardt Airport and Urban Environment Research Group, p3.

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Council recognises that infrastructure is essential to maintaining the service, accordingly the provision of direct access service from Lismore to Sydney is crucial to our commercial customer requirements. Full deregulation cannot guarantee provision of that service.<sup>36</sup>

### **2.3.1.5 Benefits arising from managed competition under regulation**

Many inquiry participants expressed support for managed competition, stating that it has delivered lower fares and improved frequency. Mr Rick Gordon, Marketing and Operations Manager for Air Link, explained the current system and the benefits arising from managed competition:

We have a position now where we have managed competition on some of the larger ports and sole operators on some of the smaller ports. In our mind, there is no doubt that where managed competition has been introduced at the larger ports there have been more flights and more services. Overall, the airfares may have been reduced to some extent. But that does not necessarily apply to the smaller centres...<sup>37</sup>

Councils were among the biggest supporters of managed competition. For example, Inverell Shire Council submitted:

Managed competition has provided New South Wales with a reliable air service with a reasonable degree of competition between operators. This managed competition has ensured that services levels remain high and fares are maintained at a satisfactory level.<sup>38</sup>

A similar sentiment was expressed by Mr Alan Harvey, Airport Manager of Armidale Airport, who told the Standing Committee that:

...in our case at Armidale the managed competition has helped us considerably. Having a second operator, our air fares did reduce, our numbers increased, and it has been a very good market.<sup>39</sup>

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<sup>36</sup> Submission 61, Lismore City Council, p2.

<sup>37</sup> Evidence of Mr Gordon, Air Link, 11 June 1998, p18.

<sup>38</sup> Submission 74, Inverell Shire Council, p6.

<sup>39</sup> Evidence of Mr Harvey, Dumaresq Council, 27 August 1998, p258.

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Another reason why many councils support managed competition is that it allows local communities to influence the decision about the provision of air services to their community. Cr McGrane, Mayor of Dubbo, stated:

We want managed competition and we want to be involved in how the airline industry for our city and our region is managed. With the present system we have an input and we feel that we have the knowledge on how to best serve our citizens and the citizens of the region.<sup>40</sup>

Griffith City Council also expressed support for community input in the provision of air transport services:

...the methods as applied by the Air Transport Council in determining airline route operators included a competitive element and an input to the selection process by the users. Surely some ownership in the selection process has merit!<sup>41</sup>

### **2.3.1.6 Aircraft size and the hubbing of routes**

A commonly cited concern about deregulation is that it will lead to the use of smaller aircraft and the hubbing of routes. Typically, regional communities in New South Wales are serviced by 9 to 36 seat aircraft, while a few routes have planes as small as 5 seats. There are two routes in New South Wales that are currently serviced by jet aircraft—Ballina and Coffs Harbour. However, Ansett has recently announced changes to these services.

Cr Helen Brayne, Mayor of Griffith, expressed concern about smaller aircraft servicing Griffith in a deregulated environment:

If it was deregulated, we could only think that the result could well be a reduction in aircraft size, that there would be removal of on-board services and of special provisions for the disabled ...<sup>42</sup>

Griffith Council's concern about access for the disabled was shared by Cr Beattie, Mayor of Narrandera, who stated:

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<sup>40</sup> Evidence of Cr McGrane, Dubbo City Council, 21 August 1998, p207.

<sup>41</sup> Submission 12, Griffith City Council, p10.

<sup>42</sup> Evidence of Cr Brayne, Griffith City Council, 22 July 1998, p28.

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...Narrandera has a sizeable number of aged people and disabled people who would not be able to access flights to Sydney if that meant travelling on a smaller aeroplane...<sup>43</sup>

Cr Tony McGrane, Mayor of Dubbo, expressed the following concern:

I would contend that deregulation and the entry of further players into the market will result in diminishing market share for the existing operators which could result in the utilisation of probably smaller aircraft by affected companies in an attempt to maintain profitability. Smaller aircraft with less than 36 seats are not to the betterment of the travelling public, and, in fact, result in buyer resistance, and cut directly across attempts to ease the congestion at KSA.<sup>44</sup>

Greater Taree City Council, in their submission, stated:

...this Council believes that the deregulation will lead to additional operators, generally with small capacity aircraft, seeking to gain access to Sydney Kingsford Smith Airport.<sup>45</sup>

Mr Alan Harvey, Airport Manager of Armidale Airport, explained perceived and real consequences of smaller aircraft servicing regional routes:

You do have a safety perception. It is unreal. ...With the smaller, unpressurised aircraft, there is a definite comfort problem.<sup>46</sup>

It was not only smaller communities that expressed concern about smaller aircraft. Ballina and Coffs Harbour councils both supported continued regulation of the intrastate industry to preserve their jet services.<sup>47</sup> Ballina Shire Council submitted:

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<sup>43</sup> Evidence of Cr Beattie, Narrandera Shire Council, 21 August 1998, p233.

<sup>44</sup> Evidence of Cr McGrane, Dubbo City Council, 21 August 1998, p204.

<sup>45</sup> Submission 62, Greater Taree City Council, p3

<sup>46</sup> Evidence of Mr Harvey, Dumaresq Shire Council, 27 August 1998, p272

<sup>47</sup> Since this evidence was received, Ansett has announced that it is going to cease services to Ballina and Coffs Harbour

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... the Ballina-Sydney route includes a condition that there must be a minimum of one daily jet service as part of the flight schedule. The preservation of a jet service is paramount to the continued economic development of our region.<sup>48</sup>

Many inquiry participants expressed concern that smaller routes would be forced into a hub-and-spoke arrangement. The best example of a hub-and-spoke system in regional New South Wales exists out of Dubbo. Air Link commenced services between Dubbo and the western centres of Cobar, Nyngan, Bourke, Brewarrina, Coonamble, Walgett and Lightning Ridge when Hazelton pulled out of 14 routes in 1991. Passengers have a 20 minute connection time in Dubbo for Sydney-bound flights. Air Link carries about 10,000 passengers a year, representing around 10 per cent of the total traffic on the Dubbo-Sydney route.

Mr Rick Gordon, Manager of Marketing and Operations for Air Link, described the success of hubbing in western New South Wales, but warned that it may not work as well in other parts of the state:

[The hub and spoke operation] works very well for us. It allows us to provide a good service to the centres that we service. ...But it is the remote areas of New South Wales that we are servicing. It is a long way from Sydney, and it is difficult to get there. We do not believe that hubbing and spoking will operate in those areas closer to Sydney. For anything that is a three-hour or four-hour drive from Sydney I just do not believe it is an option.<sup>49</sup>

Mr Greg Russell, Managing Director of Hazelton Airlines, explained merits of hubbing over multiple stops on-route:

...you might fly from point A, pick up passengers at point B and then go on to point C. The people at point A do not like it, I can assure you, if they have to stop on the way. Another alternative is that there be developed a system of hubbing such as ... [that which] operates very successfully in Dubbo at the moment.<sup>50</sup>

Wagga Wagga has been raised as another potential hub for air services in New South Wales. The Mayor of Wagga Wagga, Cr John Harding, questioned the viability of this option:

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<sup>48</sup> Submission 77, Ballina Shire Council, p1

<sup>49</sup> Evidence of Mr Gordon, Air Link, 11 June 1998, p18.

<sup>50</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p9.

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The process of hubbing out of centres such as Wagga Wagga has been mooted, and the viability to this option must be questioned...the main reason that travellers elect to use air transport is to save time. The additional time taken by people within the region to fly into Wagga Wagga to connect with another flight would lessen the attraction of a flying option.<sup>51</sup>

The Standing Committee notes Impulse's attempts to make Newcastle an alternative hub to Sydney.

The Standing Committee recognises the degree of community concern about the impact of deregulation and will carefully consider these concerns in its deliberations.

### **2.3.2 Arguments for deregulating the intrastate air services industry**

While the smaller regional airlines and Hazelton Airlines support continued regulation, other airline operators have been among the strongest supporters of deregulation. One airline to support deregulation is Kendell Airlines, which stated:

Kendell Airlines supports the deregulation of air services in New South Wales. ... Deregulation, through competition, provides better services, more frequency and a pattern of growth.<sup>52</sup>

Mr Gerry McGowan, Managing Director of Impulse Airlines, stated his support for deregulation:

Impulse is of the view that air services in New South Wales should be deregulated. We do not think [that regulation] has delivered what was envisaged.<sup>53</sup>

Ansett Australia submitted that the benefits of deregulation to New South Wales and the industry overall would outweigh those from regulation and therefore supported full deregulation.<sup>54</sup> However, since they made their submission, Ansett have announced that they are going to cease services in regional New South Wales from the year 2000.

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<sup>51</sup> Evidence of Cr Harding, Wagga Wagga City Council, 24 July 1998, p36.

<sup>52</sup> Submission 37, Kendell Airlines, p9.

<sup>53</sup> Evidence of Mr McGowan, Impulse Airlines, 7 September 1998, p390.

<sup>54</sup> Submission 60, Ansett Australia, p1.

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### 2.3.2.1 Experience in other Australian states and other countries

New South Wales is the last mainland state that regulates its entire intrastate network. Other states have, in the past, been subject to varying forms of regulation, but these regulations have been removed or significantly reduced.

At the time of tabling this interim report, the Standing Committee had not had the opportunity to examine the impact of deregulating intrastate air services in other states. The Standing Committee would like to closely examine the experience elsewhere before it comes to a final conclusion about deregulating intrastate air services in New South Wales and examine alternatives to ensure that regional air services are maintained. Meanwhile, this section of the report summarises the limited information that the Standing Committee has received at this stage.

Mr Eric Groom, Chief Manager of Energy and Other Industries with IPART, explained the deregulation experience in other states and in other countries:

...I would like to turn to the experience of other States in Australia, firstly South Australia, which has been deregulated since 1979. We have seen there an increase in the number of ports served, an increase in the number of operators, a decrease in aircraft size, an increase in the distance travelled and an increase in the number of departures. Generally we have seen slower increases in air fares in South Australia than the rest of Australia and we have seen a faster increase in the services offered in South Australia than in New South Wales.

Overseas experience has been in many ways similar. In New Zealand we have seen an opening up of the market in New Zealand in 1994. We have again seen capacity growth within the industry and a decrease in air fares. Moving overseas to Canada, where they have been through deregulation in 1988, there was a period of consolidation and alliances between airlines. There are barriers to entry that would exist, as they would exist in the New South Wales market. We have seen an increase in air traffic, a move to hub and spoke and improvements in services and reduced airfares. That is a similar story to the US where again we have seen a general increase overall in the services, although some small communities have been adversely effected and we have seen decreased fares.<sup>55</sup>

Kendell Airlines operates in other states, although its headquarters are in Wagga Wagga. Kendell described its experience in other states:

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<sup>55</sup> Evidence of Mr Groom, IPART, 7 September 1998, p359.

Kendell Airlines has operated in a deregulated market for over 30 years (Vic and SA). Over time we have seen growth in those markets and a real reduction in airfares.<sup>56</sup>

Mr Geoffrey Breust, Managing Director of Kendell Airlines, described the effective deregulation of air services in Tasmania:

...[Tasmania] finally was forced into deregulating air services down there when Airlines of Tasmania—which struggled on for years and years, to my observation—finally failed. They went broke. In regard to a single King Island to mainland Tasmania market, that was immediately taken up by other operators. The service levels, in terms of frequency and seating capacity, on those markets increased. There has been a little bit of variation, and there has been an operator come and go, but the market is sorting out the level of services required. It is going through that process.

I believe that, on a long-term basis, both King Island and Flinders Island will be far better off under a deregulated system than they were when Airlines of Tasmania were operating under such a protected position. I think that is a pretty good study case to work through.<sup>57</sup>

### **2.3.2.2 Impact of fares**

The Standing Committee repeatedly heard that deregulating air services will lead to lower fares for rural and regional commuters.

During its inquiry process, IPART devoted some time to analysing the impact of deregulation on prices. Mr Eric Groom, Chief Manager of Energy and Other Industries at IPART, outlined IPART's findings:

We did spend a fair bit of time in the tribunal's report looking at the impact of regulation on fares. We looked at a number of ways of obtaining a view as to the impact of regulation on fares. [Our] statistical comparison ... shows a strong pattern where for similar distances the fares on regulated routes are considerably higher than the fares on deregulated routes. Indeed, there are only two examples where a fare on a deregulated route is higher than the fare on a regulated route for a comparable distance. The difference is of the order of \$30.

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<sup>56</sup> Submission 37, Kendell Airlines, p9.

<sup>57</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p53.

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There are a number of specific case studies, if you like, that bear up that pattern. For example, on the Merimbula to Sydney route and the Melbourne to Merimbula route; they are both monopolies, that is, a single operator, however, the regulated Merimbula to Sydney route covers a hundred kilometres less and costs \$30 more. A similar thing can be observed with the route from Wagga Wagga to Melbourne and from Wagga to Sydney. They are almost identical distances yet the deregulated monopoly from Wagga Wagga to Melbourne costs \$25 less than the route from Wagga Wagga to Sydney, notwithstanding, that you actually have two operators on the Wagga Wagga to Sydney route.<sup>58</sup>

Kendell Airlines provided the Standing Committee with a comparison of prices over routes of similar length on regulated and unregulated routes (see Table 1.1).

### **2.3.2.3 Market forces**

Mr Geoff Breust, General Manager of Kendell Airlines, made the following comments about letting the market determine the level of service:

We strongly believe that the market should determine the level of services provided. We believe that regulation provides all sorts of artificial influences and distorted outcomes in terms of benefits of air transport.<sup>59</sup>

We honestly believe that if there is a requirement for a service, if there is a market for the service, there will be an operator who will come along and provide that service. But you cannot artificially impose something which the market itself cannot sustain.<sup>60</sup>

...I honestly do not believe that, in a deregulated market, communities should fear the loss of their services. If there is a requirement for the service, in the long term they will receive the service. Whether that will be at the same level as they are currently getting, the market will determine. In some cases I believe that they will be far better off.<sup>61</sup>

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<sup>58</sup> Evidence of Mr Groom, IPART, 7 September 1998, p357.

<sup>59</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p48.

<sup>60</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p53.

<sup>61</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p50.

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Mr Paul Bredereck, Managing Director of Tamair, also argued that the market determines service levels:

Certainly people would much rather have a 36-seat aircraft, but if the market cannot sustain it, it cannot sustain it. The market forces will dictate the type of service that the community will have.<sup>62</sup>

#### **2.3.2.4 Operational efficiencies, innovation and growth**

The Standing Committee heard that deregulation could lead to better fleet utilisation, allow for more innovative services and routes and will allow airlines to develop their markets.

Mr Geoff Breust, Managing Director of Kendell Airlines, explained the impact that improved efficiency would have on communities:

I believe that regulation at the moment is probably putting inefficient services into regional New South Wales when communities could have quite efficient and cheaper regional air services.<sup>63</sup>

Mr Groom, Chief Manager of Energy and Other Industries with IPART, described the innovative nature of airlines when they are not constrained by regulation:

... in a deregulated environment there will be a greater incentive to the operators to expand and develop route networks, to be more innovative in the sort of options they put to the travelling public. There will also be considerable increase in the competitive pressure or forces for efficient operation which impact upon fares and costs.

