

No. 446A



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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- Appendix B *Air Transport Act 1964*

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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.

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.

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.

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<br>NO | AUTHOR   | RECEIVED     |
|------------------|--|--------------|
| 0001             | Mr Gregory Russell<br>General Manager<br>Hazelton Airlines                     | 11 June 1998 |
| 0002             | Mr Jon Hillman<br>Convenor<br>Bankstown Airport Out, Tourism In (BAOTI)        | 15 June 1998 |
| 0003             | Mr R M Millar<br>Senior Vice President and General Manager<br>Helitech Pty Ltd | 25 June 1998 |
| 0004             | Mr M A White<br>Airport Manager<br>Newcastle Airport Ltd                       | 7 July 1998  |
| 0005             | Mrs June Harris<br>Private Citizen   | 8 July 1998  |
| 0006             | Mrs Doreen Graham<br>Private Citizen   | 8 July 1998  |
| 0007             | Mrs Avis Langton<br>Private Citizen  | 9 July 1998  |
| 0008             | Mr Gary Blaschke<br>Convenor<br>Bankstown Concerned Residents Group            | 10 July 1998 |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>   | <b>RECEIVED</b> |
|--------------------------|---|-----------------|
| 0009                     | Mr Brian Harbrow<br>Private Citizen   | 10 July 1998    |
| 0010                     | Mrs Amelia Stothard<br>Private Citizen  | 10 July 1998    |
| 0011                     | Miss Patricia Mannion<br>Private Citizen  | 11 July 1998    |
| 0012                     | Mr Robert Behl and Mr Ken Wilson<br>General Manager and Assets and Design<br>Manager<br>Griffith City Council | 10 July 1998    |
| 0013                     | Mr Paul Rees<br>Proprietor<br>Yanda Airlines (Singleton Air Services Pty Ltd)                                 | 10 July 1998    |
| 0014                     | Ms Megan Sutherland<br>Private Citizen  | 10 July 1998    |
| 0015                     | Ms Margaret Bryant and Mr Leon Warren<br>Secretary and Coordinator<br>Campbelltown Anti-Airport Group Inc     | 10 July 1998    |
| 0016                     | Mr Adrian Froude<br>Private Citizen   | 10 July 1998    |
| 0017                     | Mr Michael Moonie<br>Private Citizen  | 10 July 1998    |
| 0018                     | Mrs Yvonne Grace<br>Private Citizen   | 10 July 1998    |
| 0019                     | Ms K Semianiw<br>Private Citizen  | 10 July 1998    |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>  | <b>RECEIVED</b> |
|--------------------------|--|-----------------|
| 0020                     | Mrs M Abela<br>Private Citizen   | 13 July 1998    |
| 0021                     | Mr Kevin Duffy<br>Private Citizen  | 13 July 1998    |
| 0022                     | Mr W B Lane<br>Acting General Manager<br>Grafton City Council                              | 13 July 1998    |
| 0023                     | Ms Sonya McKay<br>Convenor<br>Bankstown Airport Community and<br>Environment Forum (BACEF) | 13 July 1998    |
| 0024                     | Ms Carole Worland<br>Private Citizen   | 13 July 1998    |
| 0025                     | Ms Ina Stacey<br>Private Citizen   | 13 July 1998    |
| 0026                     | Ms Alison Duncan<br>Coordinator<br>Northshore Aircraft Action Group                        | 13 July 1998    |
| 0027                     | Mr Mark Fitzgibbon<br>General Manager<br>Bankstown City Council                            | 13 July 1998    |
| 0028                     | Mr G E O Martin<br>Chairman<br>GrainCorp Operations Ltd                                    | 14 July 1998    |
| 0029                     | Mr J A Gaudry<br>General Manager<br>Scone Shire Council                                    | 14 July 1998    |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>  | <b>RECEIVED</b> |
|--------------------------|--|-----------------|
| 0030                     | Mr Malcolm Campbell and Mr John Fitzgerald<br>Operations Manager and Metro Captain<br>International Aviation Pty Ltd       | 15 July 1998    |
| 0031                     | Mr Ben and Mrs Paola Peresan<br>Private Citizens   | 15 July 1998    |
| 0032                     | Ms Elizabeth Caswell<br>Private Citizen  | 15 July 1998    |
| 0033                     | Mr Noel Blake<br>Coordinator<br>Bankstown Aircraft Noise Group   | 17 July 1998    |
| 0034                     | Mr B J Lennan and Mr David Ward<br>Director of City Services and Manager of<br>Engineering Services<br>Albury City Council | 17 July 1998    |
| 0035                     | Councillor L C Langford<br>Chair<br>Australian Airports Association (NSW)  | 20 July 1998    |
| 0036                     | Ms Jannette Barros<br>Chair<br>Leichhardt Airport and Urban Environment<br>Research Group                                  | 20 July 1998    |
| 0037                     | Mr Geoffrey Breust<br>Chief Executive<br>Kendell Airlines Pty Ltd  | 20 July 1998    |
| 0038                     | Mr Gerrard McGowan<br>Managing Director<br>Impulse Airlines Pty Ltd  | 21 July 1998    |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>   | <b>RECEIVED</b> |
|--------------------------|---|-----------------|
| 0039                     | Councillor Anthony McGrane<br>Mayor<br>Dubbo City Council                 | 22 July 1998    |
| 0040                     | Vacant  | N/A             |
| 0041                     | Ms Melinda Keresztes<br>Chair<br>Hornsby Residents Aircraft Noise Group   | 23 July 1998    |
| 0042                     | Mr Charles C Halton<br>Private Citizen                                    | 23 July 1998    |
| 0043                     | Mr John Lyon<br>President<br>Bankstown Airport Chamber of Commerce Inc    | 23 July 1998    |
| 0044                     | Mr Guy Creber<br>Corporate Manager of Transport<br>Liverpool City Council | 27 July 1998    |
| 0045                     | Mr John Magann<br>General Manager<br>Hastings Council                     | 24 July 1998    |
| 0046                     | Mr Josef Gostner<br>Manager/Director<br>Gostner Aviation Pty Ltd          | 25 July 1998    |
| 0047                     | Mr Scott Whitting<br>Manager/Director<br>Skybird Airlines                 | 27 July 1998    |
| 0048                     | Aminta Hennessy<br>Chief Pilot<br>Clamback and Hennessy Pty Ltd           | 27 July 1998    |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>   | <b>RECEIVED</b> |
|--------------------------|---|-----------------|
| 0049                     | J W Whitworth<br>Manager<br>Whitworth Aviation Pty Ltd  | 27 July 1998    |
| 0050                     | Mr Graham Price and Mr Robert Snape<br>Representatives<br>Australian Aviation Underwriting Pool Pty Ltd | 27 July 1998    |
| 0051                     | Mr Howard Knox<br>General Manager<br>Bankstown Airport Limited  | 27 July 1998    |
| 0052                     | Mr Douglas Fawcett<br>Bankstown Representative<br>Bankstown Airport Users and Workers Group             | 27 July 1998    |
| 0053                     | Rene Ledergerber<br>Chief Flying Instructor<br>Liverpool Flying School                                  | 27 July 1998    |
| 0054                     | Mrs S Robey<br>Director<br>Robey Air Pty Ltd  | 27 July 1998    |
| 0055                     | Rodney Hay<br>Chief Pilot<br>HayAir   | 27 July 1998    |
| 0056                     | Councillor J H Howell<br>Mayor<br>Kempsey Shire Council   | 28 July 1998    |
| 0057                     | Mr R V Schipp<br>General Manager<br>Casino Council  | 28 July 1998    |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>   | <b>RECEIVED</b> |
|--------------------------|---|-----------------|
| 0058                     | Ms Judith Ohana<br>Chairperson<br>Lane Cove Airport Action Group Inc                                  | 27 July 1998    |
| 0059                     | J Trolan and C Clissold<br>Representatives<br>Health Aviation   | 27 July 1998    |
| 0060                     | Mr Keith Herdman<br>Director – Regional Affairs<br>Ansett Australia Ltd                               | 28 July 1998    |
| 0061                     | Mr Craig Kelly<br>Group Manager<br>Lismore City Council   | 27 July 1998    |
| 0062                     | Mr Greg Trevaskis<br>General Manager<br>Greater Taree City Council                                    | 29 July 1998    |
| 0063                     | P Perram<br>General Manager<br>Bathurst City Council  | 30 July 1998    |
| 0064                     | Mr Chris Downy<br>Manager of Community and Government<br>Relations<br>Sydney Airports Corporation Ltd | 30 July 1998    |
| 0065                     | Mr Peter Roberts<br>Acting General Manager<br>Tamworth City Council                                   | 31 July 1998    |
| 0066                     | Mr Bevan Coote<br>General Manager<br>Eastern Australia Airlines Pty Ltd                               | 4 August 1998   |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>  | <b>RECEIVED</b> |
|--------------------------|--|-----------------|
| 0067                     | Mr Alan Terrell<br>Chief Executive<br>Regional Airlines Association of Australia Ltd                                 | 5 August 1998   |
| 0068                     | Mr Michael Dubois<br>Secretary<br>Northern New South Wales Airport<br>Management Association                         | 5 August 1998   |
| 0069                     | Mr Bevan Edwards<br>Airport Manager<br>Coffs Harbour City Council  | 5 August 1998   |
| 0070                     | Mr Brendan Hartnett<br>Director of Policy<br>Local Government and Shires Association of<br>New South Wales           | 7 August 1998   |
| 0071                     | Ms Janice Crosio MP<br>Federal Member for Prospect<br>House of Representatives, Parliament of<br>Australia           | 11 August 1998  |
| 0072                     | Mr Francis Millen and Mr Geoffrey LeCouteur<br>Board Member and Project Officer<br>Murray Regional Development Board | 24 July 1998    |
| 0073                     | Mr Robert Langford<br>General Manager<br>Severn Shire Council  | 12 August 1998  |
| 0074                     | Councillor William Vincent<br>Mayor<br>Inverell Shire Council  | 12 August 1998  |
| 0075                     | Councillor John Muirhead<br>Mayor<br>Hornsby Shire Council;  | 17 August 1998  |

| <b>SUBMISSION<br/>NO</b> | <b>AUTHOR</b>  | <b>RECEIVED</b>  |
|--------------------------|--|------------------|
| 0076                     | Mr Lindsay Thomas<br>Secretary<br>Riverina Regional Organisation of Councils<br>(RIVROC) | 20 August 1998   |
| 0077                     | Mr Geoffrey Trent<br>Chief Engineer/Airport Manager<br>Ballina Shire Council             | 20 August 1998   |
| 0078                     | Mr Andrew Burkett<br>General Manager<br>Aeropelican Air Services Pty Ltd                 | 28 August 1998   |
| 0079                     | Councillor Richard Hamparsum<br>Deputy Mayor<br>Kempsey Shire Council                    | 31 August 1998   |
| 0080                     | Councillor Richard Torbay<br>Chairman<br>Country Mayors Association                      | 21 August 1998   |
| 0081                     | Councillor John Beattie<br>Mayor<br>Narrandera Shire Council                             | 21 August 1998   |
| 0082                     | Councillor John Harding<br>Mayor<br>Wagga Wagga City Council                             | 1 September 1998 |
| 0083                     | Ms Beverley Jordan<br>Economist<br>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<br>General Manager<br>Hazelton Airlines                    |
|                    | Mr Thomas Gordon<br>Manager – Marketing and Operations<br>Air Link Airlines   |
| 22 July 1998       | Councillor Helen Brayne<br>Mayor<br>Griffith City Council                     |
|                    | Mr David Tull<br>Director of Engineering<br>Griffith City Council             |
| 24 July 1998       | Mr John Harding<br>Mayor<br>Wagga Wagga City Council                          |
|                    | Mr Geoffrey Breust<br>Chief Executive<br>Kendell Airlines                     |
|                    | Mr Bernard Ryan<br>Director of Finance and Administration<br>Kendell Airlines |
|                    | Councillor Lesley Langford<br>Representative<br>Albury City Council           |
|                    | Mr David Ward<br>Manager of Engineering Services<br>Albury City Council       |

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

|                |   |
|----------------|---|
|                | Mr Terence McKenzie<br>Managing Director<br>Country Connection Airlines Pty Ltd.              |
|                | Mr James Grant<br>Regional Manager – Southern<br>Department of State and Regional Development |
|                | Mr Francis Millen<br>Member<br>Murray Regional Development Board                              |
|                | Mr Geoffrey LeCouteur<br>Project Officer<br>Murray Regional Development Board                 |
| 12 August 1998 | Councillor John Crowther<br>Chairman of Airport Committee<br>Lismore City Council             |
|                | Mr Craig Kelly<br>Group Manager – Business and Enterprise<br>Lismore City Council             |
|                | Councillor Alan Brown<br>Mayor<br>Ballina Shire Council                                       |
|                | Mr Gregory Trent<br>Chief Engineer<br>Ballina Shire Council                                   |
|                | Mr Colin Francis<br>General Manager<br>Glen Innes Municipal Council                           |
|                | Councillor Robert Schroder<br>Representative<br>Severn Shire Council                          |
|                | Mr Murray Erbs<br>Director of Technical Services<br>Severn Shire Council                      |
|                | Councillor William Vincent<br>Mayor<br>Inverell Shire Council                                 |

**DATE OF APPEARANCE****NAME, POSTION AND ORGANISATION REPRESENTING**

|                |   |
|----------------|---|
|                | <p>Councillor Garry Heffernan<br/>Representative<br/>Inverell Shire Council</p> <p>Mr Paul Henry<br/>General Manager<br/>Inverell Shire Council</p>   |
| 20 August 1998 | <p>Mr Gary Blaschke<br/>Convenor<br/>Bankstown Concerned Residents Group</p> <p>Ms Sonya McKay<br/>Convenor<br/>Bankstown Airport Community and Environment Forum</p> <p>Mr Barry Thompson<br/>General Manager<br/>Affiliated Airports of Sydney Airports Corporation Ltd.</p> <p>Mr Howard Knox<br/>General Manager<br/>Bankstown Airport Ltd.</p> <p>Mr Gregory Brown<br/>Group Manager – Strategy and Governance<br/>Bankstown City Council</p> <p>Mr John Lyon<br/>President<br/>Bankstown Airport Chamber of Commerce</p> <p>Mr Malcolm Campbell<br/>Operations Manager and Deputy Chief Pilot<br/>International Aviation Pty Ltd.</p> <p>Mr John Fitzgerald<br/>Metro Captain<br/>International Aviation Pty Ltd.</p> |
| 21 August 1998 | <p>Mr Bevan Coote<br/>General Manager<br/>Eastern Australia Airlines Pty Ltd.</p> <p>Councillor Anthony McGrane<br/>Mayor<br/>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

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## **APPENDICES**

**(NOT AVAILABLE IN THIS DOCUMENT)**

**APPENDIX A**      *AIR TRANSPORT LEGISLATION REPEAL BILL*

**APPENDIX B**      *AIR TRANSPORT ACT 1964*

No. 446B



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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Ordered to be printed Thursday 24 September 1998

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11 JUNE 1998 TO 7 SEPTEMBER 1998

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SEPTEMBER 1998

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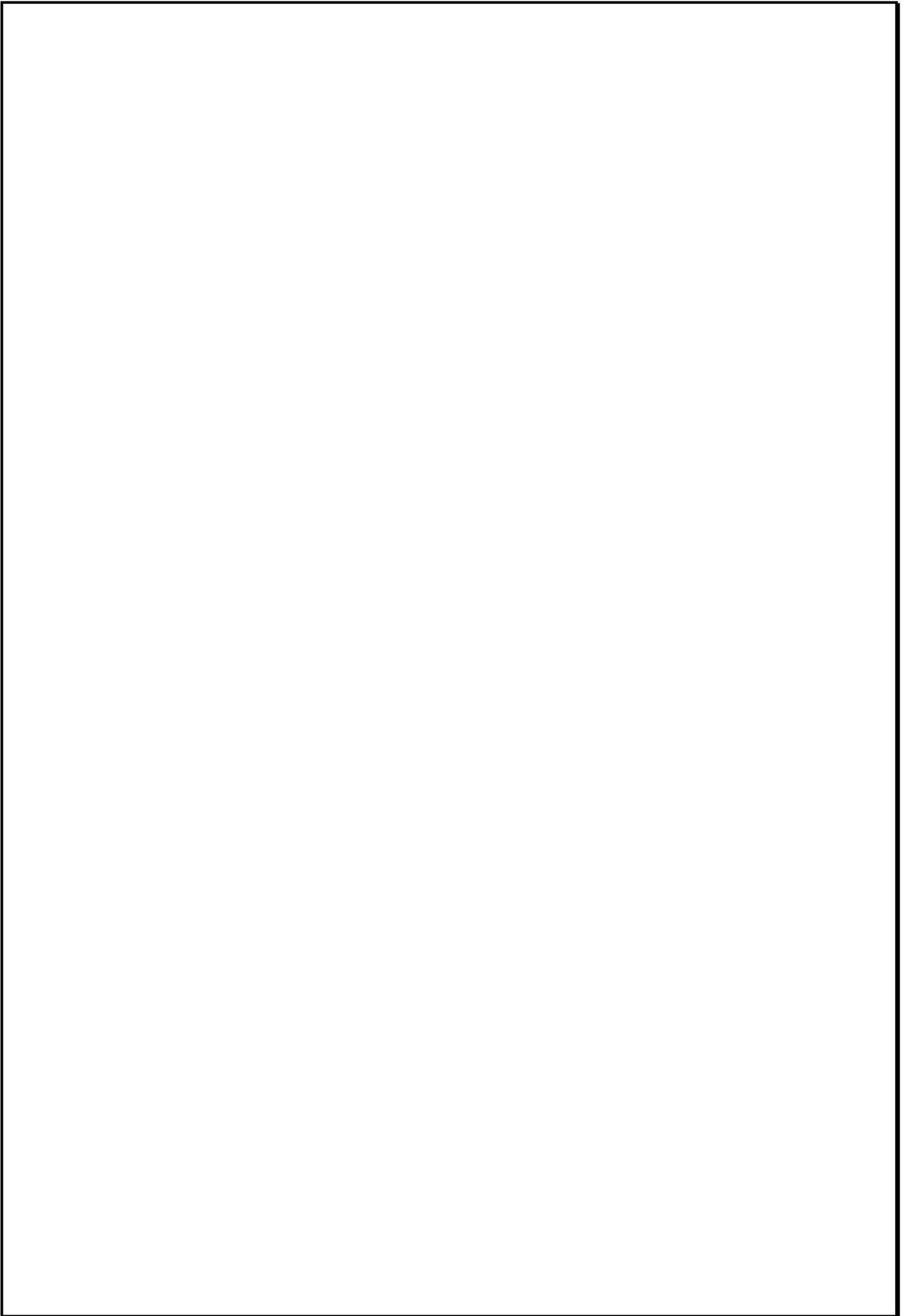
## **INQUIRY'S TERMS OF REFERENCE**

### **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.



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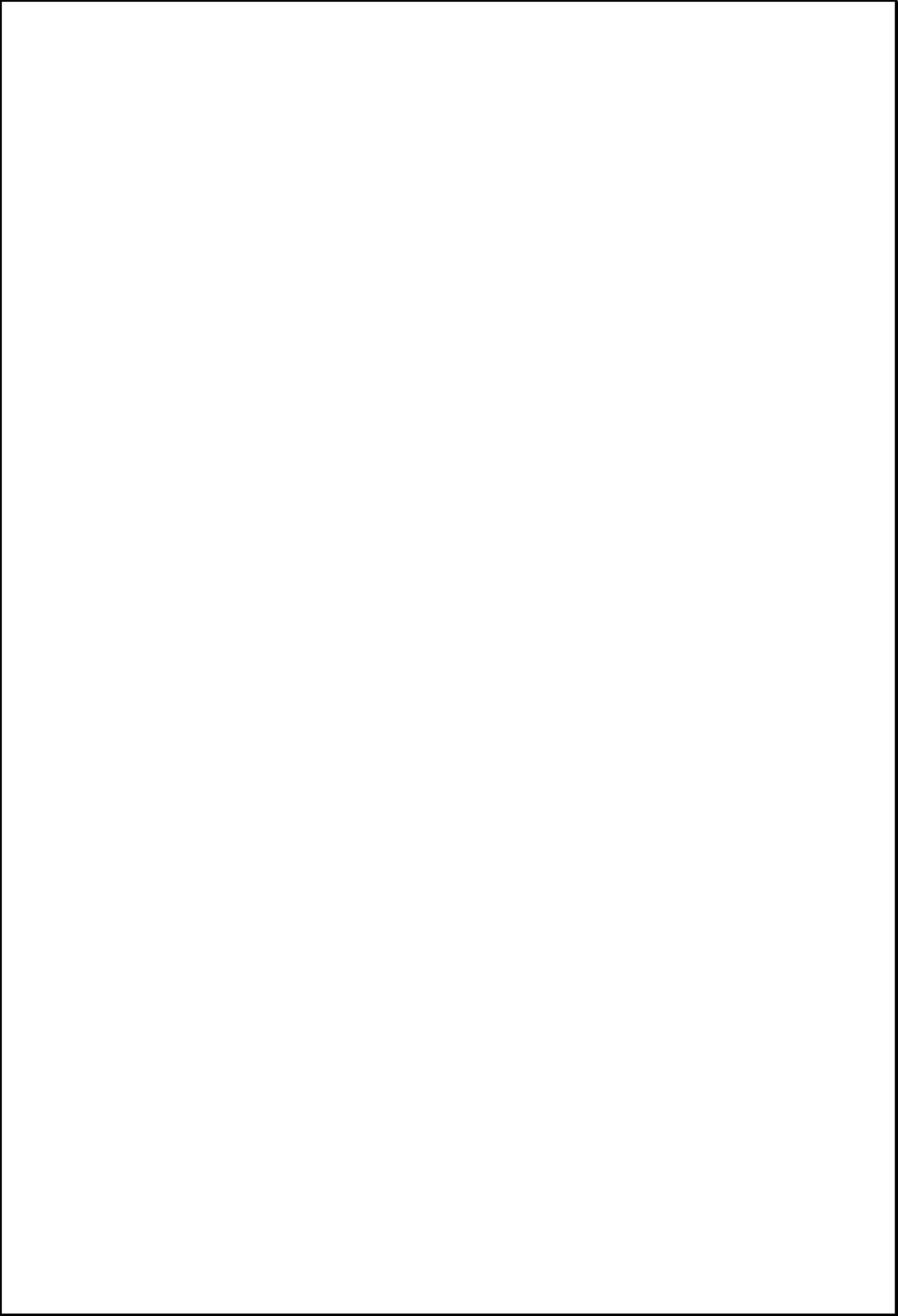
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## MEMBERSHIP OF THE STANDING COMMITTEE

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.



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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND  
REGIONAL  
AIR SERVICES IN NEW SOUTH WALES**

—  
**At Orange on Thursday, 11 June 1998**

—  
**The Committee met at 2.15 p.m.**

—  
**PRESENT**

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

---

**GREGORY PETER RUSSELL**, General Manager, Hazelton Airlines, sworn and examined:

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

**Mr RUSSELL:** As General Manager of Hazelton Airlines.

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

**Mr RUSSELL:** I did.

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

**Mr RUSSELL:** Yes, I am.

**CHAIRMAN:** You have made a submission to the Committee. Do you want that included as part of your sworn evidence?

**Mr RUSSELL:** I would, Mr Chairman.

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

**Mr RUSSELL:** Thank you, Chairman and members of the Committee, for this opportunity to talk to you today. Hazelton Airlines certainly welcomes this inquiry. We have not had a great deal of time to put this submission together, and I would have appreciated being able to get it to you beforehand, because I too do not like going to meetings where you get handed this amount of paper when you arrive. But perhaps I could talk you through it, and if there are questions that arise I would be happy to answer them or supply supplementary information at some point in time.

In making an opening statement I might say that the issues that we are talking about in this inquiry are very important in regional New South Wales. What has happened in the public discussion of some of these matters over the past couple of years is that they have been discussed as isolated issues, rather than being interconnected, which they are.

I make the point in the submission that we are not just talking about the issue of landing fees at Sydney airport and the slot system, or Bankstown airport as an alternative to regional airline operations, or regulation or deregulation of intrastate aviation in New South Wales, but also the sale of Sydney airport, the change in name of the Federal Airports Corporation to a new entity from early July. So there are a number of issues that will have an outcome and which we think need to be thoroughly debated. I think this Committee process will help that process.

Just a word or two on Hazelton Airlines, although there is some information in the submission. We are one of the major regional airlines in New South Wales. We operate to 17 of the major centres in the State. We conduct 479 flights every week, and this year we will carry round about 440,000 passengers. We are regionally based. Of our 267 full-time staff, 162 are located in regional New South Wales in centres like Lismore, Casino, Dubbo, Orange, Wagga Wagga and Albury. We see our future very tightly interwoven with and linked to the future of regional New South Wales. That is our patch; that is where we intend to stay and doing what we are doing, but doing it better.

I guess there is a widespread view in regional New South Wales that areas of this State that are non-urban do not seem to be getting a fair go. The issue of access to Sydney airport and the pricing of that access, which became an issue in regional centres at least earlier this year, surprised me in that there was strong galvanised opinion on the issue. I attended the country summit that was held in Wagga Wagga in March, and I really was quite surprised by the strength of feeling on this issue.

In the submission that we have made we have talked about the issue of slots and landing fees first of all. I have provided you with a submission that we made to the Senate inquiry that looked at this issue only a few weeks ago and is due to report, I understand, later this month. In that document are also included a number of letters that came in at fairly short notice prior to that committee hearing from a number of organisations in our network, to tell us what they thought of the issues of pricing and access into Sydney airport, and on the issue of landing at Bankstown airport. I have included those under attachment 2 to the lengthy set of papers that you have in front of you.

First of all, as to landing fees at Sydney airport, you would be aware that in February this issue was raised by the Federal Airports Corporation at a meeting of all industry representatives. The original proposals were roundly criticised by virtually everyone who was at the meeting, including the internationals, the domestics, and certainly the regionals.

The issue has been the subject of a number of working parties, and two weeks ago, on Tuesday 26 May, there was the final meeting of representatives of the industry with the Federal Airports Corporation prior to submission of these pricing proposals to the Federal Airports Corporation board and thence the Minister. That has now occurred, the board has accepted those principles, sent them to the Minister, and sent them to the ACCC, which has 21 days in which to report to the Federal Government. That time expires, as I understand it, on 19 June.

The revised position is that there will be a minimum landing fee of \$140 per landing. The proposal is that the peak period surcharge, which has been a discriminatory tax on regional airlines of \$250 per movement for landings and departures between the hours of 8 and 9 in the morning and 6 and 7 at night, will be abolished. A system of rebates will apply for operators of regional aircraft.

The way that that is going to work is that they will take an average landing fee per operator in the 1998-99 year, and they will increase that fee by 20 per cent, until they get to the level of \$140, over a period of five years. That does allow more opportunity to introduce a higher fee rather than the original proposal, but in our view it certainly does price out of Mascot airport smaller propeller-driven aeroplanes.

It also, in our view, puts pressure on 19-seat aircraft, which we have described in this submission. Currently, 12 of the centres in New South Wales that have direct air services from country centres to Sydney are catered for in 9-seat aircraft, and a further 14 centres catered for in 19-seat aircraft. Some aircraft in those ports are operating 36-seat modes as well. So we are saying that in our view there is pressure on the 9-seaters but I think pressure on the 19s, and you will see that in the details as we talk through the submission.

The key issue in our view is not necessarily the guarantee that the Federal Government has given to regional New South Wales that the slots that apply to regional New South Wales will be guaranteed; it is whether or not you can physically afford to use those slots. I think that is the key issue. It is the relationship between slots and pricing, and it goes back to the point that I made earlier, that looking at these issues in isolation really does not give you the total picture.

We think that there are some issue of principle, even though Hazelton have come out of this round of pricing proposals better than we did in the first round, for regional New South Wales. First is the right of people in regional New South Wales to access their capital city. In our view, if these proposals are adopted it could mean that residents of larger centres have the right to fly directly into Sydney but not people in smaller centres. We think that the pressure could well come on the next level of the regional aviation industry, being the 30-seat market, after the 19-

seat market.

We think that the concern that we now have is going forward with what we believe to be the sale of Sydney airport timed after the Olympics and that potentially there will be put in place by the new owners of this airport a pricing regime that will not help the development of regional New South Wales. We have information from other regional airlines that fly to airports that are newly privatised throughout Australia that there have been new and expanded fees on their operations suddenly imposed on them, and that this has happened over the past 12 months.

If I could come now to the pricing proposals with respect to Hazelton Airlines. On page 3 of our submission we indicate that the passenger landing fee for a Saab aircraft is now \$6.48 under the proposals.

**The Hon. Dr B. P. V. PEZZUTTI:** Assuming a 60 per cent loading.

**Mr RUSSELL:** With a 60 per cent loading. That is quite right. With a Metro it is \$12.28, and with a Chieftain it has risen to \$29.17 per passenger. I might say that number has risen from \$5.50 to \$29.17. As these fees are calculated on a per-operator basis, rather than a per-aircraft-type, Hazelton Airlines does not qualify for any rebates. So the increase in the price, at least for Hazelton Airlines, of landing a Chieftain aircraft is dramatically more than it is for another operator who only flies Chieftain aircraft at the moment, if you get my drift.

In relation to the slot legislation, in our view the cap of 80 movements per hour necessitated the introduction of the demand management system into Sydney airport, and that system has been in effect since 29 March. It has only operated on weekends, not during peak periods, and will not operate in our view until the middle of July, when air traffic management systems will change. So we really have not had a proper introduction to it. In our view, it will put a discipline on our business. It will certainly improve the on-time performance of airlines, which passengers want, and it should decrease the amount of holding in-bound to Sydney.

Our estimate, for instance, of the savings was a question asked during the Senate inquiry. It was a saving that we could estimate from reduction in holding in-bound to Sydney. We took a typical flight, if we were able to reduce that flight by one minute over all our flights during the year, that would account for a \$205,000 saving to our business.

One of the ironies of the slot system, however, is that it was imposed because of jet noise at Sydney airport because of the cap. The point we make on page 4 is that the people who really are 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. That is the way we see this boiling down.

The question of landing fees at regional airports has been raised by your Committee. I am pleased that you have. It is becoming a major problem for our business. This year, Hazelton Airlines will pay \$2.64 million to regional councils throughout the State, and we have included in this volume of papers an analysis, at attachment 5, of the various charges that are levied at various airports in New South Wales on operations of ours.

In our view, there is a trend for some councils to use their monopoly position to generate profits that they are using for non-airport activities. The long and short of it is that when we compare the new pricing proposals from the Federal Airports Corporation with the cost of landing Saab aircraft in regional airports, it costs more in country New South Wales than it does at Mascot airport.

The question of Bankstown airport in our view is simply an unworkable situation. Regional aircraft of the type of the 340B Saab aircraft cannot operate at maximum takeoff weight out of that airport; the runways are too short. 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.

Apart from everything else, Bankstown airport is one of the busiest airports in Australia already. Last year, 410,000 movements occurred, compared with Sydney's 279,000. So it is an air traffic nightmare for a start. It is just not an option.

I will conclude on the question of deregulation. We have been working towards the likelihood of deregulation occurring at the end of this licensing period, in May 1999. We understand the pressure on governments through national competition policy. We do have a couple of concerns, however. We believe that, when it is thoroughly thought through, together with the issue of slot times and pricing at Kingsford Smith airport, deregulation can have an impact on smaller centres in regional New South Wales, and in our view over a short time the combination of these three factors will mean that some centres will certainly lose air services.

Secondly, as a large independent and regionally based airline, Hazelton Airlines has some concerns, which we have made to Professor Parry's inquiry into this issue some time ago, about the power of the airline duopoly in Australia. There is a view that the interstate level of the industry has deregulated. Prima facie, that is the case. But there is a very strong commercial duopoly at work

I make the point to you that when it comes to regional activities, the major airlines wholly own two of the largest regional airlines in New South Wales; they have access to long-term leases in prime terminal space and tarmac facilities at Sydney airport; and both, importantly, own and operate the computer reservation systems that effectively control 90 per cent of the distribution of airline seats sold in Australia. However, having said that, if the playing field is level, Hazelton Airlines see real opportunities for this business.

Mr Chairman, if I could summarise, we believe that this is an inquiry of great significance for regional New South Wales. Indeed, I believe it is a threshold issue for this State, or certainly regional areas in this State. The investment community is not going to invest money in regional New South Wales if there are not reliable and efficient air services to these centres. Secondly, in my view, the absence of air services to some of these smaller centres will hasten the decline of centres and regional cities in the State. I thank you for your time and I welcome questions.

**The Hon. J. R. JOHNSON:** What has been the percentage or scale of fee increases at these other privatised airports?

**Mr RUSSELL:** I can provide you with specific examples, but they revolve around a couple of issues. At the moment, there is a levy being charged for the movement of fuel through Brisbane and Melbourne airports, which is a completely new charge. I believe that in Melbourne there are some charges now for carparking and facilities that simply were not charged in the past. I believe—and it is the view within our industry—that too much money is being paid for these airports, and the realities of life are coming home to roost. But I will certainly provide you with more information.

**The Hon. J. R. JOHNSON:** In other countries in which deregulation has taken place, particularly in the United States, has there been an increase in air traffic accidents?

**Mr RUSSELL:** On the question of safety, I would answer by saying that I do not believe that deregulation of air services in New South Wales would add to the issue of any safety concerns in this State. I believe that, at an operating level, the Civil Aviation Safety Authority has worked very effectively with airlines such as ourselves and others, and I think that the standard of safety in this State is now very high. I am, of course, aware of the unfortunate accidents—"accidents" is probably too strong a word—with respect to Monarch and the Seaview issues. I think that those days are long gone.

**The Hon. J. R. JOHNSON:** With a deregulated industry, do you maintain that your answer would still hold good?

**Mr RUSSELL:** I think safety is an issue that is within the area of responsibility of the Federal authority, which has

now got its act together, quite frankly. We see the level of surveillance that occurs at our level of the industry as high.

We think that standards have improved right across the industry. I do not believe that deregulation would cause an additional safety concern.

**The Hon. J. R. JOHNSON:** The places shown on your map are the only places that Air-Link flies to?

**Mr RUSSELL:** Yes, that is right. We have a commercial relationship with Air-Link, and we have had for seven or eight years. They provide services into that north-west area of New South Wales that Hazelton Airlines once provided but withdrew from in 1991. We have worked a very successful hubbing operation in Dubbo over those years. As it has grown and matured we have put more services, more seats, better times, and it has worked very well indeed.

**The Hon. J. R. JOHNSON:** So it is only a commercial relationship, and not a shareholding relationship?

**Mr RUSSELL:** No, there is no shareholding. We undertake some engineering services for them, and they use our flight designator, but, apart from there being a close commercial relationship, and one that works well, there are no cross-shareholdings.

**The Hon. J. R. JOHNSON:** Again referring to the network map that you have shown: how many of the establishments that you have here do you now have competition with? You would certainly have them into Canberra.

**Mr RUSSELL:** We do not fly to Canberra, unfortunately. We would like to. If I could start in the north of the State and work our way round. In Lismore and Casino we are a sole operator, but we are in competition with Ballina, which is 30 miles away. And we are in competition with a propeller-driven Saab aircraft that we operate with 737 jet aircraft in the middle of the day. So it is a very competitive market indeed.

In Armidale we compete with Eastern Australia Airlines. In Dubbo we compete with Eastern Australia Airlines. In Mudgee we are a sole operator, and that is a market of about 6,500 people, and we operate a Chieftain aircraft into that market. In Broken Hill we are a sole operator. It is a market of about 12,000 people a year. In Parkes we are a sole operator. Cudal is an airport that we own, and although we fly there it is for maintenance, not to carry people unfortunately. In Orange we are the sole operator. In Bathurst we are the sole operator. In Griffith and Narrandera we are the sole operator. In Wagga Wagga we are in competition with Kendell, and in Albury we are in competition with Kendell. In Moruya and Merimbula we are a sole operator. Traralgon in Victoria is outside the scope of the issue of regulation in New South Wales.

I might say that, from looking at a map like that it might seem that the number of places at which we compete with competitors is limited, about 70 per cent of the passenger numbers that we carry come from these larger markets where we have very strong competition indeed.

**The Hon. J. R. JOHNSON:** If the industry was deregulated, in the majority of these places somebody would have to withdraw or not continue in them?

**Mr RUSSELL:** I have indicated separately in this submission—I think in attachment 3, which is on the third-last page of this heap of paper—that the map that you are referring to is a network map of Hazelton Airlines. But, if you looked at attachment 3 you would see that the markets where 9-seat aircraft operate to, and the markets where 19-seat aircraft operate to, I believe are under pressure in this new environment going forward, as a combination of not just deregulation but of issues of landing at Sydney airport and the pricing of that landing at Sydney airport.

With respect to our network, we would have to look—and are running now—a number of scenarios about the shape of what we would do in a different environment. There is no airline in New South Wales that is not doing the same

thing. Clearly, I would expect competition in some more of these markets, and there are some of them that perhaps we may not operate to in the future.

**CHAIRMAN:** Following on from that: it has been suggested that if deregulation does go ahead, some companies that have made some forward purchases obviously would get into markets—and I am not sure that you are in the same boat—and, if deregulation did not go ahead and they had to change their plans, they would have to use those planes interstate. Have you undertaken any research that you are able to tell us about?

**Mr RUSSELL:** We have recently expanded our fleet by two additional Saab aircraft. We brought them into our system late last year. We now operate eight Saab, four Metro and one Chieftain aircraft. We see changes to our fleet composition going forward, depending on what occurs.

**CHAIRMAN:** But you have not placed any additional orders?

**Mr RUSSELL:** Not additional ones, not at this stage, no. I think it is important that we make the point that, whatever is decided, if there is some lead time involved the industry could gear itself. I regard that as being important. There are lead time issues, but there are also issues in terms of the way that your business is organised and in that respect you really need some time to be effective.

**CHAIRMAN:** Not just a few months?

**Mr RUSSELL:** No.

**CHAIRMAN:** Some people have suggested to us that the advantage of deregulation in some of these profitable areas—in Dubbo, for example—would be that with additional operators the prices would come down because of competition. The concern of some is that if the actual air fare drops and you do not get additional passengers, then the income to the airline operator effectively is reduced, and then you have got either to reduce or cut out your services. Is that scenario correct?

**Mr RUSSELL:** I think there are a limited number of fliers in regional New South Wales. There is no doubt in my mind that a competitive environment does assist the growth of those market-places to some extent. However, for instance, if we take Dubbo, we are currently operating in excess of 45 return services into that market between Sydney and Dubbo each week. Eastern Australia Airlines are operating 25 return services.

There is, at the moment, a gross over-supply of seats for the number of people who want to fly. The market at present is running at a total of about 106,000 or 107,000 per year. There are over 220,000 seats in that market. Now, if a third operator comes in, all it is going to do is get worse. A market of the size that we are talking about is not sustainable for three operators long term. It is just not.

**CHAIRMAN:** So, either somebody has got to drop out, or you get smaller planes, or you reduce your costs in other ways?

**Mr RUSSELL:** I think this is at the heart of the question or the sharp edge, if you like, of deregulation in a regional environment. In theory, these markets work when the market size is significant—Sydney to Melbourne for instance—but, when you get into smaller markets that are of limited size, you have got to start asking yourself some

pretty hard questions. Having just given you the example that I have of Dubbo, I do not believe that if that situation had a third operator in there longer term—and, clearly, in a deregulated environment, a third operator has every right to come into a market like that—that simply would not be sustainable long term. I might say that in Dubbo at the moment we are in a highly competitive market. There is now, and has been in the market for some weeks, an air fare of \$59 to Sydney. No-one is making any money in that market.

**CHAIRMAN:** You cannot drive for that.

**Mr RUSSELL:** No-one is making money long term with that.

**The Hon. Dr B. P. V. PEZZUTTI:** It is a bit cheaper than from Lismore to Sydney.

**CHAIRMAN:** There are a couple of issues that I am not sure you have touched on yet. One is the computer reservation system. Would you care to make some comments on that? Is that a monopolistic situation?

**Mr RUSSELL:** As a regional airline we need a couple of services from a major airline. In most cases the arrangement works quite well. We need a terminal access at a major airport, and tarmac access, mainly because a good number of passengers who fly with us then want to get off our aircraft and get on a jet aircraft to go interstate or overseas. The airline industry world-wide has been working on introducing seamless service, so that it becomes as easy as possible to transfer from one level of the industry to the other.

The issue of the computer reservation system is perhaps the most significant: that is, we must be hosted in a computer reservation system of one or other of the major airlines, because half of our traffic comes out of the Sydney market. Now, in Sydney we do not have the critical mass to be able to develop a brand name, therefore if you want to fly you either ring up Qantas or Ansett. In doing that, you find us located, at the present time under our commercial agreement, in the Ansett Merlin system. It is a critically important part of how we sell our product, and it is an area that has been the subject of some public debate in this country, and certainly in the United States over the years. It gives, potentially, very strong commercial control of the region by the major operator. It is where you appear on the screen; it is how easy it is for an agent to book you; and it is the chronological order that your flights appear. It has to do with all those issues as to the way you appear in the market. It is a very important service.

**CHAIRMAN:** For example, notes are given to us by our staff that we pick up our tickets at Hazeltons, and we go to the Hazelton counter and they would be automatically given to us at Ansett; whereas, when Committee members fly back by Qantas or Eastern tomorrow, the tickets are there in the normal system. Does that actually limit you to some degree?

**Mr RUSSELL:** We have a separate ticket counter at Sydney airport, and that seems to work reasonably well. I think there are relationship issues between regionals that are wholly owned and regionals that are not. I think Qantas has every right, for instance, to make the service between themselves and Eastern as seamless as possible. But it is a potential market disadvantage for an independent operator like ourselves, yes.

**CHAIRMAN:** Another concern with deregulation is that obviously there are some internal subsidies, in that you use profits from some of the more profitable routes that you are on to subsidise the less frequented routes.

**Mr RUSSELL:** Yes.

**CHAIRMAN:** There has been a suggestion—and I think it occurs in other States—that, where there is a cross-

subsidy charge on the profitable routes, the government might take a charge and contribute towards the less profitable routes. Have you any comments on that? Obviously, you do this internally now.

**Mr RUSSELL:** It is a community service obligation in some of the smaller centres. I would think that that is going to be pretty hard to get up, quite frankly. I know that a subsidy arrangement still operates in Queensland, but it is one of the few places in Australia where it does. I think if you are operating in a commercial environment, to try to have government understand the economics of operating at the very small end of the regional business is a very difficult task indeed. I cannot see it being successful.

**The Hon. I COHEN:** At present, under the regulated model, are you running non-profitable flights or routes to particular areas?

**Mr RUSSELL:** Yes.

**The Hon. I COHEN:** Are you forced to do that?

**Mr RUSSELL:** Yes.

**The Hon. I COHEN:** What would some of those areas be?

**Mr RUSSELL:** I would not like to go into a lot of detail, if you do not mind, but there are parts of our network that we currently operate that are unprofitable.

**The Hon. I COHEN:** So, with deregulation, would you expect that those services would wither on the vine?

**Mr RUSSELL:** In a deregulated environment, we would have to look at how we used our resources to achieve the maximum return for our shareholders. One view is that airlines will concentrate on the larger centres where there are potentially more passengers, and that they will, with the issue of Sydney airport, slots and fees for landing in Sydney, seek to maximise the size of the aeroplane and the number of passengers on board to maximise the value of the slot that they have and the price they pay to access it. I see that as being one of the developments. So there would be, if you like, a concentration on some of the larger centres in the State, mainly because you would be forced to do that, and perhaps less emphasis on some of the smaller centres.

**The Hon. I COHEN:** In those areas, would there be a downgrading to smaller aircraft as an automatic reaction to deregulation? For example, out of Ballina—where you mentioned you are dealing with one substantial size jet per day, and there are Saabs at other times, and I think on Saturday for example they have only the one jet in service from Sydney, if I remember rightly?

**Mr RUSSELL:** Yes.

**The Hon. I COHEN:** Will we be dealing, in a deregulated market, with an increase of smaller craft?

**Mr RUSSELL:** Not into those markets. It comes back to not just looking at deregulation but looking at Sydney airport. If, as a regional operator, you intend to open a new service, you need a slot to land at Sydney. If you do not have a slot, it is going to be awfully difficult to get into Sydney, particularly at a peak period when people want to fly.

**The Hon. I COHEN:** So it will still be regulated into Sydney?

**Mr RUSSELL:** Effectively, demand management at Sydney airport will have that effect, yes. I do not see, with the way that pricing at Sydney airport is going, that smaller aircraft will be there longer term. I just do not see that happening. So, therefore, in terms of accessing Sydney, I think that you will not see a growth in smaller aircraft into Sydney. It will be quite the reverse.

**CHAIRMAN:** They could go to Bankstown though.

**Mr RUSSELL:** Well, that is possible.

**The Hon. I COHEN:** You mentioned before that there are almost twice the number of flights in and out of Bankstown by small aircraft, like KSA is dealing with.

**Mr RUSSELL:** Bankstown is a major training facility as well, so there may be a decision made to move some of those training aircraft from Bankstown. But I do not know.

**The Hon. I COHEN:** Out of the Sydney basin altogether?

**Mr RUSSELL:** It could be.

**The Hon. I COHEN:** Are cargo flights a factor as well in this whole deregulation debate?

**Mr RUSSELL:** Not from our viewpoint. Cargo is a relatively small amount of what we do. I might come back to finish a point. You asked whether we would see more smaller aircraft. I do not believe in the bigger air routes you will see more, because I do not think they will have great difficulty going to Sydney.

**The Hon. I COHEN:** I was referring to the marginalised areas.

**Mr RUSSELL:** That is the issue. The issue is: how do those small centres then maintain an air service? One way is to have, for instance, a stop on route, with a 19-seat aeroplane. So that you might fly from point A, pick up 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 that there be developed a system of hubbing such as we have mentioned operates very successfully in Dubbo at the moment.

Dubbo is somewhat unique in New South Wales in that it is far enough away from Sydney to make it difficult and most inconvenient to drive, whereas some of the smaller centres in the Hunter Valley and places such as Mudgee and some areas around this part of the south-west are much more accessible by road. I think that hubbing will be fairly difficult to pull off. It is something that Hazelton Airlines would look at doing to assist small operators fly to another airport, but I am not sure that the market would wear it. We are in real competition with the motor vehicle, particularly in markets that are distant from Sydney to the extent that Orange is. The biggest competitor that we have in this market is the motor vehicle. There is no question about that.

**The Hon. I COHEN:** Without wishing to be seen to be casting aspersions on small airlines, is there not a safety factor involved with smaller aeroplanes?

**Mr RUSSELL:** This debate is currently going on within the Civil Aviation Safety Authority.

**The Hon. I COHEN:** If I could interrupt you there: and also the stop-start service, with one aircraft making a number of stops on the way. Does that have any effect potentially?

**Mr RUSSELL:** I would answer that question by saying this. I think that there are some very reputable airlines in this State that happen to operate smaller aircraft, and one is our colleague in Dubbo. I think it is very much a question of operator as to how those aircraft are flying and how they are maintained, rather than the fact that they are smaller aeroplanes. That, ultimately, is what this is about: pilot training and maintenance of aircraft, and how those aircraft are surveilled by the Civil Aviation Safety Authority. As I say, I think that has improved dramatically at that end of the industry over the years. That is really my answer. I think it very much depends on who is flying the aeroplane and who has looked after it, rather than size.

**The Hon. I COHEN:** You mentioned the sale of KSA after the Olympics.

**CHAIRMAN:** Before.

**The Hon. I COHEN:** No, I thought it was after.

**Mr RUSSELL:** We think after. Maybe there is another view.

**The Hon. Dr B. P. V. PEZZUTTI:** It depends on whether the market-place is right.

**The Hon. I COHEN:** Where does that come from? Is that just a gut feeling?

**Mr RUSSELL:** An educated gut feeling. I mean, if I was in business, when would I sell an asset like that? When you have just put through as many people as you possibly can, coming to an Olympic event.

**The Hon. I COHEN:** How will this affect the deregulation debate?

**Mr RUSSELL:** I am not sure I can do justice to an answer. Our concern has principally been that where airports have been privatised in Australia in the last 18 months, we have seen evidence that the new owners are looking at ways of increasing revenue, mainly because I think some of them have paid too much for those airports, but that is my personal point of view. We would need an assurance from the new owners that regional access was still to be maintained at affordable levels.

The point I make is that, whilst you can have a guarantee under the slots legislation that regional airlines will have a ring-fenced number of slots to operate into Mascot airport—and we certainly welcome that, and we have said so publicly—it is our concern that that is one arm of the Federal Government acting, but another agency of the Federal Government at the moment, the Federal Airports Corporation, can determine the price of those slots and therefore whether or not you can afford to access them. That is our concern.

**The Hon. Dr B. P. V. PEZZUTTI:** Our party is mostly responsible for this review and this reference, and the current Government had planned to deregulate. However, the issue is that it works pretty well to have a control process for some close-to-the-city small airline operations for country towns, but it works very much against places like Ballina and Lismore, where I come from. The costs of flying in and out of Ballina and Lismore are very, very high indeed. It is profitable from those more profitable markets that give you the ability to subsidise your smaller markets. Is that correct?

**Mr RUSSELL:** I dispute the fact that air fares are very, very high.

**The Hon. Dr B. P. V. PEZZUTTI:** But it is from those markets that you will make a profit that will allow you to subsidise your smaller operations?

**Mr RUSSELL:** From some markets.

**The Hon. I COHEN:** You do not fly out of Ballina though, do you?

**Mr RUSSELL:** No, we do not fly out of Ballina. We do fly out of Lismore.

**The Hon. Dr B. P. V. PEZZUTTI:** And Casino.

**Mr RUSSELL:** Can I go back and make a point to you about that?

**The Hon. Dr B. P. V. PEZZUTTI:** Yes.

**Mr RUSSELL:** We entered that market at the end of 1992, after Ansett withdrew. We offered that market three return services a day. We said to that market that we would base air crew and an aeroplane there, and that we would open an office in that market-place. And we have grown the market since we have been there. Consistently, our load factors out of those markets are high, because it is a growing market, and we are very competitive in that market.

If you are comparing our fares with air fares that are charged by interstate and international airlines—and frequently that occurs—then I would need to take you through, and in a lot of detail, the price regimes. For example, we frequently get compared to being able to fly to New Zealand for the cheapest possible discount on that aeroplane, and it might have four or five seats on a 747. Yes, we are in a different area of the industry, and our costs, as you can see from some of the information I have given you today, are not getting any less; they are increasing. I believe that in Lismore we have provided the market with an outstanding service and that we have been rewarded through patronage. In my view, that is the best answer that I can give you.

**The Hon. Dr B. P. V. PEZZUTTI:** Would it be fair to say that it is the most profitable part of your operation?

**Mr RUSSELL:** No. It is not.

**The Hon. Dr B. P. V. PEZZUTTI:** It is not the most profitable?

**Mr RUSSELL:** No, it is not.

**The Hon. Dr B. P. V. PEZZUTTI:** The circumstance that I face, living in Lismore and flying to Sydney, is that I have a choice of Hazelton Airlines, getting on at Lismore and dropping into Casino on the way to Sydney which, as you say, people do not like doing if they are in New South Wales, and I do that regularly; or I go out of Ballina, with the same jarring Saab or whatever it is called; or I take the chance and I drive to Coolangatta, which is an option because it costs the same, and I get a jet; or I wait until the middle of the day, when Ansett—because it is unchallenged—deigns to put a jet in there in the middle of the day when they are not using it for anything else. That is the only time we get the jets, when they are not using it for something else. All of the people who fly from the north coast have suffered from what is effectively no competition.

**Mr RUSSELL:** I disagree with that. I absolutely dispute it. We have come into that market-place. There are three airports in 30 nautical miles.

**The Hon. Dr B. P. V. PEZZUTTI:** I accept that.

**Mr RUSSELL:** We have come into that market-place and provided very strong competition. It was not there prior to the end of 1992. I absolutely reject what you are saying, I am sorry.

**The Hon. Dr B. P. V. PEZZUTTI:** If only one airport operated and two or three operators flew into one airport, we would be able to have, I presume, the same frequency with larger aircraft. Is that correct?

**Mr RUSSELL:** I think that that is one of the great fallacies and misunderstandings of aviation. What you have got at the moment is frequency in small aircraft, and that is what the market wants. That is what we provide in Dubbo. If we ran jet services into Dubbo, we would reduce the number of flights by probably two-thirds. People do not want them. They want a flight in the morning and the ability to come back.

**The Hon. Dr B. P. V. PEZZUTTI:** At a site like Lismore, when you have Lismore, Ballina and Casino within 30 nautical miles of one another and are a driving distance apart of about 40 minutes, if I wish to get a jet in the middle of the day, that is by far the fullest plane of all of them. People are obviously choosing to fly at that time. I often fly down at that time because I want to take the jet. If all of those three loadings were put into one passengers terminal, you are saying that there would not be a jet?

**Mr RUSSELL:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Find out, when it is deregulated, whether or not Qantas joins the flights, because it is simply not possible at the moment.

**Mr RUSSELL:** I can tell you now what will happen in a deregulated environment. That jet will go. There is no question about that. Part of the reason it is there—and you are right—is utilisation of the aeroplane at midday, and the number of seats that are available in heavily discounted numbers are very large indeed. It is operating there for aircraft hour utilisation; it is not there to make money, I can assure you. Can I equally remind you that before the end of 1992 Lismore and Casino had Fokker 50 aircraft, a 50-seat aircraft bigger than the Saab, yet one service used to arrive at a quarter past three in the afternoon. We found that when we put in a service in the morning and gave people the opportunity to spend a day in Sydney, the business market was absolutely overjoyed by that.

**The Hon. Dr B. P. V. PEZZUTTI:** It is interesting that Ansett instantly followed that in Ballina. It was something that we had been calling for for some time.

**Mr RUSSELL:** But is that not competition? I would have thought that is exactly what I am saying to you.

**The Hon. Dr B. P. V. PEZZUTTI:** I am saying that what we need up there is probably more competition, probably not less.

**CHAIRMAN:** But it is managed competition now, really.

**The Hon. Dr B. P. V. PEZZUTTI:** It is a regulated market. There are two operators: one gets Ballina, and one gets Lismore and Casino. In a deregulated market, probably Casino will drop out. But the opportunity for expansion of the tourist trade, rather than the business trade, would be for an operator an opportunity that does not exist at the moment.

**Mr RUSSELL:** I do not agree with you.

**The Hon. Dr B. P. V. PEZZUTTI:** So you think that everybody will lose with deregulation? Is that the message that you would give the Committee?

**Mr RUSSELL:** I am not saying that at all. I have given you our views on deregulation. We believe that it will come and have been gearing up for it. But——

**The Hon. Dr B. P. V. PEZZUTTI:** Will everyone in New South Wales lose?

**Mr RUSSELL:** No. But we do have some concerns about it. We believe the smaller markets in this State will suffer. We believe they will, yes, because ultimately people like ourselves will have to devote our attention to some of these larger market-places. That is issue one. Issue two is that we believe that the domestic industry in this country is a very tightly controlled duopoly, and we think that that may not be in the best interests long term. We can live with it as long as the playing field is fair. That is the point I make to you. We are used to operating in a strongly competitive environment.

**The Hon. Dr B. P. V. PEZZUTTI:** Even the big markets, like Lismore, Ballina and Casino, will suffer as a result of deregulation?

**Mr RUSSELL:** I did not say that. I believe that what has happened up there in the last six years has been good for that whole market-place. That is the overwhelming opinion of people who live up there, I can assure you.

**The Hon. Dr B. P. V. PEZZUTTI:** Yet have you taken out figures on the number of people from Lismore who fly out of Coolangatta?

**Mr RUSSELL:** I have taken, and take on a daily basis, a look at what happens to those flights that we operate—how many seats we have sold, and in what category they are sold. I can say to you, without equivocation, that we have been good for that northern New South Wales market. You will find, if you talk to people like John Crowther, the former mayor up there who has come from being concerned about Hazelton coming into the market to being one of our strongest supporters.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that there is a subsidy of \$1.5 billion into public transport in New South Wales for Sydney, Newcastle and Wollongong, is there room for the government to provide some form of community service obligation payment, following on what the Chairman talked to you about, for regional airlines, or subsidising regional airline passengers for their transport, in the same way they have subsidised the railways, trains and buses?

**Mr RUSSELL:** I do not believe it would work. I believe it is totally at odds with the reality of national competition policy in this country.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you think that the government in New South Wales will reduce the subsidy to railways and buses in Sydney, Newcastle and Wollongong, that they will deregulate those markets?

**Mr RUSSELL:** Frankly, I am interested in what you say about the trains and buses, but they really have very little to do with me. If anything, I would have a concern about the amount of public expenditure that is occurring in the cities, rather than in regional centres, if that is the question. But, in terms of whether they deregulate transport, quite frankly, it does not make any difference.

**The Hon. Dr B. P. V. PEZZUTTI:** Is the Albury \$10 landing fee the same size as the landing fee that you would find at other regional centres?

**Mr RUSSELL:** It has been, yes. If you read through our submission, you will find that attachment 5, at the very last page, has an analysis. Some councils charge a per-head tax, some charge a combination of per-head and per-tonne tax, some charge a monthly fee. What we are saying is that Albury is certainly at the upper end of it, but, if you look at it in isolation, you have got to see how many people fly into those centres and multiply out exactly what revenue is being achieved and what they are doing with it. In our view, there is a super profit being made out of Albury airport, and we have objected, so have Kendell Airlines and So have Air Facilities, three major operators into that airport, that the council is taking funds from the airport and using them for other purposes. We believe it is a slug on people who fly on that route, because ultimately they are the ones paying for it.

**The Hon. Dr B. P. V. PEZZUTTI:** The amount for Casino is obviously high, as it is per head, as is the amount at Armidale.

**Mr RUSSELL:** Yes, they are.

**CHAIRMAN:** Thank you for that information. If there is any further information that you want to send along, we would be pleased to receive it.

**Mr RUSSELL:** Thank you, Mr Chairman.

**The Hon. Dr B. P. V. PEZZUTTI:** How many of the contracted airline services that you had in 1991 have you since declined to continue to operate?

**CHAIRMAN:** In answering that question, we should bear in mind that you were not the general manager at the time.

**The Hon. Dr B. P. V. PEZZUTTI:** No, not you personally, but Hazelton Airlines.

**Mr RUSSELL:** I would be happy to do that. 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.

**CHAIRMAN:** Some are now Air-Link services.

**Mr RUSSELL:** Some are now operated by Air-Link. I might say that that came at a time when there was a severe recession hit country New South Wales, as well as a drought.

**CHAIRMAN:** Thank you for your evidence today.

**(The witness withdrew)**

**THOMAS RODERICK GORDON**, Manager, Marketing and Operations, Air-Link Air Lines, sworn and examined:

**CHAIRMAN:** In what capacity do you appear before the Committee?

**Mr GORDON:** As the Marketing and Operations Manager for Air-Link Airlines.

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

**Mr GORDON:** I did.

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

**Mr GORDON:** I am.

**CHAIRMAN:** You have not given the Committee a written submission.

**Mr GORDON:** No. I would like to make a verbal submission.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to make a statement first before we ask questions?

**Mr GORDON:** Yes, Mr Chairman. As I stated, I have a verbal submission. I think it might be pertinent to give you some background to Air-Link Airlines and the services that we provide, to give you an understanding of where we fit into the picture of regional services in New South Wales, even though it has been mentioned somewhat in the Hazelton Airlines submission.

Air-Link provides central air services to and from Dubbo to the western New South Wales centres and towns of Cobar, Nyngan, Bourke, Brewarrina, Coonamble, Walgett and Lightning Ridge. On an annual basis, we will carry approximately 10,000 passengers. That represents about 12 per cent of the total traffic that operates on the Dubbo and Sydney route. We operate the spokes of a hub and spokes system, based on the city of Dubbo, and we connect with Hazelton flights to and from Sydney, with a 20-minute connection time at Dubbo airport.

That system has been operating since 1991, when, as was mentioned previously, Hazeltons withdrew from a number of centres, including the ones that Air-Link now services. The type of aircraft that we operate are 8-passenger and 5-passengers twin-engine, piston-engine aircraft, non-pressured, namely the Piper Navajo Chieftain and the Cessna 310. We have a commercial arrangement with Hazelton Airlines, part of which allows to co-share, that is, use their ZL flight designator for the sale of flights and the central reservation systems. By virtue of our arrangements with Hazelton Airlines, we are therefore hosted in the Ansett Merlin reservation system.

With our scheduling, we attempt at a very minimum to provide a daily service to each of the centres to which we fly. There are a couple of exceptions to that, notably Nyngan and Brewarrina, where only very small number of passengers, between 1 and 200 each year, travel on our airline. The reason that we try to provide at least a daily service is that we know the market requires frequency of service, unlike it did many years ago where a lot of centres both in that area and in New South Wales in general received perhaps three services a week. Improved road

conditions, less travelling time and better coach services now dictate that air services have to be more frequent. In the case of Cobar, we provide twice-daily services.

Our schedules are also aimed at, and biased to, the Sydney market. We find that most of the traffic, probably with the exception of Cobar, is coming from Sydney or interstate and going to the western areas of New South Wales to conduct business, and then returning to Sydney or interstate destinations. When I say most, I mean the majority of 60 to 65 per cent. It is for that reason that we try to bias our schedules towards that end of the market. Cobar, being a major mining centre in New South Wales, is a little different, and we have equal opportunity of schedules for that centre.

We also provide, in conjunction and by arrangement with Hazelton Airlines, through fares—in other words, one fare from Bourke to Sydney, so that they do not have to buy separate fares to fly on our aircraft to Dubbo and then buy a separate fare to travel through to Sydney. That is just a little of the background of Air-Link and where we sit in the system.

As is fairly obvious from that, our presence in Sydney is nil, so that a lot of what this inquiry is about in regard to looking at the issues of Kingsford Smith airport, we do not have a direct interest, but we certainly have an indirect interest, and we would like to make some comment on these various issues as I go through my opening comments. I will start with the landing fees at Sydney.

Firstly I would mention that, in the collection of revenues for the provision of services at Sydney airport, there are basically two sides: revenues coming from the air side, from the aircraft landing at and taking off from Sydney airport; and there is also revenue raised from the land side, being rentals on property from commercial car hire firms, shops, and so on and so forth. It is our understanding that the air side revenue is the only revenue considered for the function and operating of that airport. We do not think that is correct and right. We think that revenue from the land side should also be included and combined to give the total operating costs for the airport.

The current review of charging by the Federal Airports Corporation we see as detrimental to regional services in New South Wales. It is an increase in fees. Though the peak period charging has been removed, there are planned increases in fees. That can only reflect in dearer ticket prices for passengers, and it is going to make the operations of smaller aircraft into Sydney more difficult to sustain. That will have a direct effect on the smaller communities of New South Wales.

On the 80 movements per hour cap, we make the following comment. The 80 movement per hour cap is nothing to do with the capacity of the airport. It is really a cap, applied for political reasons, on the noise level in and out of Sydney airport. Regional traffic contributes very little to the noise problems of Sydney airport, and therefore it could be argued that the regional traffic should be excluded from the cap.

If that was to be the case, that would give more capacity to Sydney airport, which it desperately needs because there are a lot of periods of time when the slots are totally booked out, and there is no capacity left at certain times of the day. It is also going to provide additional revenue for the functioning of that airport, again allowing the pressure on ticket prices to be reduced. It will also provide more surety for the provision of regional services in New South Wales should that be allowed.

As to landing fees at regional airports, we see a vast difference in approaches across the State. It ranges from the larger commercial centres, such as Dubbo, Albury, Wagga Wagga and so forth, through to the very small centres such as Brewarrina and Walgett. We believe that in a lot of these larger airports the revenue raised is in excess of that required to maintain the airports, but we also see in a lot of the smaller airports that there is no revenue raised from any type of air traffic for the provision of maintaining these airports. I will give you a little bit more detail on some of our services.

For example, at Walgett, we do not pay any passenger charges and we do not pay any landing fees. I do not believe there is any system of collection of moneys for the control and maintenance of that airport. The funds that that council uses comes out of the general funds for the provision of that airport. Another example is at Cobar airport, where we do pay a head tax, or per passenger fee, but we are the only operator who pays any fees at that airport. Even though we only provide 40 to 50 per cent of the movements in and out of that airport, we are probably paying 95 per cent of the fees towards the maintenance of that airport.

**The Hon. J. R. JOHNSON:** The rest are private, are they?

**Mr GORDON:** The rest are charter aircraft, bank-run aircraft, private—the whole range.

**CHAIRMAN:** They do not even charge for the bank runs?

**Mr GORDON:** No. It is a matter of the difficulty in collection, and the cost of the collection of fees. We pay on an honour system. We count the passengers that we have in and out of that airport, and we pay them a set amount per head.

**CHAIRMAN:** I investigated one or two matters with a councillor, and I was led to believe that there was some system that you book in a landing when you come in and that there is some printout that you get once a month or something.

**Mr GORDON:** It is known as Avdata, which a lot of the airports do use. It is, apparently, a fairly expensive service to provide. Airport operators can also operate voice-activated recorders that collect their own information on airport, but that relies on someone actually recording the landing at that airport. From an overall point of view, apart from the discrepancies that occur out there, the best and fairest way for the funding of regional airline traffic is on a per-head passenger fee; it is equitable, and it then depends on that local council setting its own fees. But we have great difficulty where other users of the airports do not pay for their share of the use of that airport.

I would now like to comment on the slot system in Sydney from our perspective. There is no doubt that it has certainly given on-time performance back to regional services in New South Wales. In fact, it is now quite common for us to see flights early. That is good. But we are very concerned as a regional airline about the slot system. It is good that there is a ring-fence there for regional services, but any plan or system on the pricing of those slots would be hugely detrimental to regional air services. Time and again, when we are talking about pricing, it is all very relevant to the size of the aircraft. The smaller the aircraft, the smaller the community, the more detrimental it becomes.

As far as Bankstown airport is concerned as an alternative, be it for large or small operators, we do not see it as a realistic option. 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.

I will give an example. I understand that on-carriage from international traffic for some of the domestic carriers is around 40 per cent, therefore they want to be at the same airport. On-carried to domestic is something like 12 or 15 per cent, but again a very important source for both types of airlines to be at the same airport. Relatively, it is more important for the regional airline to be able to access the same airport as the domestic carrier I would think, and it is not only important for on-carriage, but 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. I think overall, from our point of view, the answer is that it needs a second airport, and

it needs the opportunity for all types of traffic to use that second airport.

On the issue of deregulation we are a little unique I suppose, because we have operated in a deregulated environment.

In 1991 some areas of New South Wales were deregulated, including most of the western area of New South Wales. Those are the places that we fly to now, with the exception of Cobar. That occurred for four years. I believe it was 1995 when there was last a review of services, and in New South Wales those areas were re-regulated. Basically, the difference between what we have done in a deregulated and a regulated environment has been absolutely nil. However, we did not get competition as you would expect; there were no other airlines flying over the same routes as Air-Link in a de-deregulated environment. Had there been, it would have been a completely different picture.

I would support the comments about regional airlines, and particularly independent regional airlines. There are probably three absolutely fundamental things that they need. They need a central, computer reservation system. There are only two in Australia. One is owned by Ansett, and one is owned by Qantas. Flying into Sydney, you need terminal facilities. You have got to be able to park your aircraft, and you have to be able to board your passengers from terminal facilities. That ability is extremely limited in Sydney and again, with some exceptions, that is controlled by the two major airlines.

Finally, because of the relationship between regional traffic and interstate traffic, you basically need the support of one of those major domestic airlines to allow that meshing and that interchanging with traffic to happen. From our perspective, the domestic airlines need the regional airlines as much as the regional airlines need the domestic airlines too. It is a happy marriage. But it is also a barrier to new entrants or for existing airlines to take over additional routes, because it is as much a matter of capacity and willingness to do it as anything else.

So, in a de-deregulated environment, if it is trying to encourage existing airlines to come onto new routes, or to encourage new airlines to take up those routes, these fundamental issues have to be overcome. That is where there are barriers, and there will continue to be barriers, to achieving the desires of deregulation. There is a very good example of this right now. If we look at the interstate market, there is a route called Sydney-Canberra which is absolutely plum for regional types of operations. In fact, in the last few years, there have been regional carriers who have entered that market to provide higher frequency, but the regional carriers operating on that frequency are wholly owned by the two major domestics. There is no other airline operating over that route. That is fairly indicative of what the two-airline duopoly is about.

The question to be asked or answered is: is it going to be constructive or destructive? 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 air fares may have been reduced to some extent. But that does not necessarily apply to the smaller centres, particularly bearing in mind the barriers that have been put up by Sydney airport and the costs, so on and so forth. We are of the view that pricing at Sydney airport will drive out the smaller aircraft types over the years.

On the opportunity of hubbing, I repeat that we are the spoke in a spoke and hub operation. That works very well. It works very well for us. It allows us to provide a good service to the centres that we service, and it works well for Hazelton Airlines because I believe it gives them additional traffic over the Dubbo to Sydney route. But, if you like, 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 of Sydney I just do not believe it is an option. I think people will just hop in their cars and go. Passengers—even where our passengers are—are not fussed about getting on a plane, going to another destination and changing aeroplanes. In our area, it is a good option because it is a long way to any other alternative. If you are talking about the same principle close to Sydney, it is not a viable option because the car and—the coach become an

option.

Gentlemen, that is basically all that I have to say at the moment. I would be more than happy to field your—questions at this point.

**CHAIRMAN:** We might have some supplementary questions to put to you, and we might write to you in future as other issues come up and get you to send in some information. If we run out of time here, or you would like to get some further details, would you just take the questions on notice and provide the answers to us in writing. There is a comment that I would make before I ask you a couple of questions. You talked about the link between the regional airlines and the air trips out of Sydney and perhaps interstate. I could imagine the frustration of somebody from Coonamble who wanted to go to Brisbane who got on one of your planes and flew to Dubbo, then jumped on a Hazelton aeroplane and flew into Bankstown—this is on the scenario that they are all shifted to Bankstown—then hops in a car, drives to Kingsford Smith airport, and then hops on an aeroplane to Brisbane. Those people would be better off hopping in a car and driving direct to Brisbane.

**Mr GORDON:** That is right.

**The Hon. J. R. JOHNSON:** He can go straight through from Coonamble to Dubbo and then straight through to Brisbane.

**CHAIRMAN:** With Hazeltons he can.

**Mr RUSSELL:** It is only a weekly service, on Saturdays.

**CHAIRMAN:** Who can give us more information on the issue—that you have raised and was also raised by the regional airline operators—on the noise levels of aeroplanes? You raised the issue about the slot allowing only 80 flights in and out an hour. It is really only the noise of those bigger planes.

**Mr GORDON:** It is.

**CHAIRMAN:** Whereas most of the aeroplanes that we are talking about have very little noise, and some of them could land on some of the taxiways. Who could give us some more information on that?

**Mr GORDON:** Have you asked that question of the regional airlines?

**CHAIRMAN:** We have not yet, but we intend to.

**Mr GORDON:** I think they would be the appropriate persons.

**The Hon. I COHEN:** I was interested to hear that you had that period of deregulation from 1991 to 1995, did you say?

**Mr GORDON:** Yes.

**The Hon. I COHEN:** And that there was no change in your operations. Was that in the frequency or number of those active on those routes? Was there no change?

**Mr GORDON:** No, there has been no change. Basically, when Air-Link first started operations it was in a deregulated environment, and it could have been that somebody else decided to operate over those routes as well. Bear

in mind the type of aircraft that we operate—because we operate 8-seaters and 5-seaters. The reason that we have both is because, when we get small loads—and I am talking about twos and threes here—we will drop back to the 5-seater, which still can provide an economical way of providing that service. If you were still to use the larger aircraft you would basically be losing money.

That is about as small as you can get in regional type of aircraft. If you get two operators operating over a route, and the market is just not big enough. Someone will have to drop their frequency, or they will have to drop their aircraft size permanently. At the end of the day, I would suggest that the reason that no-one has come in is that they know it has not been a viable option. If they had a big pocketful of money, we would not stick around for too long losing money either.

**The Hon. I COHEN:** Would you expect that to happen if there was deregulation? We are talking here about your outer sections, from Dubbo out? Would you expect any change in your scenario?

**Mr GORDON:** The difference between now and then is that Cobar, which is the largest port we service, was not deregulated; it was still under a regulated environment. It generates about 5,500 passengers per annum. If an additional operator chose to introduce a service, that would be one service that they would pick, I think. That could have a big impact on us as an operator, because not only do we provide a service from Dubbo to Cobar, but we have connecting services so that we can use the one aeroplane to go from Cobar to Bourke.

If we had to reduce our frequency at Cobar because of competition, then that is going to upset Bourke. It is just like on the Coonamble-Walgett-Lightning Ridge run: we go to all three stops, but if someone came in and decided to operate a service to Coonamble that made it unviable for us, that would have a huge impact on the services to the other two centres.

**The Hon. I COHEN:** With the Dubbo, Cobar, Bourke and Brewarrina services, are the Brewarrina and Dubbo services separate services operated at different times, or was that aeroplane doing a complete circuit?

**Mr GORDON:** It mixes throughout.

**The Hon. I COHEN:** So sometimes it will go to Cobar and Bourke?

**Mr GORDON:** Sometimes it will go Cobar-Bourke, and sometimes it will go Brewarrina-Bourke. Once weekly we go Dubbo-Brewarrina-Bourke-Cobar-Dubbo, which is round in a circle. But that is only once a week.

**The Hon. I COHEN:** How marginal are those routes in terms of competition from the car?

**Mr GORDON:** Very marginal, because right now—and this goes back to my comment about the way we flavour our services to cater for the Sydney market—Coonamble to Dubbo has a drive time of about an hour and a half or an hour and fifty minutes, therefore that centre is in competition to Dubbo. It is quite easy for people to drive from Coonamble to Dubbo and hop on a flight at Dubbo to go to Sydney. They might do that for economic reasons, or they might do it because they have a business in Dubbo anyway, or they might do it because their mother lives in Dubbo and they want to see her on the way through.

So we are in competition with the car. Even though those centres are a long way away, we are still in competition with Dubbo as such as a route. Yes, they are marginal, because we have air fares from Bourke to Sydney as well as Bourke to Dubbo, and we have to be very conscious of our Bourke to Dubbo air fares in order to try to attract traffic between Dubbo and those centres, traffic which does exist.

**The Hon. I COHEN:** With deregulation, if there is deregulation, how do you think that will impact on your airline

specifically and on your routes? Would it have a flow-back effect on services to Dubbo?

**Mr GORDON:** On the Dubbo to Sydney route?

**The Hon. I COHEN:** Looking at your routes, which are west of Dubbo.

**Mr GORDON:** If we went into a totally deregulated market—and bear in mind that it is very difficult to predict what is going to happen, and who is going to do what—what happens to us will very much be dependent on what happens on the Dubbo to Sydney route. On the Dubbo to Sydney there are now two operators: there is one hosted by Ansett and one Qantas operator. I really would not expect any change on that route. I would not expect any difference in air fares. I do not think anyone else would come on board.

**CHAIRMAN:** You can't get much cheaper than \$59.

**The Hon. I COHEN:** Then what about frequency?

**Mr GORDON:** I do not see a great deal of difference at all. I believe that Dubbo is basically deregulated. In fact, we have had, and probably still do have to some extent, the opportunity to be a third operator on the Dubbo-Sydney route, and we have chose not to, because it just would not be viable, particularly when you have two well-entrenched major regional airlines providing those services. The reason that, at the last review of air services we actually applied to be an operator on the Dubbo to Sydney route was quite simply that we prefer to be providing our own services between Sydney and Dubbo and feeding our own traffic, but not at the expense of being a third operator.

Under a deregulated environment on our own routes, if someone else came in and started to provide services either to Dubbo or directly to Sydney, that would have a huge impact on our business, because the margin is just so thin. I mean, Bourke is a 1,200 passenger a year service, and Coonamble is about 500, and Lightning Ridge is about 800. There is just not the number of people out there who are flying.

**The Hon. I COHEN:** So there is the possibility, if someone came in under a deregulated market, and looked at the whole package of Dubbo and Sydney and outer areas that you service, that could be disastrous for your airline?

**Mr GORDON:** We are certainly not going to continue to provide services on a non-viable basis, whether it is regulated or deregulated.

**The Hon. J. R. JOHNSON:** Can I book a seat from Sydney to Bourke with one ticket? Or do I have to book from Sydney to Dubbo and then buy another ticket? Or is there any arrangement whereby Hazelton Airlines and the other carrier will book through to Bourke and make an adjustment with you?

**Mr GORDON:** You can book a seat from Sydney to Bourke and buy one ticket if you fly with Hazeltons to Dubbo and then Air-Link from Dubbo to Bourke. That is because of the commercial arrangement that we have with Hazeltons, and by virtue of the fact that we have to be hosted in a reservation system, and in reality you can only be hosted in one reservation system, not both. So, if you choose to fly from Sydney to Dubbo with Eastern Australia Airlines, which are hosted in the Qantas system, you would buy a separate ticket and pay a separate fare, and then you would book a separate seat and pay a separate fare with Air-Link. You could do it on the one ticket though.

**The Hon. J. R. JOHNSON:** Yes, but only through Hazelton?

**Mr GORDON:** Only through Hazeltons can you book an air fare or pay for an air fare from Sydney to Bourke.

**The Hon. J. R. JOHNSON:** Eastern do not issue the ticket?

**Mr GORDON:** They can issue a ticket.

**The Hon. J. R. JOHNSON:** To Bourke?

**Mr GORDON:** Yes. Any airline or any travel agent can issue a ticket to Bourke, and anyone can make a reservation to Bourke.

**The Hon. J. R. JOHNSON:** From Sydney?

**Mr GORDON:** From Sydney.

**The Hon. J. R. JOHNSON:** There is a question I should have asked Greg Russell. Why are not flights over Botany Bay utilised more?

**Mr GORDON:** Are you asking me that question?

**The Hon. J. R. JOHNSON:** Yes, I am asking you, but I should have asked Greg.

**Mr GORDON:** I cannot answer that question.

**CHAIRMAN:** We might take that on notice to send to Greg.

**The Hon. Dr B. P. V. PEZZUTTI:** I asked Mr Russell about a community service obligation payment to the operator. For isolated communities like yours, is it possible, in any sort of administrative or commercial way, for the New South Wales Government to provide a payment to the operators, either by way of a flat payment to the operator, whoever that operator is, to make services more convenient or to increase the quality of services to those areas?

**Mr GORDON:** I would have to answer that, yes, it would be possible.

**The Hon. Dr B. P. V. PEZZUTTI:** Getting away from the commercial operation of the deal, if it was a flat rate per year?

**Mr GORDON:** I would think so. It is a matter of a subsidy, if you like, for providing air services.

**The Hon. Dr B. P. V. PEZZUTTI:** Say it was \$10 per person, or \$1 per kilometres flown, or something like that, is there an efficient way of doing that, or does any subsidy make the whole thing inefficient?

**Mr GORDON:** The airline knows how many kilometres it flies, and it knows how many times it goes to a centre, and it knows how many passengers it carries, and it knows what its air fares are. There has got to be a mechanism in there that I believe could be used to provide that sort of information on which to base a subsidy.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you get many people travelling on the Isolated Patients Transport and Accommodation Service in your area?

**Mr GORDON:** No, we do not get a lot from IPTAS, but we do get a lot of other government-funded travellers though, such as children attending boarding-schools. I am not talking about private schools here; I am talking about the Aboriginal population to a large extent. We have funded travel from Veterans Affairs, and I believe we have funded travel from other government sources.

**The Hon. Dr B. P. V. PEZZUTTI:** They simply pay the routine fare.

**Mr GORDON:** They just pay a normal air fare.

**The Hon. Dr B. P. V. PEZZUTTI:** IPTAS would come out of a government bucket and that would be paid directly to you as a fare?

**Mr GORDON:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** So those people are in fact subsidised. There are a range of people who are subsidised in different ways from the government's pockets?

**Mr GORDON:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** If there were a general subsidy across that area, would that unbalance the market, or make the world fall apart, or make the whole commercial operation look funny? Would it disturb competition in the area, would it reduce the quality of flights?

**Mr GORDON:** No, it would not. I do not know the mechanism. I have not got the answer on a mechanism of introducing it, but I do not see why it would upset any of the services. We have subsidised travel now for specific segment or market groups, such as IPTAS. You are talking about a total market, all passengers. That would be basically predicated on where they are going to or from, and it would have to be granted to the airline, or over a route on an annual basis, or on a per-passenger basis.

**The Hon. Dr B. P. V. PEZZUTTI:** And that would then be able to be applied to whichever operator wanted to fly?

**Mr GORDON:** I think so.

**CHAIRMAN:** We will correspond with both you and Mr Russell and hopefully you will be able to give us some further information. I thank both of you for coming along today for the start of our inquiry. I thank you for the information that you have given us.

**(The witness withdrew)**

**(The Committee adjourned)**



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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND  
REGIONAL  
AIR SERVICES IN NEW SOUTH WALES**

—  
**At Griffith on Wednesday, 22 July 1998**

—  
**The Committee met at 10.00 a.m.**

—  
**PRESENT**  
**The Hon. A. B. Kelly (Chairman)**  
**The Hon. J. Gardiner, The Hon. I. M. Macdonald**

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**HELEN IVY BRAYNE**, Mayor, Griffith City Council, and

**DAVID WILLIAM TULL**, Director of Engineering, Griffith City Council, sworn and examined:

**CHAIRMAN:** Mayor Brayne, what is your full name and occupation?

**Cr BRAYNE:** Helen Ivy Brayne, Retired.

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

**Cr BRAYNE:** As Mayor of Griffith City Council.

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

**Cr BRAYNE:** I did.

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

**Cr BRAYNE:** Yes.

**CHAIRMAN:** You have made a submission to the Committee, and the Committee has your letter. Would you like both of those documents to be included as part of your sworn evidence?

**Cr BRAYNE:** Yes, I would.

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

**Mr TULL:** David William Tull, Director of Engineering, Griffith City Council.

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

**Mr TULL:** As a representative of Griffith City Council.

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

**Mr TULL:** Yes.

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

**Mr TULL:** I am.

**CHAIRMAN:** If either of you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Mayor Brayne, would you like to start by making an oral statement?

**Cr BRAYNE:** Yes. We appreciate the opportunity to speak to you. As we indicated in our submission, we would like to table the items that I have here. Those are our submissions to the IPART inquiry. We feel that they are still relevant to some of the items that are included within the terms of reference of this inquiry.

In regard to the landing fees at Kingsford Smith airport, we see the new fee regime that is to be introduced later on this year as a welcome change. Certainly, regional domestic users will feel the benefit of that new fee regime. We feel that it is a significant improvement. However, we would like to see some mechanism in place to ensure some continuity and stability, so that the structure is not subject to change too frequently. Our particular concern would be that, with the major capital works that will take place at Kingsford Smith airport, there is no indication whether that structure will remain, and whether it will be able to cope with the demands given those costs. We are concerned to see that that structure to be introduced can be maintained for the benefit of regional and rural New South Wales.

In general, Council is supportive of the full cost recovery principle specific to an aerodrome operation, and we implement that to a fair degree in respect of our own airport. So we have no problem with that principle. But we believe that it needs to be fair and equitable, and that it is not used as a vehicle for deriving any excess income for other purposes, or that a disproportionate amount of it would be allocated to any particular user.

Also, in relation to the cost recovery principle, we still see that there could well be a community service obligation, as part of Federal and State government commitments, to support Kingsford Smith airport as it is the primary gateway into Australia. But, in general, we are happy with the way in which those new fees have been apportioned.

In regard to the landing fees at regional airports, we have made our comments specific to the Griffith aerodrome, because it is difficult for us to comment on aerodrome rates without knowing any relevant factors relating to other aerodromes. We have outlined in some detail the parameters that we have used in setting the criteria in respect of fees for our airport, mainly highlighting the fact that the fees structure is based on defined criteria, rather than just an arbitrary figure that comes off the top of the head or anything like that. To a large extent, it was based on what had happened in the past with the operational aspects of the aerodrome before we took it over in 1993.

When we developed our fee regime in the beginning, we did allow a shortfall of income, because we wanted to make sure we could get a good service. We regard it as an essential asset, and we wanted to ensure that the fees did not work against the attraction of services to this area. The use of the service and the flight services offered by the operator, Hazeltons, have now increased quite significantly. We now have taken the opportunity to review the charges, and are now recouping a sustainable cost recovery income for the air side infrastructure, but we still subsidise the land side component of the aerodrome—that is, the car park, road work, landscaping, and that sort of thing—because our feeling is that the aerodrome is important to the social and economic well-being of our community, and it is particularly vital to us if we are to attract increased growth and development.

I think it has been pretty well documented in other areas that to attract development to a region, one thing that is considered is a good and reliable and effective air service. So, our fee structure applicable to the RPT operator is \$9.25 per tonne or part thereof for landing, and the terminal charge has been fixed for this year at \$9,838, and that equates to approximately \$5.30 per passenger.

In regard to the allocation of slot times at Kingsford Smith airport, generally we feel that the operator authority at Kingsford Smith should be in a position to suggest and recommend the functions for the aerodrome to benefit the users. But, of course, we preface that with the comment that we feel it must include total access to Kingsford Smith airport by regional airlines, and in a manner that enables an effective and desirable to be maintained in regional centres, including peak time use and at an equitable landing fee cost.

We are particularly concerned about the decision-making process for that, and how it can be assured that that slot time will prevail. We are concerned about how that could be changed, whether it is by ministerial direction or by the

airport authority. We would like to see measures introduced to preserve the current philosophy, and to prevent the erosion of those slot arrangements, particularly for peak times, to ensure access to and availability of regional airline services. We would be particularly concerned to ensure that the number of those slots available for regional services are maintained and that there be a guarantee that they will not be moved across to one of the other pools, the international or the interstate pools. It is our real concern that that slot be maintained.

In relation to the proposal to limit access to Kingsford Smith airport and to direct country services to Bankstown, we have very real concerns. There are a number of issues that we would be very concerned about. We have highlighted those in our submission. The service that is operated from Kingsford Smith airport, with the bus, taxi and train services, does provide passengers with a good choice of access to the central business district and with the potential to link with other transport terminals if they are going to Sydney for business purposes.

One of the real problems that we see with being moved to Bankstown is that that type of service is not at this stage available. When you travel to Bankstown for other reasons, the peak hour traffic is enormous. There is a real traffic logjam. A lot of our people who are using this service—in the order of 70 per cent—would be business users of our air services. They are travelling at peak times, so those delays would be particularly frustrating. The other fact is that it is very expensive to get a taxi cab fare in and out of Bankstown. We know from experience that just to go to the centre of Bankstown from Kingsford Smith airport is \$45 to \$50, and you are in a traffic jam both ways. So it is not a very convenient service in that way.

Another major concern is that the 340 Saab aircraft that currently service Griffith are very well used and have good loading. It would be forced to reduce its payload by 50 per cent of the aircraft capacity to get into Bankstown, and that would be quite disastrous for our services. Our passenger movements have increased. In 1991 they were of the order of 13,842 passengers movements per year, and they are now up to 33,385. So there is a significant growth and development of our services.

**CHAIRMAN:** Can you table that information?

**Cr BRAYNE:** Yes. I would be happy to table that information. That would be a real concern to us. In addition, there would be an inevitable reduction in aircraft size. If that happened, then there would be a reduction in the type of service that could be provided. We have had submissions made to us on previous occasions relating to the air service from users who are disabled. There is a very strong concern that it is very difficult for disabled people to use those smaller flight services.

There are a significant number of people who have to access the air service to get to Sydney for medical reasons who come into that disabled category, not just from Griffith but also from the surrounding area. They have expressed serious concerns to us about an air service that would not meet the needs of the disabled. The other thing is that this service meets the needs of some people who come from distances that involve a two-hour journey to come here to catch the aeroplane. So the on-flight service we have at the moment is very much appreciated, the fact that you have toilet facilities and food services. So we would be reluctant to see those types of changes made.

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*, which we would also table, 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 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.

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. As I said, we would be concerned if there was any limitation of the aircraft by size or carrying capacity, and we would be opposed to the suggestion about the hub and spoke or anything like that. We are very well served at the moment.

In regard to the impact of deregulation on the smaller centres, we are very strongly of the view that what we have at the moment really does meet our needs very well. We feel that there is still a competitive element existing in the way that the airline route is awarded and that there is the opportunity and the capacity to ensure that those services do meet the needs of the consumer. If it was deregulated, we could only think that the result could well be a reduction in aircraft size, that there would be a removal of onboard services and of special provisions for the disabled which I have already mentioned, and perhaps frequent adjustments to services, so that they might not meet the current demand, particularly business demands relating to the use of early-morning and late-evening services, which has been one thing contributing to the sustained use of our air services.

We believe—as has been expressed by the Air Transport Council—that routes with a patronage round the 30,000 passengers should remain regulated, with regular reviews to ensure adequate service provision. So it is our strong view that the Sydney-Griffith route should remain managed, with the one provider. We feel very strongly about that. As I have mentioned before, that service is being well used. There is significant growth in it, as is evident from the documents I have tabled, and we do not necessarily subscribe to the view that the air fare must be diminished to the absolute minimum. Many of our people who use the service are business people. To them, time is money. If the service is not meeting, or if they have those additional costs imposed, as they would at Bankstown, then that will make them look critically at whether the air service is meeting their needs and look for alternative sources of transport. We have indicated the costs of alternatives to Sydney from Griffith.

Basically, we do not feel that cost is the only factor. Service is certainly one factor. We note that there is now quite an incentive for people to travel at other times, particularly on the mid-day services, and enjoy a different costing regime.

We feel that those things are being addressed. We are very conscious of the fact that any opportunity to deregulate may not give us what we currently enjoy. If you look at banking and other areas, deregulation has not always provided the desired results for rural communities.

We see the Sydney-Griffith as being managed competition. It takes quite a time to establish in the community the feeling that they have a good and reliable air service, and we would like to see that maintained. So we would strongly urge that the regional airlines continue to have access to Kingsford Smith airport, that no moves be made to relocate to Bankstown, particularly the long-term future of Kingsford Smith airport is determined, and we do not support at all the concept of freeing it up at this stage.

**CHAIRMAN:** David, did you want to add anything to that?

**Mr TULL:** No. I would prefer to answer questions.

**CHAIRMAN:** I have a number of questions that I would like to ask you, Councillor Brayne. Did you ever see the IPART report, released at about this time last year, entitled "Review of Regulation and Licensing of Air Service Operators in New South Wales"?

**Cr BRAYNE:** Yes, we did see it.

**CHAIRMAN:** There are some interesting comments in the foreword to that report:

*The overwhelming conclusion that emerges from this Inquiry is that the state as a whole will benefit considerably from deregulating air services. Larger rural 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 NSW. Tourism across the state undoubtedly will benefit.*

*It is only for the very small rural centres, where air services are currently marginal, that deregulation might lead to some reduction in service levels.*

I see, from the shaking of your head, that you do not agree with much of that.

**Cr BRAYNE:** No, we do not.

**CHAIRMAN:** Letters that I got, particularly from places like Albury, Wagga Wagga, Dubbo and Tamworth city councils, as well as from Griffith, did not seem to hold to that view either. They were very much against deregulation.