I think you can see in a number of the unregulated routes, the interstate routes from regional centres, that there is considerably greater innovation currently occurring than is occurring on the regulated routes, in the sense of new services being offered to capital cities in other States and the development of those new services. I think one of the key features of competition is the innovation of the operators to better meet the needs of the travelling public in this case.<sup>64</sup>

Mr Groom also described a practical example that was presented to IPART during their inquiry:

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<sup>62</sup> Evidence of Mr Bredereck, Tamair, 21 August 1998, p243.

<sup>63</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p50.

<sup>64</sup> Evidence of Mr Groom, IPART, 7 September 1998, p358.

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We had the practical example put to us of a plane sitting on the tarmac in Tamworth when the operator would like to be flying a service to Sydney but could not because he did not have, at that stage, the licence for a service.<sup>65</sup>

### **2.3.3 Conclusion**

At the time of tabling this interim report, the Standing Committee has not had the opportunity to sufficiently examine the impact of deregulating intrastate air services in New South Wales. The Standing Committee notes the considerable concern of rural and regional communities about the possible impacts of deregulation, including their fear of losing air services and, therefore, wishes to further investigate the impact of deregulation and examine possible alternatives before reaching a final decision.

#### **Recommendation 1**

**The Standing Committee recommends that the State Government defer deregulating regional air services until the Standing Committee further investigates this matter and assesses options to maintain services to smaller regional centres.**

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<sup>65</sup> Evidence of Mr Groom, IPART, 7 September 1998, pp357-358.

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**Table 1.1 Comparison of prices on regulated and unregulated routes, by sector size**

AIRLINE	ROUTE	DISTANCE (KMS)	FULL ECONOMY FARE (\$)	FULL ECONOMY FARE (¢/KM)	DISCOUNT FARE (\$)	DISCOUNT FARE (¢/KM)	REGULATION
<b>Sectors of 100-250 kms</b>							
KENDELL	KINGSCOTE – ADELAIDE	125	79.00	63.2	45.00	36.0	DEREGULATED/COMPETITIVE
KENDELL	WHYALLA – ADELAIDE	230	116.00	50.4	77.00	33.5	DEREGULATED/COMPETITIVE
EASTERN	NEWCASTLE – SYDNEY	140	97.00	69.3	50.00	35.7	REGULATED/COMPETITIVE
AEROPELICAN	BELMONT – SYDNEY	110	78.00	70.9	46.00	41.8	REGULATED/MONOPOLY
HAZELTON	BATHURST – SYDNEY	153	129.00	84.3	75.00	49.0	REGULATED/MONOPOLY
HAZELTON	ORANGE – SYDNEY	199	150.00	75.4	85.50	43.0	REGULATED/MONOPOLY
HAZELTON	MUDGEES – SYDNEY	211	160.00	78.8	92.00	43.6	REGULATED/MONOPOLY
<b>Sectors of 250 – 350 kms</b>							
KENDELL	KING ISLAND – MELBOURNE	256	135.00	52.7	73.00	28.5	DEREGULATED/COMPETITIVE
KENDELL	MOUNT GAMBIER – MELBOURNE	352	150.00	42.6	99.00	28.1	DEREGULATED/COMPETITIVE
AIR NORTH	KATHERINE – DARWIN	285	144.00	50.5	119.00	41.8	DEREGULATED/MONOPOLY
KENDELL	PORTLAND – MELBOURNE	298	139.00	46.6	93.00	31.2	DEREGULATED/MONOPOLY
EASTERN	PORT MACQUARIE – SYDNEY	320	185.20	57.9	96.20	30.1	REGULATED/COMPETITIVE
EASTERN	TAREE – SYDNEY	260	166.50	64.0	87.00	33.5	REGULATED/MONOPOLY
HAZELTON	PARKES – SYDNEY	287	188.00	65.5	103.00	35.9	REGULATED/MONOPOLY
HAZELTON	DUBBO – SYDNEY	309	173.00	56.0	89.00	28.8	REGULATED/MONOPOLY
YANDA	GUNNEDAH – SYDNEY	343	176.00	51.3	110.00	32.1	REGULATED/MONOPOLY
HAZELTON	MERIMBULA – SYDNEY	350	215.00	61.4	121.00	34.6	REGULATED/MONOPOLY
<b>Sectors of 350 – 500 kms</b>							
KENDELL	BURNIE – MELBOURNE	378	168.00	44.4	93.00	24.6	DEREGULATED/COMPETITIVE
FLIGHT WEST	GLADSTONE – BRISBANE	437	248.00	65.8	127.00	29.1	DEREGULATED/COMPETITIVE
KENDELL	MILDURA – MELBOURNE	465	171.00	36.8	70.00	15.1	DEREGULATED/COMPETITIVE
KENDELL	WAGGA WAGGA – MELBOURNE	365	150.00	41.1	99.00	27.1	DEREGULATED/MONOPOLY

AIRLINE	ROUTE	DISTANCE (KMS)	FULL ECONOMY FARE (\$)	FULL ECONOMY FARE (¢/KM)	DISCOUNT FARE (\$)	DISCOUNT FARE (¢/KM)	REGULATION
SKYWEST	GERALDTON – PERTH	370	151.00	40.8	84.00	22.7	DEREGULATED/COMPETITIVE
SKYWEST	ALBANY – PERTH	375	153.00	40.8	85.00	22.7	DEREGULATED/MONOPOLY
KENDELL	BROKEN HILL – ADELAIDE	428	176.00	40.4	115.00	26.9	DEREGULATED MONOPOLY
KENDELL	MERIMBULA – MELBOURNE	451	185.00	41.0	102.00	22.6	DEREGULATED/MONOPOLY
KENDELL	WAGGA WAGGA – SYDNEY	367	175.00	47.7	87.00	23.7	REGULATED/COMPETITIVE
HAZELTON	ARMIDALE – SYDNEY	381	200.00	52.5	106.00	27.8	REGULATED/COMPETITIVE
KENDELL	COFFS HARBOUR – SYDNEY	442	226.00	51.1	92.00	20.8	REGULATED/COMPETITIVE
KENDELL	ALBURY – SYDNEY	452	221.00	48.9	110.00	24.3	REGULATED/COMPETITIVE
HAZELTON	GRIFFITH – SYDNEY	472	218.00	46.2	121.50	25.7	REGULATED/MONOPOLY
<b>Sectors of 500 – 600kms</b>							
FLIGHT WEST	ROCKHAMPTON – BRISBANE	518	260.00	50.2	105.00	20.3	DEREGULATED/COMPETITIVE
SKYWEST	KALGOORLIE – PERTH	538	227.00	42.2	113.50	21.1	DEREGULATED/COMPETITIVE
KENDELL	OLYMPIC DAM – ADELAIDE	521	196.00	37.6	127.00	24.4	DEREGULATED/MONOPOLY
KENDELL	CEDUNA – ADELAIDE	549	198.00	36.1	132.00	24.0	DEREGULATED/MONOPOLY
SKYWEST	ESPERANCE – PERTH	582	196.00	33.7	104.00	17.9	DEREGULATED/MONOPOLY
HAZELTON	MOREE – SYDNEY	510	238.60	46.8	123.60	24.2	REGULATED/MONOPOLY
ANSETT	BALLINA – SYDNEY	590	261.00	44.2	112.50	19.1	REGULATED/MONOPOLY
HAZELTON	LISMORE – SYDNEY	602	263.00	43.7	114.50	19.0	REGULATED/MONOPOLY
<b>Sectors of &gt; 600kms</b>							
AIR NORTH	GOVE – DARWIN	647	253.00	39.1	133.00	20.6	DEREGULATE/COMPETITIVE
KENDELL	COOBER PEDY – ADELAIDE	752	255.00	33.9	167.00	22.2	DEREGULATED/MONOPOLY
FLIGHT WEST	BRISBANE – LONGREACH	991	326.00	32.9	161.00		DEREGULATED/MONOPOLY
HAZELTON	BROKEN HILL – SYDNEY	932	359.00	38.5	197.50	21.2	REGULATED/MONOPOLY

Source: Submission 37, Kendell Airlines

## 2.4 Community service obligations

Other states in Australia provide subsidies, or community service obligation payments, to airline operators to provide services on selected routes.

In 1989 the Queensland Government began providing subsidies to operators servicing selected routes to ensure reasonable access for transport-disadvantaged communities. This scheme commenced two years after Queensland deregulated its air services, which had resulted in the loss of services to some smaller communities. Eight routes collectively receive a subsidy of \$3.8 million per annum, linked to inflation. The remaining two routes are regulated to ensure a certain standard of aircraft.

The criteria for allocating subsidies include the remoteness of the community, the provision and effectiveness of other modes of transport, and economic considerations. The service contracts are awarded through an open tender process.

Mr Paul Brederbeck, Managing Director of Tamair, described the process of allocating subsidies in Queensland:

The western Queensland routes are not regulated now and every few years operators bid for the provision of those services. They are assessed on the merit of the type of equipment and services appropriate for the community and the operator has to basically go with an open book and disclose how the operation will be run because the markets are finite. One can predict fairly accurately what will be the level of demand and what the markets will be.<sup>66</sup>

In its report, IPART concluded that there may be a need for community service obligation payments in some circumstances in New South Wales.

The Standing Committee will further investigate community service obligation payments in conjunction with its continuing examination of the deregulation issue.

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<sup>66</sup> Evidence of Mr Brederbeck, Tamair, 21 August 1998, pp249-250.

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## 3 PRICES AND ACCESS AT SYDNEY AIRPORT

### 3.1 Allocation of slot times at Sydney Airport

#### 3.1.1 The Slot Management Scheme

##### 3.1.1.1 Legislative basis for the scheme

Although the New South Wales Government currently regulates air traffic routes between Sydney and regional centres, operations at Sydney Airport are governed by Commonwealth legislation.

The *Sydney Airport Demand Management Act 1997* limits aircraft movements at Sydney Airport to a maximum of 80 per hour. This is substantially below the operational capacity of the airport. The slot management scheme at Sydney Airport is the tool used to manage the cap on aircraft movements.<sup>67</sup>

Part 4 of the *Sydney Airport Demand Management Act 1997* sets out the framework within which the slot management scheme is developed and operated and Part 6 sets out the role of and methods of appointing and terminating the slot manager.

Section 61 of the Act allows the Minister to appoint a body corporate to be the slot manager. The current slot manager is Airport Coordination Australia, a company comprising Qantas, Ansett, the Regional Airlines Association of Australia and Sydney Airports Corporation Ltd. At the time Airport Coordination Australia was appointed it was agreed that there would be a primary consultative and advisory body to the slot manager, known as the Sydney Airport Coordination Committee. Membership of this Committee is open to any Australian carrier who regularly uses the airport, a representative of the international airlines (BARA – Board of Airline Representatives of Australia Inc), the airport owner, and non-voting representatives of the Federal Government and the International Airline Transport Association (IATA).

Section 38 of the Act requires the slot manager to develop a slot management scheme consistent with requirements under the Act. The slot manager is required to submit a draft

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<sup>67</sup> The Hon Michael Ronaldson MP, Parliamentary Secretary for Transport and Regional Development, House of Representatives Hansard, Commonwealth Parliament, 25 September 1997, p8536.

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scheme to the Federal Minister for Transport and Regional Development for approval. Section 40 of the Act states that if the Minister approves the draft scheme the Minister must, in writing, determine that the slot management scheme has been approved.<sup>68</sup> The Minister made a determination in respect of the slot management scheme on 24 March 1998.

### 3.1.1.2 Impact of scheme on regional services

The slot management scheme at Sydney Airport is based on the International Airline Transport Association (IATA) model, with some adjustments made to reflect local conditions and requirements.<sup>69</sup> One notable adjustment is the “regional ring fence”, which is designed to “safeguard the ... levels of access that regional New South Wales has” to Sydney Airport.<sup>70</sup> It effectively creates a separate pool for regional slots.<sup>71</sup> Currently, regional airlines hold 33 per cent of the allocated slots at Sydney Airport, with regional operators holding 30 per cent of peak hour slots.<sup>72</sup>

The slot management scheme runs for two seasons each year – the northern summer (the last Saturday in March to the last Saturday in October) and the northern winter (the last Sunday in October to the last Sunday in March). The inaugural northern summer season commenced on 29 March 1998.<sup>73</sup>

For the inaugural season, slots were primarily allocated on the basis of services operating at the same time the previous year. If these slots are now operated over two consecutive equivalent seasons, they will attract grandfather rights, giving airlines a right to these slots in future seasons (provided the slots are used by an airline on an on-going basis).<sup>74</sup> The creation of grandfather rights is in accordance with the IATA model, and provides airlines with:

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<sup>68</sup> Such a determination by the Minister is a disallowable instrument for the purposes of section 46A of the *Acts Interpretation Act 1901*, and as such has similar status to a regulation.

<sup>69</sup> Submission 64, Sydney Airports Corporation, p5-6.

<sup>70</sup> The Hon Michael Ronaldson MP, Parliamentary Secretary for Transport and Regional Development, House of Representatives Hansard, Commonwealth Parliament, 25 September 1997, p8536.

<sup>71</sup> Sections 34 and Schedule 1, *Slot Management Scheme 1998*, effectively define *slot* as permission for an aircraft to either take off from or land on a runway.

<sup>72</sup> Currently, peak activity levels occur between 7 and 9 am on weekdays. The maximum number of allocated aircraft movements on weekdays between November 1998 and March 1999 peak at 79 between 8 and 9 am on Wednesdays and 76 between 7 and 8 am on Mondays. Information tabled by Ms Alroe, Sydney Airports Corporation Ltd, 7 September 1998.

<sup>73</sup> Submission 64, Sydney Airports Corporation Ltd, p5. See also Section 7, *Slot Management Scheme 1998*.

<sup>74</sup> Submission 64, Sydney Airports Corporation Ltd, p5 & section 7, *Slot Management Scheme 1998*.

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... some certainty in continued access to the airport at preferred times and ensures that their investment in equipment and infrastructure is recovered.<sup>75</sup>

In the future, new regional services that run for two consecutive equivalent seasons will also attract grandfather rights, and consequently will be locked into the regional pool.

Under the scheme, it is possible for airlines to swap slots, either within their own slot allocations or with another airline.<sup>76</sup> However, the scheme restricts permanent swapping of regional slots with non-regional slots to instances where those slots are within 30 minutes of each other.<sup>77</sup> The slot management scheme does not restrict slot swaps within the regional pool.

The slot management scheme sets out the manner in which the slot manager must prioritise applications for slots for a particular season. The slot manager allocates slots prior to the start of each season, with initial allocations based on historical precedents.<sup>78</sup> Once historical slots have been allocated, the remaining slots are divided equally between new entrants and incumbent operators.<sup>79</sup>

Applications from regional operators for new slots are then determined by considering the following factors, in the order shown:<sup>80</sup>

1. slot series or slot group – an application for a slot series takes precedence over an application for a slot group which takes precedence over an application that is not for a series or a group;<sup>81</sup>
2. replacement services – services that replace defunct services are given priority over other services;<sup>82</sup>

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<sup>75</sup> Submission 64, Sydney Airports Corporation Ltd, p5.

<sup>76</sup> Sections 29 and 30, *Slot Management Scheme 1998*.

<sup>77</sup> Section 30, *Slot Management Scheme 1998*.