**Cr BRAYNE:** We did see that report. 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.

**Mr TULL:** That the decision had been made.

**Cr BRAYNE:** Yes, that the decision had been made, and they were not really listening.

**CHAIRMAN:** There was out of the Wagga Wagga country summit a proposal for a charter of user rights to guarantee continued access, at realistic prices, to Kingsford Smith airport. Tony Windsor has written to the Premier, and he has forwarded to this Committee a letter from Minister Carl Scully in which the Minister states:

*Member for Tamworth, Mr Tony Windsor, has written to the Premier asking that the Government become involved in the construction of a Charter of Users Rights for Kingsford Smith airport to guarantee regional airlines a fair landing charge and slot allocation system for Sydney's main airport.*

*The inquiry currently being undertaken by your Committee is well placed to consult with interested parties to develop such a Charter.*

*Therefore, the Premier has asked me to refer to the Standing Committee on State Development Mr Windsor's proposal to be included in your deliberations on regional air services.*

I appreciate that I am sort of dropping this question on you now, but we would ask you to give some thought to what you see as reasonable provisions to go into such a charter and write to us in that regard.

**Cr BRAYNE:** Yes.

**CHAIRMAN:** I will table that letter, because this is the first opportunity that the Committee has had to receive a copy of it. We might make sure, as we go to other centres, that we let the councils see it first so that they can make some submissions on it, because they are basically using this Committee as a sounding board to get information for the structure of such a charter. Do you see that as a reasonable proposition?

**Mr TULL:** Very positive.

**CHAIRMAN:** Perhaps you might write to us on that.

**Cr BRAYNE:** Basically, we suggest in our submission that we would like to see something along those lines enshrined, and that it not be at a political whim.

**CHAIRMAN:** Basically, in my area, if we had to go to Bankstown, it would be easier to drive because, given the time frame, by the time you drive to airports and so forth, it would be quicker to drive than go by air. Griffith is a little bit further away from Sydney, but if you were going to Melbourne you would not bother flying to Bankstown, driving into the city, and hopping on an aeroplane to Melbourne. Would it be marginal if you had to fly to Bankstown? You are probably a bit further away.

**Mr TULL:** Yes. We are about a six-hour drive to Sydney.

**CHAIRMAN:** I am about five hours away. But you have an hour at the outer end, plus delays in the air. I have to drive to Dubbo, so with the air service here you are probably better off.

**Mr TULL:** Yes.

**CHAIRMAN:** How many scheduled air services are there a day from Griffith airport?

**Mr TULL:** Four.

**CHAIRMAN:** You have already given us details of the air numbers, at 33,000 a year. How do you find the Sydney-Griffith-Narrandera-Sydney connection to be working out? You have said that local people are happy with the service that you are getting now and that they are not terribly concerned with the fact that some flights have to go via Narrandera.

**Mr TULL:** It is only about 10 to 15 minutes extra on the trip. We have a direct route to Sydney.

**CHAIRMAN:** If it was deregulated, might that change at all, and might services go to other towns as well?

**Cr BRAYNE:** That could be one of the concerns. They probably have more idea than we would on that, but I would think that could be a possibility.

**CHAIRMAN:** I think you have answered this question already. Is the community satisfied with the level of services provided by Hazelton Airlines?

**Mr TULL:** I think the thing is, Mr Chairman, that we have experienced a 10 to 12 per cent growth every year, for the last five to six years. So I think the figures speak for themselves.

**CHAIRMAN:** What size planes are scheduled on the services, and are those appropriate? I think they are mainly Saabs.

**Cr BRAYNE:** They are all Saabs, which have 34 seats.

**CHAIRMAN:** What is the largest aeroplane that Griffith airport can handle?

**Mr TULL:** The Fokker 50s used to come in here before Airlines of New South Wales, which is a 50-seater. We cannot take F28s, which were the next jet.

**CHAIRMAN:** The F28 was a 28-seater, was it?

**Mr TULL:** They were larger. Our runway length probably precludes the Fokker jet, but the Fokker 50 propjet can get in here. So probably around a 50-seater would be the maximum size.

**CHAIRMAN:** How do you think your landing fees compare with those at other airports? I would make the comment that Hazeltons suggested that your per head landing fee was about \$3.90, whereas you were suggesting it was \$5.30. The difference might be that the \$9,000 terminal charge for leased space probably is not included in their figure for the per head landing fee. They may see that as a separate deal. That might make the difference.

**Mr TULL:** I think that would be the case.

**CHAIRMAN:** What is the capital value of the airport, and what rate of return are you getting?

**Mr TULL:** I cannot answer that. We could give you some details on that.

**CHAIRMAN:** You might take that question on notice. If you would outline that in a letter, that would be appreciated. What is the level of general aviation usage at Griffith airport? And, if you have some statistics on that, you might like to send that along to us as well.

**Mr TULL:** We use the Avdata service to pick up all those flights. So those figures are available.

**CHAIRMAN:** Does the airport require any expansions, and if so, how would they be funded? Have you got a five-year management plan?

**Mr TULL:** We have a development plan. Most of the development that is occurring is in the GA area. With the removal of the Federal aerodrome local ownership plan (ALOP) the Council put in almost half a million dollars of its own moneys to upgrade the strip, with a corresponding amount from the Federal government. That has been followed each year by expansion of the GA area and gradual upgrading of the terminal. We see probably the GA area and the development of the aircraft industry on the aerodrome as our main area of development over the next few years.

**CHAIRMAN:** If you have a copy of that development plan, you might send us a copy of it, along with proposals on

funding costs. If deregulation proceeds, what would the council like to see the government do to ensure that services are maintained? You might take that on board and let us know in writing. Basically, your proposal is for there to be managed competition in the way it is now.

**Cr BRAYNE:** Yes.

**Mr TULL:** Yes, basically the status quo.

**Cr BRAYNE:** I wonder whether there should be something that does not have the same prescription for the whole of the State. We seem to have this mentality that one size fits all for any of our State activities. I think some consideration should be given to where the prescription will fit and where it will not fit.

**CHAIRMAN:** So you are suggesting possibly partial deregulation in some parts of the State?

**Cr BRAYNE:** Yes. If the government is keen to do that, perhaps it should look at areas in which it could well be successful and not have the same prescription for all across the State.

**The Hon. J. GARDINER:** In terms of your development plan and the terminal at the airport, are there plans to upgrade that with the increase in popularity of flights, or do you consider it is adequate for the foreseeable future?

**Cr BRAYNE:** I suppose, in respect of passenger capacity, at the moment it is adequate. We are trying to do some minor things to assist the comfort of the passengers, such as snack bars, coffee bars and a television set for those coming from out of town. They are mainly things for the comfort of the passengers. The size of the terminal is reasonably adequate at this stage.

**Mr TULL:** The floor area is quite sufficient. We would be proposing, in the next few years, to upgrade the service delivery areas, as well as refurbish the ceilings and so on, because it is getting a little dated in that respect. So the work will be mainly cosmetic, like the banks are doing with upgrading their customer service areas and making the surroundings a little more pleasant.

**The Hon. J. GARDINER:** Most New South Wales terminals have undergone substantial upgrades in the last 10 years.

**Mr TULL:** Yes.

**CHAIRMAN:** Thank you for coming along. If you would send us any additional information that you feel is relevant, the Committee would appreciate that.

**(The witnesses withdrew)**

**(The Committee adjourned)**

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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

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**At Wagga Wagga on Friday, 24 July 1998**

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**The Committee met at 9.30 a.m.**

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**PRESENT**  
**The Hon. A. B. Kelly (Chairman)**  
**The Hon. J. Gardiner, The Hon. E. M. Obeid**

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**JOHN RICHARD HARDING**, Mayor, Wagga Wagga City Council, sworn and examined:

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

**Cr HARDING:** John Richard Harding. I am retired, but I serve as the Mayor of the City of Wagga Wagga.

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

**Cr HARDING:** I am appearing as the Mayor of the City of Wagga Wagga.

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

**Cr HARDING:** I did.

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

**Cr HARDING:** I am.

**CHAIRMAN:** I understand that you have just handed to the Committee a written submission. Would you like that submission to be incorporated as part of your sworn evidence?

**Cr HARDING:** Yes, please.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to make a brief statement before Committee members ask you some questions?

**Cr HARDING:** Yes, Mr Chairman. I have presented you with a written submission, and I would like to pick out some of the highlights from that relatively brief submission. By way of background, the city of Wagga Wagga is the largest inland city in this State, and as such we believe ourselves to be a major stakeholder in regional air services. Each and every day of the year we have some 350 people travel to or from the city by air. It is important that the Committee recognise that it is not just the numbers that are important, but the reasons for which the travellers choose to fly.

Briefly, by way of background, people travel in and out of Wagga Wagga for economic development purposes. Air transport is a major link in the economic development chain. For businesses to work effectively in Wagga Wagga, and for businesses to be attracted to Wagga Wagga and the region that surrounds Wagga Wagga, efficient and timely and economic air travel options are most important.

Because of the position of Wagga Wagga between Sydney, Melbourne and Canberra, we have tended to become recognised as a suitable centre for major conferences and for major sporting and other tourism related events. As we speak, we have an international agronomy conference going on in this city. Last night we had an international sporting event between an Australian team and a Swiss team as a major event.

The ability of organisations to include in their promotion of the city access to the city via a good, economic and timely air transport system is very important in terms of the economy of the region and the promotion of the region. Wagga Wagga is the base of two very large military establishments, and of course there is a large amount of travel to and from those establishments. The Army base here has a graduation or march-out every week, and large numbers of families fly in and out of the city in order to attend those events, quite apart from the uniformed personnel.

In terms of health, Wagga Wagga is a regional health centre, and generally speaking we are well served by health facilities. Nonetheless, it is often essential for residents to be able to access Sydney and Melbourne easily and quickly for a variety of health reasons, and the air service plays an important part there. Education is another generator of travel. The university here is a major regional university that caters for resident students and a huge number of external students. Those external students come and go on a regular basis for residential schools and the like, and again their use of the airport is important.

The bottom line of the presentation that I will make to you today is that the citizens of Wagga Wagga do not want to see any erosion of the access that they now have to Kingsford Smith airport. They do not want to be shunted off to Bankstown or some other because that will add time to their trip to and from Sydney, and they do not want their ability to fly in and out of Kingsford Smith airport taken away from them by landing restrictions or excessive charges.

Briefly, the current situation as we perceive it is this. Wagga Wagga airport is operated by the city council in an extremely efficient and cost-effective manner. Council assumed control of the facility from the Commonwealth in 1992. Prior to that, it undertook a complete refurbishment of the main runway; and since taking over it has embarked on expansion and improvement strategy from that date.

In 1992 the New South Wales Department of Transport predicted that the number of passengers using the Wagga Wagga airport would peak at 115,000 in the year 2005. What has in fact happened is that this figure was reached in 1995-96—ten years before the predicted peak was to occur. In the subsequent two years usage has grown, and in 1997-98 it sits on 119,000 travellers in and out of the airport.

The benefit of the council operating the airport is that local control allows the standard of service to be tailored to the local market. The landing charges are structured to provide a sufficient income to ensure that the facility is self-sustaining. A detailed development plan has been prepared for the facility, and capital works flowing from this plan will see council spending some \$4.7 million over the next 10 years on further improvements and maintenance of the facility. The airport will have the capacity to accommodate the next generation of commuter aircraft and the increased number of passengers that we believe will need to be handled.

Deregulation of air service operations in 1999 may well see a third operator on the route and intense competition for passengers. This is expected to generate more travellers between Wagga Wagga and Sydney, Wagga Wagga and Melbourne and other destinations. Current air services at Wagga Wagga airport are by two main operators: Kendell Airlines operates 29 flights weekly to Sydney and 19 to Melbourne; Hazelton Airlines operates the Sydney to Wagga Wagga route, with 20 flights a week. All flights to Sydney, and most to Melbourne, are on Saab 340 aircraft, and some Melbourne flights are on Metro 23 aircraft. There is little doubt that the increase in passengers is due to improved scheduling and competition between those airlines, and at least one of those airlines to our knowledge is actively investigating now upgrading to another, larger aircraft.

Kendell Airlines is the largest regional airline in Australia, and Wagga Wagga is proud to be their home base. A major maintenance facility operates at the airport. This in itself creates employment in our city, and the local industry gives Wagga Wagga a unique position in regard to regional aircraft operations.

I would like now to move to the specific points in your terms of reference and make just brief comments. With regard to landing fees at Kingsford Smith airport, it is imperative that regional airlines are not locked out of Kingsford Smith airport by the introduction of a landing fee regime that has the effect of significantly increasing the cost of travel. The choice travellers make regarding their mode of travel is often related to price. The comparisons of costs, comfort and convenience of air travel against car, coach or train will be weighed up by many travellers. It is felt that the \$100 per aircraft landing fee currently applicable to the regional airlines at Kingsford Smith airport is acceptable for Wagga Wagga passengers.

With regard to landing fees at regional airports, as the operator of a regional airport, Wagga Wagga council is conscious of the implications of escalating fees. There is no suggestion that landing fees for Wagga Wagga will spiral upwards. As noted earlier, a detailed plan for the operation, maintenance and improvement of the airport is in place. The funds to achieve the goal of the plan will come from modest landing fee increases and expanding passenger numbers. I should add, Mr Chairman, that the council has established an airport advisory committee, which, apart from council personnel, includes airline representatives and other industry people. So the industry is well able to influence council in its financial management of this facility.

With regard to the allocation of slot times at Kingsford Smith airport, the Minister for Transport and Regional Development in the Federal Parliament indicated on 2 March that "New entrant and regional airline access will be guaranteed under the Slot Management Scheme, which is a disallowable instrument." He further indicated that an aggrieved airline would have recourse through the Kingsford Smith Coordination Committee. These statements give council a degree of comfort.

Whilst it is possible for a regional airline to transfer slot times from one regional destination to another, this is not seen as a threat to the flights to and from Wagga Wagga. This may, however, pose a threat to centres that are serviced by smaller aircraft, where declining profitability may be an issue.

With regard to proposals to limit access to Kingsford Smith airport and direct country services to Bankstown airport I would say this to the Committee. 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. It is unreasonable to expect that country people who have contributed financially to the Kingsford Smith airport by charges and taxes should then be relegated to utilising a remote airfield. Many of the travellers from Wagga Wagga to Sydney need to connect with flights to other interstate cities or regional centres, or to join international flights, and they would be unacceptably disadvantaged by the need to travel to another airport for such a flight.

There are two other points that are not in the script but which I would like to refer to here. One is that the time benefit of flying from Wagga Wagga is shrinking. When one recognises the improvement to the highways that have occurred, and when one recognises the requirement for early arrival at Wagga Wagga airport because of the slotting system, and the importance of the flights leaving on time, and then allows for the current travel from Kingsford Smith airport to the city, the margin between that total air travelling time and travelling by car is shrinking. There is still a margin, but it is not great. That means that the cost of access to Kingsford Smith airport and the fact that it is Kingsford Smith airport and not Bankstown or somewhere else becomes very important.

The second thing that I would add to the printed material is that I would refer the Committee to the unanimous decision of the special conference of the Local Government Association that resolved that affordable access to Kingsford Smith airport should be retained for regional airlines. That decision was based on a motion from the Country Mayors Association, representing the larger regional centres, and again the Country Mayors Association is

unanimous in that point of view. I think that is quite significant in that it refers to the regional centres in New South Wales that have airports.

I now turn to the impacts of deregulation of New South Wales air services on the provision of services to smaller regional centres and towns in New South Wales, including considerations of measures to maintain services. The Chairman of the Independent Pricing and Regulatory Tribunal, Dr Parry, said that "for the full benefits of competition to be realised all intrastate air routes should be simultaneously deregulated from May 1999." Dr Parry concluded that deregulation in South Australia and New Zealand generally produced lower fares, more services and expanded into new areas.

It is possible that increasing fees and the availability of slot times into Kingsford Smith airport may have a detrimental impact on small airports. 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. It is not envisaged that this would be the case for Wagga Wagga. The loss of any service, however, is seen as a detriment to regional Australia, and we remain concerned about the impact on smaller communities.

The process of hubbing out of centres such as Wagga Wagga has been mooted, and the viability to this option must be questioned. As noted earlier, 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.

Mr Chairman, what I have presented to you today is probably nothing terribly new, nothing terribly original. But let me say that the community of Wagga Wagga is watching with a great deal of interest, and some concern, the trends that are occurring in air transport in Australia. We believe, in essence, that the service that we have now is quite good. When, some years ago, we were able through an earlier inquiry to arrange for aircraft to be garaged at Wagga Wagga and fly out early in the morning from Wagga Wagga, thus avoiding on most days the fog issue, that was a single major improvement to the services for Wagga Wagga.

The current service provided by the two airlines is appropriate and very adequate, but we sit in some fear of the possibility of the relocation to Bankstown or elsewhere. We sit in some fear of the fee regime being adjusted in such a way that it effectively will make it not practical for small aircraft to go in and out of Sydney. So, on the one hand, we might have all sorts of statements by governments and by departments and authorities that regional airlines will continue to have access, but, on the other hand, if the fee structure goes too high then that clearly will not be attractive.

Our observation is that slotting is working. It is reasonably attractive. I think it can be dangerous. It can be dangerous if the airlines move their allocation around unduly. Only a few weeks ago I did have the experience of the European slotting, travelling from a very small airport to a very large airport, and it was presenting some difficulties in that setting. I do not claim to know enough about it, except that it signals to me that we need to monitor the impact of slotting quite seriously.

Mr Chairman, the citizens of Wagga Wagga are generally happy with the air services now provided. We appreciate the services that are given by both Hazelton and Kendells, and we are most anxious not to see any degradation of access that we now have to Kingsford Smith airport.

**CHAIRMAN:** Thank you very much, Councillor Harding. As you have said in your statement, what you have had to say were probably not unexpected. We have a number of questions that we would like to ask you so that you might help us with our report. I reside in Wellington, and I am in a fairly similar situation in getting to Sydney from

Wellington. From my home, the difference in transport modes is probably about three quarters of an hour, being a five-hour trip by car. It would be very marginal if we had to go to Bankstown at the end of our air travel, and I would end up driving all the time, although that would probably result in a loss of efficiency. What time does it take to travel from Wagga Wagga to Sydney?

**Cr HARDING:** It is about four hours from here. It depends who is driving, but if you do it legally it is about a four-hour drive from here to Liverpool, and then it depends where you are going in the city obviously. Not so long ago that trip took six to seven hours. Of course, the flight times have not changed to any extent. So the margin is getting smaller and the times are getting closer.

**CHAIRMAN:** So, if there was any alteration whatsoever to air travel times, that could seriously affect air services?

**Cr HARDING:** Yes, that is right, and I think that is an important point.

**CHAIRMAN:** You have given the Committee some idea of the scheduled flights per week. I think you said that Kendell had 29 to Sydney and 19 flights to Melbourne. Those were return flights?

**Cr HARDING:** Yes.

**CHAIRMAN:** And Hazelton had 20.

**Cr HARDING:** That is my understanding.

**CHAIRMAN:** Is it the same size of aircraft in both cases?

**Cr HARDING:** They are Saab 340s. All flights to Sydney are on Saab 340 aircraft.

**CHAIRMAN:** You gave us a passenger figure of 350 a day, or 119,000 per annum. You have said that the community is well satisfied with the services that you are now being provided with. What is the largest aeroplane that can land at Wagga Wagga?

**Cr HARDING:** We do get fairly large Air Force planes coming in, Hercules and the like. It is my understanding that we can handle the smaller jets. We do not on a regular basis, but occasionally VIP flights come in, and things of that kind. So we can handle the smaller jets.

**CHAIRMAN:** What is the level of general aviation at Wagga Wagga?

**Cr HARDING:** It is increasing. The Air Force base technically is not a flying base, but it is sometimes used for The Roulette display team when it comes here to practise. The helicopter trainer sometimes comes here. We have a fairly good level of private flying activity. There is an aero club in the city that has fairly recently been established. There are quite a lot of services such as air courier services and so on that are in and out of the airport on a regular basis. I have not brought with me the overall statistics, I have concentrated on passengers, but the usage of the airport is increasing quite steadily. I should indicate, hopefully without the media listening to me—

**CHAIRMAN:** You can do that in the country.

**Cr HARDING:** They will do that, yes. There is an investigation going on into the possibility of an aviation training

facility being established in the city. So there is quite a lot of activity.

**CHAIRMAN:** What are the sharing arrangements with the RAAF? I should indicate, Councillor Harding, that you might take on notice any of these questions that we ask you, so that you may send in some information at a later stage. We would be quite happy to receive your evidence in that way. I was going to ask you a question about landing fee charges, and how they compare with charges at other airports.

**Cr HARDING:** I do have with me a member of council staff who is able to answer that question, but it would be better if I take that on notice and undertake to provide that to you in a written form, as to the basis of our fees.

**CHAIRMAN:** And the development plan that you have got.

**Cr HARDING:** We could make that available to you.

**CHAIRMAN:** Probably a lot of your answers will be dealt with in that.

**Cr HARDING:** With the development plan, what we did was bring in external consultants and invited them to look at the plan. Some elements of it are confidential, and others have been made public. But, yes, I would be happy to make a copy of it available to you.

**CHAIRMAN:** Is that a five-year or 10-year plan?

**Cr HARDING:** It is probably a 10-year plan. It depends a little bit on the rate of growth of the industry, as airlines go to bigger aircraft and so on. But it indicates to us that we have the capacity to absorb that growth as traffic numbers increase and as aircraft increase in size. It provides for improvement of the terminal facility, which is still relatively modern, but it still plans for future improvement to it. It picks up a few things that we think are likely to change in the future, such as the need for improved security arrangements and improved baggage handling arrangements. It addresses the opportunities presented industrially in terms of making use of some of the land on the airport for aviation-related businesses and activities and so on. It is a substantial document.

**CHAIRMAN:** Is there any conflict with the RAAF regarding the demand for slots to land here?

**Cr HARDING:** The relationship is a friendly one. There are no difficulties in it. They make us an annual payment in respect of the through traffic that they put on the airport. It is not a great deal, but when it occurs it is recorded and they do make us an annual payment. But the air strip is ours, the Air Force base is theirs. We lease of course. We do not own it. We lease it from the Commonwealth. But the relationship works out very well.

**CHAIRMAN:** What is the capital value of the airport and what is its rate of return? No doubt that will be in the plan.

**Cr HARDING:** That will be in the report, yes.

**CHAIRMAN:** That will deal with any expansions and how they will be funded.

**Cr HARDING:** I have mentioned the funding. When we took it over, we made the commitment to the community of Wagga Wagga that it would not become a drain on the ratepayers' funds; that we would run the airport as a business—not necessarily to establish a huge profit, but at least to make it self-sufficient. It certainly has been self-sufficient. We do make provision in the reserves every day, and every year. Every piece of income is divided into

reserves, and that level of reserve is designed to provide for the anticipated future maintenance, including the major maintenance of needing to upgrade the strip from time to time, which is a very large expense. So funds are being accumulated for that. We remain confident that a reasonable and steady development in growth of the facility can be funded simply through its operation.

**CHAIRMAN:** You have given the Committee fairly clear answers in relation to the view of the local community on the mooted proposals to redirect country air services to Bankstown. It is fairly unusual, but I should probably report to you that the people of Bankstown have a very similar view to that of country New South Wales.

**Cr HARDING:** I am not surprised.

**CHAIRMAN:** In fact, the staff at the office in Sydney are getting more inquiries, and quite irate ones, from Bankstown people. So, today, we have done some media releases in that regard. It is good to see that at least some parts of the city agree with the country. Wagga Wagga is probably one of the better places suited to deregulation. Tom Parry, in his report, suggested

*"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....It is only for the very small rural centres, where air services are currently marginal, that deregulation might lead to some reduction in service levels."*

Most people have disagreed with that.

**Cr HARDING:** I guess the only nervousness that has been expressed in Wagga Wagga is that if we do get a third player coming into the equation, whether that may have the effect of making all three of them less than viable. I am not sufficiently privy to the financial status of Hazelton and Kendell, but, just watching it as an observer, one wonders, if a third player comes in, whether there is in fact the rate of growth sufficient to keep all three of them viable, or whether it would result in all three of them running at something less than a viable situation. I am not qualified to answer that, but that is a concern that has been expressed from time to time in the city.

**CHAIRMAN:** So you are obviously very happy with the current situation.

**Cr HARDING:** Yes, we are very happy with the current situation. If a third airline comes in, we are satisfied that the airport can cope with it, and that it would do so very adequately. I guess we have just that one reservation.

**CHAIRMAN:** Do you have any suggestions on what the council would like to see the government do to ensure that services are maintained if air services were deregulated? You might take that question on notice, because it is not an easy question.

**Cr HARDING:** Yes. I had not really thought about that.

**CHAIRMAN:** The slot system seems to be working in Sydney at the moment. However, the general view is that there is still a bit of mistrust that some government in the future and some future economics could lead to a change in the slot situation. It has been suggested at a country summit that a charter of user rights be worked out to guarantee country commuters access to their city capital.

**Cr HARDING:** I obviously support that. We would encourage that, because there is a certain nervousness about the

operations of the slotting system. That nervousness is that the slots at Kingsford Smith airport may eventually erode for whatever reason, and that a trading of slots may occur. I understand that you cannot trade peak or major routes with regional routes, but that you can trade as between regions. I think there would be a fairly widely-held view in local government that that is a worry for the smaller communities. I do not think we see that as being a worry for Wagga Wagga. In fact, it might even benefit Wagga Wagga. But we do see it as a concern of the smaller regional communities.

**CHAIRMAN:** This standing committee has been asked by Minister Carl Scully to look at that suggestion of a charter of user rights, and to sound out the community on what sorts of things they would like to see in that charter. So, what I would like you to do is take on notice that question, and perhaps when you reply to us in writing you might include some suggestions that you would like to see incorporated in that charter of user rights.

**Cr HARDING:** I am happy to do that. I think it is a matter of endeavouring to build the confidence of the community. There is nervousness about governments changing, and changing their minds, and there are issues of the noise problems, and there are issues of new ownership and operation of Kingsford Smith airport on a more commercial footing. Those changes often end up hurting the country. The country is perhaps fairly cynical about statements like, "Trust me, I am a politician, and it will be right." They say that about councillors too, of course. There is a nervousness, and the charter I guess would not be locked in stone, but it would be one more plank in the confidence-building exercise.

**The Hon. E. M. OBEID:** There is talk that the RAAF might move its facilities north. What effect would that have on your air service facilities?

**Cr HARDING:** It would have a devastating effect on the community, but that is not what you want to talk about. It would have only a very limited impact on the airport. Obviously, the real answer to that question lies in what becomes of the property. If the Air Force were to move off and were to dispose of its property, then one would hope and imagine that some aviation-related industries may, at least in part, move into that facility. That could create more airport activity than the Air Force in fact generates now.

I believe, as a result of a great deal of discussion with the Federal Government and with the Australian Defence Force, that it is not very likely that the air force will close. We are becoming increasingly confident that it will remain open. However, it may well change what it does. It may have different Air Force functions. From an economic and community point of view, our concern is that the quantum of that activity remain fairly similar, but it does not matter terribly if the nature of it changes.

But, to answer your question, I do not believe it would have a major impact on the airport if the RAAF facility were to be moved out. If the Air Force changes its activity, that could increase airport activity, because they go from almost no flying to perhaps some flying. So I do not think it is a worry.

**The Hon. E. M. OBEID:** Are there any joint facilities that you are presently using that you might have to take on yourself? And are you able to do that?

**Cr HARDING:** There are not joint facilities other than in the sense that New South Wales TAFE now carries out a great deal of training on the Air Force base. If the Air Force base were not there, they would not do it because they would not need to do it. There is a willingness of the Air Force now to enter into joint activities. I do not believe any exist at this moment, but there is the possible future activity to which I alluded earlier and it would involve such joint use.

**The Hon. E. M. OBEID:** Finally, on deregulation, you seem to be happy with how things are.

**Cr HARDING:** Yes.

**The Hon. E. M. OBEID:** Could deregulation affect you in any way?

**Cr HARDING:** It will affect us if the airlines using our airport, for whatever reason, become unviable and therefore reduce their services. It could have a positive effect, if competition drives prices down. Our prices are pretty high at the moment, and there is always the hope in the community that prices will reduce. They are in fact reducing in the sense of special packages and so on that the airlines are offering in a marketing sense, but the rack rate, if you like, is still fairly high, and that may come down as a result of deregulation.

But our main concern is to maintain viable operations in and out of Wagga Wagga so that there is a good range of services. If we were to have less flights a day, or if we had to fly somewhere else, or if the price goes too high, then the whole operation will be in jeopardy.

**The Hon. J. GARDINER:** Councillor Harding, I would like to follow up on that question. If there were another entrant to the market and it worked out that there were three, though less viable, airlines, apart from the service question, if they did become less viable are there any job implications for Wagga Wagga of such a scenario?

**Cr HARDING:** Well, there would be, of course. If a new airline came in and one of the original operators dropped off because of being unviable, yes, there would be implications. Maybe your next speaker will answer this question, but the Kendall work force here is substantial. The Hazelton work force is not as big, but it is still significant to the city. We would be very concerned if there was an increase in unemployment. As you would understand, communities such as this are facing a general downturn in employment. We had an announcement only a fortnight ago of a fairly large multi-national factory closing. Those things are happening, and we would want to avoid them. So that is a possibility, and that is one of the implications of my comment about viability.

**CHAIRMAN:** I was trying to do some quick mathematics on the number of flights to work out what the occupancy rate of planes is.

**Cr HARDING:** I suppose that can be worked out mathematically from the figures I have given you. I have not worked it out. I am sure you will ask that question of Mr Breust in due course. My own observation, from travelling quite regularly, is that the flights seem to be carrying good loads—not necessarily full, but quite good loads most of the time.

**CHAIRMAN:** I thank you very much for your time. It is excellent information. In fact, we have amended a media release to reflect some of your comments.

**(The witness withdrew)**



**GEOFFREY JAMES BREUST**, Chief Executive, Kendell Airlines, and

**BERNARD ANTHONY RYAN**, Director of Finance and Administration, Kendell Airlines, sworn and examined:

**CHAIRMAN:** I think you have given the Committee a written submission.

**Mr BREUST:** We have.

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

**Mr BREUST:** I am appearing in my capacity as Chief Executive of Kendell Airlines.

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

**Mr BREUST:** I did.

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

**Mr BREUST:** I am.

**CHAIRMAN:** Ben, in what capacity do you appear before the Committee?

**Mr RYAN:** As Director of Finance of Kendell Airlines.

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

**Mr RYAN:** I did.

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

**Mr RYAN:** I am.

**CHAIRMAN:** Would you like your written submission incorporated as part of your sworn evidence?

**Mr BREUST:** Yes, except that there is one part of the submission, relating to charges at regional airports, entitled "Landing fees at regional airports", that we would like to be treated as confidential, and certainly the second page of that.

**CHAIRMAN:** We might double check with you that we know exactly the area that you wish to be kept confidential. We might highlight that on our copy. If you should consider at any stage during your evidence that in the public interest any other evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session.

**Mr BREUST:** I would like to take that option in relation to that particular item.

**CHAIRMAN:** Perhaps we could go through the general public part of the hearing first, and at the end of that we could resolve into confidential session. Does that suit you?

**Mr BREUST:** That is very suitable, yes.

**CHAIRMAN:** Perhaps you would like to make a verbal statement first, and then we will ask you some questions.

**Mr BREUST:** First of all, thank you for the opportunity to speak to the Committee, and welcome to Wagga Wagga. I am sure the Mayor has already passed on that welcome, but I express our welcome as well. I would, initially, like to go through the first few parts of the terms of reference of the Committee and make some comments in regard to those. I will deal with each one in turn, and comment briefly in regard to each of those particular items.

In regard to landing fees at Sydney airport, we believe that the negotiations and consultations that have gone on with the Federal Airports Corporation and the Sydney airport organisation at this time have produced a result that is acceptable for the time being. There was a lot of work done in negotiating with that organisation from the position that was first put to the airlines back some six months or so ago, to the position that we have now reached, where we have no peak period pricing; and we have a situation where the minimum charge to operate an aircraft into Kingsford Smith airport is now \$100, when it was hinted at being \$140 previously. We believe that that is acceptable for the time being.

However, we do believe very strongly that, over the next 12 months or so, that consultation process 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 charges, because the information that we are currently getting from that organisation is less than acceptable in terms of the split-up of the costs. They say to us that they do not really know because their accounting system is such that they cannot identify it. I do not think that is appropriate or indeed acceptable. We are hopeful that in the next 12 months or so we will be able to get that sort of detail, and at the end of the day reach a situation where the real truth of the matter is known.

One of the major concerns that we have is the treatment of depreciation of the asset 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. We are also concerned that, given that this is the last airport to be sold, there may be things done in this process to ensure that the sale price is maximised, or that the attractiveness of the facility is maximised to the potential buyer.

**CHAIRMAN:** If I could interrupt you. We are going to the airport, so we are interested in what you are saying to us. In fact, I anticipate that you will get a lot of questions on what you are saying. We may well ask questions of the organisation.

**The Hon. J. GARDINER:** In fact, you might be able, on notice, to provide the Committee with some specific questions that you believe we should ask them.

**Mr BREUST:** We would be happy to do that.

**CHAIRMAN:** That can be done confidentially or otherwise.

**Mr BREUST:** We are happy to do that.

**CHAIRMAN:** I am sorry that I broke your train of thought.

**Mr BREUST:** I really do not think there is much more that I could say on that particular issue. As I said, we are hopeful that at the end of the day we will get some rationality.

**CHAIRMAN:** Could you explain to us a bit more the pricing situation. I thought it was suggested that it was originally a \$28 landing fee and that it was to go to \$140 in three years. Is that not true? You said it is \$100 now and it was proposed to be \$140.

**Mr BREUST:** Initially, there was a sliding scale. I just cannot recall exactly how it all went. I think the initial proposal did involve a sliding scale, but it meant that we were going to get to a very high figure in a very short period of time. The questions that we put back to the Sydney Airport Corporation were on matters concerned with the actual determination of the costs, and the treatment of those costs in working out the actual charge. We just could not get any satisfactory information to enable us to determine whether those sorts of levels were going to be appropriate or not. But it was on a sliding scale. We can provide the Committee with background and the documentation that they provided to us so that you could have a look at that.

**CHAIRMAN:** I thank you very much for that.

**Mr RYAN:** I think the minimum charge was \$28.50.

**CHAIRMAN:** How long ago was that?

**Mr RYAN:** That was a proposal put forward about six months ago, and that progressed to the stage that the final one over three years was going to increase to \$140.

**CHAIRMAN:** That was my impression: that it went from \$28 to \$140 in three years.

**Mr RYAN:** Yes.

**CHAIRMAN:** And even this fall-back position of \$100 is not all that flash, but it is acceptable.

**Mr RYAN:** No. But at the time it included a \$250 peak period charge, so you had to add that in as well.

**CHAIRMAN:** So it would be detrimental to country people obviously.

**Mr RYAN:** Yes. So, now, we have gone from the position of \$28 plus \$250, with the potential of \$140 plus \$250, down to \$100.

**CHAIRMAN:** So it is much better?

**Mr RYAN:** Yes. It is far more acceptable.

**CHAIRMAN:** I am not sure you were here when the Mayor was here this morning, but his evidence and other evidence we got from other councils indicated that they all appear to have five-year and 10-year development plans in which they have incorporated all their future expansion programs, all their costs and charges, and how they will have to rise. It does not appear that the Federal Airport Corporation has such a public document.

**Mr BREUST:** I guess there was not the pressure because there were going to be new owners fairly soon, and it

moved away from being part of the FAC to Sydney Airport Corporation only in July. It has been not well managed at all in terms of being able to supply that sort of information.

**Mr RYAN:** One problem we see is that they could be boosting the airport so that it will have its maximum value when they do go to sell it. The problem for the airline and the passengers as a result of that is that we will be stuck with a legacy of those charges after that.

**Mr BREUST:** One of the very important issues to come out of the sales of all those other airports so far is that the new owners have suddenly found that they have probably paid far too much for them, and they are now starting to scramble and look for other means to generate more income. That is particularly true of Perth, and possibly Brisbane. I know the Canberra people are starting to become concerned as well.

**CHAIRMAN:** They do that by actually charging extra for the outer facilities that you have to pay for.

**Mr BREUST:** That is the big risk associated with it. There are caps associated with the landing and passenger charges, and what they are now doing is looking for other avenues of operation of the airport to generate income. Brisbane has been involved in putting a charge on the throughput of fuel through the system. I am sure, with the entrepreneurial capability of the new owners of these organisation, they will think up some really nice ways of generating some income. So we will have to be on our toes regarding what those avenues will be.

**CHAIRMAN:** Ben, do you have some comments to make before we come to questions?

**Mr RYAN:** No, I am happy with that.

**Mr BREUST:** I am conscious of the limited time that you have, but I would like to make a fairly brief statement, given that there are members of the public here, in terms of the charges for regional airports. We are becoming quite concerned about the activities of various airport owners in this area. Most of the airports that we operate to are operated by local councils, and most of them too are also members of the Airport Owners and Operators Association of Australia, and they get together and talk about these sorts of things. I might even say that in some cases they play one off against each other in terms of how well they have done that.

We are becoming quite concerned, particularly over the last couple of years, that there is this tendency by these operators to increase their charges by far in excess of the CPI and inflation rates. In addition to that, it appears that the councils are using the national competition policy as a means of justifying these sorts of increases.

We are now seeing a ratcheting effect, because what the councils are doing are looking at the charges that are being levied by other airport operators around the country, and then doing a direct comparison on a dollar-for-dollar basis, simply on the charge—not on the final revenue but simply on the charge. A comment that we hear quite regularly is, "Look, it is only \$6 here, but Albury is \$7 or \$10, or Tamworth is \$14," or whatever it is around the place, "and on that basis we believe we should be able to increase our charges." The charges are not related back to the cost of operation, and we believe this is starting a trend that is not acceptable not just for the industry but for the travelling public, because it is a means of generating additional revenue.

We are also rather intrigued to hear from the various councils, particularly in New South Wales, of the shock horror of movements in terms of increases at Sydney airport, but at the same time they are putting up their own charges. So we have some concern in that area. I make that as a general statement on that particular matter.

In relation to the slot system for Sydney airport, may I say that we believe that the slot system has worked very well.

Slot schemes are mechanisms which are tried and proven right round the world. They are well-known to the industry, even though they might not be that well-known to the industry in Australia. They are certainly well-known to the industry round the world.

The current system is working well, but we still have a real concern about the mechanisms by which slots for regional New South Wales are ring-fenced, because under current arrangements the legislation simply provides that the Minister makes a determination in relation to those sorts of issues. It is not specifically mentioned in the principal legislation, the Act itself. It is my understanding that in New South Wales this ring-fencing can be removed effectively by another determination by the Minister. That causes us a degree of uncertainty. I am sure the communities of New South Wales also have a degree of uncertainty. I do not believe that arrangement is appropriate.

We understand that this matter has been raised previously, and we understand that the Minister for Transport and Regional Transport, Mark Vaile, has suggested that maybe there should be some sort of charter of user rights. That, too, does not have the sort of teeth necessary to guarantee that the ring-fencing of those slots will be able to be maintained.

**The Hon. J. GARDINER:** You think that should go back to the principal Act?

**Mr BREUST:** We believe it should be in the legislation, because at the moment the Minister can simply make a determination, and it will all be off.

**CHAIRMAN:** One of our tasks is to make some suggestions on what should be in the charter and whether or not charter is the way to go.

**Mr BREUST:** I believe the charter would have even less legal enforceability than the Minister's determination. That too is of concern, because governments change and Ministers change.

**CHAIRMAN:** Legislation can be changed too, but it is more difficult.

**Mr BREUST:** Yes, it is more difficult.

**CHAIRMAN:** And that has to be done in the open.

**Mr BREUST:** I might pass on to you that at a meeting in Sydney, when this was being considered and put together, I made that particular comment to the fellow from the Department of Transport and Regional Development who is in charge of it all, and he said, "Look, it is all okay. It is in the explanatory memorandum and in the second reading speech. Trust us." I said, "Look, I did not work in Canberra for 20 years not to know that that sort of system does not work."

**CHAIRMAN:** If you want to send us any supplementary suggestions in relation to that particular item, we would welcome it.

**Mr BREUST:** Thank you very much. But, as far as we are concerned, there is really no option other than to try to push it in that direction. I do not think that anything else you will do around the edges will achieve what we really want to achieve. Can I just say in regard to the slot system for Kingsford Smith airport that the six-month trial in terms of compliance has gone very well. We have not had any real difficulties at all. To a very large extent, the operators are complying.

The real issue for Kingsford Smith airport is not really the infrastructure arrangements around it; it is the whole system. The air traffic management system is not up to speed. The noise sharing arrangements reduces the efficiency of the airport. The aim of trying to get to 80 movements per hour is not really being met at all because of all these other external influences which are put on it not to achieve it. Really, we have there a piece of infrastructure which to my mind has become a political impossibility.

There really is not going to be any efficient solution in respect of Kingsford Smith airport, in my view. What governments have to do is to try to find a solution. To my mind, the solution is to start off with a greenfield park somewhere to the north of Goulburn and build another complete system with a train system between Canberra and Sydney. Let us build a proper airport and spend some real money on providing the country with some infrastructure for well into the next century, rather than trying to find an easy fix. That is a personal view, I might say.

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.

In addition to that, there are major physical limitations in the operation of our sort of aircraft into Bankstown. Increasing the activity of those sorts of aircraft into Bankstown anyway will put further pressure on Kingsford Smith airport in terms of the air traffic management system of that whole area. To my mind, that is not an issue that has been raised much, but it must have a major impact. I will give you an example.

We operate into Melbourne's Tullamarine airport. Essendon airport is a little closer to it than Bankstown is to Sydney, but nevertheless Tullamarine is restricted in its capabilities, because of the physical location of Essendon just down the road, in terms of its air traffic management system. We can be held going into Melbourne and coming out of Melbourne because there is a movement at Essendon that will clash with us. In effect, the whole operation of that air space round Melbourne is operated as one airport, not two. That effectively is what you will get with Bankstown and Kingsford Smith airport when you get the high-performance aircraft that we operate, in the sorts of numbers that would be involved, going into that sort of system. So, in terms of overall benefits of trying to shift capacity or movements away from Sydney, you will not achieve what you set out to achieve because of the influences of the system that I have described.

I now come to the issue of deregulation. Kendell Airlines has always been a major supporter of deregulation and not having regulated services at all. We have been around for over 30 years, and we have always operated in markets that have not been regulated. Our involvement with regulation has only been in the last four or so years, since we commenced operations from here to Sydney. 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.

In relation to our network of services, in the submission I have referred to the three ports in the last 10 years from which Kendell has withdrawn services. They include Streaky Bay—and I am not sure that the Committee would actually know where Streaky Bay is.

**The Hon. J. GARDINER:** It is on the west coast.

**Mr BREUST:** Yes, just south of Ceduna. It has a population of about 150. It used to receive services from us three

days a week linked with Ceduna. It is 110 kilometres from Ceduna, and of course at 110 kilometres an hour, which is the speed limit there, it takes an hour. That service got down to well below 500 passengers a year. We withdrew the service from there. Another operator took it up. In fact, there have been a couple of operators take it up since, and they do have some services there. But, because it is so relatively close to the port of Ceduna, people have driven across, and we have been able to increase the frequency of our services into Ceduna.

So, overall, the Ceduna people have received some additional benefits through that, but also the people of Streaky Bay have still had access to services. So, at the end of the day, we believe that it has provided the region itself with a better service. We used to have one service, Monday to Friday. Now, on two days a week, we have a return service—so that we have a morning and evening service out of Adelaide—and now people are able to visit that area and return in a day, whereas they used to have to stay overnight. In a sense, that withdrawal has meant for that area a better service at the end of the day.

We withdrew from Woomera. In the fifties, of course, Woomera was a booming area. Hopefully, it will come to life again. But again, Woomera is only about 80 kilometres away from Roxby Downs, the major uranium and copper development in the middle of South Australia. We service that port as well. We have now increased services to Olympic Dam. On Sundays we have four returns a day, most days two, and some others three. Again, we are still looking at a drive of less than an hour from Woomera to Olympic Dam, and that means that the region itself has been able to maintain a high level of services. I might say that another operator has been operating into Woomera since we departed, with a smaller aircraft. But, again, because of the frequency and the amenity of the service to Olympic Dam—which in Sydney terms is probably a short drive in terms of time, because I know people in the Sydney area have a drive to the airport of more than two hours—that area has ended up with what we believe is a better level of services.

Cooma, unfortunately, has been the only one that has not been taken up by somebody else. We used to operate from Melbourne to Cooma.

**CHAIRMAN:** I was there last week and I thought I saw your planes there.

**Mr BREUST:** No, not ours.

**CHAIRMAN:** You still fly to the snowy, don't you?

**Mr BREUST:** No.

**CHAIRMAN:** You still have advertising on the ski tube—55 minutes from Sydney to Cooma.

**Mr BREUST:** No, that is a competitor. That is probably Impulse.

**CHAIRMAN:** Yes, it was Impulse.

**Mr BREUST:** No. We flew from Melbourne to Cooma when Ansett withdrew many years ago. Cooma, of course, when the snowy mountains scheme was in its heyday, was quite a major port. Over the years it has dwindled away. We linked Cooma with Merimbula. That worked reasonably well, because Merimbula was a holiday destination in the summer, and Cooma was a holiday destination in the winter. But, unfortunately for Cooma and for us, the development of snow fields just to the north of Melbourne meant that people could very easily drive from Melbourne and stay. In addition to that, the cost and attractiveness of New Zealand as a ski holiday proved to be, on a price basis

particularly, as competitive if not in some cases a little cheaper.

So the level of demand for the service dwindled away, and unfortunately we had to stop our services there. But that is the only one that has not been serviced subsequently by another operator. I might say again that people who wish to fly from Melbourne to the snow fields still have the option via Canberra, and the upgrading of the road between Canberra and the snow fields has meant that it is not too bad a drive, and there are coach services and things like that. We are aware that people have changed their travel patterns to do it that way.

In the last 10 years, those are the three centres to which we have reduced services. So there appear to be two big fears of deregulation in rural and regional New South Wales. One is the fear of the loss of their service, and the other relates to issues concerned with safety. But 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 they will be far better off. 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.

In our submission we have given you quite a bit of information about the comparison of fares in various markets around our network particularly but around Australia in general. What we have done is compared routes of similar distances, and we have looked at fares available in regulated monopoly, regulated competitive, and deregulated monopoly and competitive markets. You will see that in almost all cases the regulated markets have higher fare levels, and substantially higher fare levels. If the Committee would like us to do some more work on that, we will be more than happy to assist in that regard.

**CHAIRMAN:** Certainly, any other information in that regard would be appreciated. Do you give passenger numbers in the chart that you have provided? You may have given them to us somewhere else.

**Mr BREUST:** There are passenger number statistics elsewhere. Should we get the size of the markets?

**CHAIRMAN:** Yes. I know you have given us those somewhere else, but I just do not know whether they are related to that same area.

**Mr BREUST:** We will try to get those. Obviously, we will need to go to the Department of Transport and Regional Development for the ones that we are not familiar with.

**CHAIRMAN:** Is that the conclusion of the open hearing?

**Mr BREUST:** That is basically it.

**CHAIRMAN:** You talked about slot times being limited to 80 per hour because of noise problems. It has been suggested to me that regional airlines using aeroplanes the size of Saabs are not creating a noise problem in Sydney and that the noise problems really relate to the bigger jets.

**Mr BREUST:** Yes, the heavy 747s and so on.

**CHAIRMAN:** And that country New South Wales is unnecessarily becoming tied up with the noise problem. It has also been suggested, perhaps a little flippantly, that in a lot of cases country airlines would land on the parking lots in Sydney and do not necessarily need big strips, and it might be an option to have an additional strip at Kingsford Smith airport purely for regional airlines. Have you given any thought to that suggestion?

**Mr BREUST:** I have heard of that option. At the moment I really do not think that that, as a single action, would be the solution. The real issue, as I said before, comes back to not so much the infrastructure that is there, the physical runways and taxiways and matter like that; it is the management of the throughput of the air traffic system. There are two major competing issues there. One is the sharing around of the noise. The other is the management of the actual aircraft in the system.

What has occurred in the last five to 10 years is that we have moved into a system of standard arrival and departures for aircraft, and that means that arriving and departing aircraft are from the same general direction and all following the same route, regardless of the type of aircraft. As a result we have a mix of the largest aircraft, which is the 747-400, and the smallest of the aircraft in Sydney, which are either a Navajo Chieftain or our friends from Aero Pelican in a twin Otter, which is a fixed undercarriage, high wing, turbine, unpressurised aeroplane which is very slow and is designed to take off on sixpence and hopefully land on the same too. But all of those aircraft are currently managed the same way.

So we can arrive over Bindook going into Sydney and we can fit into a slot the same as a 737, a 767 or indeed a 747, and we can track for 60 miles in a big square to come in and land in Sydney, and we all follow the same track. It is easy for the air traffic controllers because it is like having everyone running down a single-lane highway. They say that is good for safety, and I accept that, however it is not good air space management.

The Saab, for argument's sake, being a regional airliner and a turbo-prop, can actually maintain 250 knots from five miles from touchdown. A 747, a 767 or a 737 must be put into an attitude some 60 miles back to actually come in and land. That is what is called a stabilised approach. The aircraft must be set up well back from the runway to actually come in and land. In the last 30 to 15 miles it is relatively slow, and on the two parallel runways in Sydney quite often we will have a Saab coming in to land and we will pass a 737 because the aircraft can keep up at a high speed, and when it gets close to the runway it can decelerate using propellers and everything else and can come in and land quite easily.

The efficiencies of all of that are simply not being taken into account in the traffic management system for Sydney. There is possibly a solution, but the solution is not being considered in that sense. The solutions at the moment are being considered in terms of either infrastructure or the sharing of the noise.

**CHAIRMAN:** Rather than management.

**Mr BREUST:** Rather than effectively managing the throughput of the airport.

**CHAIRMAN:** It was suggested in an article in this week's or last week's *Bulletin* that wind sheer could cause a problem as well.

**Mr BREUST:** Yes, lay turbulence.

**CHAIRMAN:** And therefore there has to be a larger separation of the two sizes of planes than if they had a whole host of jets come in or a whole host of small planes.

**Mr BREUST:** That is quite right, but it is very difficult to manage everybody to turn up in the right order at the right time. But you are quite right. Those are other influences that affect traffic. I am sure that, with some good management of that air traffic system, the efficiency of Sydney airport can be increased considerably. However, as we all know, we have all these other competing influences, and unfortunately we have got a mess. At the end of the day,

I do not believe that we can find a solution that will satisfy everybody. I think the only real solution is to try to keep muddling through with Sydney as much as we can at the moment, but go and build a better one somewhere else.

**The Hon. J. GARDINER:** Mr Breust, could you expand on your comment with respect to local government charters and how they are using the national competition policy to justify their case? How are they going about doing that?

**Mr BREUST:** I would like to deal with that in the in-camera session.

**The Hon. J. GARDINER:** I will leave that question until then. You have given us the examples of Ceduna and Streaky Bay and how in the end the community possibly benefited with a stronger service. It is understandable that smaller communities do fear the loss of yet another service, particularly a transport service. You might take this question on notice, but are there other examples that you can point to of a stronger service resulting in other parts of Australia which might help to allay the fears of smaller operators if there is to be a deregulated market?

**Mr BREUST:** The reason I chose those few is that they related specifically to us, and I have first-hand knowledge of those. I guess we could look at some of the centres out of Dubbo which, following withdrawal of services by Hazelton some years ago when they were regulated, effectively opened up. Air Link in Dubbo commenced operations into some of those centres, linking those back through Dubbo. My understanding—and I know David Miller very well—is that those communities probably have got a better service now than they had previously. But I guess that is a subjective judgment because I do not have access to the numbers.

**CHAIRMAN:** We have had some evidence from Air Link.

**Mr BREUST:** Elsewhere in our network, I might point you to the situation in Tasmania, which is still going through a shake-out in terms of the demise of Airlines of Tasmania.

**CHAIRMAN:** Was that tied up with Tamair?

**Mr BREUST:** Tamair were involved in that organisation, yes. I cannot remember when Airlines of Tasmania was an operator who had monopolistic rights throughout the State of Tasmania, including Flinders and King Island, and it received quite heavy subsidies or assistance from the State government, and it also received preferential treatment in the carriage of mail and freight. That was an organisation which, from a community perception and satisfaction point of view, was a disaster. I have a close knowledge of that because we operate from Melbourne into King Island, and have done for a long time.

Airlines of Tasmania used to operate from Burnie, Devonport, Launceston into King Island, and bring in the mail, freight and everything else, and there were always problems with the aircraft. The aircraft they operated were very old, and they ended up having Herons, which were aircraft that Kendell had 25 years ago; they had small, piston-engine, unpressurised aeroplanes; and the level of services and the level of fares were not considered by the community as being really acceptable. There was a lot of pressure put on us in that period to expand our services into the Tasmanian market—and this pressure came from the community—but that was not accepted by the State government.

The State 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.

**The Hon. E. M. OBEID:** Mr Breust, on deregulation, you say quite categorically that you are a supporter of deregulation, and in the same vein you say that the market should determine air services. How can you guarantee this Committee or any government that if the air services were deregulated that you would still continue to service areas where the bottom line is not good enough for you?

**Mr BREUST:** Well, the bottom line may not be good enough for us, but in terms of our own decisions we will come to a judgment in regard to that. But that does not necessarily mean that the community will not have a service. There are other operators and other organisations that have different cost structures and different capabilities, and in those circumstances there is nothing to stop those operators coming in and providing that level of service. 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.

**The Hon. E. M. OBEID:** You are saying: Let's take the cream of the areas and let someone else come in and take over the minor routes that do not have a lot of cream.

**Mr BREUST:** It is all relative. We operate on some routes that are actually marginal, and we operate them with Saab aircraft. We operate routes that do quite okay in a deregulated environment with a Metro, and we operate in some markets with that same smaller aircraft that are marginal, but that is our cost structure in terms of that activity. We fly fairly complex, turbine, pressurised aircraft. We pay our pilots a lot more than a lot of other operators. Our engineering costs are greater because of the sophistication of the aircraft, and that all reflects in cost and price. But an operator with a slightly smaller or less sophisticated aircraft can provide that service at a lower cost. That, at the end of the day, may well end up being what that market requires.

**The Hon. E. M. OBEID:** How can we guarantee a community that it will have that service?

**Mr BREUST:** It is very difficult to guarantee anything, but you have to continue to point to the actual experience elsewhere. We went into South Australia in 1985. South Australia, really, has never been regulated. We went into South Australia in 1985 after Ansett Australia closed down Airlines in South Australia. Airlines of South Australia operated the old F27s, the Fokker Friendships. They certainly provided a high standard of service in a large aircraft, but the frequency and the actual amenity of service was not there. We went in and provided services with 16-seat Metroliners and Saabs—small, faster aircraft, but offering greater frequency. The frequency has been the issue that effectively has allowed us to grow those markets, because the industry right round the world will say to you that the major determinant of growth in any market is not aircraft size, it is frequency of service.

That has been proven in South Australia. It has been proven even on the Sydney-Canberra market, where we went in with Ansett to operate the capital shuttle. We do 13 return Saab services a day on that route. They used to have eight Fokker 50s on it, but we do 13 return Saab services and we have grown the market. The communities at both ends are better off. The same principle applies in almost any community. So operation of large, costly aircraft with very low frequency will stagnate your market. Operating a high-frequency service with an efficient aeroplane will grow your market, because you are providing a service when the customer requires it.

**The Hon. E. M. OBEID:** Regarding landing fees, I note that the \$28.50 has gone up to \$140 and then come back to \$100 for Kingsford Smith airport. I am not for moving to Bankstown by the way, but assuming that you were given a good package of landing fees at Bankstown, would that not influence you?

**Mr BREUST:** I would not go there. Even if it was for nothing, we would not go.

**CHAIRMAN:** We will now resolve into confidential session so that Mr Breust can give us some confidential information.

**(Evidence continued in camera)**

**(The witness withdrew)**

**(Public hearing resumed)**

**LESLEY CLEMENTS LANGFORD**, Representative, Albury City Council, and

**DAVID ROBERT WARD**, Manager, Engineering Services, Albury City Council, sworn and examined:

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

**Cr LANGFORD:** Leslie Clements Langford, retired dentist.

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

**Cr LANGFORD:** As the representative of Albury City Council. That is the first hat.

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

**Cr LANGFORD:** Yes.

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

**Cr LANGFORD:** Yes.

**CHAIRMAN:** David, what is your full name and occupation?

**Mr WARD:** David Robert Ward, Manager of Engineering Services.

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

**Mr WARD:** Supporting Councillor Langford, as an officer of Albury City Council.

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

**Mr WARD:** Yes, I did.

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

**Mr WARD:** Yes, I am.

**CHAIRMAN:** Councillor Langford, you have a submission on behalf of the Australian Airport Association, of which you are a member.

**Cr LANGFORD:** Yes.

**CHAIRMAN:** Would you like that submission to be incorporated as part of your sworn evidence?

**Cr LANGFORD:** Yes.

**CHAIRMAN:** David, you have a submission on behalf of the Albury City Council. Would you like that submission to be incorporated as part of your sworn evidence?

**Mr WARD:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Councillor Langford, would you like to commence with a verbal submission before Committee members ask some questions?

**Cr LANGFORD:** Yes, Mr Chairman. I have two submissions. The first speaks on behalf of the Albury City Council. It was deemed by myself and others subsequently that it was better to make sure they were kept separate because of one or two differing points of view and because they were coming from different directions. Some of the views of the airport owners are different from those of the Albury City Council. However, I will get back to the Albury City Council submission.

You have our written submission, so I have gone through that and listed the five points relative to the terms of reference of the inquiry, and I will speak to those rather than read through them. But I would like to point out, as has become patently obvious to everyone perhaps, that since the inquiry was called certain things have happened, such as the charges announced by Mr Vaile and the slot times and so on. So, when the fees were made part of the draft of the inquiry of the FAC, and when the news of that got out there was publications from the Local Government Association of New South Wales, and people started to jump up and down.

But, getting back to the landing fees of Kingsford Smith airport and the figures that we have looked at that are in the submission, it seems to us that, from the point of view of the 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 airport, what we have to pay at Kingsford Smith airport, and what the aircraft has to pay, because it comes out at a slight reduction.

A typical charge at Sydney is at page 3. I think that charge at Kingsford Smith airport, particularly with the removal of the peak period surcharge, which was never very popular, to say the least. Yet one always had to be sympathetic to the fact that a jumbo is a lot more important in some ways than a seven-seater coming in in peak periods. I suppose that is being the devil's advocate again, but we are quite happy with that.

The next part of the inquiry was the landing fees at regional airports. I probably need to take a little bit more time on this. We have in the report the type of business activity that we have in Albury city. We are busy doing an inquiry into that at the moment to fit in with the NCP requirements. It would seem at the moment, from what we can ascertain, that we are looking at about an 8 per cent profit on the investment, from the income from the Albury airport. That is taking into account landing charges, concessions, and so on. We do not think that that is terribly unreasonable, but that will be refined and we will make any necessary adjustments.

We have been criticised for our account procedures in the Albury City Council and the fact that in some peoples' eyes we seem to make huge profit. We have had the airline people in to have a look at our accounting procedures. They have had access to all our books. That goes back some time, when one airline accused another of not being honest about the number of passengers that they were landing there, and we felt that that should be looked at. That has all been sorted out now, but it is still an honour system.

**The Hon. J. GARDINER:** You say that the airline operators have been in to have a look at your books.

**Cr LANGFORD:** Yes, they had access to the books. I think one of the airlines raised a question and disputed our accounting methods and so on, so we thought the best way to deal with it was to go and sit down with our finance department and go right through it. I still do not think they were very happy about it in one way, because we put any excess of income over expenses for a period into consolidated revenue, rather than put it in a bickie tin for a reserve and build up one or two million in reserves, so that when we re-sheet the runway we have got the money there. We put that into the general funds, and then the general funds borrows money to do the upgrading of the airport, because our feeling is that, rather than have one and a half million sitting there and borrow one and half million to upgrade the library, well, the man who controls the lending of the money said, "Well, that is probably not a wise thing to do. You have got the million and a half there. Why not use it?" That philosophy does not agree with Kendells, but that is the way our council does it.

We have talked about an increase in fees of up to \$10 a landing charge per head. The airlines are not very happy about it. We will be reviewing it for the next budget and trying to get a really good handle on what the assets are worth. That is terribly difficult, but that is what we are trying to do. We do come in fairly well, we feel, compared with not only New South Wales charges but charges throughout the whole of Australia, going from a dollar at Toowoomba to Norfolk Island at \$18. That is at page 6. Bear in mind that some of those places charge per head, some charge a tonnage, some charge a mixture of both. Orange and one other, Tamworth perhaps, came to an agreement on so much a year for an airline to use the facilities. It works out at \$7 a head or \$7.50 or maybe \$8. But that is just done by agreement, and it saves them counting the heads all the time. It is just so much a year. That seems to work out quite well. We all have different needs, so we all do it differently. Some come out the same. But that is about how we work the charges. The tables are there. If the questions get too technical, David Ward can help me there. I might go on to the slot times at Kingsford Smith airport.

**CHAIRMAN:** In relation to that, have you got a management plan or development plan or business plan for the airport?

**Cr LANGFORD:** Yes, we certainly have.

**CHAIRMAN:** Would you mind taking that on notice and supply the Committee with that? I take it it is a public document.

**Mr WARD:** Yes.

**Cr LANGFORD:** It goes back some years, and it has been updated.

**CHAIRMAN:** You attach it to your annual budgets, do you not?

**Cr LANGFORD:** Yes. I was thinking more of the master plan for development out there. We have purchased more land for industrial use and so on. But, certainly, that and the business plan. On slot times, about six or nine months ago we had a talk with the Airline Association. Julianne Alroe was the lady at the time from Sydney airport. It was FAC then. She talked about the slot times, and that was our first introduction to those, and they have gradually come to fruition. They may have caused concern for some people, but certainly not to Albury City Council. We see them as fair. The market will dictate the slot times belonging to the airline rather than the airport. That is the way the market will work. We have always got pretty good demand, so whoever comes to our place will need slot times, and if we have got access to Kingsford Smith airport that is great. We have no problems with the principle of slot times.

On the proposal to limit access to Kingsford Smith airport, it might be time that I mentioned that I have not had time to produce enough copies to go round, but I have here some copies of letters that came to the Mayor of our council, Councillor Gould, in response to local government resolutions that came out of the western suburbs. There are 20 letters of support for regional airlines to continue to have a fair price, continuing access to Kingsford Smith airport and not to be diverted to Bankstown.

**CHAIRMAN:** I might ask you to formally table that.

**Cr LANGFORD:** Yes, I formally table that documentation. By chance, the top letter is written by the Premier of New South Wales.

**CHAIRMAN:** I did not know he was a ratepayer!

**Cr LANGFORD:** It was in response to other councils. No doubt other councils will go through it, but one and a half hours of travelling, no infrastructure. Bankstown, for example, has probably got more than twice the number of aircraft movements that Kingsford Smith airport has, so it is pretty well at its peak capacity. There is no way that we could see Bankstown as a port when we are coming out of Albury and heading for Sydney. But not only Sydney; it may be that we are heading for Cairns or overseas, and trans-shipping could become a nightmare. There has probably been so much said about that that I will not dwell on that.

The fifth item in the terms of reference relates to the deregulation of air services in New South Wales. We did have the Air Transport Council meet with us in Albury a year and a half ago when it looked like a third airline might come in, Eastern, to join Kendell and Hazelton. The Air Transport Council met in Albury, and their decision was with the status quo to continue to the middle of next year when perhaps deregulation occurs. So we said we would have the two airlines. If we have a third under deregulation, we say the market forces will decide which one goes broke. Hopefully, they will not, because a lot of that rubs off on the local community. But we are not in the process of saying that we will fight to keep a limited number coming into Albury. It will cost us somewhat to develop a new space at the terminal facility, but not a great deal. So I guess when that happens, it happens—if it does happen.

**CHAIRMAN:** Do you actually favour deregulation, or does it not worry you much which way it goes?

**Cr LANGFORD:** All I can say is that it does not worry us. In the other submission I will talk differently. But in Albury it does not worry us. We have been through that a few times. A year or two ago we went through the procedure. We had a resolution come out of council a fortnight ago to say that we are not concerned if deregulation comes, that we would be quite happy to go with it.

There is a summary at the end of the presentation, at page 15. Really, we know there is a feeling out there about what we charge for landing charges, or what is called a passenger tax these days. There is no way we feel we could go through Bankstown.

**CHAIRMAN:** Mr Ward, do you have anything to add?

**Mr WARD:** Not unless there are any questions from the inquiry. The only thing I would highlight is the matter of deregulation. Albury is very similar to Wagga Wagga. Being on the border, we have two deregulated services that operate interstate, and they have been very successful. One goes to Melbourne and one goes to Canberra. They have not been regulated. We have the regulated duopoly on the Sydney route, which are Kendell and Hazelton. Albury has experienced an example on the Canberra route that emulates small country services in our mid-west. The service has a market of about 8,000 passengers per annum. Then 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 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 carry some of the costs.

**CHAIRMAN:** The council had to subsidise it during that competition period?

**Mr WARD:** No, it did not subsidise it. It had to come into some business arrangement with the operator that survived to pay off his debt. That has all been cleared. I am just saying that that is an experience that we had at the time, and it worked out at the end of the day.

**CHAIRMAN:** What happened with prices in that competition period?

**Mr WARD:** I think they were fairly marginal.

**CHAIRMAN:** They did not go up or down?

**Mr WARD:** No.

**CHAIRMAN:** They did not change?

**Mr WARD:** No. Melbourne is similar. There have been smaller operators who have come in from time to time to offer niche market services to Melbourne. However, they have come and gone, and the main operator has remained there.

**CHAIRMAN:** Councillor Langford, did you have any other specific comments that you wanted to make, apart from what is in your submission directly from the Airport Owners Association?

**Cr LANGFORD:** Yes.

**CHAIRMAN:** We might take that before we go to questions, then we might ask questions on any matter.

**Cr LANGFORD:** I think there are two or three aspects that I have made mention of. Many of the airport owners who are members, around 50 in New South Wales—and that is the dotted page in one of the addenda. That is how our members are represented, by those dots on the addendum.

**CHAIRMAN:** This covers all of the States?

**Cr LANGFORD:** Yes, we cover all States, and about 70 or 80 airports throughout Australia, which is getting near to 50 per cent of all licensed airports, as they used to call them. The majority of our airports are on a losing streak financially. That dates back to the seventies when we took on the airports under a local ownership plan. All the runways were built or upgraded by the Federal government. Half the cost of terminal buildings and half the maintenance was paid by the Federal government. That was a good, firm contract that we had with the Federal government—or so we thought.

**CHAIRMAN:** That was in 1973, or round that time, was it?

**Cr LANGFORD:** Yes. There has been a lot of water flow under the bridge since then, and a lot of money went out, some of it a bit unnecessarily too. There were some massive terminal buildings, depending where the aviation Minister lived at the time, some people say. In the late eighties and early nineties the Federal government walked away from the ALOP, tore up the contract and gave some of the airports a bit of a subsidy, bonus or whatever you like to call it. They said, "Here is some money," \$300,000, to Albury to make the apron and runway safe and said, 'You are on your own now.'" That was a disaster for many of the smaller airports that had only a small RPT service or just general aviation.

We put on a landing charges that were different from place to place, and whoever collected them did collect them as best they could. Sometimes they could not. There were schemes like Avdata, where they tuned in on the radio, and they said they would not pay, and some airlines went broke, and the council lost a heck of a lot of money. Fortunately, the State government, as one of the best thing they ever did in New South Wales a year or so ago, was to modify the Local Government Act to make it legal to charge the COR holders of the aeroplanes so that we could legally bill them. That has changed things around, so Avdata should be able to work pretty well these days. The other States are looking to follow suit because neither of the parties is interested. I am not getting into party politics there. We have approached people when they have been in government or in opposition, and they have walked away from any support for regional airlines. The only States where regional airlines get support are Queensland and Western Australia. Some got \$4 million to go into a privatisation deal with Western Australia. I gather there are some sort of subsidy for regional airlines, but it does not happen anywhere else.

**CHAIRMAN:** So they are direct subsidies to the airline operators for less profitable routes? In Queensland it came about because of deregulation, to try to guarantee continued service.

**Cr LANGFORD:** David might be able to speak a little more on that particular aspect, of how that comes about in those other States. The point I was really trying to make was that everyone was on their own. We find it difficult to get some of these people to tell us how much its costs them to run their airports. The Association has been trying to do a survey, and has put aside \$10,000 to get a consultant to put it all together to present a case to the State Ministers or the Federal Minister to say we need help. Yet our members are a bit reluctant to come forward. So we have a bit of guesswork here and there. But we know that the majority of them lose money, and the community supports it out of the ratepayers' money, and other people use it. Cobar was a good example. The mines used the airport, and they never paid anything. One of the mines has walked away now at Cobar, but hopefully that will be sorted out. They are always crying poor-mouth about it, and rightly so.

So, what we have done is work out our landing charges, what the traffic will allow. Some aim to break even. Some, not very many, make a profit. Albury is one of those. Some do not charge because they are so close to Sydney that if they start charging people will hop in a car. That is what happens in Albury sometimes at the moment. It is not so much the landing charge; just the fare on the plane. It is only three hours to Melbourne by car, and if there are two of you going it is \$450 to \$480, and two of you in a car can do the trip in three hours each way. That is a restraint of the operator rather than of the landing charges. So that is how we came about the different landing charges at different airports.

Some of the smaller airports, the northern group, probably will be talking to you about their concern about the slot times because the slot times apparently go with an airline, because the airline has that slot at Kingsford Smith airport. The feeling around Tamworth is that one or two of those have been in trouble with their users, the airlines. If they have an airline that is not doing so well, it could be taken over by someone else who has a bit more money, and that slot time for Kingsford Smith airport will be used somewhere else. If they want to come to Albury they need a slot time, and if they are not doing so well at Tamworth they could use the slot time and get into Kingsford Smith airport. That is the concern of the northern group, Inverell, Dumaresq, Tamworth and Newcastle. No doubt, if they have a

guernsey, they will be coming to you and putting that on their behalf. That is their worry about slot times. It is not such a worry to us at Albury and Wagga Wagga; we are a bit bigger. It is the little ones that might lose if they go elsewhere and take the slot time.

Deregulation is of great concern to the northern group and some smaller people. Whether or not the frequency of service changes with another airline operator coming in... It is more likely you will get smaller aircraft. Some of our people feel that the smaller the aircraft the less the safety factor. I subscribe to that belief too. I would not like to travel in a nine-seater if I can travel in a Saab. The fire control services in some of these smaller aircraft are nowhere near the same as they are in a Saab. But passengers do not know that. If you ask Dick Smith, he will tell you. It is one of his pet theories. It was put to the Australian Transport Council that passengers should be aware of the degree of safety that each class of aircraft has. If I had a choice, I would rather go in a Saab than a Piper. That is by the by.

They are concerned that they would have a situation that happened on the Canberra route: someone comes in, someone goes broke, and someone owes the local owner—councils mostly—a fair deal of money, as well as local fuellers and all that sort of thing.

One of the concerns about not only Kingsford Smith airport but other privatised airports was that they might set the pace with landing charges. When the landing charges were announced, in the formula for the privatised one there is a CPI-minus figure for the annual increase in charges. If that is applied to Kingsford Smith airport, or they call themselves now the SAC, they could operate the same way as the others, whereby they are limited in how much they can increase their charges.

But that only applies to 40-odd per cent of the charges; it does not cover the other slugs that passengers get hit with—car parking and other charges round the airport. One or two are looking at putting a fuel levy on. That does not come into that restriction on the price increase of CPI-minus figure put on them for five years. I do not think that will worry Kingsford Smith airport for a year or two because I do not think that will be privatised for some time. Who knows?

I think those are the basic differences in concerns about deregulation, time slots and pricing. We are very concerned that the small aircraft are going to go up 200 or 300 per cent in landing charges. I think Mr Vaile has taken care of that with subsidies for the very small ones. They are probably not worrying so much about it now, but they did initially.

**CHAIRMAN:** A lot of both of our submissions and the management plans will contain the answers to a lot of questions that members will ask you now. What I would ask you to do is take them on notice if they are not already incorporated in the documentation and submissions. How many scheduled services are there a day from Albury airport? How many operators service Albury? And is the community satisfied with the level of service? What size planes are scheduled on the service, and are they appropriate? What is the largest plane that the Albury airport can handle? What is the level of general aviation usage at Albury airport.

What are the landing fees at Albury airport, and how do they compare with other airports? What is the capital value of the airport, and what is the rate of return? Does the airport require any expansions? If so, how will they be funded? What impact would the deregulation of the State's air services have on country communities? If deregulation proceeds, what would the council like to see the government do to ensure that services are maintained? What would be the impact on the local community of the mooted proposals to redirect country air services to Bankstown airport? I will give you a copy of those questions. Would you take on notice those questions that you have not already answered and supply us with that information.

**Cr LANGFORD:** Yes.

**The Hon. E. M. OBEID:** Councillor Langford, in the Albury City Council submission you have used passenger numbers for the 1995-96 year. Why is that when there are up-to-date figures that others have submitted to us? The reason I ask that is that shows 101,000 whereas in the current passenger list we got from other sources it shows 151,000 currently.

**Mr WARD:** We have only given you the passenger numbers for the Sydney route. They are not total passenger numbers to Melbourne, Canberra and so on. The total number is 150,000. For the Sydney route it is about 102,000. At the time the submission was prepared the financial year 1997-98 was not completed and we did not have the final figures at that stage.

**The Hon. E. M. OBEID:** I am sure you realise that the costing that you have got is a most controversial matter, and you are going from \$7 to \$10 in one whack. How have you valued the capital value of your airport in order to work out your net return in accordance with the NCP values?

**Mr WARD:** The council has just received a further report from the joint finance and works committee on 13 July. You are free to have a copy of that report, which may answer that question.

**CHAIRMAN:** Yes.

**Mr WARD:** The book values have been used in this analysis, and all of that information that you are after is in this.

**CHAIRMAN:** If you would send that along to us, we would be grateful. Or you could table it now if you have a spare copy of it.

**Mr WARD:** I only have the one, but I could table it if there are no further questions about it. But the book value nominated in this report is \$4.2 million.

**Cr LANGFORD:** Council is seeking an updated valuation of the airport. That is in the process of being done at the moment. As I mentioned earlier, we are following this up, and we will go through all the figures again and do the budget on it, because we are very much aware of the opposition out there. We had always worked closely with the airlines up till perhaps the last 12 months, when we have not been having our user groups and council meetings the way we used to, and that is probably an internal problem that the council has got, for political rather than any other reasons. But we are aware—and we have given a commitment to at least one of the airlines—that we will get together with the users and have further talks when we have got further figures, because they are just sniping at one another out there. We have always tried to get on with the airlines.

**The Hon. E. M. OBEID:** Would you clarify one thing for me. What is the basis of your determination to increase the landing cost for passengers from \$7 to \$10? When did this occur?

**Cr LANGFORD:** It has been to council and it is coming to council again. It has been up two or three times to have another look at it. Mr Ward might like to answer that question.

**Mr WARD:** The council initially resolved to increase the cost on 23 March this year. There were representations from the airlines to council, both by letter and by personal representations to one of its committees. Council then resolved to further examine that issue. The report that you have before you now is a further examination of the financial model using national competition policy guidelines. I think that will possibly explain what you are after.

**The Hon. E. M. OBEID:** Councillor Langford, being chairperson of the Australian Airport Association.

**Cr LANGFORD:** New South Wales branch, yes.

**The Hon. E. M. OBEID:** Are you concerned that councils could, as owners of the airports, increase the costs to a rate where you will have airlines not using that airport? Is there a possibility that you will put them out of business if you increase the charges, particularly in view of the fact that Kingsford Smith airport might be going private, that it looks like being sold. Do you think that is a possibility unless costs are controlled and contained at the bare minimum in the interests of the community?

**Cr LANGFORD:** Believe you me, I have given the matter a lot of thought. I have watched movements around the country in relation to the various airport charges, not just Albury. There are some airports that are not going to put up their charges because they feel that the competition will move to another airport that is only 20 to 30 kilometres away.

I think there is a message in that anyway that we need both airports. I am not sure whose advocate I am there, but there are some in the north-east of New South Wales that are close together, and there are one or two over the other side.

Quite frankly, one of these days maybe they will start using only one of those airports, and then the costs will be less to the members of the community. But always at the back of my mind is that the people who use the aeroplanes are the people who pay, not just the local community. For example, if you straddle the border and you have a couple of municipalities, or you have a shire and a city and one owns the airport, if the shire owns the airport and the city council does not, it is the city council people and the business people who come in there and pay the landing taxes. The user pays. I will give an example of the Mildura shire—and this happens to be in Victoria—there is a shire and a city, and the airport is in Mildura shire, with a very low rate income, but it is the city people who use the airport. How much can you charge per head to make sure your ratepayers do not suffer? You have got to try to break even until you get the yells from the airlines, and then you have got to try to reach a compromise. But most of our people could never charge enough to pay their way anyway. So it is the community pays.

**The Hon. E. M. OBEID:** On what I can see in the tables that have been provided to us, the major airports such as at Albury, Wagga Wagga and Coffs Harbour, are taking advantage of their size and passenger turnover and can literally put up the figures, whereas the smaller centres that want to keep their airline services at any cost have reduced their costs. Going on your line, if you have business people and you have a good transport system, business will follow and that will create employment in that area. So maybe you might have one business person coming down to Albury or Wagga Wagga, but in essence he could be creating economic activity for 100 employees. So it is not just based upon the community user, but on the benefit to the community. My concern is that the tables reveal that the bigger airports are making their own rules as to how they charge and whether they are considering the community benefit by putting up their prices, disregarding how beneficial the air services are to their community. I am not against returning costs and building up sufficient reserves to enable you to keep maintaining your capital works projects.

**Cr LANGFORD:** I understand Wagga Wagga, for example, does just better than break even. Albury, looking at the figures at the moment, is getting 8 per cent on the investment. We are trying to refine those figures. But we have just had 20 airports that have been privatised, and all the people who have bought those airports have bought them to make a profit. I do not think profit is a dirty word, but because we have the facility there and we can charge 8 per cent, I do not think 8 per cent is over the fence. If we find that it is, and we have more money than we need, we will go back. By my feeling is that we are not there to make a huge profit out of the airport. That is my personal feeling. And I was on council for some years before I found out that it did not work quite that way. I thought we try to break

even.

**The Hon. E. M. OBEID:** You are suggesting that if figures show you are making a huge profit, you will bring down the charges and it will be only a reasonable profit on costs?

**Cr LANGFORD:** That would be what I would be striving for if I thought it was too much.

**The Hon. J. GARDINER:** Following on from Mr Obeid's question: in terms of the timetable, you said the \$10 mooted charge is being reviewed in the lead-up to the next budget. Are you possibly going to change that figure before you put it into the budget?

**Cr LANGFORD:** That is not planned at this stage, no.

**The Hon. J. GARDINER:** So you are going to go ahead with it?

**Cr LANGFORD:** Yes.

**The Hon. J. GARDINER:** And then have a review afterwards?

**Cr LANGFORD:** I am sure we could make some adjustment, but it is a bit late then for the passengers because they have come and gone and paid their tax. I am not sure how you would do a payback in retrospect, but we cannot put it down now, because it is seen that we should be putting it up, until we go through all the facts and figures and the re-valuation and so on, to see that it does look squeaky-clean and that we are not overdoing it. But I would not like to be seen to be part of that. That is a personal opinion. There are 11 other councils.

**CHAIRMAN:** Is the 8 per cent return based on \$7 or \$10?

**Cr LANGFORD:** That is based on the \$10, I think.

**Mr WARD:** Yes.

**The Hon. E. M. OBEID:** Let me assure you, Councillor Langford, that governments are the best at manipulating figures and how they are represented.

**Cr LANGFORD:** I would not disagree with that. I hope we are quite transparent.

**CHAIRMAN:** Local government has a bit more transparency.

**The Hon. J. GARDINER:** Could I ask a question of you wearing your Australian Airport Association hat. You have 50 country airport owners in the Association, and you have mentioned in particular the northern group being concerned about the question of deregulation. How many of the 50 airport owners in New South Wales share the views of the northern group? In other words, does the Association itself and you come down to a policy decision on the question, or whether you agree to disagree, and what is the proportion of those in favour and those against?

**Cr LANGFORD:** I find that a bit difficult to quantify.

**CHAIRMAN:** Perhaps you could take that on notice.

**Cr LANGFORD:** I certainly could do some work on it. It tends to be that the smaller the village the more

concerned it is about deregulation. So I would say that it is about half of our members. But the Association is split.

**The Hon. J. GARDINER:** So it could be split down the middle?

**Cr LANGFORD:** Yes. As I said, Wagga Wagga is not concerned about it, and we are not concerned about it at all at Albury. I would say at least half our members are. But I will try to define that for you.

**CHAIRMAN:** If you could, because there are only six or eight big ones.

**The Hon. E. M. OBEID:** It would go without saying that the fewer smaller airports there are, the more the regional airports will benefit.

**Cr LANGFORD:** Yes.

**The Hon. J. GARDINER:** Have you ever heard of anyone who supports the idea of going to Bankstown?

**Cr LANGFORD:** No.

**The Hon. J. GARDINER:** Nobody at all?

**Cr LANGFORD:** Except John Fahey.

**CHAIRMAN:** I think he changed his mind very quickly. I think it was next day.

**Cr LANGFORD:** One point I did not make about going to Bankstown and the Very Fast Train. There are 140 commuters from regions who use Kingsford Smith airport a day. There are about 22 come out of Canberra, and about 18 out of Newcastle. The rest come from the regions. So, what the heck a Very Fast Train from Sydney to Canberra has got to do with it, I do not know. What only one-seventh from Canberra has got to do with it I do not know. I meant to mention earlier that the Very Fast Train is a bit of a red herring.

**CHAIRMAN:** Thank you very much for your evidence, Councillor Langford and David Ward. We might write to you. But would you send in that additional information that you have got.

**Cr LANGFORD:** Yes.

**(The witnesses withdrew)**



**TERENCE DAVID MCKENZIE**, Managing Director, Country Connection Airlines Pty Ltd, sworn and examined:

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

**Mr MCKENZIE:** As Managing Director of County Connection Airlines.

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

**Mr MCKENZIE:** I did.

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

**Mr MCKENZIE:** I am.

**CHAIRMAN:** Have you made a submission to the Committee?

**Mr MCKENZIE:** I have not.

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

**Mr MCKENZIE:** You would like me to make a short statement on what items?

**CHAIRMAN:** On some of the issues that you might consider important, such as access to Kingsford Smith airport and slot times and deregulation.

**Mr MCKENZIE:** It is quite evident that the landing fees at Kingsford Smith airport is just a move to shift the small operators out of the airport. I do not really think they care whether we go to Bankstown or not. I think that was evident when they brought in Mr Fahey and took the matter away from the Minister for Transport. The interesting thing is that they came out and said it would be \$140. They have now pushed the media to believe that they are great guys because they are reducing it from \$140 to \$100, when in actual fact we pay \$27.50.

**CHAIRMAN:** So you are paying \$27.50 per landing?

**Mr MCKENZIE:** Yes. The \$100 is slightly better than \$140, but we could not sustain a \$100 landing fee on top of all the other charges. It costs us \$60 now for terminal fees at Mascot. It costs us around another \$20 to \$40 per aircraft for checking staff. If you take those into account, we have 1.3 people off an aircraft just to land in Sydney and handle them. So any massive increase over \$27.50 we could not sustain.

It is interesting to note that the other airports that have been sold have not been allowed to put their charges up. Brisbane is still on \$27.50, and the others have been controlled in what they can put the fees up by—only the CPI. Why Sydney can go to \$100 I do not know. We have told that it will be phased in over a five-year period. It starts in October. I have spoken to the Minister's office, and they do not know what the phase-in will be at this stage. So,

basically, although they have said it will be phased in, they do not know what the period will be. It could be over five years, or it could be over two years. It will be a major burden on small operators like myself.

I think enough has been said about landing fees in Sydney. You probably have heard enough about it. In relation to landing fees in regional airports, I cannot complain about the councils of the five towns of Cootamundra, Young, Cowra, West Wyalong and Forbes. We pay nothing at some airports, and at some we pay a very minimal fee. Those towns are more than happy to have the service and to provide the airport and terminals for us.

At the larger airports, I think it is quite evident that some of them are turning them into cash cows. They were given to them by the Federal government, and now they are making a lot of money out of them. If it affected me, I think I would holler a bit louder than this. But, as far as the towns I service, I do not have any complaints at all.

As to the allocation of slot times in Sydney. Sydney is capped at 80 movements per hour, which is a political move. Sydney will handle and operate correctly, I believe, with somewhere around 115 movements an hour. The slot times is only a way of managing the 80 movements per hour and nothing else. It will be detrimental to the regional operators down the line. It is very difficult to maintain the 80 per cent use it or lose it for certain months of the year. In January, we will have to cut flights back. We do combine flights. We base an aircraft at West Wyalong that does West Wyalong and Forbes, and on days of light passenger loading we combine with Cowra because the Forbes aircraft goes past 10 minutes before the Cowra one departs.

**CHAIRMAN:** So you do a bit of hubbing?

**Mr McKENZIE:** We do hub when necessary. The people understand it. You must realise that with a small operator like us, between 80 and 86 per cent of our passengers are regular users, business people, and they understand that to keep it viable we do have to combine services. But, of course, that is detrimental to our retaining our slots in Sydney, so it will be an interesting meeting next week on slots to see whether, in their eyes, we have gone outside the 20 per cent of non-use. It will be very close, but I do not think we will go over it.

Slots will eventually go to the major cities. You will find down the line that the peak period slots eventually will end up with the major regional carriers and will be taken away from the small towns. They should have been locked into those small towns and not locked in with the airline itself. The slots should have been allocated to the towns. No doubt you could move them down the line with the right negotiation if the town became unviable. But I believe a lot of the small towns will lose their slots through takeovers. They only need to buy the business and the organisation to move them; they do not need to operate under that name. They just need to buy the business and the organisation that owns those slots. I think you will find down the line that the smaller towns will suffer from those slots being moved to the bigger towns. Quite possibly too, with deregulation coming in, someone like myself could move them off to a larger centre. So they are not safe in any way, shape or form the way they are set up now.

If deregulation did come in, and we saw there was an opportunity to operate into a larger centre, and we needed the slot from the smaller centre, it is not beyond the realms of doubt that for commercial reasons we may move those slots ourselves to those larger centres. What I am saying is that it is probably detrimental to me in many ways if they were locked into the town, but I believe that in the interests of the communities those slots should be locked to the towns and not to the operators.

Regarding the limit on smaller aircraft into Mascot, I suppose it is inevitable that they will try to move us out. But Bankstown is certainly not acceptable in any way, shape or form. If they go ahead with Bankstown—well, they are going ahead with Bankstown, going on the plans that have been drawn up—I believe that it should be at the option of the operators as to whether they operate services to Bankstown as well as to Mascot. Very few of the people that we

carry want to go to Bankstown. However, there may be other people who are driving who want to do business in the Bankstown-Parramatta area, and you may increase passenger numbers with extra services and cover both Mascot and Bankstown. That is a possibility.

I think it is inevitable that Bankstown will have jet services to Brisbane and Melbourne. I think that is a foregone conclusion with the major airlines that they will operate out of there at least to Brisbane and Melbourne. If that happens, I believe that some of the regionals will put services into Bankstown, but that will not be so with all services because the majority of people either want to go to Sydney to do business in the central business district or that area, or they want to connect with an overseas flight or a flight to somewhere else that the jet services out of Bankstown will not be servicing. So, to move out to Bankstown would basically ruin my business. I just do not think the number of people would support that move. There may be the possibility of running one flight a day, on a hubbing system, into Bankstown for people who want to go to that location.

On deregulation, I am completely down the middle of the road on the question. I ran on deregulated ports. All my ports were deregulated. It was not easy. We had a regulator who was not doing his job, and you know the outcome of what happened. But, while we have regulation there is no chance for me to expand. With deregulation, there is a chance for me to expand my services, albeit possibly detrimental to towns that I run because of the slot times into Mascot. I do not believe that if I pulled out of those five towns tomorrow that any more than possibly two of them would be serviced by another operator. I just do not think there is another operator who could run them viably. We are fortunate that we own a large aircraft maintenance company in Cootamundra called South West Aviation. That is our main base. It would be very difficult for a Sydney-based operator to come out and run around those towns and make it viable. It is difficult enough to keep it viable now.

So, if we went ahead with full deregulation—and I have run under it before, and it was not easy—then, yes, it allows me the opportunity to expand. If it remains the way it is, it just means that I will not have to go and borrow millions of dollars and get more grey hairs. Basically, that is my submission.

**CHAIRMAN:** If, at some later stage, you think of some other comments you would want to make, you might write to us.

**Mr McKENZIE:** Yes.

**CHAIRMAN:** You did mention that the regulator was not doing his job. I take it that that comment was in relation to the accident.

**Mr McKENZIE:** Yes.

**CHAIRMAN:** Did you have any more comments on that?

**Mr McKENZIE:** If we are on that subject. It is not part of the terms of reference.

**CHAIRMAN:** You are talking about the safety regulator.

**Mr McKENZIE:** Yes.

**CHAIRMAN:** As opposed to the State governments regulation.

**Mr McKENZIE:** Yes. They certainly were not doing their job back in those days. I think that became evident from

the inquiry afterwards.

**CHAIRMAN:** That has changed though.

**Mr McKENZIE:** No. It is about to go to worse. Dick Smith is looking at downgrading all aircraft 10 seats and under to what he calls air taxi. There was a meeting in Canberra recently convened by Dick Smith. The government would like to see the same level of safety for all fare-paying passengers, whether it be a charter or regular public transport. Mr Smith said that it was impossible to lift the charter operators up to our standard, so we would have to lower the standard of the smaller RPT operators. That has met with a lot of resistance from us, because, on top of doing that, he also wants to change regulation 206(c), which says you must have a licence, et cetera, to run scheduled services and to advertise those schedules. He believes that with a service of 10 seats and under, anybody should be able to advertise a service and run it without having the necessary licence. If he gets his way, it will be much worse than it was before.

Operators like myself, who are operating now, certainly will not lower our standard, which means that operators who come in with a lower standard—not doing things like checking their pilots on the routes, et cetera—will have operating costs that are much lower, and it will be nearly impossible for us to compete with them. That consultation in Canberra was all done in an hour and a half, and I have seen now in a magazine that they have put out that they are going ahead with the air taxi proposal. So that is probably going to have a greater impact than deregulation or going to Bankstown. It will basically mean that, without any licences other than a charter licence, I can pull up at Wagga Wagga airport on a Friday afternoon and say, "\$99 to Sydney" and stick an advertisement in the paper, and when it is full we will go. You will get a lot of unsuspecting people who will jump on board. But that is what is contemplated now.

**CHAIRMAN:** Is your terminal outside the Qantas terminal?

**Mr McKENZIE:** I operate out of the Australian Jet Centre. It is very difficult to get terminal space. I am in the Qantas system, but there just is not terminal space there. Even Eastern have difficulty getting enough ramp. There is terminal space, but not ramp space. So I operate out of the Australian Jet Centre.

**The Hon. J. GARDINER:** If slots were able to be allocated to towns and not to the owners, are you saying you could continue services to the smaller centres but then take the opportunity to perhaps capture some of the market share in the regional centre as well?

**Mr McKENZIE:** What I said about the slots being allocated to the operator was that I believe that a lot of those slots from the smaller towns will end up in the bigger regional centres, being used by the bigger regional centres. There is no protection there for the smaller community to have a slot time. If the operator who does Merimbula feels that he would like to run another service out of Dubbo at 7.30 in the morning when he has a slot that comes in from Merimbula, there is nothing to stop him from moving that slot to say Dubbo and Merimbula getting a flight at 10 o'clock in the morning, and that does not suit business people. I think, down the line, the larger centres will win out and the smaller ones will lose out.

**The Hon. J. GARDINER:** How many other businesses are roughly similar to yours?

**Mr McKENZIE:** Yanda Airlines; Dave Miller of Air Link out of Dubbo. There are only Yanda and myself that operate 10-seaters into Mascot. We have Aeropelican operating 18-seaters, but the aircraft they operate are very slow. The aircraft that we operate, although they are 10-seat aircraft, do fit into the traffic flow much better than their aircraft do. We will sit right beside a 747 on parallel runways all the way.

**CHAIRMAN:** Yanda is at Singleton, is it not?

**Mr McKENZIE:** Yes. We are a minority that I think they would like to get rid of. But we do not in any way clutter up their air space system, because our pilots are all trained to fly the aircraft about 30 knots than is normal on an approach, and it does not hurt the aircraft. It is well within its capabilities, but it puts us in at the same speed as the jets on approach. We are slower on flying time, of course. It all comes down to dollars—dollars to Mascot airport when they sell it. I might say that the State government probably should buy it; it would make a good cash cow.

**The Hon. E. M. OBEID:** Mr McKenzie, if we did have deregulation, what in your opinion would be the best way to guarantee that small towns get service? Not considering that people have to go by air for medical or other reasons regardless of the cost, how do you provide that in some way they are guaranteed a service?

**Mr McKENZIE:** Only deregulating the towns over say 12,000 passengers a year. Our main base is Cootamundra, and the aircraft from Cootamundra goes to Sydney twice a day return. It goes Cootamundra, Young, Cowra, and on to Sydney. The other aircraft that is based at West Wyalong does West Wyalong, Forbes and on to Sydney. We do have the capability, with our timetable, to be able to hub it if there is only a load for one aircraft.

The problem that I have is that, if someone came in under deregulation and took one of those towns away from me—well, if they took any one, but if they took Cowra or Forbes, which are the two major ports—I would have to shut the whole thing down. I could not run with any less ports. No doubt there will be some fly-by-nighters out there who will try to do something like that. We have weathered them before, but whether I am interested in trying to weather them again and tear up a lot of money, I don't know. So I would look very closely at not deregulating anything under about 12,000 people. Now, that is towns much larger than I operate from. I carry around 10,000 people in total out of the five towns.

**CHAIRMAN:** When you say 12,000 people, you mean 12,000 passengers?

**Mr McKENZIE:** I mean 12,000 passengers in and out of that port. It is a controlled deregulation. And let the market forces sort out Wagga Wagga and Dubbo. I believe that one of the three major regionals in New South Wales will not survive deregulation, and I believe we will be back to two. I do not know whether Hazeltons could survive deregulation if another operator came into a port like Dubbo. I may be wrong there. The other thing is that we have only two reservation systems, and one belongs to Qantas and one belongs to Ansett. It is very easy for the reservation system to put the other operator on the next page by going five minutes earlier. If you come up on the second part of the screen, well, travel agents have a large turnover of staff, and even the airlines have a large turnover in reservations, and if you try to make reservations yourself it is like to talking to a brick wall very regularly. Most of them do not even know to look at a second page and see whether there is another airline that operates. My estimate would be two years and we would be back to two major regional operators under deregulation.

**CHAIRMAN:** It has been proposed at a country summit that there be a charter of user rights in an attempt to lock in continued operation by regional airlines into Kingsford Smith airport. However, it has been suggested to us this morning that, unless that is done by legislation, or unless the legislation is amended to incorporate that proposal, it would not be worth the paper it is written on. Have you got some comments on that? If you wanted to send something along in writing to us about what should be in the charter of user rights, you could send that in.

**Mr McKENZIE:** You could write it in there, unless there is something in there on charging.

**CHAIRMAN:** Actually, I think it is assumed that it is affordable guaranteed use.

**Mr MCKENZIE:** Yes. Unless it is affordable guaranteed use, there are two ways to regulate that.

**CHAIRMAN:** Have you got any comment to make on the difference between using a charter of user rights, which is written in some document that does not have legislative force, or incorporating it in legislation? Do you have any preference?

**Mr MCKENZIE:** I would really have to think about that and find out the pros and cons of it.

**CHAIRMAN:** If you have some evidence on that particular subject, would you send us a letter? That would be much appreciated by the Committee. I thank you very much for your time.

**(The witnesses withdrew)**

**JAMES LACHLAN GRANT**, Regional Manager, Southern, New South Wales Department of State and Regional Development, and

**FRANCIS HAROLD MILLEN**, Member, Murray Regional Development Board, and

**GEOFFREY ANDREW LECOUTEUR**, Project Officer, Murray Regional Development Board, sworn and examined:

**CHAIRMAN:** You have not put in a submission, have you?

**Mr MILLEN:** That is right, Mr Chairman. We have only recently been able to complete it, and we would like to submit that now.

**CHAIRMAN:** I now have some formal questions to ask. Mr Millen, what is your full name and occupation?

**Mr MILLEN:** Francis Harold Millen, Computer Consultant.

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

**Mr MILLEN:** As a member of the Murray Regional Development Board.

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

**Mr MILLEN:** I did.

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

**Mr MILLEN:** I am.

**CHAIRMAN:** We have just received the submission that you have tabled. Do you wish that to be included as part of your sworn evidence?

**Mr MILLEN:** If you would, Mr Chairman.

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

**Mr GRANT:** James Lachlan Grant, Regional Manager, Southern, of the Department of State and Regional Development.

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

**Mr GRANT:** As Regional Manager, Southern, for the department.

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

**Mr GRANT:** I did.

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

**Mr GRANT:** I am, the agricultural one.

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

**Mr LECOUTEUR:** Geoffrey Andrew LeCouteur, Project Officer with the Murray Regional Development Board.

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

**Mr LECOUTEUR:** As Project Officer for the Murray Regional Development Board.

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

**Mr LECOUTEUR:** I did.

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

**Mr LECOUTEUR:** I am.

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

Your submission relates to the operation of regional and rural air services. I take it that Jim Grant will have some agricultural material to table.

**Mr GRANT:** I have not read the terms of reference for the airports inquiry, and I will give my evidence in relation to the agricultural inquiry only.

**CHAIRMAN:** We will ask Frank first to speak to the submission.

**Mr MILLEN:** I would like the opportunity to speak to the submission. I think the Committee is probably aware of the role of regional development boards in New South Wales. The Murray Regional Development Board covers an area of southern New South Wales from Tumbarumba in the east to Wentworth, which abuts the South Australian border along the Murray River. The population within our region is about 120,000 people, and the region covers approximately 90,000 square kilometres. The main population centres include Albury, Deniliquin, Corowa, Holbrook, Tumbarumba, Moama, Jerilderie, Balranald, Wentworth, Moulamein, Culcairn, Berrigan, Finley and Tocumwal.

Obviously, this region is quite remote from Sydney by road, taking anything from 7 to 14 hours to travel by road to Sydney, and consequently air services are a very important component of the infrastructure and services available to the communities in the region.

There are three major regional airports that are used by the region. There is only one actually located within the

Murray region, which is Albury. However, there are also Wagga Wagga and Mildura, which is located just across the river in Victoria, so they do provide a major regional service for the region. Out of those airports operate the regular passenger transport to and from Sydney and indeed other airports.

Many business, professional, local government, and government instrumentality staff have a need to travel to Sydney on a regular basis and consequently rely upon both those major regional airports and the rural airports throughout the region. For many, it is an essential element of being able to operate or conduct their business that they have in the region.

In the submission we have addressed all of the issues raised in the terms of reference, but I might concentrate in this oral submission on just the landing fees at regional airports with which we have particular issues, the impact of deregulation of the air services in New South Wales, the allocation of slot times at Kingsford Smith airport, and the proposals to limit access to Kingsford Smith airport and divert that regional traffic to Bankstown airport.

With regard to the landing fees at regional airports, I might first say that even the small rural airports, where there are not RPT services operating to and from, are very important for those communities that do utilise them. For example, business people looking at business opportunities in that region can use those airfields to fly in from Sydney, have a look around, and fly out again. They are heavily used by aircraft that are used in agricultural operations such as aerial sowing, spraying and fertiliser application. Those activities are done from rural airfields.

Also, there are charter flights that operate to or from other major regional airports or from Sydney. That also includes charter flights that might be used by tourists or business. They tend to be used by aero clubs, gliding clubs, sky-diving clubs, et cetera. They can be used for the delivery and dispatch of urgently required goods such as bank documents that need to be delivered to Sydney, medical samples and other urgent deliveries.

Geophysical surveys and other mapping surveys are undertaken utilising those airfields, and even natural resource management, involving for instance kangaroo population surveys, are undertaken using the airfields. They are obviously utilised by private aircraft operators in the region. They are also utilised by air ambulance, the Royal Flying Doctor Service and other emergency services such as police, SES and fire services when there is a fire crisis within the area. They can be used for fire spotting, mapping fires and fire suppression.

Landing fees are really the only source of revenue to the councils that do operate those particular airfields. There is a table on page 4 of the submission that indicates those particular airfields that I am referring to. That is the only source of revenue available to the councils to maintain or upgrade the airports. However, many smaller councils are reluctant to impose those landing fees, because anecdotal evidence that they have given us indicates that that can discourage some of the sky-diving clubs, aero clubs, and gliding clubs. If they were to impose fees, those clubs, which often draw visitors from out of town, will pick up their operation and move to another airfield. So most councils actually sustain a loss on the airport operations due to that significant capital and operating expense.

Within that table on page 4 is an indication of the populations of those different local government areas. There is certainly an impost as far as the cost of that, on a per population basis, goes. Nonetheless, the councils view them as a community service obligation to their respective communities, and they also assist them with economic development.

Where landing fees are charged, that is normally done through the aircraft operators to calculate and remit the appropriate amounts to the councils. Of course, that relies on an honour system between the aircraft operators and the councils. An alternative would be incurring overheads employing council staff to undertake that collection, and that would merely add to the costs of the overheads to the council.

Because of that cost to council, the board believes it is worth investigating whether some additional form of grant could be considered, possibly using a formula similar to that utilised by the New South Wales Local Government Grants Commission, to enable some sort of compensation to be made to those rural councils that are operating airports at a loss, so that there is not necessarily that larger impost on those smaller councils that have a very small rating base.

I would like to move on to the issue of the impact of deregulation on New South Wales air services. The board believes that the Albury-Sydney route is vigorous enough and robust enough to benefit from deregulation. Currently, there are approximately 105,000 passenger per annum utilising that route. The board believes that a third carrier could benefit that particular service through possibly the driving down of fares, which would obviously assist with business development in the region and would assist the tourism element within the region as well.

It is probable that that market could sustain only two carriers in the long term, but nonetheless the board would see benefits in the deregulation of those larger airports. However, for the small regional centres the board does have a concern that that deregulation will have an impact on those smaller airports and airfields and believes that the State government has a broader community service obligation to ensure that those more isolated communities do have access to air services. 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.

Deniliquin is an example of this situation. It is approximately 2 hours from Albury by car. Until recently, they did have RPT services operating between Albury and Deniliquin. Unfortunately, the viability was marginal and the service recently closed. We understand that there are some carriers looking at the possibility of re-introducing these services. Deregulation may have an impact there which may make them reconsider that. So, again, the board believes that the State government could provide some sort of subsidy to carriers to either continue or commence operations on some of those less viable routes, in a similar way to the sorts of subsidies that we understand rail services get on fairly thin routes.

The other issue that I would like to allude to is the allocation of slot times at Kingsford Smith airport. The board understands that there is now a slot management system which does include the setting aside of dedicated regional slots for regional airlines. We understand that these are not available for swapping or sale to domestic interstate operators or international services. We also believe that new entrants will have access to those slots. But there are some issues that we would like to raise.

Firstly, there is the issue of existing carriers utilising their existing slots for newly entered routes. Under deregulation, which is imminent, and the slot management system, the board believes that it is possible that airlines that currently have routes within New South Wales but under deregulation would be looking to enter new routes that they have not previously serviced, may be able to transfer their slot allocations from the less profitable routes to the more profitable or lucrative routes. The bill does not seem to have much clarity on this point. It seems to be included with the slot management system documents, which we have not been able to sight at this stage. That may lead to the less profitable routes being abandoned by the carriers, and therefore having an impact on those more isolated rural communities.

Secondly, there is the availability of slots to new entrants to New South Wales regional markets. There is an apparent commitment for those slot times to be allocated to new entrants. The board is not aware of the detail by which this process will occur, and there is concern that if new entrants cannot gain access to peak period slot times that could affect the commercial viability of the services to regional areas.

Finally, with regard to this particular issue, there is concern that regional carriers do continue to have access to peak period slot times. The board is keen that regional carriers do have adequate access due to the importance of Sydney to these peak period slot times. Obviously, adverse slot times would affect business people and air travellers from regional communities in general being able to carry out their business in Sydney, which is such a key element of business and activity for communities in this area.

Mr Chairman, the final issue that I would like to talk on is the proposal to limit access to Kingsford Smith airport and direct country services to Bankstown airport. The board is very resolute in opposing any proposals that would lead to restrictions on regional aircraft accessing Kingsford Smith airport by diverting those aircraft to Bankstown airport. The board is concerned that the Federal government may plan to use Bankstown airport as an overflow, not only during the Year 2000 Olympic Games but on an ongoing basis.

We are certainly concerned, as has been reported in the media, that the Minister for Finance and member for the Badgerys Creek area, the Hon. John Fahey, is proposing that the overflow traffic from Sydney airport could be sent to Bankstown instead of constructing a second airport at Badgerys Creek. That, I suppose, raises a fear in the community that there may be some vested interests that could adversely impact on regional communities in other parts of New South Wales.

We also understand that from July this year the Bankstown airport will be managed by Bankstown Airport Limited, a subsidiary company of Sydney Airports Limited, which we understand is the managing company for Kingsford Smith airport. That raises suspicion in our minds that Kingsford Smith airport could increase the revenue by undertaking some means of diverting smaller aircraft from Kingsford Smith airport to Bankstown airport.

We understand that regional airlines make up 39 per cent of Kingsford Smith airport movements, or around 104,000 movements per annum. As I have stated, many air commuters from this region do travel to Sydney to do business in the central business area, or they have other air links to other regions of Australia, to other interstate services, or to other international services emanating from Kingsford Smith airport. Obviously, if our regional flights were terminated at Bankstown, that would create enormous difficulty for those regional travellers who are wanting to get central Sydney or Kingsford Smith airport. We understand that a one-way taxi fare from Bankstown to central Sydney commonly exceeds \$40, and commonly exceeds 45 minutes in travel time, which has quite a significant impact on hidden fare costs for any air travellers, as well as an addition period of time spent getting to and from either central Sydney or Kingsford Smith airport.

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.

So I would certainly ask that the Committee ensures that regional communities are not hijacked by vested interests in regard to Bankstown and Kingsford Smith airport, and that these issues that we have raised are considered by the Committee. That, Mr Chairman, concludes the oral submission. The Murray Regional Development Board would like to thank the Committee for the opportunity to present these submissions and raise these concerns and issues with

you. We do look forward to receiving your final report.

**CHAIRMAN:** Your comments, and the comments of the Albury Council made this morning, suggest that you cannot see any great disadvantages in relation to deregulation and that there may be some advantages in price dropping through competition. The council and another witness this morning suggested that they might get three carriers for a period of time and that one of two things would then happen: they would either have fewer services and smaller planes or one of the three operators would go broke. In fact, one of our witnesses nominated the one of the three that would go broke. At the end of the day apparently there would not be a lot of difference in the current services. He also suggested that there would be a significant impact from deregulation on the smaller communities with air services. Inherent in all that it would appear that there is a bit of cross-subsidy through the airport operator subsidising the less profitable routes.

You suggested that, if there is deregulation, the way to get over that is for the government to make that subsidy. We have yet to get evidence, but we have heard privately that that is the case in Queensland, that when Queensland deregulated its air services for some of the unprofitable routes the government came to some arrangement with the airlines to ensure that those services continued. So it would appear one way of maintaining those services would be for the government, as a community service obligation, to subsidise those unprofitable routes that might suffer from deregulation. The question that emerges from all of that is: What do you think might be the chances of subsidising those unprofitable services, as distinct from letting the companies do that themselves?

**Mr MILLEN:** It is fairly slim, Mr Chairman, but I wondered if there was room for some sort of scheme for say Avgas, similar to the 3 x 3 scheme for petrol; that is, whether there is some means of looking at that type of tax that would enable the government to source some funds that could be passed on to those airfield operators. We have not put that in submission.

**CHAIRMAN:** That is the first time I have heard that suggestion. You also mentioned that from 1 July the Bankstown airport would be run by the Sydney Airports Corporation.

**Mr MILLEN:** That is my understanding, Mr Chairman.

**CHAIRMAN:** There might be some commercial reasons why the Sydney Airports Corporation might want to divert the lower-paying smaller aircraft to Bankstown in future.

**Mr MILLEN:** Yes. I imagine that under the changes in the landing fees at Kingsford Smith airport there would be the possibility of increasing the revenue stream from landing larger aircraft rather than the smaller aircraft. Now, I have not sat down and analysed that in any detail, but a quick overview of the changes in the landing fees at Kingsford Smith airport would lead to that supposition that they would get a better income stream from a larger number of passengers in larger aircraft with larger landing weights.

**CHAIRMAN:** Geoffrey, did you have some additional thoughts on the airlines issue before we go on to questions?

**Mr LECOUBEUR:** In relation to deregulation, you have raised the very critical area that we have considered, and that is whether a route like Albury can sustain two or three carriers. There is a history there already. Once upon a time there was a single carrier who provided a jet service. Now we have a better service in terms of numbers of services and times at which they leave, but they are on smaller aircraft, and they are slower services. I support the board's view quite clearly.

If I could go back a step. Albury already runs deregulated interstate services to Melbourne and to Canberra. They

work quite satisfactorily, and I do not think anyone would voice any complaints about the way that they operate. We would be fairly confident that, in the longer term, the deregulated service from Albury to Sydney will shake out to be quite satisfactory. Clearly, there would be an advantage to the regional community, and possibly in terms of aircraft movements into Kingsford Smith airport, if it was a larger jet aircraft running that route. But, again, it is difficult to see how that could be deregulated. Really, it has to be left to the commercial interests to make that determination.

**The Hon. J. GARDINER:** A previous witness, speaking about the deregulation question, suggested that there should be a threshold of perhaps 12,000 passengers per annum and that the market be deregulated for the larger areas but that we still have managed regulation for others. Does the board have a view on that sort of suggestion?

**Mr MILLEN:** I do not think we have considered the particular question as to whether or not we could have a quasi-deregulated market. I suppose, on the face of it, there may be some value in exploring that option to see whether that would help to ease the impact on the more remote rural and regional communities.

**CHAIRMAN:** If there are any questions that you feel you might be able to get supplementary information on and forward to the Committee, by all means do so. You need not go away from the hearing today and think that that is the end of your evidence. You could send in any additional evidence you wish.

**Mr MILLEN:** We might take that question on notice then, Mr Chairman.

**The Hon. J. GARDINER:** Regarding your 3 x 3 Avgas proposal, have you canvassed that with any authority so far?

**Mr MILLEN:** No, not at this stage. I suppose our knowledge of the air industry is not detailed, and we are not quite sure as to what the current systems are.

**The Hon. J. GARDINER:** How is the service from Mildura to Broken Hill going, do you know?

**Mr MILLEN:** I am not too clear on how that has been progressing. We do not get a great deal of information from the Mildura airport as to how the operations are going. I might ask Geoff to respond to that because there are possibilities with the Adelaide to Mildura route.

**Mr LECOUTEUR:** There is quite a lot of interest in providing air services to that part of regional Australia, and it certainly has great benefits for us, the shire of Wentworth, which adjoins Mildura. There was only recently introduced a service from Mildura to Sydney, and of course the Mildura to Melbourne route is fairly well established. The operators of that have been looking at potential connections through Adelaide and other routes that would pick up maybe places like Swan Hill and Deniliquin. My own view is that there is a commercial need for companies to keep in contact with where the potential routes are, and that would be part of their normal activity. In relation to the Mildura to Broken Hill service, that is not one with which we have had contact.

**The Hon. J. GARDINER:** The Mildura to Deniliquin problem might conceivably be helped by that Mildura to Sydney route, the South Australian link.

**Mr LECOUTEUR:** Yes, it certainly could.

**Mr GRANT:** Mr Chairman, I believe there are discussions currently taking place in relation to one of those Mildura-based airlines, picking up passengers through Deniliquin. There are certainly discussions currently under way.

**The Hon. E. M. OBEID:** Anyone may wish to answer this question. Deregulation is all about having cheaper fares.

As much as you can trust politicians when they tell you "Trust me", can you trust private enterprise to ensure that the bottom margin will not get bigger by deregulation, rather than the fares get smaller, affecting the smaller towns.

**CHAIRMAN:** You mean like the dairy industry?

**The Hon. E. M. OBEID:** The dairy industry is a very good example. I do not see how anyone can say, in fairness, that the airlines will bring prices down as a consequence of deregulation. What is the incentive for the airlines to do that? All they are doing is cutting out the unprofitable areas that we have given them so that they can take the profitable areas. I do not see how we can say to the government, "Look, private enterprise wants to take the cream routes, and we will leave you to subsidise areas that are unviable." It would be a great world if we could do that, but in essence this is all about making sure that there are services for everyone. I do not know how we can deregulate and allow the major airlines to take the good routes and leave the small, less profitable sectors, which in most instances feed into the main routes, for someone else to pick up the tab, whether it be the government or someone else. Do you have a comment on that? It is hard to see how that would work.

**Mr MILLEN:** We share that concern with regard to the more remote rural and regional airfields that do not have such a high passenger turnover as perhaps the likes of Albury. The other issue about Albury is that, although we have two operators there, they are actually both badged under Ansett.

**The Hon. E. M. OBEID:** Competing against each other?

**Mr MILLEN:** Yes. Our feeling is that if a third operator came in, it is likely to be a Qantas-badged operator who might be more interested in trying to cut some of those fares on the Albury-Sydney route, which are often more expensive than comparable interstate air fares at this stage because there is some commercial pricing there. But we recognise that there is the view that fares may reduce if a Qantas carrier looked to enter that particular market. I think your point is valid, and I guess the proof will be in the eating of the pudding as to whether we actually see some differences there.

**The Hon. E. M. OBEID:** We have not had great success at the moment with deregulating and expecting private enterprise to do the right thing, unless we can legislatively force the issue.

**Mr MILLEN:** I will have to leave that.

**CHAIRMAN:** We are a bit pressed for time, because we have to get some agricultural information from you as well, so if you are happy to send in more information on air services in New South Wales, we would be happy to receive that.

**(The witnesses withdrew)**

**(The Committee adjourned)**

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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Lismore on Wednesday, 12 August 1998**

—

**The Committee met at 9.30 a.m.**

—

**PRESENT**

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

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

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

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

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

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

**Cr CROWTHER:** Yes.

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

**Cr CROWTHER:** I am.

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

**Mr KELLY:** As a representative of Lismore City Council.

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

**Mr KELLY:** I did.

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

**Mr KELLY:** I am.

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

**Mr KELLY:** We would.

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** Is Lismore serviced by one airline, Hazelton?

**Mr KELLY:** That is correct.

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** How far apart are Ballina and Lismore?

**Cr CROWTHER:** About 30 kilometres.

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

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

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

**Cr CROWTHER:** None as far as Lismore is concerned.

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

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

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

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

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

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

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

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

**Mr KELLY:** Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** Coffs Harbour Council has expressed that concern.

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** Into Queensland?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cr CROWTHER:** Not a loss, no.

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

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

**Mr KELLY:** Yes.

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

**Cr CROWTHER:** That is right.

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

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

**Cr CROWTHER:** Yes.

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

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

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

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

**Cr CROWTHER:** With those reservations that we have expressed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cr CROWTHER:** Yes, but it is triangulated.

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

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

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

**Cr CROWTHER:** Yes. It will not wash.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cr CROWTHER:** I have my doubts.

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

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

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

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

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

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

**Mr KELLY:** "The real data"?

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

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

**Mr KELLY:** Yes.

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

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

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

**CHAIRMAN:** In legislation?

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

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

**Cr CROWTHER:** Do we get a report from you?

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

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

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

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

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

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

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

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

**CHAIRMAN:** Thank you very much for your time.

**(The witnesses withdrew)**

**ALAN JOHN BROWN**, Mayor, Ballina Shire Council, and

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

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

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

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

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

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

**Cr BROWN:** I did.

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

**Cr BROWN:** I am.

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

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

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

**Mr TRENT:** As a representative of Ballina Shire Council.

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

**Mr TRENT:** I did.

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

**Mr TRENT:** Yes.

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

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

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

**Mr TRENT:** Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr TRENT:** The pilots strike.

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

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

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

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

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

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

**CHAIRMAN:** That is what IPART told us.

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

**Mr TRENT:** Certainly.

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

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

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

**Cr BROWN:** The Air Transport Council put it on.

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

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

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

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

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

**Mr TRENT:** We hope you are right.

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

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

whole range of issues.

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

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

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

**Cr BROWN:** That is right.

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

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

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

**CHAIRMAN:** So it is genuine competition?

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

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

**Cr BROWN:** Yes.

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

**The Hon. I COHEN:** For good reason.

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

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

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

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

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

**CHAIRMAN:** Do the witnesses agree with your comment?

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

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

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

**Cr BROWN:** Yes.

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

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

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

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

**Cr BROWN:** We can get that information.

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

**Cr BROWN:** Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cr BROWN:** I would not say that.

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

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

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

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

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

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

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

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

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

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

**Cr BROWN:** I applaud you for that.

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

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

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

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

**CHAIRMAN:** They are.

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

**CHAIRMAN:** Not that company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** That it has got to be in legislation?

**Mr TRENT:** Yes.

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

**(The witnesses withdrew)**

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

**ROBERT HAROLD SCHRODER**, Councillor, Severn Shire Council, and

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

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

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

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

**Mr FRANCIS:** Yes.

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

**Mr FRANCIS:** I believe so.

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

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

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

**Cr SCHRODER:** As a shire representative.

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

**Cr SCHRODER:** I did.

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

**Cr SCHRODER:** Yes.

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

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

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

**Mr ERBS:** As a representative of Severn Shire Council.

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

**Mr ERBS:** I did.

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

**Mr ERBS:** Yes.

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

**Cr SCHRODER:** Yes, we have.

**CHAIRMAN:** And none from Glen Innes?

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

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

**Mr ERBS:** Yes.

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

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

**Mr FRANCIS:** Yes, we do.

**CHAIRMAN:** Would you then like to address the Committee?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** The Air Transport Council has done that already?

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

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

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

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

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

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

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

**Mr ERBS:** And \$6 million in total.

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

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

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

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

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

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

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

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

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

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

**Cr SCHRODER:** Yes.

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

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

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

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

**Cr SCHRODER:** Yes.

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

**Mr FRANCIS:** No.

**Mr ERBS:** We are very concerned about it.

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

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

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

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

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

**Mr ERBS:** Which would be heading into Brisbane.

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

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

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

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

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

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

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

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

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

**Mr ERBS:** We do not really know.

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

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

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

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

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

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

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

**Cr SCHRODER:** No.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** We had best return to asking our questions.

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

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

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

**Mr ERBS:** Yes. We have that on record.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr ERBS:** Yes.

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

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

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

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

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

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

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

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

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

**Mr FRANCIS:** I would certainly support that.

**Cr SCHRODER:** Yes.

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

**Mr FRANCIS:** We would obviously favour such a process.

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

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

**Mr ERBS:** Yes.

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

**Mr FRANCIS:** Yes.

**Mr ERBS:** Yes.

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

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

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

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

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

**Mr FRANCIS:** Our council certainly has not, no.

**Cr SCHRODER:** We have dealt with Ray Chappell.

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

**CHAIRMAN:** The slot times are.

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

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

**Cr SCHRODER:** Yes.

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

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

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

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

**Cr SCHRODER:** Yes.

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

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

**CHAIRMAN:** And perception is reality.

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

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

**Cr SCHRODER:** Not that I know of.

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

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

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

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

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

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

**Mr ERBS:** Yes.

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

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

**CHAIRMAN:** Do you have night lights?

**Mr ERBS:** Yes.

**CHAIRMAN:** Solar powered?

**Mr ERBS:** No, they are wired in.

**CHAIRMAN:** And they come on automatically?

**Mr ERBS:** Yes, operated by a radio frequency.

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

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

**CHAIRMAN:** So they have reduced their service?

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

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

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

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

**Mr ERBS:** Yes, they did.

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

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

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

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

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

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

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

**Cr SCHRODER:** Yes.

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

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

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

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

**Mr ERBS:** They were overnighing at Inverell.

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

**Mr ERBS:** It appears that is the case.

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

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

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

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

**Mr ERBS:** It is too hard.

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

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

**Mr FRANCIS:** You would not cover it.

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

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

**Mr FRANCIS:** Yes.

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

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

**CHAIRMAN:** So you have got the Avdata system?

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

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

**Mr ERBS:** Yes.

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

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

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

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

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

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

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

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

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

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

**Mr FRANCIS:** But four years is nothing.

**CHAIRMAN:** I thank you very much for your time.

**(The witnesses withdrew)**

**WILLIAM KENROSS VINCENT**, Mayor, Inverell Shire Council, and

**GARRY MICHAEL HEFFERNAN**, Councillor, Inverell Shire Council, and

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

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

**Cr HEFFERNAN:** Garry Michael Heffernan, farmer and grazier.

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

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

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

**Cr HEFFERNAN:** I did.

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

**Cr HEFFERNAN:** I am.

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

**Cr VINCENT:** William Kenross Vincent, farmer and grazier.

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

**Cr VINCENT:** As Mayor of Inverell Shire Council.

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

**Cr VINCENT:** I did.

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

**Cr VINCENT:** I am.

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

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

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

**Mr HENRY:** As a representative of Inverell Shire Council.

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

**Mr HENRY:** I did.

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

**Mr HENRY:** I am.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Cr VINCENT:** Yes.

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

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

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

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

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

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

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

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

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

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

**CHAIRMAN:** Return flights?

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

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

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

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

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

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

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

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

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

**Cr VINCENT:** No.

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

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

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

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

**Cr VINCENT:** Yes.

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

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

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

**Cr VINCENT:** Yes.

**CHAIRMAN:** You do not want it in confidential session?

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

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

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

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

**Cr VINCENT:** Ian Sinclair for the town of Inverell.

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

**Cr VINCENT:** Yes.

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

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

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

**Cr VINCENT:** That is a State body.

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

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

**Cr VINCENT:** Yes.

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

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

**Mr HENRY:** That was on 3rd July.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr HENRY:** No.

**CHAIRMAN:** So none of them are being administered?

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

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

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

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

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

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

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

**The Hon. I. M. MACDONALD:** Yes.

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

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

**Cr VINCENT:** No.

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

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

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

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

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

**Cr VINCENT:** Did we formally back either of them?

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

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

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

**Cr VINCENT:** Yes.

**Mr HENRY:** Yes, an unsecured creditor.

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

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

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

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

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

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

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

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

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

**Mr HENRY:** That is part of the Tamair debt.

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

**Mr HENRY:** That is correct.

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

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

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

**Mr HENRY:** Yes.

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

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

**CHAIRMAN:** It is still covered by privilege.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Mr HENRY:** Yes.

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

**Cr VINCENT:** That is right.

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

**Cr VINCENT:** We already do.

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

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

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

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

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

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

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

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

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

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

**Cr VINCENT:** Yes.

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

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

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

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

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

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

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

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

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

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

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

**Cr HEFFERNAN:** Yes.

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

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

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

**(The witnesses withdrew)**

**(The Committee adjourned)**



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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND  
REGIONAL  
AIR SERVICES IN NEW SOUTH WALES**

—————  
**At Bankstown on Thursday, 20 August 1998**

—————  
**The Committee met at 10.30 a.m.**

—————  
**PRESENT**  
**The Hon. A. B. Kelly (Chairman)**  
**The Hon. I. Cohen, The Hon. I. M. Macdonald**  
**The Hon. E. M. Obeid, The Hon. Dr B. P. V. Pezzutti**

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**GARY EDWARD BLASCHKE**, Convener, Bankstown Concerned Residents Group, sworn and examined:

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

**Mr BLASCHKE:** I did.

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

**Mr BLASCHKE:** I am.

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

**Mr BLASCHKE:** Yes, please.

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

**Mr BLASCHKE:** I understand.

**CHAIRMAN:** Would you like to give us a precis of your concerns and, following that, we will go round the members and ask you some questions?

**Mr BLASCHKE:** I am sure I speak not only for myself but also for Sonya McKay when I say that being chosen by the Standing Committee to represent our community is, on the surface, humbling and, in some way, rewarding for the efforts we have made to help improve our community's standard of living.

Speaking for myself, I do have some reservations that the process has flaws and that there is some element of tokenism. My reservations are well founded on previous experience of dealing with several forms of bureaucratic systems.

The flaws I allude to are the inadequate representations of the community in front of this Committee; our limited time, considering the enormity of the problem, and potential impacts the proposal will have on our community and region; the lack of extensive public consultation from all levels of government with no open forum for the community at our local government meetings; having no environmental impact statement and with any further studies under consideration not taking into account the noise levels above homes; no development strategies for the west and south-west suburbs of Sydney by the Department of Urban Affairs and Planning; no regional traffic plans by the Roads and Traffic Authority; no concerns for the cumulative effect from the unsustainable urban consolidation, commercial and industrial developments; and the lack of support from our local tabloids.

I realise that this Committee has limitations, yet I find it worrisome that each of the proponents has been allocated 45 minutes, with the community input allocated 30 minutes, and also the number of proponents available to speak today.

Are we about to take decisions that turn this airport into a de facto second airport for Sydney and sacrifice the standard of living for tens of thousands of Bankstown residents?

The only true public consultation that has taken place is that at two—and soon to be three—meetings by the Bankstown Airport Community and Environment Forum, BACEF. Having the opportunity to chair both of the meetings, I have been given a true insight into the community's views and concerns regarding the proposed changes to Bankstown Airport.

Let us get the community's point of view across and let us get it straight now. The overwhelming majority of residents demand a regulated environment which is managed competently to world standards, if not better. It is the first priority, and should be the first priority, of being a concerned neighbour. If this cannot be accomplished, there is only one other alternative, and that is to close Bankstown Airport down.

I would like to put up an overhead projection. This is a report that was done in *The Bulletin* magazine of 21 July 1998, which actually states the world's busiest airports from 1996 ranked by aircraft movements. As you can see, Bankstown is pretty high up there from a world standard, ranking number five for movements. And it does not matter whether it is a jumbo, or a 727 or a Cessna. When the flight is over somebody's house it wakes them up.

You can see further down that Sydney is ranked forty-eighth on world standards. We do not believe that the Government could ever consider that Bankstown Airport is Sydney's second airport, as I am sure it understands that it is already Sydney's busiest. In fact, it is the busiest in the Southern Hemisphere, taking into consideration its ranking's from that overhead. The overhead shows aircraft movements out of and into Kingsford-Smith Airport over a 24-hour period. This overhead projection shows just what the movements are all about.

We cannot get this sort of documentation on Bankstown Airport. This is one day of movements in and out of Kingsford-Smith Airport. That is the line that they take. The flight path monitoring system has taken it.

When I showed this to people in the community they automatically thought that my children had got hold of it. So it is a pretty scary scenario when that, on its own, is one day. There is a little black dot to the left there. That is roughly where Bankstown is. So we are having the flights going over the top of the Bankstown region already from Kingsford-Smith. This overhead does not take into consideration the fifth busiest airport— Bankstown—and its air flights as well, even though they are lower, but that is what is happening above us every single day.

**The Hon. Dr B. P. V PEZZUTTI:** Can you hear those?

**Mr BLASCHKE:** Yes, you can. I am a resident of Chester Hill, and I can hear the jets going over the top of my place, and they have well and truly been taken off the flights paths by the time they go over the top. I have heard them of a night time and early in the morning as well.

The main issues about which we are concerned are: safety, noise, curfew times, which we do not have at all, the educational interruptions that are happening because there are quite a few schools - as a matter of fact there is one that adjoins the airport itself - sleep deprivation, environmental concerns, the number of movements and their heights above homes, the lack of emergency regulations and services that are at the airport now, the lack of up-to-date noise charts and their availability to the community, the impacts on urban consolidation and growth around the airport and the region itself, and the extra infrastructure that would be needed to change the usage of the airport and its impacts on the community as well. All of these and more add up to an impressive argument for the need for a complete and independent environmental impact statement, not just an environment strategy that does not take into consideration the noise of aircraft once they leaves the tarmac.

After attending Bankstown council's special meeting when both Mr Howard Knox and Barry Thompson from Bankstown Airport Limited gave such a glowing report on Bankstown Airport to our elected councillors and listening to their responses to questions at the second public meeting held by BACEF, it is quite obvious that their opinion of the community's intellect is somewhat minuscule. Their jargon when explaining that there have been no extensions to the runway, no intention to bring in larger aircraft and no plans to expand the airport has been misleading and verging on outright deception. As a member of the community, I cannot even tell you, and I suspect neither can my local members, whether the changes I and many others within our community suspect already have occurred were carried out by due process. We do not know who approved them and whether they were properly authorised by the relevant FAC board or a Minister. For all we know, they may have been the work of petty cash projects.

Airport managers claim they have no plans, but in today's deregulation environment this brings little comfort to the community. Propaganda is circulating the community from the users and workers of the Bankstown Airport stating half truths under the heading of "Bankstown Airport, Your Community Airport". It forgets to mention large cargo planes and jets that actually can land there, if not 727s, and maybe even 737s can operate from Bankstown. It forgets to mention management of the airport is currently altering the airport in many ways. There are things happening on that site right at this moment and have been for many years.

It states that repetitive training circuit flights are not allowed at night and yet when I rang up last Saturday the number that was on this propaganda and asked if I could speak to the particular gentleman, he wasn't there but I asked one of the employees and he actually told me that it was Illawarra Air Services first and then I asked him a few questions about the flights happening around. I asked him whether he could me when the training flights actually stop and he said, We start round about 6 o'clock and we are not allowed to fly past night time but that is 9 o'clock p.m. during weekdays. He could not give me the figures for the weekend. So he considered 9 p.m. as a reasonable time to stop aeroplanes flying over local homes.

With some limitations to its current capacity, with tighter regulations, curfews and a good neighbour protocol, there may be a place for the airport itself in our community. As for its environmental deregulation and current practices, Bankstown Airport Limited is flaunting with the ecology in the region and most of the environmental legislation. I have not been shown anything to do with a section 3A permit to change water courses and I do not see any devices there to actually contain the water from going into the Georges River and trap the sediment or gross pollutants.

The Bureau of Air Safety Investigation has recently criticised CASA in relation to large aircraft safety, and this criticism is equally valid for large aircraft exceeding 5,700 kilograms at Bankstown as well as the lighter aircraft. The proposed increases in landing fees, deregulation of air services and the Olympic Games only add to the possibility that changes to Bankstown airport and its practices are not far off. I am sure that the excuses, the reason that we need to upgrade this airport are coming down as the Olympics and I am sure that the residents realise there is going to be a lot more movements in Bankstown airport during that period, but we are of the belief that if the infrastructure is improved to handle larger planes and more quantities of them, once that infrastructure is built the flights will continue after the Olympics itself. There is another overhead I would like to show you.

**The Hon. Dr B. P. V PEZZUTTI:** Is that one the same as the 1998 flight paths?

**Mr BLASCHKE:** I have not been able to get any other information. We have here the front page news of the local newspaper, *The Torch*, on Wednesday, 24 June, 1998. It goes on to say that a spokesman for Mr Vaile went on to say that the Federal Government had no intentions of forcing the existing regional airline operators at Sydney Kingsford-Smith Airport to transfer to Bankstown Airport. I would like to say that I could be persuaded that the State Government is not in favour of this as well, so I do ask the question, if the State Government is not in favour of it and we are seeing that a spokesman for Mr Vaile says they are not going to force them to go to Bankstown, why am I even here today. I would like to ask the reason why you are here today. If both governments are saying they do not want to do it, you know, we are all wasting our time at the moment.

There is one word there that does scare me and that is the word, "forcing". If we make the landing fees of Kingsford-Smith Airport greater and either keep the Bankstown ones as they are or not increase them as much, you will find regional air people will want to go to Bankstown Airport because it will not cost them as much, and with the infrastructure proposed to be built around Bankstown, with 200 room motels - Bankstown is not a place where you come to spend your holidays at the moment; we do not have that sort of facility here so I question the reason for all of the infrastructure that is going to be built in the area. It might be for the Olympics but that is only over a period of four weeks. I am sure I would not be investing in a motel in Bankstown at the moment considering we already have some pretty good motels.

I would like to leave you with one view and this is a view that I am sure that most of the people agree with and that is a view of not just the Olympics, that is probably the view of what we feel will happen in the future if regional aircraft start coming into Bankstown. This overhead shows what the residents will end up looking like if it continues. I thank you for the opportunity to speak on behalf of the community today and I take any questions you would like to give to me.

**CHAIRMAN:** Thank you. That was very good. We might actually use that cartoon in our report. There are a couple of documents there, the overheads, we would like to be able to use in our report or as part of our evidence. could you officially table them for us?

**Mr BLASCHKE:** Yes.

**CHAIRMAN:** You mentioned your concerns as to why the Committee is here if both governments have given verbal undertakings that they are not interested in putting rural regional air services to Bankstown Airport and I suppose I should explain that certainly most members of the Committee have either country connections or reside in the country. I actually got up a little after 4 a.m. to be able to fly down here from where I live; I would have to do the reverse situation normally. Most country people are concerned about the point that you raised, that affordable access is guaranteed at Kingsford-Smith Airport. They are not merely interested in access but affordable access. We have an enormous amount of evidence from country people so far. We would like to get the evidence from the Bankstown people as well, so I hope that explains those few matters.

**The Hon. I. COHEN:** You did mention cargo and jet flights at the present time. Can you describe their size and frequency? Is this a problem at present?

**Mr BLASCHKE:** It is a problem. Living away from the airport myself, I am not directly affected by it, but I am sure that Sonya McKay will tell you exactly what is happening on the airport. She has flights going over. Certainly we have a lot of mail planes that take off and also the banking flights as well. These aeroplanes start up sometimes at 5.30 in the morning and do a warm up.

**The Hon. I. COHEN:** Is the curfew being broken?

**Mr BLASCHKE:** There is no curfew for Bankstown.

**The Hon. I. COHEN:** You mentioned training flights.

**Mr BLASCHKE:** They have probably an unwritten rule that you should not fly over there at night but I do not know whether they are training flights or not. Living at Chester Hill I have quite a few aircraft flying over my place all night long.

**The Hon. I. COHEN:** You spoke about extensions to the airport. Can you describe to the Committee whether you consider that has gone through proper channels both in terms of the type of extension, environmental and social concerns? Are those extensions real and have they gone through proper channels?

**Mr BLASCHKE:** Again, Sonya will back that up but I will say, yes, from the aerial photographs that I have seen, a couple of the actual runways have been extended. I know the excuse is hard sand at the end of the runways - that is the terminology being used - but certainly there are facts which Sonya will go through to show that the runways have been extended over the last few years. The environmental concerns - what part of the environment do you want? I think humans are as much a part of the environment as fauna and flora. Also the Georges River is the most polluted river in New South Wales. We have lost our seagrass beds, oyster industry, and commercial fishing industry. You can only swim in the Georges River according to the combined councils' report for 12 per cent of the year socially, so we are concerned about dumping of fuel before landing in the region of the river, in the catchment area.

We are concerned about any other impact that this particular drainage that is happening at the moment on the airport will have on the river. I have not seen any plans for any detention basins. I have not seen any plans for gross pollutant traps or sediment control as well. I do believe that the creek they are working on at the moment is a natural formed creek originally but now it looks like it is going to be concreted.

**The Hon. Dr B. P. V PEZZUTTI:** When was Bankstown Airport built?

**Mr BLASCHKE:** Way before I was born. I believe it is around 40 or 50 years old.

**The Hon. Dr B. P. V PEZZUTTI:** To further explain why we are here, legislation was brought in to deregulate airline services. As a result of that, legislation passed the lower House and came to the upper House and the Committee was advised to have public consultations because there were none prior to the legislation being introduced. We are also here because a large number of local country councils wrote to us saying, "Please don't send us to Bankstown" and we got evidence from people at Bankstown saying, "Please do not send regional airlines to Bankstown", so we thought we would come out here to hear what you have to say.

As a country person from Lismore I am not the vaguest bit interested in landing at Bankstown and struggling into the city. I am a member of the Liberal Party, but I would leave the Liberal Party if I had to land at Bankstown. There are huge numbers of transports going in and out of Bankstown which obviously serve a need. Do you have any idea from the FAC how many flights there are from regional New South Wales into Sydney FAC at the moment?

**Mr BLASCHKE:** No, I have not been given that information. Maybe Sonya McKay could answer that.

**The Hon. Dr B. P. V PEZZUTTI:** But all the transport, freight, mostly comes out here for the newspapers, is that your understanding?

**Mr BLASCHKE:** That is my belief.

**The Hon. Dr B. P. V PEZZUTTI:** You also said there is no curfew at Bankstown so planes can land and take off at any time?

**Mr BLASCHKE:** I believe if you owned an aeroplane and you decided at 2 a.m. that you wanted to go for a flight, you could go down to the hangar, take out your plane - I believe after 9 o'clock there is no control there whatsoever - and you could take off at 2 o'clock in the morning and nobody could stop you.

**The Hon. Dr B. P. V PEZZUTTI:** If you put your flight paths exit and entry into Bankstown, what would that look like compared to the Sydney flight paths? Are they shared or a completely different footprint?

**Mr BLASCHKE:** I assume they are at different levels, for sure, but if you overlaid the Sydney airport one on top of the Bankstown one, I am sure the colour that would come out on your overhead would be totally black, because the lines would link together, the amount of flights going over the top of this area.

**The Hon. Dr B. P. V PEZZUTTI:** Are they essentially monitored to your knowledge? Are you aware of the co-ordination between the two towers, if you like?

**Mr BLASCHKE:** I do not believe from my knowledge that the Bankstown flights are monitored. I have not been able to get any information that they are and certainly we have had limited documentation from Sydney-Kingsford Smith as well.

**The Hon. Dr B. P. V PEZZUTTI:** How long does it take to you get from Bankstown Airport to the CBD of Sydney?

**Mr BLASCHKE:** Depending on the traffic conditions at the time, but I would say easily 45 minutes to an hour.

**The Hon. Dr B. P. V PEZZUTTI:** With the new M5 East freeway, what is the proposed travel time?

**Mr BLASCHKE:** If it all goes through? I do not know exactly. It may cut down 20 minutes.

**The Hon. Dr B. P. V PEZZUTTI:** And by train?

**Mr BLASCHKE:** The services are pretty good but it does need an increase. The services are stretched at the moment.

**The Hon. Dr B. P. V PEZZUTTI:** What sort of travel time?

**Mr BLASCHKE:** I do not catch the train that often but I would say you are still talking three quarters of an hour to get from Bankstown to the city.

**CHAIRMAN:** And in addition to that you have to wait; they do not come every minute.

**The Hon. Dr B. P. V PEZZUTTI:** It is a major junction at Bankstown?

**Mr BLASCHKE:** You have to go out to Regents Park to branch off to Liverpool.

**The Hon. I. M. MACDONALD:** I make it clear that coming from regional New South Wales, I believe on an equity basis that access to Kingsford-Smith for regional operators is a necessity. I am just looking at a photograph of Bankstown Airport which appears to me to be a considerable infrastructure investment. What do you believe should happen to this airport over time and what sort of development would be permissible and what sort of orientation for this airport? How do you see from your community's viewpoint the role and future of this airport?

**Mr BLASCHKE:** I believe there are some people in the community who are directly affected by it that would not be sorry to see it close down but I think the majority of the community are saying, "When we bought into this area we realised there was an airport there. We realised it was a small airport and at that time there were only small aeroplanes taking off and landing from there". I am certain that the flights have increased over the years. As I said, we have no curfew, so they are certainly coming in at night as well and, you know, we are not opposing the usage of Bankstown Airport. We are saying that there has to be some decent guidelines and there has to be some curfew times and we do not believe that by forcing the small airline operators out, by increasing the landing costs, that you can supplement them with larger aeroplanes from regional areas.

**The Hon. I. M. MACDONALD:** Has there been community consultation with the operators of the airport about its future and how it fits within the community?

**Mr BLASCHKE:** The management of the airport was invited to the last public meeting held by BACEF. They were supposed to sit up on the committee table, and it was only a couple of minutes before it began that they said they would sit down in the crowd and take questions from there.

So I have doubt that there would have been any public consultation whatsoever except for BACEF or this Standing Committee. I do not believe that the council would have held any. There was a closed meeting, or a public meeting during which we were not allowed to address the council or the management when they came here to this room and, as I said, did a glowing report on Bankstown Airport. Because of the protocol of the council it was not on the agenda and no community member could apply to address some of the statements that were made, and we just had to sit in the public gallery and take what they were saying as gospel.

**The Hon. I. M. MACDONALD:** Is there any sort of discussion about curfew needs?

**Mr BLASCHKE:** I do not believe there is because we have not been able to speak to the authorities. The only consultation people have had has been over the telephone. There has not been any open forum except for the BACEF public meetings, and that is to try to get the facts that BACEF knows as well as inviting all the authorities. On several occasions they have refused to come to the meetings, as late as the one this Sunday.

We are trying to be level-headed about the thing and get the evidence together so that the community can make up its mind if what we are saying is true or what the authorities are saying it true. I am sure from the evidence that BACEF will give you that you will see some pretty damning evidence.

**The Hon. I. M. MACDONALD:** So, in summary, your community group is dead against having any expansion of regional services into Bankstown Airport?

**Mr BLASCHKE:** Yes.

**(The witness withdrew)**



**SONYA LEA McKAY**, University Student, Convener, Bankstown Airport Community and Environment Forum, sworn and examined:

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

**Ms McKAY:** I think that this is the summons.

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

**Ms McKAY:** Yes.

**CHAIRMAN:** You have provided us with a written submission. Would you like that to be included as part of your sworn evidence?

**Ms McKAY:** Yes.

**CHAIRMAN:** If at any stage you consider that the evidence that you give us in the public interest should be seen or heard only by the members of the Committee then the Committee would be prepared to resolve into confidential session so that that might happen. If you would like to give us a brief statement as to what your position is and then we will ask you some questions.

**Ms McKAY:** I have a lot of material, so I would just like to make the presentation.

**CHAIRMAN:** So what you would like to do is formally table that information so it becomes part of your evidence and speak to it?

**Ms McKAY:** I have some things to hand out to people that I would like to hand up. Firstly, my background is a legal background. I am a law student, obviously, so I have a major interest in the legislation which is now before us.

Ron Bartsch, who is now working at CASA, suggested in a book that he wrote, *Aviation Law in Australia*, that there is no specific legislation for aircraft noise in Australia. That is a major problem.

I have had to go through all this legislation just to see what I can do about the environment. When it comes to height you have to go to the Civil Aviation Regulations, section 157, which is far too wide, because you have areas such as Milperra, Georges Hall and other surrounding areas which are in flying training areas. That is a major problem. That can weaken the height of aircraft, which are meant to be a thousand feet, but if they are in these areas they do not have to be, necessarily. Also, when we talk about what particular environmental concerns or regulations exist there is a major problem with what actually is meant by Commonwealth jurisdiction aircraft.

I have two letters, one from Air Services Australia and one from the Minister of Transport and Regional Development, Mark Vaile. Air Services has given a narrow view on that, just relating it to different kinds of aircraft, whereas Mark Vaile has given a broader definition, which entails aircraft flying into and out of Bankstown Airport.

I would suggest that to have truly environmental protection for the areas surrounding Bankstown Airport we truly need to consider that under the Air Services Act we need protection for all aircraft flying into and out of Bankstown Airport.

The other problem is that limitation of movement is non-existent. The Sydney Airport Demand Management Act 1997 gives it to Sydney Airport but not to Bankstown. There is also no curfew such as the Sydney Airport Curfew Act 1995. I have from Howard Knox himself a statement such as the following:

The airport is open for operation 24 hours per day. However, aircraft circuit training is prohibited after 11.00 p.m. Monday to Friday and one hour after last light on Saturday and Sunday until 6.00 a.m. the following day.

This is not a mandatory—I guess you would know the meaning of mandatory—expression; this is only a restriction, which does not necessarily really mean anything. If you contravene it, it does not mean it is illegal. We want something set down in writing. We want a legislative curfew, a parliamentary curfew. Residents want greater regulation.

At the beginning of this year I did a survey door-knocking people in Milperra. I door-knocked over 90 households and surveyed over 180 people. The preliminary results from 150 of those surveys show that 119 want greater regulation, 118 want a curfew, and I think that some people have suggested—as in the airport authorities and some others—that there is not actually a proper curfew at Sydney Airport.

Let us not lessen the effects of Sydney Kingsford-Smith. Why do not we tighten it? We want a curfew. The Sydney Airport people surrounding the area want a curfew. Give it to us both and not use the relative argument.

The other thing, too, is that there is a total lack of bureaucratic mechanism for environmental protection. When we are talking about the Minister for Transport and Regional Development, no EIS was done on the aircraft and changing flight paths.

You have already seen Gary Blaschke's overhead. Nothing was ever done in relation to frequency or height of those aircraft. They are affecting areas surrounding Bankstown Airport. Bankstown Airport has no fair-share policy. Why has it not got a fair-share policy when it has movements that in particular years far exceed, almost double, the number of movements at Sydney Kingsford-Smith? This is something that we just demand to have, as you have already heard.

We have talked also about breaches. I wish that Air Services Australia and CASA were here. It is a bit unfair that you have only Bankstown Airport Limited and not the other two.

Breaches occur to section 166(1)(g) of the Civil Aviation regulations. When an aircraft takes off from an aerodrome at Bankstown Airport it should be going straight ahead, and when it reaches 500 feet it is meant to turn left or right. That is not happening.

Avis Langton has aircraft flying over her house basically at rooftop level, and that is a major problem. Avis Langton, who is a resident, will hold up the photo for us.

The other thing is that we are talking about the layer effect. You alluded to the layer effect previously. I have in my possession—I wish I had it on the overhead projector—a picture of a B767 aircraft flying over Bankstown Airport at 1,200 feet climbing to 2,650 feet at Milperra going in to land at Sydney Kingsford-Smith Airport. I would just like to visualise it with you.

We have a layer effect. Around Bankstown Airport and Milperra, I know from personal experience, we have a thousand feet. At a thousand feet you are supposed to have training aircraft. You are supposed to have departures and arrivals somewhere amidst that, and then you have this particular Air Services Australia track, which shows heights such as that. Where is everything supposed to fit?

I conclude to you that what has been happening since 1996—maybe it has been alleviated slightly in the last couple of months—is that the layer effect has been forcing down aircraft in relation to Bankstown Airport. There is no other logical solution.

If we are going to say that this is not the proper height, I suggest to you that Air Services Australia should do something about its system. I did suggest this to CASA, which said that as long as they are flying above a thousand feet there is nothing illegal.

There is meant to be a buffer zone over Bankstown Airport. This buffer zone obviously can be penetrated, if I can use that strong language. I suggested to Air Services Australia that, in effect, these particular aircraft from Sydney Kingsford-Smith Airport were flying lower and disturbing residents. We had not heard a jet aircraft over our area prior to 1996. The response I received from Air Services Australia was:

In relation to your request for the altitudes on the pre-March and post-March tracks, this is not necessary due to the fact that they are effectively identical. As aircraft are arriving via the same standard arrival procedure and flying into the same profile for the same runway it can be concluded that they will be in the same altitude range.

Air Services Australia should have more information than this. It should have proved to me height differences. It should have proved to me that aircraft were flying at 1,200 feet above Bankstown Airport, above Milperra, which was my centre of concern.

At BACEF's second public meeting, Mr Michael Hatton, although he endorsed, I thought, the airport, which was a bit disconcerting, did us a service by stating:

We have a major noise problem now in Bankstown. We have had for a number of years because of the operation of Kingsford-Smith and how the flight paths have been changed. I have watched as the height at which those planes fly has got lower and lower and lower. They bump up a bit and then they go down.

So it is not just me. If I can get off that particular subject, I would like to allude to problems directly relating to Air Services Australia and CASA. If there are proposals to send regional aircraft to Bankstown Airport, there is a major problem and flaws inherent in the system. Peter Morris back in 1995—this is quite a few years ago—stated that there were major problems. He stated in *Hansard*:

Of constant concern to people coming before us was the noise hotline service. It was evident that that has not been operating in a way that provides satisfaction and information to people. People constantly complained that when you ring a hotline service you get an answering machine. You leave a message to be called back and no-one calls back. They ring to complain about the aircraft that is overhead. There are no aircraft in the air because it is not showing on the chart. Propeller-driven aircraft moving around that do not have transponders are not showing up on the noise charts. That is another matter that needs to be looked at.

This week's paper asked, "Is anyone at home at Air Services' office?" That alludes to the problems that we are having at Bankstown and in relation to flight paths. I can state on oath from personal experience the comments that I have received from Air Services Australia—and I will not say that all have said this but a few have said:

Have you thought about moving? You are just thinking about it because it is being publicised. I know it affects some people more than others. The airport has been here 50 years. The airport has been here 70 years. No-one else is complaining; you are the only one from your area. You are part of the city; you should expect it. You are kidding.

Now, sentiments such as "You are part of the city" I suggest to you are the same sentiments, according to the *Sydney Morning Herald*, that Mark Vaile has been suggesting. I have a copy here of that particular piece from the *Sydney Morning Herald*, but I cannot actually find it.

**CHAIRMAN:** You can table those later and just speak to it now.

**Ms McKAY:** If I can then go on to the fact that people have been receiving responses from the comments that have been made by Air Services Australia and the Civil Aviation Safety Authority which show a lack of respect. There has been a lack of response. People are getting on the complaint line. Nothing is happening. They just get fed up with it, frustrated and aggressive, as Mr Knox himself knows—people have rung him up and been aggressive on the telephone. That is perfectly understandable. It is more than understandable.

Time lengths of replies have been too long. One big thing that you want to get on with is the runways, and I do want to get on to that now. This all relates to a lack of community consultation and protection. You asked whether there any EIS was done. I wrote to the Minister for Transport and he wrote back and said:

Under the new legislation there are strict guidelines.

This new legislation is the Airports Act 1996, which you know. Section 89 alludes to major development, and that needs ministerial approval. Prior to this it was the Federal Airports Corporation Act of 1986. I was told by the Minister for Transport—not verbally but through a written reply—that the Federal Airports Corporation Act 1986 does not include the types of planning requirements set out in the Federal Airports Act 1996, although the FAC is subject to the EPIP Act.

This Act outlines the compulsory process of public consultation and ministerial approval that incorporates assessment of environmental impacts such as the noise pollution effect on those areas surrounding the airport. I suggest to you that nothing happened as to that.

Before I go on I have a tape, which I hope will come up on the microphone, and I hope to get to the projector shortly.

**CHAIRMAN:** We have run out of time, but you can leave the tape with us.

**Ms McKAY:** Can I then just show you the maps because this is pretty important? You all have copies of the two diagrams. Those diagrams are from a government source. This is another bigger diagram, and if I can ask your indulgence I would like you to peruse this diagram and look at the runways.

**CHAIRMAN:** We will have a look at it during the break for morning tea.

**Ms McKAY:** I have notes here that say that the 18/36 runway, which is the one going down, and the middle runway have both been extended by 300 metres, and that is said to be the operational capacity of those particular runways. The physical appearance of those two runways has also changed. This is a big thing. If I can concentrate on the centre runway, it is a big difference because you are going from 1,111 metres to 1,415 metres. Under the RPA—the Rules and Practices of Airports—there are certain runway lengths, which means that certain aircraft can use those particular runways. We are talking about the code. Code 1 goes from nought to 800 metres; code 2 goes from 800 to 1,200 metres; code 3 goes from 1,200 to 1,800 metres; and code 4 goes to 1,800 metres and a bit beyond.

I suggest to you that effectively the change in the middle runway means that we have gone from code 2 aircraft to code 3 aircraft. This includes Saab 340s.

I was trying to find out what kind of aircraft have to go to Bankstown Airport. We are talking about regionals. I rang up Hazeltons. We are talking about Saab 340s. If this was two years ago I do not even know if we would be here because we would not be able to fit code 3 aircraft on to this middle runway. That is a definite change in the functioning of that runway. We have different type of aircraft being able to use this runway.

When Howard Knox and Barry Thompson were asked why was an EIS not done on this the response was, "There has been no extension so we would not need to." That is not the exact quote but it is along those lines. You have before you the transcript of that conversation. That relates to the Council Meeting on 23 June of this year.

There have been proposals to further extend the runway. At a meeting earlier this year which Councillor Ian Stromborg, Daryl Melham, MP, and other residents, including myself, attended, not only was an extension of a runway discussed but, more than that, a length of 130 metres was given. I asked someone connected with construction, "If Saab 340s can already land there why would you want to further extend the runway?" The answer was "You can put more weight in them."

I am frightened that this airport will have freight facilities, as suggested in the 1982 master plan. I am also frightened that heavily laden aircraft will start to become a thing of habit. Aircraft flying over in 1996 became a habit by the end of December when over 200 flights were going over Milperra, which included helicopters, the majority of aircraft from Bankstown Airport as well as aircraft from Sydney Kingsford-Smith Airport. That is not a fair share. That is an environmental catastrophe.

BACEF has over a thousand signatures relating to the opposition to the Olympic role of Bankstown Airport and increased aircraft traffic, which is not unrepresentative, so we are getting there. People are going to be so sick of what is happening that they will say, "No more. That's it." And that is what people are saying.

**CHAIRMAN:** I will have to ask you to stop there. Will you table that petition to which you just alluded?

**Ms McKAY:** Yes, but can I send it to you?

**CHAIRMAN:** You have a petition from people objecting to regional air services?

**Ms McKAY:** If I can relate it to regional services, people do not want an increase in aircraft traffic. They are sick of what has been happening. There have been extensions to runways. No matter how you define it, the appearance has changed and also operational procedures. I would also like to table this document. A resident told me that the FAC annual report—I am not a bureaucrat so I do not know the significance of this—shows the 1996 and 1997 difference in those runways. What does that mean?

**The Hon. I. COHEN:** We will be interested to read it and I do not think this inquiry today is the end of it.

**Ms McKAY:** I hope so. I hope there is more.

**The Hon. I. COHEN:** I am very interested in seeing more. I am wondering what would your community organisation find acceptable in terms of curfews, controls, the types of aircraft and also what sort of process in terms of development of this airport, size wise?

**Ms MCKAY:** No development. No more expansion, that is pretty obvious in relation to that. What I suggested regulate aircraft operations and educate pilots in the community about these regulations, monitor the regulations, enforce those regulations and also compensate noise affected areas through public frustration and operations. We are also asking for limitation of aircraft up to 20,000 kilograms. Obviously a Saab340 is not - -

**The Hon. I. COHEN:** In terms of the layered effect, could you describe to the Committee what your community would find acceptable in dealing with that layered effect?

**Ms MCKAY:** No more Sydney aircraft coming over the Bankstown area. The Minister for Transport and Regional Development needs to go back to the drawing board, review what he is doing and have acceptable aircraft noise over specific areas.

**The Hon. I. COHEN:** Given these conditions, would your community group find it acceptable to then live with a Bankstown Airport as you are describing?

**Ms MCKAY:** If there was limitation of movements, a curfew, the compensation procedures in place. As Gary Blaschke has already said, people are saying to me, "I'm just so sick of it, I do not want it any more". It is not me saying it, it is other members of the community and we are doing the job of Air Services Australia in CASA. I am not being paid. The people who are also working with BACEF are not being paid, yet Air Services Australia and CASA are.

**The Hon. I. COHEN:** In terms of the curfew, would you give times that you would see as acceptable to the community and how does that tie in with the training flights?

**Ms MCKAY:** Repetitious training flights are just not desirable. They are frustrating to the community. People have said to me within Milperra, "I'm going to leave in two years time, I cannot handle it any more". Limitation of movements - we would fix up the air training problem. Curfew, there was a resolution to go from 11 p.m. to 6 a.m. In Chipping Norton from Air Services Australia's their own documents, there is still a problem for people affected between 6 a.m. and 7 a.m., obviously because the aircraft go over that area. So the resolution is 11 p.m. to 6 a.m, but possibly 11 p.m. to 7 a.m., depending on more community consultation.

**The Hon. Dr B. P. V PEZZUTTI:** The airport is obviously an important part of the infrastructure of Sydney. This is the Prime Minister's electorate and during that time it was obviously seen to be an important part of Australia's infrastructure in terms of air transport. From a regional point of view, access to the city is vitally important to all of us. None of us want to go to Bankstown. How do you propose for country people to have access to the city if we are not to land at Bankstown?

**Ms MCKAY:** Would not the Minister for Transport and Regional Development - -

**The Hon. Dr B. P. V PEZZUTTI:** You are putting to me that the people of Bankstown are sick to death of aeroplanes, do not want them. The people in the eastern suburbs do not want them. Where do people from Lismore who want to come to the city land?

**Ms MCKAY:** All I can say to you is that there has been a push for an airport outside the Sydney basin. Badgerys Creek - -

**The Hon. Dr B. P. V PEZZUTTI:** Hang on, for people from Lismore coming to Sydney, you are seriously proposing they land outside the Sydney basin?

**Ms MCKAY:** I am not. If I can keep answering the question, there has been no actual conclusion made from the Holsworthy and the Badgerys Creek EIS which actually suggested some sort of solution for the Sydney basin. You now have extent of aircraft movements which far exceed what can be going in the air. Something needs to be done about that. Noise pollution is one of those definite problems. We cannot keep putting more and more aircraft in the Sydney basin.

**The Hon. Dr B. P. V PEZZUTTI:** Of the one-third of the 235,000 aircraft movements at Kingsford-Smith - -

**Ms MCKAY:** But Bankstown has over 400,000.

**The Hon. Dr B. P. V PEZZUTTI:** Some 33 per cent of those are currently regionally oriented. That is a large number of movements. How do you propose that we should ensure that they continue to land at Kingsford-Smith given your input and your knowledge of the system?

**Ms MCKAY:** Did not something happen at Goulburn a little while ago? I was alerted to it by some people in Sydney that the Minister for Transport and Regional Development said something about a 12 per cent slot time alleviation with the fast train. I am just wondering, it was only suggested to me, so I do not understand from that why aircraft need to come to Bankstown Airport if there is definitely or if there is a proposed 12 per cent alleviation slot time.

**The Hon. Dr B. P. V PEZZUTTI:** Have you heard of any proposal to bring regional aircraft to Bankstown? People from the State Government and Federal Government both said they are not moving. Why is there such anxiety about the possibility of regional passengers landing at Bankstown?

**Ms MCKAY:** Obviously they have increased the runway to take in Saab 340s. That is a definite problem. When these extensions go ahead without community consultation, there is much anxiety. When you talk about the 1982 master plan which talks about further expansion to which Howard Knox keeps alluding, it also shows freight facilities in that. We are worried about that. We are also worried to the extent that there is misleading information. Why is it that we are told that there is an extension which is guidelines to the 1982 master plan that continues on and then all of a sudden there is nothing? There are no plans, there is no approval, no funding. What happened within that time? Are we being seriously misled to by these people to such an extent where it is an deception? I am having problems with this. I am seriously scared about this and I think the community is as well, which they are telling me.

**The Hon. I. M. MACDONALD:** What disturbs me a little is are you suggesting, say, if there was a properly regulated aircraft movement scenario developed for Bankstown with community consultation and a curfew in place, you still would not accept regional aircraft coming into Bankstown?

**Ms MCKAY:** Regional aircraft include Saab 340s. They have bigger than 20,000 kilograms as far as I know. I stand to be corrected, but as far as I know they are a bigger aircraft. We do not want bigger aircraft.

**The Hon. Dr B. P. V PEZZUTTI:** They are only 13 tonnes.

**Ms MCKAY:** I will go through a bit of my thing. I know they are bigger aircraft, 36 seaters. We are still talking about a BAe 146 which does exceed 20,000 kilograms. A BAe 146, there are definite problems because when we are talking about those aircraft, they are still passenger aircraft, they are still noisier aircraft, as has been alluded to, so we still have a major problem.

**The Hon. I. M. MACDONALD:** What is concerning me about what are you saying, and do not get me wrong, I support the regional services staying at Kingsford-Smith, but I am worried about this cutting off of the options as to where we go in the future. For instance, I see Goulburn as a total fantasy, something that is unrealistic within Australia's capacity to do anything of great significance in putting resources to it. I think the last great significant thing we did was the Snowy Mountains Scheme, so we are not going to have an airport outside of the Sydney basin in the foreseeable future or whilst we are around. In the Sydney basin in an increasing market and increasing demand for air services, how do we jig it so it is a sensible arrangement across the Sydney basin?

**Ms MCKAY:** Can I use the projector to answer that?

**The Hon. I. M. MACDONALD:** A Dash 8 is 12 tonnes.

**Ms MCKAY:** It still looks big to me and it still looks noisy. There is a BAe 146.

**The Hon. Dr B. P. V PEZZUTTI:** They are 42 tonne. The Saab is 12.3 tonne.

**Ms MCKAY:** Okay, I said I could be corrected on that. The problem is this. You want to talk to me about what I should be doing. This is "Falling on Deaf Ears". I guess you know about this, if I can just pass that to you. Within that document there are letters about people who have been unhappy about the third runway extension. With that third runway extension as I can see there is not a proper EIS towards that. People have been having educational distractions. They have been having major problems in relation to their outdoor activity. They are just having major problems.

I am coming from what the community is talking about. I am coming from what I have got here in front of me, what I have been told. Everyone keeps talking about the NIMBY problem. Take a look at the letters. Take a look at how people are being affected by all these things. I am suggesting to you here and now, with your indulgence, we need to consider people. If you are talking whether productivity based, people need to be able to survive. They need to be able to go to work in the morning. They need to be able to access their brain and not have major distractions. They need the capacity for their cognitive perceptions that they have.

**The Hon. I. M. MACDONALD:** I am still unclear as to how you see it. If you have a curfew, for instance, and greater regulation of this current airport, I am unclear as to why your group would oppose, say, 12 tonne Saabs. There is a clear decibel difference between that and a jet.

**Ms MCKAY:** Like I keep saying - -

**The Hon. I. M. MACDONALD:** I fly these planes quite regularly around regional New South Wales. They are not a 747.

**Ms MCKAY:** This is a changing in the function of it. Are you actually the Green or the Labor Party?

**The Hon. I. M. MACDONALD:** Labor Party.

**Ms MCKAY:** As I saw it, I thought that the Labor Party's position could have been from Michael Hatton's impression, that you would oppose a difference in functioning of the airport, an expansion of the airport. I presume that still goes. The airport has changed. The airport has expanded and that is what I wanted to allude to. We do not want a change in the functioning of that airport. Where is it going to stop? When is it going to end? Are we going to keep on? I assumed that the actual capacity of that particular airport was around 400,000 or 500,000 movements a year. That is getting to that.

**The Hon. I. M. MACDONALD:** It might be cutting back the movements, if it is regulated and a curfew is in.

**Ms MCKAY:** We are not being consulted on such things. Where is the consultation?

**CHAIR:** Thank you very much for your time today.

**(The witness withdrew)**





**BARRY EDWARD THOMPSON**, General Manager, Affiliated Airports of Sydney Airports Corporation Limited, and

**HOWARD LYLE KNOX**, General Manager, Bankstown Airport Limited, sworn and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand under the provisions of the Parliamentary Evidence Act?

**Mr THOMPSON:** Yes.

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

**Mr THOMPSON:** We are.

**CHAIRMAN:** You made a submission to the Committee. Would you like that to be part of your sworn evidence?

**Mr KNOX:** Yes.

**CHAIRMAN:** If you should at any stage you consider that any evidence you will may wish to present should be heard or seen by the Committee only, the Committee will be willing to accede to your request.

**Mr THOMPSON:** What I would like to do is make an opening statement which I believe puts the position of Sydney Airport Corporations Limited and Bankstown Airport Limited firmly on the table. We would then like to address some of the issues which we understand are causing concern in the community and then make a final statement. I want to state categorically that there are no plans to extend the runways or to transfer regional aircraft from Sydney to Bankstown. Any future plans - because I obviously cannot rule out what governments may decide - if and when developed cannot be implemented without ministerial approval under the Airports Act 1996 and we can refer you to the particular clause if you need it and that particular clause requiring ministerial approval requires community consultation.

A great deal has been made in evidence this morning about lack of consultation. The difficulty we are having is that it is difficult to consult about something that we are not doing. We have the traditional problem of trying to prove we are not doing something. We have no plans to transfer regional aircraft from Sydney to Bankstown. I understand from evidence given this morning and from a meeting we attended and from observing newspaper reports and so on that there is a great deal of concern in the community about what people think we might be planning, although as I have just said, we are not planning anything. To some extent that might even be considered in a particular light as being part of a scare campaign.

I would like to table two documents to back that up. Each of those documents has an illustration on it. In one case a "Let's not have" with the circle with the slash sign for a Boeing 747 with its wheels down and another one at rooftop height and another one which shows a twin engine aircraft, probably an Airbus by the look of the drawing, in a similar situation. Those sorts of drawings in publicity are calculated to make people frightened as to what might be happening, which is unfortunate.

A number of points have been made either in the local media or in direct representation to us or in private conversations about things we are doing or planning to do at Bankstown Airport and I would like to briefly address some of those to set the record straight. At various times we have been told that we are planning to or have already extended the runway to accommodate Learjets. On the assumption that Learjets means Learjets or even on the assumption it means corporate jets, I need to state that is absolutely unnecessary because the runway at Bankstown is capable of handling that type of aircraft and has been for a considerable number of years, so we are not doing anything to enable us to handle what we are already handling.

It has been stated that we are buying property up to the hospital which is to the eastern end of the runway in order to extend the runway. I have not authorised any such expenditure and we are not talking to anyone about that, but it is typical of some of the statements being made. It was said that we are installing a secret landing system which would enable regional aircraft to land at Bankstown. On later evidence that proved to be the development by Air Services of GPS approaches for Bankstown airport. That is not an instrument landing system, it is merely a matter of getting lined up with the runway. GPS approaches are being developed for almost every airport and aerodrome in Australia.

We have been accused of either building or beginning to build a new passenger terminal. No such construction is envisaged. We have been told that we are building facilities that will handle Boeing 727s, 767s and 747s. Again, none of that is intended. The reference appears to be back to the MANS study of 1979 and the then draft master plan - and I stress that master plan was never confirmed; it is in draft format - which mentioned Boeing 727s but that was in the early 1980s context and a lot of aeroplanes have flown over the ground since then. It has been stated that we are building facilities for customs and immigration at Bankstown. That is not true. We are not even talking to customs and immigration about how those international services which operate at Bankstown might be handled on the assumption that those services come for the Olympics, but we are certainly not looking at anything else. It is claimed that circuit heights have been reduced.

**Mr KNOX:** The last change to the circuit height was the training circuit on the southern side of the airport. That was increased from 800 to 1,000 feet, not decreased, in 1990. It has not changed since then.

**Mr THOMPSON:** There have been claims that the flight paths around the airport have changed. That is not true, although we do acknowledge a claim made by one of the earlier people giving evidence this morning that from time to time various pilots do not follow those flight paths and a discussion was given about the need to climb to 500 feet before you turn. We do not endorse that. If we can find evidence of that happening and we can track down the pilot, we will do what we can to put that right, although it is strictly an Air Services program. That is a problem for us and we will do something about that and we have from time to time brought sufficient evidence to employ the attention of these practices by pilots, causing those pilots to be dismissed. We agree that should not happen. There are claims that there have been a huge increase in aircraft movements.

**Mr KNOX:** The busiest year for Bankstown Airport was in 1989 and that was 443,000 aircraft movements. The figure that you were shown this morning that rated Bankstown as the fifth busiest in the world happens to include the movements at Camden also in our figures, because under the FAC I also was responsible for Camden and Hoxton Park. But let me tell you, if we take the Camden figures out of our figures we still remain the fifth busiest airport in the world. The current movements last year for Bankstown was 406,000 aircraft movements and if you went back to 1993, 426,000. 1995, for example, was 375,000, so they have fluctuated but the busiest year was 1989.

**Mr THOMPSON:** There was some discussion on consultation. Again, the difficulty having consulted on the issue that is facing this Committee is the fact that we have nothing to consult about because we have no plans to do anything. As I have already indicated, the Airports Act 1996 makes it quite clearly incumbent to enter into such discussion but obviously we have to have something to talk about first. We have given an undertaking that when and if somebody, but not us, makes that decision we obviously will be required and will willingly enter into consultation. The reason for no consultation on those particular issues talked about this morning is, again, there is nothing to talk about.

The implication though was that we did not consult at all. That is not correct. In 1986 from memory when Peter Morris was the Minister for Transport, he asked all airports to establish consultative committees. Bankstown Airport established such a committee and we have had direct consultation with members of that committee on a quarterly basis since that time.

**Mr KNOX:** The committee is made up of representatives from the aviation industry, the State Government, the Federal Government and the community. The committee comprises members from the ACTU, Bankstown city council,

Liverpool city council, General Aviation Association, Bankstown Airport Chamber of Commerce, the airport management, Air Services Australia, and a community representative. In the instructions for selecting that person, that person had to represent the local community and was elected and that elected person was able to go back and report to their community through public meetings held on a regular basis.

**Mr THOMPSON:** That representative is in fact a representative from the Georges Hall Progress Association as I understand it. There was also in recent local newspapers a statement that the airport did not consult on developments on the southwest corner of Bankstown Airport. As an example of lack of consultation, the southwest corner is the junction of Milperra Road and Henry Lawson Drive. We have made no secret of the fact, in fact we had discussions with the consultative committee on the development of that corner as a prime commercial development site, and there has been evidence through the minutes of the consultative committee since round about 1992, maybe 1991. So to claim that there has been no consultation on the southwest corner is obviously false.

In regard to the drain which perhaps was one of the causes of this exciting exercise, it was assumed by a number of people, incorrectly, that what we were doing was extending the runway. What we are doing in fact is altering a drain which was alluded to this morning. The current arrangement with the drain leads with a minimum amount of rain falling to flooding of the airport. That was largely caused by the design of an intersection of two drains both of which are not draining the airport but Condell Park and Georges Hall which happen to run across the airport and we have relocated and we have a drawing which we will table for you, a better smoothing of the confluence of the two drains so the water will not back up and flood the airport.

At the same time you will notice that that particular drain is only a few metres away from the threshold of the main runway. Some few years ago we managed to pipe and put underground part of that drain. It has subsequently been a major source of concern for us—the safety of aircraft overruns, particularly in wet weather. We managed this year to obtain enough funds to continue that work. That is all that is happening there at the moment. It is just a drain.

I can understand people looking at the works and saying, "What are they doing?" I can understand why it is not accepted that all we are doing is doing the drain. If you look at it, it is quite obvious what it is. If you would like to come out, we will gladly show it to you.

In regard to other items which have been discussed this morning, I think they might lead to you raising some questions. However, we have a partial correction on one item regarding the aircraft that might operate into Bankstown.

Currently the aircraft are of the Saab 340-Dash 8 category, which operate into Bankstown on an ad hoc basis from time to time, and we can provide photographic evidence of that. Runways are currently long enough and strong enough to handle them. They will not handle aircraft that require wider runways.

There are three components for runways that are important: it is length; it is width, because that governs the types of aircraft you can use within the runway; and it is strength.

**Mr KNOX:** The main runway at Bankstown Airport, 11/29 centre, has a design pavement strength of 20 tonnes, but it will take aircraft up to 50 tonne on a limited basis. Just like council roads, we have weight restrictions. You cannot take a three-tonne truck down the road, but the garbage truck, weighing seven to 10 tonnes, goes down the road every week. That is the same principle on which we can allow larger aircraft in on an ad hoc basis. Aircraft such as the Super Constellation can come into Bankstown.

The width of the runway is also a critical factor. Aircraft such as the Boeing 727, 767, 747 and those large-type aircraft are certified only to operate on 45-metre wide runways. The width of the runway at Bankstown is 30 metres. They cannot operate on that runway.

**The Hon. Dr B. P. V PEZZUTTI:** What about 737s?

**Mr KNOX:** I believe they can get a dispensation. They operate into Ballina. The limiting factor on the 737 is the weight and the length. It just will not fit. It could fit in with no fuel and no passengers. It would land but it would never take off.

**Mr THOMPSON:** Just one other point regarding curfews and aircraft operating in curfews. The aircraft which operate at Bankstown are all permitted to operate in Sydney during curfew hours. If you want the same curfew at Bankstown as you do at Sydney, the operations at Bankstown would not change. You would have to have a different sort of curfew.

In particular, concern was expressed about a BAe146. There are some issues associated with that aircraft, but I would point out that whilst that is a jet aircraft—and I am sure that on country services you have probably flown in it—you should realise that that aircraft is also permitted to operate at Sydney Airport during curfew hours. It is an extremely quiet aircraft. It operates at Sydney and also at London City without curfew.

**Mr KNOX:** The reason for this Committee inquiry is about the transfer of regional traffic to Bankstown. As Barry said, there are no plans. But I should tell you that there have been regional operations out of Bankstown Airport since the early 60s. Operators have run services out of Bankstown. Tamair started its service from Tamworth to Bankstown. Western Airlines, Sydney Airways and quite a few charter operators who have gone into the regional market started up their operations out of Bankstown. We have a terminal at Bankstown that has the capability to handle 200 passengers an hour. It is there. We do not have to build it.

**Mr THOMPSON:** In conclusion to this part can I just repeat what I started with? We have no plans to transfer any regional aircraft from Sydney to Bankstown. If any such plans are developed in the future, probably under political pressure, those works will not be implemented or not even contemplated under the Airports Act 1996 until there has been adequate consultation with a wide-ranging group of people, including local residents, and environmental impacts of all those developments have been considered.

**CHAIRMAN:** The passenger services from regional areas that have operated in past years, including Tamair, which no longer operates, were obviously RPT services, but they are not services covered under the current regulations of the Air Transport Council. They could not get a licence to operate into Sydney so they only operated into Bankstown.

As the Hon. Dr B. P. V. Pezzutti mentioned this morning, that is only part of our inquiry. There are five parts to our inquiry, and one is whether the Government should continue with the regulation of country air services. There have been some suggestions. You said this morning that there are no proposals for regional air services to come to Bankstown. But there have been suggestions that for a couple of weeks over the Olympics there might be some proposals to divert regional airlines to Bankstown. Can you tell me whether you have been involved in any discussions about that possibility?

**Mr THOMPSON:** Both Sydney Airport Corporation Limited and Bankstown Airport Limited are part of various discussion groups, and there are quite a number of them, examining the options for the handling of aviation traffic during the Olympics period.

Firstly, we believe that there will be increasing operations at Bankstown Airport of the types of aircraft that are currently there. It is going to pull people and aeroplanes in from all over the country. There will, of course, also be people coming in in corporate aircraft. We are led to believe, for example, that Coca-Cola may be sending a large number of its fleet of Grumman G4 aircraft, which currently operate at Bankstown, into Sydney, and they will need to be handled.

The issue is still very much at the early discussion stage, and I would caution anybody jumping to conclusions that this will happen, but obviously we have to start to think about the sorts of things that might happen. None of them is at the stage where it would have any real flesh to it to warrant development scenarios.

**CHAIRMAN:** So there are no proposals to bring in regional air services during the Olympics?

**Mr THOMPSON:** There is no such proposal. It is on the list for consideration, but that is different from proposals.

**CHAIRMAN:** As you would be aware, there is an enormous amount of pressure from country councils to make sure that regional aeroplanes can continue to go into Sydney Kingsford-Smith, and a newspaper article in the *Financial Review* in recent weeks when talking about David Mortimer mentioned an FAC discussion paper which suggested that there could be \$5 million worth of extensions to the present runway at Bankstown, which would allow 38 per cent of regional general aviation in Sydney to divert to Bankstown. Have you any comments on that? They are the sorts of things that really frighten country people.

**Mr THOMPSON:** I would like to direct you down one further paragraph where it also says that Mr Mortimer said that the different options for Bankstown had been given much thought—with which I agree, and I have already said that has happened—but there were no plans to do anything at this stage. It is part of the discussion.

I understand how people would react to that. Obviously what we have to do is discuss all the possible options, and there is a wide-ranging number of options, including the use of places like Wollongong, Newcastle, Canberra, Essendon in Melbourne and Archerfield in Brisbane. So there are a whole range of options available.

It is just a little unfortunate that the newspaper article concentrated on one option, which I understand is relevant to people here, but they are at this stage just options which are being looked at, and absolutely no decisions have been made yet on which way it is likely to go.

**CHAIRMAN:** You can see from that that there is a lot of concern in country New South Wales about the possibility. No-one will actually own up and say, "We are proposing it", but the rumours have been round for years, and that is one of the major reasons we are here today. So you can see the concern of country people about being forced out to Bankstown. Probably of the order of 80 per cent of country people, if that were ever to happen, would choose to drive rather than fly. I know in my own situation there is three-quarters of an hour difference—I am five hours from here—in getting to the CBD by car or plane.

One of the concerns of country people is how do we get a guarantee. You said there is legislation in effect that says there has to be community consultation if there is to be any change of use at Bankstown. How can country people be assured that Kingsford-Smith will always be available to regional airlines at an affordable rate? Is there some discussion?

I am not sure that you are aware of suggestions at the Country Summit that there be a charter of user rights. We have heard from a number of councils that they are concerned that that is not worth the paper it is written on and that it should be more than that, that perhaps there should be a change to Federal legislation that would ensure that country people would be guaranteed affordable access forever to Kingsford-Smith. Have you any comments on how we can lock that in?

**Mr THOMPSON:** Can I leave the word "affordable" out for a moment? I have to do that to make sense of what I am about to say. I will come back to "affordable". If not, you will remind me. The first thing is that access to Sydney Airport by regional air services is currently guaranteed by regulation.

**CHAIRMAN:** Not by legislation?

**Mr THOMPSON:** No, by regulation. That is in the slot management systems. I cannot recall what the actual regulations are called, but that guarantees the regional services that have access to slots at Sydney Airport. Those slots will remain as slots available only for regional services.

The procedures by which the slots can be given up and acquired by other services require a minimum of two years for events to happen and, therefore, it would not be easy. In fact, the airport can do nothing about it. It is obviously an issue

for other people. But those regulations ought to provide a great deal of comfort for country people and the people of Bankstown. The services at Sydney cannot be pushed out to Bankstown under that slot regulation system because there would be no point. The slots would just sit empty because we could not use them in Sydney. Now admittedly it is a regulation and the problem we have is that word, "guarantee", but with all due deference to political parties, governments can change regulations and legislation as they see fit and have the numbers to do.

**CHAIRMAN:** It is a lot easier to change regulations.

**The Hon. Dr B. P. V PEZZUTTI:** That is not so. Regulations can be disallowed by one House whereas with legislation it requires two Houses of Parliament.

**Mr THOMPSON:** That is my problem with your word "guarantee". Political process can change anything, whether it is regulation or legislation. I cannot give that guarantee. For those of you who know the process better, I think you are probably in a better position - -

**CHAIRMAN:** That slot management scheme really only guarantees a certain number of slots to the maximum of 80 for the whole use of Kingsford-Smith Airport but one of the concerns that country people have is that they are issued to an airline for regional services, not necessarily to a town, and some of the smaller areas are concerned that they might be traded internally in the same airline.

**Mr THOMPSON:** They are issues you ought to take up with your Federal colleagues who handle the regulatory slots. We are not attempting to use that or any other means of pushing them out. What happens is that those slots still exist, so we have no vested interest in moving them as an airport operator. It really is a legislative or regulatory issue that you ought to take up with your Federal colleagues.

**CHAIRMAN:** Can you make any suggestions as to how we can really lock in country airlines to continue to use Kingsford-Smith Airport?

**Mr THOMPSON:** I am never quite brave enough to tell Ministers that this is what they ought to do to solve those sorts of problems. You probably have better access to solve those problems. From a personal point of view, I think it is a matter of the country people making adequate representations to their Federal members to change the legislation.

**CHAIRMAN:** We saw a map this morning, admittedly it was a 1996 one. Are there any set flight paths at Bankstown? Sydney has now changed and there are a couple of particular tracks and I know, in fact I think it comes in not far from Bankstown, there is a Binkook west of Lithgow and another one near Hornsby, so all traffic is directed to those and they come in. Are there particular paths at Bankstown?

**Mr KNOX:** With Bankstown operation procedures, in the Bankstown terminal zone there is a three nautical mile radius that is air traffic control managed up to 1,500 feet. You are vectored as you take off. If you are taking off towards the east, you are turned around, speared back out towards the west of Hoxton Park Airport and if you are visual flight rules traffic you will stay down below the control zones. If you are instrument flight rules, airways clearance can climb up into controlled air space and you run into the same tracks that large aircraft do. For visual traffic travelling north, you travel up by the light aircraft lane and that goes from here to Rosehill then up to Hornsby and on to Brooklyn Bridge, and in the reverse, it comes back down via Brooklyn Bridge, Westmead into Bankstown and they are VFR lines. In the three nautical miles around the place, that area is designated terminal zone.

**CHAIRMAN:** Going the other way, vertically, this morning you might have heard evidence that traffic is restricted to 1,000 feet here and that some of the Kingsford-Smith aeroplanes come through at about 1,200. Are there any layers or buffer zones?

**Mr KNOX:** The traffic is restricted to 1,000 feet to give a 500 foot buffer. The aircraft should be at minimum height of 2,000 to give that 1,000 foot buffer between that traffic.

**CHAIRMAN:** So there should be no jets from Kingsford-Smith Airport?

**Mr THOMPSON:** At 1,200 feet. If they were they would have penetrated Bankstown control air zone and there would have been an air safety report and an investigation.

**The Hon. Dr B. P. V PEZZUTTI:** So there are no plans. We were told this morning there were plans to extend the runway by 300 metres. Is that possible and is that planned?

**Mr THOMPSON:** It is possible. We have sufficient land on the airport to do so but it is certainly not planned.

**The Hon. Dr B. P. V PEZZUTTI:** Is there a control or master plan for Bankstown Airport that exists at present?

**Mr THOMPSON:** A draft master plan was issued in 1982 which had drafts status only. Under the new Airports Act 1996 the airport is required to produce a master plan probably by the year 2001 to meet the new conditions. The difficulty we have is that the old conditions are different to what the new ones are now. We are in the process of thinking about how to develop a master plan for promulgation in 2001.