<sup>78</sup> Section 18, *Slot Management Scheme 1998*.

<sup>79</sup> Section 26, *Slot Management Scheme 1998*. Section 3 defines the terms *new entrant* and *incumbent operator*.

<sup>80</sup> The order of the determining factors for regional airlines is not spelt out in the Slot Management Scheme. Advice on the order was provided in a letter from Mr Ernst Krolke, Chief Executive Officer, Airport Coordination Australia, dated 14 September 1998. Readers should note that the allocation system for slots outside the regional ring fence is necessarily different than the system described here.

<sup>81</sup> Section 22, *Slot Management Scheme 1998*. Section 2 includes the following definitions for slot series and slot groups: *slot series* means five or more slots that authorise the same kind of aircraft movement at the same time on the same day of the week within one scheduling period; *slot group* means two or more slots that together authorise aircraft movements for flights operated over a nominated period for a specified event.

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3. lack of existing services – services to airports without existing regional services are given priority over services to airports which have existing services (based on whether services are in place for the day for which the application is being made);<sup>83</sup>
4. aircraft size – larger aircraft take precedence over smaller aircraft;<sup>84</sup> then
5. on-going service – services to be operated throughout the year take precedence over those that are not.<sup>85</sup>

Ms Julianne Alroe, Manager of Aviation Services at Sydney Airports Corporation, described the application assessment process:

... They will keep dropping down [the list] until there is almost nothing between them at which point it will be a lottery. Literally two names in a hat and who ever gets pulled out will be the one who wins. It is very rare though that you will get two such complete equal things all the way down. At some point there will be some judgement where there is more value being offered by a flight than another flight.<sup>86</sup>

Applications from operators seeking slot allocations after the season has commenced are assessed on a similar basis.

The regional ring fence ensures that slots can only be lost from the regional pool if the slot is released by a regional airline, and no other regional airline takes up the slot for two consecutive equivalent seasons.<sup>87</sup> Ms Alroe highlighted the importance of the regional ring fence for regional airlines and their customers:

... that is protection the regional community has never had before. The domestic and international airlines certainly have a greater economic power if they want to put a

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<sup>82</sup> Section 24, *Slot Management Scheme 1998*. This criteria is only considered when processing applications relating to the regional pool.

<sup>83</sup> Section 24, *Slot Management Scheme 1998*. This criteria is only considered when processing applications relating to the regional pool. Information relating to interpretation of this section was provided in a letter from Mr Ernst Krolke, Chief Executive, Airport Coordination Australia, dated 14 September 1998.

<sup>84</sup> Sections 22 and 23, *Slot Management Scheme 1998*. Sections 8 and 9 provide for the Slot Manager to deny historical precedent to an operator who is allocated a slot on the basis of size and who fails to use an aircraft at least the size proposed in the application.

<sup>85</sup> Section 23, *Slot Management Scheme 1998*.

<sup>86</sup> Evidence of Ms Alroe, Sydney Airports Corporation Ltd, 7 September 1998, p345.

<sup>87</sup> Section 10, *Slot Management Scheme 1998*.

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value on a slot. The regional ring fence protects those regionals from that economic power being used against them.<sup>88</sup>

### **3.1.2 Committee findings about the slot management scheme**

#### **3.1.2.1 Positive outcomes resulting from the slot management scheme**

A great majority of witnesses told the Standing Committee about positive outcomes of the slot management scheme.

One key positive outcome, both for passengers and for airline operators, was the dramatic improvements in certainty of departure and landing times. Comments typical of views on this matter were made in a submission from the Murray Regional Development Board:

Until recently, regional travellers to Kingsford Smith Airport have regularly been forced to circle endlessly awaiting a landing slot, or suffered delays in departure times from regional airports to fit the available landing slot. This all adds cost for the carrier, inconveniences the regional travellers and puts a premium on regional fares. However, the introduction of the slot management scheme at KSA appears to have overcome these shortcomings by coercing greater adherence to departure/landing times, leading to more efficient travel.<sup>89</sup>

Ballina Shire Council's Chief Engineer, Mr Gregory Trent, made a similar comment:

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.<sup>90</sup>

Another positive outcome, identified by the Local Government and Shires Associations, related to the protection from slot trading offered by the regional ring fence:

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<sup>88</sup> Evidence of Ms Alroe, Sydney Airports Corporation Ltd, 7 September 1998, p349.

<sup>89</sup> Submission 72, Murray Regional Development Board, p4.

<sup>90</sup> Evidence of Mr Trent, Ballina Shire Council, 12 August 1998, p97.

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A slot management system is important to the control of airports which have capacity constraints as Sydney does. As long as the slot system does not change in its administrative framework either under current management or a private operator then it will offer over the long term a level of protection for regional airlines that would otherwise not have been available. It is likely that without the introduction of an administrative arrangement such as this, then there would have been a wholesale shift to the use of price controls as the sole arbitrator of access.<sup>91</sup>

Hazelton Airlines also highlighted the economic benefit of the slot management scheme for aircraft operators:

... this system will make a significant improvement to the efficiency of Sydney Airport. The slot system has the potential to dramatically improve the on-time performance of airlines using Sydney Airport, which is a fundamental reason why passengers elect to use air travel. Additionally we believe that inbound delays to Sydney Airport which have plagued the industry during the last several years should be reduced dramatically. We estimate that for every minute of flying which can be reduced from a typical flight multiplied by the number of flights Hazelton operate throughout the year will result in the saving of \$205,000 per annum.<sup>92</sup>

Despite these positive comments, a number of concerns about the impact of the slot management scheme on regional services were put to the Standing Committee. These are detailed below.

### **3.1.2.2 Confusion about the slot management scheme**

The Standing Committee is concerned that many parties affected by the slot management scheme are unclear about its operation. This is perhaps not surprising given that the scheme only commenced in March and, although the movement cap is close to being reached during the peak morning period, this has not yet occurred. To date, it would appear the slot manager has been in a position to meet most requests from regional airlines for access during peak periods.

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<sup>91</sup> Submission 70, Local Government and Shires Association, p4.

<sup>92</sup> Submission 1, Hazelton Airlines, p3.

### 3.1.2.3 Pressure on Sydney Airport

Sydney Airports Corporation advised the Standing Committee that the number of scheduled aircraft movements between 7 and 9 am are very close to the 80 movements per hour cap.<sup>93</sup> Demand during these times from the domestic and regional sectors is likely to continue to grow, which would inevitably lead to more requests for slots at these peak times than is permitted under the cap. In addition, there could be increased demand from smaller regional operators once the peak period surcharge is abolished on 1 October 1998 (see section 3.1.2.7.1 for discussion about the impact of the peak period surcharge on slot access for smaller operators).

Mr Gerry McGowan, the Executive Chairman of Impulse Airlines (which is currently attempting to expand their operations), told the Standing Committee:

Slots are becoming increasingly difficult to get, especially if you want to have a viable business service, because people want to access Sydney early in the morning, they want to come out of there of an evening and there are plenty of slots available at 11 o'clock or 12 o'clock or 1 o'clock but to have viable air services from the country communities we need access at peak periods and there ... [are not] ... a lot of slots left there, or there are no slots left there.<sup>94</sup>

The impending shortage of peak period slots will focus attention on the ability of the regional ring fence and the slot management scheme to ensure appropriate access to Sydney Airport for regional and rural communities.

### 3.1.2.4 Relevance of air movement cap on regional traffic

The Federal Government introduced the 80 movements per hour cap on air traffic at Sydney Airport in 1997. The Federal Government policy stated:

Our policy will reduce the noise and pollution generated by the airport as much as possible, and will share the noise burden in a safe and equitable way.<sup>95</sup>

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<sup>93</sup> Submission 64, Sydney Airports Corporation Ltd.

<sup>94</sup> Evidence of Mr McGowan, Impulse Airlines, 7 September 1998, p392.

<sup>95</sup> Federal Liberal Party and Federal National Party, *Putting People First, The Coalition's Policy on Sydney Airport and Sydney West Airport*, 1996, p2.

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The Standing Committee heard from a number of witnesses who felt that the movement cap should not impact on regional air services, as the aircraft used for these services did not contribute significantly to noise pollution for Sydney residents. Cr John Crowther, Chairman of Lismore City Council's Airport Committee, stated:

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. ... I believe there should be some flexibility to give the regional airlines more frequent access and not be involved in the slot system.<sup>96</sup>

Similar arguments were put forward by a number of regional operators, including Air Link<sup>97</sup> and Hazelton Airlines, whose General Manager, Mr Greg Russell, told the Standing Committee:

One of the ironies of the slot system ... is that it was imposed because of jet noise at Sydney Airport ... the people who are really paying the price of the cap are the people who operate quieter propeller-driven aircraft into Sydney Airport, and the people ultimately paying that price are the people in smaller country centres.<sup>98</sup>

As mentioned previously, regional airlines hold around 33 percent of the allocated slots at Sydney Airport, with regional operators holding 30 percent of peak hour slots. The Standing Committee acknowledges the importance of this regional mix in relation to noise pollution generated by operations at Sydney Airport (see section 4.2.3).

Given the argument that propeller-driven aircraft do not contribute significantly to the noise problem, it might be possible to accommodate an increased number of regional planes during peak periods at Sydney Airport by altering the way in which the movement cap is administered. Sydney Airport has the operational capacity to accommodate such an increase in movements.

It would be possible to apply a cap only to the movement of jet aircraft which, if it were set at around 54 to 55 movements per hour, could ensure there would be no increase in the present number of jets landing each hour at Sydney Airport. Removing restrictions on propeller aircraft would improve access to Sydney Airport for regional and rural communities in New

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<sup>96</sup> Evidence of Cr Crowther, Lismore City Council, 12 August 1998, p82.

<sup>97</sup> Evidence of Mr Gordon, Air Link, 11 June 1998, p17.

<sup>98</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p3.

South Wales. The Standing Committee acknowledges that such a change would require significant community consultation.

### **3.1.2.5 Assurance of access to Sydney Airport for regional operators**

A major concern for both operators of rural and regional air services and users of those services was that of a guarantee of continued access to Sydney Airport. Under section 14 of the *Airports Act 1996* (Commonwealth), any lessee of Sydney Airport must provide for access to the airport by interstate air transport or international air transport, or both (whether or not the lease also provides for other access). There is no legislative requirement to provide for access for intrastate air transport.

This issue was raised in a number of submissions, including that of the Northern New South Wales Airport Management Association:

... a concern for regional operators is that under the Airport Act which will govern Sydney Airport, the lease “provide for access to the airport by interstate air transport or international transport or both”. No mention is made in the proposed leases for intrastate air transport which are the current services between regional centres of NSW and Sydney. A new lessee of Sydney Airport could effectively deny access to intrastate operators<sup>99</sup>

Given the strong views expressed by operators and community representatives, the Standing Committee is of the view it is essential that the *Airports Act 1996* be amended to require any lessee of Sydney Airport to guarantee access to the airport for intrastate air passenger transport services.

### **Recommendation 2**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to sponsor amendments to the *Airports Act 1996* to require any lessee of Sydney Airport to guarantee access to the airport for intrastate air passenger transport services.**

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<sup>99</sup> Submission 68, Northern New South Wales Airport Management Association, p2.

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### 3.1.2.6 Community input into slot allocations

A submission from the Country Mayors Association emphasised the need for rural and regional communities in New South Wales to have the ability to conduct a return journey to Sydney on the same day:

It is important to retain quality entry times to Sydney. Early morning arrivals permit people going to Sydney time to conduct business or attend to medical appointments and return ... in one day. A change of slot times to off peak for regional and rural flights could shorten the turn around times, and therefore the time available in Sydney. This could mean that in order to carry out a full day's business, a person may need to overnight which is an indirect increase in cost of travelling.<sup>100</sup>

The Greater Taree City Council claimed that:

... an early morning flight to Sydney and a later afternoon or evening return to the regional centre is required as a basic air service.<sup>101</sup>

As described in section 3.1.1.2, the present slot management scheme allocates regional slots to regional aircraft operators. These operators have the ability to use their slots in any manner that suits their operations, as well as the ability to swap their regional slots with those of any other regional operator.

Nearly every community-based representation to the Standing Committee raised the issue of slot security for specific communities. A submission from Grafton City Council stated:

There are concerns ... that should the airline, which is effectively the beneficiary of a slot, make alterations to routes and timetables it is possible that a slot could be reassigned to a more viable route and [that community's slot would] be lost forever.<sup>102</sup>

The issue was also highlighted in a submission from the Australian Airports Association (NSW State Division):

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<sup>100</sup> Submission 80, Country Mayors Association, p2.

<sup>101</sup> Submission 62, Greater Taree City Council, p2.

<sup>102</sup> Submission 22, Grafton City Council, p2.

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... some of our members are concerned that the slot goes with the airline, not the country airport. The concern is that an airline servicing a particular town could be bought out for its slot time and then walk away from servicing that town and use the slot time to service passengers from another town.<sup>103</sup>

At present a large number of rural and regional communities have access to a same-day return service. Many are concerned that the slot management scheme in its current form may contribute to the demise of their service levels, with services shifted out of peak period slots.

The application of the slot management scheme in a deregulated environment was also a major concern. Tamworth City Council's Airport Manager, Mr Michael Dubois told the Standing Committee:

... while we accept that the airline needs flexibility in the allocation of its slots ... we do have concerns about the fact that the airline owns the slot, and not necessarily the community. If an airline decides to go after another market, particularly if deregulation comes in, it can close down a lesser route, take those valuable slots, and apply them to competition on a more valuable market. What we would like to see, if slot times are going to be changed, is some consultation with that community prior to that decision being taken. Either that, or there should be a community representative on the slot committee, on which at the present time they are not represented at all.<sup>104</sup>

The issue of community input into slot allocation decisions was also raised in a number of other submissions, including one from Severn Shire Council:

Regional communities should have representatives on any committee that allocates slots to airline or route and have input into the changing of slot allocations from a community.<sup>105</sup>

The Executive Chairman of Impulse Airlines, Mr Gerry McGowan, acknowledged the lack of responsibility aircraft operators have to communities under the current slot management scheme:

The whole issue of responsibility to regional areas has not been addressed by the slots and the big down side of slots is that the airlines own them and you have no

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<sup>103</sup> Submission 35, Australian Airports Association (NSW State Division), p3.

<sup>104</sup> Evidence from Mr Dubois, Tamworth City Council, p256.

<sup>105</sup> Submission 73, Severn Shire Council, p4.

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obligation to continue to fly from where you gain those slots. We saw that as an obvious flaw in the system.<sup>106</sup>

Correspondence from the Commonwealth Department of Transport and Regional Development to the Northern New South Wales Airport Management Association, dated 11 August 1998, addressed the issue of a community-based slot scheme. The Department's Assistant Secretary Planning, Mr John Elliot, wrote:

During the development of the slot management scheme extensive consultation, including with regional operators and local government bodies, was undertaken. The issue of allocating route specific slots was considered and rejected, in open discussion with airlines and Sydney Airport, because of the administrative complexity it would create and the reduction in flexibility for airline operators. It was also seen as an unnecessary duplication of the current complex web of route allocations practised by the New South Wales Government. It could also result in slots being allocated to a route which may not be utilised. For example, if a carrier servicing one market withdrew from that market and was not replaced by another operator, then those slots would not be able to be reallocated. Regional NSW would suffer a loss of access. Such a situation would create major operational inefficiencies and could, over time, result in a reduction in the total number of services available to regional NSW.<sup>107</sup>

With respect to the points raised in this letter, the Standing Committee acknowledges that community-based involvement in the slot management scheme may make the scheme less flexible, impacting on the slot manager and the aircraft operators.

However, the Standing Committee shares the concern of regional communities that, under the current scheme, aircraft operators may move desirable slots away from smaller communities to high-density routes, a scenario highly likely if regional air services in New South Wales are deregulated. If aircraft operators were to adopt such an approach many smaller communities would lose same-day return journey access to Sydney. This would increase travel costs for members of these communities and could also act as a deterrent for those considering travel to these communities.

The Standing Committee questions the department's assertion that route specific slots would duplicate the New South Wales route allocation process, as the current regulation of routes in

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<sup>106</sup> Evidence of Mr McGowan, Impulse Airlines, 7 September 1998, p399.

<sup>107</sup> Correspondence from Mr John Elliot, Assistant Secretary Planning, Commonwealth Department of Transport and Regional Development to Mr Michael Dubois, Secretary, Northern New South Wales Airport Management Association, dated 11 August 1998.

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New South Wales has no effect on the detail of slot allocations at Sydney Airport. In addition, if deregulation proceeds in New South Wales, there will not be a route allocation process. The Standing Committee also questions the assertion that route specific slots could result in a reduction of services to regional New South Wales, as this matter could be addressed in the allocation mechanism if specific slots were introduced.

The Standing Committee is of the view that, in light of the concerns of rural and regional communities in New South Wales about security of access to peak period slots, the Federal Minister for Transport and Regional Development should investigate the possibility of community-owned slots and other options for ensuring peak period access for all rural and regional communities.

### **Recommendation 3**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to investigate the possibility of community-owned slots at Sydney Airport and other options for ensuring peak period access for all rural and regional communities.**

An additional means of giving rural and regional communities input into slot allocation is the inclusion of rural and regional community representation on the Sydney Airport Coordination Committee (see section 3.1.1.1). The Standing Committee acknowledges that while this would not guarantee secure access for regional communities to Sydney Airport, it would provide an avenue for direct input to the slot management scheme for regional communities.

### **Recommendation 4**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to consider inclusion of rural and regional community representation on the Sydney Airport Coordination Committee.**

### **3.1.2.7 Specific concerns of operators of services to smaller communities**

#### **3.1.2.7.1 Distortions caused by the peak period surcharge**

The recently announced restructure of landing fees at Sydney Airport abolishes the peak period surcharge from 1 October 1998. Since the peak period surcharge was introduced on 1 January 1991, regular passenger transport aircraft movements (landings and departures) between 8 and 9 am and 6 and 7 pm have attracted a \$250 surcharge (see section 3.2.1).

The Standing Committee was advised that the introduction of the surcharge led to a number of operators of smaller aircraft moving their services outside the peak period to avoid the additional expense. As a result, at the time the slot management scheme was introduced many operators servicing smaller communities were not operating services during the peak periods. Given that initial slot allocations were made on the basis of operational activities in 1997, this may effectively prevent a number of airlines operating smaller aircraft from accessing during peak periods, as argued in a submission from the NSW Farmers' Association:

Regional airlines were forced out of peak period landing times at KSA by peak period pricing which was implemented in 1991. When the slot management scheme was introduced the "grandfathering" of movements, which allocated slots according to use, meant that regional airlines were unable to regain access to peak period landing slots. The way the slot management system will operate ... will mean that if peak period landing charges are removed regional airlines are still unlikely to be able to regain the peak period slots lost as a result of the introduction of peak period pricing.<sup>108</sup>

Once the peak period surcharge is abolished, smaller regional operators could seek access to Sydney Airport during the peak periods. Given the limited availability of slots during the morning peak period, the Standing Committee is of the view that many operators of smaller aircraft will be unable to gain access to slots during this period, compounding air services disadvantages for smaller communities.

This issue could be resolved by altering restrictions on the movements of propeller aircraft at Sydney Airport, as described in section 3.1.2.4.

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<sup>108</sup> Submission 83, NSW Farmers' Association, p4.

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### 3.1.2.7.2 Impact of the “use it or lose it test”

Under the slot management scheme, airlines must use their allocated slots at least 80 per cent of the time, or risk losing the slot to another operator.<sup>109</sup> This requirement creates difficulties for smaller airlines that are reliant on maximising the number of passengers on each plane to generate a profit.<sup>110</sup>

Some smaller airlines currently combine routes on days when their passengers can fit into one aircraft, eliminating the need to fly two planes into Sydney. While this creates cost-savings for the airline, it means the airline does not use one of its allocated slots. Mr McKenzie, Managing Director of Country Connection Airlines, told the Standing Committee that passengers on his routes:

... understand that to keep it viable we do have to combine services. But, of course, this is detrimental to our retaining our slots ...<sup>111</sup>

Mr Rees, proprietor of Yanda Airlines, explained the impact of the “use it or lose it test”:

... we have to tread fairly carefully as to whether we stay above or below the 80 per cent, because if we get below the 80 per cent we risk losing the slot, which means we cannot operate half our flights to Sydney when we do have passengers, or we have the alternative of running empty aircraft to Sydney just to occupy the slot, which to me is totally wasteful of our resources and those of Sydney Airport.<sup>112</sup>

It would appear that the “use it or lose it test” places an unreasonable requirement on operators servicing a number of smaller communities in New South Wales. The viability of these services is dependent on the ability of operators to provide flexible services. The “use it or lose it test” reduces the flexibility of these operators and may result in the loss of services to smaller communities.

The Standing Committee notes that the slot manager has some scope to consider “relevant matters” when determining compliance with the “use it or lose it test”.<sup>113</sup> However, there is no certainty that operators of services to smaller communities will be protected from losing

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<sup>109</sup> Section 7, *Slot Management Scheme 1998*.

<sup>110</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p309.

<sup>111</sup> Evidence of Mr McKenzie, Country Connection Airlines Pty Ltd, 24 July 1998, p68.

<sup>112</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, pp311-312.

<sup>113</sup> Section 7(4), *Slot Management Scheme 1998*.

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slot allocations under the “use it or lose it test”, particularly given the impending privatisation of Sydney Airport.

The Standing Committee suggests that the Federal Minister for Transport and Regional Development review the slot management scheme with a view to protecting operators of air services to smaller rural and regional communities from losing slot allocations under the “use it or lose it test”.

#### **Recommendation 5**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to review the slot management scheme with a view to protecting operators of air services to smaller rural and regional communities from losing slot allocations under the “use it or lose it test”.**

#### **3.1.2.8 Specific concerns of Charter operators**

A number of commuters, particularly those travelling to and from communities without scheduled air services, rely on charter services for air transport to Sydney. International Aviation, a charter company operating a number of services out of Sydney Airport stated:

... the slot system ... has caused significant problems for charter flights ... The problem seems to be two fold. Firstly, the unavailability of slots for arrival and departure at times to suit our clients, and secondly, the inflexibility of the slot system to cater for changes in departure or arrival time. Both these problems are compounded by the necessarily dynamic nature of ad-hoc demand on air charter services, and the inherent inability of flight crews to be able to apply for slot times days or weeks ahead of time as the slot manager requires. ... flight crew are required to apply for slots and provide notification of changes in departure times by 4pm on the day prior to operations.

International Aviation highlighted the fact that the cost of the slot system that is incurred by charter operators is necessarily passed on to their clients.<sup>114</sup>

This issue could be resolved by altering restrictions on the movements of propeller aircraft at Sydney Airport, as described in section 3.1.2.4.

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<sup>114</sup> Submission 30, International Aviation Pty Ltd, p8.

Alternatively, if the Federal Minister for Transport and Regional Development is not prepared to remove restrictions on these movements, the Standing Committee suggests he consider setting aside a small number of slots during peak period times for the exclusive use of charter operators.

### **3.1.3 Conclusion**

While the Standing Committee received considerable positive feedback about the slot management scheme, there are concerns that the scheme has the potential to negatively impact on regional services, particularly those that provide services to smaller rural and regional communities.

The Standing Committee has made a number of recommendations aimed at improving the scheme so that regional airlines and the communities they serve continue to be assured of access to Sydney Airport.

## **3.2 Landing fees at Sydney Airport**

### **3.2.1 Changes to landing fees from 1 October 1998**

On 30 June 1998 the Federal Minister for Transport and Regional Development, the Hon Mark Vaile, MP, announced a restructure of charges at Sydney Airport, effective from 1 October 1998. Sydney Airports Corporation advised the Standing Committee that:

... the restructured charges eliminate the current subsidy provided by the domestic users to the international users. There will be no additional revenue raised as a result of this restructure. The domestic users however, will pay substantially less than they do at present.<sup>115</sup>

The main elements of the restructure that relate to landing fees are:

- a reduction in the basic landing charge from \$5.72 per tonne to \$2.92 per tonne, based on maximum take off weight;
- abolition of the \$250 peak period surcharge;
- an increase in the minimum charge per landing from \$27.50 to \$100; and

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<sup>115</sup> Submission 64, Sydney Airports Corporation, p7.

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- an increase in the international terminal charge from \$2.48 per tonne to \$7.92 per tonne.<sup>116</sup>

All aeronautical charges (including landing fees) at Sydney Airport are subject to price surveillance by the Australian Competition and Consumer Commission (ACCC).<sup>117</sup> The Standing Committee notes that the proposal put to the ACCC in relation to the restructure of charges at Sydney Airport sought an increase in the minimum landing fee to \$140.

Despite the ACCC recommendation to accept the \$140 minimum landing fee, the Minister chose to set the minimum landing fee at \$100. The \$100 minimum charge per landing has been the subject of negotiation between Sydney Airports Corporation and regional airlines, resulting in rebates for some operators. The rebate scheme is discussed in more detail in section 3.2.1.1.

The ACCC supported the proposed price restructure at Sydney Airport primarily because the basis for the changes was a move to a user pays system. It was not prepared to endorse proposals to increase charges for the financial years 1999-2000 and 2000-2001 until it had further investigated:

... issues relating to depreciation charges and rate of return ... traffic forecasts, capital expenditure incurred and other relevant variables.<sup>118</sup>

However, the ACCC did undertake to allow increases for these years “sufficient to justify” investment expenditure at the airport.<sup>119</sup>

Many regional local government councils indicated to the Standing Committee they support the changes to landing fees at Sydney Airport that will come into effect on 1 October 1998,

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<sup>116</sup> Submission 64, Sydney Airports Corporation, p7.

<sup>117</sup> Aeronautical services (including landing fees) at Sydney Airport are declared under section 21 of the *Prices Surveillance Act 1983*. This means that the Australian Competition and Consumer Commission (ACCC) must be notified of any proposal to increase charges for these services. The ACCC has the power to object to proposed increases and suggest a lower amount than the amount proposed. The ACCC must take a number of factors into account when considering a proposal to increase charges including the need to discourage a person who is in a position substantially to influence a market for goods or services from taking advantage of that power in setting prices. Section 17, *Prices Surveillance Act 1983*.

<sup>118</sup> Australian Competition and Consumer Commission (ACCC), *Statement for the Public Register on Proposed Aeronautical Charges at Sydney (Kingsford Smith) Airport*, 1998, p1.

<sup>119</sup> Australian Competition and Consumer Commission (ACCC), *Statement for the Public Register on Proposed Aeronautical Charges at Sydney (Kingsford Smith) Airport*, 1998, p1.

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including Griffith City Council, Wagga Wagga City Council, Albury City Council, Ballina Shire Council and Narrandera Shire Council. Cr Lesley Langford from Albury City Council stated:

... from the point of view of Albury City Council, we are not unhappy with those charges at all. It seems pretty reasonable for what we have been offered at Kingsford Smith, what we have to pay at Kingsford Smith, and what the aircraft have to pay, because it comes out as a slight reduction.<sup>120</sup>

However, a number of councils gave qualified support, seeking assurances that landing fees would be contained at an affordable level. For example, the Mayor of Narrandera Shire Council, Cr John Beattie, told the Standing Committee:

... council welcomes the revised charging system, given that it is not likely to lead to increased airfares for our community. However, council asks that consideration be given to introducing some mechanism under which regional passengers would be protected from indiscriminate price increases in the future. Without such a mechanism there is the distinct possibility of regional airlines being forced out of business over time as more and more pressure is brought to bear for access to Sydney (Kingsford Smith) Airport.<sup>121</sup>

### **3.2.1.1 The rebate scheme for regional operators**

Current indicative minimum landing fees at Sydney Airport for aircraft used by regional airlines on regular public transport routes are:

- \$27.50 for a five or nine seat aircraft, such as a Cessna 310 or a Piper Chieftain;
- \$44 for a 19 seat aircraft, such as a Beech 1900B; and
- \$71 for a 34 seat aircraft, such as a SAAB 340.

As mentioned in section 3.1.2.7.1, an additional \$250 peak period surcharge currently applies for aircraft movements between 8 and 9 am and 6 and 7 pm. This surcharge will be abolished from 1 October 1998.

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<sup>120</sup> Evidence of Cr Lesley Langford, Albury City Council, 24 July 1998, p56.

<sup>121</sup> Evidence of Cr John Beattie, Narrandera Shire Council, 21 August 1998, p233.

Despite the fact there will be a significant increase in minimum landing fees for aircraft servicing rural and regional centres, many of the larger regional airlines will benefit from the restructured charges as currently:

- a large proportion of their flights attract the \$250 peak period surcharge; and
- the majority of services provided by the larger airlines use aircraft that attract a \$71 landing fee.

On average, these larger operators are currently paying more than \$100 per landing and the removal of the peak period charge will therefore result in considerable savings.

For smaller operators, the \$100 minimum landing fee that will come into effect on 1 October 1998 has been of considerable concern. Many of these operators have in the past deliberately scheduled their services outside peak periods, in order to ensure the continued viability of services. Operators of smaller aircraft argue that as they do not require the extensive infrastructure required by large planes, they should not be charged for it. A submission from International Aviation stated:

... The reality is that aircraft in the 9 to 36 passenger class only require a small fraction of Sydney Airport's long runways to take-off and land. The vast majority of the runway length at Sydney Airport is required only for long range international jets. It seems unjust that the air travellers to or from rural and regional NSW communities should be paying for runway length and associated facilities at Sydney Airport that they neither require nor use.<sup>122</sup>

A submission from Grafton City Council also highlighted the disproportionate increase that the change in landing fees would have on smaller operators:

... the smaller regional airlines will suffer a disproportionate increase in fees and the larger aircraft operating on routes that are more viable will enjoy a reduction.<sup>123</sup>

The regional airlines raised these concerns with Sydney Airports Corporation and on 4 September 1998 agreement was reached on a rebate scheme for landing fees. This rebate scheme will only apply to operators of regular public transport services whose overall

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<sup>122</sup> Submission 30, International Aviation Pty Ltd, p4.

<sup>123</sup> Submission 22, Grafton City Council, pp1-2.