**The Hon. Dr B. P. V PEZZUTTI:** Would that be subject to consultation?

**Mr THOMPSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Our interest is what is likely to happen if airline routes are deregulated. That is the basic reason for this Committee consulting widely. I have heard no interest from country people about landing at Bankstown, but there are a couple of other questions. Could a BAe 146 currently land at Bankstown?

**Mr THOMPSON:** The 100 series can do so, not a 200.

**The Hon. Dr B. P. V PEZZUTTI:** And the Brazilians, the 60C jets?

**Mr THOMPSON:** I am sorry, I am not sure of the details of those. If you like I will find out for you. Are they operating on a 146 or a 145? There are two different Brazilia jets.

**The Hon. Dr B. P. V PEZZUTTI:** I am not sure. Some evidence we heard in Lismore was from Ballina council where one of the airlines is considering buying 60 seater jets because the service is not big enough for the 113C 737s and they have not got enough BA146s. If the pilot of a 727 was having trouble landing, could such a plane physically land at Bankstown?

**Mr THOMPSON:** Obviously it could land. Where it might stop would be interesting. The landing length for a Boeing 727 is in the order of 2,000 metres as I understand. We only have 1,400.

**The Hon. Dr B. P. V PEZZUTTI:** Did I understand you to say there are currently the same rules about landing noisy aircraft in the curfew hours here as there are in Sydney?

**Mr THOMPSON:** No, what I said was almost all aircraft that operate at Bankstown are permitted to operate during the curfew at Sydney. There is no curfew at Bankstown other than the limitation on repetitive circuit training.

**The Hon. Dr B. P. V PEZZUTTI:** In other words, if there were, the planes that land here currently would fit into the category of planes that could land at Kingsford-Smith inside the curfew hours?

**Mr THOMPSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** You have already explained that no land has been acquired. Currently have you no plans to buy any land?

**Mr THOMPSON:** No.

**The Hon. Dr B. P. V PEZZUTTI:** And no plans to expand the terminal?

**Mr THOMPSON:** In fact, again, under the description of major development plans of the Airports Act 1996 to expand the terminal by even 10 per cent requires ministerial approval and consultation processes.

**The Hon. Dr B. P. V PEZZUTTI:** With deregulation of airline routes in New South Wales, if that were total, there would be nothing to stop Ansett starting up a service from Bankstown to Ballina, would there?

**Mr THOMPSON:** From an airline point of view that is correct. From the provision of adequate facilities, it would depend on the aircraft, how it would fit into the air traffic patterns at Bankstown. It might have been you or your colleague who said that putting additional aircraft of this type in might not increase movements; it might decrease them because you would have to clear some of the circuit traffic to handle them. A whole range of issues needs to be investigated, not whether the aircraft will fit on the runway or the terminal. In fact, in response to a similar question I listed about 50 items that needed consideration before we or an airline would agree to the operation of any such services.

**The Hon. Dr B. P. V PEZZUTTI:** What sort of costs would be involved for Bankstown Airport to receive the large number of people who are transported by regional - 1.2 million a year - into Bankstown Airport? What sort of expansion and costs would be involved for the new corporation to develop at Bankstown to accommodate country and regional services if they all moved?

**Mr THOMPSON:** I cannot answer that definitively because we have not planned that anything that would happen would be anywhere to that extent. It is beyond our thinking at the moment. Undoubtedly it would require the construction of a considerably bigger terminal in a new location. It would involve construction of additional roads, car parking, catering facilities, facilities to handle aircraft waste management. It may or may not require at that level of traffic the reintroduction of fire fighting services. It is an horrendous list. That is the 50-odd list I was working on and I have not attempted to quantify it. If you want a guess, you would not get out of it under \$30 million.

**The Hon. Dr B. P. V PEZZUTTI:** What would be the cost of the rumour of you buying the land towards the east of Bankstown hospital? That would be a huge amount of money would it not?

**Mr THOMPSON:** I have no idea nor do I understand the point of it. To handle the types of regional services operating at Sydney, from a runway point of view we can handle them now, so there is no point. We do not have to buy land.

**The Hon. Dr B. P. V PEZZUTTI:** From an air traffic movement point of view you could handle it?

**Mr THOMPSON:** It depends on what civil aviation authority standards are applied and how Air Services react to those. At low levels of activity they would probably fit in with what we have now. If you talk about moving all the 90,000 odd movements at Sydney to Bankstown, that is clearly not compatible with the existing operations of the airport.

**The Hon. Dr B. P. V PEZZUTTI:** Does the M5 East extension come anywhere near Bankstown?

**Mr THOMPSON:** Within two kilometres.

**The Hon. Dr B. P. V PEZZUTTI:** That would be an added expense if major passengers were involved?

**Mr THOMPSON:** There would have to be some interlink of getting passengers from Bankstown to Sydney.

**The Hon. Dr B. P. V PEZZUTTI:** Are you doing any other planning in anticipation of accommodating country or other regional airlines in Bankstown?

**Mr THOMPSON:** No, sir.

**The Hon. E. M. OBEID:** Can you tell us what the landing fees at Bankstown Airport are?

**Mr THOMPSON:** At the moment we have a system which is a continuation of what used to be the Federal Airport Corporations networking system called GAIT, which stands for general aviation infrastructure tariff, for aircraft weighing less than 10,000 kilos. Most people pay an annual fee much like a fee to enter a national park and if you pay that fee you get a sticker to put on the aeroplane and they can use all the airport facilities. That charge is currently \$702 a tonne pro rata for the weight of the aircraft. So a 10 tonne aircraft would be \$7,000. Above 10 tonnes they are charged landing fees which are currently \$5.72 a tonne.

**The Hon. E. M. OBEID:** Can you tell me what effect deregulation of intrastate aviation would have on Bankstown Airport?

**Mr THOMPSON:** I think your colleague raised that question. It will really be up to airlines who believe they can develop mixed services from Bankstown. That is certainly a possibility, but as I said, there is a long list of things they would have to talk to us about and negotiate before that was possible. Two people have already talked to us about provision of intrastate at Bankstown using larger aircraft and both of those we have rejected.

**The Hon. E. M. OBEID:** Throughout country and regional New South Wales they do not want to land anywhere other than at Kingsford-Smith. The facilities are there and the transport system is there. As we are having so many problems with traffic at Kingsford-Smith and problems with the second airport, do you not see that what is happening, all these assumptions that regional air services might move to Bankstown is all temporary? Can you not see that this is going to be a problem down the track and it is only temporary and that really we should be addressing the main issue of finding a second airport outside of Sydney?

**Mr THOMPSON:** May I make a personal comment? I cannot make a comment on behalf of my employer. The sooner the decision is reached on what happens about the future of aviation needs of Sydney the better for all of us. That is for people in Canberra to decide at the moment.

**CHAIRMAN:** There has been a lot of discussion about privatisation and that again has caused a lot of concern in country areas, that pushing regional airlines out to Bankstown will come after privatisation. There has not been a lot of discussion about privatisation of Bankstown Airport that I have been aware of. What consultation has there been in regard to that?

**Mr THOMPSON:** Consultation between whom?

**CHAIRMAN:** Public consultation?

**Mr THOMPSON:** None, because we do not understand the ground rules under which the Federal Government may consider that to happen. On 2 July, Bankstown Airport Limited split away from the Federal Airports Corporation. It is now a wholly owned subsidiary of Sydney Airports Corporation Limited which is in itself a business entity of the Federal Government. The airport is being corporatised in a way that will enable its privatisation to occur. We have no indication from the Government as to when that is likely to happen. We do not know whether it will be done in a way - just to give you an example of the options, Bankstown, Hoxton Park, Camden being privatised as a single unit or separate units, what will be the role of Sydney Airport, what in fact will be the future of any airport within the Sydney basin and there

are just so many ifs and uts that we are not talking to anyone because we would not have the vaguest idea what to talk about.

**CHAIRMAN:** Thank you, very much for coming along this morning.

**(The witnesses withdrew)**

**GREGORY JAMES BROWN**, Group Manager, Strategy and Governance, Bankstown City Council, sworn and examined:

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

**Mr BROWN:** Yes, I did.

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

**Mr BROWN:** Yes, I am.

**CHAIRMAN:** The council has given us a submission. Would you like that to be taken as part of your sworn evidence?

**Mr BROWN:** Yes, I would.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest any evidence or documents you may wish to present to the Committee should be heard or seen only by members of the Committee, then the Committee would be willing to accede to your request and resolve into confidential session. If you would like now to speak briefly to your submission, we will then ask you some questions.

**Mr BROWN:** As the Committee is aware, Bankstown Council has made a formal submission which opposes of use of Bankstown Airport for regularly scheduled regional traffic. That submission articulates council's concern for the amenity of Bankstown residents as well as the issues of pollution, traffic congestion and the like. It is not proposed, therefore, to rehash that written submission but simply to read into evidence the broad thrust of council's view.

It will come as no surprise to members of the Committee that the relationship between council, those in the community of Bankstown who are affected by aircraft noise and the airport's administration has at times been somewhat difficult.

However, it is true to say that council has developed a good working relationship with Mr Knox and Mr Thompson and has appreciated their candour and advice on various matters relating to the airport.

I want to make it very clear to the Committee that council is seriously concerned about any proposal that will increase traffic in Bankstown by directing regular regional services to that airport. Council's policy, established in 1989, is:

That the current mix of flying schools, general aviation and commuter activities be maintained at Bankstown Airport to ensure there is no increase in noise disturbance to the local community.

It is the case that Bankstown Airport is a significant part of this city's rich history, starting as it did as an RAAF base in 1940. In 1948 it was converted to civil operations and since that time was developed as a general aviation manufacturing facility.

Whilst it has serviced some rural commuter operations in the past—and I think there has been reference to Tamair—my understanding is that those operations stopped some six years ago.

I should also place on record council's acknowledgment that the airport is a significant and, indeed, the single largest employer in this city, with some 3,000 people employed by the airport and related service industries.

It is clearly a major contributor to the local economy, and council would be concerned at any initiatives which could possibly disrupt the balance of its current operations, for example, by the dislocation of existing businesses if rural commuter services were to eventuate.

Council's principal concern is that of the amenity of our residents. Whilst many have lived with the airport operations and aircraft noise for many years, enough is enough, and any further expansion, either in terms of aircraft movements or size, is patently unacceptable.

Those affected by the airport operations are already confronted with an average, as you have already heard, of some 400,000 movements a year. My understanding is that the airport's theoretical capacity is in the vicinity of 450,000 to 500,000 movements. This is an incredible number, particularly when some 50 per cent of these movements are repetitious circuits and landings by trainee pilots.

The idea of bringing in larger or more noisy aircraft on regular timetables will do nothing but further erode the amenity of our residents, particularly those who live in the 12,000 residential properties which are currently in the 20 ANEF zone. This is approximately 35,000, or 22 per cent of our city's population.

Council is also concerned at the likelihood of increased air pollution from additional aircraft movements, increased road traffic, as well as the likely adverse impact on urban bushland, fauna and water quality.

Bankstown, like so many suburbs in the Sydney Basin, is already facing very real traffic congestion. Our fear is that this will be exacerbated by increased movements to and from the airport.

As you have probably heard, Henry Lawson Drive and Milperra Road are already heavily congested, especially at peak times, when it can be assumed that most commuter aircraft would be arriving for early morning dropoffs and early morning departures. This is an important issue, and I think it probably does not need to be said, but there does not seem to be a lot of point in having someone arrive at Bankstown from Dubbo or Orange and then facing an hour-plus drive to the city.

Obviously increased traffic in and around this airport would also have a significant impact on council's road maintenance program. I think it is obvious that any survey of rural commuters will show that their preference for landing is at Sydney Kingsford-Smith Airport, which is some 20 or so minutes to the CBD.

It is, moreover, in our view, simply unfair to treat the community of rural New South Wales differently and give them less service than interstate travellers.

The Committee will appreciate that a good many travellers are not coming to Sydney but, in fact, flying on to other destinations and, therefore, need to fly into Sydney for connecting flights.

I commend council's written submission to you and trust that the Committee in its deliberations will accept that the community of Bankstown needs to be protected from any further expansion of flight movements into and out of the airport.

**CHAIRMAN:** In relation to the point that you just made, we have heard evidence from country councils that that number of passengers who fly into Kingsford-Smith and move on either interstate or overseas ranges from something like 15 to 25 per cent, and those people hop off one plane on to another.

**The Hon. Dr B. P. V PEZZUTTI:** Is Bankstown Council an approval authority for developments at Bankstown Airport?

**Mr BROWN:** No, it is not. We have no authority.

**The Hon. Dr B. P. V PEZZUTTI:** Are you consulted by the Airports Corporation or the AL whenever works are done out there?

**Mr BROWN:** Council is a member of the Airport Advisory Committee, and it is generally attended by the mayor or, if the mayor is unavailable, myself. I think the permanent member now is Councillor Stromborg. Via that mechanism we are consulted, and there is a lot of consultation informally with Mr Knox and Mr Thompson.

**The Hon. Dr B. P. V PEZZUTTI:** Could I ask why Liverpool Council is on the Airport Advisory Committee?

**Mr BROWN:** I am unaware of the reason why.

**The Hon. Dr B. P. V PEZZUTTI:** Do you think it is about time that that whole committee was restructured?

**Mr BROWN:** When you say Liverpool I have been to meetings and there has been a representative from Liverpool Council.

**The Hon. Dr B. P. V PEZZUTTI:** What on earth are they doing there?

**Mr BROWN:** The airport is located at the very corner of Bankstown and Liverpool local government areas.

**The Hon. Dr B. P. V PEZZUTTI:** Is it time that the whole structure of that consultative committee was restructured with the aim of being a bit more inclusive of members of the community?

**Mr BROWN:** We are not in control of membership of the committee, but my council's view is that there should be a maximum of community consultation on all manner of things.

**The Hon. Dr B. P. V PEZZUTTI:** I am asking you because you are part of it. Do you see when you go along to those meetings that there is a reasonable balance of views being expressed?

**Mr BROWN:** I think there is a reasonable balance of views, but it would not hurt to have additional community representation.

**The Hon. Dr B. P. V PEZZUTTI:** What is the ACTU doing on there? That is a good question. It has obviously been there since the dawn of time, but this may be an appropriate time to look at the structure of that advisory committee.

**Mr BROWN:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Have you heard of any plans for people from Lismore landing at Bankstown on a regular basis?

**Mr BROWN:** No, I have not.

**The Hon. Dr B. P. V PEZZUTTI:** As part of the consultative process of the committee have the airport people raised that as an issue with you?

**Mr BROWN:** No, not to my knowledge.

**The Hon. Dr B. P. V PEZZUTTI:** When the M5 East goes in are you aware of any plans to put a spur out to the airport?

**Mr BROWN:** No.

**The Hon. Dr B. P. V PEZZUTTI:** Are there any proposals of a commercial nature out there on the airport site to increase the infrastructure in terms of terminals or catering or whatever?

**Mr BROWN:** Not that I am aware of, no.

**The Hon. Dr B. P. V PEZZUTTI:** Would that require approval by or consultation with the council in terms of roads and drains?

**Mr BROWN:** It would not require our approval but, in the normal course of events, we would expect the airport authority to discuss it, as it has in the past.

**The Hon. Dr B. P. V PEZZUTTI:** And you would want certain contributions for fixing the roads, the drains and the water and power out there?

**Mr BROWN:** There would be contributions to be made. The work on the drain that Mr Thompson referred to earlier is, I think, council's responsibility, but the airport has borne the cost, so I see that as a contribution.

**The Hon. Dr B. P. V PEZZUTTI:** What other impact could there be on Bankstown Airport and Bankstown people of changes with this deregulation if a company, for example, Ansett, came along and said, "We would like to start a service from Bankstown to Lismore with a Saab 340"? What impact would that have on the residents of Bankstown?

**Mr BROWN:** As I have said, our view is that any additional movements of larger aircraft on a regular basis will further erode the amenity of our residents, and we find that unacceptable.

**The Hon. Dr B. P. V PEZZUTTI:** If that were to happen, could it lead to lower numbers of takeoffs and landings?

**Mr BROWN:** Only if those operations, as I suspect, dislocated existing aircraft. I do not know where they would go. I probably do not have the authority to answer that question. I think that is more a question for Mr Thompson and Mr Knox.

**The Hon. Dr B. P. V PEZZUTTI:** The access for freight and the people who travel to Bankstown Airport is pretty damn awful. Has council any plans to improve the access for the people who use the airport for the 400,000 takeoffs and landings, either the freight operators or passengers?

**Mr BROWN:** Other than our regular road maintenance program, but there are no extensions or widening of roads anticipated.

**The Hon. Dr B. P. V PEZZUTTI:** Has the Roads and Traffic Authority any plans at all to improve the access to what is a huge and major infrastructure for Australia?

**Mr BROWN:** I am unaware of any, but I am not responsible for council roads.

**The Hon. Dr B. P. V PEZZUTTI:** Has the State Government been consulting you about the needs for infrastructure support and development?

**Mr BROWN:** No.

**The Hon. E. M. OBEID:** Mr Brown, has there been any costing of the real financial effect on Bankstown council and its ratepayers if suddenly these movements started?

**Mr BROWN:** No, we have not done the sort of analysis that we would need. We could only guess at this stage, but it could be significant, particularly in terms of road maintenance and road upgrades because the roads immediately around there are mostly council roads other than, say, Henry Lawson Drive and Milperra Road.

**The Hon. E. M. OBEID:** Yes, it would be quite significant if it could be reduced to dollar terms, because this is something that probably ratepayers would have to bear if this did take place.

**Mr BROWN:** I agree.

**The Hon. E. M. OBEID:** Some residents have brought to the Committee's notice that there is a lot of activity in new development of hotels and motels and that this could be associated with the future development of the Bankstown Airport.

**Mr BROWN:** Development being undertaken in Bankstown?

**The Hon. E. M. OBEID:** Yes.

**Mr BROWN:** There is a lot of activity, but I have not related it to any prospective developments at Bankstown Airport.

**The Hon. E. M. OBEID:** I am saying in the Bankstown district around the airport. Are you aware of the motivation for that? Does it have anything to do with the airport?

**Mr BROWN:** In my discussion with developers, they have not raised with me the question of the airport. It has generally been about the development of Bankstown, its proximity to the city, growth of industry around here, but certainly not the airport.

**The Hon. E. M. OBEID:** You are quite aware that a lot of industries move to the areas you have nominated, Henry Lawson Drive and Milperra Road, around that district, simply because they have good access and there is a free flow of traffic, but if suddenly more services entered into Bankstown Airport, there would be total chaos for those already there and the community in getting in and out of the area.

**Mr BROWN:** Council 's submission is in part based on its concern about traffic congestion. It is already evident that we have severe congestion particularly in peak hours, and as I said in the submission, this would be further exacerbated by additional traffic into Bankstown Airport.

**CHAIRMAN:** In council 's submission it was mentioned that the FAC is not subject to council codes and regulations. They have to advise you about building, I think. I know they do in Botany council.

**Mr BROWN:** It has been the practice of the airport authorities to consult with us and to the best of my knowledge they certainly do not need our approval. They consult with us, let us know what they are doing, and my understanding is that any construction is built in accordance with the building codes of Australia. So we as a council have no concern that the developments are jerry built in any fashion. In terms of consultation, yes, there can always be better consultation with the community.

**CHAIRMAN:** I suppose this is a little out of the realms of the Committee's terms of reference to some degree, but with the proposed corporatisation, obviously those regulations are there for the purpose that they are a Federal Government body. If they corporatise it, they should come under the Local Government Act?

**Mr BROWN:** We would take that view but as I understand it, the legislation avoids that.

**The Hon. Dr B. P. V PEZZUTTI:** Now that the new corporation has come into place since 1 July, do you think that will reduce the importance of the Bankstown Airport committee given that the corporate entity of BAL has been altered? Do you think there will be a reduction in your access to the real managers of what is - I mean, the new manager of Sydney Airports Corporation which now includes a whole lot of airports. BAL used to basically manage here. Do you think there will be any change in that arrangement?

**Mr BROWN:** I would hope not and I would have no reason to believe that it would be adversely affected because, as I said, council has a good working relationship with the management and we have appreciated their candour during the past.

**The Hon. Dr B. P. V PEZZUTTI:** Has council made urgent, consistent and telling applications to the State Government of New South Wales to improve access amenity to Bankstown Airport, given that it is the fifth busiest airport in the world?.

**Mr BROWN:** I suspect submissions have been made to the Government over the years but we certainly have not made any in recent times. Of course, if there were to be any upgrading of traffic into Bankstown we would.

**The Hon. Dr B. P. V PEZZUTTI:** Has any Olympic-related money, apart from the velodrome, been spent in the Bankstown council area to tidy up or sort things out at Bankstown Airport given that the Americans are moving in here during the Olympic Games?

**Mr BROWN:** Certainly not at the airport. We do not see that as our asset. We think it is reasonably well managed. Our focus has been on the construction of the velodrome and in providing facilities for the American athletic team.

**The Hon. Dr B. P. V PEZZUTTI:** Have you made representations to the current Government about improving access to the M5 East for the airport?

**Mr BROWN:** No, we have not. We made representations about the extension of the M5 further east, but we have made no representations about its connection to the airport.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of any regional operator who is interested in basing their operation at Bankstown?

**Mr BROWN:** No, there have been no representations to us about that.

**The Hon. Dr B. P. V PEZZUTTI:** Or for other local government areas interested in trying to encourage an airline carrier to operate a service, say, Dubbo to Bankstown?

**Mr BROWN:** I am unaware of any.

**The Hon. Dr B. P. V PEZZUTTI:** Is there any interest in the business community in having such a service?

**Mr BROWN:** No one has raised it with me.

**The Hon. Dr B. P. V PEZZUTTI:** So any fears that people might have that people will fly to Bankstown is a—

**Mr BROWN:** I do not know what they are based on. I am only answering your question.

**The Hon. Dr B. P. V PEZZUTTI:** Is there anything else that you have heard that has twiggged your mind that says, hang on, there might be something happening?

**Mr BROWN:** No.

**CHAIRMAN:** Thank you for coming today.

**(The witness withdrew)**



**JOHN BURKITT LYON**, Commercial Pilot, Flight Instructor, and President of Bankstown Airport Chamber of Commerce, sworn and examined:

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

**Mr LYON:** Yes.

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

**Mr LYON:** Yes.

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

**Mr LYON:** I would.

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

**Mr LYON:** I understand.

**CHAIRMAN:** If you would like to give a brief summary of your submission, we will then ask you some questions.

**Mr LYON:** Basically the chamber's position with regard to Bankstown and the situation as it relates to regional airlines is that we believe that the present position should be maintained, and that is the situation where, from time to time, some of the regional airlines operate into Bankstown for reasons of convenience associated with their principal operations, which are at Mascot. The chamber is of the opinion that that situation should remain unchanged.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of any plans to increase and improve the quality of infrastructure around Bankstown Airport such that it could take regional air transport services?

**Mr LYON:** The only plans that I am aware of are those associated with some drainage works on the eastern end of the runway and the routine housekeeping—kerbing and guttering and that sort of stuff.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of any approaches to the Chamber of Commerce by airline operators who might be thinking of operating a service, say, from Lismore to Bankstown or Dubbo to Bankstown?

**Mr LYON:** No, there have been no such approaches.

**The Hon. Dr B. P. V PEZZUTTI:** Apart from charter flights, general aviation and freight, has there been any other interest in Bankstown being used for purposes other than it is being used for at the moment of which you are aware?

**Mr LYON:** Not that I am aware of.

**The Hon. Dr B. P. V PEZZUTTI:** How much freight goes out of Bankstown at the moment?

**Mr LYON:** A fair bit. I could not tell you in precise terms.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any idea how much of that goes to regional airports?

**Mr LYON:** The vast majority of it would be going to regional airports. By regional airports I assume you mean Orange and Bathurst and those sorts of places?

**The Hon. Dr B. P. V PEZZUTTI:** Yes.

**Mr LYON:** That is where the vast majority would be going.

**The Hon. Dr B. P. V PEZZUTTI:** Those airlines already service regional airports in freight terms?

**Mr LYON:** That's correct.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any idea how many regional passengers use Sydney Airport at the moment?

**Mr LYON:** No, I do not.

**The Hon. Dr B. P. V PEZZUTTI:** I will tell you. It is 1.24 million. Is Bankstown Airport capable of taking that sort of load?

**Mr LYON:** I could not answer that question without seeing precisely the question you are specifically asking.

**The Hon. Dr B. P. V PEZZUTTI:** I am trying to find out if there is any basis for Bankstown Airport being a site for regional passengers.

**Mr LYON:** My answer to that question is in the negative.

**The Hon. Dr B. P. V PEZZUTTI:** There has been a lot of commercial activity in Bankstown, and some of the other evidence we have received is that there has been the development of motels and hotels. Is any of that related to the possibility of regional people coming to Bankstown?

**Mr LYON:** No.

**The Hon. Dr B. P. V PEZZUTTI:** What is driving it?

**Mr LYON:** I think some people saw an opportunity with regard to providing a level of accommodation and service that did not exist in this region prior to the building of the two hotels that you are probably referring to. By the way, a similar situation has existed in Parramatta.

**The Hon. Dr B. P. V PEZZUTTI:** I accept that. What about the thoughts put in our mind this morning about the improvements related to the Olympics? Are you aware of any Olympic-related activity?

**Mr LYON:** There is some hard standing being constructed on the north side of the airfield.

**The Hon. Dr B. P. V PEZZUTTI:** What is that to take?

**Mr LYON:** Just parking spots.

**The Hon. Dr B. P. V PEZZUTTI:** Just commuter craft?

**Mr LYON:** Basically the sort of aircraft operating out of Bankstown right now.

**The Hon. Dr B. P. V PEZZUTTI:** Just as background, are there servicing facilities for aircraft at Bankstown Airport?

**Mr LYON:** Yes, there are.

**The Hon. Dr B. P. V PEZZUTTI:** Could the servicing facilities be increased to take the Saab 340?

**Mr LYON:** Bankstown can handle the Saab 340 right now.

**The Hon. Dr B. P. V PEZZUTTI:** In terms of servicing it?

**Mr LYON:** There would be one or two organisations on the airfield that would be capable of handling that sort of aircraft, subject to approvals and any necessary changes to their internal documentation and standards activities.

**The Hon. Dr B. P. V PEZZUTTI:** What about the BAe146?

**Mr LYON:** Given that both aircraft are fundamentally turbine powered, you have approvals and other things to take into consideration for that sort of work to be done. Nobody on Bankstown, so far as I am aware, has type approval for BAe146s.

**The Hon. Dr B. P. V PEZZUTTI:** Has anybody in the Bankstown Chamber of Commerce been part of the consultative committee on Bankstown Airport?

**Mr LYON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** How many members do you have on it?

**Mr LYON:** I am usually the only person who attends. Sometimes one other person might come with me.

**The Hon. Dr B. P. V PEZZUTTI:** Are you in the habit of being informed of future plans well in advance?

**Mr LYON:** We are kept in the picture with things.

**The Hon. Dr B. P. V PEZZUTTI:** So that if there was anything in the wings you would be aware of it, on past experience?

**Mr LYON:** Yes.

**CHAIRMAN:** Mr Lyon, how many and what type of organisations form the Bankstown Airport Chamber of Commerce?

**Mr LYON:** The types of organisations are charter organisations, flying schools and maintenance organisations. The current membership is of the order of 50 or 60.

**CHAIRMAN:** Does the chamber have a position on landing fees at Sydney or at regional airports?

**Mr LYON:** Inasmuch as it might impact upon the current level of activity at Bankstown. If the landing fees at Mascot were pushed to the point where we got a concerted situation with regard to the movement of regional airlines to Bankstown, obviously we would have a position on that and we would be opposing it.

**CHAIRMAN:** And what about fee increases at country and regional airports? Are they of concern to you?

**Mr LYON:** They are not of great concern to us other than the ordinary situation with regard to the costing of activities. They are not going to have an impact on the volume of traffic and the nature of the traffic that might come into Bankstown.

**CHAIRMAN:** Does the Chamber have a position on the deregulation of intrastate aviation?

**Mr LYON:** Not specifically, no.

**CHAIRMAN:** And does the Chamber have any views on the operations of the Air Transport Council?

**Mr LYON:** No, not at this stage.

**CHAIRMAN:** Do the members of the Bankstown Airport Chamber of Commerce want to see rural and regional air services directed to Bankstown?

**Mr LYON:** Not specifically, no.

**CHAIRMAN:** Would the redirection of rural and regional services to Bankstown restrict the development of other forms of aviation—training, charter and general aviation at Bankstown?

**Mr LYON:** It could well do, yes.

**CHAIRMAN:** How many people are employed at the airport and what is the impact on the local community?

**Mr LYON:** Approximately 2,300 people are employed directly on the airport, with another 700 people who are employed in the immediate area, so totally you could say there are about 3,000 people employed directly associated with the airport. I would think that, given the recent activity that has been happening, if we had a significant increase in traffic that would start having negative impacts on the viability of the airport itself.

**CHAIRMAN:** What is the current relationship between the airport business and the community and how would this be affected if rural and regional air services were introduced at Bankstown?

**Mr LYON:** I believe that the situation between the businesses and the airport and the community is quite good. The chamber has been active in the past in making sure that operations are conducted in a way that is sensitive to people's desires in terms of noise and that sort of thing. The level of complaint, I believe, is relatively low, although from time to time we have had some specific instances, but they have usually been dealt with fairly quickly.

**CHAIRMAN:** What impact would the redirection of aircraft to Bankstown Airport during the Olympics have on its operation?

**Mr LYON:** Obviously that is a very hard question to answer at this stage, but we basically believe that the airport should be able to continue to operate pretty much as it is now without any significant change. If you look at the level of activity that goes on there now and what is likely to arrive with the Olympics, I do not believe the impact is going to be that significant. The biggest problem for Bankstown is going to be aircraft parking.

**CHAIRMAN:** How many more aircraft movements do you think Bankstown can handle as a percentage, or what percentage of capacity do you think it might be at now?

**Mr LYON:** I am not really in a position to give you a definitive answer on that. That question has so many answers, it is not funny. It depends on the level of service, infrastructure that might be available and a whole range of other considerations. It is almost impossible to give you a definitive answer on that.

**CHAIRMAN:** I am not sure whether you have had much connection with the slots into Kingsford-Smith Airport, but is it difficult to get a slot that you are aware of?

**Mr LYON:** It can be difficult from time to time, yes.

**CHAIRMAN:** Do you have any problem in getting into Bankstown Airport? Are there any restrictions there?

**Mr LYON:** Not in the nature of a slot, no, but in general terms no.

**CHAIRMAN:** Do you experience any trouble with the lows of flight patterns, north to 1,000 feet and the Kingsford-Smith low, flying too close?

**Mr LYON:** No.

**The Hon. E. M. OBEID:** Mr Lyon, your chamber believes that the community should not impose a set of requirements that prevents Bankstown Airport from meeting the transport needs of the people of New South Wales. This is a very broad statement. Which really applies, you do not want restrictions in view of the fact that you represent a lot of the service sector at the Bankstown airport, you would like to see more growth there?

**Mr LYON:** Yes, but a whole range of issues need to be put together in context with that. We have got a community situation to deal with. There is no particular advantage to the chamber or the operators who currently operate out of Bankstown by having, say, regional airlines conduct their operations at Bankstown.

**The Hon. E. M. OBEID:** Having said that, your members only benefit when there is more traffic coming through there. I mean, there is no way their business will grow without more traffic coming through there. We are told that the airport is at its capacity now. How do you envisage your members will benefit if there is no through traffic, more than what is there now?

**Mr LYON:** The chamber has not actually sat down and done a full economic study on that. You would really need to do that to give you the answer you are seeking.

**The Hon. E. M. OBEID:** I am saying to you, as the president of the chamber which calls itself the Bankstown Airport Chamber of Commerce, you are interested in the welfare of your membership. They can only benefit through more activity at the airport. On the other hand, you say you would not like to see regional services move to Bankstown, but then again, how do your members benefit when the airport is already running near capacity? How do they improve their lot?

**Mr LYON:** They have the same problem that most businesses have in the community across the board. They will continue to operate their businesses efficiently and effectively as they can given the current circumstances of their trade at the time.

**The Hon. E. M. OBEID:** What I am concerned about is that your statement really reflects that you would like to see more growth at Bankstown airport.

**Mr LYON:** I do not want to see the imposition of restrictions as we currently operate. That statement there is not intended to imply that the chamber is seeking to expand the level of activity at the airport. What it is saying is that what we do not want is the current situation restricted.

**The Hon. E. M. OBEID:** I find that a little bit of taking both ends of the argument. You do not want restrictions. If the community is up in arms about extending anything that is there now - -

**Mr LYON:** I would disagree that the community is up in arms.

**The Hon. E. M. OBEID:** We have had strong representation from the community that they have got enough now and they do not want to see any more.

**Mr LYON:** As I said, I do not believe that we have a major problem at Bankstown. There have been individual instances from time to time that have been dealt with effectively and what I would not like to see, what the chamber would not like to see is a set of restrictions which negatively impacted on the existing level of activity. Where we go in the future is another matter entirely. I do not have a crystal ball. I cannot give you an answer to that question.

**The Hon. E. M. OBEID:** You must agree that airports among residential areas, whether Kingsford-Smith, possibly Badgerys Creek or Bankstown, are creating a lot of difficulty as far as noise pollution and matters of community interest. You would only be adding more if we advocate what you are saying of leave it open so that someone might take advantage of that in the future.

**Mr LYON:** I do not see how the two things relate to one another. Business growth is a matter of a whole range of complex issues which inter-relate with one another. This industry does not operate in a vacuum. It has competition with the transport network and things of that nature. There is no crystal ball that I can give you to forecast with any degree of accuracy what the level of activity might be in some period in the future.

**The Hon. E. M. OBEID:** What I would like to know is how do you propose this happens in light of the current community problems and how they perceive the future growth would be?

**Mr LYON:** As I have said to you, I believe you have misunderstood certainly my intent.

**The Hon. E. M. OBEID:** It is not a clear statement that you are against any further growth.

**Mr LYON:** What I have said in that statement is that growth ought to take place in a natural process and if would you like to read the last sentence, it says, "whilst actively seeking to minimise the impact on local residents". I am fully aware that any growth that may occur at Bankstown will have to be dealt with sensitively and sensibly.

**The Hon. E. M. OBEID:** Has your chamber met with interested residents about the future of Bankstown Airport?

**Mr LYON:** From time to time people come along to the consultation meetings and express their views, yes.

**The Hon. E. M. OBEID:** You have not met with the current group that is meeting against any further improvements at Bankstown Airport?

**Mr LYON:** I have met with a group of people who claim that they represent the community, yes.

**The Hon. E. M. OBEID:** I am sure we do not want to play on semantics here. There is quite a large sector of the community that we know of who are very much against doing anything there and I am sure it would be in your interests, representing a lot of the service centres at the airport, to try to understand where they are coming from and how you can fit in with them.

**Mr LYON:** That is exactly what I think I said a couple of minutes ago. I mean that is precisely what I said.

**The Hon. E. M. OBEID:** I wish you well. You have certainly left it very open as to what you could see happening there. I would suggest that you do meet with community representatives. Maybe we could all be more enlightened.

**CHAIRMAN:** Do you personally or the chamber have any views on curfews at Bankstown Airport?

**Mr LYON:** The chamber does not have a view on it. My personal opinion is at this stage there is no need for such a curfew.

**CHAIRMAN:** You mentioned in your preliminary address that would you like to see current services maintained and that would include some freight services which I assume are things like mail and bank runs?

**Mr LYON:** Yes.

**CHAIRMAN:** You also suggested there are current passenger regional RPT services. Is that a large percentage or much of that?

**Mr LYON:** Very small.

**CHAIRMAN:** What concerns have you with the operation of Bankstown Airport?

**Mr LYON:** One of the things I am concerned about is sometimes things do get misrepresented and people take hold of what we might call technical terms and manipulate them for a meaning that is not consistent within what those terms are usually meant by the industry itself. The consequence of that can be that a false impression can be left as to what is happening in any given situation.

**CHAIRMAN:** Thank you very much for that, Mr Lyon.

**(The witness withdrew)**



**MALCOLM ANDREW CAMPBELL**, Operations Manager and Deputy Chief Pilot, International Aviation Pty Ltd, and

**JOHN KENNETH FITZGERALD**, Metro Captain, International Aviation Pty Ltd, sworn and examined:

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

**Mr FITZGERALD:** Yes, I did.

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

**Mr FITZGERALD:** Yes, I am.

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

**Mr CAMPBELL:** Yes, I did.

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

**Mr CAMPBELL:** Yes, I am.

**CHAIRMAN:** You have provided us with a submission. Would you like that to be included as part of your sworn evidence?

**Mr CAMPBELL:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present to the Committee should be seen or heard only by the members of the Committee, the Committee would be willing to accede to your request and resolve into confidential session. I will just ask you to give us a brief summary of your position and we will follow it up with some questions.

**Mr CAMPBELL:** I have been with the aviation industry since 1980. I am a licensed aircraft engineer and hold an airline transport pilot's licence. I have flown a variety of piston, turbo-prop and jet aircraft. I have extensive operating experience throughout rural New South Wales, Australia and overseas. I have been involved in operating regional airlines, passenger charter and air freight, involving flying, maintenance and operations management.

My role with International Aviation includes managing the RPT route structure, evaluation and selection of new routes, developing schedules and dealing with regulatory organisations. I am also involved in rostering the pilots, aircraft, fleet planning, field management and recruiting. I still manage to find time to fly with the airline, mainly between Mildura, Broken Hill and Sydney on the RPT route and ad hoc charter.

John Fitzgerald has been flying since 1991. He holds an airline transport licence. He has extensive operating experience throughout rural New South Wales and eastern Australia and has flown in the USA and the Pacific Islands. John has been involved in flying scheduled airline passenger and freight charter operations and was previously based in Bathurst for two years. John has previously provided consultant services to a number of passenger and freight charter operators.

John's role with International Aviation is primarily concerned with operating scheduled airline services between Sydney, Mildura and Broken Hill. He also regularly flies passenger and freight charters to destinations throughout eastern Australia and is involved in special projects, preparation of tenders and charter quotations.

**CHAIRMAN:** The questions that we ask you can either take on notice or provide us with answers to the best of your ability. You mainly operate Metros?

**Mr CAMPBELL:** We operate Metros, and the largest aircraft we have got are Hs748s, which are 54-seat capacity. At present we are not operating with passengers on that configuration; we are only in freight, which is five-tonne capacity.

**The Hon. Dr B. P. V PEZZUTTI:** What is a simpler name for the Hs748?

**Mr CAMPBELL:** It is the Hs748. It does not have another name, unfortunately.

**CHAIRMAN:** Do you want to go through your submission? There are some points in there that you might like to bring out.

**Mr CAMPBELL:** I have actually written a brief just on the terms of reference this afternoon. The KSA landing fees was the first on the list of the terms of reference. Previously, or still, at present, landing fees are based on \$5.72 per tonne, which on a Metro for us worked out to be \$34.32 each landing. If you are unfortunate enough to get a peak landing, it is \$250 for a landing or \$250 for a takeoff.

These peaks are discriminatory against smaller operators, who cannot distribute the fees amongst as many passengers. At present slot times have been allocated. All our company slots have been booked outside of peaks with the controlled departure times program. They issue delays in departing out of ports to arrive in Sydney, and these delays quite often put us into peak landing fees, which are beyond our control. We still get charged the \$250 peak fee.

There are also delays caused by air traffic control. Whose fault they are I do not care. We still have a slot allocated and we quite often get a un-forecast peak landing fee. We limit our Metros to 10 passengers, and the cost of distributing our peak fee amongst 10 passengers is exorbitant. These fees are set up basically by the major airlines.

A set fee of \$250 distributed among 300 passengers is nothing. Distributed among 10 passengers it is horrendous. The fees change as at 1 October. The \$2.92 per thousand kilos with a minimum of \$100 is increased to \$140 within the next two years. This clearly is in favour of the operators of larger aircraft, who will show a reduction of fees.

A 747-400, of approximately 400-tonne capacity, will be paying \$1,168. They would have been paying \$2,288—a saving of about \$1,000 on a landing, while our landing fee will increase by \$65 a landing. Our aircraft have, as I said, seating limits of 10 passengers. On a two-hour flight it is very hard on that seating capacity to spread that cost out amongst the passengers. The passengers will look for alternatives—for example, bus or car—for travel.

The next term of reference was landing fees at regional airports. They vary greatly from airport to airport, averaging around \$80 for a Metro 2. The highest I know of is Jackson, which is privately owned, and that is \$855 per landing for a Metro 2, which is ridiculous. It becomes an airport for emergency use only. That is an extreme. Once again, these get passed on to passengers.

Where we have problems is training and recurrency requirements, which require repeated circuit training and landings. The costs mount up astronomically.

Regional centres prefer turbine and jet aircraft and naturally would like to have the best service possible, yet charging exorbitant fees which get passed on to passengers. Starting new services requires bums on seats as soon as possible. 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 changes becoming unviable and hence withdrawn. Passing on any expense will encourage people to look for alternatives, once again car or bus. Most regional routes are marginal enough with low passenger loads. Any additional costs can have dramatic effects.

Slot times: For our operation we have had no problem with slot times. We do not have a huge requirement at this stage. We do believe there will be difficulty in gaining additional slot times for the expansion we have planned. I cannot comment on it being difficult at this stage but the people in the slot allocation have been very co-operative. We just hope we can get the slots we request in the future.

Limiting access of aircraft from Sydney and diverting country inbound traffic to Bankstown is not a viable alternative. Apart from the high aircraft traffic loads at Bankstown and in the morning around 6 o'clock to 7 o'clock and in the evening, again around 6 o'clock to 7 o'clock when the bank and freight run traffic comes come in and out, you can have up to 10 aircraft in one circuit on bad days. Already the means of getting passengers to and from the city to Mascot and Bankstown is very time consuming with no suitable public transport and over-congested roads. People need to be able to meet connecting domestic and international flights and keep meetings in the city without fear of traffic delays already in excess of one hour in peak time.

Deregulation is not really a "do I agree or don't I agree" situation. There are for and against. Providing regulation is unbiased and fair, continued regulation I believe is warranted. This industry for small operators is fragile, to say the least. For a fledgling operation to have just established themselves on a protected run and then to have another jump in after the local public has been educated to travel by air quite often results in insufficient passengers for both carriers and in many cases is predatory. With our company, we have been operating Sydney to Mildura for about four to five months now which is not subject to regulation because it is interstate but if it were subject to regulation we would have been a lot happier.

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 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.

While this is interstate, this sort of thing happens on intrastate operations. We are looking at a number of smaller intrastate operations we would like to run, but it is dicey to have a lot of expenditure and someone else backed by a major carrier, either Qantas or Ansett come along and say, "Well, that is a bit close to Dubbo, we might put them out of business, withdraw the route and put it back on our original route. But it has to be fair. Some routes should be regulated with one operator. Some suit more than one operator but, it needs input from local council, local industry and passenger statistics. Sometimes when there is one operator, for instance, Broken Hill to Sydney, Hazelton Airlines are operating only a midday flight which is not servicing the city's needs. The local mayor approached us and since then we have been running Broken Hill/Mildura/Sydney. This gets around the regulation problem because we are operating interstate, but we would like to run it direct to Sydney as a second carrier but we would still like it to be a protected route.

Summing up, a lot of these terms of reference cover items having a direct financial impact on our company and companies like ours. Increased costs mean fewer passengers. Passengers look for alternatives which usually means either car or bus. These changes mean more people on our country roads and between Bankstown and Mascot and the percentage of people killed travelling from country areas will dramatically increase statistically with the safety in airline travel. Keeping the cost of aviation down will directly save lives.

**CHAIRMAN:** Did you have any further comments to add before we go to some questions?

**Mr FITZGERALD:** No, I think it is an appropriate time to have some questions, but to emphasise what Malcolm said, we have established a successful airline service to Mildura and Broken Hill. The people of Broken Hill from time to time ask us why is it that we cannot go from Broken Hill straight to Sydney and we tell them, of course, that the New South Wales regulation issue is the reason. The regulation or not regulation of New South Wales intrastate services is not a simple yes or no answer. Obviously we would like to get out there and expand our company with more routes.

This whole business is very marginal whether you make a profit or do not. As Malcolm mentioned, as our costs increase we necessarily have to pass those on to our passengers. As airline tickets increase, passengers will not get on an airline; they will drive their Holden for 12 hours from Broken Hill to Sydney. I believe it is an accepted fact from Federal Government statistics and various other civil aviation safety authority statistics that any form of commercial air transport, including air charter or airline service, is safer than being on the road in a private motor vehicle. The more people who end up on the roads the worse off they will be in the safety scenario overall.

It is also important obviously for regional and rural New South Wales to have expeditious travel access to and from the city and for specialist expertise to get from the city to regional and rural areas. If you do not have an RPT airline service going to an area, obviously it is back to air charter which costs more or, once again, travelling by road. So we would love to hear some questions from the Committee at this stage.

**CHAIRMAN:** Thank you, Mr Fitzgerald. Both of you I think alluded to fairly significant flying experience in country areas. What areas have you flown and operated in? You mentioned Bathurst. Give us an idea of your background.

**Mr FITZGERALD:** I originally started flying tourists round the Blue Mountains and out of Katoomba. I spent a few years in Bathurst flying a combination of passenger charter and freight charter throughout eastern Australia including most of New South Wales. It is a combination of government officers, private business people and private individuals travelling around the place. I have done limited flying in the United States of America and across the Pacific Islands, ferrying aeroplanes around the place and operating the current airline service out of Mildura and Broken Hill.

**Mr CAMPBELL:** I have a similar background. I have operated mainly charter around Australia with a small amount of overseas charter, ferrying aircraft from Japan, Asia, Taiwan, all around the Asian sectors, scheduled airline services between local places, Bathurst, Cowra, Young, Cootamundra, Forbes, Condobolin, Lord Howe Island, Norfolk island and up to Brisbane and a lot of regional New South Wales centres. My predominant experience is in charter.

**CHAIRMAN:** Is it very easy for charter operators to get extra slots in Sydney airport?

**Mr CAMPBELL:** On a one-off basis at this stage it has not been a problem. They ask for 24 hours notice, but slot allocation has not been a problem at this stage.

**CHAIRMAN:** If the Air Transport Council were to continue on and if there was no deregulation, that Broken Hill run that you spoke about, would you like to see a chance to operate that in association with somebody else? If the Air Transport Council continued on for another three years, what they would do normally is advertise that route and you would have an opportunity to bid for that as well as the current operator and put your proposition that the two operators run.

**Mr CAMPBELL:** I have no problem with continuing with the run with competition. Even if it is allocated to one operator, at the moment we can show that it requires a second operator. It has happened in the past with other places, but my information at the moment is that for Broken Hill they are not interested in having a second operator. So, for the time being we do have to run via Mildura.

**CHAIRMAN:** You say not interested in Broken Hill, you mean the Air Transport Council?

**Mr CAMPBELL:** The council is not in favour of us running another service.

**CHAIRMAN:** Slots are allocated to airlines, not to individual towns. We have had a lot of complaint about that as we have gone around country areas. They are concerned that if there is deregulation, some of the other airlines may choose to allocate those slots to their better passenger-orientated services and forget the smaller towns.

**Mr CAMPBELL:** That is something that has not occurred to me but it makes perfect sense. We have got a lot of fear from Qantas and Ansett. They are the majority of the backers for the smaller regional operators. They can swap slots within their own company. They do have the proviso to swap with other operators. That has not been something that has been prevalent with us and I do not see it happening, but that would be a protection for country towns if they had a certain number of slots allocated for their own routes. Then it would not matter who is operating in there, the slots would be available.

**CHAIRMAN:** Is the Air Transport Council working effectively in terms of licensing charter operators?

**Mr CAMPBELL:** The Air Transport Council does not licence charter operators.

**Mr FITZGERALD:** We are not affected by that in our day-to-day operations. My understanding of that is it affects charter operators who operate a charter between any two New South Wales ports requires a licence which is a yearly renewable licence. It is a piece of paper on the wall. You do not let it run out. That is the effect it has on us. I think there is some requirement that you cannot do between two ports more than six times a month but 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.

**CHAIRMAN:** Are the Civil Aviation Safety Authority regulations for charter operators sufficient to ensure that charter operators can offer efficient and safe services?

**Mr CAMPBELL:** The rules are very strict providing people abide by the rules. There are still one or two operators who are managing not to abide by the rules in certain areas. Generally the whole game has been lifted since the two main crashes that have been talked about most of the time. Most operators are running a pretty good show at the moment. As far as RPT goes with maintenance and operating standards, they are basically the same. It is just a lot more tape with RPT. Anything that goes through CASA to be approved, whether it is a new route structure, a new aircraft type line on the AOC becomes extremely difficult if it is RPT whereas with charter it tends to go on a little easier.

**Mr FITZGERALD:** Just to add on the charter versus RPT issue regarding the Civil Aviation Safety Authority, the number of aircraft with fewer than 10 passengers operating in New South Wales has diminished. I think it is down to three operators running RPT airline services. However, I am aware there is a proposal before CASA to bring the regulations concerning RPT and charter aircraft into line so they are the same regulations for aircraft with fewer than 10 passenger seats.

This only would affect two or three operators around the place operating Piper Chieftains. There are no turbo-prop or jet operators with fewer than 10 passenger seats operating, so where you have aircraft with fewer than 10 seats, charter and airline standards are going to be the same. That is, I believe, the proposal that Dick Smith is championing at this stage. Above nine passenger seats I think that the charter and RPT standards are higher.

**CHAIRMAN:** One of our witnesses suggested that there was going to be more self-regulation with CASA in the future? Do you have any concerns with those proposals?

**Mr CAMPBELL:** I am not fully conversant with the level of self-regulation within CASA. I know that CASA is a law unto itself. It can do whatever it likes. It will not put anything in writing. It will make unlawful requests. One person in particular who has just been stood down was putting requirements on us before they would issue us an airline operating

certificate. When questioned on it we said, "This is not lawful. You have no right to ask for this," and the reply was, "I am not going to put it in writing, but if you do not do it you will not get your certificate." That was repeatedly conveyed back to us.

The CASA operators at Bankstown and Brisbane, Archerfield, Wagga and Tamworth all have different interpretations of the rules. Some operators have changed their chief pilot's office so that they can get a different regional CASA operator to get things passed. It is quite common for that to happen. CASA is very difficult to work with. It will not work with you; it works against you.

**CHAIRMAN:** Some of the country councils have suggested that if deregulation were introduced and there was a lot of competition with people in planes flying into some of the smaller airports in country areas, costs would be driven down to the extent that it was not productive to continue to fly but the first thing that companies would do would be to reduce their safety. Do you think CASA would have sufficient controls to guard against that?

**Mr CAMPBELL:** I do not see that reducing the profit margin on operators should reduce their safety margin. There are certain rules in place that have to be complied with. The engineer certifying the aircraft is the one whose life is on the line when it comes to an accident. If any engineer got pressure from his manager, he is not a good engineer if he lets an aircraft out without seeing it safe and maintained within the law.

I have been in situations where operators have said to me, "Can it go today? We do not have to change that tyre." They are performing the management role. They are seeing if the engineer is over maintaining it or it is something to be put off. There is nothing wrong with a manager saying to an engineer, "Can this go now?" It is up to the engineer to say, "No, it can't." Managers have to accept that.

I have been in that situation many a time, and it has always been accepted if I have said, "No, it has to be fixed." Then it has to be fixed. It should not come down to costs, but there are some operators—not many now—who do sacrifice maintenance.

The big thing that happens at the moment is that pilot wages are sacrificed. The award was written in 1984, and the last amendment to it was in 1995, and they are very small amendments. The co-pilot's award for flying a Metro on an airline service is about \$25,000 a year. It is not very good.

The amount of responsibility a co-pilot, let alone a captain, has is enormous. A captain who has spent probably up to \$50,000 to get rated and the appropriate experience under the award is on \$41,000 and is in command of an airline aircraft. So wages do not go up. Every time bills go up to an airline wages do not.

We pay above the award now. I would like to pay a lot more, but every time a bill goes up I cannot go to the boss and say, "Well, I am going to put them up another \$5,000 a year." We have to justify the other expenses first.

**Mr FITZGERALD:** On the issue of a plethora of aircraft flying around the place and reduced profit margins leading to pressures on operators to reduce costs and a reduction in safety, there will always be operators who meet the bare bones of the legal requirements and will be safe. There will be other operators who perhaps far exceed the minimum legal requirements.

If the operators who are now far in excess—I can think of a couple of them who are out there now—of the legal requirements reduce that excess they could be still quite safe, if you like. If there are operators out there who feel the need to reduce their costs to the point where they are not meeting legal requirements and there are a plethora of aircraft on that route, based on my experience in the industry, all the pilots working for the other companies will basically do in the guys who are cheating. It is like the schoolyard scenario.

If somebody is getting away with something, the other guys will do them in fairly readily. That is where the CASA issue becomes a factor. Underlying all of that regarding CASA and its ability to enforce regulations and the appropriateness

of regulations or otherwise, no operator—it does not matter who you are and where you are going in this country—charter or RPT or any operator cannot afford to have an accident.

If you go out there and have an accident and hurt somebody, you are guaranteed you will be out of business within 12 months. It has happened time and time again. It does not matter what the minimum legal requirements are. Every operator who is at all sensible knows that if he goes out and hurts a paying passenger, the chances are that he is not going to be in business. So in that way you are alluding to self-regulation. I think that is the underlying factor that every smart operator is aware of.

**CHAIRMAN:** You fly the Broken Hill-Sydney-Mildura route. How much extra time does that Mildura journey take?

**Mr CAMPBELL:** Without the actual time on the ground, picking up extra passengers and refuelling, the sector time itself has increased by about 25 minutes. The flight time from Broken Hill to Mildura is 35 minutes and into Sydney is about one hour and 55 minutes. A direct flight would be about two hours and five minutes Broken Hill direct to Sydney. At the moment we land at Mildura in the morning. You are on the ground about 6.35 and airborne again at 7.10. There is an extra delay there as well

**CHAIRMAN:** And that is in the Metros?

**Mr CAMPBELL:** That is in the Metros.

**The Hon. E. M. OBEID:** It is quite obvious that you do not think that Bankstown Airport in its present state has much prospect. It is quite clear. We have seen it. You have certain concerns about the major airlines and the way they can manipulate, to your disadvantage, people in your side of business. That would tend to grow. Can you just elaborate a little more on what you have said?

**Mr CAMPBELL:** For want of resources. They have the opportunity because two of the major Qantas-backed companies are Southern and Eastern Australia Airlines. They are operating primarily Dash 8 aircraft, although Southern also operates BEa146s. They show a profit on all their routes.

Twenty-five per cent of Qantas's total expenditure goes to reservations and marketing. I am sure when they are showing their profit structure on the regional routes of Eastern and Southern they are not including reservations and marketing. They have a lot bigger resources at their disposal and it is easier to show a profit. And when they have \$15 million aircraft they are operating on routes that you could not possibly support a lease on, let alone purchase, we are behind the eightball to start with unless we are backed by a major carrier incorporating reservations and marketing.

It is to the benefit of Qantas and Ansett to have these regional carriers, because they get the on-traffic on their other domestic routes and overseas routes. But for someone who is just carrying regional traffic to the city from country areas it is very difficult to compete.

**The Hon. E. M. OBEID:** You are all for deregulation; it will improve your business.

**Mr CAMPBELL:** I am not necessarily for or against. It is not a yes or no answer. Regulation has its place if it is managed correctly and has a bit more input from councils and industry within the city itself looking for another operator, or if there are three operators who cannot make it, possibly it is only suitable for two.

On some routes where they have only one and they have a monopoly on it, there quite possibly is room for two. But the problem with deregulation is with routes like Deniliquin. We are looking at the moment at operating into Deniliquin. People have operated the route into Sydney in the past and it has been marginal, but they have been operating smaller piston aircraft. We hope that in the future we can run the route with a Metroliner and that the larger aircraft with a quicker flight time will be able to attract more people.

There is a certain amount of education of the public involved. Once you have educated them to travel by air, your flying loads pick up relatively quickly. If we are just starting to get to a break-even or a profitable stage and someone else says, "Look there are passengers there. We will come in there and operate a Chieftain or another Metro", all a sudden the loads are down below profit again.

We might have spent about six months getting to a stage where it was becoming almost a profitable state and someone else will come in and kill the profits. There are still passengers for both people but it would not support two.

**The Hon. E. M. OBEID:** Can you just further explain slots? When you are landing you have certain slots in which you can land, but sometimes you are delayed and you have to pay peak rates. Is the slot time within the right rate and then, if they delay you, do you have to pay a much higher rate? Could you just elaborate a little on that?

**Mr CAMPBELL:** With the slot times at present you bid on a slot time or you ring Ernst Krolke. He is in charge of allocating slots. There is talk of a bidding system for it. We have come in late to the system with slots, and every time we have requested one or a change Ernst has been very co-operative and we have got the slot we have requested, mainly with a five-minute change either side of what we have requested, so it has worked quite well so far. You get allocated a slot.

For instance, in the morning slot we had one 10 minutes before the peak. The peak was eight o'clock, so if you landed between 8.00 and 9.00 you would cop, on top of your normal \$37 fee, an extra \$250.

About six o'clock the night before the controlled departure program management system faxes us a list of delays. We get a list of about 10 operators. On ours the delay is anywhere between nothing and one hour. We generally get somewhere of the order of between 15 and 25 minutes, which means we have to delay our departure—and in our case it is Mildura—out of Mildura by 25 minutes, which then puts us behind the eightball. We then get a peak charge.

If we have been allocated a slot, I think it is unfair that we get charged a peak charge when it is the controlled departure program people who have delayed us in the first place.

**The Hon. E. M. OBEID:** It is a great way of earning money, isn't it?

**Mr CAMPBELL:** The purpose of the slots was to ease congestion in the peak periods. I can see the logic of that. As soon as slot times were introduced, they should have scrapped the peak charges because slot times in themselves stop peak congestion. As of 1 October the peaks are canned, but we are still paying for them now and we have in the past.

**The Hon. Dr B. P. V PEZZUTTI:** I am interested in a couple of things. You talked about the problem of competing in a market. Take Broken Hill as an example. If, for example, to give the people of Broken Hill a better service instead of just one service a day directly to Sydney there was a need for two and the current operator - I assume it is Qantas?

**Mr FITZGERALD:** Hazleton Airlines.

**The Hon. Dr B. P. V PEZZUTTI:** If they were to propose a second run, that would initially cut down on Hazleton's carriage, you would think. This might go to a number of other areas where Hazleton did have services and have licences for services but then withdrew them. There are 14 in New South Wales, I think. Is there a place for a community service obligation payment by the New South Wales Government to give equity of access to people from regional New South Wales to the capital, Sydney?

**Mr CAMPBELL:** I do not know what you just asked.

**The Hon. Dr B. P. V PEZZUTTI:** I am asking you if at the beginning of a route like Deniliquin there is a route which needs to be serviced because the people need it and yet it is unprofitable, is there a place for the Government to make community service obligation payments to assist those people to have equity of access?

**Mr CAMPBELL:** I would see something of that order should be in place. In the past I believe it was in place in many cases. I do not know over what point they cut it out. There was lots of support to the aviation industry many years ago. It was all cut out to the point of parking fees and things like that. As far as being encouraged by local council, Deniliquin and Swan Hill especially at the moment, are keen to have a service but there is nothing in place of financial assistance to set it up. The most they can offer is a positive press statement and a bit of help with the terminal.

**The Hon. Dr B. P. V PEZZUTTI:** Have you approached the state and regional development in New South Wales, Harry Woods or the Treasurer, Mr Egan, in regards to start up costs?

**Mr CAMPBELL:** No, I have not.

**The Hon. Dr B. P. V PEZZUTTI:** Have you any idea of what the community service obligation payment is or the subsidy to the railway line that has been reintroduced to Broken Hill?

**Mr CAMPBELL:** No idea.

**The Hon. Dr B. P. V PEZZUTTI:** That railway line could not possibly operate at a profit. In fact it is making a dead loss.

**Mr CAMPBELL:** In fact the service between Mildura and Broken Hill was - -

**The Hon. Dr B. P. V PEZZUTTI:** The State Government made a political decision to return a train to Broken Hill which was losing money hand over fist. It made that community obligation payment for equity of access. As a matter of fact, they paid it. They are prepared to pay for a train to go to Broken Hill but it is not reasonable to make a community service obligation to the passenger or to the airline to make some of these regional airline services that are unprofitable, and therefore do not exist, profitable.

**Mr CAMPBELL:** Even subsidies in the case of landing fees reduction would be a help. At the moment at Broken Hill we get charged \$18 turn around for each passenger we put into the airport. Mayor Black who has been very supportive of us, approached us to run the service to Broken Hill but he is not in a position to waive that fee. It would be an immense help to us. We are operating an average of probably four or five passengers from the Mildura/Broken Hill sector. Some of those travel on to Sydney and some do not. When we were operating Sydney/Mildura without Broken Hill, our average load was three passengers and we were almost to the point of cancelling the service. By adding Broken Hill, for a number of reasons the whole service filled up, and we are full on most flights now, so we are looking for a larger aircraft.

**Mr FITZGERALD:** The issue of government subsidies to rural airlines, and I think that is what you are talking about, is something that I think the Queensland Government has been subsidising country air services for some time now because of the vast size of the State and small rural communities, which is similar to country towns in New South Wales. When you start running an airline service you have to go every day of the week that somebody wants to go. There are huge outlays. The amounts of money you are talking about are frightening. You can tear up half a million dollars in no time flat. When you change from a charter operator to an airline operator everybody has their hands out for money. You have councils with their airport landing fees, passenger terminal charges and airline reservation booking systems. Every man and his dog has his hand out for your money. It is not our money but the passenger's money.

One of the interesting things that is a significant cost for us is the cost of using country airports. My understanding of the way airports used to be run in this country under the Federal Government is that the Department of Transport

maintained them, had a fair amount of money and life was beaut. They were then handed over to local councils in the majority of cases and local councils need to run the airports as a cost centre or profit centre, but either way it is a facility for the local community to provide a service for the people of that community, but the local council still has to pay for the upkeep of the airport. It is not an insignificant cost in a local council budget such as Broken Hill. So they need to charge airport users, the airlines and charter operators, landing fees. They need to charge passenger ticket taxes for somebody to walk through their terminal and the costs go on. I should say that a lot of these issues are Federal Government issues perhaps, but it may be within the State Government 's realm of jurisdiction to consider grants to country councils for upkeep of airports, improvement programs at airports. That may be something you would wish to consider.

**The Hon. Dr B. P. V PEZZUTTI:** Given that the State Government does subsidise Countrylink and its transport operations on the ground, I was wondering that it maybe a way of getting round this. As we go into deregulation and if it is deregulated and in Ballina we end up with two or three operators which is quite a profitable run, we might end up with a whole lot of little aeroplanes that probably would not need to be subsidised but where there is no service at all or where you have a marginal service, that may be something that is worthy of approach. What is this 54 seater? Is that a turbo prop?

**Mr CAMPBELL:** Yes. Three years ago the council 's policy was that if an operator operated a certain aircraft, it might be a 30 seater or a turbo prop or jet, at no point could any operator coming on to that run operate a lesser size or capacity aircraft. If someone was operating a Chieftan, moved into a Dash 8, which is a huge step, the run could not support it and they fell over, anybody else who wanted to operate that service would have to operate a Dash 8. That makes the route unprofitable, and all you do is see one operator after another fall over on the same run.

**The Hon. Dr B. P. V PEZZUTTI:** The 54 seater, where do you fly that?

**Mr CAMPBELL:** We use it for freight at the moment. We are in the middle of contract negotiations with a number of operators. One will be Brisbane/New Guinea, and the other one will be operating Sydney/Melbourne/Sydney each night or Sydney/Brisbane/Sydney each night. We have one we purchased out of South Africa which will be on its way in the next month or so and it is a full passenger interior one and we hope that will be on the Sydney/Mildura/Broken Hill one.

**The Hon. Dr B. P. V PEZZUTTI:** In terms of what could happen after deregulation, would you consider your Broken Hill/Mildura/Sydney run a straight Broken Hill/Sydney run?

**Mr CAMPBELL:** It is something we are looking at. I really need to look at it closely before I make a decision on it, but I see possibly in the future there will be the Sydney/Mildura direct and Broken Hill/Sydney direct services running parallel.

**The Hon. Dr B. P. V PEZZUTTI:** There is nothing to stop you running Broken/Bankstown at the moment, is there?

**Mr CAMPBELL:** Yes, passengers.

**The Hon. Dr B. P. V PEZZUTTI:** I am pleased you answered in that way. Obviously you got round the problem by going to Mildura, but I wonder if there is any interest out there from anybody in regional New South Wales in flying to Bankstown?

**Mr CAMPBELL:** The only advantage with Bankstown over Sydney is you can park your car. There is no parking that does not cost a fortune at Mascot. In fact I had a call today from the people at the motel we stayed in at Broken Hill. The person who was going to book with us was not going to book because they thought we would go to Bankstown. Once he found out we go to Sydney he made a booking. People are afraid to come to Bankstown because you then have to

travel to Sydney to make a connecting flight or get into Sydney with a huge cab fare or a big wait in somebody 's car, which is too unreliable.

**The Hon. Dr B. P. V PEZZUTTI:** From inside the airline industry are you hearing discussions from the Sydney Airports Corporation or its predecessors suggesting you might think about flying into Bankstown?

**Mr CAMPBELL:** There has been talk of anything less than 30 seaters being pushed into Bankstown. I see that as being another thing by Qantas Ansett where they know they are running Dash 8s and Saabs, so it will not push them out. Anything less than they have there is no competition, they have all gone to Bankstown. Kendell and Hazelton are phasing out their metros and Easterns at the beginning of next year will get rid of their jetstreams. It will not affect the major backed airlines one again, but all it needs is it is another way for the big guys to push out the small operators. No one wants to go to Bankstown.

**The Hon. Dr B. P. V PEZZUTTI:** That is being pushed by the two airlines. Is there anything coming back from Sydney airport operators making those suggestions to you?

**Mr CAMPBELL:** I am not quite sure where it comes from. It is talk within the industry. As you get into this document it is quite difficult sometimes.

**Mr FITZGERALD:** I have not been aware of anything in particular from Sydney Airports Corporation or the Sydney Mascot management in writing. It is obvious on page 2 of your handout the charges for Sydney and I refer in particular to the minimum landing charge for a fixed wing aircraft of \$100. This type of flat fee charging in Sydney has been coming in over the last few years. It has taken the little guys. It is we want anything that is 400 seats with the white kangaroo on its tail over here and you other guys we are not interested in, but if you can afford it we will have spare runway capacity. Bankstown versus Sydney is an interesting issue. We are a company that has set up in Bankstown. We have an extensive hangar and maintenance base at Bankstown. Our operational officers are at Bankstown. A number of our staff live quite close to Bankstown Airport. The reality is that no passengers want to go there. We would be quite happy to fly out of Bankstown Airport if all the other regional airlines are forced to go there. We would be in a good position, but if we are the only regional airline that flies out of Bankstown Airport and the competition goes to Sydney we will not have any passengers. Everybody wants to go to Sydney. They are either getting connecting flights interstate or overseas, or they wish to do business in the CBD which is far closer in time from Mascot airport than it is from Bankstown

You guys have travelled out to Bankstown town centre today. Getting from the CBD to Bankstown Airport by road in peak hour is a nightmare. The roads are terrible. The sign posting to find Bankstown Airport once you have found Bankstown is non-existent. It seems that no Sydney taxi driver knows where Bankstown Airport is and once he gets there he does not know where the passenger terminal is. I have done a great number of passenger charter jobs for a lot of business people, private people and, indeed, government officers of various departments. The Bankstown Sydney issue is an interesting one. Some departments always travel out of Sydney and others out of Bankstown. If they travel out of Sydney they would probably incur on, say, a \$5,000 charter job it would cost us and we would pass on to them a \$600 surcharge to fly over to Sydney to pick them up and fly back to Sydney to drop them off.

There are significant costs associated with us operating from Sydney on charter and in airline as opposed to us operating from our own base at Bankstown, but the reality is nobody wants to go from Bankstown. As I say, the roads and signage are terrible just getting there and once you get there the passenger terminal facilities are pretty ordinary as well. If you can imagine Bankstown Airport, from an aircraft operating point of view it is not too bad. You do not get the delays and big costs that you do with Mascot. Bankstown Airport's roadways and the access to it by road were built in the second world war. It has evolved.

**The Hon. Dr B. P. V PEZZUTTI:** You get wet feet walking out to the aeroplane.

**Mr FITZGERALD:** 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.

**The Hon. Dr B. P. V PEZZUTTI:** Say, for example, Sydney Airports Corporation decides that because of the noise that people are making around Sydney about aircraft noise and they want fewer aeroplanes, they make the smart decision to transfer all regional services to Bankstown, that would require change to regulations or even change to the legislation. Say they made that decision and they promised the people from country areas that they would have a fast transport service to Sydney and everything would be wonderful, how much do you think that would set back regional air transport?

**Mr FITZGERALD:** The issue is an interesting one. It will affect cities and towns which are closer to Sydney more than those that are further away. If you are coming from Broken Hill to Sydney, getting to Bankstown is a good first step. But if you are coming from Bathurst, Mudgee or Newcastle and you are forced to go to Bankstown Airport, the road option becomes a really good option.

**The Hon. Dr B. P. V PEZZUTTI:** From Lismore I would drive to Coolangatta and get the jet. What about in terms of what would be needed out here, the cost of setting up the infrastructure, have you any idea of that?

**Mr CAMPBELL:** I have no idea of the costs but there would be a huge change and it would have to take five years to set it up properly with road changes or possibly a monorail system running through to Sydney so that every 15 minutes you can get a direct trip that will take you 15 minutes. The only way I can see it is the monorail, but people don't like the monorail. People who live near Bankstown know that there is light aircraft traffic. You start bringing regional aircraft in, larger with longer flight paths, lower and longer, the people did not move near Bankstown knowing that was there. They moved to Sydney knowing that was there. A lot of people have industry related to Sydney airport. It disrupts a whole lot of people by moving a business centre of the aircraft industry from Mascot to Bankstown.

**The Hon. Dr B. P. V PEZZUTTI:** From your knowledge of the regulations, what would be one of the recommendations from this Committee that would establish and almost embed regional airlines into Sydney?

**Mr CAMPBELL:** I do not understand.

**The Hon. Dr B. P. V PEZZUTTI:** What is there that we could recommend as part of our inquiry recommendations that would embed regional airport access, regional traffic access to Kingsford-Smith?

**CHAIRMAN:** He is suggesting what sort of guarantees should there be.

**The Hon. Dr B. P. V PEZZUTTI:** What do we need to recommend to ensure that regional people have the same access? Legislation covers international and interstate but it does not cover regional. There are regulations which cover regional but not legislation.

**Mr FITZGERALD:** You are talking about Sydney (Mascot) Airport slots locations?

**The Hon. Dr B. P. V PEZZUTTI:** Yes.

**Mr FITZGERALD:** I believe there is a term called fenced-off slots. Are you familiar with that?

**The Hon. Dr B. P. V PEZZUTTI:** Yes.

**Mr FITZGERALD:** I was very interested to read about that only this week. Keeping up as a company and a pilot operating to Sydney regularly with the ongoing changes is pretty much a full-time job on its own. However, reading about the fenced-off slots for New South Wales country services, that seems to be a recommendation that you could pursue: to cement those fenced-off slots in place somehow.

**The Hon. Dr B. P. V PEZZUTTI:** You can fence off the slots but, as you point out, if the landing fee is too high that helps make the routes unprofitable and, therefore, the routes do not happen. What we are trying to do at the same time that we deregulate—this Committee is also interested in State development, which is our basic reason for existing—is to ensure reasonable access and development of regional communities. You do not get regional communities developing unless they have reasonable access to the city. If you fence off a few slots and put the prices up, how does that help regional New South Wales?

**Mr FITZGERALD:** What it is going to do is obviously increase operating costs, which will be passed on to the paying passengers. The paying passengers will look at the cost and look at the option of going by road. Basically, going by private car seems to be the way people think of travel in this State. More people will go by road. It is as simple as that. If you up the price, you are going to have fewer people buying tickets and you will have smaller aircraft and more people travelling by road.

**CHAIRMAN:** You mentioned the airline reservation system. Is that expensive or difficult from your point of view?

**Mr CAMPBELL:** The airline reservation system at the moment is monopolised by two major carriers again, and unless you are aligned—

**The Hon. Dr B. P. V PEZZUTTI:** Duopolised.

**Mr CAMPBELL:** Sorry, I will treat them as one. Unless you have an arrangement with Qantas or Ansett, which is extremely difficult to get nowadays, you basically cannot get a start. Seventy-five per cent of our ticket sales should come through the Sydney-based bookings and 25 per cent should be at the regional centre. That is based on local traffic and local knowledge.

At present because we cannot get on a Qantas or Ansett system—they will not look at us—we are getting probably 90 per cent of our sales from the Mildura or Broken Hill end and 10 per cent from Sydney, because all the reservation computers at the moment work on what is called the SETA system. It is an archaic, old computer system about 40 years old in design. It could be all done by Internet or modem, but they do not want to do that because it is duopolised now.

Ninety-nine per cent of travel agents have what is called Galileo or Sabre. This is connected to the SETA system, so travel agents will only book on-line through computer. We appear on Galileo and Sabre. Ninety per cent of travel agents are affiliated with either Ansett or Qantas. Because they are affiliated with them, they type in a destination. They might type in "Sydney-Mildura QF" or "Sydney-Mildura AN". When they put the QF or the AN at the end the only thing that appears on that screen is Qantas and Ansett flights or people affiliated with them.

If they put in "Sydney-Mildura YK", which is our last letter code, nothing appears. I cannot tell you why. If they put in "Sydney-Mildura" with no code, we are top of the list. Then it will show Qantas and Ansett. We cannot change this. It is the way they are taught. It is illegal by the ACCC's definition. It does breach some areas of the Trade Practices Act, but nobody is willing to look at it because they are too big to fight.

**The Hon. Dr B. P. V PEZZUTTI:** Has the ACCC looked at pricing of the airline runs, because they do have tremendous similarity to the dollar? I wonder if they have looked at the duopoly?

**CHAIRMAN:** They have.

**Mr CAMPBELL:** One of their primary tasks at the moment is looking at what will happen with deregulation and protecting smaller companies from predatory pricing by Qantas and Ansett. They have got a big submission from us of probably about 40 pages.

**The Hon. Dr B. P. V PEZZUTTI:** I am aware of that one, but I am worried about the price that Ansett or Qantas would charge you to go on to their booking system. In other words, are they keeping you out using that artificial mechanism?

**Mr CAMPBELL:** No, it is not. It is straight out, "I am sorry, we do not do that any more." Their reasons behind it are logical. If they are selling tickets on behalf of us and our airline collapses, we have an accident, or anything happens, these people have bought a ticket through Ansett and their name will be affected. I understand that.

Anybody at the moment who is affiliated with them, Kendells, Impulse and people like that—they are just the Ansett-affiliated ones—have a very strict auditing system that happens about every three months. Ansett will go through their whole system—maintenance, crew training, facilities, the whole lot. It is quite a good system.

But because of the Monarch and Seaview crashes—I am not sure who Seaview was affiliated with—the major airlines are afraid of the stigma of a small airline having an accident and being labelled as part of their operation. I understand that. But the way travel agents are, you cannot sell a ticket through a Sydney travel agent. You can ask them direct questions, "Does anybody else fly there?" and they will say, "No". It is the way that they are taught the program to punch into their computer.

**CHAIRMAN:** There are a couple of documents that you have presented. Could you officially table them?

**Mr FITZGERALD:** We would like to table formally the handouts that we submitted to Committee members.

**CHAIRMAN:** If you have any further information particularly in relation to some of the questions we have asked, we will take those on notice and you can send the information to us in writing.

**Mr FITZGERALD:** Certainly we would be pleased to do that. Basically, our case that we are pleading today is that the Committee has expressed an interest in the effects on smaller rural and regional towns, places such as Deniliquin perhaps. When it comes to the big guy-little guy argument, the David-and-Goliath argument, the smaller towns are traditionally the places where start-up operators such as us are able to go in and make a go of it. Companies that are established with larger aircraft are not interested in ports like that.

**CHAIRMAN:** That is one of the supplementary questions that I was thinking of asking you. If you wanted to try to get a service for Hay-Deniliquin-Sydney, would you have any problem with the ATC at the moment in getting a licence?

**Mr CAMPBELL:** No. Because no-one has operated there, there would be no problem. The problem with Swan Hill is there is no fuel; Hay no fuel. That is the big deterrent at the moment. The fuel suppliers are not willing to put fuel out there for any operator. Deniliquin does have fuel, but because no-one is operating it, it would basically be a formality to get those licences from the Air Transport Council.

(The witnesses withdrew)

(The Committee adjourned)



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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Sydney on Friday, 21 August 1998**

—

**The Committee met at 9.30 a.m.**

—

**PRESENT**

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

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**BEVAN JAMES COOTE**, General Manager, Eastern Australia Airlines Pty Ltd, sworn and examined:

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

**Mr COOTE:** As General Manager of Eastern Australia Airlines.

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

**Mr COOTE:** I did.

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

**Mr COOTE:** I am.

**CHAIRMAN:** You have already provided the Committee with a submission. Do you wish the entire submission to be regarded as confidential, or only parts of it?

**Mr COOTE:** Is it possible for us to decide on the release of that at a later point in time?

**CHAIRMAN:** Perhaps at this stage if you simply say that the entire submission is confidential, you can then tell us which parts you are happy to make public.

**Mr COOTE:** It is agreed at this time that it is confidential.

**CHAIRMAN:** The Committee will take the submission as part of your sworn evidence but will regard it as confidential. That ensures that the Committee does not release any of it which might cause you a problem, and that we do not put it in a report.

**Mr COOTE:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that it is in the public interest that certain evidence or documents you may wish to present to the Committee should be seen or heard only by the Committee, the Committee would be willing to accede to your request and resolve the Committee into camera for that evidence. Would you give the Committee a precis of your submission, state your concerns in relation to the terms of reference, and then Committee members will ask questions.

**Mr COOTE:** Eastern Australia Airlines' submission addresses each of the terms of reference. However, by way of introduction, this particular aspect—that is, transport as an integrated service that links the vital geographic areas of communities of New South Wales with the city—has very important economic and social implications for regional Australia, apart from the industry connection in the major agricultural and aquacultural areas with industries that are produced by New South Wales.

Within the State something in the order of 1.2 million intrastate passengers per annum now travel between the capital city and about 42 regional ports, so it is an important level of carriage for the entire State as a transport mode. For the outcome of decisions regarding changes to infrastructure for regional aviation and regional transport systems, they are integral to the long-term development of the State. Part of that development is not only that of industries associated with agriculture but those associated with tourism development. Aviation plays an important part, particularly in the development of New South Wales destinations as part of the international domestic networks for the large carriers.

From the point of view of Eastern Airlines, which is a wholly owned subsidiary of Qantas, part of the development of the New South Wales tourism and business market is dependent upon that smooth transition and the marketing capability into the network of New South Wales. We have seen the market grow substantially over the last 10 years, in terms of transport of passengers within the intrastate markets. If we were to see similar growth in the future to support the natural growth of the State, careful consideration must be given to any changes that will impact not only the transport via air but those associated regional activities such as educational, medical and industry outcomes.

As far as regional aviation within the State is concerned, it is a major employer. Eastern Australia Airlines presently employs 70 people in Tamworth, which is, on average, around a \$3 million input into that regional community, or if one uses a nine-times multiplier it becomes a \$27 million contributor to the area. On a broader scale, our estimate is that somewhere in the vicinity of at least 500 people are directly employed by regional airlines in regional communities. That alone is something in the order of a \$15 million salary contribution, which extended to multiplier effects is somewhere in the order of \$135 million directly within regional communities.

**CHAIRMAN:** That number is 500?

**Mr COOTE:** We believe that 500 people are directly employed by regional airlines in regional communities, excluding Sydney—those who operate at airports, who operate within the direct employ or contract employ of the airlines. I mention that because I believe that any dislocation of the regional airlines industry has the effect of dislocating those employment numbers. We have seen that in Tamworth with the demise of East-West Airlines, and it has had a continuing impact on Tamworth. That would apply to many other regional centres within the State if, for some reason, dislocation occurred.

Essentially, that is the framework within which we have provided our submission. We endorse the issues that have been raised in the terms of reference as being important ones. If I may now walk through each of the terms of reference in order of their listing. Firstly in relation to landing fees at Sydney airport, there have been some changes in recent times in the pricing process. Kingsford-Smith Airport has now changed to a different ownership regime. We have seen the pricing structure change from a \$27.50 minimum landing charge with an associated peak-period surcharge of \$250 per movement to a minimum charge of \$100 per landing. Whilst the airlines, particularly Eastern Australia Airlines, have agreed with that pricing regime, we believe that the State should be ever vigilant in the question of this being used as a basis for pricing regional airlines out of Kingsford-Smith Airport. Basically, access is being priced out. Issues have been raised as to the basis on which charges to regional airlines should be levied as against those for other types of aviation, particularly heavier aviation. Essentially, our position is that we would not wish to see more than \$100 charged per landing as it would be in excess of what regional airlines could afford to pay.

**The Hon. J. R. JOHNSON:** Did you say, "have agreed to pay"?

**Mr COOTE:** We have agreed to pay the \$100. I now move to the second item, which is landing fees at regional airports. The history to this would be known, I am sure, to your Committee. Previously the Federal Government had ownership and transferred ownership by a series of arrangements to local organisations, mostly to local councils, taking up full ownership of each of the regional airports. There are some exceptions, but primarily that is the case. Development of regional airports has taken place on a one-by-one basis. I guess it could be construed to be largely unstructured, particularly in the benchmarking of what services of a regional nature are required at an airport, the level charged, the collection procedure, and then how the revenue is used.

We submit that the State Government, through its relationship with local government, should and could ensure that the level of fee charged is proportionate to a statewide measurement, that revenues raised from fees should be applied to airport operations and constrained to that, and that should there be major works at an airport—which there will be from time to time—it should be subject to a committee which includes the operator stakeholders who eventually have to pay.

**CHAIRMAN:** The Committee wishes to ensure that time is available to ask you questions. If the matters are referred

to in your submission, would you skim through them, or just tell the Committee the basic premise of the submission, and then the Committee will flesh out matters later. If you are reading from a confidential document, perhaps the Committee should resolve into camera.

**Mr COOTE:** Yes.

**CHAIRMAN:** Perhaps we should resolve into camera for this.

**Mr COOTE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Certainly for the questions I would like you to be frank. You cannot do that if you are giving evidence in public.

**CHAIRMAN:** Are you happy with that?

**Mr COOTE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Since this is confidential material, it should be dealt with in camera.

**(Evidence continued in camera)**

**(The witness withdrew)**

**(Public hearing resumed)**



**ANTHONY MICHAEL McGRANE**, Hotelier Investor, and

**MARK GEOFFREY RILEY**, Local Government Director, Corporate Development, Dubbo City Council, and

**GEOFFREY WILLIAM DARBY**, Airport Manager, Business Operations, Dubbo City Council, sworn and examined:

**CHAIRMAN:** In what capacity do you appear before the Committee?

**Mr McGRANE:** As Mayor of the City of Dubbo.

**Mr RILEY:** Divisional director of council.

**Mr DARBY:** As the Airport Manager, Dubbo City Council.

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

**Mr McGRANE:** Yes.

**Mr DARBY:** Yes.

**Mr RILEY:** Yes.

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

**Mr McGRANE:** Yes.

**Mr DARBY:** Yes.

**Mr RILEY:** Yes.

**CHAIRMAN:** The Mayor has provided the Committee with a written submission. Would you like it to be taken as part of your sworn evidence?

**Mr McGRANE:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that it is in the public interest that certain evidence or documents you may wish to present should be heard or seen only by members of the Committee, the Committee will be willing to accede to your request and resolve in confidential. Would you give the Committee an overview of the submission rather than read through it, and the Committee members will ask questions.

**Mr RILEY:** Before the Mayor starts, the submission to which you refer is 21 July, is that correct?

**CHAIRMAN:** Yes.

**Mr RILEY:** The Mayor has an opening statement.

**Mr McGRANE:** This morning I thank the Committee for the opportunity for myself and my officers to meet with you on this very important matter in regards to regional New South Wales. Firstly I would like to provide the Committee

with some background on the operations of council's airport function. Dubbo City Council owns and operates Dubbo City Airport and has done since 1 July 1970 when council accepted the transfer of ownership from the Department of Civil Aviation under the airport local ownership plan.

Dubbo City Council airport is a viable regional airport which, during the 12 months period ended 30 June 1998, saw a record 108,000 passengers embark and disembark between the routes Dubbo-Sydney and Dubbo-other routes. Under the present arrangements Eastern airlines and Hazelton air services have been granted licences by the Air Transport Council to operate on the Dubbo-Sydney routes. Between those two companies Dubbo is served by some 147 flights per week utilising generally 36- to 38-seat aircraft with the market share ratio being 66:33 in favour of Hazeltons. To my knowledge that level of service per week is unparalleled in the State of New South Wales.

It is interesting to note in respect of passenger movements on the Dubbo-Sydney-Dubbo route that 63 per cent of the passengers are business people, 31 per cent are leisure passengers and the remaining 6 per cent are passengers travelling for medical purposes. Of the 108,000 passengers previously referred to 10,000 come to Dubbo from the western parts of New South Wales. They utilise the hub and spoke operation operated by Air Link Pty Ltd based in Dubbo which brings passengers from Cobar, Bourke, Walgett and Coonamble with flights connecting with operations between Hazelton and Eastern to and from Sydney. That is a tremendous service which provides easy access to Sydney and allows businesses to be conducted by western area residents within a day within Sydney without the added expense of overnight stays here in the city of Sydney.

In terms of aircraft charges at Dubbo, the RPT passengers pay a flat rate of \$6 per head each time they embark or disembark at Dubbo airport. That money is collected by the airlines in conjunction with the sale of air tickets. Council recognises that that fee is at the lower end of the fee scale, however, such fees will basically need to be doubled in the next 10 years to fund proposed capital improvements of some \$5 million over a period and further provision of funds must be put away or put in reserve for runway reconstruction. To ensure that the council airport operations remain self-funding and viable in the future it is imperative that the frequency of the services provided to airline customers within the city and beyond is maintained at the minimum as it is now.

Accordingly, in respect of the terms of reference of this inquiry I advise that my council has long held the view that the existing managed competition scenario best serves the residents of Dubbo and the western areas of New South Wales. Council maintains that a reliable regional airline system is imperative to the growth and development of regional New South Wales. It is submitted that to deregulate intrastate aviation would cause significant damage to the aviation service infrastructure within the State of New South Wales, which no doubt will undermine the growth potential of rural communities throughout New South Wales.

Managed competition in Dubbo, which comprises the presence of two major airline companies, has seen passenger numbers increase each year since 1990, competition occur between the two companies in respect of air fares, a significant increase in the reliability of services, and further it provides for Dubbo residents to have access to either Qantas or Ansett facilities in Sydney. Deregulation has not worked on the major interstate route of Sydney-Melbourne which has millions of passengers per annum. My council and I cannot see how deregulation would work within finite and much smaller regional markets.

I would contend that deregulation and the entry of further players into the market will result in the 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. I further question the ability of KSA to host additional players in the market in respect of terminal facilities. In addition, my council is most concerned at any proposal that would limit access for regional airlines to KSA in favour of direct services to Bankstown.

Moving regional airlines to Bankstown would be an absolute disaster for regional New South Wales in general. As indicated earlier, 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. 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. Council looks forward to completion of the rail link between KSA and the city in terms of improved access to KSA. In conclusion, my council contends that the existing managed competition scenario best meets the needs of the travelling public both to and from Dubbo and from Sydney to the regional parts of New South Wales.

**The Hon. I. M. MACDONALD:** You say there has been an increase in the number of passengers since 1990. What roughly is the increase and what is the rate of increase per annum?

**Mr McGRANE:** In 1990-91 the throughput of passengers was 74,900; the following year it was 77,771; 1992-93, 79,000; 1993-94, 87,700; 1994-95, 100,000; 1995-96, 104,000 and 1996-97, 108,000. In regard to the one big year there was 13,000 but the general increase would level out at about 4,000 per annum.

**The Hon. I. M. MACDONALD:** About 4 per cent?

**Mr RILEY:** About 5 per cent.

**Mr McGRANE:** I think it is the competition with regard to air ticket pricing. At present with the operators into Dubbo the highest full fare, including \$6 each way for the Dubbo airport tax, is \$368 and the lowest is \$150. That is a \$218 difference in ticketing. It depends on the time of the day and how long the ticket is booked prior to collection of the ticket itself. The average is \$256. One can see from that that with the increase in throughput is also an increase in price structure competition.

**The Hon. I. M. MACDONALD:** What is the overall budget per annum of the airport? We can work out the passenger side fairly easily but do you have a freight charge?

**CHAIRMAN:** The Committee might put some questions on notice. I am sure that with such a well-run council as yours you have a development or management plan for the airport.

**Mr McGRANE:** We do.

**CHAIRMAN:** That will show the projections. I ask you to take that on notice.

**Mr McGRANE:** Yes.

**The Hon. I. M. MACDONALD:** How do you see this expansion? What do you plan to put in place as part of the \$5 million capital improvement program?

**Mr RILEY:** In Dubbo we have developed a 20-year program and consultants have prepared a facilities area master plan. The major initiative is extension of the runway to take into account different changing requirements of aircraft in the future. We have an amount of \$2 million in there. This involves discussing issues with the RPT operators to ascertain their plans. That is how we came up with this plan. We will not spend \$2 million if they do not require that. It is a matter of liaison with those operators.

**The Hon. I. M. MACDONALD:** So overall you are very happy with the current regime?

**Mr McGRANE:** Yes.

**The Hon. I. COHEN:** Does that include also the spokes of the hub out of Dubbo to the smaller areas? With

deregulation do you see those flights under threat? Are we talking about size of plane or actual services being cut down?

**Mr McGRANE:** I think with deregulation they could be under threat because at present Air Link Airlines ferry passengers from towns such as Cobar, Bourke, Walgett, Coonamble and Lightning Ridge into Dubbo to catch the early morning flights and also pick up the afternoon flights. They are basically up to capacity. Those planes are nine-seaters with some six-seaters. It is imperative they meet a bigger aircraft, which will then come on to Sydney. With deregulation, if we have the same size aircraft and another player in there, we would have different times. It is not managed competition.

**The Hon. I. COHEN:** Your council is opposed to Bankstown as a viable alternative. Could you foresee a scenario where Bankstown might work with more frequent flights and therefore greater accessibility and flexibility for passengers.

**Mr McGRANE:** No, I do not think that Bankstown should even be in the equation. Only one person I know seems to be pushing for Bankstown. There is not a person in the country who would want to go to Bankstown to do business and 63 per cent of our passengers are business people. They come to Sydney and other business people go to the country. Many of those are medical people who basically live in the eastern suburbs and who fly out to Dubbo to do professional work in the morning and fly back at night. The same with the legal profession. It is a fact of life that those people live in certain parts of Sydney.

I would fly to Sydney every week of the year, and sometimes twice. I never go to the western suburbs. It would be difficult for me to fly into Bankstown; to have to come into the city to do my business and then go back to Bankstown to fly home. I would have to stay overnight or look at alternative methods of transportation. It is not good for the airline industry to have to fly into Bankstown. 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.