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average charge per landing in 1997-98 was less than \$100. The scheme will remain in effect until 30 June 1999.<sup>124</sup>

From 1 October 1998, aircraft with a maximum take off weight up to five tonnes (which includes most five and nine seat aircraft used on regular public transport routes) will receive a rebate of \$60, effectively reducing the landing fee to \$40. A rebate of \$17.50 will apply to aircraft weighing between five and ten tonnes (most 19 seat aircraft) resulting in an effective landing fee of \$87.50.<sup>125</sup>

While welcoming the relief the rebate scheme offers to smaller operators from the \$100 minimum landing fee, the Standing Committee is concerned that there is no certainty that these arrangements will continue beyond 30 June 1999.

The Standing Committee is of the view that if a minimum landing fee is going to continue to apply to aircraft landing at Sydney Airport, it essential that operators of services to smaller regional communities be guaranteed of assistance that will ameliorate the cost of that fee. This could be done either by legislating for the rebate scheme to ensure its future continuation or introducing an explicit subsidy for landing fees at Sydney Airport for regional air services. An explicit subsidy could either be administered by subsidising slots (with subsidies on a route-basis, allowing targeted subsidies to smaller communities) or by making payments directly to regional airlines. The Standing Committee is of the view that legislating for the rebate scheme is a more certain option for ensuring assistance.

#### **Recommendation 6**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to legislate for the rebate scheme for landing fees for regional operators at Sydney Airport, to ensure the future continuation of the scheme.**

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<sup>124</sup> Correspondence from Ms Ruth Martin, A/Chief Financial Controller, Sydney Airports Corporation to Mr Alan Terrell, Chief Executive, Regional Airlines Association of Australia, dated 9 September 1998.

<sup>125</sup> Correspondence from Ms Ruth Martin, A/Chief Financial Controller, Sydney Airports Corporation to Mr Alan Terrell, Chief Executive, Regional Airlines Association of Australia, dated 9 September 1998.

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### 3.2.2 Concerns raised during the inquiry

Both regional airline operators and the communities that they serve are concerned that regional air services will eventually be priced out of Sydney Airport. This concern extends even to the larger regional airlines, such as Hazelton Airlines, who observed that:

... currently nine and, to a lesser extent, nineteen seat aircraft are at the sharp edge of the [landing fee increases]. If this pricing principle is accepted it may well be a matter of time before the next level of the industry (the 30 seat plus market) also comes under pricing pressure.<sup>126</sup>

#### 3.2.2.1 Sensitivity of regional travellers to fare increases

The President of the Country Mayors Association, Cr Richard Torbay, highlighted the fact that while an increase in landing fees for a long-haul flight had little impact on ticket prices, an increase on shorter flights was more significant:

... For example, a \$10 increase in landing fees at KSA would mean a five to eight percent increase [in the ticket price] from Armidale to Sydney.<sup>127</sup>

The NSW Farmers' Association also argued that:

... the structure of fees at KSA needs to recognise the sensitivity of regional passengers' demand to increases in price.<sup>128</sup>

#### 3.2.2.2 Sydney Airports Corporation's basis for increased fees

The Chief Executive of Kendell Airlines, Mr Geoffrey Breust, questioned the basis on which Sydney Airports Corporation determined its restructured charges, indicating a desire to continue discussions about future changes:

... we do believe very strongly that, over the next 12 months or so, that consultation process [between Sydney Airports Corporation and the regional airlines] needs to continue, on the basis that we can really find out what the costs of running Sydney Airport are, and really look at the way those costs are treated in determining the

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<sup>126</sup> Submission 1, Hazelton Airlines, pp2-3.

<sup>127</sup> Evidence of Cr Richard Torbay, Country Mayors Association, 21 August 1998, p223.

<sup>128</sup> Submission 83, NSW Farmers' Association, p4.

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charges, because the information that we are currently getting from that organisation is less than acceptable in terms of the split-up costs. ...

One of the major concerns that we have is the treatment of depreciation of the assets in the accounts. We have a strong suspicion that there is a very high level of depreciation being included in the annual accounts, and on that basis the costs are a lot higher than they should be.<sup>129</sup>

As mentioned in section 3.2.1, the ACCC is also interested in obtaining further information about the rate of depreciation calculated by Sydney Airports Corporation.

### **3.2.2.3 Future arrangements at Sydney Airport**

Many participants in the Standing Committee's inquiry expressed concern about the lack of certainty relating to landing fees for regional airlines at Sydney Airport in the future. A submission from Hazelton Airlines stated that:

... concern already exists about the pricing regime to be employed by the new owners of Sydney Airport. Already members of the Regional Airlines Association of Australia ... report that a number of charges have increased (and suddenly appeared) in newly privatised airports in Australia.<sup>130</sup>

At present, there are no limits on the extent to which charges can be increased at Sydney Airport, except for the prices surveillance activities of the ACCC. This is in contrast to all major airports already privatised, which are subject to inflation-related price caps. Kendell Airlines wrote:

... The Federal Treasury released a statement ... [stating] ... that charges at Sydney Airport would not be subject to an inflation related cap, as has been introduced for the major privatised airports. This is of major concern and a substantial departure from previous approaches where pricing has been capped. Any future price fluctuations should be service and/or efficiency related.<sup>131</sup>

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<sup>129</sup> Evidence of Mr Geoffrey Breust, Kendell Airlines, 24 July 1998, p44.

<sup>130</sup> Submission 1, Hazelton Airlines, p3.

<sup>131</sup> Submission 37, Kendell Airlines, p2.

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The Standing Committee notes that a media release relating to prices oversight at Sydney Airport, issued by the Federal Treasurer in July this year, stated Sydney Airport “will not be subject to a CPI-X price cap at this stage”.<sup>132</sup>

The Standing Committee is of the view it is essential that the Federal Treasurer ensure that landing fees at Sydney Airport are subject to a price-cap, that price cap to be determined using the same methodology used for other capital city airports.

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<sup>132</sup> Federal Treasurer, *Prices Oversight of Sydney Airport*, Press Release 65, 13 July 1998.

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### **Recommendation 7**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Treasurer to introduce a price-cap on landing fees at Sydney Airport, that price cap to be determined using the same methodology used for other capital city airports.**

Another concern of many inquiry participants was the possibility that any lessee of Sydney Airport could reintroduce the peak period surcharge. A typical comment was made in the submission from Tamworth City Council:

There is also concern that under the Airport Act the eventual lessee of Sydney Airport can reintroduce peak period charges ...<sup>133</sup>

Coffs Harbour City Council had the same concern:

Slots could easily be lost to regional air services if a future KSA owner simply increased peak period landing fees.<sup>134</sup>

Given these concerns, it would be prudent for the Federal Government to ensure the lease for Sydney Airport includes a continuing requirement for affordable landing fees for regional airlines.

### **Recommendation 8**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to ensure that any future lease for Sydney Airport includes a continuing requirement for affordable landing fees for regional airlines.**

#### **3.2.2.4 Calls for landing fees to be based on passenger numbers**

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<sup>133</sup> Submission 65, Tamworth City Council, p1.

<sup>134</sup> Submission 69, Coffs Harbour City Council, p2.

The structure of landing fees at Sydney Airport results in disproportionately high costs for operators of smaller aircraft when compared to costs for operators of larger aircraft, even with reduced fees under the rebate scheme. This situation is further exacerbated for operators of smaller aircraft (with five to nine seats) as the impact of one empty seat on a scheduled flight means a significant change to the per passenger cost of landing.

It was suggested to the Standing Committee that the current minimum landing fee should be replaced by a fee calculated on the basis of passenger numbers, a method used by many regional airports. A submission from GrainCorp highlighted the fact that the additional infrastructure requirements of larger planes provides a nexus between passenger numbers and landing costs.<sup>135</sup>

Councils representing smaller communities were amongst proponents of a change to a per passenger landing fee, including Inverell Shire Council who argued that the current fees:

... do not discriminate according to size or weight of aircraft. It is believed that this type of fee is regressive and disadvantages regional aircraft ... A more equitable system would be to charge landing fees on a per head basis.<sup>136</sup>

The Proprietor of Yanda Airlines, Mr Paul Rees, told the Standing Committee that he had put a proposal to Sydney Airports Corporation that all landing fees at the airport be charged on a per passenger basis. However, he further advised the Standing Committee that the major airlines were “very luke-warm” on the idea.<sup>137</sup>

The Standing Committee is of the view that the proposal for landing fees to be charged on a per passenger basis has merit and that the Federal Minister for Transport and Regional Development should, in any future review, give this proposal serious consideration.

### **Recommendation 9**

**The Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development, in any future review, to consider changing the basis on which landing fees are charged from a minimum landing fee to a per passenger fee.**

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<sup>135</sup> Submission 28, GrainCorp Operations Ltd, p1.

<sup>136</sup> Submission 74, Inverell Shire Council, p2.

<sup>137</sup> Evidence of Mr Paul Rees, Yanda Airlines, 28 August 1998, p301.

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### **3.2.3 Conclusion**

Affordable access to Sydney Airport is imperative for travellers to and from rural and regional New South Wales. The Standing Committee considers it is essential that the Federal Government provide a guarantee that landing fees for regional services will, in the future, be contained at an affordable level.

## **3.3 Affordable access to Sydney Airport**

As outlined in sections 3.1 and 3.2, communities are concerned not only about maintaining adequate access to Sydney Airport, but also about ensuring that the access is affordable.

### **3.3.1 The link between prices and slot allocations**

Coffs Harbour City Council, in their submission, explained the need to examine prices and access together:

The issues of landing fees and slots go hand in hand. The peak hour slots will be useless for regional air services if peak period pricing makes their use too costly. Therefore the two issues cannot be separated and must be considered together.<sup>138</sup>

Mr Greg Russell, Managing Director of Hazelton Airlines, also highlighted the relationship between slots and pricing and warned against examining them in isolation:

The key issue in our view is not necessarily the guarantee that the Federal Government has given to regional New South Wales [about] slots ... it is whether or not you can physically afford to use those slots .... It is the relationship between slots and pricing ... looking at these issues in isolation really does not give you the total picture.<sup>139</sup>

The Standing Committee acknowledges that while Sydney Airport continues to be owned and operated by the Federal Government, the interests of rural and regional communities are likely to be taken into account when determining access to the airport and associated charges. The Standing Committee urges that action be taken to ensure that rural and regional users continue to have affordable access to Sydney Airport in the future.

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<sup>138</sup> Submission 69, Coffs Harbour City Council, p2.

<sup>139</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p2

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### **3.3.2 Current protection for regional airlines and users at Sydney Airport**

Sections 3.1 and 3.2 detail the current access and pricing arrangements in place at Sydney Airport. The Standing Committee has highlighted a number of concerns in relation to both these issues and made a series of recommendations to address these problems.

The slot management scheme described in section 3.1 provides a degree of protected access for regional airlines at Sydney Airport. Indeed, through the regional ring-fence, Sydney is leading the way in terms of ensuring that regional communities have access to their busy capital city airport. However, there are concerns that some regional communities will lose their slots.

As described in section 3.2, Sydney Airports Corporation is adopting user-pays principles in its new pricing regime, which will come into effect from 1 October 1998. An increase in the minimum landing fee to \$100 has been a major concern to the smaller regional airlines. Negotiations with Sydney Airports Corporation have resulted in the development of a rebate scheme to ameliorate the effect of this fee on smaller regional operators. While the Standing Committee welcomes the rebate scheme and commends Sydney Airports Corporation for its negotiations on prices for regional operators, the Standing Committee is concerned that the rebate scheme only applies until 30 June 1999. Rural and regional communities are seeking assurances that regional airlines are not going to face large increases in prices at Sydney airport in the future.

### **3.3.3 Additional methods of ensuring affordable access to Sydney Airport**

There are a number of actions that the Federal Government could take to give greater protection to regional commuters in terms of access and pricing at Sydney Airport.

#### **3.3.3.1 Charter of User Rights**

In response to community concerns, there has been some discussion about a Charter of User Rights to guarantee reasonable access to Sydney Airport, both in terms of pricing and slot allocations. On 15 July 1998, the New South Wales Minister for Transport, acting on a request from the Member for Tamworth, Mr Tony Windsor MP, asked the Standing Committee to consider such a charter in its inquiry process.

While there is some support for the principles behind the Charter of User Rights, the overwhelming response from inquiry participants was that because a charter would not have

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the force of legislation, it would not provide operators and users with the certainty of access they desired. The Chief Executive of Kendell Airlines, Mr Geoffrey Breust, told the Standing Committee that a Charter of User Rights would not “have the sort of teeth necessary to guarantee that the ring fencing of those slots will be able to be maintained.”<sup>140</sup> This view was reflected by Inverell Shire Council’s General Manager, Mr Paul Henry, who told the Standing Committee:

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 travellers would want that sort of surety of their rights to access Kingsford Smith Airport.<sup>141</sup>

A submission from Coffs Harbour City Council highlighted the unwillingness of regional centres to rely on anything less than legislation:

The Federal Minister for Transport and Regional Development has assured the regions that their access will be maintained. Unless these guarantees are enshrined in the Airport Act or its regulations, access will never be assured, even with the good intentions of the Minister.<sup>142</sup>

While supporting the principles behind a Charter of User Rights, the Standing Committee is of the view that such an approach will not be sufficient to ensure rural and regional communities have affordable access to Sydney Airport.

### **3.3.3.2 Legislation**

Legislation will give substantially better protection to regional airlines and users than an agreement or charter. There are a number of legislative amendments that could be made to guarantee affordable access to Sydney Airport for residents of rural and regional New South Wales.

Legislation currently in place includes the *Sydney Airport Demand Management Act 1997*, which provides legislative backing for the slot management scheme and gives regional airlines access to the pool of regional slots at Sydney Airport. While supporting in principle

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<sup>140</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p47.

<sup>141</sup> Evidence of Mr Henry, Inverell Shire Council, 12 August 1998, p125.

<sup>142</sup> Submission 69, Coffs Harbour City Council, p3.

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the slot management scheme, the Standing Committee has recommended changes to aspects of the scheme.

The *Airports Act 1996* spells out the requirement for any lessee of Sydney Airport to provide access for interstate air transport or international air transport. The Standing Committee has noted the lack of requirement that access be provided to intrastate operators and has recommended an amendment be made to correct this oversight.

While these legislative amendments would improve the rights of regional operators, they do not ensure affordable access.

The *Prices Surveillance Act 1983* is the current mechanism for monitoring increases in fees at Sydney Airport. Sydney Airports Corporation must submit proposals for fee increases to the ACCC. Prices oversight arrangements are also in place for the privatised capital city airports in Australia, which are subject to inflation-related price caps. At present, however, there is no such cap at Sydney Airport. The Standing Committee has recommended that a price-cap be introduced on landing fees at Sydney Airport.

The Standing Committee has also recommended that the rebate scheme for regional airlines be put into legislation and that, in any future review, consideration be given to charging landing fees on a per passenger basis.

The Standing Committee does not intend to limit the inclusion of rights of access for regional operators and communities to the abovementioned legislation. While giving these as examples of where and how to provide for affordable access, the Standing Committee would welcome other legislative backing for regional air services. The Federal Government may consider there are more appropriate legislative mechanisms to ensure affordable access to Sydney Airport.

### **3.3.3.3 Sydney Airport's lease**

The Standing Committee acknowledges the concerns about affordable access to Sydney Airport. In addition to the proposed legislative amendments outlined in section 3.3.3.2, the Standing Committee is of the view that any lease for Sydney Airport should include specific clauses relating to provisions for regional aircraft. These provisions should be drafted to ensure that rural and regional communities in New South Wales have adequate, affordable access to Sydney Airport.