**The Hon. I. COHEN:** It has been suggested that it could be possible to have partial regulation of the major routes, the big-ticket areas, particularly on the coast. Is there a possibility that the Dubbo to Sydney route could in some part be deregulated but maintain a stricter regime on the smaller spokes such as Dubbo?

**Mr McGRANE:** I do not follow the whole line of your question. The scenario we have at present is the right scenario. Dubbo is the hub of the spoke for the western areas and many people from the mining industry fly to Dubbo and then on to Cobar and vice versa. The scenario at present works well. I am sure hub and spoke areas in other parts of the State work well also. It is not viable for 36-seaters to fly into Cobar or places like that but it is viable to have three services out of Cobar of nine-seaters instead of having two services of 36-seaters, which would not be viable.

**The Hon. J. R. JOHNSON:** How do your landing fees compare with other council-owned or operated airports?

**Mr McGRANE:** We are probably one of the lowest in the State at \$6 per passenger. We have indicated that there will be increases in the future but \$6 per passenger is low. We do pay a dividend to our general fund. Like all operations of Dubbo City Council airport operation is run on a business plan and has to pay a dividend to the general fund similar to the saleyards, the caravan park and the land development with which we are involved with those types of businesses. The \$50,000 we pay to the general fund has a return of about 1.4 per cent or 1.5 per cent of our investment in regard to the airport itself. We have reserves for ongoing expansion and development of the airport. They are kept separately to the general fund. It is run as a business but we pay ourselves a dividend to the general fund and our fees are very low.

**The Hon. J. R. JOHNSON:** Do Hazelton and Eastern airlines satisfy council with the services they provide?

**Mr McGRANE:** Yes. With regard to setting of fees, we meet with all the users of the airport before we actually set the fees so it is not an arbitrary decision by council. We have discussions each year with every user of the airport and we say to the users what we propose to do and get their concurrence. On the odd occasion there are discussions about various aspects of our redevelopment but in the main they are satisfied, and so they should be because they pay \$6 at Dubbo whereas in some places they pay up to \$13. Therefore, they would be satisfied with Dubbo.

**The Hon. J. R. JOHNSON:** I take it that your council is diametrically opposed to deregulation?

**Mr McGRANE:** Totally opposed to deregulation. 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. Managed competition is regulation but with management input by us.

**The Hon. J. R. JOHNSON:** What is the total population of your city and the peripheral areas that are serviced by Dubbo airport?

**Mr McGRANE:** The city of Dubbo has a population of 38,000 and the region we serve has a further 120,000.

**The Hon. J. R. JOHNSON:** On top of the 38,000?

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** What was the value of the airport and its buildings when it was handed over by the Federal Government to Dubbo City Council?

**Mr DARBY:** There was no land content under the Local Government Act; it was revalued. Comparing the market value of what it is now to then I would suggest it was about \$4 million to \$5 million and we value the airport now at \$8 million.

**The Hon. Dr B. P. V. PEZZUTTI:** How much have you spent on the airport terminal since you were handed the land and the airport?

**Mr DARBY:** Overall in capital improvements, et cetera, it would be approximately \$1 million.

**The Hon. Dr B. P. V. PEZZUTTI:** Mayor, you say you are happy with managed competition. That is what you have now. What difference would it make to you if it was deregulated?

**Mr McGRANE:** We feel that with deregulation, apart from the inconvenience of having three or four operators operating out of the terminal and it being necessary to provide extra space for those operators, which would be another capital expenditure for us, we would not be getting better services than what we are getting at the present moment.

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

**Mr McGRANE:** I suppose you could say it is a gut feeling, but we know our present service is very good with the number of services from Dubbo to Sydney and Sydney to Dubbo. As I noted in my preamble, one airline has 75 per cent of the business and the other has 25 per cent. There is a lot of competition in fee pricing for both airlines to maintain their percentage or for one to increase its percentage. A third airline is moving in and there probably will be more competition, but no-one would make any profit on services out of Dubbo. It is a bit like a pack of cards: once the end card is weakened the whole lot tumbles down.

**The Hon. Dr B. P. V. PEZZUTTI:** Dubbo used to have a jet service in the past. Is that no longer the case?

**Mr McGRANE:** No. The jet service into Dubbo was probably 18 to 20 years ago. We had only about three services a day and only one airline flying into Dubbo at the time.

**The Hon. Dr B. P. V. PEZZUTTI:** How many direct services are there to Sydney at the moment?

**Mr McGRANE:** Depending on the day of the week, 10 to 11 a day.

**The Hon. Dr B. P. V. PEZZUTTI:** What is the flight time?

**Mr McGRANE:** It ranges from 6.30 to about 8.00 p.m. at night.

**Mr RILEY:** It is about 50 minutes.

**The Hon. Dr B. P. V. PEZZUTTI:** On what do you base your earlier assessment that deregulation has made no difference to the Sydney-Melbourne route?

**Mr McGRANE:** We read the papers like everybody else in the State.

**The Hon. Dr B. P. V. PEZZUTTI:** I am sorry, I thought you had made your own assessment.

**Mr McGRANE:** My statement was based on the Compass disaster.

**The Hon. Dr B. P. V. PEZZUTTI:** A question was asked earlier about smaller routes under either managed competition, which is the same as being regulated, or a deregulated market. We are concerned about the loss of access for smaller places. Do you believe government has a place to provide community service obligation payments, which could be made in a number of ways, in much the same way as it subsidises the train service, such as the XPT to Dubbo?

**Mr McGRANE:** We have not had any deliberations on that.

**The Hon. Dr B. P. V. PEZZUTTI:** Is your focus entirely on Dubbo?

**Mr McGRANE:** Our submission talks about Dubbo and the region. Perhaps 30 per cent of New South Wales, and that is the north-western area, calls Dubbo its city. It is a vast area, but not vast in population. People come to Dubbo for their professional business and to fly to Sydney.

**The Hon. Dr B. P. V. PEZZUTTI:** If more government departments moved to regional centres would that improve the frequency, nature and quality of air services? For example, if a whole department was moved to Dubbo would that en bloc movement of public servants generally improve the number and quality of services to Dubbo?

**Mr McGRANE:** I would have to take that question on notice because I really cannot say. Many government people travel to Dubbo from Sydney and vice versa. By having more government officers in the country in lots of ways it could be said that those officers would not have to fly from Sydney to Dubbo. If more decisions were made in government departments in regional areas, I assume those regional officers would not have to go to Sydney so often. In some ways it could result in fewer people flying from regional New South Wales to Sydney.

**The Hon. Dr B. P. V. PEZZUTTI:** Has council undertaken an assessment of the impact of an announcement by Peter Collins that that is what he would do?

**Mr McGRANE:** Not regarding the airport. As a council we welcome what the Leader of the Opposition has said about

regionalising government offices. We have no problem with that at all.

**CHAIRMAN:** Has he made a promise that he will shift a government department to Dubbo?

**The Hon. Dr B. P. V. PEZZUTTI:** Yes, that has been announced.

**CHAIRMAN:** Which one?

**The Hon. Dr B. P. V. PEZZUTTI:** Not particularly to Dubbo. He has made an announcement about the concept of movement of large numbers of public service jobs. Dubbo would be one of the few places with Ansett and Qantas flying in. Given that travel time to Dubbo is 50 minutes, 36-seater planes and frequency of flights are probably reasonable, but what about longer routes to places such as Ballina or Albury where travel times are vastly longer for 36-seater planes. Do you believe managed competition service would be better or that an open market would be a better arrangement?

**Mr McGRANE:** I suppose travel time to Albury is an hour and 30 minutes at the most. Aircraft such as Saab and Dash-8 with 36 seats are quite comfortable. I do not think anyone would have any problem sitting on that type of aircraft for that amount of time.

**The Hon. Dr B. P. V. PEZZUTTI:** Personally I must disagree with you because I come from Ballina, which takes an hour and 45 minutes, and it is not a comfortable flight.

**Mr McGRANE:** I suppose the alternative is a jet service from Ballina to Sydney. Dubbo had jet services 20-odd years ago and everybody thought that was fantastic, but the economics of a 30-odd minute flight to Sydney on a jet with 50-odd seats—cost of fuel and everything else—proved to be unviable for Air New South Wales at that time. They actually went back to the ordinary prop Fokker aircraft.

**The Hon. Dr B. P. V. PEZZUTTI:** They were the same size with 50 seats?

**Mr McGRANE:** Yes, but they returned to them after the jets because of the economics. We are quite happy with 36-seaters; 19-seaters are too small and with 50-odd-seaters we would have fewer services during the day and less flexibility with flight times. We feel that 36-seater aircraft are the right type for our route.

**The Hon. Dr B. P. V. PEZZUTTI:** What percentage of passengers are tourists to the Dubbo region?

**Mr McGRANE:** It is 31 per cent.

**The Hon. Dr B. P. V. PEZZUTTI:** And business travel would be?

**Mr McGRANE:** That is 63 per cent.

**The Hon. Dr B. P. V. PEZZUTTI:** Is the remainder just Mum and Dad going to Sydney?

**Mr McGRANE:** Medical trips. It is 63 per cent for business, 31 per cent for leisure and 6 per cent for medical reasons.

**The Hon. Dr B. P. V. PEZZUTTI:** Of the 31 per cent leisure passengers I am referring to those who do not originate in Dubbo and go home to Dubbo; rather that they are from a postcode outside Dubbo, travelling to Dubbo and then back to Dubbo from Sydney. Have you separated those figures?

**Mr McGRANE:** No.

**Mr RILEY:** We can get that information for you.

**The Hon. Dr B. P. V. PEZZUTTI:** I would appreciate that.

**The Hon. JENNIFER GARDINER:** Hazelton Airlines submitted to this inquiry that deregulation will force airlines operating in the State to focus on larger regional markets, presumably that would include Dubbo, and that this would intensify competition. Hazelton also said it had some reservations about deregulation. However, you clearly say that from Dubbo city's point of view deregulation is not the way to go?

**Mr McGRANE:** Yes.

**The Hon. JENNIFER GARDINER:** A number of councils in non-metropolitan New South Wales have submitted to this inquiry that routes with, say, greater than 12,000 landings per annum should perhaps be deregulated but smaller routes should have managed regulation. Obviously, from the Dubbo City Council point of view and also from those communities further to the west, you take a different line?

**CHAIRMAN:** That suggestion was from a council smaller than the figure quoted. It said, "It might be okay for the larger ones, but it is not okay for us."

**Mr McGRANE:** The perception is that with deregulation there is a chance to get somebody who will fly and give you a service that you have not had in the past and you will have cheaper air fares. We say that the proof is in the pudding. The proof of the pudding in our case is that the full gate rate of \$368 return is down to \$150 if booked at the right time and taken not at peak time. That is a saving of \$218 on a ticket. We are getting competition and we are witnessing the proof and increase in patronage. People have the benefit. Those who say they want deregulation have not got the proof we have. None of us has the proof of deregulation. What I say could happen with deregulation is supposition just as much as it is supposition by those who say they will get a better and cheaper service.

**The Hon. JENNIFER GARDINER:** Kendell says it has the proof because it operates in other States on regional routes, for example, in Tasmania and South Australia. It has submitted that there is a better deal for some smaller communities. Obviously, you are sceptical about that?

**Mr McGRANE:** In the area we serve, which is all the western areas, under the hub and spoke system that operates now those areas receive a far better service than they did in the past when airlines used to fly in from Dubbo and then from Dubbo to places like Cobar, a milk run from Lightning Ridge, Coonamble, Coonabarabran, Sydney. Those routes are gone and they are now getting a better service by hubbing into Dubbo. They are getting a better time factor because it is in the morning and in the afternoon. On a cost factor that means not being in Sydney overnight or for an extra day.

I had properties up Coonamble way and I would fly out of Coonamble one day at lunchtime and would not be able to fly back until the next afternoon. It was a compulsory overnight stay in Sydney. Now people can fly into Dubbo in the morning and be home at night after doing business in Sydney. It is a long day but it still can be done. The same applies for people flying out from Sydney. We always seem to talk about those who fly in from the country to Sydney, but many people fly from the city to the country. We do not give that enough credence.

**The Hon. JENNIFER GARDINER:** If it had not been for this Committee establishing this inquiry Mr Scully would have proceeded with deregulation. If the Government sticks to its policy, what would Dubbo City Council like to happen to ensure that services are maintained to Dubbo and the far west?

**Mr McGRANE:** We have been beating the same beat on the drum right through on this deregulation/managed competition issue. I have had lots of battles in lots of areas: Local Government Association, the Shires Association, the Senate standing committee. We have been consistent and we have been beating the drum long enough that some people in power, the Minister and this Committee are now examining the matter. We are pleased that we have forced people

to start thinking more about it. In the past it was just, "Yes, deregulation, we will all get a better service", but it was unknown and people are starting to realise that we need managed competition.

**CHAIRMAN:** Perhaps it has something to do with improved representation in the western area?

**Mr McGRANE:** You are so modest, Mr Chairman.

**CHAIRMAN:** You mentioned earlier that the service to Dubbo is unsurpassed. Obviously, I am a regular user on the same flights and I hold a similar view. Are you aware of any other area in the State that provides as many flights or better services per day?

**Mr McGRANE:** I assume Wagga Wagga and Albury would.

**Mr RILEY:** Albury has a similar number.

**The Hon. Dr B. P. V. PEZZUTTI:** Ballina and Lismore do not.

**CHAIRMAN:** I am not aware of a region that has a better service.

**The Hon. Dr B. P. V. PEZZUTTI:** The approval process by the Transport Council of routes, which comes out each year, is subject to a competitive process, is it not? Do you have a say in the quality and frequency that the council takes into account?

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** That is a form of competition for routes, but there is no guarantee that if an operator gets that route he will honour that process and not just walk away, is there?

**Mr McGRANE:** No, and there has been experience of that in recent times.

**The Hon. Dr B. P. V. PEZZUTTI:** It has happened at least 14 times in the past triennium.

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** The managed competition you talk about is managed competition to get the routes, which the council has a say in. Is it effectively the case that the only difference with deregulation would be competition without your council having a say?

**Mr McGRANE:** We have had input all the way through, and we think that the system has been very good.

**The Hon. Dr B. P. V. PEZZUTTI:** I am asking you a direct question. Is it correct that the only difference would be that at present there is a tendering process.

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** The Air Transport Council asks your opinion then someone in Sydney makes a decision about what is going to happen.

**Mr McGRANE:** Yes.

**CHAIRMAN:** It has been suggested to the Committee that some areas will get a licence to run a Saab, for example, yet within two weeks the airline may decide to service an area with a Metro and, subsequently, with a Chieftain. Do you think that the Air Transport Council should say that all bets are off if the conditions are changed from those pertaining to the original licence?

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** At present that does not happen, which is what I am trying to point out. At present there is a competitive tendering process. The council has an input in that process but the decision is made in Sydney.

**Mr McGRANE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** It may be that the operator decides not to service an area, and there is no penalty for that, and the route is readvertised. It is my understanding, however, that if an airline decides to service an area with a 19-seat aeroplane rather than a 36-seat aeroplane nothing can be done about that. The airline merely goes to the air traffic council, which may decide that such arrangement is satisfactory. There is no requirement on the airline to consult a local council. I am saying that the managed competition is not quite so rosy as you may think. It has served Dubbo well until now, because that area has good loadings, but I wonder whether this is the best system for the future, even for Dubbo. Perhaps there should be changes to the way in which the air transport council operates, and that is one of the terms of reference of this inquiry. I am not saying that I am blown away by the idea of a completely deregulated market; I am just seeking information.

**Mr McGRANE:** Fairly recently the airline had only a 19-seat aeroplane available for our area but promised to provide a Dash 8. Our area had to put a lot of pressure on Eastern Australia Airlines to it live up to the guarantee it made to me and my council to service the area with a Dash 8. It took some time, the airline was rather slow. It came back to a question of the number of passengers. Had the airline not serviced the area with a Dash 8, it would not have the numbers it now has—25 per cent—because people were not satisfied with the choice between a Saab and a 19-seat aeroplane. As people said, traffic would all go one way unless there was a realistic choice. I agree with what you are saying, Dr Pezzutti. Unless there is an extraordinary reason for a massive downturn in traffic in a particular region then the airlines will have to answer some questions. Of course they cannot be expected to service an area if they get no passengers, but there is a requirement for consultation.

**The Hon. Dr B. P. V. PEZZUTTI:** Your council alone would have a fair commercial buying power, given the amount of travel undertaken by its officers. It has the ability to place a fair amount of business one way or another if an airline does not live up to its commitments.

**Mr McGRANE:** That is probably so. My council tries to maintain a balance; it tries to spread the passenger traffic. You have referred to airlines not keeping their promises. I know that we did not have the power to make airlines do what they promised to do. However, in the end, they were forced to keep their promises because of economics. Had they not lived up to their commitments they would have lost more of their limited share of the market.

**CHAIRMAN:** I have an unrelated question. This Committee is undertaking two inquiries, one of which is an inquiry into the future role of government in the competitiveness of agriculture in this State. A few weeks ago the Independent Pricing and Regulatory Tribunal appeared before the Committee. Incidentally, IPART suggested that Dubbo is an area that may benefit from deregulation. It would seem that all the other areas IPART considered may benefit from deregulation do not want deregulation either. IPART spoke about its water pricing policy and suggested that irrigators should pay 90 per cent of the cost of dams. Of course, that suggestion came a week before part of Dubbo was flooded and Lake Burrendong went from a 50 per cent to a 124 per cent content.

I would be interested to hear your comments as to whether you believe the Government has some responsibility to the communities to build and maintain dams and should consider taking on a share of the cost of dam construction and maintenance. I ask you that question as your area was affected by the recent floods and had Lake Burrendong not existed

then Dubbo may not have existed either.

**Mr McGRANE:** Dams are not for the irrigators only. Dams serve many purposes and they should be sponsored and developed by governments. Things have probably gone wrong along the way with the pricing of water, quotas, over allocations of water rights from various dams and so on. Certainly dams are a joint effort and they are a government responsibility. It is not only the end users who have the responsibility for the building and development of dams.

**(The witnesses withdrew)**



**WILLIAM BAWDEN BOTT**, Farmer, and

**SHAUN CHRISTOPHER McBRIDE**, Policy Officer, Local Government and Shires Associations, and

**PATRICK BRASSIL**, Retired, sworn and examined:

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

**Mr BOTT:** As President of the New South Wales Shires Association.

**Mr McBRIDE:** As Policy Officer of the Local Government and Shires Associations.

**Mr BRASSIL:** As a member of the Executive of the Local Government Association.

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

**Mr BOTT:** I did.

**Mr McBRIDE:** I did.

**Mr BRASSIL:** I did.

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

**Mr BOTT:** Yes.

**Mr McBRIDE:** Yes.

**Mr BRASSIL:** Yes.

**CHAIRMAN:** You have provided the Committee with a submission. Do you have any documents that you wish to table or a submission that you wish to provide?

**Mr BOTT:** There is a written submission, which has been provided.

**CHAIRMAN:** Do you wish that submission to be taken as part of your sworn evidence?

**Mr BOTT:** Yes.

**CHAIRMAN:** If you at any stage during your evidence you consider that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee would be willing to accede to your request and would resolve into camera. Would you give the Committee a short precis of that submission and state your concerns, and then Committee members will ask questions.

**Mr BOTT:** Perhaps I will commence, and at the conclusion of my remarks I will pass over to Councillor Brassil, who will give more detailed insight into the regional necessity of continued access into Kingsford-Smith airport.

I gave evidence before the Independent Pricing and Regulatory Tribunal inquiry, representing the New South Wales

Shires Association and the Local Government and Shires Associations. The basis of that evidence was support for deregulation, which still stands. However, the position is that that support was qualified in a number of areas. In regard to access, we believe it is imperative that regional and rural New South Wales be able to enjoy continued access into Kingsford-Smith airport. There are a number of reasons why that is so. We support the recommendations that came out of the IPART inquiry in regard to slotting. We believe it has given protection to regional airlines to be able to continue to gain access, because the slotting is based upon the current operations there, that is, the historical basis. It also gives the opportunity for an increase in operations there; the unallocated slots are to be distributed between new ventures and existing airlines in terms of their operation into Kingsford-Smith airport. So we are quite satisfied with that aspect and have little difficulty with it.

Our concern relates to pricing and the proposals that came out of the IPART inquiry in relation to the impact upon smaller airlines. May I refer to the chart shown on page five of the submission. I apologise for the chart being somewhat difficult to read; in the printing of it the items have not lined up. The chart clearly demonstrates that in terms of the operation of the larger aircraft there will be a decrease in the fees that will be charged on a passenger basis, or it is a minimal charge there. The impact will be felt in regard to the smaller aircraft. In relation to regional operations, they are the ones that we need to give continued protection to in regard to access.

In relation to the operation of Beech aircraft, there is a proposal to increase the charge in the peak period by 32.7 per cent, as against a Boeing, which will have a decrease of 32.8 per cent. In regard to the Piper aircraft, there is a considerable increase. When one takes into account the factor that obviously those smaller aircraft will be carrying smaller numbers of passengers, it can be seen that the passenger costs are substantially to the disadvantage of those smaller operations. We have contended that there needs to be some protection for the continuation of these services into Kingsford-Smith airport. The proposal we have put forward in that regard is that, rather than going for the increase that is being mooted, as shown on page 8 of our submission, we believe that the increase should be capped at 30 per cent. We believe there should be a 10 per cent increase for each year over a three-year period, rising to the 30 per cent. That, in turn, gives the sort of response that we believe is essential in order to retain the access of those smaller aircraft into Kingsford-Smith airport.

Obviously, in terms of regional access, it is important to be able to gain access to Kingsford-Smith airport. There has been some talk about diverting the smaller aircraft to Bankstown. The concern there is that they will obviously not link up with interstate and intrastate services. There will be difficulty in regaining access from Bankstown to the city. I had to go out to Bankstown last Wednesday. I think it took me an hour to make the journey by train. So it will certainly be an enormous disincentive in terms of our opportunity to be able to access, in a regional capacity, the central business area and government in the way in which we need to. That is a potted view of the submission. As the last State to have a regulated air service, we believe that, on balance, the value will be to deregulate, but protection and consideration must be given to the impact upon smaller operations having regard to the small capacity of those planes.

**Mr BRASSIL:** I want to reinforce the view that if we are to remain committed to regional and rural development we have to provide easy access into Sydney. Sydney is the capital and the centre where most business houses and medical services are located, particularly specialist services. If we are to encourage regional development, it is essential that the centres throughout New South Wales have easy access into Sydney.

At the moment access into Kingsford-Smith airport is quite good and the associations agree with the slot system and the type of charging, although with modifications, and in so doing they believe this will ensure continued access into Kingsford-Smith airport. There is no point coming to Sydney if one has to go to Bankstown first. Even from as far away as Wagga Wagga one might be better off driving, if that was the case. The flight from Wagga Wagga is 55 minutes. The total time taken to get from Wagga Wagga to Sydney is probably two hours. The total driving time is only about five hours, depending on the time of the day one does it. If the airport is anywhere else the access would not be so good and it would mitigate against attracting people to country areas.

**CHAIRMAN:** We will now proceed with questions. I will commence. Anyone who likes to answer may do so. After we started our hearings the Minister for Transport received a letter from the honourable member for Tamworth, as a

result of a country summit looking at a charter of user rights. We were asked to make some inquiries about that. We have done so. Are any of you on the committee?

**Mr BOTT:** I am.

**CHAIRMAN:** This is the task force that has been set up to look at continued access to Kingsford-Smith airport?

**Mr BOTT:** With regard to Kingsford-Smith airport, no I am not. I am on the State regional committee under the Premier's Department, looking at regional development on the broad front, and on which Councillor McGrane and Councillor Torbay are represented.

**CHAIRMAN:** But you are not involved in that other committee?

**Mr BOTT:** That is right.

**CHAIRMAN:** We have been asked to make some inquiries about what should go into that charter of user rights, to try to get some guarantees that country people can have affordable access to Kingsford-Smith airport. There are two types of access. They can say one can have access but if they jack up the prices it becomes irrelevant. Some councils in country areas have suggested that a charter of user rights is not enough, that Federal airports legislation at the moment guarantees access for international and interstate flights but makes no reference to intrastate or regional flights. Does the Local Government and Shires Associations have any view on that? If you want to take any of these questions on notice, you may write back to us with your answers.

**Mr BOTT:** At this stage I would have to say it is not something that has come to my attention. However, I overlooked two things in my presentation that will probably give you an indication where we are coming from. Any potential there might be to privatise the operation of Kingsford-Smith airport at any stage needs to be written into a formal agreement, charter, whatever, to give protection that is essential to the smaller regional operators. The other thing needed is some mechanism to monitor the outcome, to ensure continued operation, that what you are saying does not occur, and that we have reasonable access and the operators are not priced out of the market. So, it is essential that those two things happen. If a charter is going to give protection—and I presume that is the thrust of it—to regional and rural access to Kingsford-Smith airport, we would be in support of that. I do not have any need to take that away, I can give you that answer.

The fundamental plank of our position is that there must be that continued access, for the reasons Councillor Brassil has outlined. The view on deregulation is not consistent throughout local government across New South Wales, but on balance we believe deregulation will be an advantage, with additional competition and the opportunity for packaging into regional situations that currently does not exist. As I say, that support for full deregulation is predicated on continued access and a regime that does not effectively price airlines out of the market.

**CHAIRMAN:** The other thing we have picked up from a number of councils is that they are generally happy with the slot system. They have seen some improvements and they see that as a form of guarantee for regional airlines to operate out of Sydney. However, the complaint is that the slot system allocates slots to regional airlines as opposed to town centres. The worry is that if deregulation comes in perhaps some of the airlines might clamour for the more productive routes with more passengers, still keep their slots, but instead of going to Griffith, for example, they might go to Wagga Wagga. Has the Local Government and Shires Associations addressed that point yet?

**Mr BOTT:** We have not addressed it but it is an issue we need to give some consideration to. We are arguing that safeguards need to be put in place to protect regional airline operations into Kingsford-Smith airport, but we are also arguing that there needs to be a community service obligation in place to protect the interests of the smaller centres. Obviously the scenario you are outlining would be of concern to us should that eventuate.

**The Hon. Dr B. P. V. PEZZUTTI:** Perhaps I could ask Mr Brassil whether he believes that one of the ways to

encourage airlines—during deregulation, or even during a regulated process—to give some equity to people in outlying areas where they might not get the same frequency as the people travelling out of Wagga Wagga, Dubbo, Lismore or Armidale is for the State Government to make a community service obligation payment?

**Mr BRASSIL:** Yes. I believe there is a community service obligation for everybody in the State to have affordable access to Sydney. This has to vary a little with one's location. Obviously someone living at Penrith can get to Sydney easier than someone living at Bourke. It has something to do with centres of population. Someone living in Wagga Wagga has the option of six flights a day to Sydney whereas someone living at Hay does not have such a frequent service. As long as some service is available to those people at a reasonable cost, I think the community service obligation is being fulfilled.

**The Hon. Dr B. P. V. PEZZUTTI:** Given what the Chairman suggests, given the cost of modern aircraft and the cost of maintenance, to have a 19-seater aircraft drop into Hay on a daily basis, for example, may require the customer to be charged a cost per kilometre vastly greater than the cost to someone in Dubbo or in Wagga Wagga. Therefore, the cost differential for people from Hay would be vastly higher. Under those circumstances, given that the Government subsidises the railways, do you think some subsidy should be given to people to give them the same equity of access?

**Mr BRASSIL:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** I am not saying it should be cheaper.

**Mr BRASSIL:** No. I think when the cost gets to be prohibitive we have to look at community service obligations. I know "prohibitive" is a nice term, it is hard to define. I suppose one needs to look at individual cases.

**The Hon. Dr B. P. V. PEZZUTTI:** Mr Bott, would you support that view or do you have a different view?

**Mr BOTT:** I certainly support the continuation or the establishment of the community service obligation to protect those ports. This comes back to a question of government and it ultimately resides in State Parliament rather than with us. It does not worry me how that is achieved, whether by some direct form of subsidy—and that is the issue I am wrestling with—or whether it can be achieved through regulation of the slotting mechanism to ensure that existing slots for those smaller centres are maintained. break/brown That could be a way of providing the access that those communities require without the direct intervention of a subsidy from the State Government.

I actually favour the structure. I am not terribly keen on direct subsidy as such. I favour the establishment of a regulatory regime under the slotting mechanism which gives continued access to the existing services. while you were asking your question I was trying to think about what centres currently do not have that sort of access. Certainly Broken Hill is one. The mayor of Broken Hill has expressed his concern to me about that city's direct opportunity under the present regime. He believes that deregulation will be to Broken Hill's advantage. I was trying to think of a smaller centre that may have a need that is not currently being fulfilled, but I am having difficulty. Deniliquin might fit that category, but, generally speaking, I favour the continuation of the existing opportunity. The line put by the chair a few moments ago—that came from the country councils in regard to slotting being directed towards centres rather than towards airlines—might be the regulatory mechanism that would achieve my objective, rather than direct subsidy.

**The Hon. Dr B. P. V. PEZZUTTI:** It has been suggested that the Committee consider deregulation of the larger routes, stand-alone routes such as Wagga Wagga, Dubbo, Albury, Armidale, Lismore, Ballina and Coffs Harbour, but leave the smaller routes regulated.

**Mr BOTT:** True.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you have any idea what loadings would be a stand-alone, open competition approach versus a more regulated approach, if we go down the partial deregulation path?

**Mr BOTT:** I am not sure I understand your question.

**The Hon. Dr B. P. V. PEZZUTTI:** People have referred to the larger routes. How big is big and how small is small?

**Mr BOTT:** From my perspective I would believe—and this is straight off the top of my head—the Saab service operating out of Albury and Wagga Wagga, I would regard them as being able to compete quite adequately. I believe the cut-off line would be Piper, Beech and smaller passenger aircraft. The chart demonstrates that they are the ones in real danger of being disadvantaged under the present pricing regulation. Unless some mechanism is put in place to give them protection, they are going to be priced out of the market. In a totally deregulated situation they will not be able to gain access.

**The Hon. Dr B. P. V. PEZZUTTI:** It may be necessary to have a partially- regulated system.

**Mr BOTT:** That is a possibility. As I say, that ultimately comes back to the determination of government. We are saying it is necessary to have the protection of those less frequented routes, but how it is achieved ultimately comes back to the determination of government.

**The Hon. Dr B. P. V. PEZZUTTI:** You may care to take my next question on notice. The Leader of the Opposition recently announced his intention to move more government jobs to country areas. Would this have an impact, in a positive or negative way, on air transport needs and services in regional New South Wales?

**Mr BOTT:** My immediate reaction would be to say that it would, but as I think about the number of times I have had to travel to Sydney on business, there would probably be business people coming to Sydney to meet with government, I think I would need to take that question on notice.

**The Hon. Dr B. P. V. PEZZUTTI:** One might need to travel to Lismore or Dubbo instead of travelling to Sydney.

**Mr BOTT:** I would say that it would have a positive effect, but we will undertake some research and provide you with a definitive answer.

**The Hon. JENNIFER GARDINER:** With respect to the new minimum charge, which you have suggested be capped, the Committee has heard evidence from one of the smaller airlines that that could mean that the services become unviable. That related to the service that operates on the southern slopes, Cootamundra and Temora. Do you know of any service in other parts of the State that might be in difficulties?

**Mr BOTT:** Not specifically. May I clarify your question. The question is that the service to Cootamundra will become unviable under what is proposed, rather than what our association is proposing?

**The Hon. JENNIFER GARDINER:** Yes.

**Mr BOTT:** I have not done the specific exercise but I would say centres such as Griffith and Narrandera and quite a number of others would have difficulty in being able to maintain the service. I have not done the exercise but I can do it without any difficulty.

**The Hon. JENNIFER GARDINER:** Thank you, if you would. You have acknowledged that the association's view is not a completely consistent view among the constituent councils and the Committee has heard evidence from the Dubbo City Council opposing deregulation. However, you state that on balance your submission represents the view. How strong is the view that you have put?

**Mr BOTT:** The view that was expressed in both executives, that I have put here today, has been carried by both

executives, which are, if you like, the representative groupings of the councils across New South Wales. That is the collective view point. I am saying there is going to be divergence from that, depending upon how the particular centres see the impact upon them in their particular situation. Just as you have found that Dubbo supports the continued regulation, if you talk to the mayor of Broken Hill you will find that he is equally strong that there should be deregulation.

**CHAIRMAN:** In regard to the Broken Hill situation, the Committee heard from a company yesterday that is having negotiations with the council. That particular company did not want deregulation; it wanted managed competition. It wanted the system to be opened again so they could all submit bids and so that they could have two operators at Broken Hill, but regulated so that no-one else could come in and those two operators could be viable. He considered that in the event of deregulation he would not be able to provide a viable service there.

**Mr BOTT:** It sounds to me like wanting to eat your cake and have it too.

**The Hon. JENNIFER GARDINER:** In reference to the association's recommendation that there should be a process whereby intervention may be taken if a rural community loses all services, and a determination of the most appropriate means of obtaining revenue to subsidise unviable routes, I suppose there would have to be some benchmark as to what was unviable. It could be bad management, for example, so obviously a government would have to work out what unviable actually means. In the first instance you would be talking about the number of passengers, say, in a five-year period in and out of that smaller community as a benchmark.

**Mr BOTT:** Obviously that is one way by which you could do it. To commence with I would say that passengers movements and the size of vehicles is a very, very important consideration. If you do not have the passengers movements, management is almost irrelevant to the outcome. You will not be able to continue the service. At the same time I accept the point you are making that management has to be an issue which will impact as well.

**The Hon. J. R. JOHNSON:** What are your landing or passenger charges at the airport?

**Mr BOTT:** I have a document somewhere.

**Mr McBRIDE:** I will provide the Committee with a table.

**The Hon. J. R. JOHNSON:** How do those charges compare with airports of comparable size?

**Mr BRASSIL:** The charges vary according to this table from \$4.75 to \$11 per passenger. In the case of Wagga Wagga this table states \$5.65, but that is no longer true. We have just increased it to \$6, but it was true at the time this document was drawn up. Some airports obviously have to charge \$10 or \$11. Generally those with the lower passenger numbers have the higher charges, but this is fairly reasonable. The airports are mostly owned by councils and in the case of Wagga Wagga, and I presume other council areas, we try to run them so that we do not use the ratepayers' funds to prop up the airport.

On the other hand, we do not try to make an enormous profit. We go for cutting even and we have found that \$5.65 now \$6 does a number of things: it provides for the relaying of the airstrip, which you would need to do every 20 years. We put money aside for that; it provides for ordinary maintenance and reasonable capital works for expansion, in the event of their being not more than two firms operating out of the airport; and it provides normal running expenses. We consider it to be a reasonable charge, but the situation would be different for different councils. Some councils have to subsidise their airports very strongly to keep them open. They would generally be the small centres with very few passengers.

**The Hon. J. R. JOHNSON:** Has your council had any difficulty collecting the fees, and how many bad debts have you incurred?

**Mr BRASSIL:** Very, very few. We did have some difficulty earlier, but we pursued them and the system that we have seems very good. We no longer make some charges, so that our main income is from the regular passenger planes. A firm operates to provide you with numbers of people when you have a per-passenger charge and the system appears to work very well. The airlines co-operate very well and pay their fees promptly.

**The Hon. J. R. JOHNSON:** How far is your airport from Canberra?

**Mr BRASSIL:** It is 150 miles in the old measure.

**The Hon. J. R. JOHNSON:** Those on the periphery of Wagga Wagga would obviously use Wagga Wagga airport as distinct from Canberra, would they not?

**Mr BRASSIL:** Oh, yes. I do not know where the cut-off point would be but I think it would be very close to Canberra. Yass people would probably go to Canberra to catch a plane. If they wanted to come to Sydney they would probably drive.

**The Hon. I. COHEN:** Where does Wagga Wagga stand on deregulation or a regulated market?

**Mr BRASSIL:** The policy of the Wagga Wagga City Council, decided a couple of years ago, is in favour of deregulation. As with other decisions on deregulation, it was not a unanimous council decision.

**The Hon. I. COHEN:** You may care to take this question on notice. Do you have a list or a general assessment of those councils? Given that you are a statewide association or country areas association, you may have a rough idea or could provide the Committee with the numbers of councils for or against deregulation. You mentioned Broken Hill was in favour of deregulation. I was under the impression that there was a very strong feeling in country council areas that there was a need to maintain regulation and that there was great concern about it. Appreciating that Wagga Wagga has one view and Broken Hill has another point of view, are you able to provide a balance in that regard?

**Mr BOTT:** Certainly in terms of those that are operating airports, in other words from where services are running, we have no difficulty in providing that. The point I made earlier was that the issue of concern is one of continued access and the potential to be priced out of KSA. The overriding consideration of all councils, which is consistent right across the board, is that there must be continued access into KSA. The association believes that that can be maintained in a deregulated environment through the appropriate mechanisms as detailed in the association's submission. We can certainly give that information relating to councils that operate airports with services terminating at KSA or in Sydney.

**The Hon. I. COHEN:** In your association's experience, and in your own experience, do you feel comfortable in a deregulated market that there will be a guarantee of a service for the smaller and less profitable spokes on the system? Has there been much feedback with local government areas about the guarantee of a service to the community, which is what I am more interested in rather than just measuring profitable routes? The Hon. Dr B. P. V. Pezzutti mentioned the possibility of a subsidy to maintain those spokes. Can you elaborate on community concerns?

**Mr BOTT:** In regard to those that would be subject to spokes?

**The Hon. I. COHEN:** In regard to the smaller routes, the spoke routes that are not necessarily directly getting to KSA.

**Mr BOTT:** The concern that has been spoken about before certainly will be evident in those centres. The concern is probably accentuated in those centres with smaller services. Quite obviously they are the ones that will potentially be under the greatest danger of losing the access either through pricing or whatever. Our experience is in the deregulation that occurred in the interstate airline services. We believe that the outcome of that deregulation was one of a positive result rather than a negative result. I know that is open to debate as well.

At the same time the potential for an intrastate deregulation for packaging, say, at off-peak periods and weekends, and

the opportunity to develop packages in a deregulated market is certainly something that needs to be given consideration, together with the potential of increased competition and what that will do to the price of air fares. I come from Albury where we are close to the snow fields and what have you. Currently I pay in the order of \$440 return air fare from Sydney to Albury. I can fly probably Sydney to Melbourne for a very similar fare or if not it would be marginally different. Under the present regime pricing is not terribly conducive to flying inside New South Wales. We believe that there is potential to address that through opening up the market to competition.

**The Hon. I. COHEN:** Are the present routes, hubs, and spokes system deficient? I am thinking of the Parkes airport plan, even though we are looking mainly at cargo. From your association's point of view is there a turnabout in its structure?

**Mr BOTT:** Currently I guess we are in a regulated situation and we have arrived at the point we have. I suppose one can always cast one's eyes about and find some centres that are not being serviced in the way in which their communities would wish them to be. There has to be a line drawn at the point at which we are unable as a society to go any further. With regulation we have the current network. We say it is reasonable that with deregulation there should be the continuation of that same level of service opportunity. I have a view about Parkes and I will not get into a debate about it because this is not the appropriate time to deal with it.

**CHAIRMAN:** The Committee has not deliberated on what we are likely to do but there is a general view that there are a couple of issues involved, one of which is the upcoming Federal and State elections.

**Mr BOTT:** The election has triggered my thinking about an important point I missed regarding introduction. I would say from your remarks that a decision will not be made by December 1998 and then the proposed 1999 date would be reasonable in terms of time frame of adjustment and what have you. We need to push it past the Olympics.

**CHAIRMAN:** The Committee would like the Shires Association and the Local Government Association to keep a watching brief on this matter and to keep sending us submissions on it because there is a possibility that after the elections we will do further or different investigations. The Committee values your continued input.

**Mr BOTT:** Mr Chairman, could I just say to yourself and to the members of the Committee I have had the ordeal of appearing before a number of parliamentary inquiries and this has been, if you like, one of the most relaxed and indeed the easiest to be able to deliver.

**(The witnesses withdrew)**

**GEORGE RICHARD TORBAY**, President and Chairman, Country Mayors Association, care of Armidale City Council, sworn and examined:

**CHAIRMAN:** In what capacity do you appear before the Committee?

**Mr TORBAY:** As Chairman, Country Mayors Association.

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

**Mr TORBAY:** Yes, I did.

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

**Mr TORBAY:** Yes I am.

**CHAIRMAN:** The Country Mayors Association has made a submission. Would you like that submission to be included as part of your sworn evidence?

**Mr TORBAY:** Yes please.

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

Would you like to give the Committee a brief overview of the position of the Country Mayors Association and then the Committee members will ask questions?

**Mr TORBAY:** Most of the details are in the submission. I will touch very briefly on some of the points and I am obviously happy to answer any questions. In relation to landing fees—and it has already been commented on today—we would remind the Committee that a larger percentage of the ticket price, obviously the effect on short haul flights rather than the longer flights, has a remarkable effect on the passenger price of tickets. For example, a \$10 increase in landing fees at KSA would mean a five to eight per cent increase from Armidale to Sydney.

Perhaps the greatest concerns of the Country Mayors Association are in relation to the slot times which have eased recently given the changes that have occurred. There is general support for what has occurred. The proposal to redirect potential access from KSA to Bankstown airport for some country services was unanimously rejected by the association for many reasons that have already been given. The association was united in that view. It was felt that it would be very detrimental to country areas for a wide range of reasons that have been commented upon by the submission of the Local Government Association and indeed by other members.

Deregulation has also been debated at length. Given that currently the Country Mayors Association has 32 member councils, there were varying views in relation to that issue. Almost without exception the major concern was the mechanisms that should be put into place to support smaller regional communities to ensure that they have equitable access to KSA, and to ensure that deregulation does not result in smaller communities having a large decrease in the level of service that they enjoy today.

Whilst there were some other views, it was the overwhelming view of the association that full deregulation would have a potentially detrimental effect, particularly on smaller communities. There have been terms used about managed or partly managed or what have you but there was a strong view to support a form of regulation to protect those

communities. I am happy to take any questions.

**The Hon. I. COHEN:** Do we have a clash of learned philosophy and real community needs? It seems as though there is some inability to say that we want to maintain an old-fashioned regulated activity. Would you comment on that?

**Mr TORBAY:** Almost without exception the concerns of every community that perhaps does not have what you consider a large load or large numbers is that if the market was deregulated the number of providers would increase but the level of service would in fact decrease. That is almost a unanimous position by those communities. A lot of it is a little unknown. A document has not been put before me that accurately analyses the impacts, but that is certainly a perception that is very strong in the community.

**The Hon. I. COHEN:** Does your association have a formula that could guarantee those smaller spokes and communities their rights to access, and at the same time some sort of partial deregulation of the major routes?

**Mr TORBAY:** The Country Mayors Association has simply been liaising with the Local Government Association in looking at some of the mechanisms that would be available. We seek to work with the association in putting the view forward that there are mechanisms and indicators that could be used to protect those communities. I think a considerable amount of the concern would ease if a model could be designed to protect those communities. We are not actively working on a model other than working with the association in putting forward our views for something that will protect those communities.

**The Hon. I. COHEN:** Would that be regulation through fee structure rather than saying X number of airlines are able to use this route? Is that the way to go?

**Mr TORBAY:** I do not think we would exclude anything in the process of looking at a model. There are so many wide-ranging views about regulation, deregulation and somewhere in between that we would be happy to leave the doors wide open in order to arrive at a model that would assist those communities. Tremendous concern has been expressed in every debate that those communities would be disadvantaged. We would be happy to see all those forces thrown in the melting pot to see what model could be arrived at to protect them.

**The Hon. I. COHEN:** It is similar to the closure of banking in post offices. Is this a widespread concern in the community?

**Mr TORBAY:** Yes. At almost every meeting of country mayors there has been overwhelming and wide-ranging concern. The perception is very strong that deregulation will have a detrimental impact on airlines in regional communities, particularly smaller communities.

**The Hon. J. R. JOHNSON:** Do you have many bad debts from airlines that have used your airports?

**Mr TORBAY:** The feedback that I have received from country mayors is that there have been one or two quite significant issues but all in all it is not a major problem from their point of view.

**The Hon. J. R. JOHNSON:** I am talking more about your area?

**Mr TORBAY:** The area around the Dumaresq shire, the Armidale airport?

**The Hon. J. R. JOHNSON:** Armidale, Tamworth?

**Mr TORBAY:** No, it is not a major issue there.

**The Hon. J. R. JOHNSON:** Tamworth?

**Mr TORBAY:** I am only commenting on what I have read but Tamworth had a difficulty recently given the Tamair situation. However, I do not believe generally there is a problem other than that issue.

**The Hon. JENNIFER GARDINER:** Glenn Innes and Inverell?

**Mr TORBAY:** Yes, there have been some changes there given the demise of Tamair.

**The Hon. J. R. JOHNSON:** I am concerned with the bad debts.

**Mr TORBAY:** They have not communicated that to me, no.

**The Hon. Dr B. P. V. PEZZUTTI:** They said that you had taken the matter up with the Premier?

**Mr TORBAY:** In relation to Tamair?

**The Hon. Dr B. P. V. PEZZUTTI:** Yes.

**Mr TORBAY:** I am excluding that particular matter.

**The Hon. J. R. JOHNSON:** I am not.

**Mr TORBAY:** No, as far as Tamair, there are a number of bad debts around the whole area and those matters have been taken up.

**The Hon. J. R. JOHNSON:** But no money on the table?

**Mr TORBAY:** Not at this stage, but they were fairly recent representations.

**The Hon. J. R. JOHNSON:** Representations to whom?

**Mr TORBAY:** I wrote to the Minister.

**The Hon. J. R. JOHNSON:** I am not following you. The debts were incurred by the airlines?

**Mr TORBAY:** Yes.

**The Hon. J. R. JOHNSON:** And you have written to the Minister?

**Mr TORBAY:** I have written to the Minister because the community wanted to make the Minister aware of it. Also, discussions have been held with the local member there.

**The Hon. J. R. JOHNSON:** Is Armidale well serviced?

**Mr TORBAY:** Yes, Armidale is well serviced.

**The Hon. J. R. JOHNSON:** By whom?

**Mr TORBAY:** The Armidale to Sydney route that you are referring to is serviced by both Hazelton Airlines and Eastern Australia Airlines and they both have 36-seat aircraft.

**The Hon. J. R. JOHNSON:** Would the academics and the students be major users of air transport—and I am talking about students not only from the university but from the good schools in the area?

**Mr TORBAY:** Definitely.

**The Hon. Dr B. P. V. PEZZUTTI:** I am looking at the timetable you provided as part of your submission. You have six services a day each way?

**Mr TORBAY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** And on Fridays you have seven services a day each way?

**Mr TORBAY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** How do two airlines operating 36-seaters end up out of making a profit out of a service that delivers 50,000 people?

**Mr TORBAY:** As far as profitability, that is up to the airlines, but changes have occurred in aircraft since both Hazelton and Eastern airlines have been operating it. Hazelton has from time to time reduced the Saab aircraft down to a smaller aircraft and then switched it back, depending on the demand.

**The Hon. Dr B. P. V. PEZZUTTI:** The Lismore service, which has only three services a day, delivers 50,000 people and the Ballina service, which has four services a day Monday to Friday—I do not know how it operates on the weekends—has 110,000 people. Under a deregulated market, places like Armidale may be disadvantaged and places like the north coast may be more advantaged. Do you have a view on that?

**Mr TORBAY:** When this was debated in our community it was the view of both councils that deregulation would disadvantage Armidale and that we would have in real terms a decline in our level of service for the reasons that you have touched on.

**The Hon. Dr B. P. V. PEZZUTTI:** When you next have negotiations, the airlines may well end up making bids less than what is already on the table. If they came back to the regulated process next time, you would end up with exactly what you have now?

**Mr TORBAY:** The last several times that these issues have been debated two carriers have always been bidding. They have been strong bids and the recommendations have obviously gone on. If the structure were to remain the same, we would expect the same process from the two major airlines bidding again for the services.

**The Hon. Dr B. P. V. PEZZUTTI:** But you would have no guarantee that would happen under a regulated system?

**Mr TORBAY:** No.

**The Hon. Dr B. P. V. PEZZUTTI:** Because they would have to be driven by profit under a regulated system or a deregulated system?

**Mr TORBAY:** Yes, they would be driven by the same.

**The Hon. Dr B. P. V. PEZZUTTI:** The services into Ballina and Lismore continue to grow rapidly and now Dubbo and Armidale together move 150,000 people in and out of Sydney with 16 services each way each day, whereas Lismore and Ballina have the same number of people with only seven services each way each day. If the Ballina service were

deregulated and there were more flights into Ballina, there would be pressure on landing times at Sydney airport. Would Armidale and Dubbo welcome a challenge to the number of slot times that they may achieve, given that those slot times are allocated to the airlines?

**Mr TORBAY:** No, they most certainly would not, with their support for the slot times that have been put into place recently since the changes occurred in March. But I have to say that grouping together two communities that are so far apart is a difficult example. We are saying that if you believe there should be a regional New South Wales, for example, resources have to be there to support it. When one is looking at numbers one can always see a cost-effective or so-called efficient process that would reduce fixed costs somewhere to a provider or a government, but we are saying that people in these areas, regardless of the population, deserve what is considered to be a reasonable level of service.

**The Hon. Dr B. P. V. PEZZUTTI:** I understand what you are saying. Because the number of landings and take-offs at Kingsford-Smith airport are limited, and given that those slot times are allocated to airlines and not communities, how do you see the Committee best making recommendations to the Parliament to ensure that whilst places like Ballina and Lismore might have better access, it does not have to be at the expense of Armidale and Dubbo?

**Mr TORBAY:** I am not sure. I would have to consider that.

**The Hon. Dr B. P. V. PEZZUTTI:** We would welcome any thoughts you have on the matter. It is a direct and open question.

**Mr TORBAY:** Sure. It is a good question.

**The Hon. Dr B. P. V. PEZZUTTI:** If there is deregulation and, say, the north coast gets two operators instead of just Ansett, there might be more frequency with smaller planes but that would put pressure on landing slot times. Eastern Airlines may want to go into Ballina and Lismore but it would have to take slot times from somewhere else because at the moment peak slot times—times when everybody wants to travel—are being fully occupied. Could you turn your mind to that?

**Mr TORBAY:** Yes. It is a good question.

**The Hon. Dr B. P. V. PEZZUTTI:** Has the Country Mayors Association looked at the policy announced by the Leader of the Opposition of moving government jobs to regional centres? Will that have an impact on the nature and quality of air services and a change to the re-jigging of air services? Also, what impact in totality is that likely to have?

**Mr TORBAY:** If we were to get an understanding of the departments or the infrastructure proposed to be put into country areas I would be able to answer the question but, regrettably, the statement that I read was similar to what the State Government has been saying about locating government areas. No details have been provided to me so I am not really in a position—

**The Hon. Dr B. P. V. PEZZUTTI:** You can take it from me that he is planning to move wholesale public service jobs to the country rather than just one or two, which does not balance what has already been taken out by the current Government. This is what is proposed. Given that proposition, what impact do country mayors believe that would have on air transport services? In the light of that different scenario is deregulation or regulation the way to go?

**Mr TORBAY:** If I were to go to the association and say that given the statement that has been issued, which is similar to a previous statement about which we have heard comments, by the Premier about decentralisation and location of government services—and I am not politicising it—I do not think that the association would accept at face value that there will somehow be these sorts of changes in country areas. We hear about them but I could not say that it would affect our submission without seeing something of more substance in the future.

**The Hon. Dr B. P. V. PEZZUTTI:** But what if the top big ones, everything over 40,000 or 100,000 even, were deregulated and the others remained the same? To ensure equity of access to Sydney for regionally based people, do you believe there should be a CSO payment by State governments in the same way as there is for railway transport, for example?

**Mr TORBAY:** From the point of view of smaller communities certainly that should be considered because the market forces alone, with deregulation or part deregulation, are not enough to protect those communities.

**The Hon. JENNIFER GARDINER:** I am trying to get a handle on the amount of consensus. You have said there is an overwhelming view in the association against deregulation yet councillor Brassil supported deregulation. How many mayors are currently in the association and how many of them would support the view of Councillor Brassil's council?

**Mr TORBAY:** Currently there are 32 mayors. It has been as high as 37 and a little lower. They are generally for populations of 10,000 or more. I must say that when I use the term "deregulation" it means something different to most people in the room. I must qualify what I am saying by that. A direct answer would be that overwhelming means all but four or five would not support deregulation. However, once we start breaking it down into what deregulation means and are we talking about a managed process with safety mechanisms that would support smaller regional areas, it starts to fragment again. When you simply ask the question about deregulation, I have to say there is an overwhelming view against deregulation and the concern it would raise with services, particularly to smaller communities.

**The Hon. JENNIFER GARDINER:** Therefore, there would be an overwhelming view against the deregulation that was introduced to the Parliament and passed through the lower House?

**Mr TORBAY:** Yes.

**The Hon. JENNIFER GARDINER:** Would the association agree that there could be a two-tier approach with deregulation on some routes and managed regulation on others?

**Mr TORBAY:** Yes. The Country Mayors Association says that if those protection mechanisms are built in and there is a process that is equitable, it would be happy to consider those issues. We do not think it is that difficult to look at.

**The Hon. Dr B. P. V. PEZZUTTI:** I presume country mayors are against landing at Bankstown?

**Mr TORBAY:** That was unanimously and wholeheartedly rejected.

**CHAIRMAN:** Yesterday the Committee asked a representative from an international airline company at Bankstown what problem that company would envisage with shifting to Bankstown. He said, "No passengers."

**Mr TORBAY:** We would support that view. The term "hated" would accurately describe people's views across the spectrum.

**CHAIRMAN:** How do landing fees at regional airports affect residents of country New South Wales?

**Mr TORBAY:** The range is enormous.

**CHAIRMAN:** Why are there differences?

**Mr TORBAY:** It boils down to infrastructure issues. Armidale city services Dumaresq shire and the landing fees are at the higher ebb of other country areas. Recently a new terminal was established there for several million dollars. It is quite a nice upgrade, but it has been suggested that there is a disincentive, given the landing fees on some country

airlines. Because volume is not substantial in that sense, it creates the old balancing act: is it a user-pay situation? The Dumaresq Shire Council receives a modest rate of return for that development which has enhanced tremendously the city's infrastructure, but it is at the higher end of the scale.

**CHAIRMAN:** Are the fees based on per passenger or tonnage rate?

**Mr TORBAY:** Both.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that the legislation was introduced into the lower House, did the Country Mayors Association write to the Minister for Transport, Mr Scully? If so, could you provide a copy of that letter?

**Mr TORBAY:** Yes. When was the legislation put through?

**The Hon. Dr B. P. V. PEZZUTTI:** It was passed through the lower House during the last session just before Parliament broke for the winter recess. The Independent Pricing and Regulatory Tribunal conducted an inquiry and made recommendations, but the Government proceeded with deregulation and the abolition of the Air Transport Council.

**CHAIRMAN:** That might have been after I addressed the Country Mayors Association on that matter.

**Mr TORBAY:** Yes.

**CHAIRMAN:** That was in November. Harry Woods and I addressed the association.

**The Hon. Dr B. P. V. PEZZUTTI:** No, the legislation is recent.

**CHAIRMAN:** Whenever it was, it was at the same time.

**The Hon. Dr B. P. V. PEZZUTTI:** The legislation went ahead after that.

**CHAIRMAN:** I passed the concerns on to the Minister and that is the reason he gave the Committee the reference.

**The Hon. Dr B. P. V. PEZZUTTI:** No. The Committee received the reference from the Legislative Council. It did not come from the Minister.

**CHAIRMAN:** No. I received it from the Minister.

**The Hon. Dr B. P. V. PEZZUTTI:** The reference for this inquiry by this Committee resulted from a parliamentary reference. The legislation was passed on 1 April in the lower House. The setting up of this inquiry resulted from a vote of the Legislative Council, which refused to pass the legislation until it was referred to a committee.

**CHAIRMAN:** The legislation was due to be returned and after discussions by Australian Labor Party members following meetings with the Country Mayors Association the Minister gave the Committee the reference. It was not from the upper House.

**Mr TORBAY:** Do you still want me to look for any correspondence?

**The Hon. Dr B. P. V. PEZZUTTI:** Yes.

**CHAIRMAN:** What other measures, apart from regulation, could the Government implement to ensure services are maintained?

**Mr TORBAY:** I will take that on notice.

**CHAIRMAN:** The Minister has also asked that the Committee examine the charter of user rights. Do you think that is enough or does the association feel that it should be embedded in legislation to guarantee for ever continued affordable use of Kingsford-Smith airport?

**Mr TORBAY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** On 1 April the Minister said, "I am disappointed with the Opposition. Following input from the Leader of the House it is appropriate that I commend this bill to the House." In spite of the Opposition in the lower House, the legislation was passed. As a result of that did the Country Mayors Association write to the Minister, and if so, could you provide a copy?

**Mr TORBAY:** Yes.

**(The witness withdrew)**

**JOHN GARY REGINALD BEATTIE**, Business Provider, Upholsterer, sworn and examined:

**CHAIRMAN:** In what capacity do you appear before the Committee, Mr Beattie?

**Mr BEATTIE:** As Mayor of Narrandera Shire Council.

**CHAIRMAN:** Did you receive a summons issued under my hand to attend the sitting of this Committee in accordance with the terms of the Parliamentary Evidence Act 1901?

**Mr BEATTIE:** I did.

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

**Mr BEATTIE:** I am.

**CHAIRMAN:** Do you have any documents you would like to table before the Committee?

**Mr BEATTIE:** I have my presentation.

**CHAIRMAN:** Would you like that included as part of your sworn evidence?

**Mr BEATTIE:** Yes.

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

**Mr BEATTIE:** I understand that.

**CHAIRMAN:** Perhaps you would like to speak to your submission before Committee members ask you questions.

**Mr BEATTIE:** Members of the Standing Committee on State Development, I should like to thank you for the opportunity to speak today on an issue of great importance to the Narrandera and Leeton shire councils. On behalf of my shire and the Leeton shire I shall address the impact upon the operation of Narrandera and Leeton airport of recent decisions emanating from the Federal and State governments and the Federal Airports Corporation. I understand that since the instigation of this inquiry a new fee structure has been announced and is to be introduced later in the year. That structure removes the \$250 peak charge and reduces the minimum landing fee from \$140 to \$100. Further, the landing charge for domestic flights is being reduced from \$5.72 to \$2.92 per tonne. Council welcomes these changes. The local community has invested considerable funds in the Narrandera and Leeton airport. The total value of the airport and the infrastructure is \$5 million. The airport is owned by our shire and is managed jointly by the Leeton and Narrandera shire councils. It requires an annual subsidy of \$84,000.

The region has been served by larger aircraft since 1940, devolving in recent years to the Saab 340B aircraft operated by Hazelton Airlines. Passenger numbers for the 12 months ended 30 June 1998 amounted to 11,991, which represents a market increase of approximately 20 per cent. The Narrandera Shire Council believes that regional development in Australia is dependent upon a viable air service between Sydney and regional and rural centres. An important component of successful air service will be its ability to meet expectations of business, tourists and the general public with respect to service quality, safety, price and access to the Sydney (Kingsford-Smith) Airport. Committee members would be aware that the Riverina is one of the few areas in this country currently experiencing growth in industry. The local community certainly does not want any obstacles in the form of a decrease in air services.

With respect to the terms of reference of this inquiry, I should like to address briefly the issues of access to the Sydney (Kingsford-Smith) Airport, deregulation, slot times because of a likely impact upon a number of aspects of air services, and proposals to limit access to Sydney (Kingsford-Smith) Airport and direct country services to Bankstown Airport. It is vital that rural and regional travellers have access to the main airport of Sydney. The arguments against directing traffic to Bankstown are well known. 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. Similarly, people required to catch connecting flights to other States or other countries could face additional accommodation expenses. 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.

The impact upon tourism to our region would be disastrous. International and interstate travellers rely on quick connections and make their travel plans accordingly. The diversion of air services away from Sydney (Kingsford-Smith) Airport to Bankstown Airport would result in a significant loss of patronage on routes such as the Sydney to Narrandera and Leeton route. In short, Bankstown Airport is not an option for regional passengers as its location and lack of infrastructure would effectively result in the demise of air services. If this item is to include the assessment for limiting aircraft by size or carrying capacity into Sydney (Kingsford-Smith) Airport, council would be opposed to such a proposition. This sort of arrangement could introduce the operation of a hub-and-spoke system. Such system has been tried and has been shown to fail.

Travelling times and cost are the main factors. I believe, for example, the Hay service—now not operational—was based on a return airfare to Griffith of \$80. That fare when added to the standard fare from Griffith to Sydney—which in today's terms amounts to \$440C is a cost beyond the means of most potential users. The same problem has occurred in the operation of air services from the Murrumbidgee Irrigation Area through Wagga Wagga connections to Melbourne. Such a system would result in additional travelling time and cost. Potential passengers would consider other options to access Sydney, to the detriment of the airline industry, business development and tourism.

The Narrandera Shire Council is not opposed to the principle of deregulation. However, it has consistently argued that recognition be given to the vulnerability of air services in marginal routes. 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 McKenzie & 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 a business relocation.

Council believes that deregulation would on marginal routes with established services utilising larger aircraft of 36 seats plus result in an influx of smaller aircraft by competitors, which would erode the viability of the established service operating with larger aircraft. Obviously, that service would have greater overheads and narrow profit margins. The history of air services utilising smaller aircraft of five- to 18-seat capacity shows a fragile operating environment and often withdrawal of services. By way of example, I point to Forbes in the 1970s and Hay in the 1980s. The community is then left without an air service. Once an established service is lost, it is very difficult to re-establish.

It is essential to the economic development of our community that, as a minimum, it have pressurised aircraft on the route. That requirement is likely to be protected under licensing than under deregulation. In thin routes managed competition is considered necessary to preserve not only the service but also the standard required by the public. The use of community service obligations is not the answer and would eventually fall victim to budget cuts. It is equally

important to note that smaller aircraft—aircraft with less than 36 seats—are less able to access Sydney (Kingsford-Smith) Airport. Council supports the air transport council argument for managed competition for routes of less than 30,000 passengers per annum. Under that arrangement licences are advertised every three years.

For the community the arrangement offers the following advantages. The successful airline is required to operate within set standards, with an element of competition. The public can evaluate the licence renewal application on: first, frequency; second, size of aircraft; third, onboard service and special provision for the disabled and disadvantaged—and I add that 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; fourth, fare structure; fifth, reservation facilities. For the airline the arrangement offers the advantage of security for the investment involved on the route over a set period of time.

I turn to the issue of slot times. As noted above, I am pleased that from 1 October a revised charging system is to be implemented and that the proposed peak period surcharge has been abandoned. Early indications are that these revisions should be cost-neutral for Hazelton Airlines, which operates on the Sydney to Narrandera route. On that basis 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.

I thank the Committee for the opportunity to make this presentation on behalf of the Narrandera and Leeton shires. In summary, council urges the Committee to endorse the principle of managed competition. The benefits of deregulation for regional centres are unproved, and any possible benefits are likely to be offset by the damage to air services resulting from the introduction of smaller aircraft and eventual diversion of services away from Sydney (Kingsford-Smith) Airport to other airports such as Bankstown Airport. All of those scenarios would have a disastrous impact upon regional development.

**The Hon. J. R. JOHNSON:** What does your council charge passengers and/or freight?

**Mr BEATTIE:** Are you referring to passenger charges?

**The Hon. J. R. JOHNSON:** Yes.

**Mr BEATTIE:** I am not sure of the tonnage rate, but the passenger rate is approximately \$5.

**The Hon. J. R. JOHNSON:** How far is Narrandera from Wagga Wagga?

**Mr BEATTIE:** It is approximately 120 kilometres from the Wagga Wagga airport.

**The Hon. J. R. JOHNSON:** Does Wagga Wagga take many of your clients?

**Mr BEATTIE:** Yes, depending on the time frame for certain visits to Sydney and so on.

**The Hon. J. R. JOHNSON:** Do aeroplanes fly to Sydney only, or to Melbourne also?

**Mr BEATTIE:** From Narrandera flights go to Sydney only.

**The Hon. J. R. JOHNSON:** How many flights are there each day?

**Mr BEATTIE:** Two.

**The Hon. J. R. JOHNSON:** Is that one flight in and one out?

**Mr BEATTIE:** No, there is a round flight from Sydney to Narrandera and then Griffith in the morning, and another flight in the evening.

**The Hon. J. R. JOHNSON:** Does only one airline operate a service on that route?

**Mr BEATTIE:** Yes, Hazelton Airlines.

**The Hon. J. R. JOHNSON:** Do small commuter aeroplanes come to the Narrandera airport to connect with flights to Sydney?

**Mr BEATTIE:** Not that I am aware of. Smaller aeroplanes do use the airport for private use.

**The Hon. I. COHEN:** You have said that your council is in principle not opposed to deregulation. Have I understood you correctly, however, that in this circumstance council is strongly in favour of maintaining managed competition, which is regulation?

**Mr BEATTIE:** That is correct.

**The Hon. I. COHEN:** Why do you feel the need to mention that council is in principle not opposed to deregulation? It would seem that there is a strong voice for regulation coming from your council and from other country councillors. Could you perhaps explain that dilemma?

**Mr BEATTIE:** We are not opposed to competition, but in our circumstance as a marginal airline we are strongly opposed to it simply because we do not feel we can afford a drop in their services. If competition came in, I think we would get that. Access to Sydney (Kingsford-Smith) Airport is high on the agenda, and if we ended up going to smaller planes we would not necessarily get that. Globally we are not against it, but locally we are very much against it.

**The Hon. I. COHEN:** I think it is reasonable to say that there is local community concern, which has been reflected throughout the country areas.

**Mr BEATTIE:** Yes. I think that any rural community would be feeling much the same as we are feeling, whereas, with the bigger communities, coastal areas and larger cities, it is not really a problem and competition is probably a good thing.

**The Hon. I. COHEN:** The Hon. J. R. Johnson raised the matter of the number of flights that come into your airport and those that go to Sydney. At present the route is Sydney-Griffith-Narrandera and return. Do you envisage any improvement occurring in your local area to facilitate a greater attraction for an airline? Would a different hubbing system be of advantage, both to the local community and the viability of the airline?

**Mr BEATTIE:** I do not think so. I think what we have now works extremely well and most people are happy with it. Probably the only thing we lack is a direct route to Melbourne. Sydney is the city that we mostly use; most of our businesses and councils use Sydney quite a bit. For that purpose the current system is quite good; it does not need altering at all.

**The Hon. I. COHEN:** I was interested to hear your view on smaller aircraft, the perception of safety, and the difficulty that people, particularly those with disabilities, have. You said that the minimum would be a pressurised aircraft. Is that a major factor in terms of people's ability to fly?

**Mr BEATTIE:** I think that size is probably the main thing. As I mentioned, a lot of elderly people need a hostess. If you go to a smaller plane than the Saab that we are currently using, you will not get that service. It is the same for disabled people in wheelchairs; they need a hostess as well. I do not think that small planes will accept a wheelchair easily anyway. I think that if we go to a smaller plane we will miss out on that service.

**The Hon. I. COHEN:** Is that a bigger issue than the frequency issue?

**Mr BEATTIE:** I would say so, yes.

**The Hon. I. COHEN:** Could you give the Committee a percentage figure as to usage of your aircraft by tourism and business?

**Mr BEATTIE:** I do not know those figures, I am sorry.

**The Hon. I. COHEN:** Would you be able to ascertain the figures as to the percentage use of your aircraft for tourism, business and medical services?

**Mr BEATTIE:** Yes, I will do that.

**CHAIRMAN:** Council may have a management plan or a development plan showing statistics of numbers, projection of costs, and so on. Would you be able to provide the Committee with a copy of such a plan?

**Mr BEATTIE:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** I have suggested to other witnesses that in order to protect some of the smaller routes and to keep them at a reasonable price to give people access to the city there may be a need for the State Government to make a community service obligation payment. Firstly, do you think that would be a good idea, and secondly, how could it best be applied?

**Mr BEATTIE:** I do not know that I could answer that.

**The Hon. Dr B. P. V. PEZZUTTI:** For example, the train that goes to Dubbo does not make a profit, it makes a considerable loss, which is picked up by the State Government. There are various ways in which the State Government transfers money to the State Rail Authority. For example, pensioners pay \$10 for a trip to Sydney, and State Treasury gives State Rail the difference in the price for first-class rail travel. Do you think a system like that could operate, which would help to build the numbers and also to make the services more profitable and therefore more attractive for people to provide quality services to isolated areas?

**Mr BEATTIE:** Yes, I think that something like that would be good. I am not sure what is in place at the moment for people on pensions. Is any system operating?

**The Hon. Dr B. P. V. PEZZUTTI:** No, nothing, unless it is part of the isolated patients transport and accommodation service—IPTAS. Under that service, if people have to travel more than 200 kilometres to see a doctor or receive a medical service they can then receive payment from, in your case, the Greater Murray Area Health Service to assist with that travel, either by air or rail.

**Mr BEATTIE:** I am aware of that. I think anything in that line would certainly be of benefit, particularly to our town. As I said earlier, we have quite a large percentage of old people, and I would certainly support that sort of a move.

**The Hon. Dr B. P. V. PEZZUTTI:** What sort of plane currently operates the service?

**Mr BEATTIE:** It is a Saab 340B, which is a 35- or 36-seater.

**The Hon. Dr B. P. V. PEZZUTTI:** What is the travel time to go directly from Narrandera to Sydney?

**Mr BEATTIE:** About an hour.

**The Hon. Dr B. P. V. PEZZUTTI:** What is the travel time if one goes via Griffith?

**Mr BEATTIE:** It adds about half an hour, so it is about an hour and a half.

**The Hon. Dr B. P. V. PEZZUTTI:** Generally speaking, do the flight times give one a reasonable time in the city?

**Mr BEATTIE:** They do. As I mentioned earlier, I found myself with quite a bit of time on my hands today because I got an early flight in and did not have anything else to do but to come here today. For any sort of business it is excellent, because you get here early in the morning and the evening flight gives you a full day in Sydney.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that slot times, which at present are quarantined for regional travellers, are currently owned by airline companies, do you think there is a way of ensuring that those airline companies continue to value services like yours, which have relatively low passenger numbers, that the slot time is not given to a service that may be more profitable for them, and that your slot time is not altered so that you would not get a whole day in Sydney?

**Mr BEATTIE:** I think what is happening at the moment works well. I cannot see any benefit whatsoever in changing it.

**The Hon. Dr B. P. V. PEZZUTTI:** That does not relate to either deregulation or regulation; it is a completely separate issue which relates to the fact that the airlines own the slot times and your community does not?

**Mr BEATTIE:** Yes.

**CHAIRMAN:** The problem is that some of the big companies might decide they will go with the areas that have 150,000 customers a year, instead of Narrandera.

**Mr BEATTIE:** Currently, if Hazeltons cease their service they can retain the slot times they already have.

**CHAIRMAN:** And use them on a more productive route?

**The Hon. Dr B. P. V. PEZZUTTI:** Or they can change your slot time to a slot time that lands at 10 o'clock in the morning?

**Mr BEATTIE:** Yes, or lunchtime. I would certainly agree to any sort of control that could be put on that.

**The Hon. Dr B. P. V. PEZZUTTI:** It is a Federal matter; nevertheless, it is a matter that the Committee is concerned about.

**Mr BEATTIE:** To tell you the truth, I had not thought about it, but I think it is extremely important. As you say, if deregulation comes in and we lose the service that we have, we may very well lose our slot time.

**The Hon. Dr B. P. V. PEZZUTTI:** Regardless of regulation or deregulation, every three years the Air Transport Council seeks expressions of interest and consults with you; various companies make proposals, and the Air Transport Council in Sydney makes a determination as to what is best for you. If we retain regulation, can you suggest anything

that will improve that process? At the end of the day, you might have input as to what your community thinks. The airlines will come along and make their bids, but the Air Transport Council will make the final judgment.

**Mr BEATTIE:** I would like to see input from us as far as that judgment goes.

**The Hon. Dr B. P. V. PEZZUTTI:** Currently, for example, Hazelton may decide to operate a 9-seater plane. That might be in breach of Hazelton's current licence with the Air Transport Council, but Hazelton will go to the Air Transport Council and say, "We are not making a quid, so we will pull out altogether." Currently the Air Transport Council, without a need to consult with you at all, can approve such an arrangement. Do you think that that is fair, or that it should be improved if the regulation is returned?

**Mr BEATTIE:** I will have to come back to you on that. I do not think that will be fair. I do not see that happening, though, because Hazeltons are operating extremely well in our area at the moment. It is a hypothetical situation that probably does need to be pursued.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that Tamair went belly up recently, that there is nothing certain in the commercial world, and that Hazelton's licences have gone in the last triennium, under the current arrangements of regulation what could your community do to force Hazelton, or any other company, to fly to Narrandera?

**Mr BEATTIE:** There is nothing that we could do to force anyone.

**The Hon. Dr B. P. V. PEZZUTTI:** Under a deregulated market, what could you do—exactly the same? In commercial terms, at the end of the day would it make any difference to Narrandera whether it was deregulated or regulated?

**Mr BEATTIE:** I think it would make a difference in commercial terms. As I said, regulation gives security for an operator to come in and operate. On the basis of what is happening now, we cannot determine future market needs as far as the airport is concerned, but on current levels of usage Hazelton Airlines is running at a profit and providing an excellent service. I cannot see any reason why that would change, particularly with the growth of industry in our area. I really do not see that the question is a valid one.

**The Hon. Dr B. P. V. PEZZUTTI:** Currently, as part of the bid, the airline company that bids for your service under the regulation process also has to give an indication what its prices will be. If it wants to have a price rise it has to give six months notice. That is then judged by the Air Transport Council, as I understand it, and although one might have certainty or some semblance of certainty, one has no control over the price nor, frankly, any input into that decision by the Air Transport Council. Do you think that should change?

**Mr BEATTIE:** Yes. I think we should have an input into the control of prices.

**The Hon. JENNIFER GARDINER:** Firstly, is it fair for the Committee to assume that Leeton council is as one with Narrandera council in the submission you have made?

**Mr BEATTIE:** Yes.

**The Hon. JENNIFER GARDINER:** You have said there is a subsidy from the councils to the extent of about \$84,000 for the running of Narrandera airport?

**Mr BEATTIE:** Yes.

**The Hon. JENNIFER GARDINER:** Is that a fairly constant proportion of your outgoings?

**Mr BEATTIE:** It is fairly constant. It does not vary greatly.

**The Hon. JENNIFER GARDINER:** So it is a fairly stable burden on your ratepayers?

**The Hon. Dr B. P. V. PEZZUTTI:** That is over and above their income?

**The Hon. JENNIFER GARDINER:** It is a subsidy.

**Mr BEATTIE:** We make a loss of \$84,000 a year.

**The Hon. JENNIFER GARDINER:** Which would be fairly normal for the smaller airports?

**Mr BEATTIE:** I think it is fairly standard, yes. Leeton does contribute to offset that a little, but Narrandera does contribute to most of the cost.

**The Hon. JENNIFER GARDINER:** Do you know of any prospects of the defunct Hay service being revitalised?

**Mr BEATTIE:** No, I am not aware of anything. The indications I get from speaking to other people are that it is not likely to happen at all.

**The Hon. JENNIFER GARDINER:** I think most of the issues have been covered by other questions, but is there anything that has not been covered that you would like this Committee to recommend to Parliament?

**Mr BEATTIE:** No, I think we have put everything we are concerned about in the written submission.

**The Hon. J. R. JOHNSON:** How many passengers a year are serviced by your town's airport?

**Mr BEATTIE:** In the past 12 months it was 11,991. Before that it was a little less but because Hazelton's changed their times and did a little with their pricing structure, the usage is increasing.

**CHAIRMAN:** One of the things the Minister has asked us to look into is the possibility, as suggested by the country summit, of a charter of user rights to guarantee continued access to Sydney (Kingsford-Smith) Airport. You might have some comments on that. I do not necessarily expect you to give them to me today but council might write in with some suggestions of what it would like to see incorporated in a charter of user rights. Some other councils have suggested it needs to go further and some Federal legislation is needed to guarantee affordable continued use.

**Mr BEATTIE:** I will get back to the Committee on that. But I can say we do support that initiative, because we have discussed it. I will send you some information as to what council feels about that.

**(The witness withdrew)**





**PAUL ROBERT BREDERECK**, Company Director, sworn and examined.

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

**Mr BREDERECK:** As managing director of the Tamair group of companies.

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

**Mr BREDERECK:** Yes.

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

**Mr BREDERECK:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into camera. If you would like to give us a statement and then we will ask you some questions.

**Mr BREDERECK:** Most of the issues in the Committee's terms of reference are issues I am passionate about. I would like quickly to give you a little background on me personally and my company that you may not have. I have 22 years experience in the aviation industry, having started as an apprentice mechanic/pilot with the old Tamair, which ultimately grew into what is today Eastern Australia Airlines. Along the way I shared a dual career as an engineer and pilot. In 1985 I bought a basically one-man operation from the old Tamair, which was a small flying school, charter business. Over a 13-year period I developed that into a highly-respected regional airline that in recent times is facing its demise.

The background to that is that in 1992 and 1993 we operated scheduled services between Tamworth and Bankstown. We were one of two companies that tried it. Western Airlines from Wagga Wagga did as well. I have some valuable experience on that, and I am happy to field questions about Bankstown in due course. Furthermore, we had up to 10 years experience operating up to nine aircraft on freight services to and from Bankstown. In 1993 we were awarded the Sydney-Tamworth route licence as a third licence. At that stage the other two licences were held by Eastern Australia Airlines and Ansett Express, and that was following Ansett's acquisition and closure of East West Airlines subsequent to the pilots' dispute in late 1989, 1990 and 1991.

When we took over the Sydney-Tamworth route total passenger numbers were in the order of 52,000 a year. We put the 19-seat Metro on the route in a high-frequency configuration, with a different approach to the range of airfares previously being offered. We did not necessarily drop the fares but the discounts were concentrated in the middle of the day, as opposed to being two seats on one flight and 10 seats on another that other airlines used. It is interesting to note that with the control of those cheap seats in the middle of the day we now have a totally different class of people flying on the route. In the middle of the day we have people in sloppy joes and track suits, compared to the suits that we have on the two morning and two evening flights.

Within 18 months of commencing that service the total route traffic had grown back to about 75,000. Going back 15 years, the market was a 75,000 passenger market. In those same years comparable regional centres such as Wagga Wagga, Albury and Dubbo all had markets of about 65,000. Those markets are now over 100,000. At Tamworth, in East West airlines days with Fokker Friendships and turbo props, the market was 75,000 and it is now back to 75,000, although it peaked at almost 90,000 in 1988 when they had jet services. That is a good indication of how jets can stimulate a market.

We eventually increased services to Tamworth to seven flights a day. Although it did not increase the overall market, the frequency did win customers. When we were operating seven services a day we had 58 per cent of the Sydney-Tamworth market in a 19-seat aircraft competing with Eastern's 36-seat, full cabin service Dash-8, with a similar net fare structure. In late 1994 we commenced services in Tasmania on a contract to a company called Airlines of Tasmania. In hindsight that was my second worst ever business decision. The first was not to get out as quickly as was necessary. That contract involved supplying a Metro 3, a Bandierante and five Piper Chieftains, providing services from Launceston to Flinders Island and King Island; across to Sale and Traralgon in southern Victoria; and services from Hobart to Wynyard and Devonport. The issue is very interesting and I will go through some comparisons of which your Committee should be mindful. In Tasmania at the time the Government controlled airfares and the environment dictated the cost.

**CHAIRMAN:** At the time you went in?

**Mr BREDERECK:** Yes, because it was a monopoly situation held by Airlines of Tasmania. They specified the airfares. At the time we got involved Airlines of Tasmania was about \$1.8 million the wrong way on the balance sheet. Its aircraft were old 1950 de Havilland Herons. On the day we took over services one of the aircraft had 1.6 hours to run to its ultimate fatigue life. The company was in bad shape but had a good monopoly route structure. Even putting in place the Metros and the aircraft we had, without going into the money situation, the problem we had was that first of all we underestimated the operating costs in the environment—gravel runways, short sectors and high fuel prices in Tasmania, costs that were beyond our control, and very high landing fees. The landing fees at Flinders Island and King Island were some of the highest in Australia.

The situation we had with the contractor was that our component of the operation ran into marginal viability and made small losses due to the environment and cost side of it. On the reverse side the company that was paying us was underrecovering significant revenue due to the fare structures that were imposed by the Government. The Government believed that by having a monopoly that it should be able to provide fares at a level that was not sustainable and it took two years to get the fares from 69 per cent of an equivalent mainland fare to an average of 84 per cent of an equivalent mainland fare.

In that time my company incurred set-up costs of the order of \$700,000, operational losses of about \$1.2 million and other costs associated with the exit path and so forth, probably the best part of \$4 million. It went from being a very profitable small regional airline in 1994-95, which made about 10 per cent or \$800,000 on an \$8 million turnover, to being a basket case. Quite frankly, we have never been able to climb out from under that level of debt. In 1996 we were awarded the licence to service the Inverell-Glen Innes route as a result of changes to that licensing review proposal from Impulse Airlines. Impulse Airlines met an obligation for the review in 1993 that was awarded to Oxley Airlines, which won the licence from Eastern Australia Airlines, who won it from East West Airlines.

In 1977 East West Airlines was providing one Fokker Friendship per day and the total route market was of the order of 22,000 passengers. By 1984 that market had declined to the order of approximately 17,000 passengers, when it was serviced by two 18-seat Jetstream services per day. Oxley Airlines won the licence, based on the premise that it would provide a 19-seat Beech 1900D, offering three services a day and a range of discounted fares. What occurred was that the market did not change: it stayed reasonably static. It stayed at about the 14,000 or 15,000 market. The frequency did not stimulate that market and neither did the air fares, but it reduced the yield quite dramatically for the operator. Accordingly, after 12 months, Impulse Airlines reduced to two services per day, and increased the fares.

**The Hon. Dr B. P. V. PEZZUTTI:** Was that Oxley Airlines or Impulse Airlines?

**Mr BREDERECK:** Impulse Airlines. Oxley Airlines did not get up and running. It was another victim. When services were reduced to two a day and air fares were increased, patronage declined to the order of 12,500 or 13,000 passengers. The cost on Impulse in the subsequent year, I presume, was such that eventually it reduced the services to one a day and the passenger numbers fell back to 9,000. From the analysis that I have done there were a number of factors involving the decline in passengers. Initially Impulse Airlines reduced the fares to very low levels, hoping to attract a new market and new business—that did not occur; there were no extra passengers wanting to fly, to any significant degree—but it

sensitised the market to the price and when the prices went back up to realistic levels, the market declined quite rapidly. When we took over the route, we based our projections and assumptions on the lower operating cost of the Metro and that we would be able to sustain two services a day.

In the first year of operation, with two services per day on that route direct to Sydney, our company lost approximately \$250,000 on a turnover of the order of \$1.9 million. In the second year of operation we reduced the services by two per week. We cut out Tuesday and Thursday afternoon services and made the morning flight a little bit later. That decline in service did not have any appreciable effect on passenger numbers because the people who required the same-day service could use other days of the week. However, it had an effect on certain key rural services. To my knowledge at least three specialist doctors who were visiting Inverell no longer visit there. We lost an oncologist and a heart specialist that I know of, and there is anecdotal evidence that a hearing specialist no longer visits Inverell.

Nevertheless, with the revised schedule our operating losses reduced to only \$135,000 and within a recent restructuring of the company we determined that that could not continue in the future. We had cut all our costs to the bone for the operation. We applied to put in place a service that had one direct Metro that hubbed with two Chieftain services, morning and evening on five days per week into Tamworth. Whilst there was a vociferous outcry from Inverell and Severn Shire councils, the market actually responded positively. We noted that we were running at a 10 per cent to 15 per cent increase in passenger numbers as a result of the Chieftain services.

**CHAIRMAN:** From those two towns?

**Mr BREDERECK:** Yes. We noted that the ability to do that same-day travel was not affected by having to go through a hub-and-spoke system. That is getting into a nine-seat aircraft when passengers have the choice of flying two hours later in a 19-seat aircraft. That determined to us that travel times were very, very important to that market. Most of you will have read the reports in the *Australian Financial Review* and so on, and those reports are, to a degree, fairly accurate. I will turn now to the key issues. I believe the real issue is about rural communities and I believe five key elements are involved—transport, communication, health, education, and law and order and they are all interdependent to some degree. If we reduce transport services it will affect all the other provisions of infrastructure in that community.

I believe it is essential for smaller regional communities to have the continued right to convenient access to Sydney airport. That is not to say that if the market is not viably sustainable that it should necessarily operate directly, but it should have the mechanism whereby it has regional air services that are acceptable to that community, and acceptable in a way that is probably not necessarily apparent to the civic leaders in those communities. I have recently described the exercise of Inverell and Severn Shire councils. What those councils were saying was at odds with what the market was saying. 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.

I believe that fees and charges in themselves, such as the cost increases that were recently proposed by the Sydney Airports Corporation—before that the Federal Airports Corporation—is not the major issue: it is the rate of increase of the cost. Over a period of time the market can absorb those costs, but when we go from a minimum landing charge of \$43 on the Metro to the \$140 that was proposed, it is not the magnitude of the charge as much as the increase in the rate of the charge. Certainly the magnitude is important, but the increase in the rate of charge will have an effect on the market. That should also apply to local governments. A number of local councils in this State have a view that their airports are profit centres, which they are not.

The charging methodologies have been known to change from time to time. Last year the Tamworth City Council elected to go from a composite weight-based charge and head tax to a single head tax charge. As a result, they helped themselves to a significant increase in rates and charges. To quantify that, in the first year it was a \$3 increase per passenger. The \$3 increase per passenger that we had to pass on, also came at the time of the fall in the value of the Australian dollar. That necessitated cost increases of the order of \$4 or \$5 per passenger. We passed \$3 of that on to our customers. We had rate increases of \$6 on a fare of the order of magnitude of \$170 one way. We noticed an

immediate reaction in the marketplace, not the first 28 days but the subsequent months, and it was only after 12 months we noticed the market starting to react to that change and come back.

It is that sensitive at the end of the day. The overall price in many markets can be higher, it is the rate of change that is important. Some proposals are being put forward with the contractors of terminals at Sydney airport, where charges are set to rise dramatically. They are things that must be kept in mind. If the proposed charges by the FAC, or SAC, for the \$27.50 minimum on the Piper Chieftains or the weight-based minimum charge of approximately \$43 on the Metro are managed to a rate of increase of the order of 20 per cent a year, I do not believe it will have a significant effect on the overall amount of people using the facility.

Before I move away from the Sydney airport aspect, there is one issue that I believe should be of concern to the Committee and I would like you to take note of it. The methodology proposed by the Sydney Airports Corporation is wrong. They have factored into their fixed-cost component of the charge a level of depreciation that is not realistic in the real world or in the business world. They have factored in a level of return to the owner or return on capital that is also not realistic in the business world.

**CHAIRMAN:** It helps to sell the airport though, does it not?

**Mr BREDERECK:** It certainly does. On any given route the air fare revenue is finite. It is my opinion that in respect of a small marginal regional route that has two services per day, if we were to halve those services the total number of people using them would drop by 25 per cent. It is my view that if we had two services a day on a regional route and were to increase air fares, over and above normal consumer price index increases, of a magnitude of 20 per cent, there would also be a 25 per cent decline in the short term. They are only my gut feeling estimates, based on experience I have gained from small changes in the past five years.

In respect of the slot management scheme at Sydney airport, I believe from the outset, without being too longwinded about it, that it has to be recognised that the slot management scheme is a community service obligation for the people that live in Sydney. The fact that we have put an artificial cap on Sydney airport of 80 movements per hour has created a value on those slots, particularly during the peak and high-demand periods. Whilst there is a process in the legislation to ring fence regional airline slots, I believe that process is inadequate in that it does not prevent the operator of Sydney airport from pricing out regional communities.

For example, had the minimum charge risen from \$27.50 straight to \$140 without the process, it would have had a very, very serious consequence for many small air services. It is my view that because of that artificial slot and because it is a community service obligation for people in Sydney, regional communities should not pay any more per passenger to operate into Sydney airport than do any other domestic passengers in Australia. A passenger flying on a domestic flight from Melbourne to Sydney, on a 19-seat Hazelton aircraft from Bathurst, or a nine-seat aircraft from Gunnedah should not be penalised any more than the same per-head rate.

I believe Bankstown is not an option, because it has a number of limitations. Firstly, we have to be concerned that there is demand for services to Bankstown. In the time I operated Sydney-Tamworth I introduced cheap fares and I ran a good service twice a day. Ours was a local airline and we marketed it heavily. To quantify, based on gut feeling and experience, I would say that the level of demand on the Sydney-Tamworth route in 1992 was 4 per cent of the total market that wanted to fly to Bankstown. It was a business market: people going to Bankstown for various reasons and some people desired to support the new boy, the local carrier. The atmosphere was quite political after East West Airlines had only recently been closed up.

Our passengers were travelling to places west and north of Bankstown, to Wetherill Park, Parramatta and so forth. The main single limitation at Bankstown is access. Access to Parramatta is inadequate and access to the central business district is inadequate. I believe other witnesses have indicated the cost of getting to the CBD and the time factor involved. To develop the infrastructure at Bankstown would incur problems that are possibly insurmountable, based

on the local community. We would have a greater noise lobby at Bankstown than we would have at Sydney airport, because of the proximity of houses to that airport.

I know from my experience of flying in light aircraft of a night on freight operations in bad weather the number of times we had complaints. Above all else I believe that safety at Bankstown Airport should be the prime consideration. Bankstown Airport has more than twice the number of movements of Sydney airport, mostly general aviation and light aircraft. They are 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. There would then be the issue of the number of businesses already existing on Bankstown Airport and their importance that would be affected. Furthermore on the issue of Bankstown, one important factor which I dare say has already been pointed out to you by previous speakers on the list is on-carriage.

On my airline approximately 20 per cent of passengers for the last five years have connected to another Ansett flight elsewhere in Australia and we can determine somewhere in the order of about 3 per cent of my passengers have connected to a Qantas flight elsewhere in Australia. Quite clearly, without the ability to go north or south then it would not be an option. The issue about which I probably feel most passionately, and I would suggest it is a plan that has been designed to create noise and to create the most inefficient possible use of Sydney airport, is the long-term operating plan (LTOP).

The long-term operating plan would have to be the worst piece of policy that could possibly be designed to hamper the way an airport operates. The long-term operating plan is a politically motivated system at a Federal level to use the Sydney airspace and runways, and is designed to share noise. It does just that: it shares the noise over more of Sydney. It also creates more noise. Since the long-term operating plan has come into place the average flight times of my company to Sydney have increased in the magnitude of around eight minutes.

In the course of the last five years my company's average flight times to Sydney have increased in the magnitude of around 12 minutes. Our average flight times from Sydney during that five-year period have increased in the order of about four minutes, with no change since the long-term operating plan going from Sydney. The basic problem, to put it very simply without going into detail, is that on approach aircraft go over a point 50 miles out of Sydney, which is fine; that is exactly how they should operate. From there on, aircraft go directly to Sydney, come down low early and power up, operating what jet aircraft call a dirty configuration—although we are not necessarily in a dirty configuration.