### 3.3.3.4 Explicit subsidies on landing fees

If the rebate scheme is not legislated the Standing Committee suggests that the Federal Government could explicitly subsidise landing fees at Sydney Airport for regional air services.

There are a number of ways that a subsidy scheme for landing fees could be established. The subsidy could be connected to the slot system. Under this arrangement the subsidies could be allocated to the airlines, or the subsidy could be allocated to a route, and the provider of that service would then receive that subsidy. Alternatively, the subsidy could be allocated through a rebate scheme, similar to the one that will commence on 1 October 1998.

### 3.3.4 Conclusion

The Standing Committee advocates guaranteed affordable access to Kingsford Smith Airport for rural and regional communities in New South Wales. While commending the slot management scheme and the rebate scheme for regional airlines, the Standing Committee recognises that rural and regional communities are looking for a guarantee of affordable access in the future. The Standing Committee has therefore endeavoured to provide a framework to ensure affordable access in the future.

Recommendations 3,4 and 5 of this report address the concerns relating to regional airlines having access to peak period slots by:

- suggesting the allocation of slots to communities, rather than airlines (recommendation 3);
- advocating regional community input during the slot allocation process (recommendation 4); and
- recommending protection for operators of air services to smaller rural and regional communities to prevent them from losing access under the “use it or lose it test” (recommendation 5).

Recommendations 6, 7 and 9 are aimed at ensuring regional airlines are not priced out of Sydney Airport in the future by:

- legislating for the rebate scheme for landing fees for regional operators at Sydney Airport (recommendation 6);

- capping landing fee increases at Sydney Airport by the introduction of a price cap (recommendation 7); and
- recommending consideration in the future of a change to the basis on which landing fees are charged from the current minimum landing fee to a per passenger landing fee (recommendation 9).

Recommendations 2 and 8 suggest mechanisms to ensure that affordable access is maintained, namely:

- amending the *Airports Act 1996* to require any lessee of Sydney Airport to guarantee access to the airport to intrastate air passenger transport (recommendation 2);
- including a continuing requirement for affordable landing fees for regional airlines in any lease for Sydney Airport (recommendation 8).

If the Federal Government does not choose to implement the above recommendations, the Standing Committee suggests that the Federal Minister for Transport and Regional Development implement a Charter of User Rights to ensure affordable, appropriate access to Sydney Airport for regional air services.

#### **Recommendation 10**

**The Standing Committee recommends that, if the Federal Government does not chose to accept recommendations 2 to 9, the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to implement a Charter of User Rights to ensure affordable, appropriate access to Sydney Airport for regional air services.**

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## **4 PROPOSALS TO LIMIT ACCESS TO SYDNEY (KINGSFORD SMITH) AIRPORT AND DIRECT COUNTRY SERVICES TO BANKSTOWN**

The evidence that the Standing Committee received overwhelmingly rejects the redirection of country services to Bankstown.

At no time in the inquiry process could the Standing Committee identify a firm proposal to redirect country air services to Bankstown Airport. The Standing Committee did hear evidence relating to fears about regional air services being directed to Bankstown and has addressed those fears in this chapter.

In evidence to the Standing Committee, rural and regional communities rejected the redirection of country air services to Bankstown, as it would increase travelling time, increase travel costs and would be inconvenient, particularly to passengers wanting to connect to interstate or international flights or travel to the centre of Sydney. The airline operators opposed any redirection to Bankstown, primarily for the reason that passengers do not want to travel to Bankstown. Residents in the Bankstown area have been vocal in their objections to regional aircraft using Bankstown Airport for reasons of noise and air pollution and safety considerations. Additionally, residents under the flight paths for Sydney Airport objected to regional aircraft being redirected to Bankstown, as these smaller aircraft provide relief from the noisy jets using Sydney Airport.

There was, however, conditional support for the direction of country services to Bankstown from some companies that operate at Bankstown Airport.

The Standing Committee is required to examine the impact on country communities of proposals to limit access to Sydney Airport and direct country services to Bankstown, but has consulted more widely in its inquiry process, including deliberations on the impacts of Sydney residents. This section briefly summarises some of the sentiment presented to the Standing Committee through the inquiry process. It does not raise every concern that was presented to the Standing Committee throughout the inquiry process, but addresses the main concerns that relate directly to our terms of reference.

## **4.1 Bankstown Airport**

Bankstown Airport, situated 22 kilometres south-west of Sydney's central business district, is Australia's busiest airport. In fact, Bankstown Airport was the fifth busiest airport in the world in terms of aircraft movements in 1996.<sup>143</sup> It is acknowledged as the hub of general aviation in Australia,<sup>144</sup> and is a major training facility. Bankstown Council described the airport's operations in their submission:

It is understood that up to 60% of the general aviation movements in the Sydney Region are distributed to Bankstown. General aviation encompasses all civil aircraft operations other than scheduled airline operations. Up to 35% of the aircraft maintained in NSW were maintained at Bankstown airport.

Bankstown has the largest training school facilities in Australia and is the country's major civil training airport.<sup>145</sup>

## **4.2 The impacts of directing country air services to Bankstown Airport**

### **4.2.1 Rural and regional commuters and airline operators**

Rural and regional commuters and regional airlines reject the redirection of rural and regional air services to Bankstown Airport.

#### *Rural and regional communities*

All the rural and regional councils that participated in this inquiry strongly opposed country services being routed into Bankstown Airport. In fact, the Country Mayors Association unanimously rejected the redirection of country air services to Bankstown.<sup>146</sup> The view expressed by Cr Tony McGrane, Mayor of Dubbo, is indicative of comments put to the Standing Committee:

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<sup>143</sup> Evidence of Mr Blaschke, Bankstown Concerned Residents Group, 20 August 1998, p140.

<sup>144</sup> Bankstown Airport Limited, Internet site at <http://www.bankstownairport.com.au>

<sup>145</sup> Submission 27, Bankstown City Council, p1.

<sup>146</sup> Evidence of Cr Torbay, Country Mayors Association, 21 August 1998, p223.

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Moving regional airlines to Bankstown would be an absolute disaster for regional New South Wales in general.<sup>147</sup>

Mr Michael Dubois, a representative of the Northern New South Wales Airport Management Group, explained problems with directing regional air services to Bankstown:

The option of putting us into Bankstown airport is not viable at all. We need access to Sydney city, and we also need access to Sydney airport so that we will be able to join other domestic and international flights for both our communities. We need access to Sydney. It is vital for the redevelopment of New South Wales, but we also need it for medical access so that the communities of regional New South Wales may go to Sydney for specialist treatment.<sup>148</sup>

*Regional airline operators*

The regional airline operators shared the concerns of the rural and regional communities. If passengers chose not to travel from regional centres to Bankstown Airport, the operators would become unviable. The operators, therefore, expressed strong objections to being directed to Bankstown Airport. Mr Terry McKenzie, Managing Director of Country Connections Airlines, described the impact that it would have on his operations:

...to move out to Bankstown would basically ruin my business. I just do not think the number of people would support that move.<sup>149</sup>

When questioned at public hearings about whether Kendell Airlines would operate out of Bankstown if they were offered an attractive package of landing fees, Mr Geoffrey Breust, Managing Director of Kendell Airlines stated:

I would not go there. Even if it was for nothing, we would not go.<sup>150</sup>

The Standing Committee notes that in 1992 and 1993 there were two regional airlines utilising Bankstown Airport—Tamair on their Tamworth to Sydney route and Western Air on their Wagga Wagga to Sydney route. Mr Paul Bredereck, Managing Director of the Tamair

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<sup>147</sup> Evidence of Cr McGrane, Dubbo Council, 21 August 1998, p205.

<sup>148</sup> Evidence of Mr Dubois, Northern New South Wales Airport Management Group, 27 August 1998, p257.

<sup>149</sup> Evidence of Mr McKenzie, Country Connections Airlines, 24 July 1998, p69.

<sup>150</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p 54.

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Group, estimated that only 4 per cent of the passengers travelling the Tamworth to Sydney route wanted to fly to Bankstown.<sup>151</sup>

The lack of demand for regional air services to land at Bankstown Airport was also highlighted by Mr Paul Rees, Proprietor of Yanda Airlines, who described the results of a survey that Aeropelican conducted for three months to determine how many passengers wanted to land at Bankstown. Only one respondent favoured Bankstown.<sup>152</sup>

The following sections describe the main grounds on which the rural and regional communities and airline operators reject the direction of country air services to Bankstown Airport.

#### **4.2.1.1 Increased cost and time to access Sydney's central business district**

One of the main concerns about directing country services to Bankstown Airport that was voiced by regional communities and airline operators related to the additional time and cost that it would take to travel from Bankstown Airport.

##### *Regional communities*

Rural and regional councils were concerned about the impact that the additional time and cost would have on business travellers, as expressed by Cr John Beattie, Mayor of Narrandera:

Any decision to restrict country services to Bankstown Airport would affect many travellers, not the least being business representatives who are reliant on single-day access to the Sydney central business district.

A high percentage of trips from our region are of a business nature. It is thus of great importance that the journey to the city be achieved as quickly and as efficiently as possible. Flights to Bankstown Airport would add significantly to travel time and would in many instances require an extra night's accommodation. Business meetings that once could have been completed in a single day could well require an overnight's stay. ...the cab fare from Bankstown Airport to Sydney city at present amounts to approximately \$60, and two such cab fares would add considerably to the cost of a trip to Sydney.<sup>153</sup>

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<sup>151</sup> Evidence of Mr Bredereck, Tamair Group, 21 August 1998, p244.

<sup>152</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p319.

<sup>153</sup> Evidence of Cr Beattie, Narrandera Council, 21 August 1998, p232.

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Cr Tony McGrane, Mayor of Dubbo, expressed similar concerns:

...the majority of passengers who travel the Dubbo to Sydney route do so for business purposes. When a person travels to Sydney that person basically undertakes to do business in the central business district or surrounding areas. Likewise, business people coming to Dubbo in the main come from the eastern and northern suburbs of Sydney. Certainly Bankstown would add significantly to the time travelled for Sydney-based passengers.<sup>154</sup>

The Standing Committee understands that increasing the travel time and cost could impact on the viability of regional air services as more commuters chose to drive. Cr John Harding, Mayor of Wagga Wagga, stated:

Travel time to and from Wagga Wagga is undoubtedly one of the major reasons that patrons elect to utilise air travel. The prospect of landing in Sydney and then travelling to the central business district from Bankstown is not palatable to the vast majority of regional air travellers.<sup>155</sup>

This view was shared by Cr Robert Schroder from Severn Shire Council, who stated:

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.<sup>156</sup>

### *Regional airlines*

The regional airline operators expressed concern that passenger numbers would fall and their services would become unviable due to the additional cost, time and inconvenience associated with travelling to and from Bankstown Airport.

Many of the operators commented on the lack of infrastructure to facilitate movement between Bankstown Airport and the Sydney central business district. Mr Rick Gordon, Manager of Marketing and Operations for Air Link, stated:

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<sup>154</sup> Evidence of Cr McGrane, Dubbo City Council, 21 August 1998, p205.

<sup>155</sup> Evidence of Cr Harding, Wagga Wagga Council, 24 July 1998, p35.

<sup>156</sup> Evidence of Cr Schroder, Severn Shire Council, 12 August 1998, p110.

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...it is important to access Kingsford Smith airport for its proximity to the business centre in Sydney. Bankstown airport just does not have the infrastructure, it does not have the ground transport system to get to and from Sydney, and if any service were forced to go to Bankstown it would quickly degenerate into a non-service.<sup>157</sup>

This view was supported by Mr Greg Russell, Managing Director of Hazelton Airlines, who stated:

The ground transport infrastructure between Bankstown and Sydney is inadequate. The reason that people fly with us is that 60 per cent of them are operating some sort of business, and they need to get to the city quickly. Another hour onto that journey and they will drive.<sup>158</sup>

Mr John Fitzgerald, Metro Captain of International Aviation, explained that due to inadequate infrastructure, passengers do not want to use Bankstown Airport:

Bankstown Airport is not a viable option for passengers at this stage. The facilities and road access are not there. People do not want to go there.<sup>159</sup>

As previously mentioned, Tamair Airlines used Bankstown Airport in 1992 and 1993. Mr Paul Bredereck, Managing Director of the Tamair Group, explained the problems that passengers experienced travelling from Bankstown Airport:

The main single limitation at Bankstown is access. Access to Parramatta is inadequate and access to the central business district is inadequate.<sup>160</sup>

The Standing Committee recognises the difficulties in accessing Bankstown Airport and rejects the direction of regional air services to Bankstown Airport on these grounds.

#### **4.2.1.2 Connecting flights at Sydney Airport**

A large proportion of commuters on regional flights connect to other flights at Sydney Airport. The Standing Committee heard that on-carriage of passengers from regional to

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<sup>157</sup> Evidence of Mr Gordon, Air Link, 11 June 1998, p17.

<sup>158</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p3.

<sup>159</sup> Evidence of Mr Fitzgerald, International Aviation, 20 August 1998, p194.

<sup>160</sup> Evidence of Mr Bredereck, Tamair Group, 21 August 1998, p245.

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domestic or international flights varied from around 20 per cent<sup>161</sup> to around 80 per cent,<sup>162</sup> depending on the airline and the route.

*Regional communities*

The Standing Committee acknowledges concerns that if regional air services are directed to Bankstown, it will be extremely inconvenient and costly for passengers to then travel to Sydney Airport to connect to another flight.

Cr Helen Brayne, Mayor of Griffith, explained the importance of access to domestic and international flights:

We have also highlighted the convenience of having access to the international and interstate flights. We feel that Sydney should have an airport that provides a domestic-international service at the one centre, as well as being able to satisfy the needs of residents of the State that use our domestic airlines.<sup>163</sup>

Cr Tony McGrane, Mayor of Dubbo, described the potential inconvenience of having to travel between airports to catch another flight:

In terms of the Dubbo-Sydney interstate and international passenger market, the need to transfer from Bankstown to KSA to catch interstate or international flights would be most inconvenient and more costly in most cases. ...<sup>164</sup>

Also, at present one can put luggage on at Dubbo and with connecting hubs at Kingsford-Smith airport with Qantas and Ansett we can take our luggage off wherever we alight from that international flight, be it London, Tokyo or wherever. That would not happen with Bankstown. We would have to bring our luggage into Bankstown, transfer to Kingsford-Smith airport and then go from there. The inconvenience of not having the intrastate airlines with the interstate and international airlines all hubbing into one would have a detrimental effect on people who live in regional New South Wales.<sup>165</sup>

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<sup>161</sup> Evidence of Mr Brederick, Tamair Group, 21 August 1998, p245.

<sup>162</sup> Evidence of Mr Rees, Yanda Airlines, 28 August 1998, p318.

<sup>163</sup> Evidence of Cr Brayne, Griffith Council, 22 July 1998, pp27-28.

<sup>164</sup> Evidence of Cr McGrane, Dubbo Council, 21 August 1998, p204.

<sup>165</sup> Evidence of Cr McGrane, Dubbo Council, 21 August 1998, p206.

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### *Regional airlines*

The Standing Committee heard that Sydney Airport should maintain a balance of regional, interstate and international air services to allow integrated, convenient air travel. Mr Rick Gordon, Manager of Marketing and Operations for Air Link, explained the interdependent nature of the Australian air system:

The air system in Australia is interdependent. It is meshed. It is not only regionals, it is not only domestics, but it is international, and they are meshed as one. I think if you try to fragment one of those from the others, you will upset the balance of the whole system.<sup>166</sup>

This view was shared by Mr Geoffrey Breust of Kendell Airlines, who stated:

In regard to access to Bankstown airport, I am sure the Committee appreciates that we and the air transport industry work in a global system; we are not simply a regional operator that flies between Wagga Wagga and Albury and Sydney in that sense. We are part of a global system. People use our services all through regional Australia to travel to all parts of the globe. We are all part of the one system. To take us away from a major international airport would create major difficulties for that system to work properly.<sup>167</sup>

The Standing Committee recognises the need for an integrated airport (servicing regional, domestic and international air services) and the problems with connecting flights if regional services are directed to Bankstown Airport and firmly rejects the direction of regional air services on these grounds.

#### **4.2.1.3 Current movements and safety concerns at Bankstown Airport**

As described in section 4.1, Bankstown Airport is Australia's busiest airport. It handles around 130,000 more aircraft movements each year than Sydney Airport. Mr Francis Millen, a Member of the Murray Regional Development Board, explained that Bankstown Airport is reaching its capacity and does not have the ability to handle all the regional air services that currently operate into Sydney Airport:

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<sup>166</sup> Evidence of Mr Gordon, Air Link, 11 June 1998, p17.

<sup>167</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p48.

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We also believe that Bankstown airport is close to capacity. We understand the second Sydney airport draft EIS gave Bankstown's capacity as 450,000 movements. We further understand that Air Services Australia statistics for 1997 indicate that Bankstown's flight movements are 406,000 movements per annum. Obviously, if all regional air services were diverted from Kingsford Smith airport to Bankstown, that would exceed the capacity of Bankstown of 450,000 movements per annum. If this did happen, it is obviously going to have an impact in terms of going back to the bad old days of Kingsford Smith airport where we spent a lot of time circling Kingsford Smith airport waiting for a landing slot, and generally creating inconvenience for passenger and additional costs for the airlines, and generally disrupting the type of business that the regional air traveller was looking to carry out in Sydney or beyond.<sup>168</sup>

### *Regional communities*

Rural and regional communities were concerned about safety aspects of Bankstown Airport, particularly in light of the high number of aircraft movements already taking place. Cr Helen Brayne, Mayor of Griffith, explained:

We are also concerned about what would happen with the disruption of the present use of Bankstown aerodrome at the moment. It is a heavily used airport, and the *Air Services Bulletin*...indicates that there are more than 400,000 flights in and out of Bankstown per year, as against 280,000 into Mascot. There is no radar control there. But, also, what will happen to the training that currently takes place at Bankstown? Mixing those two types of traffic at Bankstown could be a major problem. Bankstown is already heavily used, and we are very concerned about that proposal.<sup>169</sup>

Mr Michael Dubois, a representative of the Northern New South Wales Airport Management Group, raised concerns about the appropriateness of the air traffic control system currently operating at Bankstown Airport for regular public transport traffic:

One of the concerns that I have with Bankstown airport is that the air traffic control system operates on what they call GAAP procedures. It is basically that the pilots separate themselves once they are in the air. The only separation that occurs by air traffic controllers is on the runway. You need that environment if you are under a very heavy training regime, such as where you have 340,000 movements a year.

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<sup>168</sup> Evidence of Mr Millen, Murray Regional Development Board, 24 July 1998, p77.

<sup>169</sup> Evidence of Cr Brayne, Griffith Council, 22 July 1998, p27.

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I have grave concerns about putting passenger-type aircraft into that operating environment. While Tamworth has a very heavy training environment as well, we do not operate under GAAP; we operate under primary separation control, mainly because of the fact that we have training aircraft mixed in with routine passenger transport operations.<sup>170</sup>

### *Regional airlines*

The airlines also expressed concern about the number of movements at Bankstown Airport. Mr Greg Russell, Managing Director of Hazelton Airlines, stated:

Apart from everything else, Bankstown airport is one of the busiest airports in Australia already. ... it is an air traffic nightmare for a start. It is just not an option.<sup>171</sup>

Inquiry participants questioned whether directing regional aircraft to Bankstown Airport will alleviate air traffic problems at Sydney Airport for two reasons. Firstly, Bankstown Airport has a morning peak hour, comprising bank and freight-run traffic,<sup>172</sup> which raises questions about the ability of Bankstown Airport to accommodate a significant increase in traffic in peak periods. Secondly, operating high performance into Bankstown Airport could hinder air traffic management systems at Sydney Airport, effectively reducing the capacity at Sydney Airport.<sup>173</sup>

The regional airlines also expressed concern about the air traffic control system at Bankstown Airport. Mr Paul Bredereck, Managing Director of the Tamair Group, explained:

Above all else I believe that safety at Bankstown Airport should be the prime consideration. ... [Bankstown Airport is] operating in what is called a GAAP—General Aviation Procedures—environment which is vastly different to class “AS” airspace at Sydney airport.

With the high level of traffic at Bankstown I do not believe air services could be operated safely into Bankstown with the mix of general aviation traffic.<sup>174</sup>

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<sup>170</sup> Evidence of Mr Dubios, Northern New South Wales Airport Management Group, 27 August 1998, p273.

<sup>171</sup> Evidence of Mr Russell, Hazelton Airlines, 11 June 1998, p4.

<sup>172</sup> Evidence of Mr Campbell, International Aviation, 20 August 1998, p185.

<sup>173</sup> Evidence of Mr Breust, Kendell Airlines, 24 July 1998, p51.

<sup>174</sup> Evidence of Mr Bredereck, Tamair Group, 21 August 1998, p245.

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Concerns about aircraft movements and safety issues were also raised by residents from the Bankstown area (see section 4.2.2.3).

The Standing Committee shares concerns about increasing the number of aircraft movements by directing rural and regional air services to Bankstown Airport. The Standing Committee is also anxious about safety at Bankstown Airport if regional aircraft were directed there given its current air traffic control systems and the large number of aircraft movements.

## 4.2.2 Concerns of Bankstown residents

The Standing Committee received a large number of submissions from residents who live near Bankstown Airport. These people were specifically concerned about the impact that the direction of country air services to Bankstown Airport would have on their standard of living. Submissions received from residents near Bankstown Airport strongly opposed such a move.

A submission from Mr Jon Hillman, Convenor of the community group Bankstown Airport Out, Tourism In (BAOTI), stated:

There has been, is and will continue to be, significantly increased community opposition to any expansion of Bankstown Airport.<sup>175</sup>

Mr Hillman's view was supported by numerous residents of Bankstown, including Mr Adrian Froude, who wrote:

I do not want Bankstown Airport to become a regional airport.<sup>176</sup>

Bankstown City Council also provided the Standing Committee with a submission detailing its strong opposition to the redirection of country air services to Bankstown Airport, based on environmental, financial and social concerns.<sup>177</sup> Opposition also came from nearby Liverpool City Council<sup>178</sup> and the Local Government and Shires Associations.<sup>179</sup>

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<sup>175</sup> Submission 2, Bankstown Airport Out – Tourism In (BAOTI), p1.

<sup>176</sup> Submission 16, Mr Adrian Froude, Private Citizen, p1.

<sup>177</sup> Submission 27, Bankstown City Council.

<sup>178</sup> Submission 44, Liverpool City Council, p2.

<sup>179</sup> Submission 70, Local Government and Shires Associations of New South Wales, p7.

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Specific concerns raised by Bankstown residents are detailed below.

#### **4.2.2.1 Density of residential population**

Many submissions highlighted the large residential population near Bankstown Airport. Bankstown City Council advised the Standing Committee that approximately 35,000 Bankstown residents are affected by noise pollution<sup>180</sup> from the current operations of the airport.<sup>181</sup>

In addition to residential properties, education and medical institutions are affected by airport operations at Bankstown. Mrs Yvonne Grace, a private citizen, wrote:

We have a nursing home in this suburb which accommodates very elderly citizens, three schools and a kindergarten, all of which border on the airport itself ...<sup>182</sup>

#### **4.2.2.2 Noise and air pollution**

The impact of increases in noise pollution resulting from increased aircraft operations was the primary concern raised by residents who live close to Bankstown Airport. Residents are already subject to noise from large volumes of air traffic and are adamantly opposed to any change in airport operations that would increase noise levels.

A typical view was that expressed by another private citizen, Mrs Amelia Stothard:

I am very much against further development at Bankstown Airport. The noise is bad enough, what with those large noisy planes going over the top of our house now, and I do not wish any further planes intruding into our lives.<sup>183</sup>

Ms K Semianiw, a private citizen, detailed the frequency of flights early one morning:

Already, I find the noise generated by aircraft using Bankstown Airport intolerable. I have aircraft flying over my house at low level on both approach and departure. The frequency of these flights can be high, over one flight per minute. For example, on

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<sup>180</sup> Within the 20 ANEF zone

<sup>181</sup> Submission 27, Bankstown City Council, p1.

<sup>182</sup> Submission 18, Mrs Yvonne Grace, Private Citizen, p1.

<sup>183</sup> Submission 10, Mrs Amelia Stothard, Private Citizen, p1.

the morning of 9 July 1998 nine aeroplanes flew over my house between 6.25 and 6.30.<sup>184</sup>

The issue of air pollution was also raised by a number of residents. Ms Megan Sutherland, a private citizen, explained one of her concerns was:

The negative impact caused by the increase in aviation fuel pollution. At times, the smell, particularly caused by Avtur, is very noticeable.<sup>185</sup>

The quality of life of many residents is already reduced by aircraft operations in the area, with Mrs June Harris, a private citizen, claiming.

It is now impossible to spend any recreational time in your backyard due to the pollution and noise.<sup>186</sup>

The Standing Committee acknowledges the large number of people affected by aircraft noise and air pollution in the Bankstown area and therefore rejects the redirection of country services to Bankstown Airport.

#### **4.2.2.3 Safety**

Bankstown residents were also concerned that redirection of country air services to Bankstown Airport would impact on the safety of residents living near the airport. Mr Kevin Duffy, a private citizen, wrote:

The June 6<sup>th</sup> 1998 crash near Hoxton Park airport, involving training aircraft which departed from Bankstown, provides evidence that the scale of operations now jeopardises the heavily populated areas around both these airports.<sup>187</sup>

Ms Megan Sutherland, a private citizen, also raised concerns about safety at Bankstown Airport as aircraft movements increase:

With the increase in aviation activity, the chances of a crash into the densely populated area immediately below the flight path ... will increase.<sup>188</sup>

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<sup>184</sup> Submission 19, Ms K Semianiw, Private Citizen, p2.

<sup>185</sup> Submission 14, Ms Megan Sutherland, Private Citizen, p1.

<sup>186</sup> Submission 5, Mrs June Harris, Private Citizen, p2.

<sup>187</sup> Submission 21, Mr Kevin Duffy, Private Citizen, p8.

<sup>188</sup> Submission 14, Ms Megan Sutherland, Private Citizen, p1.

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Concerns about safety issues were also raised by rural and regional communities and airline operators (see section 4.2.1.3).

#### **4.2.2.4 Additional issues raised by Bankstown residents**

A number of issues raised by community representatives from Bankstown related to concerns about the current operational capacity and management of the airport. The Standing Committee heard evidence about these issues from both community representatives and representatives of Bankstown Airport Limited. Specific matters raised included:

- alterations to runways;
- the lack of a curfew at the airport; and
- the level of consultation with the community about the airport.

The Standing Committee notes the concerns of Bankstown residents, as well as the assurances of representatives of Bankstown Airport Limited in relation to these issues. At the time of tabling this interim report the Standing Committee was not in a position to explore these matters in detail.

#### **4.2.3 Concerns of other Sydney Residents**

Bankstown residents were not alone in expressing concern about the possibility of country air services being redirected to Bankstown Airport. The Standing Committee received a number of submissions from representatives of various community groups across Sydney who were particularly worried that such a move might increase jet operations at Sydney Airport.

The Coordinator of the Northshore Aircraft Action Group and Member of the Ku-ring-gai Aircraft Noise and Impact Committee, Ms Alison Duncan, wrote:

The people of the Upper North Shore strongly object to any expansion of Bankstown Airport that would alter the balance of use of Kingsford Smith Airport to increase the proportion of larger jets, and internationals.<sup>189</sup>

Ms Duncan's view was echoed by the Chairperson of Lane Cove Airport Action Inc, Ms Judith Ohana, who highlighted the important role of regional aircraft in Sydney Airport's Long Term Operating Plan:

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<sup>189</sup> Submission 26, Northshore Aircraft Action Group, p1.

This would have the effect of turning Sydney Airport into an all-jet airport, increasing the noise and air pollution from both aircraft and associated road traffic, and likely threatening the newly-introduced Noise Sharing Long Term Operating Plan. During the community consultations on the LTOP it was stated that 40% of air traffic at Sydney Airport would continue to be non-jet aircraft.<sup>190</sup>

This issue was also raised by the Chair of the Hornsby Residents Aircraft Noise Group, Ms Melinda Keresztes:

The transfer [of regional aircraft to Bankstown] would free up capacity at KSA for more jet movements, not just by the actual number of aircraft shifted to Bankstown, but due to the “homogenous mix” effect.<sup>191</sup>

The Chair of the Leichhardt Airport and Urban Environment Research Group, Ms Jannette Barros, raised additional environmental concerns:

Whilst this [direction of regional services to Bankstown Airport] might increase KSA’s technical ability to increase its jet handling capacity, and therefore increase the saleability of KSA, it would have a most detrimental impact on Sydney’s urban areas if it were actually allowed to occur. Needless to say, the replacement of a fully laden 20-36 seat plane with a fully laden 200-360 seat jet vastly increases the overall number of passengers, vastly increases the number of motor vehicle trips to and from the airport, and subsequently vastly increases the amount of emissions both from the aircraft itself and the associated increased road traffic. And of course there would be a significant increase in the noise impact.<sup>192</sup>

The Standing Committee supports the retention of regional aircraft at Sydney Airport to help alleviate noise pollution from jet aircraft for those residents under Sydney Airport’s flight paths.

#### **4.2.4 Conclusion**

The Standing Committee firmly rejects any proposals to direct country services to Bankstown on the following basis:

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<sup>190</sup> Submission 58, Lane Cove Aircraft Action Group Inc, p1

<sup>191</sup> Submission 41, Hornsby Residents Aircraft Noise Group, p2.

<sup>192</sup> Submission 36, Leichhardt Airport and Urban Environment Research Group, p2.

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- it would increase the transport cost and travel time for rural and regional air commuters;
- it would cause inconvenience as land transport links to Bankstown Airport are inadequate;
- it could make regional operators unviable and operations more difficult;
- it would remove the relief from jet aircraft from residents under the flight paths for Sydney Airport;
- it could jeopardise airline safety;
- it would cause additional noise and air pollution and other annoyances to the residents of Bankstown; and
- it would place additional constraints on the already-busy Bankstown Airport.