Effectively, with a turbo prop or jet aircraft from the top of descent to landing, in an ideal world, as one glides one is not burning fuel. The engine is throttled right back and its profiles are designed to maximise the use of the available energy with altitude. Under the long-term operating plan, and particularly operating on runway 3-4 at Sydney coming in from the north, aircraft get down nice and early, get in close to the city, turn left, fly out to the north, go out to sea to a considerable distance maintaining a level altitude, power back up to cruise power. But at low altitudes a turbo prop aircraft burns a lot more fuel than it does at high altitude. We are at an altitude low enough that we are back to making noise over the city again before turning around and coming in to landing.

To quantify the cost increase since the commencement of the long-term operating plan to date, in an annualised term, for one 19-seat aircraft operating on the Sydney to Tamworth route the direct costs of fuel and maintenance increased in the magnitude of about \$300,000 per year, in an operation that turns over about \$4.5 million a year. As an aside, I would suggest that is one of the fundamental reasons that led to the inability of my company to eventually make a profit. We got loads, yields and revenues up but we could not contain our costs, and that was a very significant cost factor.

I believe the fix for the long-term operating plan is easy but I do not know whether any political party would have the guts to do it. Quite frankly, take the politics out of it, give the brief to improve the efficiency and to reduce noise at Sydney airport to a group of air traffic controllers, Australian international pilots, Australian domestic pilots and

Australian regional pilots. Within a very short period of time those of us who actually fly and operate aeroplanes into Sydney will come up with a very good plan that will make far better use of the air space. They will reduce noise but unfortunately they will not see aeroplanes flying over more of Sydney. Aeroplanes will fly less over Sydney. How that can be achieved, I do not know.

Quite frankly the long-term operating plan needs to go. It is one of the biggest cost burdens on regional airlines and regional communities. We are travelling shorter distances and the effect of those delays at the end is a higher percentage of our operation than it would be for an aircraft, say, coming from Los Angeles with a very small percentage of its overall flight.

**CHAIRMAN:** Are the shorter flights delayed more than the longer flights?

**Mr BREDERECK:** No. In five years holding has improved dramatically; notwithstanding that, whilst we used to get 45 minutes holding on one flight and then all the rest of the flights went straight in, we now get speed reductions, delays, vectoring and a little bit of holding. So the average flight time across all flights has increased.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you get told to take off a bit later?

**Mr BREDERECK:** In the last few years what is called a controlled departure time program has occurred. The night before we are faxed what the expected delay is, based on forecast, weather, winds and so forth. That has reduced the amount of holding but it has not necessarily reduced the amount of delays. The controlled departure time program is very different to the long-term operating plan. That is in a nutshell the guts of what I wanted to say. I can probably answer the rest I have by way of questions.

**The Hon. Dr B. P. V. PEZZUTTI:** Obviously you are a short-term study in a new operator breaking into the market. Yesterday we heard from an interstate organisation called International Aviation Pty Ltd which is breaking into the market from Broken Hill to Mildura to Sydney, similar to what you did breaking into the market from Tamworth to Bankstown. What can be done to improve the opportunities for new airlines that see a business opportunity to break into a regulated market rather than a deregulated market, whether it is a group of businessmen in Tamworth, Butler airlines or New England airlines which just happens to start in Tamworth?

**Mr BREDERECK:** In a regulated market there is no avenue to do so unless one is operating to a route that is not currently serviced, or if a licence structure is not taken up. I am quite opposed to the current system of regulation in New South Wales as it has been. It allows for a false level of protection or perception, as is seen by many regional communities. Market forces will dictate the air services provided on a given route.

**The Hon. Dr B. P. V. PEZZUTTI:** That is whether it is regulated or deregulated?

**Mr BREDERECK:** Correct. The reality is if there is no alliance with Ansett or Qantas the pickings are slim on regional services. The major airline alliance to a high degree will dictate what will be in the marketplace. It is very important that one is hosted in a reservation system and one has terminal access, unless one has a particular and unique quality that can be given. In the case of Tamworth there was a considerable uncertainty in the marketplace.

There had been dramatic changes with the loss of East West Airlines when a local new boy came along, popped his head up and he is local and he will have a real good go. We put a very high level of service back into a route that was being serviced poorly. This morning I flew down on Eastern and its level of service has dramatically improved from what it was five years ago as a result of having vigorous competition.

**The Hon. Dr B. P. V. PEZZUTTI:** We met this alliance issue before. In a regulated or a deregulated market we have the ability to land at KSA and end up on that wonderful series of concourses and walk 12 miles. By the same token that access is needed to allow for people who want to travel to Melbourne or wherever. Although it is 20 per cent of your company's market, for some it is higher. Do you think that the major players, Ansett and Qantas, give companies such

as yours a fair shake of the whip or do they overcharge you for being part of that reservation system first of all? Are there reasonable charges for the terminal, security and those sorts of things? Are the charges transparent?

**Mr BREDERECK:** The charges to the operator are transparent, yes. The charges are high and expensive.

**The Hon. Dr B. P. V. PEZZUTTI:** Are they the same prices that Ansett would charge itself?

**Mr BREDERECK:** I cannot answer that, but what I can say is that the size and the magnitude of the charge will be reflected in the regional carrier's value to Ansett. If I were to provide a service from Sydney to Tamworth with 50 per cent on-carriage, theoretically my charge could be much lower than my charge with 20 per cent on-carriage. If I did not have any on-carriage whatsoever it would be fairly difficult to be in the terminal.

Obviously airlines such as Ansett and Qantas will behave in a manner in keeping with all the appropriate laws in Australia but the good example is that I tried for three years to commence services at Tamworth to Brisbane. Because I had an Ansett alliance I wished to operate to the Ansett terminal, but for any additional regional services the Brisbane Ansett terminal was far too busy to accommodate my flights. Ansett never denied me to fly; I am welcome to fly there, but the reality is there are mechanisms in place.

The way the structure worked for my airline was that Ansett charged me a certain fee and charged for ground handling. Ansett gave me a rebate which put a dollar value on what it considered the value of the on-carriage to it was, which effectively gave me half price for the turnarounds. Compared with the magnitude of some of the charges by local councils these days, the charges to use the terminal at Mascot I consider were reasonable. Moving forward, Ansett was proposing that there were going to be dramatic increases in those charges.

**The Hon. Dr B. P. V. PEZZUTTI:** Is that because the Sydney Airports Corporation charged Ansett more for rental and the like?

**Mr BREDERECK:** I do not know the reasons. They just said their cost of providing the service has increased and they were proposing to negotiate a higher fee structure. However, Ansett was mindful of the effect it would have on our operation. Ansett was negotiating with us and I believe it would have been a fair resolution. What concerned me most was not so much the magnitude of the charge but the rate of increase.

**The Hon. Dr B. P. V. PEZZUTTI:** Were you able to hawk yourself from Ansett to Qantas?

**Mr BREDERECK:** No competition whatsoever.

**The Hon. Dr B. P. V. PEZZUTTI:** What if you had gone to Qantas and asked "How much will you give me?" They were not even vaguely interested?

**Mr BREDERECK:** No.

**The Hon. Dr B. P. V. PEZZUTTI:** Did Ansett take you on simply because it felt sorry about losing its other operator?

**Mr BREDERECK:** Basically Ansett wished to preserve its on-carriage; that is the value of a regional airline. As I said, when we took over the Tamworth route we were a third licence—a bit of a lucky door prize—but no-one really expected us to take it up. The fact that Ansett was not able to maintain the services with Southern Pacific Airlines, nor was it able to hand that service to Hazelton in 1993, it was faced with two licences on the route—Eastern having one and ourselves having the other. From that moment on the relationship changed from, "Look fellas, we do not want to talk to you" to, "Come into the fold, son."

**The Hon. Dr B. P. V. PEZZUTTI:** Today we have heard that Armidale, Dubbo and Wagga Wagga, and now Tamworth, have three licences. Yet on the north coast of New South Wales there is a single operator, either Hazelton,

Kendall or Ansett, which are all the same. Why does the Lismore service have 50,000 people on it—more than Tamworth—with one operator, and Ballina with more than 100,000 people on it with one operator?

**Mr BREDERECK:** Because the regulatory process with the Air Transport Council in my view has effectively rubber stamped what the local governments want on their routes for those towns. Ballina is a good example. Ballina says it wants jets, Ansett says it will provide jets provided there is only one licence, because the market is not big enough to sustain two jet operators. The same is good for the previous speaker, Mr Beattie, in that the market to Griffith and Narrandera is not big enough to sustain two carriers providing 30-seat aircraft. Consequently, it is about local governments having a fair degree of say in dictating their services, and certain of those ports in the past, without dwelling on it too long, quite often have been based on false promises by the operator at the time of the review. Ultimately the market will dictate what service that operator provides.

**The Hon. Dr B. P. V. PEZZUTTI:** At the end of the day if an operator, for instance Tamair, says it will go into Inverell with two flights a day and that is unsustainable, it has two choices: it either gives it up—is there a penalty for giving it up?

**Mr BREDERECK:** No.

**The Hon. Dr B. P. V. PEZZUTTI:** Sell it or go to the Air Transport Council and say, "We want to drop back to 19". Does the Air Transport Council go back to the local government body and say, "We have had an approach from Tamair to drop from two flights to one", or do they just make a decision?

**Mr BREDERECK:** Effectively they have made a decision, but there have been numerous occasions in which the process has not been in the community's best interests and the community has said to the Air Transport Council that it wants a change.

**The Hon. Dr B. P. V. PEZZUTTI:** What about your circumstance in which you have gone belly up for reasons other than the intrastate service in New South Wales; it relates more to your operation in Tasmania.

**Mr BREDERECK:** The reason we went belly up was not as a result of Tasmania. The reason we went into administration was, yes, that was one of the major factors but the ability to operate 19-seat aircraft in a small operation, I use an analogy that one cannot run a one-cow dairy. My company was the first airline in Australia to achieve ISO 9002 quality assurance accreditation. We run a dedicated safety department, our own reservation department, and so forth. Whether we have one aeroplane or 10, the overheads do not change appreciably.

With two 19-seat aircraft in the fleet, even though I am carrying loads that if I was part of a greater network they would say "Gee, they are wonderful flights", the type of equipment I was operating and the cost of operating that equipment in the environment of operating into Sydney and local government environments were such that the company was not able to make a profit or a reasonable return with its size without the ability to grow.

**The Hon. Dr B. P. V. PEZZUTTI:** And in a regulated market you had no ability to grow?

**Mr BREDERECK:** Correct. I will give an analogy with the benefit of hindsight. At the end of 1995 we made the decision to acquire a new 19-seat Metro 23 aircraft from the United States. Had we had the ability to operate on any other route as well as Tamworth, at that stage we would have purchased probably a Saab 340 aircraft. However, in reality the Tamworth market by itself could not sustain the Saab but if we had the ability to run into any other market, albeit where we saw opportunities—and we saw several and that is not just taking the cream off another carrier—we would have expanded at that point in time. Had we continued the expansion, I do not know whether the outcome would have been the same but I think that was probably the turning point in our company, that is, at the end of 1995 when we did not continue with the growth that we should have continued with at that point.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that you have no real axe to grind at the moment, Deniliquin, for instance, has no service at the moment and has been subject to the issue of a licence by the Air Transport Council, in a regulated or a deregulated market is there a place for improving the access to Sydney for people resident in Deniliquin by the payment in various forms of a community service obligation by the State Government—in other words, a subsidy to the person travelling, the airline operator or airport operator that would reduce the end cost to the consumer by way of that CSO, as exists for trains, Sydney Buses and the like.

**Mr BREDERECK:** I believe so and there is good precedent for that in Australia in operations in Queensland where Flight West Airlines' western routes in Queensland are subsidised by the Queensland Government. A genuine community service obligation must be shown, particularly in the more remote, smaller communities in New South Wales—and Deniliquin and Hay are good examples. I believe there is a good case for a community service obligation, particularly in the remote communities which mainly sustain a very small aircraft. I would suggest that the most appropriate means of doing to would be into a hub centre.

**CHAIRMAN:** If you wish to take a question on notice or provide supplementary information, you may do so.

**The Hon. JENNIFER GARDINER:** If there was an open or unregulated market for the bulk of the routes but if the smaller and remote communities such as Deniliquin and Hay were protected, do you know what number of passenger flights would serve as a benchmark for determining where the CSO would come into play?

**Mr BREDERECK:** There are two issues in your question and I will have to get through the first to answer the second. The question I would ask is: why would you bother deregulating the smaller routes? There is no obligation on a carrier to service a route if it is not profitable or viable. I am not familiar with the mechanism of Hay but if such a community feels it needs an air service and that it would have community benefit—and there would be great community benefit in getting doctors and other medical people to the town—and that it would assist with potential development opportunities, it would be up to that community to convince either the State Government or the Federal Government to shell out and the mechanism would then be in place.

I personally do not feel there is a future for the air transport council, but it might well be that its future is in deciding whether subsidies should be given to places like Hay, Deniliquin and so forth. This area needs to be fully explored. I do not believe the routes should be regulated. 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.

**The Hon. JENNIFER GARDINER:** You were very critical of the long-term operating plan. Has there ever been an unofficial opportunity for traffic controllers and people who are apolitical but who have expertise in the aviation industry to come up with a plan that would increase the efficiency of KSA but at the same time have regard to the noise problem, or has it been disregarded and have politics taken over totally?

**Mr BREDERECK:** To my knowledge there has been no co-ordinated plan. Representations have been made by various bodies, including the Regional Airline Association. However, it is fair to say that the political process has steamrolled what would be good commonsense for Sydney airport, particularly with regard to the long-term operating plan.

**The Hon. JENNIFER GARDINER:** We have heard varying accounts of the level of consultation between regional airlines and relevant local government councils. What sort of consultation did Tamworth City Council have with Tamair in relation to changing from weight base to head tax, so to speak?

**Mr BREDERECK:** There was a consultation process which said, "We intend to change this to this. This is what we

propose. What do you think?" We objected loudly and strongly. We made representations to council saying, "If you bring it in, we cannot afford this much this quickly. We need to bring it in over a longer period of time". I believe it all fell on deaf ears. Local government believes that when a regional airline says, "If you increase the charge this quickly, it will have a negative effect on the market" you are lying to them. However, we have a fair idea what effect it will have. All providers of regional airline services respect that we have to pay our fair share and pay our way, but the reality is what the markets will bear from time to time and what the margins are. All regional airlines operate on very fine margins.

**The Hon. JENNIFER GARDINER:** Safety is not within the strict terms of our reference but I read a comment by you this week in the *Leader* to the effect that there may be some discrimination or extra harshness by the Civil Aviation Safety Authority—CASA—with respect to regional airlines than might apply to certain types of incidents if they occurred with a larger player such as Qantas or Ansett?

**Mr BREDERECK:** I am glad you asked that question. I believe that the current CASA board and management of the board have an underlying view that safety is directly linked to the financial performance of a regional airline. I would refute that. I believe that safety is a product of the commitment of the management of a regional airline. For the last two years my staff will attest to how much we have lived and breathed safety, systems, quality assurance and so forth. I believe the fate of my company was sealed the day we appointed the voluntary administrator on 10 June, irrespective of what occurred out of that. I believe that at some point in time CASA was going to get us. Whether that was right or wrong it is academic. It is in the past.

A good analogy would be that it is a bit like driving around with a policeman in your rear vision mirror the whole time; you are under intense scrutiny. I have seen the situation develop in my company over the last two or three months where the level of pressure on experienced, qualified, licensed staff has been such that it has put them under a level of pressure where they were not doing their job to the degree that they should. Things within our company that would not raise an eyebrow in a larger airline dramatically affect the operation of aircraft. Every "t" has to be crossed and every "i" dotted.

We all realise in a perfect world that does not exist. We have human beings operating machines and they will do their absolute best to operate strictly in accordance with the regulations and operating procedures—and do—but there are always times when they need to make a judgment based upon their experience, their training and within the parameters of what they have been allowed to with the licences they have been issued either as engineers or pilots. I believe that the CASA issue in regard to financial performance and safety has been well and truly blown out of all proportion. There are certainly some very good, safe airlines in this country that do not have a particularly good financial performance but safety is not a matter in question. We could reflect back to the two that started this whole ball rolling on safety, Seaview and Monarch. The financial performance was not an issue in either of those companies.

**The Hon. I. COHEN:** Was the safety light issue a beat-up?

**Mr BREDERECK:** No, it is not a beat-up. There was an incident, that is true. The incident that occurred on 4 August was that on approach to Sydney a chip detector light came on for somewhere between three to five seconds in one of our aircraft. On arrival in Sydney the pilot contacted the shift leader engineering manager, a guy with 35 years experience and licensed by CASA to certify for that aircraft. He consulted about the situation. The chip detector light went out immediately; it did not reappear again after that. The aircraft had a history of the chip detector light every now and again flickering on and off.

**The Hon. I. COHEN:** That type of aircraft or that particular aircraft?

**Mr BREDERECK:** Both our aircraft, and the source in the past had always been corrosion of the terminals. If the light came on and stayed on the aeroplane certainly would never have flown again, or not until the problem had been rectified, but the light was not on. In the manual it says that if the light illuminates, monitor the parameters, proceed to your next intended landing point and identify the cause. The light was not on. Subsequently that aircraft returned to Tamworth. The light did not occur. The pilot again consulted the engineer who released the aircraft. He went back to Sydney, and

then back to Tamworth. On the subsequent flight back to Tamworth the light came on for a period of somewhere between five and 10 minutes and again went out.

On arrival in Tamworth the aircraft was taken for engineering inspection. There was some metal contamination in the oil filter. The system was flushed out, a new filter put in, an oil sample was taken, the engine was ground run, the filter again dropped with no further sign of contamination. The aircraft was returned to service with the filter again being pulled after two subsequent flights with no further contamination detected. When the chip detector was removed from the lower part of the gearbox there was no sign of contamination. There was an incident, we reported it to CASA the next morning. As a result, there was an anomaly. The pilot had a warning light come on and off. We took measures, addressed it and identified it.

Consider that for three months we had an intense level of CASA scrutiny. At least four out of five days we had CASA officers on our premises inspecting every aspect of people doing their work. In that four month period they did not detect any other discrepancy or defect. The only discrepancy and the reason that led to us returning our AOC last Friday morning resulted from a discrepancy we reported to CASA. We did not hide it. As a result, the interpretation of the letter of the law is that CASA believed there was an issue. When the aircraft was released that night, for example, no less than three experienced engineers inspected it, tested it and certified the aircraft.

**The Hon. I. COHEN:** Nevertheless, metal contaminant in the oil system or filter—as I understand it, translating it to a motor vehicle—has the potential to cause engine failure?

**Mr BREDERECK:** It certainly can, but having said that, these aircraft engines make a small amount of metal.

**CHAIRMAN:** Bulldozers and graders are tested all the time and there is always some sort of metal contaminant. It depends on the quantity.

**Mr BREDERECK:** At each service we take an oil sample, a spectrographic sample, and send it to Mobil laboratories in Melbourne. It is called a SOAP test. It monitors the trend of the engine for any signs of wear. Prior to this aircraft being released the engineer referred to the history of the engine to see if there was any wear pattern developing. A sample was taken at that time and the day after. There was no history of wear pattern occurring in the engine. The most likely areas in the engine, to my knowledge, from where metal would come is the gearbox or the rear scavenge pump. If the rear scavenge pump was making metal, it would have been evident in other parameters. If there was metal being made in the gearbox, there would have been far more deposit on the chip detector.

The Garrett engine has a big prop shaft that runs into a big bearing. We regularly take lightning strikes on the prop. After known lightning strikes we pull the gearbox apart within 10 hours and change that bearing. It is a four hour job. But sometimes we get minor lightning strikes that we don't know about and it is quite possible from time to time that the bearing is worn. In the time I have been operating Metros we have had somewhere in excess of 30,000 flying hours and we have had quite a number of occasions when we have changed those bearings as a result of that due process. It is a machine and it is normal wear and tear.

**CHAIRMAN:** What would have happened if those circumstances with the light coming on had occurred with Qantas?

**Mr BREDERECK:** CASA would never have heard about it. It would have been hushed up.

**The Hon. I. COHEN:** Does New England Airlines have the same operation as the Tamair fleet? Does it have the same route and same planes? I may have missed some headlines but I believe you are out of a job. You operated that route and went belly up with a significant number of creditors that were local councils, which have not had obligations fulfilled to them, particularly in relation to landing fees and such like, yet this other route still functions.

**Mr BREDERECK:** No. No route is currently operating. We ceased all airline operations. Tamair Pty Ltd went into

voluntary administration in June. It was separated into the business units, into distinct separate companies. Those companies went to the administrator and said, "We propose to put in place a deed of company arrangements where the assets and the profits of that company going forward are beneficial to the creditors of the old company." We had two options going forward: to realise those assets by liquidation or sale of the business' going concern, which would have meant a much greater realisation, or the company could continue to trade and all future profits would have gone back to whatever. It became obvious to us in the course of the last two weeks that the company going forward would not be able to meet the profit projections, certainly without the Glen Innes-Inverell route. It was not likely we would retain those services combined with a high level of staff attrition.

**The Hon. I. COHEN:** Are you saying that the Glen Innes-Inverell route was a drain on your services?

**Mr BREDERECK:** No. As we had restructured it, because we had gone back to one Metro and two Chieftains a day, it was now a profitable route and it was essential for the level of profits that the creditors of the old company were expecting to return. What will occur now is that what is left out of all this company is that the engineering section is closed and the airline operation was sold last Friday to Impulse Airlines. However, it is up to Impulse Airlines to apply to the Air Transport Council for its licence on that route in the long term. The monetary realisation of the engineering division and the airline will be distributed, as per the deed of company arrangements, back to creditors of the old company. Basically, all assets of the company are held beneficial for the old company.

**The Hon. I. COHEN:** What would have happened under the scenario you have described in a deregulated situation?

**CHAIRMAN:** The same.

**Mr BREDERECK:** The same.

**The Hon. Dr B. P. V. PEZZUTTI:** No penalty to the Air Transport Council.

**The Hon. I. COHEN:** I am not talking about penalty to the Air Transport Council. Given that you had a regulated route, a relationship with authorities and local council, and landing facilities and such like on a regulated model, what would the scenario have been if it had been a deregulated model?

**Mr BREDERECK:** If we had a deregulated model, we would have had additional competition on that route. Notwithstanding that, we would have potentially had additional competition on other routes. I looked at my company's strategy with 19-seaters going into a deregulated environment. I believed that May of this year we were going to have deregulation. Instead of providing 34 return services, for example, on Tamworth, we probably would have reduced that to 22 or 23 return services per week, reduced the schedule, but we would have redeployed that aircraft into other markets. For example, had Hazelton started competing with me on Tamworth, I would have probably gone from five services a day back to three and redeployed that aircraft to two services a day on, say, Dubbo. At the end of the day no-one would have been a net winner, but there would have been an increase in competition in the short term and maybe some changes in community benefit. I do not know. Most operators will need to be convinced that there is a viable market. Had the routes been deregulated several years ago I would not have just been operating 19-seat aircraft for the last five years. The company would have had the ability to grow and expand whereas it has been a significant constraint for growth.

**CHAIRMAN:** You have given the Committee some interesting information and the Committee may write to you for additional information. No doubt it has been a difficult time for you to be involved, but your forthright evidence has been valuable.

(The witness withdrew)

**(The Committee adjourned)**



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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Coffs Harbour on Thursday, 27 August 1998**

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**The Committee met at 9.30 a.m.**

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**PRESENT**

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

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**MICHAEL JOHN DUBOIS**, Airport Manager and Business Development Manager, Tamworth City Council and Secretary, Northern New South Wales Airport Management Group; and

**ALAN DAVID HARVEY**, Airport Manager, Dumaresq Shire Council; sworn and examined:

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

**Mr HARVEY:** As the Airport Manager for Armidale airport.

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

**Mr HARVEY:** I did.

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

**Mr HARVEY:** I am.

**CHAIRMAN:** Have you made a written submission?

**Mr HARVEY:** I have not made a written submission, but I am party to the joint submission by the Northern New South Wales Airport Management Group.

**CHAIRMAN:** Mr Dubois, in what capacity do you appear before the Committee?

**Mr DUBOIS:** I am appearing before the Committee today in two capacities: one as the representative of Tamworth City Council, and secondly as the Secretary to the Northern New South Wales Airport Management Group.

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

**Mr DUBOIS:** I did.

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

**Mr DUBOIS:** Yes, I am.

**CHAIRMAN:** You have made a submission on behalf of the Tamworth City Council and the Northern New South Wales Airport Management Group. Would you like that submission to be included as part of your combined sworn evidence?

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to

accede to your request and resolve into confidential session. Mr Dubois, would you like to make a brief verbal statement summarising some parts of the written submission?

**Mr DUBOIS:** Mr Chairman, our written submission has been delivered to the Committee. Rather than go through that in detail, I would highlight a few points in relation to the submission. In relation to landing fees at Sydney Kingsford Smith airport, both the council and the northern New South Wales councils were happy to see the reduction in the landing fees at Kingsford Smith airport introduced by the new Sydney Airport Corporation. However, we do have some concerns in relation to why they have eliminated peak period pricing at this stage. Under the new Airports Act, there is the possibility that these peak charges can be re-introduced at some stage, because demand charges are not capped under the lease agreement that eventually will be signed by the lessee of Sydney airport.

In relation to slot times at Sydney airport, at the present time we are happy with the allocation that is provided to regional airlines. We believe this is fair and reasonable. However, once again, we do have concerns about the lease arrangements that will come into play once that airport is leased out, and in particular that that lease does not cover access to the airport by intrastate operations. We have had some rhetoric by a number of parliamentarians now that this will always be covered, however, we have concerns about that because Ministers come and go and governments change. We would dearly love to see the inclusion of word "intrastate" in that lease agreement specifically to provide access to the airport by international, interstate and intrastate operators. We fail to see why that cannot be included; it is simply the inclusion of one additional word that would certainly give a lot of comfort to regional New South Wales communities and to regional New South Wales operators.

**CHAIRMAN:** Are you only seeking inclusion of one word?

**Mr DUBOIS:** That is correct—inclusion of intrastate operations.

**CHAIRMAN:** Not "affordable access" for intrastate operators?

**Mr DUBOIS:** I think that will be something that the lessee will play with anyway. We would certainly like to add "affordable", but whether that comes about or not I do not know, but I expect there will be difficulty with the new lessee. Another concern we have with slot times currently to Sydney airport is that, while we accept that the airline needs flexibility in the allocation of its slots and to be able to move those around on a day-to-day basis to suit its operations, 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 attractive 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 that there should be a community representative on the slot committee, on which at the present time they are not represented at all.

In relation to deregulation of intrastate services, both my council and also the northern New South Wales councils have strongly objected to any deregulation of intrastate services. We do not believe that there will be any benefit whatsoever in deregulation. Basically, you are talking about deregulating a market that is currently heavily regulated by Sydney airport. The terminals there have long-term leases, that is, Ansett and Qantas. If you are not aligned with one of those two airlines, then you will not get into those terminals. Similarly, access to Sydney airport is also regulated through the slot times at the present time. So, what you are talking about is deregulating a service that has got a heavily regulated market already.

Basically, councils are subject to capital infrastructure costs to accommodate new entrants into their market. If I might summarise the position by saying we go through all the pain for no gain in the end. Our markets in regional

New South Wales are relatively small and stable. We do not have a huge market to draw from. Those markets certainly have not increased substantially over the last couple of years. I think it is pertinent to note that even when we have deregulation of the interstate routes, at the present time we are dominated by two airlines, and every time a third airline looks like coming into being it never eventuates. Those two airlines have an enormous market on which they can draw, and the restricted competition does not seem to work too well in that market.

That basically summarises our submission. We need access to Sydney airport. 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.

**CHAIRMAN:** Alan, do you wish to make a verbal statement?

**Mr HARVEY:** Thank you, Mr Chairman. As I have said, we have not made a separate submission on behalf of the Dumaresq shire. We are party to the northern submission. But I would expand slightly on that. As far as the landing fees at Kingsford Smith airport are concerned, it is our opinion that the flat fee per movement is not an equitable charge to be applied across regional airlines in particular. Smaller aircraft obviously do not need the same facilities, runway lengths, heavy pavements, et cetera. It is our opinion that the annual tonnage/passenger fee is a more appropriate and equitable charge that should be applied in those cases.

Flat fees are a thin wedge to pricing smaller aircraft out, and that would be to the detriment of our region. As far as landing fees at regional airports go, in addition to what is in the submission, I would point out that Alan Tyrrell, the CEO of the Regional Airlines Association, on 30 April this year attended a meeting of the New South Wales division of the Australian Airports Association in Sydney and he stated that he did not consider the regional airports are overcharging.

In the submission it is pointed out that the regionals have to provide all facilities, whereas at Kingsford Smith airport the airlines have to provide their own, so that one cannot directly compare fees and charges in that way. In the case of Armidale, since taking over full management of the airport in 1989 or 1991, the council has spent \$517,000 upgrading the navigation system to get aircraft in. Initially, we had a minimum of 1100 feet; that was the decision height at which aircraft for the runway had a diversion. We are now down to 575 feet, and with the GPS approach non-precision will be below 500 feet. That has made an astronomic difference to the service that we have been able to provide to the local community.

Also, council has recently spent \$3.3 million upgrading the terminal and the apron areas. Those facilities are made available to the airlines as part of their flat fees, for their passenger and their tonnage fee. There is no rental charge additional for the buildings, or the use of facilities.

On the matter of slot times in Sydney, again our concern has been that there was no consultation with regional airports over the setting up of the slot system. An offer was even made at an airports meeting in Sydney that "We will notify you of the next meeting." That never occurred. The meetings all went ahead. The regional airport operators were never involved. It is our concern, as Michael said, that the slots are owned by the airlines, and that they can chop and change and decide, "Yes, I have a 9 o'clock slot. It is more important to me to take a plane in from a capital city, or a larger regional" and the smaller regionals can miss out and be allocated only lunch-time slots. Then you have overnight accommodation problems if you have morning meetings in Sydney, plus possibly two nights if it runs over and you have got to go home at lunch-time the next day.

With regard to Bankstown, our concerns are that we have an extremely busy airport. It is just about the busiest in the country. To get regionals in there, it is no easier than getting into Kingsford Smith airport. The facilities at Bankstown for passengers are virtually non-existent, and there is a massive infrastructure cost to set that up. Trying to get taxicabs and public transport into the city, or across to Kingsford Smith airport for interconnecting flights, is a nightmare, and an expensive nightmare.

As an example, in our case at Armidale, last year Lochheed-Martin committed to, and have gone ahead with, setting up a satellite tracking station and communications station. Having direct access to Kingsford Smith airport, whilst it is not the major, it was one of the major factors that influenced them to go to regional New South Wales. I could assure you that if they did not have that direct access, if they had to spend 40 minutes or an hour having to go from an international or domestic terminal across to Bankstown to get to regional New South Wales, we probably would have seen that facility in Queensland or elsewhere. So it is important for regional development and sustainability to have that access, especially for larger companies.

With regard to deregulation, 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. There is clear evidence that size of aircraft does matter. The smaller aircraft numbers have dropped off considerably. We have another route that goes from Tamworth, to Armidale, to Brisbane, currently flown by Impulse. When they took over that route they initially started off with smaller, unpressurised aircraft. They then expanded into a 29-seat pressurised aircraft with cabin service. Their numbers did increase, but the aircraft was too big, and other things went wrong.

They then went back to the small aircraft and their numbers plummeted drastically and very quickly. They have now settled on a 1900 aircraft with 19 seats, and their numbers have been continually but slowly growing. But they drop a lot quicker than they grow if they change their aircraft. In our case, we have Eastern with Dash-8s, Hazelton with Saabs and Metroliners. Hazelton has been increasing its Saab service. We have a growth of 3 per cent, and their growth has been over 5 or 6 per cent. They are picking up more as they put more Saabs on in lieu of the Metroliner. It does make a difference. If you deregulate and bring up smaller aircraft, the numbers will drop. And they are a lot slower to build up again than they are to drop off. As I said, our other fear with deregulation is losing the peak access and the convenience of one-day trips into Sydney. You could end up with two-day trips if you have deregulation and the larger aircraft are pulled out. Then we will be stuck with the smaller ones, which will have a major economic impact in our regions.

The other problem is that, if deregulation goes ahead, we will have concerns about compliance with Australian Competition and Consumer Commission (ACCC) requirements. As I have said, we provide the terminal areas, the counters, and the office areas. Our terminal is set up with three offices. There are six counter spaces. The airlines will not share offices. They have confidentiality requirements and they have security requirements. Our concern is that if we had open deregulation and another operator or another two operators turned up and said, "We want to fly to Sydney, you have to provide us with the same facilities" we would not be able to afford to provide those facilities, and we would run into ACCC problems. I think those are the main points that I would like to add to the other submission.

**CHAIRMAN:** Michael, if I could direct a question to you first. You mentioned the number of people who are flying, and that some of them are flying for medical reasons. Do you have any idea what the percentage of people who fly are medical passengers, who are business passengers, or who are tourist passengers? Alternatively, could you give the Committee the percentage who on-fly, because that is relevant when considering a proposal about Bankstown. We have heard from other people that between 20 per cent and up to a third actually hop on another interstate or intrastate flight or go overseas.

**Mr DUBOIS:** Mr Chairman, I do not have access to those figures, because they are airline confidential figures. But I can tell you that we notice that our market, particularly on the Tamworth-Sydney route, is quite business orientated.

Our worst month of the year is January each year, when most businesses tend to close down. Then the business traffic dries up. Yet that is our busiest month in terms of tourists and our Country Music Festival. You would expect that, with that festival, that would be our busiest month of the year for passenger numbers, but it is not by a long way.

I think that is reflected right across regional New South Wales that January is considered to be the downturn month in the aviation field.

In terms of medical access, Tamworth is used very heavily by the New South Wales Air Ambulance. On average, we have one or two flights a day flying into Tamworth and going back to either Sydney or Newcastle airport. It is a major regional centre, with a major trading hospital, and therefore is used quite heavily by the New South Wales Air Ambulance, and also by Westpac and Child Flight helicopters. In terms of actual numbers, I cannot tell you what the percentage of passengers are.

**CHAIRMAN:** Mr Harvey, could you help in that regard?

**Mr HARVEY:** It is a similar answer on the numbers. I have a graph, which I hand up. It shows how the numbers fluctuate. It is actually the same result: in December and January they are lower figures. Our peaks are September and April, which is assisted by the university camps. Discussions with the airlines at meetings at Armidale indicate that they feel that about 70 to 80 per cent is for business travel, and that is especially based on their frequent flier regular passengers, whom they can track right through.

We started to do surveys. The response from the passengers was so poor that I do not think the figures could have been credible. It was an attitude of: we want to fly, we don't want to fill out forms. That was the general result, so that exercise was abandoned. I do not know whether the medical passengers are a significant number of our regular passenger transport. Similar to Mike, we have an Air Ambulance service on demand. It is probably four or five times a week that it comes in; sometimes it might be three times a day. I could not give you a break-up on that.

**Mr DUBOIS:** If I could add that the airlines guard their on-carriage value very closely, but you would be looking at, in terms of the Tamworth-Sydney route, of it being worth close to \$4 million to \$5 million for the two major domestic airlines.

**CHAIRMAN:** Both of your councils would no doubt have management plans for a five-year period into the future, and they would incorporate a number of things, like projections of number of passengers and what plans you intend to have for expansion and all that sort of material, as well as recoupment of costs. Would you take on notice to provide us with a copy of those management plans. If there are any other questions asked of you today that you would like to take on notice and supply answers at a future date, you may do that.

**The Hon. Dr B. P. V. PEZZUTTI:** Mr Harvey, how many flights a day do you have direct to Sydney?

**Mr HARVEY:** Eastern provide three flights a day consistently and an overnighter. There is a morning flight that leaves at 6.30; there is a return flight.

**The Hon. Dr B. P. V. PEZZUTTI:** Just how many. I do not need the timetables.

**Mr HARVEY:** Five flights a day.

**The Hon. Dr B. P. V. PEZZUTTI:** How many passengers are taken to Sydney?

**Mr HARVEY:** Approximately 60,000.

**The Hon. Dr B. P. V. PEZZUTTI:** Is that both incoming and outgoing?

**Mr HARVEY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Or is it incoming only?

**Mr HARVEY:** No, both ways.

**The Hon. Dr B. P. V. PEZZUTTI:** So 30,000 go to Sydney?

**Mr HARVEY:** I would not guess on the split. But 60,000 is our passenger number.

**The Hon. Dr B. P. V. PEZZUTTI:** Mr Dubbos, how many flights out of Tamworth? I think you told me 11 earlier.

**Mr DUBOIS:** That is correct.

**The Hon. Dr B. P. V. PEZZUTTI:** How many passengers, all up, both ways?

**Mr DUBOIS:** We have 76,000.

**The Hon. Dr B. P. V. PEZZUTTI:** In terms of slot time allocation, my understanding is that the slot times are set by a committee made up of all airline companies. Is that your understanding?

**Mr DUBOIS:** That is correct.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that the number of passengers into Ballina is 100,000, or 110,000 actually, and Ballina has four flights to Sydney and back a day, do you think it is equitable for Ballina to have four flights carrying 100,000 with four slot times, compared to Armidale with five, carrying 63,000 passengers, and Tamworth with 11 flights carrying 76,000?

**Mr DUBOIS:** That depends on what the airline bids for and the type of equipment that they operate on that particular route.

**The Hon. Dr B. P. V. PEZZUTTI:** If slot times become the real issue, in other words the real pressure on Sydney Kingsford Smith airport is slot times, and when people can land, do you think it is equitable for regional people that Tamworth has 11 slots and Ballina has four?

**Mr DUBOIS:** That is up to Ballina, I suppose, to bid for more with the airlines.

**The Hon. Dr B. P. V. PEZZUTTI:** I asked you if you thought it was equitable.

**Mr DUBOIS:** I cannot answer that. That depends on each council.

**The Hon. Dr B. P. V. PEZZUTTI:** In terms of access to Kingsford Smith airport, at some stage there will be a limit reached, whether it is under managed competition or open deregulation. What difference would it make with open

competition or with deregulation in terms of the number of slot times allocated to Ballina?

**Mr DUBOIS:** At the present time, my understanding is that there is a pool of slots available for regional New South Wales which the airlines bid on. Now, if they require more slots at Ballina, I am sure the airlines would bid for more slots for Ballina.

**The Hon. Dr B. P. V. PEZZUTTI:** If that comes at a cost to Tamworth or Armidale, what would be the response of Tamworth and Armidale?

**Mr DUBOIS:** We would object strongly to it if we had slots taken from our particular route and applied to another route.

**CHAIRMAN:** All slots are not used at the moment.

**The Hon. Dr B. P. V. PEZZUTTI:** I am aware of that. But at some stage, if there were deregulation and Ballina got 11 slots a day—which would be really nice for the people of Ballina because they could travel a lot more—

**Mr HARVEY:** I don't think it would be.

**The Hon. Dr B. P. V. PEZZUTTI:** I am just saying in terms of choice. It could easily cover that sort of route with that many passengers, with the same size aeroplanes that Tamworth has, because it is carrying almost as many times again the number of Tamworth passengers.

**Mr HARVEY:** You would downgrade the service.

**The Hon. Dr B. P. V. PEZZUTTI:** How would Tamworth respond to a reduction in slot times, and what can you do about it?

**Mr DUBOIS:** We would certainly object very strongly to both the slot committee and also the State and Federal governments if we were to lose our slots.

**The Hon. Dr B. P. V. PEZZUTTI:** Who determines where the allocated slots go? You say it is the airlines. What do you recommend that the Committee does to ensure that communities have access to Kingsford Smith airport, rather than it being a trade thing for the airlines?

**Mr DUBOIS:** I believe that the community should be consulted if those slots are going to be taken from them.

**The Hon. Dr B. P. V. PEZZUTTI:** Even if they could be consulted, what do you think this Committee could suggest to the government as an action plan, rather than just a consultation? I mean, governments always consult. This inquiry is about the Parliament requiring the government to consult, and the government did not consult when it brought in the legislation into the lower House. Apart from just talking, do you think there is something that the government can put in place to ensure that communities have equitable access to Kingsford Smith airport?

**Mr DUBOIS:** It could be done in either of two ways: either that they are given a slot time for that particular route—and it may be that there is a reduction in the number of slots that they currently have—or, alternatively, there may have to be some form of hub and spoke operation whereby they have still got access into Kingsford Smith airport.

**The Hon. Dr B. P. V. PEZZUTTI:** I have in mind whether there could be some equitable formula. Obviously,

there is a need to protect the small routes, those carrying less than 11,000 or 12,000 passengers, places like Inverell and so on. But, for the bigger routes, like, Tamworth, Lismore and so on, should there be a slot time on the basis of the number of people who fly, or access on the basis of distance? On what distance do you think we could make a reasonable argument to government, so that we could ask the Commonwealth to regulate to make sure that Kingsford Smith airport, when it is privatised or even under its present arrangements, could have a formula that everyone thought was fair and that everybody could work to?

**Mr HARVEY:** I believe that regionally there needs to be an allocation of slots in the peak areas for at least one service to get into Sydney at the peak times.

**The Hon. Dr B. P. V. PEZZUTTI:** How many aeroplanes can land in Sydney in any one hour?

**Mr HARVEY:** Eighty is the capped restriction.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that that includes all of the international and interstate jets and that, looking from this list, there would be at least 60 regional airports, how would you ensure that regional airports have a reasonable and fair share of access to Kingsford Smith airport, without just using our grunt and our political pressure? What would be a fair and reasonable way in which we could suggest to government that it might deal with this issue, whether it is regulated or deregulated, because the same issues apply whether there is regulation or deregulation, do they not?

**Mr DUBOIS:** That is correct.

**The Hon. Dr B. P. V. PEZZUTTI:** Have you thought of a fair formula that Kingsford Smith airport could use in allocating slot times?

**Mr HARVEY:** Not so much a formula, but at the moment virtually every regional airport has a peak slot access—well, there are two or three that do not have peak slot access, and that was a decision of the airline to not use that slot for that airport. As I said before, I believe there are slots available and the time is there so that the airports could be allocated at least one peak slot time per regional airport, but not so much a formula but a requirement.

**The Hon. Dr B. P. V. PEZZUTTI:** Looking at this map, I do not know how many dots are there, but there are certainly more than 40.

**Mr HARVEY:** I would not guess at the number of dots. But, as I say, at the moment virtually all regionals have peak access into Sydney, and that is at the airlines' discretion.

**The Hon. Dr B. P. V. PEZZUTTI:** What was the value of the land and infrastructure that was handed over to Dumaresq Shire Council by the Commonwealth when it handed over the control of the airport to you?

**Mr HARVEY:** At the time of the actual handover, the airport ground itself was approximately half the size that it currently is.

**The Hon. Dr B. P. V. PEZZUTTI:** I am asking you the value in 1998 value terms.

**Mr HARVEY:** Our current value is \$9.26 million, of which we have invested over \$5 million worth. So about \$4.5 million was the value.

**The Hon. Dr B. P. V. PEZZUTTI:** There is depreciation in the middle.

**Mr HARVEY:** There has been depreciation since then, yes.

**The Hon. Dr B. P. V. PEZZUTTI:** So you have never really had to recover the full cost of a \$9 million investment, whereas Kingsford Smith airport, as I understand, now operating as a corporation, has to recover the full accrual accounting cost of its infrastructure.

**Mr HARVEY:** We are in the process of doing full accrual accounting.

**CHAIRMAN:** The councils have the same accounting processes, and they must do exactly the same. It is a standard accounting method.

**The Hon. Dr B. P. V. PEZZUTTI:** What other incomes do you get from your airport?

**Mr HARVEY:** We have leases in the building area for tenants for a restaurant, we have a service station tenant, and we have several tenants on the airport with hangers and aircraft maintenance facilities.

**The Hon. Dr B. P. V. PEZZUTTI:** Are they direct tenants to the council or to the airport?

**Mr HARVEY:** To the council. They lease the land from the council.

**The Hon. Dr B. P. V. PEZZUTTI:** If somebody made a complaint about the operation of their business on that land, who would deal with that complaint?

**Mr HARVEY:** It would depend on the nature of the complaint. If it is a matter relating to the airport itself, then I would be the person who deals with it. If it is an environmental matter, it would be a combined matter for myself and the Environment Protection Authority.

**The Hon. Dr B. P. V. PEZZUTTI:** In terms of the flights, you have two airline operators into Armidale.

**Mr HARVEY:** From Sydney, yes.

**Mr DUBOIS:** We have two.

**The Hon. Dr B. P. V. PEZZUTTI:** There used to be three.

**Mr DUBOIS:** Only two.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that you have got small numbers of passengers, is it difficult for the two operators to operate into your two airports?

**Mr DUBOIS:** In the case of Tamworth, Tamworth is most probably about a one and a half airline route. I think once you start to look at round about 100,000 passengers, it becomes viable for two airlines. Above 100,000 passengers you are starting to get into a three-airline operation.

**The Hon. Dr B. P. V. PEZZUTTI:** In the current arrangements, if somebody has a licence and does the bid with the Air Transport Council and gets access to a licence, do you know whether there is any penalty if the operator does

not comply with the licence?

**Mr DUBOIS:** At this stage I do not believe there is. The operators simply lose their licence if they do not perform.

**The Hon. Dr B. P. V. PEZZUTTI:** And there is no penalty for the loss of that licence?

**Mr DUBOIS:** No.

**The Hon. Dr B. P. V. PEZZUTTI:** Can they negotiate with the Air Transport Council for a change of size of aeroplane without further consultation with the community?

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** And when they go for the bids for the licences, while the community might be consulted, who makes the final decision?

**Mr DUBOIS:** The Air Transport Council.

**The Hon. Dr B. P. V. PEZZUTTI:** In other words, the local community has no final say as to either the operator or the size of the aircraft?

**Mr DUBOIS:** That is correct. In actual fact, that is one of our comments: that maybe it should be left to the local councils to tender for their air services.

**The Hon. Dr B. P. V. PEZZUTTI:** What substantial difference would that make between a regulated and a deregulated service, from a community control point of view?

**Mr HARVEY:** I am sorry, would what make—Michael's comment or what?

**The Hon. Dr B. P. V. PEZZUTTI:** In other words, given that the final say is with the Air Transport Council, and that the dealings between the Air Transport Council and the licensee about the size is entirely without further consultation, what difference would it make whether it was regulated or deregulated, in terms of community input?

**Mr HARVEY:** If it were deregulated, there would be no community input. At the moment, we do have the opportunity to have input on the licensing. That input is taken into account. My appreciation of what is happening with our licensing is that the community's wishes are fairly closely listened to.

**The Hon. Dr B. P. V. PEZZUTTI:** But they do not come back to you if there is a change in the licence conditions.

**Mr HARVEY:** That is correct. They do not have to.

**CHAIRMAN:** No, they do not have to, but it is in the Act that they can.

**The Hon. Dr B. P. V. PEZZUTTI:** They can, but they don't.

**Mr HARVEY:** I understand that in some cases they have. But we can also go to them and raise our problems if we

hear that this is happening, or complain about what has been happening and find out what can be done. But their hands are tied by the legislation that they have to operate under.

**The Hon. Dr B. P. V. PEZZUTTI:** In your submission, Mr Dubois, at page 3 you deal with landing fees at Kingsford Smith airport. You talk about the difference between a Boeing 747 with more than 400 passengers, versus a 19-36 passenger regional. You want to look at charging on a per-seat basis. Given that the jets are operating on an international market and the regionals are operating on an internal market, can you not see that that would dramatically skew landing fees at Kingsford Smith airport and make them uncompetitive internationally?

**Mr DUBOIS:** It depends on how you allocate. What I am saying is that any increase in landing fees at Kingsford Smith airport are more readily absorbed by a Boeing 747 on a per-head basis than they are on a regional aircraft with only 36 seats.

**The Hon. Dr B. P. V. PEZZUTTI:** I am aware of that.

**Mr DUBOIS:** If you put up your landing fees by \$100, it is easier to offset that cost over 400 than it is over 36.

**The Hon. Dr B. P. V. PEZZUTTI:** Yet we have not received very much complaint at all about the standard minimum charge in any of the evidence that we have received so far.

**Mr DUBOIS:** From regional airlines?

**The Hon. Dr B. P. V. PEZZUTTI:** Yes.

**CHAIRMAN:** I think we have.

**Mr HARVEY:** I think there was relief that it actually went down.

**The Hon. Dr B. P. V. PEZZUTTI:** That is right.

**Mr HARVEY:** They had fought vehemently against the charge, and I think they have become resigned to the fact that there is going to be a minimum charge, and so they have fought hard to keep it as low as possible.

**The Hon. Dr B. P. V. PEZZUTTI:** They were relieved that it was set at the rate that it was.

**Mr HARVEY:** I think if you set anything high enough, anyone will be relieved when it is dropped.

**CHAIRMAN:** Because it went from \$27.50.

**The Hon. Dr B. P. V. PEZZUTTI:** Yes, and now it is a set fee.

**Mr DUBOIS:** I think there was relief to start off with, but over the next four years the actual price will increase to above what they are currently paying now.

**The Hon. Dr B. P. V. PEZZUTTI:** Is that set, or is that a fear?

**Mr DUBOIS:** No, that is a set fee of \$100.

**The Hon. Dr B. P. V. PEZZUTTI:** But is it your fear, or is it real, that it will increase over the next four years?

**Mr DUBOIS:** Well, it will increase over the next four years, because at the present time a Metroliner only pays about \$56 for a landing in Sydney. That fee will actually double. The smaller aircraft will pay more.

**The Hon. Dr B. P. V. PEZZUTTI:** But, over four years, from the fee that is set to start from—

**Mr HARVEY:** It is set at \$100, and it goes up to \$120.

**CHAIRMAN:** It takes about four years to get to the \$100.

**The Hon. Dr B. P. V. PEZZUTTI:** That is right.

**CHAIRMAN:** When it gets to the \$100 in four years time, he will actually be paying double.

**The Hon. Dr B. P. V. PEZZUTTI:** Yes. Apart from that, are you concerned that it will go higher, or that the Metroliners will be priced out? And what can we do about it? What we are trying to find out, as quickly as we can because we have not got much time, is what you think we should suggest to government to deal with this matter. That is why I am asking for definite answers so that we can get evidence.

**CHAIRMAN:** I think it is only limited for four years.

**Mr DUBOIS:** That is right. But, at the present time, under the lease arrangements, with the airport there is a cap on those sort of landing fee prices that can be set, in that you cannot increase them dramatically above a set formula, but there is no cap placed on a demand price, and a demand price can be a peak period price. So, while at the present time they have eliminated the peak period pricing and put in this base \$100 minimum charge, in another two years time the airport operator can come out and say, "We are now putting in demand prices." Then, the peak period charge may be \$500 to land at the peak period time.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that that is a fear, what can we do?

**Mr DUBOIS:** What I am saying is that there should be a cap on demand prices as well, so that the lessee cannot turn around and start charging peak period pricing again.

**The Hon. Dr B. P. V. PEZZUTTI:** What other mechanism would an operator at Kingsford Smith airport, whether it is privatised or government owned, have to regulate the large number of small and large operators wishing to access something which is very limited, like 80 slots per hour?

**Mr DUBOIS:** The 80 slots per hour is not set by the airport operator; that is set by the government.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you think the government should increase it to 120? Is that the solution?

**Mr DUBOIS:** Certainly. The airport has a far greater capacity than 80 slots an hour.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you think it is more realistic, or less realistic, to believe that in 2003 any government will allow Kingsford Smith airport to operate 120 flights an hour?

**Mr DUBOIS:** I cannot answer that for the government because it is very politically motivated.

**Mr HARVEY:** The restriction is a noise-based restriction.

**The Hon. Dr B. P. V. PEZZUTTI:** Yes.

**Mr HARVEY:** Regionally, it is not a noise problem.

**The Hon. I. M. MACDONALD:** Is it possible to increase it to 120 but to restrict the additional number to lighter aircraft?

**Mr DUBOIS:** Exactly right.

**Mr HARVEY:** At a conference in Sydney we raised exactly that issue with John Fahey. That was about September two years ago. His answer was, "Eighty is the number, regardless of mix." We believe that the mix is an important part of the 80.

**CHAIRMAN:** The Sydney Airports Corporation has actually told us that that mix is very important. It wants to see the regional airlines continue to land there because that 30 per cent or 40 per cent of flights are not noisy.

**Mr HARVEY:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** So the reality is that it would not be possible to increase it to 120, just to allow more of the less-noisy aeroplanes in, because otherwise you would then have 80 noisy aeroplanes coming in and out. So, given that that is not likely to happen, what other mechanisms, apart from price, could the airport operator use to ensure that the owner, first, got value for money and, second, gave reasonable access to regional airports?

**Mr DUBOIS:** That is the use for smaller runways for regional aircraft. They do not need the larger runways; they can land on the cross runway. That then becomes a matter for decision between Air Services Australia as well, because it comes into the picture.

**The Hon. Dr B. P. V. PEZZUTTI:** But there are only 80 an hour. What other mechanism can Kingsford Smith airport use, apart from price, if the pressure becomes extreme?

**Mr HARVEY:** The 80 an hour is a problem at peak times only. The demand on peak is not necessarily an international demand; that is a scheduling thing. Most international passengers do not have a problem with off-peak landings.

**The Hon. Dr B. P. V. PEZZUTTI:** They land at 6 o'clock in the morning.

**Mr HARVEY:** But they are working in with other arrangements. The mid-day runs are not important to the international passengers.

**The Hon. Dr B. P. V. PEZZUTTI:** I am talking about the peak, which is when local people want to get to Sydney between 8 and 9.

**Mr HARVEY:** One way is to take internationals out of the peak area.

**Mr DUBOIS:** We cannot do that.

**CHAIRMAN:** We will move on.

**The Hon. J. R. JOHNSON:** Gentlemen, are your airports affected by fog?

**Mr HARVEY:** We are.

**Mr DUBOIS:** At Tamworth, no. We would probably be closed with fog twice a year, if that.

**The Hon. J. R. JOHNSON:** Does that have an effect on your landing rights?

**Mr DUBOIS:** Yes, it does. Obviously, if the airline cannot leave Tamworth to get its slot into Sydney, it has to apply for another slot.

**The Hon. J. R. JOHNSON:** Does it run into difficulties?

**Mr DUBOIS:** If it is into the peak period, yes, it would.

**Mr HARVEY:** It does on ours. It causes considerable problems. When they cannot get off the ground at Armidale, they have to reschedule their slots, and then when they could get off they could have another holding time on Armidale because they do not have another slot into Sydney for another 20 or 40 minutes.

**CHAIRMAN:** They cannot get off?

**Mr HARVEY:** Some mornings they cannot. You must have a minimum 400 metres of visibility for take-off.

**The Hon. J. R. JOHNSON:** Do your transport operations at your airports make a profit?

**Mr HARVEY:** The airport does make a profit, yes.

**Mr DUBOIS:** Tamworth makes a profit. Whether the airlines make a profit is up to the airlines, I suppose.

**The Hon. J. R. JOHNSON:** I am just concerned about the local councils. Tamworth of recent times has had to write off a considerable amount of money because one of the airline operators went belly-up.

**Mr DUBOIS:** That is correct.

**The Hon. J. R. JOHNSON:** How much was that?

**Mr DUBOIS:** \$210,000 at this stage, providing we do not get any recovery under the deed of arrangement.

**The Hon. I. M. MACDONALD:** Mr Dubois, at page 2 of your submission is a comment that I would like you to amplify. "There is also concern that under the Airport Act the eventual lessee of Sydney airport can re-introduce peak period charges as no capping will apply to demand charges." You have dealt with this a fair bit under the question of the Hon. Dr Pezzutti. Do you believe that when the airport is privatised—as I understand it will be in the next few years—that the Federal government should stipulate some conditions to alleviate the point that you make?

**Mr DUBOIS:** Definitely. I believe it is an avenue that is available to the lessee to increase his profit by introducing demand prices.

**The Hon. I. M. MACDONALD:** So the condition would be of some control?

**Mr DUBOIS:** Controls that demand charges cannot be introduced.

**The Hon. I. M. MACDONALD:** Later on, at 0.4, you say, "Airport congestion was a major problem with deregulation in Canada and the US on which IPART based their recommendations for New South Wales." Can you give us further information about this situation that developed in Canada and the United States because it is very interesting?

**Mr DUBOIS:** Basically, if you have a look at what occurred in the United States, it went through a period of upheaval, where quite a number of operators joined to operate services and that is now starting to settle down, and the smaller operators are falling out. It is getting back to what it was originally under a regulated market, where you had just the major operators operating. What I am saying is basically what I said earlier to you: you go through this deregulation period, and eventually you only ever end up with two operators because they control the facilities at Sydney airport. So, unless you are aligned with one of those two operators, you just do not go anywhere. I am saying that we are trying to introduce deregulation into what is a very regulated market. So, in the end, what will we achieve by deregulation?

**The Hon. I. M. MACDONALD:** You have looked at evidence in relation to the United States.

**Mr DUBOIS:** That is right. That was presented by IPART as part of its submission—that they based it on the Canadian and United States scenarios.

**The Hon. I. M. MACDONALD:** Have you looked at deregulation in other States?

**Mr DUBOIS:** It occurs in most other States, but they do not have the problems that we do at Sydney airport.

**The Hon. I. M. MACDONALD:** Was the argument that deregulation is a success in other States, such as South Australia for instance? Would you believe that would be applicable to our situation?

**Mr DUBOIS:** No.

**The Hon. I. M. MACDONALD:** Are there any other factors that you believe would be negative in the experience of other States?

**Mr DUBOIS:** I am not aware of their situations, but I think what has happened over there has grown up over a period of time. They still have the problems where new operators come in and fail because they cannot compete against the major players in the reservation systems.

**The Hon. I. M. MACDONALD:** Would you agree that Western Australia has a much lower population and many fewer regional centres than New South Wales?

**Mr DUBOIS:** Yes. But while in Western Australia it is a deregulated market, the licences are still issued by the State government. So there is a form of regulation.

**The Hon. I. M. MACDONALD:** So there is a process that they have to go through.

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Also, one of the differences in Western Australia is that there is a State transport strategy. While the air transport part may be deregulated, there is a lot of assistance and strategy put into where the airports are and how they will operate. The financing of the airport is also partly State-funded in those cases. So it is a different strategy. It is not just a single part of deregulation through there as well.

**The Hon. I. M. MACDONALD:** IPART placed a lot of store in what had gone on in other States.

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Yes.

**The Hon. I. M. MACDONALD:** For instance, would you not agree that one could not compare Victoria with New South Wales, it being a smaller State, with fewer airports?

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Yes.

**The Hon. I. M. MACDONALD:** The situation with Tullamarine would be quite different from the situation at Kingsford Smith airport, would it not?

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Very different. Also, Victoria has a very different road network, and for other than the extremities of Victoria, people in the regional areas of Victoria who wish to get to Melbourne for business or other purposes have never been so much reliant on air transport.

**The Hon. I. M. MACDONALD:** It is a much smaller State, is what you are getting at.

**Mr HARVEY:** Yes.

**The Hon. I. M. MACDONALD:** What about Queensland? They seem to have some sort of community service obligation arrangement that backs up their system.

**Mr DUBOIS:** They do have a community subsidy for a lot of those airlines that fly into the more remote regions.

**The Hon. I. M. MACDONALD:** So IPART's argument that New South Wales should follow the other States you believe would be comparing apples to oranges?

**Mr DUBOIS:** Exactly.

**Mr HARVEY:** It is very selective.

**Mr DUBOIS:** I think New South Wales is a unique State as far as air transport system is concerned.

**The Hon. I. M. MACDONALD:** It would have many more regional centres with above 10,000 passengers than any other State?

**Mr DUBOIS:** Yes, very much so. That is correct.

**The Hon. I. M. MACDONALD:** With its distances, the demand in this State would be higher for those sorts of regional services.

**Mr DUBOIS:** Yes.

**Mr HARVEY:** Another fact is that in other States they also have their mining and other industries, such as the gas industry in Western Australia. There are higher airport numbers. Their State population are less, but there are areas with 200,000, 300,000 and 400,000 people going through their airports. A lot of that is charter, but a lot of it is not as well.

**The Hon. I. M. MACDONALD:** There is not only the industry factor but the distance factor that would count there as well.

**Mr HARVEY:** Yes.

**The Hon. I. M. MACDONALD:** There is not a train from Kununurra to Perth.

**Mr HARVEY:** No.

**The Hon. I. COHEN:** Mr Dubois, in terms of the regional centres in New South Wales and the overwhelming network of routes, if there were deregulation would there be a decrease in routes, and therefore a possible advantage to country commuters, with an increase in the hub and spoke operations?

**Mr DUBOIS:** Hub and spoke probably is not shared totally by the northern New South Wales councils. Certainly, from Tamworth's point of view, we believe that hub and spoke is most probably the way that it eventually will occur if access to Kingsford Smith airport becomes limited, that they will be forced into a hub and spoke arrangement. The trouble with a hub and spoke arrangement is that while the actual hub to the capital city is a profitable route, the spoke links become very expensive to operate. Then you have to get an operator who can actually operate the spoke links at a profitable rate to enable the operator to continue to operate. If it is all part of a network by a larger operator, then, yes, the cost can be offset on the major leg. But it is very difficult because a lot of councils obviously are proactive and they want their own direct air services to Sydney.

In the end, most particularly from Tamworth's point of view, we see that hub and spoke is a situation that will be forced on operators and communities in years to come; that, as the prices obviously will increase at Sydney airport, that will become the only viable way to operate. We currently work out of Dubbo, and it works very well, but then you are looking at much longer distances when you go from Lightning Ridge into Dubbo or from Cobar into Dubbo. You are looking at long distances and therefore it becomes economic to run those spoke legs. If you start looking at hub and spoke around the Tamworth region, and you are looking at the Morees, Glen Inneses and Inverells flying to the hub centre at Tamworth, those spoke flights become quite expensive legs because of the distance that you are travelling and the equipment that you are operating.

**Mr HARVEY:** The hub and spoke system is very good for the hub, and the hub area will grow, as Dubbo has done as businesses will probably gravitate more into Dubbo, the hub area, from where we are now. If we were to go into a hub and spoke situation with Tamworth, we would more than likely find that the business is going to go to regional New South Wales. It will not be going to Gunnedah and Narrabri; it will go to where the direct hub is for the major

businesses. So you could find that the danger is that the businesses that already exist in the Inverells and places like that will say: well, to get there, we have got to get a decent aeroplane to Tamworth, then get into a smaller aircraft from there, so let's set our business up in Tamworth where we have a direct link and we will save ourselves two hours travelling. That is the danger of hub and spoke; it can be to the detriment of those other areas.

**The Hon. I. COHEN:** On the issue of size of aircraft, I think it was Mr Harvey who mentioned that there was a very rapid and substantial drop when the size of aircraft was reduced. Is that due to a safety perception, or is it comfort, or are there specific needs that passengers have that are not being met with those smaller aircraft? I am concerned that smaller aircraft with a greater penetration could service what would otherwise be uneconomic nodes of the air transport system. I am interested in how outlying communities can be adequately serviced.

**Mr HARVEY:** It is a combination of factors. You do have a safety perception. It is unreal, but once they have their licences the operators all have to meet the same requirements, and the airlines themselves will not do an on-carriage to another operator which does not meet the operating requirements. With the smaller, unpressurised aircraft, there is a definite comfort problem. We had at Armidale not a small aircraft, but a large 36-seat short aircraft that Hazelton initially had in its fleet. They cannot get out in bad weather in the tablelands areas to get up and down. Passengers were getting very sick. Luggage with aerosol cans and shampoos exploded when they got up in the air peaks. It took a long time to get that out of the minds of those who experienced that happening during the summer storm season.

With the smaller aircraft, you will notice that when people are flown in and do an interconnection either off a jet or a larger 36-seat aircraft into an 18-seat aircraft, when they hop into it, especially the smaller Metroliner with the small fuselage, and they bend down to sit down, they will straight away look around and say to themselves, "How many others are going to fit in here, and how will it be?" There is a comfort factor in that as well. So it is a combination of factors. A lot of people do not mind flying around in small aircraft, but there are a larger majority who do mind that. I think you have probably experienced that yourselves.

**Mr DUBOIS:** If I could give you an example of a Tamworth case. In the East West days, prior to the demise of that company, Tamworth was serviced solely by jet aircraft, the F28 and then eventually the 146 aircraft. When East West terminated their services, those were replaced by turbo-prop aircraft. This was a perfect example of a community perception that you were not flying in as safe an aircraft as the jet, and yet the flying time between Tamworth and Sydney is no different in a turbo-prop aircraft as it is with a jet aircraft. I would say that that occurred in 1992 and it most probably took three to four years for the community finally to accept the turbo-prop aircraft is a safe and reliable aeroplane.

**The Hon. I. COHEN:** Mr Harvey, you mentioned flat fees and movements were not appropriate.

**Mr HARVEY:** I felt they were inequitable. I was looking at the larger size of aircraft.

**The Hon. I. COHEN:** Could you give an example of where the flat fees are a problem?

**Mr HARVEY:** As I have said, as far as Mascot goes, if you are paying a flat fee that is the same for a large jet as it is for a regional aircraft, the regional aircraft simply does not need that runway infrastructure.

**The Hon. I. COHEN:** Is that occurring at the other end too, at the regional airports?

**Mr HARVEY:** To my knowledge, most regionals are charging a tonnage and a passenger head fee for the airlines. In our case, from 18 seats and upwards we charge a tonnage and a passenger head fee. Below 18 seats, it is only a pure tonnage fee for the use of the facilities.

**The Hon. I. COHEN:** From your perspectives, has Bankstown got anything going for it?

**Mr HARVEY:** It is a very good training airport.

**The Hon. I. COHEN:** But that is not to be included in our deliberations.

**Mr DUBOIS:** 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.

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 gap; we operate under primary separation control, mainly because of the fact that we have training aircraft mixed in with routine passenger transport operations.

**CHAIRMAN:** Why is the collection of landing fees a problem with some councils, and what are they doing to rectify those problems?

**Mr DUBOIS:** Tamworth is lucky in the fact that we have an air traffic control tower, and so we record all our flights. Our charging regime therefore we are able to apply across the board to everyone who uses our facility. That goes for routine passenger transport, private aircraft, and so on. Everyone gets charged at Tamworth. There are no exceptions at all. Even the military aircraft pay a fee these days. So we are able to capture our broad spectrum of users.

I know that at some airports, Armidale is probably a case in point, unless you have someone out there recording who actually lands, it becomes very difficult to send bills out to people. Then, of course, one has to weigh up and analyse the cost of providing someone out there for the return that can be gained in landing fees.

**Mr HARVEY:** In our case, we use Avdata services, which is a tape-recorded system. They do all the billing. Some who park on the airport full time pay an annual fee, and Avdata is notified of their registration numbers so that they do not get a separate bill per movement. We tend to find it works very well. There is a very small percentage—the survey showed only about 2 per cent—con compliance with use of radio, and that was a survey done by the Civil Aviation Safety Authority (CASA), which put a fellow up there for a week at different times. So we are happy to work that way.

We were told last week by Avdata about threats by small operators saying, "If you don't give us an exemption from landing, we will take our business somewhere else, and you will never get small aircraft here." Avdata had that happen in one area. They left their recording facilities in, and after the fees were abolished there was no difference in the movements on the airfield. So, as far as the threat of "Don't charge us, or we will not come", some of it may be a game of bluff. In our case, we work with Avdata. If they get behind, we instigate recovery procedures very quickly.

**CHAIRMAN:** You have some association with CASA in that you are on a committee. I wonder whether that safety issue concerns you personally. I suspect there might have been an occurrence recently when one of our staff privately flew into one of the country airports and the RPT service had to bank very quickly to get out of the way of an aeroplane that should not have been there because he did not record on Avdata that he was there because he was trying to avoid paying the Griffith council landing fees.

**Mr HARVEY:** My association with CASA and air services has got nothing to do with it as far as that matter goes.

It is purely on satellite navigation issues and so on. But there is a concern about the use of the radio. There is technology coming forward now that uses transponders. It is an advancing technology by which transponders can be fitted to aircraft so that they continually send out a message of their exact GPS location. Many other things can be entered into that message, including the aircraft registration number. The full-blown system, looking at jet aircraft, is a full flight integrated flight management system and a full communications system. CASA has set up a committee that will be looking into the advancing of that technology. They have their first meeting on 10 September. Sweden has trialled the system extremely successfully.

**The Hon. Dr B. P. V. PEZZUTTI:** The Victorian taxicabs are on it already.

**Mr HARVEY:** It is the same sort of technology. It was developed in Sweden to monitor snow ploughs on the runways so that they did not take out the lights or run into each other.

**CHAIRMAN:** So it may not necessarily be very expensive.

**Mr HARVEY:** I could not tell you the cost of it at this stage. That is being looked at. It may be something that can be used to overcome the problem of non-radio use. The advanced part is that an aircraft can have in the cockpit a radar-like display showing all the other aircraft in the vicinity. The basic one, for the smaller aircraft, is just to send out the signal, then you are tracked as to exactly where you are in three dimensions.

**CHAIRMAN:** Have airport managers any major difficulties since the Federal government transferred ownership to local councils?

**Mr HARVEY:** We are running into some difficulties, and I think more airports are going to run into those difficulties. When we were under the wing of the Federal government their inspectors assisted and gave directions as to the works required on the airports, and you were really held by the hand. In taking over full operation of the airports, I think virtually everyone has assumed that the operational standards will stay the same.

We have now found that a lot of standards at airports do not meet, and never did meet, the rules and regulations. It is now gradually being introduced by them a direction that: you have never met this requirement; we will give you time to come up to it. For instance, our runway lighting does meet the requirements for instrument non-precision approaches, but those were the lights that were put in when the approaches were put in. The Commonwealth was prepared to carry that sort of stuff.

So there will be things come up. It is the same as the maintenance of the obstacle surfaces around the place, apron markings, and things like that. Some are very simple, and some can be a major cost. But those things are now starting to come out, and the owners are starting to find out about them, and they are also starting to find the real and full maintenance costs. We are now getting into the next resealing cycle and heavy maintenance cycles for many of these airports during the next few years, and they will find that it is an expensive business if you have not budgeted for it carefully.

**CHAIRMAN:** That is why we mentioned the five-year management plans.

**Mr HARVEY:** Yes.

**CHAIRMAN:** Michael, do you have any comments on that?

**Mr DUBOIS:** Since 1992 Tamworth has operated the airport as a separate business entity of council. We operate on

pure business grounds. Obviously, there are political implications that come into it, such as the loss of \$210,000 in landing fees. But we operate as a business, we do our forward planning, and any profits—

**The Hon. Dr B. P. V. PEZZUTTI:** Do you pay a dividend to council?

**Mr DUBOIS:** Yes, we do pay a dividend to council. That is more to do with corporate overheads. But any profits that Tamworth airport makes go into the airport reserve for future development works.

**CHAIRMAN:** I take it those management plans will detail the return on assets.

**Mr DUBOIS:** Yes.

**The Hon. I. M. MACDONALD:** Regarding that loss of \$210,000 to Tamair, how did you let it run up so much?

**Mr DUBOIS:** That is a political decision that council had to take. You have got to be careful in what you do. Do you put out of operation a business that is employing more than 80 people in the city? That was a matter that the council had to weigh up very heavily. Did it financially support this airline and keep those people employed, or did it terminate it? We got to a situation where that level of debt was a lot higher than the \$210,000 and we said to the airline, "That's it. We are not prepared to go any further. In fact, we are going to start recovery of this outstanding debt to us." We had that in train at the time.

**The Hon. I. M. MACDONALD:** What was the full amount of the debt then?

**Mr DUBOIS:** Probably around \$290,000.

**The Hon. I. M. MACDONALD:** How long had that debt been accumulating for?

**Mr DUBOIS:** Over a period of three years.

**The Hon. I. M. MACDONALD:** So Tamair virtually, right from the beginning of its licence period, refused to pay or did not pay the landing fees?

**Mr DUBOIS:** It was most probably a combination of not paying landing fees and being late in payments so that the amount built up and built up.

**The Hon. Dr B. P. V. PEZZUTTI:** I asked you before what could be done about the extra loading and extra cost for aeroplanes landing at Kingsford Smith airport. Do you think there is a place for a community service obligation payment by the State government to ensure equity of access, in the same way that the government subsidises trains to Dubbo, Armidale, Tamworth, Ballina and Lismore? Do you think that there could be a mechanism for community service obligations which would allow equity of access but would not stop Kingsford Smith airport operating as a commercial entity?

**Mr DUBOIS:** I think that is probably a reasonable approach that could be applied.

**The Hon. Dr B. P. V. PEZZUTTI:** Have you, or could you, put your mind to how such a scheme could operate, so that it would be transparent enough for State governments to live, and not to be taken advantage of by operators?

**Mr DUBOIS:** That is something that we would need to work on in conjunction with the airlines to determine what

is their profitability, so that when air fares reach a certain level there is obviously a downturn in patronage of that particular service.

**The Hon. Dr B. P. V. PEZZUTTI:** If, for example, the flight to Inverell went to Inverell, then from Inverell to Armidale as a hub for example—and people hate flying in little aeroplanes, as you quite clearly point out—but, to get people reasonable access with bigger aircraft would be uneconomic unless there were some form of community service obligation component. You are in the business, and we are not, but is there some mechanism that could be used which would not be an unending slush fund for companies to rot, but which would deliver that equity of access, and perhaps encourage people to hub and spoke?

**Mr HARVEY:** I believe there could be. It is certainly not something on which we come up with a solution this morning.

**The Hon. Dr B. P. V. PEZZUTTI:** Could you put your mind to that? Our inquiry will be going forward for another four or five weeks.

**CHAIRMAN:** I think we will have to report before then.

**The Hon. Dr B. P. V. PEZZUTTI:** I wonder if you would put your minds to that issue—not by way of a 50-page statement, but to give a couple of scenarios, which we could consider, that could service your area, which is that north-west area, which is capable of hubbing and spoking. I will ask that of some of the other areas. Even Moree could hub and spoke, as well as Gunnedah and Narrabri.

**Mr HARVEY:** Moree does Moree and Narrabri now under a triangulation.

**The Hon. Dr B. P. V. PEZZUTTI:** They do, but they could hub and spoke to Tamworth, in the same way that they could hub and spoke quite comfortably to Dubbo. I wonder whether there is a way in which we could get decent-size aeroplanes, at a reasonable cost. I hate the word subsidy, but that is the reality. We are talking about a community service obligation payment, in the same way that there is a community service obligation payment for the train to go to Broken Hill, which is just enormous. There is no community service obligation to support the air transport services to Broken Hill, apart from the Isolated Patients Transport and Accommodation Service (IPTAS), which is a scheme to do with health.

**Mr HARVEY:** I think your Committee or someone associated with it would have a better chance of getting from the Queensland department some figures and what sort of formula they use. They certainly would not release them to us. I have tried Western Australia on a similar basis, and have even talked to the Minister over there.

**The Hon. Dr B. P. V. PEZZUTTI:** Mr Chairman, could the Committee ask the Department of Health to give some idea of the IPTAS payments to airlines, because although that would not pick up all the medical transport, it would reveal the community service obligation payments that the States are currently making, which is a form of subsidy to the airlines because they actually pay to go on the aeroplane or the train. There is a community service obligation payment already in place, so I am not inventing something; it is already there and at the moment nobody is taking much account of it because IPTAS pays the full fee, but the State government is refunding through the IPTAS scheme some of those air flights.

**CHAIRMAN:** We could ask the Queensland Department of Transport what their CSO payments are. Alan, you referred to a chart earlier. Would you formally table that?

**Mr HARVEY:** Yes, I table that.

**CHAIRMAN:** We have also been asked to look at a charter of user rights, as has been suggested by the country summit: that there be developed a charter of user rights to lock in continued affordable access to Kingsford Smith airport. Some councils, however, have suggested that it should be more than that, that it should be enshrined in legislation because the Airport Act mentions only international and interstate flights, not New South Wales flights.

**Mr HARVEY:** They had said they were going to change it, but that did not occur.

**Mr DUBOIS:** At the last meeting that we went to I think it was Minister Sharp who said he would put it in regulations, or something like that. But I do not think regulations override the lease conditions once those lease conditions are in place.

**CHAIRMAN:** So you would prefer to see it in both the legislation and in the lease?

**Mr DUBOIS:** Yes, and in the lease, and then there can be no argument about it whatsoever. All it involves is the inclusion of one word.

**CHAIRMAN:** The Glen Innes and Inverell routes have effectively been deregulated, or it has been suggested that they have. Do you have any comments on that?

**Mr DUBOIS:** We were surprised. We thought it was going to be a licence issued to one operator, not total deregulation. How that will affect those combined routes is yet to be seen, because what you may see is an air service to Inverell, but you may end up seeing the loss of an air service to Glen Innes, because in recent times, particularly with the problems that Tamair has had—and Alan can probably verify this—we have seen a transfer of those Glen Innes passengers down to Armidale to catch Armidale flights.

**Mr HARVEY:** That has been happening. The same thing happened when Impulse changed their service under their original licence. When Impulse had the route, it was two flights a day; but they then changed to a lunch-time service, and when that happened we got a marginal increase in our numbers, from both Inverell and Glen Innes. Now that you have a bitumen-sealed road from Inverell with access to Armidale, which was not there before, sometimes we have Inverell passengers driving down to Tamworth. So the deregulation of it, or the opening of it up, could be an interesting scenario.

**CHAIRMAN:** The Air Transport Council is actually going up to Tamworth?

**Mr HARVEY:** To Tamworth, but not to Inverell and Glen Innes.

**Mr DUBOIS:** There is a hearing at Tamworth next Thursday on the review of air services.

**CHAIRMAN:** Are they inviting Glen Innes and Inverell?

**Mr DUBOIS:** I do not believe it is, because it is only to deal with the Tamworth-Sydney route.

**Mr HARVEY:** The hearing in Tamworth is for the second licence from Tamworth to Sydney. As we understand it, the Minister's decision to open up the licence for Inverell and Glen Innes effectively separates them as two identities, so that there is no obligation to service both, and has virtually said, "We are open for any offers. Anyone who can meet the Australian Airports Corporation criteria will be given a licence." It may be one person, or it may be two, but they are not going to make a stipulation or go through a public hearing, as we understand it.

**CHAIRMAN:** But they are not coupling it with Tamworth?

**Mr HARVEY:** No, they are not coupling it with anything. Those have been left as two airports, whereas they were themselves triangulated to Sydney, and were not coupled with Tamworth previously.

**CHAIRMAN:** Do you have any comments that you would like to make in addition to those already made, or any final comments that you would like to make to the Committee?

**Mr HARVEY:** No.

**Mr DUBOIS:** One of my concerns is that we regularly have an unfortunate situation where airlines come in—and I think Tamair is a perfect example—and are undercapitalised. I think that is poor airlines management, and that results in the demise of that airline. This is a problem that you will face constantly with deregulation: people may be able to meet an AOC requirement but they simply will not have the capital behind them to operate an air service.

**The Hon. J. R. JOHNSON:** In the initial stages, when Tamair went belly-up, within a day or so another airline started up with the same personnel.

**Mr DUBOIS:** No, with different personnel.

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

**Mr DUBOIS:** No. Impulse actually came in and operated on the Saturday and Sunday under a charter licence, until such time on the Monday they were actually awarded an interim one-month licence by the Air Transport Council or by the Minister.

**Mr HARVEY:** Are you referring to that one, or to the few weeks previously when they actually closed trading as Tamair and started up as New England Airways trading as Tamair?

**Mr DUBOIS:** Now, there is a perfect example of where that went through the Air Transport Council and there was no reference back to our community whatsoever, and we took that issue up with the Air Transport Council.

**The Hon. J. R. JOHNSON:** And they acted on it?

**Mr DUBOIS:** I am sorry, not on our submission. It was done before we knew about it.

**Mr HARVEY:** The first time that Tamair ceased operation and then started up on the stroke of a pen as New England Airways trading as Tamair, they just continued on virtually as if nothing had happened as far as the licensing went. There was no reference back from the Air Transport Council or anything else; they had their AOC certificates, and they met the criteria, and they continued with their licensing.

**The Hon. I. M. MACDONALD:** You would not have much difficulty getting another operator, would you?

**Mr DUBOIS:** In Tamworth, no.

**CHAIRMAN:** Tamworth would not have a problem, but Inverell and Glen Innes might.

**The Hon. I. M. MACDONALD:** I am just wondering why there was this imperative to save Tamair.

**Mr DUBOIS:** From our point of view?

**The Hon. I. M. MACDONALD:** No, the Air Transport Council for a start, and then in effect your council because you allowed them to accumulate such a significant debt.

**Mr DUBOIS:** There was obviously some sort of parochialism by the council. The local operator saw it as most probably a replacement for East West, and they continued to support it.

**The Hon. I. M. MACDONALD:** Why did the ATC then sanction this change so readily?

**Mr DUBOIS:** I cannot answer that. That is a question that you would have to put to the Air Transport Council.

**CHAIRMAN:** I asked you a question a short while ago about Inverell and Glen Innes being linked to Tamworth because they have a direct route. The Air Transport Council had issued licences to one particular company, and that included some good routes and some not so good routes, meaning that the way in which it operated allowed for some cross-subsidisation from the more productive routes and better paying routes to the less used ones, like the Glen Inneses and the Inverells. It is not directly linked, but it is linked in that way. Therefore, I suppose to some degree, regulation in the way that it has been practised has obviated the necessity for community service obligation payments. To deregulate, obviously you have got to start to look at some CSOs, otherwise the whole thing can fall apart. Could you see any valid reason why the government would look at paying a CSO, rather than just continue regulation and letting the companies effectively pay for their own CSOs in that way?

**Mr HARVEY:** It is six of one and half a dozen of the other, in a sense. By doing it by regulation there is not a government payout of the CSO, as I see it. I think it is probably a lot cleaner in that way. As Dr Pezzutti said, how do you set up a CSO to be sure that it cannot be rorted? By regulation of licensing there are no payments made out, so the rorting obviously would be impossible.

**The Hon. I. M. MACDONALD:** It would be a substantial CSO, would it not? If you took out the high-usage profitable routes—the 16 to 24, or whatever it is—and there are over 60 regular flight destinations, for those other 38 to 40 locations it would be a substantial CSO, would it not?

**Mr HARVEY:** I believe it has the potential to be very substantial, yes. It has happened through other, blindly-driven user-pay situations that have resulted in exactly such things. It is very nice and profitable. The only other thing that I would like to add, which leads on from the CSOs, is that with Air Services in particular, which is going through a review or a procedural transition, or something that the Department of Transport and Regional Development at the Federal level is putting that body through, there is pressure on them also to take out of their system navigation aids that are not used en route by all airlines, to go to a user-pays situation for navigation aids at airports and things like that.

On the committee on which I serve, on GPS implementation, a scenario out of GPS is that a lot of navigation aids can be turned off at airports, because you can do instrument approaches and things like that, but there has to be a background or back-up system. One of the things being addressed by that committee is who pays, and how is the system to work, because the initial proposal from Air Services and some of the airlines, and especially the light aircraft industry, was that they should be given or sold to the airports and that it be their problem.

A scenario that we put to them, which has put that on hold but there is no saying it will not eventuate, is: How can

this be afforded? We have the continued operation of these that has to be paid for, for their maintenance and replacement, and most of the airports that I am referring to would not have the funds because they are already subsidising the running of their airports. So, in respect of this community service obligation payment, I think it needs to be kept what could be looked at potentially in two years time.

If the satellite navigation system progresses at the speed that it is, there will be a lot of redundancies. There is a push from within the airlines that they should only be paid for at those airports. So the cost of running an airport in country New South Wales, to ensure that if there is a glitch in satellite navigation, that those aeroplanes can get in. The back-up system could be quite expensive for those airports.

**Mr DUBOIS:** We currently have a situation like that at Tamworth at the present time, in that we have a visual omni-range navigational aid that is used by the aircraft that land at Tamworth but is very a non-route aid for every domestic and international aircraft that flies up the north in inland New South Wales. If they turn that back over to be our responsibility cost-wise, how do I recover the costs when it is used by the overflying aircraft?

We recently did a little exercise where we switched the thing off, and within 30 seconds we had Brisbane control telling us to turn it back on again because it was affecting the overflying aircraft. We are going to need awfully powerful binoculars to catch every aeroplane that is flying over Tamworth using the VOR at 30,000 to 40,000 feet.

**The Hon. I. M. MACDONALD:** What does it cost you per annum?

**Mr DUBOIS:** I do not know at the present time because that is currently serviced by Air Services Australia. They do the maintenance on that themselves as part of their navigational cost. But there is a push to turn that back over to Tamworth, in the same way as they are currently looking at handing over the air traffic control system to Tamworth as well.

**The Hon. I. M. MACDONALD:** They would only be pushing to hand it over if there are a lot of savings to be made.

**Mr DUBOIS:** Of course. I have taken up with Air Services that we are prepared to take over the air traffic control tower on the basis that I only take over the facilities that are used to talk to traffic in the Tamworth control zone, that I am not interested in maintaining or paying for equipment that is an en-route navigational system, and that if they want that in the tower they continue to pay the operational cost. I think that has thrown a spanner in the works.

**Mr HARVEY:** We are talking about \$30 million to \$40 million nation-wide for annual maintenance of the navigational system. There are some who believe that can be taken down to single, million-dollar figures by passing it on or closing them down. In 1991 we put in a distance measuring unit and that cost us \$129,000. It only costs us a few thousand dollars a year to operate it—and it is used en route by a lot of others—however, it is now nearly eight years old. It has got a life cycle, and we will have to look at replacing it at some other time. These other things that they may want to hand over are in the same situation: they are aged infrastructure.

**Mr DUBOIS:** At Tamworth we have our instrument landing system that we installed ourselves at a cost of \$1.4 million, and that was done as part of the college training development. But the flight test cost of those, which are twice a year, were averaging around about \$110,000 a year.

**The Hon. I. M. MACDONALD:** How is that arrangement going that you have with training? I think they are overseas companies that are based there.

**Mr DUBOIS:** Yes, that is right.

**The Hon. I. M. MACDONALD:** How is that going?

**Mr DUBOIS:** Exceptionally well.

**The Hon. I. M. MACDONALD:** Is it lucrative to the overall operation of the airport?

**Mr DUBOIS:** Yes, very much so. We have fees and charges that we apply to them. They are set fees and charges, basically, with an inflation factor for each year.

**The Hon. I. M. MACDONALD:** What would it be raising in terms of revenue?

**Mr DUBOIS:** At the present time it is probably in the order of \$400,000 a year.

**The Hon. I. M. MACDONALD:** How many people are employed around the airport because of it?

**Mr DUBOIS:** The college employs directly about 90 people. They have just been successful in winning the major defence contract for the next 10 years, to train defence personnel in Australia—Air Force, Navy and Army. That is a very lucrative contract and it will have spin-offs for overseas organisations as well, but we will get additional training. The beauty of those kinds of contracts for the city, for example, is that at the present time we do a lot of training for Vietnam, China Airlines, Taiwan, and also some from China too.

The problem with those sorts of training contracts is that, while the college gets its fees and charges, the disposable income that those people have is very limited, so that the spin-off for the city is not huge. But you pick up the defence contract and the possibility of contracts coming from Singapore and Malaysia as well, where the disposable incomes are a lot higher and therefore there is a lot more spin-off for the city in terms of spending money that actually comes back into the city. So we are very encouraging in that, and we work closely with the college to ensure that we win those contracts.

**CHAIRMAN:** Are you both very happy with your current services?

**Mr HARVEY:** Yes.

**Mr DUBOIS:** Yes, very much so. We believe that the managed competition that we have gives us good service, reliability, flexibility of schedules, and there is enough competition there to stimulate the market in terms of the range of prices that you can get.

**CHAIRMAN:** Do you agree with that, Alan?

**Mr HARVEY:** Yes.

**CHAIRMAN:** Finally, I am sure you have both read the Independent Pricing and Regulatory Tribunal's report entitled "Review of Regulation and Licensing of Air Service Operators in New South Wales". It recommended deregulation, and in particular in the foreword said:

*Larger rural 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 fair packages.*

Every town mentioned in that already has said that it does not agree with that.

**Mr DUBOIS:** It could not get any more competitive than the competition that we have currently got with two operators.

**Mr HARVEY:** The second licence did that. That was achieved with the second licence.

**CHAIRMAN:** So you do not agree with that statement made by IPART?

**Mr HARVEY:** I do not believe that. With deregulation we could end up with a potential variety in the short term, but in the longer term we could have a market that has been good being degraded and it could take a long time to pick up again.

**CHAIRMAN:** I thank you very much for coming along.

**(The witnesses withdrew)**

**RICHARD HAROLD HAMPARSUM**, Deputy Mayor, Kempsey Shire Council; sworn and examined:

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

**Cr HAMPARSUM:** Richard Harold Hamparsum. I am a retired airline captain and Deputy Mayor of Kempsey Shire Council.

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

**Cr HAMPARSUM:** I am Chairman of the Airport Committee for Kempsey Shire Council.

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

**Cr HAMPARSUM:** I did.

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

**Cr HAMPARSUM:** Yes.

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

**Cr HAMPARSUM:** I would.

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

**Cr HAMPARSUM:** With your permission, Mr Chairman, could I take you through my submission, not verbatim but just subject by subject if I can. Basically, I am from Kempsey, which is on the mid north coast. As you see, we have a population of 28,000 people. We have a small CTAFF airport, which means it does not have a control tower, it does not have an air traffic control per se, and that is over the airport area itself. We obviously are not very enthusiastic about deregulation. The reasons are that, with the suggested pro forma that has been put forward, it would mean that the passengers on the smaller airport per head would be paying more than the passengers on larger airport.

Landing fees. We understand they have to be brought into consideration but, in line with the report, I will not elaborate on that any further. I will leave it to you to ask individual questions. As you can see, we charge \$10 at the moment. We are still having a slight shortfall of \$22,000 per year for the running of our airport. I am very happy to say that that is less now because, with the increase in business that we have been receiving, Impulse's figures—and I stand to be corrected, and I will emphasise that—are between 13 and 15 per cent increase as against the figures as of last year. So, therefore, those figures can be brought down, but I have not got a definite figure.

The light airport fees give us a total aggregate of only \$4,500; and, with the Avdata system, which I heard earlier this morning has been highlighted to this Committee, after they take their 33 per cent fee, does not leave us a lot of fat at the end of the day.

As to the future maintenance and development of the airport, we work on the basis that the good Lord helps those who help themselves. We are not sitting here bleating and crying to the government for help. We are grateful for the assistance that we have had in the past, and for any further assistance we can get. However, we are, at the moment, having talks—only talks at the moment—with Hastings Council, with the idea of one day in the future maybe putting one airport of international standard between the two places. There is nothing finalised. It is only at the discussion stage. We are the incumbent council, and we feel that the legacy that we would like to leave for those following us in years to come will perhaps address this situation. But, at the moment, we are on a slight loss. But we are very keen to keep the airport going in the capacity at which it is.

We have a lot of things going for us at the moment which are perhaps pie in the sky, but we think a little more realistically than that. We have a potential hydro-electricity pump storage scheme which is to be put up between Kempsey and Armidale in the Dumaresq shire, at a place called Lower Creek and the Karri Plateau. At the moment Lend Lease holds the legal control over that, and in the last two years it has done quite a number of site levels and core sampling, which is very encouraging. Hopefully, our governments of the day will soon sort out the electricity system, or what will happen with the grid system and what is going to happen in future, so that they then will be in a position to go ahead with this project. If it does, that obviously will change the complexion of our airport and our area to a great extent. We have a pecan industry which is growing, and growing very strongly at the moment. The first shipments out have achieved a very high standard.