#### **Recommendation 11**

**While acknowledging that there are no formal proposals to direct country services to Bankstown, the Standing Committee recommends that the New South Wales Minister for Transport urge the Federal Minister for Transport and Regional Development to guarantee affordable access to Sydney Airport for regional airlines and that regional air services WILL NOT be directed to Bankstown Airport.**

## **STATEMENT OF DISSENT**

### **THE HON J GARDINER, MLC AND THE HON B PEZZUTTI, MLC**

The Liberal and National Party Members of the committee are concerned to place on the record the background behind this report and our concerns with the report itself.

The NSW Government, without community consultation, introduced legislation to abolish the Air Transport Council and forced that legislation through the Legislative Assembly earlier this year. The Government expected to do the same in the Legislative Council. Faced with demands from regional communities wanting to have an input and the probability of the Bill's defeat in the Legislative Council the Government back flipped and referred the issue to the Standing Committee in a cynical attempt by the Government to cover its tail.

The Standing Committee accepted the terms of reference, worked hard and with zeal to address the issues in the terms of reference, but has not completed the examination of all of the matters relevant to the terms of reference.

This Interim Report was presented to the member of the Committee on Sunday 20 September 1998 and debated during the luncheon adjournment of the House on Tuesday 22 September – until that time the one and only deliberative meeting of the Standing Committee on these terms of reference. The second and last deliberative meeting was held at the rising of the House on the same day, Tuesday.

The Legislative Council set no reporting date for the Air Services Inquiry. The majority ALP Members rushed the production of this Interim Report which recommends a deferral of the NSW Governments deregulation plan plus a series of recommendations which fall within the Commonwealth's jurisdiction.

The motive of the ALP majority in producing such a report is clear. The Government wants to firstly, duck rural and regional communities' widespread opposition to deregulation of regional air services and "defer" a decision.

Secondly, the Government Members needed to deflect the Government's embarrassment about being so blatantly out of touch with country NSW on the deregulation issue by rushing a report that focuses mainly on federal issues during the last days of a federal election campaign.

There are no other reasons for the tabling of this report at this time, especially as the report makes it clear that further work needs to be done on the important question of deregulation.

## SUBMISSIONS TO THE INQUIRY

SUBMISSION NO	AUTHOR	RECEIVED
0001	Mr Gregory Russell General Manager Hazelton Airlines	11 June 1998
0002	Mr Jon Hillman Convenor Bankstown Airport Out, Tourism In (BAOTI)	15 June 1998
0003	Mr R M Millar Senior Vice President and General Manager Helitech Pty Ltd	25 June 1998
0004	Mr M A White Airport Manager Newcastle Airport Ltd	7 July 1998
0005	Mrs June Harris Private Citizen	8 July 1998
0006	Mrs Doreen Graham Private Citizen	8 July 1998
0007	Mrs Avis Langton Private Citizen	9 July 1998
0008	Mr Gary Blaschke Convenor Bankstown Concerned Residents Group	10 July 1998



<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0009	Mr Brian Harbrow Private Citizen	10 July 1998
0010	Mrs Amelia Stothard Private Citizen	10 July 1998
0011	Miss Patricia Mannion Private Citizen	11 July 1998
0012	Mr Robert Behl and Mr Ken Wilson General Manager and Assets and Design Manager Griffith City Council	10 July 1998
0013	Mr Paul Rees Proprietor Yanda Airlines (Singleton Air Services Pty Ltd)	10 July 1998
0014	Ms Megan Sutherland Private Citizen	10 July 1998
0015	Ms Margaret Bryant and Mr Leon Warren Secretary and Coordinator Campbelltown Anti-Airport Group Inc	10 July 1998
0016	Mr Adrian Froude Private Citizen	10 July 1998
0017	Mr Michael Moonie Private Citizen	10 July 1998
0018	Mrs Yvonne Grace Private Citizen	10 July 1998
0019	Ms K Semianiw Private Citizen	10 July 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0020	Mrs M Abela Private Citizen	13 July 1998
0021	Mr Kevin Duffy Private Citizen	13 July 1998
0022	Mr W B Lane Acting General Manager Grafton City Council	13 July 1998
0023	Ms Sonya McKay Convenor Bankstown Airport Community and Environment Forum (BACEF)	13 July 1998
0024	Ms Carole Worland Private Citizen	13 July 1998
0025	Ms Ina Stacey Private Citizen	13 July 1998
0026	Ms Alison Duncan Coordinator Northshore Aircraft Action Group	13 July 1998
0027	Mr Mark Fitzgibbon General Manager Bankstown City Council	13 July 1998
0028	Mr G E O Martin Chairman GrainCorp Operations Ltd	14 July 1998
0029	Mr J A Gaudry General Manager Scone Shire Council	14 July 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0030	Mr Malcolm Campbell and Mr John Fitzgerald Operations Manager and Metro Captain International Aviation Pty Ltd	15 July 1998
0031	Mr Ben and Mrs Paola Peresan Private Citizens	15 July 1998
0032	Ms Elizabeth Caswell Private Citizen	15 July 1998
0033	Mr Noel Blake Coordinator Bankstown Aircraft Noise Group	17 July 1998
0034	Mr B J Lennan and Mr David Ward Director of City Services and Manager of Engineering Services Albury City Council	17 July 1998
0035	Councillor L C Langford Chair Australian Airports Association (NSW)	20 July 1998
0036	Ms Jannette Barros Chair Leichhardt Airport and Urban Environment Research Group	20 July 1998
0037	Mr Geoffrey Breust Chief Executive Kendell Airlines Pty Ltd	20 July 1998
0038	Mr Gerrard McGowan Managing Director Impulse Airlines Pty Ltd	21 July 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0039	Councillor Anthony McGrane Mayor Dubbo City Council	22 July 1998
0040	Vacant	N/A
0041	Ms Melinda Keresztes Chair Hornsby Residents Aircraft Noise Group	23 July 1998
0042	Mr Charles C Halton Private Citizen	23 July 1998
0043	Mr John Lyon President Bankstown Airport Chamber of Commerce Inc	23 July 1998
0044	Mr Guy Creber Corporate Manager of Transport Liverpool City Council	27 July 1998
0045	Mr John Magann General Manager Hastings Council	24 July 1998
0046	Mr Josef Gostner Manager/Director Gostner Aviation Pty Ltd	25 July 1998
0047	Mr Scott Whitting Manager/Director Skybird Airlines	27 July 1998
0048	Aminta Hennessy Chief Pilot Clamback and Hennessy Pty Ltd	27 July 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0049	J W Whitworth Manager Whitworth Aviation Pty Ltd	27 July 1998
0050	Mr Graham Price and Mr Robert Snape Representatives Australian Aviation Underwriting Pool Pty Ltd	27 July 1998
0051	Mr Howard Knox General Manager Bankstown Airport Limited	27 July 1998
0052	Mr Douglas Fawcett Bankstown Representative Bankstown Airport Users and Workers Group	27 July 1998
0053	Rene Ledergerber Chief Flying Instructor Liverpool Flying School	27 July 1998
0054	Mrs S Robey Director Robey Air Pty Ltd	27 July 1998
0055	Rodney Hay Chief Pilot HayAir	27 July 1998
0056	Councillor J H Howell Mayor Kempsey Shire Council	28 July 1998
0057	Mr R V Schipp General Manager Casino Council	28 July 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0058	Ms Judith Ohana Chairperson Lane Cove Airport Action Group Inc	27 July 1998
0059	J Trolan and C Clissold Representatives Health Aviation	27 July 1998
0060	Mr Keith Herdman Director – Regional Affairs Ansett Australia Ltd	28 July 1998
0061	Mr Craig Kelly Group Manager Lismore City Council	27 July 1998
0062	Mr Greg Trevaskis General Manager Greater Taree City Council	29 July 1998
0063	P Perram General Manager Bathurst City Council	30 July 1998
0064	Mr Chris Downy Manager of Community and Government Relations Sydney Airports Corporation Ltd	30 July 1998
0065	Mr Peter Roberts Acting General Manager Tamworth City Council	31 July 1998
0066	Mr Bevan Coote General Manager Eastern Australia Airlines Pty Ltd	4 August 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0067	Mr Alan Terrell Chief Executive Regional Airlines Association of Australia Ltd	5 August 1998
0068	Mr Michael Dubois Secretary Northern New South Wales Airport Management Association	5 August 1998
0069	Mr Bevan Edwards Airport Manager Coffs Harbour City Council	5 August 1998
0070	Mr Brendan Hartnett Director of Policy Local Government and Shires Association of New South Wales	7 August 1998
0071	Ms Janice Crosio MP Federal Member for Prospect House of Representatives, Parliament of Australia	11 August 1998
0072	Mr Francis Millen and Mr Geoffrey LeCouteur Board Member and Project Officer Murray Regional Development Board	24 July 1998
0073	Mr Robert Langford General Manager Severn Shire Council	12 August 1998
0074	Councillor William Vincent Mayor Inverell Shire Council	12 August 1998
0075	Councillor John Muirhead Mayor Hornsby Shire Council;	17 August 1998

<b>SUBMISSION NO</b>	<b>AUTHOR</b>	<b>RECEIVED</b>
0076	Mr Lindsay Thomas Secretary Riverina Regional Organisation of Councils (RIVROC)	20 August 1998
0077	Mr Geoffrey Trent Chief Engineer/Airport Manager Ballina Shire Council	20 August 1998
0078	Mr Andrew Burkett General Manager Aeropelican Air Services Pty Ltd	28 August 1998
0079	Councillor Richard Hamparsum Deputy Mayor Kempsey Shire Council	31 August 1998
0080	Councillor Richard Torbay Chairman Country Mayors Association	21 August 1998
0081	Councillor John Beattie Mayor Narrandera Shire Council	21 August 1998
0082	Councillor John Harding Mayor Wagga Wagga City Council	1 September 1998
0083	Ms Beverley Jordan Economist New South Wales Farmers' Association	7 September 1998



## WITNESSES BEFORE THE COMMITTEE

DATE OF APPEARANCE	NAME, POSTION AND ORGANISATION REPRESENTING
11 June 1998	Mr Gregory Russell General Manager Hazelton Airlines
	Mr Thomas Gordon Manager – Marketing and Operations Air Link Airlines
22 July 1998	Councillor Helen Brayne Mayor Griffith City Council
	Mr David Tull Director of Engineering Griffith City Council
24 July 1998	Mr John Harding Mayor Wagga Wagga City Council
	Mr Geoffrey Breust Chief Executive Kendell Airlines
	Mr Bernard Ryan Director of Finance and Administration Kendell Airlines
	Councillor Lesley Langford Representative Albury City Council
	Mr David Ward Manager of Engineering Services Albury City Council

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

	Mr Terence McKenzie Managing Director Country Connection Airlines Pty Ltd.
	Mr James Grant Regional Manager – Southern Department of State and Regional Development
	Mr Francis Millen Member Murray Regional Development Board
	Mr Geoffrey LeCouteur Project Officer Murray Regional Development Board
12 August 1998	Councillor John Crowther Chairman of Airport Committee Lismore City Council
	Mr Craig Kelly Group Manager – Business and Enterprise Lismore City Council
	Councillor Alan Brown Mayor Ballina Shire Council
	Mr Gregory Trent Chief Engineer Ballina Shire Council
	Mr Colin Francis General Manager Glen Innes Municipal Council
	Councillor Robert Schroder Representative Severn Shire Council
	Mr Murray Erbs Director of Technical Services Severn Shire Council
	Councillor William Vincent Mayor Inverell Shire Council

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

	<p>Councillor Garry Heffernan Representative Inverell Shire Council</p> <p>Mr Paul Henry General Manager Inverell Shire Council</p>
20 August 1998	<p>Mr Gary Blaschke Convenor Bankstown Concerned Residents Group</p> <p>Ms Sonya McKay Convenor Bankstown Airport Community and Environment Forum</p> <p>Mr Barry Thompson General Manager Affiliated Airports of Sydney Airports Corporation Ltd.</p> <p>Mr Howard Knox General Manager Bankstown Airport Ltd.</p> <p>Mr Gregory Brown Group Manager – Strategy and Governance Bankstown City Council</p> <p>Mr John Lyon President Bankstown Airport Chamber of Commerce</p> <p>Mr Malcolm Campbell Operations Manager and Deputy Chief Pilot International Aviation Pty Ltd.</p> <p>Mr John Fitzgerald Metro Captain International Aviation Pty Ltd.</p>
21 August 1998	<p>Mr Bevan Coote General Manager Eastern Australia Airlines Pty Ltd.</p> <p>Councillor Anthony McGrane Mayor Dubbo City Council</p>

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

Mr Geoffrey Riley  
Local Government Director  
Dubbo City Council

Mr Geoffrey Darby  
Airport Manager – Business Operations  
Dubbo City Council

Mr William Bott  
President  
New South Wales Shires Association

Mr Shaun McBride  
Policy Officer  
Local Government and Shires Association of New  
South Wales

Mr Patrick Brassil  
Member  
Executive of the Local Government Association

Councillor Richard Torbay  
President and Chair  
Country Mayors Association

Councillor John Beattie  
Mayor  
Narrandera Shire Council

Mr Paul Bredereck  
Director  
Tamair Group

27 August 1998

Mr Michael Dubois  
Airport and Business Development Manager  
Tamworth City Council; and  
Secretary  
Northern New South Wales Airport Management Group

Mr Alan Harvey  
Airport Manager  
Dumaresq Shire Council

Councillor Richard Hamparsum  
Deputy Mayor  
Kempsey Shire Council

Mr Bevan Edwards  
Airport Manager  
Coffs Harbour City Council

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

28 August 1998

Mr Paul Rees  
Proprietor  
Yanda Airlines

Mr John Gaudry  
General Manager  
Scone Shire Council

Air Vice-Marshal Richard Bomball  
Chairman  
Newcastle Airport Ltd

Mr Malcolm (Sandy) White  
Manager  
Newcastle Airport Ltd

7 September 1998

Ms Julianne Alroe  
Manager – Aviation Services  
Sydney Airports Corporation Ltd.

Mr Christopher Downy  
Manager – Community and Government Relations  
Sydney Airports Corporation Ltd.

Mr Eric Groom  
Chief Manager – Energy and Other Industries  
Independent Pricing and Regulatory Tribunal

Ms Sally Mander  
Analyst  
Independent Pricing and Regulatory Tribunal

Mr William Todd  
Manager – Administration  
Deniliquin Council

Ms Beverley Jordan  
Economist  
New South Wales Farmers' Association

Mr Gerrard McGowan  
Executive Chairman  
Impulse Airlines

Mr Ian Dawson  
Director  
Impulse Airlines

## REFERENCES

Australian Competition and Consumer Commission (1998), *Statement for the Public Register on Proposed Aeronautical Charges at Sydney (Kingsford Smith) Airport*.

Bankstown Airport Limited homepage at [www.bankstownairport.com.au](http://www.bankstownairport.com.au)

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Federal Treasurer (1998), *Prices Oversight of Sydney Airport*, Press Release 65, 13 July 1998

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## **APPENDICES**

**(NOT AVAILABLE IN THIS DOCUMENT)**

**APPENDIX A**      *AIR TRANSPORT LEGISLATION REPEAL BILL*

**APPENDIX B**      *AIR TRANSPORT ACT 1964*