Coming to slot times: we have no difficulty with slot times, except with the grandfathering of provisions, which I understand that everybody here is familiar with, the reason being that if they are not taken up at some stage they end up with the main players of the day, which is not really spreading the net as much as we would like to have it spread.

We obviously feel very strongly about access to Kingsford Smith airport. We find that Bankstown does not have a full air traffic control system, as has been said earlier here this morning. Its location geographically for business people, and people who need medical attention, and things of that nature, really puts it beyond the pale. We enjoy an extremely good service with Impulse—three services a day, and it is growing and is working.

**CHAIRMAN:** Is that three each way?

**Cr HAMPARSUM:** No. Two each way, and one in between. It is coming through Port Macquarie in most instances, which we are not uncomfortable with at all. It is working very well. Mr Chairman, I do not think there is a great deal more that I can say. If I can just say that the council remains constant in its support of that determination. Hence the support for continued regulation for those people in the categories such as ourselves, with a 30,000 category service. I will leave it at that and make myself available for questions. I would like, with your permission, to extend on one other area with regard to safety, but which is actually outside the parameters of the brief this morning. I would like to pass over that very lightly, if I could.

**CHAIRMAN:** Would you like to mention that now?

**Cr HAMPARSUM:** Yes, Mr Chairman. As you are all aware, at the moment there is a movement—not a fait accompli—from 7 October 1998 that the Civil Aviation Safety Authority (CASA) and Air Services Australia propose to withdraw all traffic information from airport operating beyond radar coverage in the New South Wales coastal corridor from Canberra to Ballina. This means, in simplistic form, that for the most part airport operating below 6,000 feet, or 2,000 metres, will not have a traffic information service. This is of grave concern to anyone who has professional exposure to aviation—

**CHAIRMAN:** Including members of Parliament.

**Cr HAMPARSUM:** as this low altitude traffic information is relied upon for the separation of aircraft in this very busy corridor. Pilots will have to attempt to gain an impression of the traffic picture by making general radio broadcasts and hoping that any conflicting aircraft will recognise the danger and respond in time for the pilot to arrange safe separation. Reliance on these types of broadcasts has been proven to be a fatal error in a number of overseas accidents. It is precisely this type of general broadcast environment which led to the mid-air collision of two military jet aircraft off the African coast two years ago, and the mid-air collision of two regional aircraft in Canada three years ago.

In short, Mr Chairman, New South Wales is being badly neglected we feel, with respect, by CASA and Air Services Australia for many years. Now, Queensland are operating outside controlled air space and are giving radar-based traffic information service when they are in radar coverage and a directed traffic information service when they are beyond radar coverage. We are unable to see good reason why New South Wales should not provide the same high quality of services as Queensland, instead of being subject of the policies, et cetera. That is the other point that I would like to put before this Committee, and I thank you for the opportunity to express that.

In short, we come back to asking a very simple question. Rural towns that have airports, and rural towns that do not have airports, let us look at the two of them. I think we will find that airports that do have an airport such as ours—small, but functioning at best—have a certain advantage. I think we will get back to the fees in a moment. I thank you, Mr Chairman.

**CHAIRMAN:** What size plane is it that flies?

**Cr HAMPARSUM:** We have the Beech 19, which is the Impulse one, which carries about 18 people.

**CHAIRMAN:** Where did you get that information that you raised in that last issue?

**Cr HAMPARSUM:** I would be very happy to leave a copy of it with you. It is actually written by a wonderful man by the name of Captain Les Carver, who is the President of the Australian Federation of Air Pilots.

**CHAIRMAN:** You might formally table that, if you wish.

**Cr HAMPARSUM:** Thank you very much, I will.

**CHAIRMAN:** Before other members of the Committee ask you questions, I would take issue with one item in your submission under the heading "Landing fees at Sydney (Kingsford Smith) Airport". You finish the second paragraph by saying "Now, more than at any other time, country people need to be reassured that they are not being forgotten and that they are not the victims of unstoppable economic rationalisation." I would take umbrage with the word "unstoppable". I think that is why we are here.

**Cr HAMPARSUM:** If that remark is offensive, I would humbly seek that it be withdrawn. Could I say that we are here as family, not enemies, or them and us.

**CHAIRMAN:** We would share your concerns about economic rationalisation. We hope it is not unstoppable.

**Cr HAMPARSUM:** We are hurting a little bit medically in another field at the moment, as you are no doubt aware.

**The Hon. Dr B. P. V. PEZZUTTI:** With laundries and food and the like.

**Cr HAMPARSUM:** Well, my daughter is a nurse, and as one patient said to me, "I don't enjoy me tucker coming from Lismore." There is an old saying that when something is in place and it's doing well, why disturb it? Our laundry service has been extremely effective, cost-wise, and very efficient. It beats the sox off many other competitors for years. Secondly, I think that the quality of our hospital cuisine—which is a pretty hard thing to make decent; I mean, hospital tucker, at the best of times, is not the best—has always been good. Now, I guess it comes back to your ideals. Education and health, where do they come from?

**The Hon. I. M. MACDONALD:** I support most comments made on those issues.

**Cr HAMPARSUM:** Thank you.

**The Hon. I. M. MACDONALD:** Regarding this proposal that you have with Hastings, how far away from Kempsey will the airport be if it is a centrally located one?

**Cr HAMPARSUM:** At this stage there is no geographic point that has been determined. Twenty or 25 years ago—and please do not hold me to that—there was a feeling that Kundabung, which is more or less halfway between Kempsey and Port Macquarie, had areas of land that would have lent itself to the construction of an international airport. Sadly, I would suggest for more parochial reasons than others—and I think our council was more guilty than anybody else—it did not come to fruition.

**The Hon. I. M. MACDONALD:** What is the distance—about 50 kilometres?

**Cr HAMPARSUM:** We are 53 kilometres from Kempsey to Port Macquarie.

**The Hon. I. M. MACDONALD:** So you could really build quite an efficient set-up there to service both cities?

**Cr HAMPARSUM:** Absolutely. In other words, instead of maintaining two airfields, we could reduce it to one, and it would be modern and efficient and be taking care of the future.

**The Hon. I. M. MACDONALD:** Are those discussions getting anywhere?

**Cr HAMPARSUM:** At this stage, no, because Frank Harrison, the Mayor of Hastings Council, I think today or tomorrow is having a council meeting. I understand that it is tabled for discussion with the councillors, and we are planning further meetings with them. That is as far as it has gone. So, please, I do not want anyone here to misconstrue the idea. But it is an intention which we are taking very seriously.

**The Hon. I. M. MACDONALD:** It, of course, is a substantially larger throughput airport.

**Cr HAMPARSUM:** Port Macquarie?

**The Hon. I. M. MACDONALD:** Yes.

**Cr HAMPARSUM:** No. Our runway length is the same as Kempsey's.

**The Hon. I. M. MACDONALD:** Passenger throughput.

**Cr HAMPARSUM:** Oh, yes. They are enjoying a much larger passenger turnover. The only reason that this

element or line of thinking came to fruition is that Frank Harrison said to our Mayor the other day, "Believe it or not, I have been approached by a very large developer who would like to buy the airport, develop it for housing, and future development at Port Macquarie," which probably—and it is not my place to comment on Port Macquarie, but, having built a high-rise building there myself, I would suggest that the airport's proximity is coming closer and closer to urban development there, and it is going to be a problem.

**The Hon. I. COHEN:** Councillor, we really have a hub and spoke, or do we, in terms of Port Macquarie and Kempsey?

**Cr HAMPARSUM:** More a triangulation, I think I would describe it as.

**The Hon. I. COHEN:** Could you indicate to the Committee the percentage of passengers to Port Macquarie and Kempsey respectively?

**Cr HAMPARSUM:** No, I could not. I do not have that information.

**The Hon. I. COHEN:** Three flights a day—or two, with one stopping over in Kempsey—are there more flights coming into Port Macquarie that do not do that triangulation?

**Cr HAMPARSUM:** Yes.

**The Hon. I. COHEN:** Is it a more active airport?

**Cr HAMPARSUM:** Yes, it is.

**The Hon. I. COHEN:** We are really dealing with a relatively short distance in this part of the world between Port Macquarie and Kempsey, are we not? I mean, it is really only a half hour's drive.

**Cr HAMPARSUM:** It is, yes.

**The Hon. I. COHEN:** Especially with the highway being upgraded.

**Cr HAMPARSUM:** Yes, that is correct. But, of course, hopefully with the development that will be happening in our area with the proposed or suggested projects, we look forward to a better future. We are not looking at things as we see them today.

**The Hon. I. COHEN:** Are you not perhaps moving forward of time? I mean, these projects have been on the book for many years. Are we not moving beyond what is appropriate these days with some of those proposals?

**Cr HAMPARSUM:** In regard to the last project I have mentioned, if you have heard about them in the last few years then you know more than I. I happen to have come into it because—

**The Hon. I. COHEN:** The Karri Plateau irrigation project has been on the table for a long time, and it has had significant opposition from the environment movement.

**Cr HAMPARSUM:** Which one are we referring to—the Styx River one or the self-sustaining hydro scheme, which is a pump storage scheme?

**The Hon. I. COHEN:** I know the Styx River one is of concern.

**Cr HAMPARSUM:** The Styx River one has absolutely nothing to do with the other one. The Styx River one was one of 200 megawatts. The hydro-electricity pump storage scheme that I am talking about is 1,300 megawatts, and likely to go to 1,700 megawatts. And Lend Lease has been keeping this very much under the lap, so I would be very surprised if it has become quite common knowledge, with respect. The difference is that the Styx River took water from the river, and the Karri one is self-sustaining. That is why the Styx River one fell flat, because the idea to all of us to rip water out of a river was abhorrent. We wanted a system that would stand by itself, and the one that I am talking about, the Karri one, or Oven Mountain as it is called, has an upper dam of close to 80 hectares and a lower dam of 100 hectares, and all the headworks and infrastructure will be done through the solid granite escarpment, which is roughly 3,000 feet.

**The Hon. Dr B. P. V. PEZZUTTI:** It will kill the worms under the ground there!

**Cr HAMPARSUM:** Interestingly enough, we have talked to the environmental groups, and they are very enthusiastic because of ecotourism and the idea of the construction of the two dams.

**The Hon. I. COHEN:** You mentioned that Kempsey airport was actually running at a loss.

**Cr HAMPARSUM:** Yes.

**The Hon. I. COHEN:** And that you were having to make up that loss. Given that it is so close to the Port Macquarie airport, how real is the potential to sell or change over the function of the Port Macquarie airport? Between Coffs Harbour, Kempsey and Port Macquarie you have a significant number of airports in a relatively small region. I also have concerns about a major international airport at Kundabung—and I cannot pronounce it, but I know the area.

**Cr HAMPARSUM:** Kundabung. It means black apple in the Aboriginal language.

**The Hon. I. COHEN:** That is going to radically transform this area, to replicate the facilities that attract people to Coffs Harbour, so you could actually be killing the goose that laid the golden egg. Is it really the way to go, to be looking at an international airport when this area is quite well serviced by airports?

**Cr HAMPARSUM:** I take your point of view, which I respect. I would not agree with you, because, having been in aviation all my life—and I am coming up to 61 years of age, and I started flying at 16—and I am from the Air Force and an airline background—I think you have to look 20 years ahead. I stand to be corrected, but there is also a rumble that, in the Clarence, Grafton and Coffs Harbour may well get together, as you are fully aware—and our learned friend to my left [*Bevan Edwards*] will highlight this at a later date—there has been untold trouble about extending the existing airport at Coffs Harbour. But, can you just take two concepts: an international airport in the Clarence, an international airport down in the Hastings area: that would reduce the overheads and expenses to run four airports, as against two. And that would cover a very large area.

**The Hon. I. COHEN:** It is really significant overkill, is it not? You are saying that the local community is well serviced at the present time, and in the Kempsey area you are really in a rural community and looking at one of the major industries that you saying is a growth industry, the pecan production industry. Are they shipping that out by plane?

**Cr HAMPARSUM:** No.

**The Hon. I. COHEN:** So you have got road and rail for the shipment of an important crop. I do have concerns that the nature of the Kempsey area is being changed, rather than facilitating what the community needs in terms of air transport, business and medical and some tourism to facilitate the movement of people from Sydney. Are you not going off and creating something that the community does not really want?

**Cr HAMPARSUM:** With respect, I do not see it that way. With respect, you are looking at it as it stands today. We are a very fast-growing area. People, strangely enough, are moving out of big cities, particularly Sydney—they find the water, for example, very palatable in our part of the world, without being facetious—and therefore we are getting a lot of people who are retiring. South West Rocks is developing fast. So, to sit and look at the situation as it is today is sad. We must always look ahead. I think that is the biggest legacy that we can leave to the incoming local governments or councils of the future. I think that has been the biggest problem in our area: we have been too conservative, and we have not moved with the times. I praise Port Macquarie, because they have been less conservative and they have forged ahead.

**The Hon. Dr B. P. V. PEZZUTTI:** You are aware that Coffs Harbour has already done some trials of international flights to New Zealand a couple of years ago.

**Cr HAMPARSUM:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Given the nature of the 767, which I think is what they trialed with, was it not?

**Cr HAMPARSUM:** I understand it was, yes—or 737/400s, I think it might have been.

**The Hon. Dr B. P. V. PEZZUTTI:** How many seats have they?

**Cr HAMPARSUM:** The 737 have about 123 seats, and the 767 is much bigger.

**The Hon. Dr B. P. V. PEZZUTTI:** Did that particular aeroplane cause any problems, given the airport runway at Coffs Harbour?

**Cr HAMPARSUM:** I think the 767 had difficulty with runway length. The 737 was reasonably comfortable. I am not familiar with the statistics of Coffs Harbour airport.

**The Hon. Dr B. P. V. PEZZUTTI:** What is the restriction at Coffs Harbour airport? Is that restriction due to noise?

**Cr HAMPARSUM:** I think noise abatement was one of the factors.

**The Hon. Dr B. P. V. PEZZUTTI:** I will come back to those later. In terms of your idea, has land been set aside for such an international airport?

**Cr HAMPARSUM:** No, it has not.

**The Hon. Dr B. P. V. PEZZUTTI:** Given the short travel distances, as was raised by the Hon. Ian Cohen, between Kempsey and Port Macquarie—and, in his own area, he would be aware of the distances between Lismore and Casino is 20 minutes and Lismore and Ballina is about 20 minutes, and there are three airports within a 20-minute drive of Lismore, and I do not see any of those closing themselves down, and they have all got fairly high travel lists.

**Cr HAMPARSUM:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** Why is it that people want to have an airport right next to them, whereas the people on the north shore of Sydney travel an hour to get to an airport and they are perfectly happy to do that? The people from western Sydney travel by aeroplane, but if they travel by air they must travel for an hour to the airport as well. Why is it that the people in the country are not prepared to drive for an hour to get to an airport?

**Cr HAMPARSUM:** Within our area we have a variation of attractions, and people come up here to retire, and people come up here for recreational reasons, and I think their expectations are that they should be able to gain access to airports. We are also looking long-range for tourism.

**The Hon. Dr B. P. V. PEZZUTTI:** Yes, I accept that. But, if a tourist comes into Sydney, then the shortest travel time they are going to have to get to the centre of Sydney, after they get their bags and get out of the airport, is about 35 minutes. And Sydney is the usual destination for them. Why is that people from the country want to have a travel time of less than 30 minutes to get to an airport and put up with the noise and so on? Every council wants an airport.

**CHAIRMAN:** How far do you travel, Brian?

**The Hon. Dr B. P. V. PEZZUTTI:** Half an hour. I go to Ballina. It is 20 minutes to get to Lismore. I travel for 20 minutes, and that just happens because I happen to live there. But why is that country people are not prepared to travel for half an hour whereas city people always have to travel half an hour? If they travel less than that, all they do is whinge about the airport.

**Cr HAMPARSUM:** I think it is an interesting question, but psychologically, rightly or wrongly, country people feel that they are somewhat disadvantaged in many ways, and therefore access to other places in a more flexible manner than one is accustomed to if one lives in a city is perhaps something that they expect.

**The Hon. Dr B. P. V. PEZZUTTI:** You are proposing, with your new international runway, to make both the people from Kempsey and the people from Port Macquarie travel further to their airport.

**Cr HAMPARSUM:** Not really, not in essence. Our airport geographically is located to the western part of Kempsey. Frankly speaking, there is not a great deal of difference in travelling time. But we are looking at the idea—and, I repeat, it is only an idea—but can you imagine that if we build an international airport in that area, it means that we can get overseas people directly, bypassing Sydney and the capital cities, which I understand is really the biggest problem. I mean, I flew in and out of Sydney for years from overseas; I did not operate within Australia because I was flying internationally, and we used to bring them in by the loads, and they hated coming into the big cities. Many of them wanted to go directly to the rural areas.

**The Hon. Dr B. P. V. PEZZUTTI:** Most evidence we have received, even from places like Ballina, is that a fairly hefty percentage of the travel is business travel. Would you envisage a large business clientele in 20 years time, for a service Tokyo to Hastings, or from New Zealand to Hastings, or would that be mostly a tourism thing that you would be looking at?

**Cr HAMPARSUM:** At this stage, I think it would be a little bit ambitious to think much above the tourism level.

**The Hon. Dr B. P. V. PEZZUTTI:** And what sort of plane are you talking about?

**Cr HAMPARSUM:** It would be wide-bodied, but medium size.

**The Hon. Dr B. P. V. PEZZUTTI:** What sort of size in terms of seats?

**Cr HAMPARSUM:** A 767, or thereabouts.

**The Hon. Dr B. P. V. PEZZUTTI:** So about 150 to 200 seats?

**Cr HAMPARSUM:** Yes. But, again, it depends in 20 years time what type of aircraft will be coming out. If you see the capacity of the 777 now, and the economy of it, and its single-engine performance, with two engines only, it is remarkable.

**The Hon. Dr B. P. V. PEZZUTTI:** I am used to people from the Hastings having wide visions. The Hastings 2000 concept is one that comes to mind, and now we have this one. I mean, the Hastings is a very rapidly growing area, and it has huge attractions. Why have you decided on 20 years as a planning time?

**Cr HAMPARSUM:** Perhaps I have lived in the Far East too long, but it is one thing I have learnt from the Chinese; they think in 20-year cycles. That is something that we Europeans miss out on. Their planning is not necessarily for Rick Hamparsum today and my wife; it is for my children and my grandchildren. I see Malaysia and Singapore—which are having a bit of a down, and so are we, at the moment, but it is only a temporary one—and I see the planning that is going on over there, and I fear that if we do not get in there and go with it, we are going to be left very far behind.

**The Hon. Dr B. P. V. PEZZUTTI:** This Committee, in respect of another inquiry, visited Malaysia and Singapore. I was impressed that they were on their seventh five-year plan.

**Cr HAMPARSUM:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** They do it in five-year cycles, but they do have a plan for the five years beyond that. Has the Hastings Council and the Kempsey Council to your knowledge decided, as part of its planning under their LEPs, put that land aside for that purpose?

**Cr HAMPARSUM:** No, we have not at this stage. This is what I said, and I repeat, we are just at the initial talking stages. I do not believe it needs to be placed in camera, but the Mayor, Councillor John Bowell, has authorised me to discuss this with you if the Chairman and the Committee would be so kind to accept the comments I am making. But, as I said, Frank Harrison said that a developer had approached them to buy up the airport for development, and therefore obviously the need for a new airport is going to have to be considered. So why butt each others' heads together? Why not work together and create something from which we can both benefit?

**The Hon. Dr B. P. V. PEZZUTTI:** To do that, of course, the investigating party would have to do an EIS and the like.

**Cr HAMPARSUM:** Of course.

**The Hon. Dr B. P. V. PEZZUTTI:** What do you think it would cost to build from the beginning in the Hastings Valley an international standard airport with the appropriate handling facilities, because I think you have got fairly good, flat land there?

**Cr HAMPARSUM:** The expression is that when the kangaroos go to the Kundabung area they take a packed lunch with them; it is pretty hard country. Other parts of our valley are extremely fertile. In fact, they are even as rich as the Po Valley in Italy, which I understand has one of the most fertile strips of land in the world.

**The Hon. Dr B. P. V. PEZZUTTI:** I am talking about the cost of development, plus the infrastructure for the connection to the highway and the EIS process all included. Has anybody got a ball-park figure of, say, \$14 million, \$20 million, or \$5 million?

**Cr HAMPARSUM:** I would have to take that question on board, because I have no idea.

**The Hon. Dr B. P. V. PEZZUTTI:** A lot of other places are interested in this.

**CHAIRMAN:** I was going to ask you to provide us with a copy of the council's management plan.

**Cr HAMPARSUM:** I will be happy to do that.

**The Hon. Dr B. P. V. PEZZUTTI:** Some people from Goulburn may have done a feasibility study and the costing, because there has been a lot of talk about an international airport at Goulburn and Parkes.

**The Hon. I. M. MACDONALD:** Are you talking about an international airport or a combined regional airport?

**Cr HAMPARSUM:** Basically speaking, if you look at airports that are being constructed all over the world, at Singapore, throughout Malaysia and China today, we do not build airports on a regional or a domestic basis any longer. As Peron did in the Argentina, he built an international airport and everyone said he was crazy.

**The Hon. I. M. MACDONALD:** He was a dictator.

**Cr HAMPARSUM:** But look at it today. It works today.

**The Hon. I. M. MACDONALD:** I don't think he would have had to have an EIS.

**The Hon. Dr B. P. V. PEZZUTTI:** What you talk about originally would be to have an LEP set aside for a parcel of land that is capable of housing an international airport, with the idea of combining your regional airports in the one place and then selling off the land at Port Macquarie for development as well, with the ability of doing the EIS so that it is under the LEP and is capable of being expanded.

**Cr HAMPARSUM:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** I mean, you would not put in two miles of runway and an international-style airport de novo. But the idea of combining two airports has considerable merit, because that means that under the slot times and access to Kingsford Smith airport would be very much shorter for both towns if you had a bigger aeroplane, and that would give you much more certainty. What are the loadings out of Kempsey and Port Macquarie at the moment?

**CHAIRMAN:** It is 8,500 out of Kempsey. Do you know what it is out of Port Macquarie?

**Cr HAMPARSUM:** I do not know what it is for Port Macquarie, no. They are certainly higher than ours, but I do not have those figures.

**The Hon. J. R. JOHNSON:** With all of the services that you provide to the travelling public, I suppose you realise that if the GST is foisted upon us they will all raise by 10 per cent.

**Cr HAMPARSUM:** Without being facetious, I have yet to come to fully understand the meaning of the GST.

**CHAIRMAN:** You are not alone in that.

**Cr HAMPARSUM:** I am sorry, but I do not quite follow your question. Could you repeat it?

**The Hon. J. R. JOHNSON:** In respect of all of the services that you now provide to the airlines, your charges to the travelling public will increase by 10 per cent.

**Cr HAMPARSUM:** Yes.

**The Hon. J. R. JOHNSON:** Would that not have an effect?

**Cr HAMPARSUM:** I would suggest no, not at this stage.

**The Hon. J. R. JOHNSON:** I wish you well.

**Cr HAMPARSUM:** Thank you.

**CHAIRMAN:** Thank you very much for coming along today. If you would provide that additional information, the Committee would appreciate that.

**Cr HAMPARSUM:** I will do so.

**(The witness withdrew)**

**BEVAN GEORGE EDWARDS**, Airport Manager, Coffs Harbour City Council; sworn and examined:

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

**Mr EDWARDS:** I am appearing on behalf of the Coffs Harbour City Council.

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

**Mr EDWARDS:** I did.

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

**Mr EDWARDS:** I am.

**CHAIRMAN:** The council has made a written submission. Would you like that to be included as part of your sworn evidence?

**Mr EDWARDS:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to give us a brief overview and then we will ask you some questions.

**Mr EDWARDS:** Thank you, Mr Chairman. Firstly, on behalf of council, I would like to thank the Committee for the opportunity to make a submission and appear before the Committee today. I confirm that council is an active member of the Northern New South Wales Airport Management Group, so we support their submission, but of course we have made a submission on our behalf to express matters of particular interest to the port of Coffs Harbour.

By way of background, council is an active member of the aviation industry. We get involved with the Airports Owners Association of Australia, and we see as an airport owner and as a participant as a very important one. With the Federal government handing over ownership of just about all airports to other bodies, and particularly to local government, local government as a body needs to get in there and pick up skills and go with the running. That is what this council has been trying to do.

Council has invested a lot of time, money and effort in recent years in planning and developing the airport. Council sees the airport and air services as a crucial part of the development of the city and the adjoining region. We are uniquely situated in our location between Sydney and Brisbane, so that we have a great opportunity to compete, particularly in the tourist area, and get some of those tourists who are whipping off to Queensland and not staying in New South Wales. We see that as an important part that we can play for this region and for the State. The beauty of it is that we are not tapping into a market-place that this city and region already have; we are tapping into a market-place that New South Wales is losing to our northern neighbours.

As well as the submission, I would like to table for the information of the Committee an example of some promotional material. I make the point that that particular document shows an Ansett aircraft on the front. We are not biased towards one particular company.

**The Hon. I. M. MACDONALD:** Have you charged them?

**Mr EDWARDS:** No. We have a marketing budget of \$300,000, which in marketing terms is not a big budget. We try to expand that where we can by joining with other organisations, airlines and whatever, and thereby get our dollar to go a little bit further. We have been involved in a number of rather large campaigns, particularly in Sydney and Melbourne, promoting the area. That promotional material is an example of what we are trying to do with our lean and mean marketing dollars.

The other document in that material is a document that council at present has on public exhibition. It is a financial model for the airport for the next 15 years. Going by the questions that you have asked earlier on, it might not answer all of those but it is certainly a transparent model of how we spend our income, what we plan for our airport for the future, and how we are going to fund that.

**CHAIRMAN:** Do you formally table that?

**Mr EDWARDS:** I formally table that. It is in the brochure, but I will give you another copy. Council takes the position with its airport that it has to be self-funding, and that council will not be taking money out of general revenue to fund it. It operates as a business. But council sees it as reasonable that the airport makes some sort of return. There is a proposal at this stage to return a 10 per cent dividend to the community, based on income, and that would be a lot less if based on the capital value of the site. However, that may change if we are pressured on the provision of air traffic control. That may eat into our dividend a little bit. But that remains to be seen, because there are a lot of unanswered questions in that regard.

I would reiterate that, although one may argue that because the Coffs Harbour-Sydney route, being the busiest in New South Wales, is more open to deregulation than any other, we would like to make the point that, because of our situation, and because we feel we need a high level of service by jet to promote the best destination to tourists from both Melbourne and Sydney for conferencing—and it is very important to have a larger aircraft available on stream for conferencing and for international inbound passengers, that is people coming through Sydney and tending to hop on a plane and fly usually to Queensland, we want to retain our high level of service so that we can attract those people to our area. We feel that anything but managed competition would dilute our market-place sufficiently that we could lose jet operations, or a large-size jet.

I would also mention that council is looking, in conjunction with an aviation training school and the Southern Cross University, to develop through the university and the airport—and bearing in mind that the Southern Cross University campus is very close to our airport—and international aviation college, which is not just another pilot training organisation, because there are too many of those in Australia already, and the market is saturated with them—a complete aviation college. I said before the Southern Cross University; it is actually the Coffs Harbour education campus. It involves the university, the TAFE college and the senior high school.

We are able, through the university and TAFE, to give a wide spectrum of training for aviation, including ground handling, cabin service, baggage handling, pilot training, and air traffic control, et cetera. There is nothing that we would not be able to give through this consortium in the way of training for aviation. There is nothing like it in the southern hemisphere, and there are only one or two like it in the northern hemisphere. So it is a real opportunity, and that is something that we are pursuing.

I take this opportunity to answer a question that you have asked of my colleagues relating to the handing over of airports from the Federal government to local government and the problems that derive from that.

**The Hon. Dr B. P. V. PEZZUTTI:** First of all, the value of the property first, and then what problems arose.

**Mr EDWARDS:** As to the value of the property, because I am a late entrant in my involvement with Coffs Harbour airport I cannot give you the values back in 1991, and there was actually a transition period anyway. However, what I can tell you is that the airport land at Coffs Harbour is valued at about \$6 million. I can confirm these figures.

**CHAIRMAN:** If you would take that question on notice and give us the 1991 figure and the current figure. But, could you give us an approximate idea.

**Mr EDWARDS:** The value of the asset we think, including the land, is in the order of \$17 million. That is after depreciation. We do review that every year under our asset system.

**The Hon. Dr B. P. V. PEZZUTTI:** Was the new terminal after 1991 or before then?

**Mr EDWARDS:** The new terminal was before 1991, but it has been upgraded three times. The new terminal was in 1986. What you see out there today is not what was there in 1986.

Some of the other problems that I have seen with the handing over of airports really relates to legislation, in that when the Commonwealth owned all the airports it also had legislation that blanketed the whole of Australia and enabled the Commonwealth to operate its airports with reasonable ease. Not being a practitioner in the Federal area, I cannot give you a full cross-section of what some of those sections might be. We only discover them when we trip on them. But I can give you two examples. One relates to the collection of landing fees. The Federal law allowed the Commonwealth government to collect landing fees. That right was not handed over to local airport owners.

We are very fortunate in New South Wales—and I thank the State government—that the State government changed the Local Government Act in recent times so that councils that own airports can recoup fees from aircraft owners, but privately owned airports in New South Wales still cannot recoup fees.

The other issue that I am aware of is the control of buildings, building heights, control of foliage around airports—a crucial issue. If it is an airport like ours, where the local council is the owner, then it can control at least the building side of it by its own planning documents. However, if it is a privately owned airport, or an airport near an adjoining local government area, then the airport owner may have problems with control of building height. Even councils that do own their own airports may have trouble with the control of foliage, trees and that sort of thing.

**The Hon. Dr B. P. V. PEZZUTTI:** They do not feel that they have a conflict of interest in that they own the property, do they?

**Mr EDWARDS:** It goes beyond the property. It is land adjoining—

**The Hon. Dr B. P. V. PEZZUTTI:** That is what I mean. They are protecting their investment.

**Mr EDWARDS:** Yes. But probably protecting it no differently than the Commonwealth would have done.

**The Hon. Dr B. P. V. PEZZUTTI:** The point of that was: but not if it was a private owner. They look after their own.

**CHAIRMAN:** But council has less controls over a private owner than they do if the airport is their own property.

**The Hon. Dr B. P. V. PEZZUTTI:** But they move, in planning processes, in terms of height of trees above buildings and other surrounding development in order to protect their own investment, which they would not do if it was a private owner that had it. I think there is a substantial conflict of interest.

**CHAIRMAN:** No, there is not. I could give you a dissertation on the Local Government Act and the Chinese town planing wall.

**Mr EDWARDS:** Be that as it may, Mr Chairman, that is a problem for us.

**CHAIRMAN:** You gave us an asset figure of \$17 million, and you refereed to 10 per cent of operating, but that is about \$200,000. It actually works out at a return of about 2.5 per cent return on your asset.

**Mr EDWARDS:** Yes.

**CHAIRMAN:** You have covered pretty well that I would have asked of you, but there is one quote that I would like to make to you from the foreword of the Independent Pricing and Regulatory Tribunal's report of July 1997 entitled "Review of Regulation and Licensing of Air Service Operators in New South Wales". In the foreword it said:

*The overwhelming conclusion that emerges from this Inquiry is that the State as a whole will benefit considerably from deregulating air services.*

*Larger rural 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 fair packages. Deregulated air routes across Australia generally have lower per kilometre fares than comparable regulated air routes within New South Wales.*

Do you have any comment on that? You are the last of the councils mentioned that we have visited.

**Mr EDWARDS:** I do have comment on that, Mr Chairman. We were introduced to managed competition in 1991 with the introduction of a second airline into Coffs Harbour, and we certainly did benefit from that. But those benefits were long coming, and we were squeezing a little bit more out of the airlines, we think, as time goes on. But the main benefit for us was to be a mainline port for Ansett and to enjoy all the benefits of being a mainline port for Ansett, and in turn bringing in their competitor, the Qantas network, and we enjoyed the benefits in savings in air fares through being part of a mainline airport that we may not enjoy if we had just regional status.

But there is a rule of thumb in aviation in New South Wales that 100,000 passengers per year is about the limit for an airline, so that, as Mike Dubois from Tamworth said, if you are running at just over 100,000 you are really only looking at one and a half airlines. We are in a similar position with 177,000. As I said before, we are a little bit different in that we want to keep our jet services to provide a better level of service to compete with our northern competitors. But we feel that managed competition is the way to go in aviation in New South Wales.

If you look at Australia, we are really a two-airline nation. That tends to filter down through all levels of airlines, Compass I and Compass II shows that maybe we are not ready for a third airline yet. I believe there is one in the offing, and it will be interesting to see how it fares on the mainline routes.

**CHAIRMAN:** Like all the others, you would not agree with that comment made by IPART?

**Mr EDWARDS:** No. We definitely do not, Mr Chairman.

**The Hon. J. R. JOHNSON:** What recommendations would you like to see from this Committee?

**Mr EDWARDS:** In terms of regulation of air services in New South Wales, we would like to see managed competition in the busier routes and possibly regulation in the smaller, quieter routes. I think the point raised earlier on about community service obligations versus linking a network with cross-subsidisation is a very good point; and the cross-subsidisation side of it, not burdening the government with community service obligations, and the hassles that go with that, is probably the better of the two.

**The Hon. J. R. JOHNSON:** You tell us that yours is the most used airport in New South Wales.

**Mr EDWARDS:** In terms of regional passenger numbers, yes.

**CHAIRMAN:** It is about 177,000, is it not?

**Mr EDWARDS:** Yes, 177,000 people a year go through the airport.

**The Hon. J. R. JOHNSON:** Your shire council does not have to put money in?

**Mr EDWARDS:** No. The airport returns quite a healthy profit. It is a very good business.

**The Hon. J. R. JOHNSON:** Does it pay a dividend to the council, or does it retain the profit?

**Mr EDWARDS:** There is a reserve for the airport—which is about \$3 million at the moment, and it is detailed in that document that I have tabled. There is a small dividend returned to the community in the way of provision of marketing money and the provision of a sports co-ordinator. One of the jobs of that sports coordinator is to promote Coffs Harbour as a destination for large sporting events. We had the New South Wales Masters Games here recently. Also, an amount of money is paid to the council to cover administration costs.

**The Hon. J. R. JOHNSON:** How much is your landing fee?

**Mr EDWARDS:** Our landing fee for light aircraft and general aviation aircraft is \$5.50 per tonne; for the domestic regular passenger service it is \$5 per tonne and \$8 per person through the terminal.

**The Hon. J. R. JOHNSON:** If you get a GST, that \$8 will be \$8.80.

**Mr EDWARDS:** You are probably right.

**The Hon. J. R. JOHNSON:** That will have a dramatic effect on your revenue.

**The Hon. Dr B. P. V. PEZZUTTI:** Are the landing fee and the facility fee separate?

**Mr EDWARDS:** Not if you are on a regular passenger transport service. For the aeroplane that you would have flown in to get up to this meeting, the airlines would pay us those two fees combined.

**The Hon. Dr B. P. V. PEZZUTTI:** But if you are a general aviation user and you do not use the facility it is \$5 per tonne. If you walk through the terminal it is \$8 per person as well?

**Mr EDWARDS:** In theory, but not in practice. We do not charge people for their \$8.

**The Hon. Dr B. P. V. PEZZUTTI:** For Kingsford Smith airport there is a landing fee and then there is a facility fee.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** I think that is the only evidence we have of someone in the country who does that. I think that is right.

**The Hon. J. R. JOHNSON:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** The reason that I asked you about the property that was handed to you by the Commonwealth, which handed you the land and the terminal building, although you have upgraded and changed it over time, is that it was a fairly good kick forward by the Commonwealth at the time.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** And a fair incentive, without immediate outgoings, for council to generate income.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** And then develop it further.

**Mr EDWARDS:** Yes. Just on that point: council did contribute partly to that upgrading as well originally. I do not have those figures, but I can get them.

**The Hon. Dr B. P. V. PEZZUTTI:** I know that most councils did. Were there any other bidders, or were the local government bodies the only bodies that were offered these properties?

**Mr EDWARDS:** To my knowledge, local government was the only body offered it. It was part of the airport local ownership program of transition.

**The Hon. Dr B. P. V. PEZZUTTI:** I know the Coolangatta one was up for bids in the early phase when the ownership was handed over, and the councils were offered it, and they decided not to take it. So it is still in the hands of the Federal Airports Corporation. If other councils had not taken up the offer, would the Federal Airports Corporation continue to own them?

**Mr EDWARDS:** I suspect so.

**The Hon. Dr B. P. V. PEZZUTTI:** So there was a fair bit of foresight on the part of the local government bodies when they took up those offers.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** And there has been a fair bit of input from and pain for local government in

maintaining those facilities in terms of ratepayers and noise and so on.

**Mr EDWARDS:** Yes, that is right. We are fortunate in Coffs Harbour in that the airport has always paid its way, but other airports are a burden on the local government.

**The Hon. Dr B. P. V. PEZZUTTI:** Council used to get a lot of complaints from the Toormina people when the F28 was flying in. Is that still a problem with the 737 and the BAE146?

**Mr EDWARDS:** Certainly not so much with the BAE146, and for that matter not really with the 737. Surprisingly, the complaints that we get relate to night flights, which is the newspaper plane.

**The Hon. Dr B. P. V. PEZZUTTI:** On the issue of managed competition and licences, when the licences were last decided, which I think was in 1965, is that correct?

**Mr EDWARDS:** 1995, yes.

**The Hon. Dr B. P. V. PEZZUTTI:** The Air Transport Council went out to collect bids and then came to local government and the community generally, and had hearings up and down the coast on what people thought they needed.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** But the final decision on what was acceptable at that time was the Air Transport Council. Is that correct?

**Mr EDWARDS:** That is correct.

**The Hon. Dr B. P. V. PEZZUTTI:** So the decision was not made locally; it was made in Sydney.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** If Ansett decided tomorrow to vary its jet service, even though it is a condition of the licence I assume.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** I know it is a condition of the licence in Ballina.

**Mr EDWARDS:** I think you are right, yes.

**The Hon. Dr B. P. V. PEZZUTTI:** If they decided to change down to Saabs from the jet, there is no requirement for the Air Transport Council to come back to Coffs Harbour Council, to your airport, or to anybody before it does that. Is that so?

**Mr EDWARDS:** I believe you are correct.

**The Hon. Dr B. P. V. PEZZUTTI:** What is the effective difference in terms of local control, and the wishes of Coffs Harbour Council and the wishes of the community generally about the jet in terms of tourism, between a deregulated market and a regulated market?

**Mr EDWARDS:** In this particular case we have the opportunity to go to the Air Transport Council if our service provider is not providing the service that we think he should. We have the opportunity to go to the Air Transport Council in that instance. Mind you, we also have the opportunity to approach the provider himself, and we have done that. We have a quite good dialogue with Ansett. But we have found that in recent times the Air Transport Council has been very receptive to approaches on behalf of councils.

**The Hon. Dr B. P. V. PEZZUTTI:** For example, when Hazelton pulled out of a number of routes for which it had licences after the last round, there was no penalty, was there?

**Mr EDWARDS:** Not that I am aware of, no.

**The Hon. Dr B. P. V. PEZZUTTI:** I cannot see what the difference is between managed competition and open competition for routes such as Coffs Harbour, where you have two airlines vying for business. I mean, tomorrow Qantas could decide to bring in a jet, could it not?

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** It could upgrade if it wished?

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** In the same way, Ansett, with a fair bit of public pain, could downgrade.

**Mr EDWARDS:** Yes.

**The Hon. Dr B. P. V. PEZZUTTI:** But a third operator, like International, simply could not start a service. International is a third player that seems to be emerging.

**Mr EDWARDS:** The difference is that Coffs Harbour—and I can only speak for Coffs Harbour in that regard—is working very closely with both airlines to make this port a viable and growing port. But, whilst managed competition is there, we do not have to worry about a third operator coming in.

**CHAIRMAN:** It is in the Act that if one of the airlines were to downgrade its services, the Minister can re-advertise the route.

**The Hon. Dr B. P. V. PEZZUTTI:** Yes. But what I am trying to point out is that that is not a local decision. That is a decision taken by the Air Transport Council sitting in Sydney.

**CHAIRMAN:** Yes. But the council could object to the Air Transport Council and ask the Air Transport Council to re-advertise. That is the only avenue open to the council.

**Mr EDWARDS:** Another point to note is that, particularly in the northern New South Wales area, we have a close liaison with the Air Transport Council. The Northern New South Wales Airport Management Group meets quarterly.

**The Hon. Dr B. P. V. PEZZUTTI:** With the Air Transport Council?

**Mr EDWARDS:** No, the group itself. But the Air Transport Council representative is invited to those meetings, and

they try to attend as many as they can. They do not get to all of those meetings, but certainly they do come and listen to our concerns and give us updates.

**The Hon. Dr B. P. V. PEZZUTTI:** I bet they would not bother going to Dubbo. I would not mind a trip to Coffs Harbour once a fortnight.

**Mr EDWARDS:** They are not always at Coffs Harbour. The last one was in Inverell.

**The Hon. Dr B. P. V. PEZZUTTI:** Dubbo gets 11 flights a day Monday to Friday. That means they are landing 11 times and taking off 11 times from Sydney. You are getting five flights a day, are you not?

**Mr EDWARDS:** Seven, including Eastern.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that Dubbo has about 108,000 passengers, you have still got vastly more than has Dubbo, and Dubbo is using four more slot times, if push comes to shove, how do you think slot times can be rationalised to ensure equality of access for business and other travel from regional New South Wales, where the number of slot times available in peak times is limited to 80? Is there a mechanism that you have thought about that you could advise the Committee, who could then advise the State Minister, who could then advise Mr Vaile, on what is going to be a more and more difficulty task for regional New South Wales to hold those important slot times?

**Mr EDWARDS:** There is no doubt that the demand will outstrip the supply in years to come, and that there are going to be people at small airports saying that they deserve their slot times. But, without mentioning ports, the logical extension would be to work either a spoke and hub or a route where there is not a direct flight; where you go from a small port to a larger port, pick up more people and go into the city.

**The Hon. Dr B. P. V. PEZZUTTI:** Do you think the north coast would be well served if, for example, Qantas entered the market with a BAE146 that did what Ansett used to do, which is Sydney-Coffs Harbour-Ballina, Ballina-Coffs Harbour-Sydney?

**Mr EDWARDS:** That is certainly one solution.

**The Hon. Dr B. P. V. PEZZUTTI:** Rather than have all these Saabs flying up and down. There are only 80 slot times, and if there are three Saabs they take the same time to land as three big jets. So how do you think we can protect smaller services from being pushed out by bigger services?

**Mr EDWARDS:** One cannot really protect smaller services from being pushed out by the bigger services.

**The Hon. Dr B. P. V. PEZZUTTI:** Even with managed competition?

**CHAIRMAN:** Or the slot times.

**Mr EDWARDS:** Yes, you have the slot times.

**The Hon. Dr B. P. V. PEZZUTTI:** The answer to that is that, no, you cannot with managed competition, but you can with slot times.

**Mr EDWARDS:** You can with slot times, providing the slot times are introduced and managed in conjunction with reasonable landing fees.

**The Hon. Dr B. P. V. PEZZUTTI:** Hang on, before you get to landing fees. We have got to take this a step at a time, because we want to get answers to each of the questions. The slot times are currently allocated by a meeting of airline operators to each airline. Is that correct.

**Mr EDWARDS:** That is correct.

**The Hon. Dr B. P. V. PEZZUTTI:** What would stop Ansett from transferring one of its slot times from Dubbo to Coffs Harbour?

**Mr EDWARDS:** There is absolutely nothing to stop that transfer.

**The Hon. Dr B. P. V. PEZZUTTI:** What can we do to protect a slot time that might be allocated to Deniliquin being transferred by Hazelton to Lismore?

**Mr EDWARDS:** You allocate the slot to the port and not to the airline.

**The Hon. Dr B. P. V. PEZZUTTI:** Then how do you, in equity terms, work out a formula by which a certain number of paying passengers get a slot time? I mean, you cannot allocate a slot time if one aeroplane is going to come in with five people on it. That would be absurd. Have you or your airport committee thought of a formula that might be equitable?

**Mr EDWARDS:** No, we have not. I think that is a difficult question. At the moment, as you would be aware, it is just based on grandfather rights, and if you are lucky enough to have one now, you are lucky; if you have not got one, you are out of luck. That is primarily the situation.

**The Hon. Dr B. P. V. PEZZUTTI:** Given that the Sydney Airports Corporation is going to be privatised, and that four or five airports, including Essendon, are going to be privatised, what legislative process should be put in place to protect the rights of regional people to land at Kingsford Smith airport? Secondly, what can be done about the grandfather clauses?

**Mr EDWARDS:** It needs to be written into the Airport Act. We have the assurance of the Minister, but we do not have it in writing.

**The Hon. Dr B. P. V. PEZZUTTI:** Is it in regulations at the moment?

**Mr EDWARDS:** I am not aware of it being in regulations. It may be, but I am not aware of that.

**The Hon. Dr B. P. V. PEZZUTTI:** Are slot times regulated at the moment, or are they simply agreed?

**Mr EDWARDS:** They are agreed to by a slot allocation committee, I think.

**The Hon. Dr B. P. V. PEZZUTTI:** In terms of costs, given that Kingsford Smith airport has to manage its costs, like you manage your costs, and make provision for the future, it has only 80 landings an hour on which to determine its costs, and those costs are apportioned in some way which will be more and more commercial: do you think that there is a place for a community service obligation payment by a State government to ensure that the people in this State have reasonable access to Kingsford Smith airport, by way of a community service obligation payment either to people, like it does with the Isolated Patients Transport and Accommodation Scheme (IPTAS) for the travelling sick, or to an airline to help overcome the problems of the cost rises for small aeroplanes?

**Mr EDWARDS:** The community service obligation approach is one approach. My recommendation to the government would be that, if it is going to follow that path, it does so in such a way that it minimises the ability to abuse that payment and also make it easy to manage. But that is only one option.

**The Hon. Dr B. P. V. PEZZUTTI:** Perhaps, because of restriction of time available to this Committee, if you have any ideas on how that sort of idea could be implemented fairly, or if you have a number of options that you could set out in writing to the Committee, even if it is half a page, that would be helpful. Would you give some thought to recommendations on methods and possible difficulties. I am sorry for interrupting you, but there is not much time.

**CHAIRMAN:** And any other questions that you go away from here and think, "I should have said such-and-such," would you add those comments to it as well.

**The Hon. I. COHEN:** Mr Edwards, before I ask a question, might I compliment you on your "subtropical holiday playground" promotion. Do you think it is working? Are you aware that Tourism New South Wales is lying through its back teeth in promoting tropical New South Wales further up the coast, which I am glad your council has not included itself in because it actually denigrates the concept of subtropical? Is it working as an attraction to Coffs Harbour of tourism? What sort of tourism is taking place by air?

**Mr EDWARDS:** It is working. I wasn't aware that Tourism New South Wales was telling little fibs.

**The Hon. I. COHEN:** Big fibs, actually.

**Mr EDWARDS:** The make-up of our customers has gone from basically 60 per cent business and 40 percent tourism to 65 per cent tourism and about 35 per cent of business. We are tapping into mainly the short-stay market. We are pulling people out of destinations like Maroochydore and the Gold Coast, and possibly even Cairns, mainly in the short-stay market.

**The Hon. I. COHEN:** Dr Pezzutti spoke of the number of flights and made comparisons with Dubbo, which I feel is not a good comparison. What effect does that type of market have on the vehicles that you bring into Coffs Harbour?

**Mr EDWARDS:** At the moment it does not have a great deal of effect because we have plenty of capacity in the service that we have got. But it would—

**The Hon. I. COHEN:** Is it working with less flights of bigger capacity? Is that the way to go to increase the market?

**Mr EDWARDS:** That is effectively how it will work. It is always a balance between frequency of flight versus the economy of scale that you get from introducing a larger aircraft. But there is always a point where you cannot introduce a large aircraft too early because it will not pay for itself. There is a point where the operator will decide to step up to the next size.

**The Hon. I. COHEN:** You said that this council area was not happy with deregulation, and you described it as managed competition in the big airports and regulation in the smaller ones. What is the difference?

**Mr EDWARDS:** Very little.

**CHAIRMAN:** Many of the smaller airports have only one service, so it is regulated, where as with managed competition there are two players.

**The Hon. I. COHEN:** Nevertheless, with such a healthy potential, why are you so keen on managed competition or a type of regulation?

**Mr EDWARDS:** I think to keep the whole process sensible. There is an old saying in aviation that if you want to make a small fortune you start off with a big one. There are a lot of people out there who feel they would make a go of it in aviation, but you see companies going to the wall from time to time, as we have seen recently. By having managed competition, we are really protecting people from themselves.

At the moment the Coffs Harbour-Sydney route is operating quite well with two people competing against each other, and there will come a time in the future when three will be acceptable. But, if you introduce a third one too soon, in the case of Coffs Harbour it could dilute our market to the point where we go back to the smaller aircraft.

**The Hon. I. COHEN:** You mentioned that there were some problems with noise pollution from aircraft, particularly with the newspaper aircraft coming in out of hours. Are there many complaints about noise? Is there potential for an increase in the noise? I mean, the corridor is pretty well north-south, so that you are flying over some fairly populated areas. Is this something that, with the upgrading of tourism and the operation of bigger aeroplanes, could be a problem?

**Mr EDWARDS:** There is no doubt that noise is an issue for the community of Coffs Harbour as it relates to the airport. The concept that bigger aeroplanes are noisier is not true. In fact, the bigger aircraft that we have in Coffs Harbour at the moment is quieter than the smaller F28 that we had. Our figures indicate that it will not be so much the number of aircraft that we will increase, but the size of aircraft, that there will be the step up to the next level. So we are working on the basis that over the next 15 to 20 years the number of aircraft that we get here each day will not increase all that much. And the noise problem really only relates to our southern suburbs; it is not such a problem to the north. We are fortunate that, even though there is a noise problem, we do not have a lot of development right up against the airport, so that the aircraft are actually going over at a reasonable altitude.

**The Hon. I. COHEN:** Is Sawtell a noise affected area now?

**Mr EDWARDS:** It is, yes, to a small degree. Toormina is directly in line with the runway, so it is the area that is affected the most.

**The Hon. I. COHEN:** Other than that, are the people of Coffs Harbour, both in the tourism industry and also residents, happy with the frequency and efficiency of the airport in terms of access to Sydney?

**Mr EDWARDS:** I think generally they are. The only comments that I have received in recent times is that there is a fairly big gap in the afternoon for services out of Sydney. Our services tend to be seasonable: we have more services in the summer time. I think that gap is filled in the summer time. Whether the community are happy or not with the airport is a question that our politicians here are asking. We have been through an EIS recently, as well as a lot of community consultation.

My gut feeling is that a lot of people are happy with the airport and the direction it is going. We were with the Chamber of Commerce yesterday, and they were certainly positive about it. We have a resort in town here called Pacific Bay which was built and then stood idle for quite a number of years. They opened for business simply on the premise that the airport was here and that it was providing a good service and the council was managing it and was willing to expand it as the need arose.

**The Hon. I. COHEN:** When you say expand it, are you talking about physically lengthening the runway? Are you going to have a problem with the melaleuca wetland?

**Mr EDWARDS:** Council has looked at a number of options for upgrading the airport, one of which includes its lengthening. Council has not yet made a decision. Those documents that were put before you are looking at a widening only, and not a lengthening of the runway. I cannot pre-empt what council is going to do, but if I were a betting man I would suggest if they do anything it will be related to widening and not to lengthening. But, if lengthening does go ahead, it will not go into that sensitive area. We have some issues relating to Aboriginal heritage, and council has looked at that. That is more of an issue than the wetlands. I do not think that council will go in and disturb that land.

**The Hon. I. M. MACDONALD:** It intrigues me that a number of councils which to all intents and purposes, under a deregulated market, would do very well, have all come out heavily against deregulation. Do you see any potential benefits in deregulation for the Coffs Harbour regional airport?

**Mr EDWARDS:** Not in the situation in which we find ourselves at the moment, no. We feel quite strongly that it would be a disbenefit to us.

**The Hon. I. M. MACDONALD:** It would not mean greater frequency of flights? For instance, today the flight out is at 12 o'clock, and then there is not another flight to Sydney until 7 o'clock. It seems that that, for a centre that has 177,000 passengers, is an inordinately long time.

**Mr EDWARDS:** That is definitely an unsatisfactory gap in our schedules. And, yes, deregulation would produce extra services, and if I were an operator that is where I would be slotting a plane. The reason we are in that situation is that at the moment we are being serviced by 737s, which would be a little bit too big for the winter period, but certainly not for the summer period. But we are willing to accept that because we are planning for the future. We are not looking at today or tomorrow; we are looking at five years down the track. In five years time that will not be a problem for us.

**CHAIRMAN:** I think the point is that in the summer time the majority of your traffic, 65 per cent, is actually tourists. So that later in the year, in summer, you would have additional afternoon services. Is that so?

**Mr EDWARDS:** Yes. And there is also another very practical operational reason why there is not a service in the afternoon, and that is to force people onto the jet. That would be my guess.

**The Hon. I. M. MACDONALD:** To force people onto the 12 o'clock jet.

**Mr EDWARDS:** I suspect that is something that the operator has considered and used.

**The Hon. I. M. MACDONALD:** I must say I was very surprised. I have been to some smaller venues like Lismore, which has far fewer passengers and quite a gap in facilities at the airport, but it has just as many, if not more, flights than yourselves.

**The Hon. Dr B. P. V. PEZZUTTI:** No. There are only three out of Lismore.

**The Hon. I. M. MACDONALD:** But there was one at around 5 o'clock in the afternoon. It seems to me that they have been scheduled for the convenience of the airlines.

**The Hon. Dr B. P. V. PEZZUTTI:** They are.

**The Hon. I. M. MACDONALD:** And not for the convenience of the passengers.

**Mr EDWARDS:** It is always a function of providing a service and having the equipment that is suitable. They have got to use the equipment that they have the best that they can. It is not good to have aircraft sitting on the ground.

**The Hon. I. M. MACDONALD:** But deregulation could mean that you would have three or four flights in the afternoon.

**Mr EDWARDS:** Yes.

**The Hon. I. M. MACDONALD:** That would be in the short term.

**Mr EDWARDS:** That would be in the short term, and it would be at the expense of the larger aircraft, and it may well be more disruptive to the southern suburbs as well.

**The Hon. I. M. MACDONALD:** What is your growth rate at the moment?

**Mr EDWARDS:** At the moment it is 8 per cent. Over the last 10 years it has hovered around the 8 per cent. I think over the last five years it would have averaged out at about 5 or 6 per cent.

**The Hon. I. M. MACDONALD:** So in the year 2000 you could get roughly 200,000 passengers?

**Mr EDWARDS:** That particular document I gave you on the financial projections has our conservative projections for growth.

**CHAIRMAN:** Over 15 years.

**Mr EDWARDS:** Yes. We realise that as you get bigger the growth rate slows down.

**The Hon. I. M. MACDONALD:** You were saying before that Coffs Harbour is now starting to compete with the Gold Coast and even further north. What evidence do you have of that?

**Mr EDWARDS:** The evidence we have is that in the last 18 months the Maroochydore figures have gone down from 17 per cent to negative for a period. Coolangatta is negative. Kingsford Smith airport domestic services were negative. We have stayed positive, except for a few months in the earlier part of last year. We think our marketing programs are working, and we think we are stealing from some of our competition.

**The Hon. I. M. MACDONALD:** Ballina, if I recall correctly, has a significant increase per annum as well.

**Mr EDWARDS:** Well, Ballina is out there marketing, plus it is now also providing a jet service, and are now attracting people who would have gone to Coolangatta to fly to Sydney, but are now travelling south to fly to Sydney.

**The Hon. I. M. MACDONALD:** I noticed there were three airlines coming in there. Is that right?

**Mr EDWARDS:** Impulse services Brisbane, Coolangatta and what we call the milk run.

**The Hon. I. M. MACDONALD:** Is that a daytime service?

**Mr EDWARDS:** It is spread across the day. But I cannot keep track of Impulse because they keep changing their timetable. But they are providing services direct to Brisbane, direct to Coolangatta, down to Port Macquarie—

**The Hon. I. M. MACDONALD:** How is their passenger turnover going?

**Mr EDWARDS:** Their passenger turnover is not growing as rapidly as the Sydney route, but it is growing steadily.

**The Hon. I. M. MACDONALD:** It is newer, with the Brisbane connections.

**Mr EDWARDS:** No. We have had those services for some years, but it was a different airline. Last year, we had Eastland Airlines come in as well, and they were competing with Impulse on that sector. They lasted about nine months and gave it away.

**The Hon. I. M. MACDONALD:** You had connections to Lord Howe or somewhere in the past, did you not?

**Mr EDWARDS:** Yes, we have direct flights out to Lord Howe with an airline that has since got into trouble with the Civil Aviation Safety Authority.

**The Hon. Dr B. P. V. PEZZUTTI:** Could you take this question on notice. Could you give us some idea of what happened when you trialed your international flights directly to New Zealand? What was the result of that trial and any surveys that you did? Secondly, why is it that people in Sydney have to travel one hour to their airport and nobody whinges about it too much, and yet people in the country want to get to their airport in 10 minutes? Has there been any research on that? Or do you have any other explanation?

**Mr EDWARDS:** I could only give an explanation from my personal experience.

**The Hon. Dr B. P. V. PEZZUTTI:** I am sorry, you might take that question on notice because we have run out of time.

**Mr EDWARDS:** Alright.

**(The witness withdrew)**

**(The Committee adjourned)**

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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Newcastle on Friday, 28 August 1998**

—

**The Committee met at 9.30 a.m.**

—

**PRESENT**

**The Hon. A. B. Kelly (Chairman)**  
**The Hon. I. Cohen, The Hon. J. R. Johnson, The Hon. J. Gardiner**

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**PAUL DESMOND REES**, Proprietor, Yanda Airlines; affirmed and examined:

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

**Mr REES:** As the proprietor of Yanda Airlines.

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

**Mr REES:** I did.

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

**Mr REES:** I am.

**CHAIRMAN:** You have made a submission to the Committee. You have with you today some extra papers. Do you want that submission that you have made to be included as part of your sworn evidence?

**Mr REES:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to give a brief overview of your submission before we ask you some questions?

**Mr REES:** Yes. I run a small regional airline called Yanda Airlines, which supplies daily and sometimes twice-daily and other times three-times-daily services to Coonabarabran, Gunnedah, Scone, Singleton and Maitland to Sydney. We operate nine-passenger twin-engine Piper Chieftain aircraft. We are one of the vanishing breed of small aircraft operators who fly into Sydney, and we are coming under fairly intense pressure from the regulator, in terms of the Commonwealth, the owners of Sydney airport and basically Federal government policies, stated or unstated.

**CHAIRMAN:** Do you go to Quirindi as well?

**Mr REES:** No, we do not have a flight to Quirindi. We link our aircraft. We have one aircraft based at Coonabarabran with two pilots; one aircraft based at Scone with two pilots; and the third aircraft is normally out for maintenance; and the fourth aircraft sits there as a spare. We fly Coonabarabran-Gunnedah-Sydney and Scone-Sydney-Maitland-Sydney. We have the capacity, because of timetabling, to link those flights so that they can mix and match. So, basically, if there are only nine passengers to Sydney from say Singleton down, then we have only got need to send one aircraft. This allows us to maximise our load factor. The aircraft are too small to play the yield game on fares, so that we have to play the game by maximising our load factor. We have that capacity.

With the slot mechanism in Sydney we are losing that capacity, because if we combine our flights too much we will lose the slot, so we cannot fly the flight when we have the passengers, and if we fly the flight without the passengers we lose the slot because we will go broke. So we are in a bit of a cleft stick. It is one of those things that I think is becoming part of the unstated Commonwealth policies.

**CHAIRMAN:** How do the landing fees increases affect you?

**Mr REES:** The big problem at the moment is that we do not know what they are. The Sydney Airport Corporation has had it approved by the regulator, and I think Minister Vaile has signed in to regulation that we have a \$100 flat landing fee as a minimum charge. That is in stark contrast to every other major capital city airport in Australia, which is \$27.50. On a tonne rate, that is approximately double the tonne rate. So, if you can fit in with the tonne rate below your minimum charge, you are infinitely better off.

All of the regional operators are negotiating with the Sydney Airport Corporation for a phasing in of whatever the increase is. The Australian Competition and Consumer Commission (ACCC) has given the Sydney Airport Corporation this increase for this financial year only. So, as of 1 July next year, we all start again with a fresh sheet of paper.

The regional airlines have put a proposal to the Sydney Airport Corporation which will involve our fees as nine-seaters going to \$33; the 18-seaters of Impulse, the then Tamair going to \$70; and Eastern, Hazelton and Kendell accepting the \$100 minimum charge across the board for all of their operations. We met in early August, and they were going to come back to us two days later.

**The Hon. J. R. JOHNSON:** Who is we?

**Mr REES:** The regional airlines as a group. We are still waiting for the Sydney Airport Corporation to come back to us. They have not come back to us, so we do not know what we are dealing with, and we do not know what the increase is. That is one of the difficulties we have and this starts on 1 October.

**CHAIRMAN:** What was the approved fee?

**Mr REES:** The Australian Competition and Consumer Commission has approved \$100.

**CHAIRMAN:** As of 1 October?

**Mr REES:** As of 1 October. If we do not reach an agreement with the Sydney Airport Corporation, we are in for \$100.

**CHAIRMAN:** So there is going to be a rebate?

**Mr REES:** We are negotiating the rebate. If that rebate is not negotiated, it starts at \$100. And, if that occurs, then we have got people like Country Connections and myself who will say, "Let's go and live on the beach." We will stop servicing something like 30 towns in New South Wales. We thought we had a fairly reasonable agreement with the people that we were negotiating with, the Sydney Airport Corporation, but it appears to have hit a brick wall within the organisation somewhere. I have a feeling that it is at the head of the organisation. Mr Stewart is the head of the Sydney Airport Corporation. We have a suspicion that that is where the problem lies.

**CHAIRMAN:** Have got any response yet about the rebate scheme?

**Mr REES:** No, other than they are still looking at it, and they will get back to us, hopefully, at the end of this week.

**CHAIRMAN:** They have not guaranteed anything yet?

**Mr REES:** No. And this is two weeks after they said they would get back to us.

**CHAIRMAN:** Are the country landing fees a concern? What you would really prefer is a per head rate, I suppose.

**Mr REES:** The proposal that we have put to them—and it has had some fertile ground with their accounts manager—is that there will be basically a head tax for the use of Sydney, so that every person who uses Sydney will pay the same amount of money. So, if you fly from Cairns or Brisbane to Sydney, it will work out just under \$3.00; if you fly from Dubbo to Sydney it will work out at just under \$30.00. It is a system under which, if we sell 100 tickets that week into Sydney, we collect the \$3.00 a head, and we remit \$300 to the Sydney Airport Corporation. To me, it is heaven on a stick if I were in their shoes because it would cut out all the administration, and all they would have to do is bank the cheques. The major airlines are very luke-warm on that idea; they are pretty well opposed to it. I do not know why, but that is the next issue.

**The Hon. J. GARDINER:** When you say the major airlines, whom do you mean?

**Mr REES:** Qantas and Ansett. I think it cuts down everybody's paper work. We do it now. For instance, we do it at Gunnedah. We have a head tax there of \$4.50, and that is collected on each ticket and remitted. That is all there is to it. It is a simple solution which does not involve a great deal of administrative work. As it is now, we get invoiced for each and every landing that we have to check that we have had the landing; and there are errors, so you have got to check, and it is not just a case of accepting it. So there is that side of it.

In the country towns, the towns that we serve have not been rapacious at all. Some of the country towns are pretty savage I believe, in terms of three and four times what we pay at our dearest airport. At places like Coonabarabran we pay basically a nominal fee of \$2,000 a year for using the airport. They want an air service, and they realise that if they make it too hot we are gone. Scone is about \$6,000, which is roughly \$3 a head. We own our own airstrip at Singleton, so we do not charge ourselves.

But country charges, from our point of view, in our operations are not a major factor. They are a major factor, I believe, with some other operators at some other ports. At Narrabri, for instance, I think it is \$11 a passenger, which is a fairly solid lump out of a fare.

**CHAIRMAN:** Do you have some comments on the slot system?

**Mr REES:** Yes. The slot system, as I indicated earlier, has problems for us. I believe the slot system was not something that the industry wanted; we were told we were going to get it. It was a decision made by the previous Minister for Aviation or Minister for Transport, John Sharp, and it was designed to regulate traffic into Sydney. There already was a control departure program in operation which regulated traffic into Sydney. So we now have two systems running. When the control departure program runs, the penalties under the slot system are effectively under starters orders.

The slot system itself has some major administrative drawbacks from our point of view. We have got to keep track of each and every landing, each and every off-slot that we have, to be able to justify that at our subsequent compliance meeting. So, what used to be a simple arrival and departure from Sydney is now a paper work exercise as well. The administration that keeps our company running is myself and my wife, so every bit of extra work generates more pressure.

The problem with the slot system is that if you use less than 80 per cent of your given slot, you risk losing that slot. So we are in a situation where we operate by mixing and matching our flights to the traffic loads on that day. So 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 both our resources and those of Sydney airport. So we are in that bind.

I think the slot system is a system that we did not need, that we do not want, and it does not achieve anything. I think

it is going to be used as a system to check what the air traffic controllers are saying about traffic loads rather than what we are doing with the traffic itself. They will be monitored fairly closely, and their performance will be monitored from the slot control system. The air traffic controllers will be a monitor on the slot control system. They are aware of that, and they are not very enthusiastic about it either.

Also, even though the government decided that we shall have the slot system, it was also determined that we should pay for it. So the total cost of organising the slot system and running it is about three-quarters of a million dollars a year, which is borne by each operator. So, if there are X number of slots, then you divide \$750,000 by X and that is what each aeroplane costs for a slot, arrival and departure.

**CHAIRMAN:** That is in addition to the landing fees.

**Mr REES:** Yes. It is only a couple of dollars, but it is a couple of dollars in and a couple of dollars out. We have paid that with an eight- or nine-seat aeroplane. Qantas pays that with a 450-seat jumbo jet. So once again it costs our passengers 50 cents for the slot control mechanism, which does not achieve anything, and it costs Qantas on a 747 some points of a percent per passenger.

**CHAIRMAN:** Do you have any suggestions regarding alternatives to a slot system? Some of these questions you might take on notice if you wish.

**Mr REES:** I do not believe there is a requirement for a slot system. The slot system was a politically-derived system to show that somebody was doing something about the matter.

**CHAIRMAN:** They are not reaching the maximum on any of the flights, are they? They are still using 70 of the 80 anyway.

**Mr REES:** In the 7 o'clock to 9 o'clock or 10 o'clock period is getting pretty crowded, but you have got to add to that that there is now a runway allocation system that is convoluted, to say the least. In the past, the runway allocation at Sydney was done by the senior tower controller on the best available operational situation concerning wind and aircraft arrivals. So aircraft coming from Melbourne and Adelaide landed on 07, the runway to the east; aircraft from the north landed on the runway to the south. So there was a fairly constant flow of traffic. Now, we spend time flying around to land from the north.

To change the runway direction requires something like 15 to 20 minutes of research on the part of the air traffic controllers to see whether that would meet the criteria that have been laid down by the political directive. That does not augur well for the efficient and economic operation of Mascot airport. The additional holding that we have had since the third runway was opened costs our company approximately \$100,000 a year—just in additional holding! This is holding now which, because they changed the size of the controlled air space zone, on the basis of what the Chairman of the Civil Aviation Safety Authority wanted, is not outside the controlled air space, so that anybody can and does fly in that space.

The rest of it is then spent flying—for instance, Maitland to Sydney is 76 nautical miles. When we land on 34 we fly something like 118 to 120 nautical miles. That is a fairly significant percentage increase. We are held up until we are at Mascot at 6,000 feet in an unpressurised cabin, so operationally we then risk cooling our engines improperly and risk cracked cylinders and crank cases in future. So we have those problems that are caused by what I think is the improper operation of Mascot airport.

But Mascot airport itself, with the runways that it has available, is capable of handling significantly more than 80 movements an hour. I believe its capacity is round the 120 to 130 movements an hour, if used properly. So there is no requirement whatever to have a slot control system. The slot control system was a politically imposed system to

solve a political problem, and not an operation problem with the airport. That is one of the facts of life, of course. We live in a political world, and I do not have a problem with that sort of solution, but I think it has got to be identified and accepted as such, and not purported to be something that it is not.

**The Hon. J. GARDINER:** You mentioned a number of pilots. How many employees altogether are there in your airline?

**Mr REES:** We have four pilots, plus myself, my wife, and a maintenance controller. That is the full-time staff. We contract our check-and-train to an ex-DCA senior examiner of airmen. He was there senior examiner for 18 years. We have casual staff at Maitland airport and Gunnedah airport; that is, another four or five people. We contract our maintenance to a company called Scone Aircraft Maintenance, which has about 12 employees. Not all of them are used with us.

**The Hon. J. GARDINER:** Would you be their major client?

**Mr REES:** We would be one of their major customers, if not the major customer.

**The Hon. J. GARDINER:** Could you indicate the pattern of traffic say over the last five years? Has it been fairly constant, or is it going up or down? I am particularly interested because we have heard quite a bit of evidence from even larger centres, like Wagga Wagga, which is very conscious of improvements on the Hume Highway and what that does to travel time. With the improvements, particularly by the end of this year, to the New England Highway for example, what do you anticipate will happen then?

**Mr REES:** It hurts us all the time. I always used to say, "While we have sole rights to our runs, we have two competitors lower down in the lower Hunter; we have five bus companies, a railway line and a four-lane highway." So we had fairly significant competition from the Hunter Valley. It is very difficult to know whether the improvements in the highway are costing us traffic, or whether in fact the overall economic depression in the Hunter is costing us traffic. An example of that is that Warkworth Mining, for instance, has three large pieces of equipment which this year they parked rather than doing their major overhaul on it. Now, that major overhaul would have given us 200 to 300 outside contractors flying in and out, so it has cost the better part of 20 per cent of our traffic from Singleton.

**The Hon. J. GARDINER:** I am sorry?

**Mr REES:** Twenty per cent of our traffic to Singleton has gone simply because one mine has chosen not to overhaul that equipment this year and save themselves \$5 million and to do it next year and the year after, or whatever it is. At Gunnedah we have had the meat works close, the Vickery mine has closed, and the oldest mine that was up there did shut, and then Gunnedah colliery has in fact just retrenched workers as well.

**The Hon. J. GARDINER:** Yes, half their work force.

**Mr REES:** Yes. Late last week the Wambo mine in the Hunter Valley retrenched another 170. There is a significant depression in that area, and there is an attitude that is developing amongst the people there of not spending. A lot of it is misplaced because, for instance, I was talking to the previous owner of Cumnock colliery and he was saying that he and his mother owned the mine and they used to mine 2 million tonnes of coal a year and make \$2 or \$3 a tonne profit. As he said, "It was a nice little earner for mum and me."

They sold that mine to an international trading firm that actually trades coal around the world. The mine now makes no money! But the trading company makes \$5 or \$6 a tonne, but it makes the money in Bermuda or wherever. So the bloke who is working at the mine says, "The mine is not making any money, I'm not going to have a job, I'm not

going to buy the new fridge." So the Retravision bloke does not buy the new ute. And on it goes. So you have got that sort of depression of attitude.

**CHAIRMAN:** Though an artificial one.

**Mr REES:** Yes. There is no way the bloke at Cumnock is going to lose his job because the boys at Glencor love \$6 a tonne in Bermuda. So there is that side of it. A lot of our traffic in the Hunter Valley was not in fact Hunter Valley originated traffic; it was of consultants and contractors coming in and out. It might seem funny, but a coalmine does not travel much, but the bloke who sells them the grease travels a lot, so we get our traffic coming from that side of it.

Another area of our traffic is the Army, with the infantry centre at Singleton. The Army apparently is going through a fairly major restructure. Nobody quite knows what is where, and who is doing what to whom, so they are sitting pat as well. So we are getting this crush-down type of thing which, at the risk of being political, is showing up in the One Nation opinion polls. People are looking for something away from them. So that is the overall problem that we have there.

In terms of absolute traffic, our traffic in the third weekend of May last year dropped 25 percent on one weekend, just gone like that! Exactly the same weekend was the decrease in traffic for the motels. And even the local crane operator, who has some fairly large heavy lifting equipment and moving equipment had the same thing. In about May or June this year, it decreased again. We do not know whether that is going to be an ongoing decrease. The first one was certainly a decrease. The second one we do not know about because a lot of it was caused by not being able to use Gunnedah because it went under water; the airstrip itself went under water twice. It has not been under water since 1984; it was under water twice within three weeks. Singleton went under water. We do not know whether that is just a depression from that. The Gunnedah traffic has since come back a little bit, so we do not know whether it is going to be an ongoing thing or a short-term thing.

**The Hon. J. GARDINER:** What about Coonabarabran?

**Mr REES:** Coonabarabran just sort of trundles along in spite of itself. I know that is the right thing to say. Coonabarabran has the AAO up on the hill, and it provides a lot of traffic. And there are a significant number of Coonabarabran people. It is difficult to get anywhere from Coonabarabran. As Patricia Poole, the previous Mayor, said, when Ansett was serving the town they used to get a 40-seat Fokker Friendship, with a hostess or two hostesses; they got those services three times a week, the same day as the train arrived. Now that we are there, Coonabarabran gets a nine-seat aeroplane, but the two pilots live in town, chase the young ladies in town, and the town gets 12 services a week. So, as Patricia said, "We will travel in small aeroplanes." Their attitude is much more philosophical. They want the service, and therefore they will use it.

**The Hon. J. GARDINER:** Obviously, on the subject of deregulation of the regional airlines, you are not enamoured of that.

**Mr REES:** I am a bit ambivalent. I think one of the problems that we suffer from now is that we have been regulated since 1964, I think, when the Act came in. We have had the Air Transport Council since about 1986. It has been a nice, comfortable system. But, unfortunately, the system has merely reinforced the status quo. It was never designed to be a dynamic system. The system should have been allowing new operators to start, and percolate up. There have been no dynamics in the air transport system in the State. In fact, when the Air Transport Council was about to start there was Ansett and East West, and that was it in regional New South Wales, plus a couple of operators operating regulation 203 operations. A few years later we have still got Eastern, Hazelton and Kendell, and that is it. I am talking about operations into Sydney, and I take Impulse out of that because they are primarily a Newcastle hubbing exercise.

So we have Eastern in the Qantas system, and we have got Kendell and Hazelton in the Ansett system. So we still effectively have two operators. I am not suggesting that it should ever happen, or would ever happen, but for instance if we woke up tomorrow morning and found Hazelton had gone broke, or just decided not to play aeroplanes any more, other than the existing major operators, there is no-one else in the place to fill in the gaps. There is no-one there at the next rung below, because instead of having a number of small runners, as we used to have, we now have the Hazeltons and the Kendells there, and the Country Connections and the Yandas there.

We made a decision eight or nine years ago to stay at that level and service towns of that size. So we do not have a problem with that. But there has been no capacity to grow beyond that because to bid for the runs as they come up on the re-licensing you have got to have the equipment parked there; you have got to be ready to go; the establishment has got to be there. Only the existing operators have that. It is the same exercise, for instance, at Tamworth, which I think is to be considered by the Air Transport Council this week. There are only Hazelton and Impulse—because I do not think Kendell is putting in a bid—in a position to do anything about it. Nobody else is, because nobody has the equipment in situ to do anything.

**The Hon. J. GARDINER:** Do you think the market is big enough to allow for other operators?

**Mr REES:** I do not think so. I think it would be a blood-bath. As a small operator, we have probably had more experience with competition than anybody. We took over Coonabarabran and Gunnedah from Hazelton in 1991 when they pulled out of all the small ports. 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 be back in the pot. That did not happen.

**CHAIRMAN:** That is a point that has been raised before in our inquiry, because there is this process of advertising before the licences are issued, but if the successful operator pulls out of towns, or even downgrades the services, with fewer services or smaller aeroplanes, there should be a mechanism by which the licence goes back into the pot.

**Mr REES:** Yes. When we started at Gunnedah and Coonabarabran we immediately had Oxley Airlines there as a competitor at Gunnedah. Now, we fought Oxley from September 1991 until December 1992, when they went broke, and they were then taken over by Impulse, and then I had to fight Impulse until about May or June 1993. Then we had a fight with the Civil Aviation Authority at the end of 1994, and when we restarted in 1995 Tamair was going to Gunnedah. So we had to fight Tamair at Gunnedah from January 1995 until August 1996. So, in terms of a small operator, we are probably as used to competition as anybody.

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. I just do not think there is any mileage in it.

When you get two of the major regionals, Kendell and Eastern, owned by the major airlines, who is going to fight that? I do not want to take them on. I have got better things to do with my time, even if it is only to sit on the beach. The outcome of that sort of struggle is clear-cut if they get serious. Now, if they just sit there and play the game, somebody can survive with them. But if they are serious about giving you a hard time, then they will give you a hard time. Years ago, when Ansett were in Dubbo and Hazelton was there, one of the Hazelton pilots said to me that Ansett was going to buy them out because they wanted to get them out of Dubbo. I said, "But Hazelton does not have anything that Ansett wants. Secondly, if Ansett wanted Hazelton out of Dubbo, they would just cut there prices by half for six months, and Hazelton would cease to exist. It would be a lot cheaper than buying them out."

That is the problem. In the mechanism for deregulation there is nothing to deter predatory behaviour, or provide a penalty for it. The same situation occurs in America. There is much debate at the moment about predatory

behaviour. But at least in the United States there is a mechanism to take someone to task over it.

**CHAIRMAN:** Could you explain that a little bit more.

**Mr REES:** In the United States, if you are guilty of predatory behaviour, then the anti-trust mechanism comes into play. Not only do you not have to fight the case if you are being preyed on, but they will fight the case and, as well as the predator being fined for doing that the court can award the operator who is being preyed on significant penalty payments. And the United States gets serious when they talk about fines; they don't muck around. So there is that mechanism, in place.

There is no such mechanism with the Independent Pricing and Regulatory Tribunal (IPART). IPART put out a report that said the Australian Competition and Consumer Commission has got this thing about hosting and will be able to sort that out. I contacted the ACCC, and the ACCC could not find it. There was a discussion they had written years before but that they had lost. And this was the mechanism that IPART said would save us.

The problem that I have with deregulation is that sort of behaviour. 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. In fact I have said to IPART that if a year 12 economics student wrote that report, the student would probably be failed. It started with a conclusion and then wrote the report. That is the way I read it. They even said things like, "It will result in a \$30 fare increase around the country." Well, Canberra to Sydney is much the same distance as Scone to Sydney, about a mile difference in air distance. Canberra is unregulated. It has major jets and competitive operators. The standard fee out of Canberra is \$163. I operate to Scone with a nine-seater aeroplane on a protected route, and my fare is \$144. Tamworth.

**CHAIRMAN:** That did not come out in the report.

**Mr REES:** Those are the sorts of things that they just blithely skipped over. The report is full of things like, "It's a well-known fact", "It can easily be shown", but it is never shown.

**The Hon. J. R. JOHNSON:** You were going to say something about Tamworth.

**Mr REES:** I was going to compare Tamworth to Gunnedah. Gunnedah is probably about 20 miles further from Sydney than Tamworth by air. Our fare to Gunnedah is \$178, plus the \$4.50 council tax. So it is \$182.50 for a passenger. The fare to Tamworth I think is \$186, plus \$11 council tax, but it is in the area of \$190. So, once again, if IPART's thinking holds true, that fare should have been only \$152 \$30 less than mine. So the IPART report is flawed. Whether the government chooses to deregulate or not is a government decision, as it is with Mascot, but to make the decision based on the IPART report would be to make a decision on a flawed basis.

**The Hon. J. R. JOHNSON:** You indicated that the airport could handle anything up to 120 or 130 air movements. Would an upgrade of the air traffic controllers' equipment be necessary?

**Mr REES:** Very little. I think the rules that they work with would have to be changed. The PARM radar would have to come into play. It has already been installed and been sitting there for some years. It allows simultaneous operations on parallel runways in instrument weather. Currently, we can do simultaneous approaches in fine weather, but this PARM radar will allow simultaneous approaches in bad weather. So it removes the weather from being a factor.

**The Hon. J. R. JOHNSON:** Is that its main advantage?

**Mr REES:** Yes. That is its only advantage. I do not believe the system needs any more upgrading on what is there.

They are spending hundreds of millions of dollars putting in new taxiways. Well, we get lost on the taxiways that are there now. It comes down to a philosophical point of view on the control of infrastructure. We have handed over the infrastructure to a private corporation which will do as it wants, rather than what the national good dictates. Now, it may well be that the two are the same, but they might not be. So we have a problem with that as well. Equally, we have a problem with the charging mechanism. The Federal Airports Corporation's way of arriving at this \$140 was to take the costs of the runways and taxiways in Sydney and divide it by the number of movements. That was it. It was a very complicated system of calculation that they used, even though we do not need 10,000 feet of runway.

**The Hon. J. R. JOHNSON:** What would happen to Gunnedah and Condobolin and Scone and Singleton if, as you said, you went and sat on the beach as a consequence of something happening?

**Mr REES:** IPART makes much of the fact that in 1991, when Hazelton pulled out of the small ports, that there were a whole bunch of operators rushed in to fill the void. I do not think the same operators are there now to fill the void. The regulatory environment has changed to the extent where I do not think that is possible. For instance, in the Hunter Valley, the main airstrip in the Hunter is at Singleton, where we physically own the real estate. So, if we packed our bags and wandered off, then there is no airport at Singleton.

**The Hon. J. R. JOHNSON:** Grow tomatoes.

**Mr REES:** Well, grow timber and sell the carbon credits. Coonabarabran, I would suggest, would probably lose its air service altogether. It may be feed in through Coonamble into Dubbo. That is a possibility. In respect of Gunnedah, it would be the case that somebody would fly them over to Tamworth, or they would be driven there. When East West pulled out of Gunnedah in the early seventies, that is exactly what happened. There was a bus service that ran them across to the airport. With the weather and so on at Scone, with fogs and things in the morning, unless you have an operator you could not get a reliable service into Scone. Maitland would just lose its service altogether, and it would drift over to Williamstown, and the Army would have to march.

**The Hon. I. COHEN:** You have got the Army marching. Given that scenario, and the problems with the proximity of a number of airports, could you see any hubbing and spoking route arrangements that could resolve those problems and perhaps result in an upgraded and more efficient service?

**Mr REES:** We looked at that.

**The Hon. I. COHEN:** I am particularly interested in minimising the number of flights into Kingsford Smith airport.

**Mr REES:** The number of flights into Kingsford Smith airport does not really matter. It is the type of aircraft that is operating into Kingsford Smith airport that really makes the difference. For instance, my house at Singleton sits on the end of the runway, and we do not have a problem with aircraft noise because there are only light aeroplanes. Some time ago we looked at TNT in fact taking a position in our company. We were going to ferry them to Aeropelican.

We then sat down with the General Manager of Aeropelican, Trevor England, and worked out how it would fit. We both came to the conclusion that it would not fit, because basically you are flying east-south-east to get to Aeropelican, and you are then flying sou'sou'west to get to Sydney. By the time you flew to Aeropelican, landed, changed aeroplanes and flew on to Sydney, the same person could have got in his car at Singleton and have driven to Sydney, and he has got his car when he gets there. At Williamstown, the position gets even worse, because the angle is even more acute.

Our plan, when we first took over the company in 1985 at Singleton was to hub other ports into the Hunter and on to Sydney—places like Mudgee, Coonabarabran, even Walgett. In fact, we had a grand scheme that the whole thing

was going to be floated on the second board of the Stock Exchange, and then we would franchise out country towns, so that we would supply the commercial pilot in Moree with an aeroplane, and he would fly the people to Singleton, where we would put them in a larger aircraft and take them all to Sydney.

Several things intervened, not the least was 1987 and the capacity not to do anything. Then the Air Transport Council got into the act and allocated the runs, and that was the end of the whole of that situation. That situation could be freed up by deregulation, but I do not know that that would be the sole justifiable reason for having deregulation.

**The Hon. I. COHEN:** A lot of the flights from the Ballina and Lismore area stop over in the Hunter, with an anomaly of flying to Sydney and getting back to the Hunter. In a former inquiry we were looking at opportunities for the Hunter region. Obviously, there is a lot of potential in health services to be focused in the northern region and so on. Obviously, we would be looking at an orientation change so that the Hunter could become the hub for a wider spoke system.

**Mr REES:** One of the things that we look at is running from the Hunter to Brisbane. That is probably on a bigger scale.

**The Hon. I. COHEN:** Would that be a milk run, with stops?

**Mr REES:** No. We would go from Singleton, to Scone to Brisbane. Most of the mining supply companies—such as Shell, which is a major mine owner—all have their offices in Brisbane. So there are some attractions there. But just to fly a Piper Chieftain, which is probably the minimum that you could fly on that sort of run, from say Singleton to Ballina would be about an hour and three-quarters. So you are talking about a round trip of 3 hours for the round trip. If you are going to do two a day, that is seven hours a day.

Six round trips a week brings it up to 42 hours, so you are talking about \$10,000 in direct operating costs every week. That \$10,000 does not cover any of the overheads, the aeroplane, the aeroplane insurance, landing fees, et cetera. The best you could ask for in a fare is \$250. On an 80 per cent yield, you are down to close to \$200. You have got to have 50 people a week travelling between those two ports to justify it. That is the big trouble. If you get 51, you make a lot of money. If you get 49, you and the bank manager are not good friends.

It is an area where, even with small aeroplanes, it is big money. Our Chieftains cost just on \$5 a minute to operate, so you do not need much to bring the economics undone. We keep telling our pilots about planning the arrival and departure from the circuit better. If they can save one minute per segment, the company would save \$55,000 a year in direct operating costs. It is that marginal.

**The Hon. I. COHEN:** Perhaps not from the industrial areas, but from the outlying areas of Coonabarabran, et cetera, do you see an opportunity for the government to give some sort of subsidy to service those country people?

**Mr REES:** If there are going to be subsidies, I would love to put my hand up.

**The Hon. I. COHEN:** Is there a reasonable need?

**Mr REES:** This has got to be a government decision, saying, "We want this level of service into this sort of town." If the town itself cannot justify that level of service, then to get it the government is going to have to pay a subsidy. But I think that subsidies should be the last thing on the table, not the first. That is probably a very poor way of putting it. Subsidies should only come into play if the government decides in its wisdom that that area should have a service and that it should have that level of service, and therefore if the level of service that the area can support is A, and the government wants B, then I think it is fair for the government to decide that if it wants the service to be B that it contributes the difference. How the mechanism would work, I do not know. But that would be my view on it.

**The Hon. I. COHEN:** Does Bankstown airport have any potential?

**Mr REES:** It has no potential from our point of view. Seventy-eight per cent of our passengers from Singleton on-carry to Ansett or Qantas. Out of Maitland, 38 per cent on-carry. Some years ago, once again when Trevor England was the General Manager of Aeropelican, he did a survey of his passengers for about three months to see who would prefer to go to Bankstown rather than Sydney. He got one. So we had a whole new market to explore!

Bankstown is not a viable option from our point of view. Even for people flying on from somewhere else, if you have got to fly from Singleton to Bankstown and then drive an hour to get back into the city, you would get in your car in the first place. If Bankstown became the only place that we could operate into Sydney, we would not operate; we would just close down.

**CHAIRMAN:** What services do you use in Sydney?

**Mr REES:** We are hosted in the Qantas reservation system. We share a terminal with Impulse. They provide us with turnaround facilities.

**CHAIRMAN:** Is there a possibility that this might be a solution to some of the problems: that two slots a day would be allocated to smaller towns, at a discount rate. For example, Scone gets access to Sydney twice a day, at \$10 a slot rather than \$100 a slot, and if it was really needed it could be subsidised.

**Mr REES:** I would put my hand up for that.

**CHAIRMAN:** When you get to a certain level of aeroplane, perhaps once you get to 34-seaters, they would go in at \$100.

**Mr REES:** The only thing is that you have now got the Sydney Airport Corporation, which is an independent company, and it is going to say, "Why should we forgo our revenue?" So someone is going to have to pay.

**CHAIRMAN:** The Federal government has not actually leased the airport yet. There is still some opportunity for regulation.

**Mr REES:** The problem that you have there, though, is that when Vaile was the Minister he acted fairly courageously when he was about to hand control of the airport over to John Fahey. The proposal was for \$140 and he wrote the ministerial directive for \$100. I do not think that won him any friends. I am trying not to be political with it, but it is now in the hands of a person who has, I think, a vested interest in Sydney airport remaining the premier airport, otherwise Badgerys Creek is built, which flies over the electorate that he lives in.

If I was the Federal Airports Corporation I would have gone straight to the Commonwealth and said, "Look, we can shift all these regional airlines out to Bankstown, and that will let us put more big aeroplanes into Sydney, and get more money out of that, so that when we sell it we can get more money, and that will make Bankstown more viable and we will get more money when we sell that, and we don't have to build a new airport until at least after the next election." If you were the Cabinet, you would take him to lunch. So I think you have got those sorts of considerations.

**The Hon. J. R. JOHNSON:** They would have to do it before the elections, because they would lose their seats afterwards.

**Mr REES:** That is the problem. Come an election, it may well be a different kettle of fish altogether. But, at the present, in terms of the underlying attitude towards Mascot of the Federal Cabinet, that is in play there. As I said, I think Vaile did a fairly courageous act in doing that. He did it unilaterally, I believe.

**CHAIRMAN:** Another example of our slavish adherence to national competition policy even though it works against country people.

**Mr REES:** I am sure it is, and that is the problem that we get with IPART.

**CHAIRMAN:** I thank you very much for your interesting information and matters to follow up from your evidence this morning. If there is anything else that you feel you have not dealt with and you want to write, feel free to do that.

**Mr REES:** There is not much else. I think the main things are covered in the submission. I do not have a position per se on deregulation or regulation. From a strictly selfish point of view, if the State stays regulated, I maintain a business. If the State deregulates, I have a set of slots that are worth money. If they cannot be sold, things can be done. The problem we have is that, if the State deregulates, there is a de facto regulation system behind it in terms of access to Sydney and access to reservation systems. I think the access to reservation systems is at least as important as the access to Sydney.

**CHAIRMAN:** I thank you very much for your evidence.

**(The witness withdrew)**

**JOHN ANTHONY GAUDRY**, General Manager, Scone Council, sworn and examined:

**CHAIRMAN:** Mr Gaudry, in what capacity do you appear before the Committee?

**Mr GAUDRY:** On behalf of the Hunter Region Organisation of Councils.

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

**Mr GAUDRY:** I did.

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

**Mr GAUDRY:** I am.

**CHAIRMAN:** You have not made a written submission to the Committee. Are there any papers that you would like to leave with us?

**Mr GAUDRY:** No, I have not. I have some material that I would refer to.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to make a statement on your views and then we will go to questioning?

**Mr GAUDRY:** Yes, certainly. On the publication of the inquiry, Scone Council lodged a submission that you would have a copy of. The Chairman of the Hunter Region Organisation of Councils was aware of that submission and was aware of the inquiry.

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

**Mr GAUDRY:** Certainly, because it is relevant in as much as the Hunter Region Organisation of Councils, particularly those relative to the Upper Hunter, have a great reliance on the air services provided and operated being to a substantial degree domiciled in Scone, and that is Yanda Airlines. Paul Rees has his airport at Singleton, but it certainly serves the Upper Hunter, and in particular Scone. And, in Scone itself, a company resident in Scone undertakes the maintenance operations on his airlines. As far as our local economy is concerned, that is worth something in excess of \$250,000.

So we have a major role to play in respect of the Hunter, and particularly the Upper Hunter councils, and particularly as far as the operation of the regional airport is concerned. So a number of points that we have made are relevant pretty much across the Hunter as a whole, and in some degree are relevant to Aeropelican and also Impulse Airlines at this end. I note that they will be appearing before the Committee, and I am sure I would only be repeating myself if I addressed those matters.

In respect of the Upper Hunter, might I say that it is an area now served by Yanda. It is a population of 50,000 people. I think it is fair to say that it is a substantial growth area in regional New South Wales. I am sure that you would all be very much aware of the mega open-cut coalmines in the Upper Hunter. Just to mention one, the notorious Hunter Valley No. 1 coalmine, and not so recent but not too far distant in the past was the Bengalla open-

cut mine, which was the subject of a commission of inquiry. It has been approved, and in fact it is now in the course of construction. That is a mega mine.

Immediately adjacent to that is a further mega mine, also the subject of a development application. That is the Mount Pleasant mine. That surrounds Muswellbrook. To the south, and pretty much adjoining that, is the Mount Arthur mine under exploration. Again, that would be a mega mine. If you travel further down the valley, we have of course got the Hunter Valley No. 1, Cumnock and so forth.

There is a great deal of expertise required in the management and the maintenance of those mines, as there is, of course, in the development and opening up of new mines. Might I say that on the boundary of Scone we have a major mine operated by the Shell company. It is an underground mine, the Dartbrook mine. I think it is set up as something of a model underground mine. The adjoining countryside is predominantly dairy, and not too far distant are some major horse studs.

When we are looking at development, we must turn to the equine industry in the Upper Hunter. I think it goes without saying that those who might be somewhat aware of that industry, one which unfortunately is not covered in ABS statistics under agriculture. But if I could touch on but one, which is the Coolmore stud. Last year it had a turnover, just in the servicing of their mares, of \$60 million. That is just one horse stud. Of course, we have Arrowfield in the Upper Hunter, in the Scone shire. We have horseflesh that probably represents something like 60 per cent of the thoroughbred yearling sales conducted over the Easter period in Sydney. The horses would probably be averaging between \$90,000 and \$300,000. So it is a huge industry.

I might indicate that it has been recognised by both the State and Federal governments inasmuch that at Scone, and almost adjacent to the Scone airport, we have a cluster of equine industry which incorporates a research establishment, an equine research centre the only one in Australia, and probably one that will be of the equal of that of Kentucky in the United States. That is the centre piece of a new racecourse that has been completed in the last couple of years. You are looking at a \$7 million construction. A new TAFE college has really developed on the basis of integrating with the equine industry, and fundamentally has rural-based studies.

There are other inter-related industries, such as veterinary clinics. We have one of the largest veterinary practices in Scone, having something like 10,000 brood mares on its books. I am trying to give you an overview of the scene in the Upper Hunter. It attracts significant industry, significant research, and significant commercialism. Of course, we are talking of industries that are international.

I listened to the submission of Paul Rees in relation to the importance of Kingsford Smith airport to the Upper Hunter. From that description, you can get a feel for the fact that there are a significant number of international business people in particular who travel into the Upper Hunter and need a very quick interchange by way of moving from international flights to regional flights. Likewise, they turn around and pretty well fly straight out again. These people are just moving internationally. They probably spend more time on international aircraft than they do on the ground. So the retention of Kingsford Smith airport, to the Upper Hunter, is of enormous importance and significance to us.

Landing fees, of course is an issue for us. It is important to the traveller. In fact, we were a little concerned to learn of a possible substantial increase in landing fees that were likely to affect the cost of air transport. To give an example as far as Scone is concerned, the impact would escalate the price of a ticket, which is not cheap by any standards, by something like \$25 to \$30.

That has an impact, not so much on the business fraternity here which might be able to afford that, but again I raise the importance of airline commuting from the Upper Hunter. We are something like 3 hours out of Scone, and as you come down you probably decrease that by about half an hour when you move into places like Muswellbrook and

Singleton. What I am saying is that there is a sector of the community that we have identified as relying heavily on air transport within our catchment—and again I am talking of a population of around 50,000 people—and particularly aged people and people requiring medical attention.

It was quite surprising to learn of the number of people who utilise the aircraft out of Scone for the purpose of medication attention in Sydney. These are people who might be going down to Sydney for treatment for heart problems, for instance, and the distance and the time to travel by car serves as a severe inconvenience to them. So, for those in a remote area, air transport becomes extremely important.

When we are talking about the cost of tickets and the impact of costs on the operator, another concern is raised with us inasmuch as, apart from the impost on ticketing, we are concerned that it could have a flow-on effect in two areas. One relates to the operators of the airport. Singleton, Scone and of course Maitland have airports that are maintained by the local community. From time to time—and I do not think it is a case in isolation—air operators find it difficult to balance their books. We have had a need to bail out, in a sense, Yanda Airlines, which had accrued outstanding landing fees with the Scone Shire Council.

We see the possibility of any increase subsequently leading to further subsidisation of air services on routes where we would be keen to retain an operator, but might find it necessary to put to the community a strong argument that it might be difficult to maintain the service because of escalating costs. Currently, the Yanda service and most of the other operators operating into our airport, are meeting their landing fees, so that we do not have any outstanding fees in that regard.

The other question that concerns us relates to air safety. To some degree, we are watchful of the standard of operation, and, particularly in recent times, when we hear of the unfortunate incidents relating to small aircraft. We have small aircraft predominantly operating into Scone, of course. It is of concern that any escalation in costs could lead to pressures being put on operators such that that might in turn lead to a decrease in the servicing of their aircraft.

One other interesting point that I heard Paul Rees mention related to the time slots into Kingsford Smith airport, or the actual slots allocated to the airlines. We put forward an interesting scenario in that regard. That is that we feel that those slots might better be allocated to the region, rather than to an airline. In saying that, we put the argument that we have a concern that there may be a possibility that this slot could be on-sold by an operator, resulting in a service being lost to the region and to the local airport. I think that just above covers the matters I wish to speak about.

**The Hon. I. COHEN:** Mr Gaudry, in the Hunter area I wonder whether it would be reasonable to say that, big airport or no big airport, the competition from road, rail and the marginal advantages of flying, is a question that is very difficult to deal with. You have referred to the types of services that you provide for those in the equine industry and for those who need to travel to Sydney for medical purposes.

**Mr GAUDRY:** That is fair comment. We are at the top end of the valley, and we are 3 hours out of Sydney.

**The Hon. I. COHEN:** That is 3 by road from this end of Sydney. Is that so?

**Mr GAUDRY:** I think that would be fairly accurate, yes.

**The Hon. I. COHEN:** I would imagine the average drive to Scone airport might take 20 minutes. What are we dealing with in terms of a flight time to Kingsford Smith airport?

**Mr GAUDRY:** The current service is a milk run: it drops into Singleton and also into Maitland. That might take

1 hour. So you are probably looking at a 50 per cent saving in time. As you come down the valley, people would ask the question whether it would be in their interests to drive to Scone and catch an aircraft back into the city. But, as I said, the importance of a service is for the people in our end in particular, probably that area west and north-west of Muswellbrook in particular. That is the area that is really expanding as far as major industry is concerned. That is the area where the major studs are. That is the remote area that requires that service for the aged and for medical purposes.

**The Hon. I. COHEN:** What are the road surfaces like in the area?

**Mr GAUDRY:** The New England Highway cuts down through the valley. Out of Cessnock it is the motorway. From there, I would regard the road as being of good quality.

**The Hon. I. COHEN:** Do you see any measures that the government could implement to ensure that the services are maintained? There has been some talk about subsidies.

**Mr GAUDRY:** No, I do not think that is necessarily the answer. We are concerned about the impact of deregulation. We think that that could well put excessive pressure on the smaller operators. We think that where there is a patronage of less than 30,000 per annum should remain regulated. Otherwise, I am sure that could lead to the exertion of excessive financial pressure on the smaller operators, and instead of having two in competition you might end up with zero operators. I think I could speak on behalf of our council when I say that the council does not see that as the answer. If operators and businesses cannot stand on their own two feet, well they really do not have a future.

**The Hon. J. R. JOHNSON:** Mr Gaudry, what is your major concern?

**Mr GAUDRY:** There are probably two. The operation of the air service into Kingsford Smith airport is number one. We see that as terribly important. The other is the cost pressures on the operator, particularly in regard to national landing fees that might lead to an escalation on fees and put pressure on the airline to either cease its activities or, on the other hand, lead to a subsidisation by the local community to maintain that service, or likewise put pressure on the operator in relation to the maintenance of the aircraft, and therefore bring into issue the matter of safety.

**The Hon. J. R. JOHNSON:** As an affiliate of the Hunter Region Organisation of Councils, can you tell us what charges are placed on the operators in those areas?

**Mr GAUDRY:** Each of the councils would maintain and conduct its own airport and would effect a landing charge on the operator.

**The Hon. J. R. JOHNSON:** I wanted to know what the charges are.

**Mr GAUDRY:** I am not certain what they might be.

**The Hon. J. R. JOHNSON:** Could you get that information for us?

**Mr GAUDRY:** Yes. Paul Rees might have provided that to you in his submission.

**CHAIRMAN:** If you have a management plan for the future of the airport, you might submit that to the Committee.

**Mr GAUDRY:** Right.

**The Hon. J. R. JOHNSON:** Are you satisfied with the services that you are now getting?

**Mr GAUDRY:** We are very happy with the service. We have a twice-daily service. The time slots are most appropriate. The community is very happy with the level of that service.

**The Hon. J. R. JOHNSON:** That is the service from where?

**Mr GAUDRY:** Those are Yanda services, and they operate out of Sydney to Scone through to Singleton and also Maitland as the demand dictates.

**The Hon. J. R. JOHNSON:** In regard to new developments in the area, have they affected other industries like the new Bengalla mine?

**Mr GAUDRY:** Of course, they have a flow-on effect. They do bring in service industries with them. The mining industry throughout the Upper Hunter certainly has tangible flow-on effects throughout the community. Even at the community level, we see that the work force has escalated as a direct result of mining, and that will have a flow-on into transport and other service industries, and that ultimately leads to a flow-on into shops and into schools and hospitals. So those industries are particularly important to the growth, development and prosperity of the Upper Hunter.

**The Hon. J. R. JOHNSON:** May you continue to grow.

**Mr GAUDRY:** We hope so. It is doing just that now.

**The Hon. J. GARDINER:** Mr Gaudry, you mentioned the significant number of people using the Yanda service for medical purposes. Do you know, and if you do not could you find out, the proportion of passengers who indicate that they need to use the airline to get those services?

**Mr GAUDRY:** I will endeavour to do that. As I said, we have got some anecdotal evidence from people with whom we have come in contact on the question of air services. As a result of the Federal government inquiries into the maintenance of smaller airlines, at one stage Yanda got a wrap over the knuckles and was in the headlines. At that particular point of time there were a number of elderly people who raised concern with the mayor about the fact that they might lose the air service out of Scone. It was then obvious that they used it for specifically the purpose of medical appointments and could not drive the distance; it was just too far and took too much time, and that this was one service that they could enjoy.

**The Hon. J. GARDINER:** You mentioned that some time ago the council had to "bail out" Yanda Airlines regarding landing fees and so on. Could you indicate how much money was involved and when that was?

**Mr GAUDRY:** Yes, it was roughly two years ago, and there was about \$3,600 that had accrued in outstanding landing fees that the company did have some difficulty in paying. That had accrued over a period of time—probably 18 months to two years—and the council was reluctant to put pressure on the company. It had constant discussions with the company as to how it might make arrangements to offset the debt. The long and short of it was that the indications were that they were finding it difficult, and their argument was persuasive enough to convince the council that the best solution in the circumstances was to write the amount off.

**The Hon. J. GARDINER:** Was that a situation that was replicated in other councils? Did they have to do the same?

**Mr GAUDRY:** I cannot really speak for other councils. Interestingly, I did note that in the crash of Tamair, at

Gunnedah there was a considerable sum of money that was outstanding for landing fees. In my past experience I was the Town Clerk at Grafton, and in my day we had some trouble with East West Airlines. So I would think that it would go without saying that the indications are that a lot of shire councils or country councils that manage airports would be running those airports at a considerable loss.

Until the Local Government Act changed recently to allow councils an easy path to collect their fees, it had been very difficult for the councils to collect their money. I think that there were a lot of councils that had considerable sums of money outstanding in landing fees, not only from the commercial carriers but from other users of their airports who just fly in and fly out again and pay no landing fees.

**The Hon. J. GARDINER:** Hence your caution about the idea of the local communities paying any subsidy.

**Mr GAUDRY:** That is exactly right. I am sure, from my past experience, that the same would apply in another area anyway. There was always grave concern about the cost to the community of maintaining an airport. They are very costly. In our case, as I said, it is \$60,000. Just to reseal out tarmac costs about \$50,000, and we have to do that every five years. Certainly, it is a public service in a sense. I think it has reached the level that people in the community are saying, "How much can we afford. How much should we pay for that service, important as it might be?"

**CHAIRMAN:** From the Hunter perspective and not just the perspective of Scone, what impact would deregulation of intrastate services have on the services within the ambit of the Hunter Region Organisation of Councils? Is there any impact apart from what you have already referred to?

**Mr GAUDRY:** Not really, because the service into Scone is by Yanda, and you might say that that is the regional airline. It services Maitland and Cessnock. Down here, of course, they have Aeropelican and Impulse standing alone. To our understanding, they do not have the same pressures as a small airline might have. Our concern, as I have indicated, is that deregulation of those carriers moving less than 30,000 could put such financial pressure on them that they could well go to the wall.

**CHAIRMAN:** Has the slot system aided the Hunter community?

**Mr GAUDRY:** I think it is pretty much the same throughout. We would be interested in whether that slot can be allocated to a regional airline or not, and whether it would encourage another operator to come in, rather than have an operator who might have to off-sell it and so leave the region without a slot.

**CHAIRMAN:** Is there any problem with restrictions on landings at the Williamstown Air Force base?

**Mr GAUDRY:** I honestly do not know.

**CHAIRMAN:** We may well ask the next people to give evidence.

**Mr GAUDRY:** I just do not have knowledge other than what I hear second-hand, and I would not be prepared to repeat that.

**CHAIRMAN:** Thank you for coming along this morning and presenting your case.

**(The witness withdrew)**

**RICHARD JOHN BOMBALL**, Chairman, Newcastle Airport Limited, and

**MALCOLM ALEXANDER (SANDY) WHITE**, Manager, Newcastle Airport Limited; sworn and examined:

**CHAIRMAN:** Air Vice-Marshal Bomball, in what capacity are you appearing before the Committee?

**Air Vice-Marshal BOMBALL:** As Chairman of the Newcastle Airport Limited.

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

**Air Vice-Marshal BOMBALL:** I did.

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

**Air Vice-Marshal BOMBALL:** I am.

**CHAIRMAN:** Would you like the submission that you have provided to be taken as part of your sworn evidence?

**Air Vice-Marshal BOMBALL:** Yes, indeed.

**CHAIRMAN:** Sandy, what is your full name?

**Mr WHITE:** My full name is Malcolm Alexander White, but I am known as Sandy.

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

**Mr WHITE:** As Airport Manager, Newcastle Airport Limited.

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

**Mr WHITE:** Yes.

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

**Mr WHITE:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Air Vice-Marshal, you might like to give a brief summary before the members of the Committee ask questions.

**Air Vice-Marshal BOMBALL:** Thank you, Mr Chairman. As our submission indicates, there are really three issues that we wish to deal with: the first is pricing, the second is slot control, and the third is deregulation. The last two of those are very much inter-related.

In terms of pricing, Newcastle-Sydney is a very short route. It is dominated by the end cost, particularly at the Sydney

end for the airlines, and it is a route that is subsidised by the parent airline, mainly Qantas. I will come back to that when I talk about the operators on the route. It is therefore vulnerable, in that sense, to whatever happens in Sydney in terms of shoulder pricing or lifting landing costs across the whole day.

The important consideration as far as slots is concerned is that unfortunately, contrary to how the concept began, where the slots would be community-specific and tied to the various communities throughout the State, they have become airline specific. That means that, should an airline choose to move from a region, it can take its slots with it.

Coupling that with deregulation, in a sense the Newcastle-Sydney route already has been de-regulated, because we have Eastern Airlines—by far the most dominant operator at about 40,000 a year, and they are a Qantas-related airline; and we have Impulse Airlines, whose traffic is almost insignificant because Ansett, to which it is affiliated, of course is the owner and operator of Belmont airport, and most of its traffic is directed through Belmont. So Eastern is by far the most important operator for us.

Eastern is rationalising its fleet to Dash-8 aircraft, which are 36-seaters. They currently operate 18-seat Jetstream aircraft on the Newcastle-Sydney route. The fear that we have is that 36-seater aircraft are too much to sustain on that route, at least currently, and the worry we have is that once they have rationalised the temptation will be there, when deregulation allows, to transfer the slots on the Newcastle route to another, more profitable route.

In fairness, we have had some very detailed talks with Eastern, and they have assured us that in some way they will retain a presence on the Newcastle route, maybe with a smaller affiliated operator, or in some way. But, given that—and we accept that in good faith—I think that the fear remains that what the airline wants to do is totally out of the region's control. Hypothetically, for example, if Ansett's operations out of Belmont tempted them to take the eight or so slots they have per day out of Belmont and use those with bigger aircraft somewhere else—which they could do under the system, although there is no suggestion that they will but the possibility is there—then, the way the system is being set up, that could expose the Newcastle area to having no routes to Sydney whatsoever. As I say, those sorts of things are hypothetical, and the airlines have given us assurances, but the situation is out of Newcastle region's control the way the current proposals are moving.

**CHAIRMAN:** Sandy, did you want to add anything?

**Mr WHITE:** No. I think that encapsulates it.

**The Hon. J. R. JOHNSON:** Gentlemen, what is your major concern?

**Air Vice-Marshal BOMBALL:** Our major concern is that an airline can take its slots to a more profitable route, or for other reasons decide not to fly the route, and then Newcastle would lose air access to Sydney.

**The Hon. J. R. JOHNSON:** Do you have a solution to that sort of scenario?

**Air Vice-Marshal BOMBALL:** As I say, it is a hypothetical position. Eastern, which is our main operating airline on that route, has assured us that they will retain a presence. But, whilst that assurance no doubt has been given in good faith, there can be no guarantees.

**The Hon. J. R. JOHNSON:** Would you prefer to see the slots allocated to you as indigenous operators for your airport, as distinct from the airlines having the slots allocated to them?

**Air Vice-Marshal BOMBALL:** Or a compromise. The airlines obviously need a level of guarantee if they are going to invest in a route and a region, and all the other things that go with that, such as facilities. Maybe a compromise would be to have a consultative process, operated by the Air Transport Council or some such body, that

requires that there has to be consultation between the region, the airline and whatever the appropriate authority is before slots could be moved willy-nilly out of a region.

**The Hon. J. R. JOHNSON:** What are the fares between Sydney and your airport?

**Mr WHITE:** I am struggling to remember, there are so many of them.

**The Hon. J. R. JOHNSON:** What is the highest one?

**Mr WHITE:** Offhand, I cannot tell you, but it is several hundred dollars.

**CHAIRMAN:** You might take that question on notice and write to the Committee.

**The Hon. J. R. JOHNSON:** If, per chance, a GST was applied to that, do you think that would have an effect on traffic?

**Mr WHITE:** The level of fare always affects your passenger demand.

**Air Vice-Marshal BOMBALL:** If I could add that, in our case, and I think in the case of most airports throughout the State, the level of business traffic is somewhere in the order of 80-plus per cent, so that perhaps it would have an effect on the private traveller more than the business traveller.

**Mr WHITE:** That is correct.

**The Hon. J. R. JOHNSON:** The 20 per cent is the cream though, is it not?

**Air Vice-Marshal BOMBALL:** Yes indeed.

**The Hon. J. R. JOHNSON:** Without the 20 per cent, there is no profit.

**Air Vice-Marshal BOMBALL:** Yes. They are very low-yielding passengers generally.

**The Hon. J. GARDINER:** You said that Eastern has about 40,000 passengers. Could you give an indication of the total number in and out?

**Air Vice-Marshal BOMBALL:** Out of Newcastle?

**The Hon. J. GARDINER:** Yes.

**Air Vice-Marshal BOMBALL:** It is 140,000.

**Mr WHITE:** Maybe, as well as providing ticket price evidence, we could give you passenger statistics as well.

**CHAIRMAN:** Thank you.

**The Hon. J. GARDINER:** If there is any information about the breakdown in terms of business passengers and private passengers and tourists.

**Mr WHITE:** That is not available. It is hearsay. It is market information.

**The Hon. J. GARDINER:** You suggested a possible compromise on the shifting of slots, and that there perhaps could be some sort of regulation put in place so that there must be consultation before a slot is moved. Have you had the opportunity to put that up as an option to IPART or to any other authority? If so, what has been the response?

**Air Vice-Marshal BOMBALL:** Not to IPART.

**Mr WHITE:** Not to any formal body. It is an opinion that we have formed.

**Air Vice-Marshal BOMBALL:** The issue of slots really came up after deregulation. We have, in discussions with the Department of Transport, put that position. But there really has not been an opportunity in this sort of context to put it formally.

**Mr WHITE:** Deregulation, on its own, does not provide such a great threat to Newcastle airport as deregulation and slots into Sydney. We, if you like, were less concerned earlier, until the slots came in; and then, seeing what happened in the United States experience, those slots take on almost a cash value, and the services shift them around between destinations to maximise the income, I guess.

**The Hon. J. GARDINER:** In terms of the slots at Kingsford Smith airport, from your point of view, how has the system operated thus far? Apart from the value, in terms of efficiency and so on, how do you think it is going?

**Mr WHITE:** We have maintained the same number of movements. There has been no cut in traffic to Sydney. When it first came in—and whether this was tied with an ATC change as well I do not know—there were delays of aircraft in and out of Sydney. Rumour would tell you still that those delays are higher now than before the slots came in, but I could not say I would agree with that. Certainly, when they first came in, the aircraft were delayed. But, to my mind, that question has gone away.

**The Hon. J. GARDINER:** Most of the evidence that this Committee has received seems to be to the effect that the delays have improved.

**Mr WHITE:** It depends whom you speak to, but I cannot say that there is a problem now, certainly not as far as Newcastle airport is concerned.

**The Hon. I. COHEN:** You mentioned that there are 140,000 passengers out of Newcastle. Perhaps you could take this question on notice, but could you indicate how many of those passengers are actually going to Sydney to transit out using an international airport?

**Air Vice-Marshal BOMBALL:** We cannot because the airlines hold those figures fairly closely. But, anecdotally, we believe that probably 65 to 70 per cent are on-carriage passengers. That is of the 40,000 flying to Sydney. The 140,000 was the number of total passengers out of Newcastle to Brisbane and all the other routes. But, of the 40,000 who fly to Sydney, Eastern has indicated to us at times that it is in the order of 60 per cent on-carriage.

**Mr WHITE:** Might I also point out that when we say 140,000 passengers, we mean in and out of the airport. So, in simple terms, that is 70,000 in and 70,000 out. So the 40,000 on the Sydney route, again in simple terms, would be 20,000 out and 20,000 coming back.

**The Hon. I. COHEN:** So it is a relatively small route that is competing with road and rail, et cetera. Just on a rough guesstimate of times getting to Sydney, we are looking at about 1 hours, if you include getting to the airport and so on, and that is not including the limited number of flights. That has to be weighed up against about two hours for a fast train or three hours for a slow train and about 1 hours by car. That really does negate the effectiveness of that

particular run, would you not agree?

**Mr WHITE:** The importance to the passenger of being able to fly from Newcastle to Sydney is, as my Chairman has said, the ability to on-carriage to other destinations. So you buy a Qantas ticket and you fly from Newcastle to Sydney, and then on to Adelaide or Los Angeles, or wherever. That is important to many passengers. Certainly, visitors do not have a car and cannot make that run. So we are detecting a slight increase in the number of passengers with large baggage who are going overseas or whatever. There is also the desire of the passengers, especially if somebody else is paying for the ticket, to gain as many Frequent Flier points as possible. That has a definite bearing on where you fly from.

**Air Vice-Marshal BOMBALL:** The other point is that the domestic and business passenger seeking on-carriage to Melbourne, Canberra and other domestic destinations can probably get there and back in a day if he flies and has a 30-minute transfer in Sydney, as opposed to actually having to drive from Newcastle to Sydney, or train it, and then get back. That is one of the reasons that there is a very high percentage of business travellers from Newcastle.

**CHAIRMAN:** That will improve when you get the eight-minute train trip from Kingsford Smith airport to Sydney.

**Air Vice-Marshal BOMBALL:** Yes. People go to Sydney for two main reasons. In the main, it is either to transfer to another aeroplane for on-carriage, or to do business in the central business district of Sydney. That latter one is the one that we have to compete against in the context that you spoke about. But, for the on-carriage people, notwithstanding that it is so close in terms of time, it is competitive for the business traveller who wants to go to Melbourne in a day.

**The Hon. I. COHEN:** Air Vice-Marshal, since you last appeared before this Committee on another inquiry, has Newcastle become any more of a hub in terms of accessing regional airlines?

**Air Vice-Marshal BOMBALL:** Since we last appeared, I think the major development would have been the addition to Sunstate Airlines on the northern route. I am not sure whether that happened before or after.

**Mr WHITE:** It was before.

**Air Vice-Marshal BOMBALL:** So, probably, there have not been any major developments other than the consolidation of the routes that we already operate.

**The Hon. I. COHEN:** Given my position as a Green member of the upper House, I dream about more effective public transport, such as quicker rail services, fast rail and that type of thing, to really get mass movements of people between the Hunter and Sydney. I said to an earlier witness that it is almost as if we will have a bigger aircraft or no aircraft. Would either of you agree with that, or is that pie in the sky?

**Air Vice-Marshal BOMBALL:** I cannot really follow the logic. I mean, no route exists unless there is demand for it. Even in the Sydney route, obviously we have got to compete with road and rail and other transport means. But there is the number. I am not sure how you get to the bigger aircraft or no aircraft scenario.

**The Hon. I. COHEN:** Looking at an international airport in this area, or an airport in some way taking over some of the traffic from Kingsford Smith airport.

**Air Vice-Marshal BOMBALL:** Could I repeat one thing that I said earlier. There are two main reasons that people go to Sydney. One is the on-carriage route, and that is of particular importance in the international context. The other is to do business in the central business district. It is very difficult to see a second Sydney airport that does not

cater for those two requirements, and that means that if people are going to on-carriage domestically they do not want to be coming to places like Newcastle and then have a long trip to Sydney. If they are going internationally, they want to go to where the international aircraft will fly from. It would be very difficult to see a major international airport competing with Sydney. If they want to do business in Sydney, they certainly do not want to come to Newcastle and travel down there.

I find it difficult to see an argument for a second Sydney airport in places like Canberra, Newcastle or those other regional centres. Their role, in my view, is to relieve Sydney and provide the direct routes that we are providing for the people in our catchment area to come to Newcastle airport, fly direct to Melbourne, fly direct to Canberra or Brisbane, which are the routes we have provided. That has been the secret of our growth from 56,000 to 140,000 passengers in five years.

**The Hon. I. COHEN:** So you are saying that they are actually hubbing and spoking away from Sydney?

**Air Vice-Marshal BOMBALL:** Yes, absolutely.

**The Hon. I. COHEN:** So you are building up a regional base here to facilitate your country areas?

**Air Vice-Marshal BOMBALL:** Yes.

**The Hon. I. COHEN:** We have previous evidence of major problems. I was wondering if you had any ideas for the Committee in terms of shortcomings of the present hubbing and spoking system.

**Air Vice-Marshal BOMBALL:** I think a statistic that is a very telling one is that regional movements into Sydney account for 30 per cent of their traffic, for 6 per cent of their passengers. That is a very high impost on a regional movement of 14 or 15 passengers.

**CHAIRMAN:** But they all vote in Australia.

**Air Vice-Marshal BOMBALL:** Yes, they do.

**The Hon. I. COHEN:** Some are living under the aircraft corridors, and that is the problem.

**Air Vice-Marshal BOMBALL:** Somehow we need to come up with an answer that guarantees access into Sydney for the regional traveller who wants to get on his international aeroplane or do business in Sydney. But, at the same time, we have to accommodate those people who do not want to do business in Sydney but have to travel there in order to go to Melbourne, Brisbane or somewhere else. That is really what we are trying to do, and, in conjunction with Impulse Airlines, it has been a very successful tactic. Our direct route to Melbourne and our direct route to Canberra, as well as the direct routes to Brisbane, are plied by either Sunstate or Impulse. That has had a very warm reception from regional travellers.

**The Hon. I. COHEN:** Is there a time saving as well as a cost saving?

**Air Vice-Marshal BOMBALL:** Certainly a time saving, but it is not a great cost saving, because the regional airlines have difficulty competing with the high-volume trunk routes that the major airlines ply between capital cities. That is why I think the major airlines have a dilemma in that they want to encourage people into Sydney, but on the other hand they do not like seeing the regional aircraft taking up the traffic space. So they are a bit schizophrenic on the sort of concept that we are pushing out of Newcastle.

**The Hon. I. COHEN:** Could there be a reasonable argument that you can relieve Sydney of some of this air traffic, and diminishing slightly the big hub down there and having many other benefits to the community, by seeking some

subsidy or cost relief in terms of landing fees and such like by the use of a regional airport and avoiding Sydney? Is that a reasonable argument?

**Mr WHITE:** Could I come back to the very question you asked before I answer that question?

**The Hon. I. COHEN:** Yes.

**Mr WHITE:** You asked whether a bigger airport or no airport be the better option. My answer, in this town, would be that one airport rather than two airports would be the better option. Then you discussed hubbing and spoking, and we discussed the direct routes. The direct route to Melbourne is not a hubbing and spoking exercise. I believe we do have a small amount of hubbing going on through the airport at the moment, but it is not large.

Philosophical debate still goes on as to whether you could build hubs outside Sydney. Sydney is so big that that is where all the action is, and for the airlines that is where their financially efficient hub would be. You would have to offer other benefits or other financial benefits to build a Sydney kind of hub either in Newcastle, or Canberra, or wherever it is offered. Certainly, it will happen, and it will have an effect on Sydney, but I do not think you can talk about going any way towards solving the Sydney problem by just expecting the airlines on their own to hub out of Newcastle.

Newcastle airport has got a significant catchment area. It has got the Hunter Valley, which is about 600,000 in population. The central coast would take the total catchment area up to a million or just over a million. That is about what we would serve; we would serve a region with a catchment area of that magnitude. That would define the kind of airport we would aspire to be and the kind of traffic that we would aim to have.

**CHAIRMAN:** Surely the current regulatory system has effectively added a hubbing and spoking system to some degree by promoting the rise of Impulse.

**Mr WHITE:** Yes.

**CHAIRMAN:** The people of Coffs Harbour and Port Macquarie, and all those people who fly to Newcastle and want to go to Melbourne or Canberra will no longer have to go to Sydney because they have an option.

**Mr WHITE:** There is that option. I am not sure how big that number of traffic is. As my Chairman said before, there is a slight cost disadvantage still in using Newcastle airport.

**The Hon. I. COHEN:** Do you mean a cost disadvantage for the operator or for the passenger?

**Mr WHITE:** For the passenger. The fares are higher. Unless it is a specific timing thing, which is what we are stressing by saying that you can be to Melbourne and back if you go direct, and things like that, you would probably get the cheaper fares through Sydney and, as a passenger, that is the course you are going to follow.

**The Hon. I. COHEN:** I asked before about any concepts to create greater efficiency, because if I am at Ballina, where I happen to live, and I want to get to the Hunter, I either have to drive to Coffs Harbour to get a flight to Newcastle, or else I have to fly from Ballina to Sydney and then fly back up to Newcastle. To me, that is not only madness but, as you know, the Committee has been to the Hunter some 19 times and we are all arguing about a medical centre and offering all sorts of support systems for the lower north coast and even up to the north coast. I wonder whether there are other ways of perceiving this hubbing effect, because again I get back to an issue that may not have to do with the economics of the airline but is to do with the issue of alleviating Sydney air traffic and the great issues associated with the debate on where we can put another airport in Sydney.

**Mr WHITE:** The answer as to why there is not a route Ballina-Newcastle is that there are not enough people who want to fly that route to justify an airline flying it.

**The Hon. I. COHEN:** But, what if you had a bit of a milk run?

**Mr WHITE:** It is available now.

**The Hon. I. COHEN:** It is not available to Ballina.

**Mr WHITE:** No. The option is available to an airline to fly the route now, if an airline wanted to fly the route.

**CHAIRMAN:** There is no regulation on those flights.

**Mr WHITE:** Or even if there were, if nobody else is flying that route and an airline wanted to take that chance, I am fairly certain that it could move in and fly that route. But there is just not the demand at the moment. Consequently, if you want to fly, you have to fly where the aircraft go.

**Air Vice-Marshal BOMBALL:** The difficulty really comes back to decentralisation in a sense. Somebody operating out of Dubbo or Ballina, or wherever, might have a 20-seat aeroplane. Of those passengers, there might be five who want to get on an international flight and go somewhere else, and there may be five who want to do business in the central business district of Sydney, and the other ten might want to go to Melbourne, Brisbane or somewhere else. To split that load and send them to the other destinations is very difficult, so that really the only commercial option is for the operator to say, "We are going to go to Sydney, and those of you who want on-carriage domestically will have to go that way."

I guess what has been fortunate for us here is the size of our catchment area, as Sandy just mentioned, and the fact that we have got probably three-quarters of a million from the mid-north coast and throughout the Hunter. We advertise we have been advertising fairly strongly this year, for example, on the mid north coast, to say, "Hey, you don't have to drive south to Sydney, pay to park your car, and do all those things, if you want to go to Brisbane. Come north to us and we will take you there direct." So, in that sense, we think we have a role in alleviating Sydney. I believe Canberra is another prime example. It has got routes to Melbourne and Brisbane, and a couple to Adelaide, but not many. That is the sort of thing that major regional hubs can do, but the scope is limited and ultimately that will not solve the totality of their problems.

**The Hon. J. R. JOHNSON:** Has your advertising campaign had an effect?

**Air Vice-Marshal BOMBALL:** Yes.

**Mr WHITE:** Yes.

**The Hon. J. R. JOHNSON:** To what extent?

**Air Vice-Marshal BOMBALL:** If I could give you one more observation. You were talking about alleviating Sydney. When the Federal government was talking about Badgerys Creek and forcing regionals out of Sydney into Badgerys Creek, there was no talk in the early days of any high-speed transit system that would get passengers from one airport to the other. If you look at the map of Sydney, there is a rail corridor that goes almost to Bankstown; it passes about a mile and a half south of Bankstown. Again, regional airlines are still terrified about being pushed out of Sydney and into Bankstown. There is more talk of that.

If somebody bit the bullet and said, "Right, we are going to provide a very high speed transit system and a good terminal at Bankstown, and put the regional operators into Bankstown, and guarantee you 10-minute transit to

Mascot, or 20-minute transit into the central business district," then I think the regions might start saying, "yes, that's not such a bad idea." But nobody puts the two together. But we have got a little bit away from deregulation.

**The Hon. J. GARDINER:** In terms of filling in the picture of the market, you mentioned the central coast.

**Mr WHITE:** Yes.

**The Hon. J. GARDINER:** Is that a growing proportion who would go north, rather than getting on the freeway and going straight to Mascot?

**Mr WHITE:** The central coast is, yes. I hope the central is a growing market. The catchment area is never stable, and from my point of view I hope it is widening all the time. We have done some surveys—one in the Hunter Valley—which showed that there was 97 per cent recognition of the Newcastle airport as being their airport, and that was following a sizeable amount of advertising. We did a similar survey in the central coast area, and there were 60 per cent recognition. So we have just recently concluded an amount of advertising in the central coast.

I cannot recall the figures, but, just looking at the way in which our traffic has grown, with the first bout of advertising in the Hunter area you can see a definite step up in the traffic. We advertised on the central coast, and although it has been only one or two months now you can see an even more marked influence on the way that the traffic has simply stepped up.

It would be my hope now to move down into the central coast area. One of the things we say—whether it is true or not I do not know—is that it is 60 minutes drive from the central coast to Newcastle airport, and 60 sets of traffic lights from the central coast to Mascot. I believe that eventually we could drive the catchment out and pick up Hornsby.

**The Hon. J. GARDINER:** Following on from the Committee's Hunter region business and jobs inquiry, there was evidence given to the Committee about the computer reservation systems. Has there been any improvement in the system since we were last here?

**Mr WHITE:** It is still the same. I think we have met once with Ansett, but there has been no progress so far. I think that is going to be the story from now on.

**The Hon. J. GARDINER:** So you might like us to mention that again in this report.

**Air Vice-Marshal BOMBALL:** That would be helpful.

**CHAIRMAN:** What are the landing fees at Newcastle airport?

**Mr WHITE:** It is \$5 per landed tonne, and \$5 per passenger.

**CHAIRMAN:** Is that both, or either/or?

**Mr WHITE:** You pay for the aircraft and the passenger.

**CHAIRMAN:** You mentioned about the British experience of slots being allocated to airlines and the consequence of the high cash value of the slots. You said that that was to the detriment of the communities.

**Mr WHITE:** That is correct.

**CHAIRMAN:** Are you aware of a slots system under which the slots are allocated to communities rather than to airlines?

**Mr WHITE:** There generally have been two airlines. You mentioned the British experience there. I think the more extreme experience is the United States experience, where the slots have massive cash values, to the extent that finance houses now buy airlines and trade the slots as a commodity. It is quite an interesting subject. We are talking about a million-plus dollars.

**CHAIRMAN:** Are you aware of any communities in which the system goes the other way, in other words, where the slots are allocated to the communities?

**Mr WHITE:** There is one, and I cannot remember it. I used to study this subject as part of my PhD.

**CHAIRMAN:** You might take the question on notice and, if you find that information, would you let us know. We intend to make an interim report soon.

**Mr WHITE:** I will have to read all my notes.

**CHAIRMAN:** Any information on the position with overseas slots, or any of that sort of information, we would be very appreciative of.

**Mr WHITE:** What I have got, and what I could offer immediately, is that when I was studying I wrote a series of papers on the theoretical and how it was supplied in other countries. Maybe I could offer those as a starting point.

**CHAIRMAN:** Excellent. I have a couple of questions to do with the Newcastle airport. There was a problem surfaced just recently about the slots at Newcastle airport.

**Air Vice-Marshal BOMBALL:** There have been reported problems. When the council leased the airport five years ago there was a requirement in the lease that we re-negotiate the operating agreement. It took us a little while to get around to that, with all sorts of other things going on, but that negotiation has been going on over the last year. The original joint user agreement was 20 years old, and it had figures like four to six movements an hour, and that sort of thing.

Obviously, we have to operate in very close co-operation with the Air Force. Recently we had got to the point of an interim agreement that would give us six landings an hour. They are not concerned about take-offs because an aircraft can sit there and slot in whenever it has to, recognising that it might have to wait some time. But that effectively doubles our movements on the old scale.

**CHAIRMAN:** Does it match what is actually happening?

**Air Vice-Marshal BOMBALL:** Yes.

**Mr WHITE:** That is how we schedule now.

**Air Vice-Marshal BOMBALL:** We have just had a strategic planning exercise done. We believe that for the possible role of Newcastle airport, which is always going to be limited to basically a regional and domestic feeder, that that is going to cope with the foreseen requirements of the airport. You have got to recognise that talk of a second Sydney airport, and of unrestricted international operations out of Williamstown simply are not feasible unless the Federal government decides to change the role and move the Air Force, or whatever. Now, that is totally out of the

control of the community. So there is a finite limit on what Newcastle airport can do. But we believe that, with the interim agreement that we have struck—and it is interim because, obviously, it has got to be agreed by the Air Force office—the current arrangements are adequate and are operating very well.

**CHAIRMAN:** You have some grant applications in for the upgrade of airport services. I understand that Bob Baldwin has suggested that there should not be any Federal money going into the airport.

**Air Vice-Marshal BOMBALL:** We understand that also, and we have got Mr Baldwin coming to a board meeting today to discuss that issue with him. I believe he came to that conclusion based on the old joint user agreement. In fact, things have travelled along in the last couple of months on that score, to the point that I have just indicated. In fact, we hope to convince him today that he is wrong. The other aspect of that is that we are really talking about funding for the aircraft apron. That aircraft apron is not just a factor in allowing our current operating airlines, for example, to upgrade to larger aircraft in the longer term, but it is a major factor in some industrial prospects such as the assembly and production of airborne early warning aircraft and that sort of thing. They want us to have that sort of opening there. So, potentially, it is a catalyst in projects accounting for 400 or 500 jobs. So it is really about jobs, and not so much about air traffic.

**CHAIRMAN:** I have a couple of other questions that you might take on notice. You obviously would have a management plan that would have some projections for years to come, and it is probably a public document. Could you send a copy of that along to the Committee?

**Mr WHITE:** We are just about to go into a period of public consultation on those very issues. So, when it is published in a short period of time, we will send you a copy of the whole thing.

**CHAIRMAN:** The other matter is the charter of user rights. It was suggested at the country summit that perhaps a charter of user rights should enshrine continued access to Kingsford Smith airport. Other regional airports have suggested that that is probably not good enough, and that there needs to be Federal legislation as well because the Federal Airport Act guarantees affordable access for international flights and interstate flights but it does not guarantee access for residents of this State. Do you have a comment on either of those two options or any other options?

**Air Vice-Marshal BOMBALL:** It is nothing that we have talked about, but my personal view is that if there was an adequate alternative, then economically, because of the figures that I have mentioned 30 per cent of movements and 6 per cent of the traffic I think there has got to be a better solution. The only one that I can think of is a high-speed transit link to somewhere like Bankstown that meets the requirements of regional airlines and freed up Sydney for really what it is designed for.

Now, if that sort of solution was acceptable to the regions and was possible, then I think it might be a mistake to enshrine regional access in legislation. But that is very much a personal view, and I know that it is one that is not shared by the regions. Sandy might have a different comment.

**CHAIRMAN:** Sandy, did you want to make a comment or give a personal view?

**Mr WHITE:** On a personal level, I am not a fan of the Bankstown option, and I hope I keep my job in saying that. At the end of the day, airlines and aircraft only go where passengers want to fly.

**CHAIRMAN:** We asked a company I think called International Aviation, which operates out of Bankstown but of course out of Kingsford Smith airport also, a question something along the lines: Do you have any problems about shifting out to Bankstown? He said, "Yes, passengers. We wouldn't have any."

**Mr WHITE:** Yes. Could I add one point?

**CHAIRMAN:** Yes.

**Mr WHITE:** You asked me earlier how much was the fare to Sydney, and I said several hundred dollars. I will get it right, but, just thinking about it, it is around about \$100.

**CHAIRMAN:** Thank you very much, Sandy, and Air Vice-Marshal, for coming along again to give evidence to the Committee.

**(The witnesses withdrew)**

**(The Committee adjourned)**

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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Sydney on Monday, 7 September, 1998**

—

**The Committee met at 9.30 a.m.**

—

**PRESENT**

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

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**CHRISTOPHER JOHN DOWNY**, Manager, Community and Government Relations, Sydney Airport, sworn, and

**JULIEANNE MARGARET ALROE**, Manager, Aviation Services, Sydney Airports Corporation Limited, affirmed and examined:

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

**Mr DOWNY:** Yes.

**Ms ALROE:** Yes.

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

**Mr DOWNY:** Yes.

**Ms ALROE:** Yes.

**CHAIRMAN:** Have you got any written submissions?

**Mr DOWNY:** Yes, we do Mr Chairman.

**CHAIRMAN:** Anything else you want to table today?

**Mr DOWNY:** We have an opening statement to the Committee. It is an open submission.

**CHAIRMAN:** Do you want that to be taken as part of your sworn evidence?

**Mr DOWNY:** Yes.

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

**Mr DOWNY:** Thank you, Mr Chairman. I will briefly address the Committee and then we are open to any questions that the Committee might wish to ask.

Sydney Airport is the premier international airport and major aviation hub in Australia. In 1997/98 over 21 million passengers used Sydney Airport and there were 280,000 aircraft movements approximately, of which just under 35% were by regional aircraft.

In line with the Government's election commitment Sydney Airport now has a movement cap of 80 movements an hour. The cap was introduced in November 1997 when the Sydney Airport Demand Management Act (1997) was passed by Parliament. This cap is administered by the demand management system or runway slot system covered by regulations under the Act.

The slot system was implemented on 29th March 1998. Slots have been allocated to all airlines currently using Sydney Airport based primarily on the services operating at the same time in 1997. The slot system at Sydney Airport includes a regional ring fence, this means that slots operated by regional airlines cannot be swapped for domestic or international flights. The ring fence ensures that regional slots are effectively quarantined and regional airline access to Sydney Airport is protected. There is also protection for new entrants in that half the unallocated slots each season are kept for new entrants.

For a short time between 07.00 and 08.00 hours each Monday to Friday Sydney Airport is currently scheduled or close to 80 movements an hour, however the peak is relatively brief and there are still slots available at other times of the day for all categories of service. Regional operators hold over 30% of the peak capacity at Sydney Airport.

The slot system is operated by a slot manager appointed by the Minister for Transport & Regional Development. The appointed slot manager is Airport Coordination Australia Pty. Ltd. The company is owned by Qantas, Ansett, Regional Airlines Association and Sydney Airport Corporation Limited. A committee has been formed to advise the slot manager and is made up of all Australian airlines with more than ten slots at Sydney Airport, the Airport operator Sydney Airport Corporation Limited, the Board of Airline Representatives Australia and IATA. Each of the representatives has one vote, this gives the regional airlines a majority representation on the Committee. The Department of Transport and Regional Development and Air Services Australia also attend but do not have a vote.

Ms Alroe represents the airport on the board of ATA and on the slot management committee. Thank you Mr Chairman. We are open for questions.

**CHAIRMAN:** Julieanne, did you want to add anything before we start?

**Ms ALROE:** No.

**CHAIRMAN:** When you gave us a very interesting tour at the time when the American plane was running up there a few weeks ago, you mentioned to us that there was a wish to continue to have regional airlines use Kingsford Smith because of the noise factor and it assisted by having that mix there of smaller planes as well as the larger jets. Could you elaborate on that for the Committee?

**Mr DOWNY:** Sydney Airport is more than happy to continue the arrangement whereby there is a mix of airlines using Sydney Airport. We regard ourselves as not only Sydney's Airport but also New South Wales' airport. From the point of view also that our passengers who fly in from regional New South Wales need to catch interstate and international flights obviously there is a need for regional airlines to continue to use Sydney Airport, so I suppose more from the point of view that we see ourselves as being New South Wales' airport as well as Sydney's we therefore are more than happy to see that continued mix of regional, interstate and international services at Sydney Airport.

**Ms ALROE:** The mix of aircraft is a blessing in terms of noise because it does give us some respite from the continued operation of the heavier noisier aircraft, but by the same token the mix of aircraft also does limit capacity at Sydney Airport. It is half a dozen of one and six of the other really. In terms of the community apathy the lighter aircrafts certainly have some advantage.

**CHAIRMAN:** On the point that you made there Chris about the ongoing passengers, we heard evidence from around the top of New South Wales and from the various operators and the various cities that that on-carriage

percentage was about 25% to 30% usually, but in one case it got as high as two-thirds, up to about 66%, so it is a fairly important item. 25% to 30% but in one case they suggested 66%, two-thirds on-carriage to other ports. Mostly 25% to 35% but one, I think it might have been Coffs Harbour, it was one of the recent ones anyway that said 66%.

**The Hon. Dr B. P. V PEZZUTTI:** I would really like to see that as a list, not for any other reason but that I do not remember it being that high.

**CHAIRMAN:** It was Newcastle, sorry.

**The Hon. Dr B.P.V PEZZUTTI:** Chris, about 33% of the slots are allocated across the day but 35% of the peak times are allocated, that is what the summary says. How do you think we could best recommend to Government action which would protect that level, or a level like that, for regional access during peak times?

**Mr DOWNY:** Julieanne Alroe, as I said, is our representative on the slots committee and is also our representative on Airport Coordination Australia, so it would probably be best if Julieanne answered those questions.

**Ms ALROE:** Those slots are protected by the regional ring fence. Under the Act once a regional airline holds a slot it cannot be swapped out other than to another regional.

**The Hon. Dr B.P.V PEZZUTTI:** Is this under the Act or under the regulations?

**Ms ALROE:** It would be under the regulations.

**The Hon. Dr B.P.V PEZZUTTI:** We have come to the issue where the Act actually talks about interstate and national, it does not talk about regional, and yet the regulations have that in it. If we were to provide certainty do we need to move from the regulations into the Act?

**Ms ALROE:** The regulations have to be changed in the Parliament as well, they have to be tabled and provided there is no objection a regulation change can go through. The Act itself would have to go through a debate to be amended. So both can be amended; it is relatively easy to amend a regulation than a piece of legislation. But as I said the opportunity certainly is there for any Member of Parliament to object to the regulation being amended and it can be stopped.

**The Hon. Dr B.P.V PEZZUTTI:** What you are saying is there is a degree of certainty about both processes but legislation is more difficult to change than regulation.

**Ms ALROE:** It certainly cannot be done by either anybody involved in ACA or the committee and it cannot be done by the Minister. It certainly has to go through a proper regulatory amendment process.

**The Hon. Dr B.P.V PEZZUTTI:** In the executive summary of your submission you talk about in the conclusions "The corporation intends to work with all stakeholders to ensure that Sydney Airport is accessible to all users." Do those stakeholders include just your internal customers or do they include people like local government bodies and the like?

**Mr DOWNY:** They certainly include local government bodies and the State Government. I suppose what has happened with Sydney Airport is that up until 1st July it was a branch office of the Federal Airports

Corporation. As of 1st July we are now our own corporatised entity and therefore part of our strategy is to be seen to be part of Sydney and a vital part of Sydney but also part of New South Wales and part of that does mean that we want to work with local government.

Julianne and I actually attended a meeting up in Dubbo a few months ago. One of the proposals that we have been looking at is to actually have a yearly briefing of country councils and MPs, State and Federal, so that they can be briefed on what is happening at Sydney Airport and we actually do try and establish a line of connection between local government, particularly country councils, and State and Federal MPs so that they do know what is going on at the airport.

**The Hon. Dr B. P. V PEZZUTTI:** The reason I asked that question is that places like Dubbo, I think it was ten flights.

**CHAIRMAN:** Twelve for one operator and five for another, return ones.

**The Hon. Dr B. P. V PEZZUTTI:** Twelve, whereas add in places like Ballina plus Lismore, which is vastly bigger in terms of passengers, it is seven. If push comes to shove and Lismore or Ballina wanted another slot time and you are already sitting there at 78 slots, how do you ensure that places like Lismore and Ballina get the same equity of access as Dubbo would get?

**Ms ALROE:** We have no say in how the slots are actually allocated. Airlines will bid for the slots, so, it is really up to the airline industry themselves to determine what routes they wish to bid for slots off.

**The Hon. Dr B. P. V PEZZUTTI:** You are totally hands off, you say we have 80 slots you fellows work it all out.

**Ms ALROE:** We have no choice but to do that, that is the way the system has been set up.

**The Hon. Dr B. P. V PEZZUTTI:** That is the way the system has been set up to date but you are intending to work with the shareholders to ensure that Sydney airport is accessible to all users in an equitable and efficient manner and you cannot be hands off if you say that, can you?

**Ms ALROE:** We cannot actually change who owns what slots and, the airline industry can do that within the guidelines of the regulations.

**The Hon. Dr B. P. V PEZZUTTI:** But surely if you are saying accessible to all users on an equitable and efficient basis, surely it would be more efficient to have a 36 seater rather than a 19 seater, that is more efficient and more equitable if you have got 120-150,000 passengers versus 80-90,000 from Dubbo. I am putting this up to you, you cannot be totally hands off: What plans does the corporation have apart from saying you fellows work that out?

**Ms ALROE:** In terms of the 78 slots, let me make that point clear, that lasts for a very short period of time. In the next season it is much the same. It is only for a period about seven to eight. Throughout the day there are lots of slots available.

**The Hon. Dr B. P. V PEZZUTTI:** I am talking about peak time only.

**CHAIRMAN:** Whilst some get a lot in the day, a lot of them might be in dull times, there is probably only

one flight in the peak slot times for each of those services.

**Ms ALROE:** I must admit I have never broken it down.

**Mr DOWNY:** We can get that information for you.

**The Hon. Dr B. P. V PEZZUTTI:** I am aware of the difficulty but I am talking another peak time, say out of Lismore or Ballina or Dubbo, how do you equitably associate it? That question goes with the other question.

**CHAIRMAN:** I should have mentioned too that if any of these questions you want to take on notice.

**Mr DOWNY:** We can provide that information for you, if it is available.

**The Hon. Dr B. P. V PEZZUTTI:** What I am trying to point out is surely the FAC can see --

**Mr DOWNY:** Sydney Airports Corporation.

**The Hon. Dr B. P. V PEZZUTTI:** -- Sydney Airports Corporation can see that at some time in the future there will have to be some method other than fellows sitting in a smoke filled room, or un-smoke filled room, coming to an amicable gentleman's agreement to sort out, in equity terms and in efficiency terms, those 80 slots.

**Ms ALROE:** The fact that the Government, when they put the slots legislation in, or the Demand Management Act in, have adopted the concept of historic precedents basically means that while an airline wants to hang on to a slot they have every right to do so. We can work with individual airlines to maybe find them a more attractive way of bringing in a better type aircraft or a more efficient aircraft; at the end of the day the industry owns those slots while they want to own them and we will never have the right to take them off people.

**The Hon. Dr B. P. V PEZZUTTI:** Say we have deregulation and Qantas enters the market out of Lismore or Ballina, they do not have the number of slot times to play with that Ansett, Hazleton, Kendell have to play with, how do you deal with that one? They only get one vote, do they not, Qantas, like everybody else?

**Ms ALROE:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** They have a limited number, they have a couple of country airlines through Eastern.

**Ms ALROE:** I must explain though, the committee does not allocate slots. The committee just advises the slot manager and the slot manager company is the one that allocates the slots. So the committee itself has no say in how an individual slot is divided up.

**The Hon. Dr B. P. V PEZZUTTI:** No. The slot company is owned by who?

**Ms ALROE:** It is owned by a group of companies as we listed there; Qantas, Ansett, us and the Regional Airline Association.

**The Hon. Dr B. P. V PEZZUTTI:** Who gets the votes on that?

**Ms ALROE:** The board does not make the vote. We employ --

**The Hon. Dr B. P. V PEZZUTTI:** The company.

**Ms ALROE:** -- The company employs a team of people who do the slot allocation. The individual is called the slot coordinator and it is that particular chap who works out the slots. He has a very clear set of guidelines on how slots are allocated. The first being historic precedents. The second one being, if there is two people competing for the same slot, the service that would be offering the most consistent access to the airport. Say, if someone was saying I want to come on Mondays as compared to someone who wants to come seven days a week in that slot, the seven day a week would be given it. If there was two competing aircraft, the bigger aircraft would always get the precedents. There is a value drop down in the way they divide up how slots are going.

**The Hon. J. R. JOHNSON:** Any appeal from that decision.

**Ms ALROE:** No, not that we have ever had to worry about.

**The Hon. Dr B. P. V PEZZUTTI:** That is the problem, the slot managers, as previously advised, management of the slot is in the hands of the airport coordination's trader, Qantas, Ansett and the regional airlines own this company.

**Ms ALROE:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** It is owned by the companies, it does not mention Sydney Airports Corporation at all.

**Mr DOWNY:** We are one of the owners.

**The Hon. Dr B. P. V PEZZUTTI:** It does not say so.

**Mr DOWNY:** It does.

**The Hon. Dr B. P. V PEZZUTTI:** You are quite right. I presume each of the regional airlines have one vote, they are equal shareholders?

**Ms ALROE:** The Regional Airline Association is the board member on ACA, they get one vote.

**CHAIRMAN:** They get one vote, Qantas gets one vote, Ansett gets one vote.

**Ms ALROE:** And we get one vote, yes.

**Mr PEZZUTTI:** On this particular issue, if Qantas entered the Ballina-Sydney route under deregulation.

**The Hon. I. M. MACDONALD:** Or Wagga Wagga.

**The Hon. Dr B. P. V PEZZUTTI:** I am taking Ballina as an example for Heaven's sake, it happens to be the largest regional service centre for Sydney and Qantas entered it, and they wanted a peak time, and you are already up to 78, who misses out?

**Ms ALROE:** Depends if anybody else has asked for the same slot.

**The Hon. Dr B. P. V PEZZUTTI:** Peak hour, you have got 78.

**Ms ALROE:** You would also have to give me the hypothetical.

**The Hon. Dr B. P. V PEZZUTTI:** Qantas could say we will drop Armidale off. They have got very few. The regionals are all on the side of Ansett because Ansett has the association with all the regionals. Qantas sits there by itself. Eastern have complained to us that their reach and their access to regionals is very limited and, therefore, their position on this slot management board system is a little bit under powered. So, at the end of the day somebody, you say that slot management company, makes the decision, as Mr Johnson says, what is at appeal mechanism for Qantas if they get out voted all the time.

**Ms ALROE:** The company does not get involved in allocating the slots. The airlines are advised on a certain date that we are coordinating the Sydney airport schedules to be coordinated and they are asked to make their bids for that particular season. All those bids are received. The slot coordinator, the employee of the ACA will then look at all those slots and he will start to allocate those particular slots for the next season. The first thing he will look at is historic precedents. The people who have reapplied for their slots will be able to use them again. Basically have the quiet enjoyment of their scheduled privilege because they have built and invested into it over a period of years.

They will then come to the new slots that have been asked for. If you have two slots bid for the same time, if there are only two slots available there will be a series of priorities that he will look at. He will look at first how often that service will be operated into Sydney. Whoever is operating the most services will get the slot. If they both offer to come every day, daily service every day, if one is operating an F28 and the other one is operating a Dash 8.

**The Hon. Dr B. P. V PEZZUTTI:** There are no F28s.

**Ms ALROE:** Whatever the aircraft size, the bigger aircraft will get it. They will keep on dropping down until there is almost nothing left 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 judgment where there is more value being offered by a flight than another flight.

**The Hon. Dr B. P. V PEZZUTTI:** The constant problem we have had from the country people being that the companies, meeting in this way, decide who gets to fly in peak time.

**Ms ALROE:** That may well have been the case before the slot system came into play.

**The Hon. Dr B. P. V PEZZUTTI:** With the slot system in place they can reallocated within their slots where the plane comes from. Say Hazleton can decide to swap a flight from Dubbo to Sydney, a slot time from Dubbo to Sydney, because it is owned by the company, not by the community. Is there any way of ensuring that equity of access for communities rather than just let the airlines do it commercially?

**CHAIRMAN:** Most of the councils complain to us that they were allocated to the airlines rather than towns.

**Ms ALROE:** The slots are allocated to the airline. I can only go into the reasons it was done. I am not saying

it is good, bad or indifferent. The airlines are the ones who invested in the facilities, the aircraft, and all of those things which go to make an aeroplane.

**The Hon. Dr B. P. V PEZZUTTI:** Sydney Airports Corporation is very hands off, we are told, about slots. Is there anything you could advise us to do if we were to make it more equitable for communities rather than just the airlines?

**Ms ALROE:** The current legislation is not set up to do anything on that basis, it would have to be a change in the legislation.

**The Hon. J. R. JOHNSON:** Slots to airlines, we can take a recent example; Tamair went belly up in Tamworth, that night, or the next night, somebody else was taking them over and, of course, they would have to fly in to KSA. Was a decision made almost like instant coffee is made, pour hot water on, and there is the decision to let you take over another airline, to take over that slot?

**Ms ALROE:** There is a provision under the legislation for what they call swaps, where an airline can swap their slots over, provided the coordinator agrees. My understanding on that particular issue they agreed to those slots being swapped over because of the convenience, or the inconvenience, that would have been involved otherwise to the passengers. We are also getting towards the end of this current season and everything has to be refiled for the new season.

**The Hon. J. R. JOHNSON:** It only lasted two or three days and then the administrator made a decision about another airline.

**The Hon. J. A. GARDINER:** That was because Eastern Airlines flies into Tamworth anyway and the passengers were stranded so Eastern airlines decided to pick them up and be a good citizen.

**Ms ALROE:** The slot system would have accommodated the interests of the passengers at the time. It was all happening far too quickly anyway.

**The Hon. J. R. JOHNSON:** Does it cause you much anguish?

**Ms ALROE:** That particular situation, no one likes to see an airline disappear so in that sense, yes, we do not like to see it. We certainly do not like to see passengers inconvenienced. In terms of the slot system, it was never designed to act in that short term. You have to remember the slot system is a scheduling system. It is usually worked out several months before a season starts and there is a whole lot of, I suppose, administrative or operational changes would happen on a given day or week with a slot system or allocated slots.

We have what they call two seasons; northern winter and northern summer season. The northern winter is seven months long and summer season is five months long. So it is twice a year based on that rotation. The new season this year will start on 29 October and that will run through to the end of April and then there will be another season allocated after that.

I should say the slot system is not unique to Australia, it is an international practice of scheduling and Australia has followed, in many areas, what they call the IATA guidelines on scheduling. The major difference from the IATA guideline is the regional ring fence, that is something unique to Australia, in fact unique to Sydney airport, to my knowledge. Other than that we follow international practice.

**The Hon. J. R. JOHNSON:** I take it that considerable thought and planning has gone in to the accessibility

of regional airlines during the Olympic games or the lead up there to.

**Ms ALROE:** In terms of the slot systems for Sydney airport at the moment we are looking at next season and possibly the season thereafter, we have not made any particular capacity announcements for the Olympic period.

There is certainly a lot of discussion going on amongst the various committees that are involved in Olympic planning as to how Sydney will be managed but no decisions have been made yet.

It certainly is unlikely to be a decision of the slot company. I am sure it will be done at a much more senior level to that. Those discussions are on going and certainly the time for people to make sure that access is guaranteed across the board is now.

**The Hon. J. R. JOHNSON:** To take it out of the hands of the slot company at some stage down the track will that require a change to the Act or the regulations?

**Ms ALROE:** No, the Act does allow for the Minister to make specific arrangements for special events, they have got to be fairly significant, and the Olympics would be the sort of style of thing it is, but the power does lie under the Act for the Minister to take into account of that.

**The Hon. J. A. GARDINER:** If I could just switch to the landing fees question. We have had evidence on, for example, Country Connections and Yanda which service some smaller towns, that the new arrangements with respect to landing fees at KSA could actually mean the demise of those services, to a whole range of the middle level towns. Have you got a comment on how much consultation there was in coming to the compromise and what effect that will have on those smaller airlines?

**Mr DOWNY:** How recent is your information?

**CHAIRMAN:** Jenny wasn't here when you had your pre-hearing discussion with us earlier and also I do not know whether you want to put all of that in the opening or?

**Mr DOWNY:** We can get some of that information Mr Chairman but what we will probably have to do is if there are any questions we would take them on notice and get our finance people to give you the detail.

On Friday Sydney Airport reached agreement with the Regional Airlines Association on a series of charges that will apply from 1st October to 30th June next year. The whole point is that it will obviously lead to discussions with the Regional Airlines on what charges will apply after 30 June, and that only happened on Friday morning. I am pretty sure it is okay to mention this, as far as small planes are concerned we are looking at \$40.00 a landing, medium planes we are looking at \$82.50 a landing and then large planes we are looking at \$100 per landing.

**The Hon. J. A. GARDINER:** Has that actually been determined?

**Mr DOWNY:** That was the result of the meeting that was held on Friday morning.

**The Hon. J. A. GARDINER:** Smaller airlines like Yanda and Country Connections were represented there?

**Mr DOWNY:** I would assume they are, that is the Regional Airlines Association. If you want that sort of

information we could take that on notice and get that for you.

**The Hon. J. A. GARDINER:** In terms of the effective quarantining of access to KSA by the regional through the ring fencing system there still seems to be some scepticism in country communities about that which led to those questions about whether it should be in the Act or not, but I guess if your communications with country Members of Parliament and country community leaders for example was on a regular basis maybe some of that scepticism might go away. Could you give us any indication, you said after 30 June next year on the landing fees, what would be the next timetable in terms of reviewing any fees?

**Mr DOWNY:** I would have to take that on notice and get you that information.

**The Hon. I. COHEN:** Those landing fees you mentioned, \$40 for small planes, are we talking about the tiny single-engine jobs?

**Mr DOWNY:** Yes, such as nine seaters.

**The Hon. I. COHEN:** That is a fairly heavy impost is it not on the smaller airlines, on the smaller flights, really to bargain for the bigger jets et cetera when you are looking at \$100 compared to \$40.00 landing fee? Is there any sort of weight, cargo, component as well or are you just saying straight small, medium, large?

**Mr DOWNY:** Maybe Julieanne can answer that.

**Ms ALROE:** No, that is only in the regional grouping.

**The Hon. I. COHEN:** But even so, in Ballina we have got one jet service a day which is an aircraft, a 737.

**Ms ALROE:** Normally aircraft pay on their maximum take-off weight, so a 747 is based on the weight of the aircraft as distinct from just a large aircraft charge. The bigger jets are certainly paying by far the larger amount of money. When it comes down to those regional jets though, rather than the minimum take-off weight, they have basically divided it into three groups, zero to five tonne maximum take-off weight, five to ten and then ten to twenty. If you are above the twenty then you come into flat maximum take-off weight charges, so the 737, for example, would pay on its weight.

**The Hon. Dr B. P. V PEZZUTTI:** Who would that be?

**Ms ALROE:** I do not have it with me.

**Mr DOWNY:** We can get you that information.

**Ms ALROE:** It is in that division, in the charges they actually go through what those rates would be.

**The Hon. Dr B. P. V PEZZUTTI:** The BAE is 42 tonne and they were previously indicatively charged \$505.00.

**CHAIRMAN:** You will give us those on notice?

**Mr DOWNY:** Yes, if you give us the questions we can find you that information.

**The Hon. I. COHEN:** In terms of that loss of service to regional communities, what ways do you see your organisation alleviating the fear in country people that there is potentially a loss of service? You mentioned before that the decision was up to the airlines themselves. I was not sure whether say Ansett could actually move its slot time to another route of Ansett itself. How fixed are these procedures and is there any reality to the fear of loss of service to the smaller areas?

**Ms ALROE:** There is nothing in the slot system that would be inherent for loss of business to an airline.

**The Hon. I. COHEN:** I am not talking about loss of business to the airline, I am talking about loss of service for communities.

**Ms ALROE:** The slots are allocated based on what they have been operating in the past. We have just picked up what the airlines were always doing and then given them a slot. They have got some protection on that slot where it cannot be traded out now to a domestic or international airline.

**The Hon. I. COHEN:** Can it be traded, perhaps I missed it before when Dr Pezzutti was asking, but can it be traded?

**Ms ALROE:** That is true, yes, and that is protection the regional community has never had before. The domestic and the international airlines certainly have a greater economic power if they want to put a value on a slot. The regional ring fence protects those regionals from that economic power being used against them.

**The Hon. I. COHEN:** Protecting from region to region, because we got a lot of complaints from the very small airlines that they feel they are going to get shunted out.

**Ms ALROE:** Within the regional ring fence there is no further level of protection. The regional ring fence is that sole protection.

**The Hon. I. COHEN:** When you are saying regional ring fence, are you also talking there about protection say of a Brewarrina access compared to say a Ballina access? There is no protection there so an airline can move their slots around in that area so there is really no protection if a smaller area is working out to be marginally economic?

**Ms ALROE:** If they released a slot, say you had - and this is purely hypothetical, I have idea if this is a slot - but say Hazelton was going into Cootamundra. If they decide to release that slot and try and use it somewhere else they would actually have to release the slot back into the pool and then re-bid for a slot out of the pool as a new service.

**CHAIRMAN:** So they lost that historic benefit?

**Ms ALROE:** On the Cootamundra. That slot then stays in the regional pool and then will become part of that regional bidding pool for the next season. Historic precedent is only based on, shall we say, the route the aircraft has been operating and the time it has been operating and to a certain extent on the aircraft type. Say they swapped it by 10, 15 minutes, say it was 9.00 o'clock and now they want to go at 9.10, they wouldn't lose precedence on that. If they wanted to swap say a Dash 8 for a SAAB they wouldn't lose precedence on that but if you went from a 73 down to a Dash 8 you may well have been considered to lose your precedence. It is not protection but there are rules even within that.

If you have a situation though where someone had a 9.30 slot to Cootamundra and someone else had a 10.00 o'clock to Bowral, they could swap those two slots because say the 9.30 is better for one airline and the other person picks up the 10.00; there is no loss of the two slots, they just swap them over because of convenience or maybe because it suits an aircraft rotation system better.

**The Hon. I. COHEN:** What if, for example, one company has got a slot from point A and they want to actually move it across to bring a growing clientele from point B?

**Ms ALROE:** They cannot move it across, they must release the one they have got and bid for the new one. They would be treated on equal merits with anybody else who was bidding for the other slot.

**The Hon. I. COHEN:** Have there been any examples of this occurring? Have they been able to get it across that ring fence, so to speak?

**Ms ALROE:** They can't get it out of the ring fence. The only way you can get a slot out of the regional ring fence is to release the slot, another regional then has the opportunity to bid for it, another regional bids for it in that season, it can then be used for that season only by either a domestic or an international. At the end of that it goes back into the ring pool again. If no regional wanted it the second time it can then be taken out of the ring fence by either a domestic or an international and after a season historic precedence given to it.

**The Hon. I. COHEN:** How about regional to regional?

**Ms ALROE:** I am sure there have been swapped slots. To be perfectly honest the detail of how it works we really leave up to the coordinator and to the airlines and unless someone has got a problem it would never come up as an issue.

**The Hon. I. COHEN:** You did not see that as an issue say for a small country community that is fearful of losing its one airline?

**Ms ALROE:** You must remember slots have operated now since March. We have not even finished one whole season of slot management. We are just scheduling the next season and hopefully later this week we will actually have the coordinated schedule for October through to April. So it has been a relatively short period of time. To date we have seen considerable movement in the slots as they have moved around the hours involved but we are not aware of anybody who has not been able to get slots they have wanted, other than internationals and that is because they cannot get into the international terminal when they want to, not so much because of the runway. I am not aware of any runway slots that have been knocked back yet, but as the growth happens in the industry certainly peak hour slots will become more competitive, there is no doubt about it.

**The Hon. I. COHEN:** So really in the various country communities there is no guarantee that a community will not miss out on access then?

**Ms ALROE:** There is no guarantee anybody will not miss out on access to a slot, and that runs right across the sectors of the industry.

**The Hon. I. COHEN:** It is the small community with marginal clientele attempting to maintain the slot in the regulated market, they are the ones who are going to suffer.

**Ms ALROE:** I reiterate the slot system was not based on route, it was based on times into Sydney Airport by airline operators. They will lose their historic precedence if they let go of route; that is all part of how it operates.

**The Hon. I. M. MACDONALD:** I notice that your movement rate is around 275,000 per annum, with an annualised capacity of 353,000. Fairly rapidly you are heading up towards the point where you will be at peak annual movement capacity, would that be fairly accurate? What are the projections on that?

**Ms ALROE:** Yes. Forecasts vary from different organisations at the moment, but our current forecast that we are looking at for a development program into Sydney probably indicates around about 2005 - 2006.

**The Hon. I. M. MACDONALD:** It is not far away in reality.

**The Hon. J. R. JOHNSON:** Is it anticipated the Olympics games in that year will take you up close to that point?

**Ms ALROE:** We are anticipating probably about a month of activity. Mr Chairman, I will leave this with you.

**CHAIRMAN:** Do you will formally table that?

**Ms ALROE:** Yes. What this is, this is the likely schedule for next season, so it is really illustrative. That top line there is 80 movements an hour. You can see that there is quite a bit of peaking and troughing throughout the day. With the Olympics, as I said depending on what the Government decides to do, if they want to suspend slots for the period that will be a decision the Government will make, but assuming they leave slots as they are, the extra flights, the charter flight and the route of the Olympic family will all be scheduled into those peaks and troughs and that is, as I said, just for a month, in fact it is probably just for a few days even within that month we have high demands so in many respects the Olympics is not really an on-going issue, it is something that will have to be managed and managed very carefully but it should only be a sort of an aberration in the general progression of how we are moving through in the industry.

**The Hon. I. M. MACDONALD:** Given the capacity you anticipate by 2005 to be reached, I guess the corporation is looking at the potential development of Bankstown. I understand there has been a discussion paper within the organisation looking at the options for Bankstown and how it can be upgraded. Can you give us a bit of a background into this?

**Ms ALROE:** We must state first that we would expect a decision on a second Sydney airport sometime, hopefully, next year, if not soon thereafter. Bankstown is never going to be a long term solution to the capacity of Sydney Airport. There may be some potential to develop an opportunity at Bankstown for someone to go there, rather than say coming into the peak at Sydney, but it is only just speculative at this moment and there would be a lot of work to be done yet before that is even physically possible as well as environmentally possible. I think it is just speculative at the moment and has a fair way to go before it can be decided.

**The Hon. I. M. MACDONALD:** The Financial Review on 7th August said you had a discussion paper in relation to that that actually detailed an upgrade figure; do you have that paper?

**Mr DOWNY:** We would have to take that on notice. You should understand Mr Macdonald that we work for Sydney Airport and Sydney Airport Corporation Limited runs Sydney Airport and the other Sydney basin airports and Essendon is a sister company but each of those airports are a subsidiary with their own

management structure really. I am certainly not aware of that paper, I do not know if Julieanne is, but certainly we can get that information for you if it is available.

**The Hon. I. M. MACDONALD:** Potentiality they are talking about spending about \$5 million on Bankstown and it would obviously be able to take some of the smaller aircraft, would it not, under that circumstance?

**Ms ALROE:** Bankstown tabled a master plan, I think in the late 80s, which I think is still the current master plan for that airport which gave it the ability to take some bigger aircraft. What I am saying is there is still many a hoop to be jumped through if that was to happen, environmental and EIS would be the least of it.

**The Hon. I. M. MACDONALD:** Would it be possible to see if you can get a copy of the paper for the Committee?

**Mr DOWNY:** We can certainly try, yes, no problems there at all. We will endeavour to do that Mr Chairman if that paper exists. Was it the Financial Review?

**The Hon. I. M. MACDONALD:** Yes, Financial Review of 7th August and it talked about how Bankstown could be expanded with a \$5 million upgrade.

**Mr DOWNY:** We will make some enquiries for you.

**CHAIRMAN:** I have got a few questions and that is actually one on notice and it sort of goes on from that to say is this a policy that Sydney Airports Corporation is pursuing. We will give you a copy. Three others and I wonder if you could answer them quickly. What is the definition of regional airlines? Is Canberra included?

**Ms ALROE:** No. It is intra-state except in Canberra. Slots begin and end in New South Wales with the exception of the ACT service.

**CHAIRMAN:** Could the airport charge be on a per head basis rather than minimum, that is probably something you would have to take on notice?

**Mr DOWNY:** Our finance people said they are more than happy to give you some answers on that sort of question. I have advance notice of that so I can get you that information.

**CHAIRMAN:** Could slots be allocated to communities rather than airlines?

**Ms ALROE:** Not under the present legislative environment. As I said to Dr Pezzutti before, that would need a change.

**CHAIRMAN:** The other questions on notice are:

Could the slots be allocated to communities rather than airlines? If not, what other mechanisms can be put in place to ensure that smaller regional communities have access to KSA?

What other airports in the world have a slot allocation mechanism and how do their mechanisms differ from that of KSA?

The 80 movements per hour cap is aimed at managing noise pollution (predominately from jets). Does SACL

see any benefit in exempting the less-noisy regional aircraft from that cap?

The Standing Committee has heard criticisms about operations at KSA (fundamentally relating to the Long Term Operating Plan). For example regional aircraft have to fly out to a beacon in Sydney's north-west, adding flight time and expense. Another criticism related to air traffic control procedures - regionals could better utilise the runways, achieving more efficiency. What is SACL doing to address these criticisms?

S14 (5)(g) of the *Airport Act 1966* sets out the rules about airport leases. It states that an airport lease is compliant if it (among other criteria) *provides access to the airport by interstate air transport or international air transport or both (whether or not the lease also provides for other access)*. Some councils have raised concerns about the lack of reference to regional airlines in this act. How is Sydney Airports Corporation ensuring that the interests of regional airlines will be maintained after the privatisation of KSA?

Following on from what Dr Pezzutti was saying, the expansion you told us about out there so far as the international terminals were concerned, is that in documents that you have tabled that will come in evidence?

**Mr DOWNY:** The Sydney Airport 2000 project?

**CHAIRMAN:** Yes.

**Mr DOWNY:** Yes, there is just a brief summary of that in there.

**The Hon. Dr B. P. V PEZZUTTI:** On notice would that allow, once the international terminal is repaired or improved, for more slots to be available in the peak periods?

**CHAIRMAN:** More planes to land. That log-jam that you talked about in the international slots that was due to the terminal congestion will that be overcome by the expansion?

**The Hon. Dr B. P. V PEZZUTTI:** How many of the internationals are out there now between 7.00 and 9.00.

**Ms ALROE:** The internationals should come in starting at 5.00 because there is an exemption on the curfew to let a few in. The peak of the internationals is actually before the regionals. The 7.00 to 9.00 peak is the domestic peak.

**The Hon. Dr B. P. V PEZZUTTI:** Another question on notice is have you taken any steps to penalise noisy planes versus un-noisy planes in terms of the un-noisy ones could fly in like, BA146, can fly in the curfew whereas the 737 cannot. How do you determine that and is there a way of penalising the 'noisies' apart from just the curfew?

**Ms ALROE:** I can answer part of that.

**The Hon. Dr B. P. V PEZZUTTI:** I am just doing that to save us time, that is all because we have other witnesses.

**Ms ALROE:** The decision on who can operate in the curfew is made by the Department of Transport Regional Development minister. There is an Act that covers the Curfew Act and the delegations are quite clear under that Act. In terms of charging that would have to be incorporated in to the aero-pricing charge. I know it is under consideration as a potential way of doing it but that is all at this stage.

**(The witnesses withdrew)**

**ERIC IAN GROOM**, Independent Pricing and Regulatory Tribunal, Chief Manager - Energy and Other Industries, and

**SALLY LYN MANDER**, Analyst, Independent Pricing and Regulatory Tribunal, both affirmed and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand following the provisions of Parliamentary Evidence Act 1901?

**Mr GROOM:** Yes.

**Ms. MANDER:** Yes.

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

**Mr GROOM:** Yes.

**Ms. MANDER:** Yes.

**CHAIRMAN:** You have not made a submission to the inquiry but you have given us copies of overheads, I take it, are they?

**Mr GROOM:** Yes.

**CHAIRMAN:** Would you like those to be included as part of your sworn evidence?

**Mr GROOM:** Yes, we would like to table those and with the committee's permission speak to those overheads to just outline the basis of the tribunal's report and the reasons behind its determinations or recommendations in regard to deregulation.

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

Are you going to use the overheads or speak to these?

**Mr GROOM:** Since we have distributed the overheads if I can draw your attention as I flick from one to the other.

**CHAIRMAN:** Were both of you involved actually in the IPART document, I did not look at the credits in the front?

**Mr GROOM:** Yes, we both were.

**CHAIRMAN:** Okay?

**Mr GROOM:** Thank you, Mr Chairman, and thank you for the opportunity to appear before the Standing

Committee.

The air services review was undertaken in response to the competition principles agreement which commits governments to review legislation that restricts competition. Under the competition principle agreement criteria have been established to determine whether legislation that restricts competition is warranted. Before going through that review I thought I should briefly mention IPART's role and the experience we bring to the review.

Moving to slide two. IPART regulates the declared monopoly services such as electricity, gas, water and public transport. As such as a regulator we have strong practical experience in the actual problems of regulation since we have to face those problems on a day to day basis. We also undertake reviews covering a range of issues that affect pricing, industry and competition. For example, we have undertaken various reviews in regard to local government benchmarking and development control fees, waste pricing and of course the Air Services Inquiry, which brings us to your Committee today.

I thought I would like to talk about the participants in the inquiry at the tribunal level. We do run a strong distinction between the tribunal members and the secretariat. The tribunal members for the Air Services Inquiry were Dr Tom Parry, our chairman, Mr James Cox, a full-time member of the tribunal, and for this inquiry Mr John Ward was appointed as a temporary member. John Ward is a former CEO of Qantas and is currently consulting with News Limited, I hasten to say on matters not relating to their airline interests.

We also commissioned Christopher Finlay, from the University of Adelaide to act as a peer review for this project. That is, all the documentation, all the draft reports, were put passed to Chris Finlay for his comment.

Importantly the process for the review involved consultation with key stake holders such as the Air Transport Council, the Department of Transport, Local Government and Shires Associations, various airlines, regional councils and tourism bodies.

I would like to walk through that process of the review which brings me to the next slide. To assist the tribunal in formulating its recommendations for the Premier an issues paper was published in July 1996 and sought submissions. We then held public hearings in Sydney and various regional centres; released an interim report and we sought further submissions on that interim report prior to a public hearing in Sydney and the release of the final report in 1997.

All those processes were in the public domain, so to speak, all the submissions were on the public record, although there was an opportunity for some submissions to be put to us on a commercial in confidence basis.

Before proceeding further I think there is a need to quickly talk about current regulation. I will not go into detail on the nature of the current regulations, I am sure you are all familiar with that. However, I would wish to comment on some aspects the current regulatory process. It is quite a subjective regulatory process and there are two characteristics of the licencing process that lead to problems. Firstly, there are no penalties for withdrawing or reducing services on a route for which a licence is held during the licence period.

Secondly, in the past the ATC has adopted a policy where an operator that has provided an adequate service will not be removed from the route even if other operators wishing to operate the route propose a better service.

Not incurring penalties for reducing services encourages gaming in the process. This is where operators offer a greater range of services or a higher quality of service than they are able or have intentions to deliver in their proposals. This may prevent other operators that are able, and intend, to deliver a higher level of service from

being granted a licence. Favours the incumbent does not provide an incumbent operator with an incentive to increase service levels. It also prohibits another operator that may be willing to provide a greater service level

**The Hon. J. R. JOHNSON:** —Increase or maintain?

**Mr GROOM:** That is right, or maintain. The real losers in these situations are the communities and the travelling public.

It is important to start, I think, from the objectives of the current regulation and the next slide endeavours to outline what we see as the objectives of the current regulations, that is, ensuring safety, controlling airport congestion —

**CHAIRMAN:** Safety?

**Mr GROOM:** That was perceived as being one of the objectives. I will come back and clarify that is not actually an objective that can be fulfilled through the ATC's role, but that was put to us, if you like, as one of the objectives.

**Ms. MANDER:** There were actually some guidelines put out by the Air Transport Council which included these objectives in that document. There was this real perception that was then reiterated in this document that safety was one of the responsibilities.

**Mr GROOM:** Controlling airport congestion, maintaining air service stability and quality, minimising fares, providing essential services and assisting regional development. I think the important question is how effective is regulation in actually achieving those objectives?

I think one of the objectives, as Sally has mentioned, put to us was safety, and clearly regulation of intra State services does not ensure safety and nor is it an appropriate role for the regulation of intra State services. That is clearly a responsibility of the Civil Aviation Safety Authority.

Furthermore, in a deregulated environment operators will have the incentive to expand and develop route networks. They will have flexibility to adjust their route structure and the use of aircraft to reflect demand. I do not feel that regulation can guarantee a specific quality or quantity of service in excess or better than competition can achieve nor can regulation guarantee financial viability of an airline. I think that point has been made numerous times and there are a number of practical experiences with the fact that regulation cannot guarantee that financial viability.

Regulation cannot reduce prices, except through encouraging cross subsidies and if one is caught talking about encouraging cross subsidies then the question becomes what is the appropriateness of the prices for those communities that are funding that cross subsidy? Regulation is a questionable means of restricting airport congestion or solving the problems of airport congestion. It is questionable whether it provides a more effective solution than the direct mechanism that I dare say you have just been hearing about from the Kingsford Smith Airport people. Nor can regulation provide an effective mechanism of promoting regional development and provision of services. I think, in essence, regulation has difficulty promoting a service that is of itself not economically or financially viable.

The key question becomes how can those objectives be better achieved. I think the tribunal's conclusion, in

essence, was that there are other better means of achieving objectives in the area of access to aviation transport for the regional areas than through regulation.

A key issue has always been the issue of price comparisons. We spent 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. One way was, if you like, a statistical comparison, and the next slide provides a comparison within Australia between regulated fares and fares on deregulated routes. I think it 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.

There are a number of specific case studies, if you like, that bear out 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 pattern can be observed with the route from Wagga Wagga to Melbourne and from Wagga 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 Wagga Wagga to Sydney route.

**The Hon. J. R. JOHNSON:** The same landing charges?

**Mr GROOM:** There are small differences within the landing charges. I think there has been some substantial evidence put to you on the relative impact of the landing charges but our analysis could not adjust explicitly for those landing charges, but given the landing charges per seat are of the order of \$5 to \$10, my understanding is, at Sydney airport then they do not account for the differences.

**Ms MANDER:** There is actually a footnote at the bottom of that slide that indicates that at the time we did this review the Sydney and Melbourne airport landing fees were based on take off weight and, therefore, should be the same if it is an identical aircraft.

**Mr GROOM:** The Adelaide to Broken Hill service is a deregulated monopoly route, similar in distance to the Sydney to Coffs Harbour route, which is served by the same airline, yet the route on this fairly dense, competitive route from Sydney to Coffs Harbour, competitive in the sense of multiple operators in a regulated market, is \$43 more than the route from Broken Hill to Adelaide.

**The Hon. J. R. JOHNSON:** We have heard evidence that if they have to circle here in Sydney that one minute on each service costs one airline a quarter of a million dollars: There will be no circling in Adelaide and no circling in Broken Hill.

**The Hon. I. M. MACDONALD:** Or Melbourne.

**CHAIRMAN:** Costs of operation in Sydney are substantially different?

**Mr GROOM:** I think there would be differences in costs of operation, you would have to convert those costs to a per seat on each airline to give a comparable figure.

Moving on, the costs of regulation, I think, in summary, are the foregone opportunities in terms of services not offered. Planes on ground that are not being used when they could be used. 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.

Reduced pressure to meet customer needs is another feature, if you like, or cost of regulation. There is a considerable emphasis on council support in the process of the selection of the successful licensee. I think the question can well be posed as to, if you like, the possible differing objectives of council, since they are not only representing the community but they have ownership interests in the airports that are serviced by those operators.

**CHAIRMAN:** What was the suggestion there?

**Mr GROOM:** Councils come to the issue of deregulation of air services with two perspectives: One is the perspective of the local community, and I think evidence to us suggested that half or slightly less than half of the travellers on the regional airlines were from the local community; the other perspective they bring is as the owner of airport facilities. In the evidence before you the Lismore submission draws forward the issue of their interests as owner and the possible potential impact of deregulation on their interests as owner to the forefront of their submission. One of their concerns was having made a substantial investment in the airport that they were concerned that under deregulation they may not be able to obtain a return on that investment.

**CHAIRMAN:** Therefore should not those be identical if their concern is they are not going to get a return on their investment, in other words they will not have enough planes flying in or enough people using the airport. Obviously their concern is that deregulation will destroy their air services.

**Mr GROOM:** The theory is if you are going to have reduced cost then you will get a lot more passenger throughput then surely those councils are going to make a lot more money. I think from their perspective they may be less convinced, if you like, that deregulation will increase the throughput. I will come back later on to the evidence from other States to suggest it will. From their perspective as owners they may perceive that deregulation will increase their risks, and for any owner risks are a matter for concern.

**The Hon. Dr B. P. V PEZZUTTI:** Ballina Council was concerned about its ownership because it is concerned if deregulation comes and a jet disappears all the people who come by jet will go to Coolangatta. They were perfectly frank that they were looking after their own investments.

**The Hon. I. M. MACDONALD:** They would be less than judicious if they did not look after their investment.

**Mr GROOM:** The other conclusion we reached was that one of the costs of regulations are higher fares for the travelling public. So what are the benefits of competition? We are of the view that there are a number of benefits of competition. As I was mentioning earlier, 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 the important thing though, is often, through competition, what we tend to expect or observe, not so much a cost pressure/price reduction cycle, although that is often a feature of competition, but more importantly is innovation. 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. I would also stress that competition may or may not mean an increased number of service providers on any one route.

The important thing about competition is the fact that there is a threat there to the operator that someone who offers a better service at a better price may be able to displace them from the market. One may not actually see air services where there are currently two operators having three operators in the future or areas where there is one operator having two operators in the future, but there will be a greater discipline on the operator to better meet the needs of the market because he knows his operation of that route is always, if you like, under threat.

I think 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.

It is with that background that the Tribunal recommended simultaneous deregulation to take effect from May 1999. It was of that integral discussion that the Tribunal recommended simultaneous fare deregulation rather than partial or phased deregulation. The key problem with phased deregulation is that you do not get the full opportunities in terms of networking services that you would get under full deregulation. The example I gave earlier of the plane on the ground in Tamworth doing nothing, because it did not have access to the routes, in a fully deregulated environment it would be able to, if you like, provide a service. If you go down partial deregulation you run the prospect of similar wastage of opportunities to provide service to the community.

Hopefully that has given you a feel for the Tribunal's analysis and its recommendations. Its views were that the benefits of competition are far greater than regulation. It is up to the tiers of Government though to decide which services are essential and how those services should be maintained in the event that some small communities may not receive a service in a deregulated market.

**CHAIRMAN:** I think I have something missing in my copy. There was the benefits of competition but there were no benefits of the current system.

**Ms MANDER:** There are the incentives of the current regulation but not the benefits of the current regulation.

**Mr GROOM:** We posed the question as to whether the current regulation achieves the objectives that are set out.

**CHAIRMAN:** In the foreword of the report it is said that the overwhelming conclusion that emerges from the inquiry is that Australia as a whole would benefit considerably from deregulating the air services and then you go on to say the larger towns, and list six or eight of them, are likely to see innovative services and more competitive fare packages, which is basically what you have just said. We put that to the councils as we went round and almost without exception they did not agree with that, those particular councils.

Albury was one that favoured deregulation and basically for a number of other reasons the other councils did not. Wagga had two bob each way and in fact they actually were instrumental in having the Shires Association presentation put together but even so the Shires Association when they came to us said that they could not support that because they had not reviewed it at all, they obviously had not gone back to their councils but they had some very serious concerns. They would only support deregulation with conditions. Have you had any contra feeling sense since the report has been put out?

**Mr GROOM:** In terms of that conclusion a number of councils put to us their concerns about deregulation in the process of the Tribunal's review but the Tribunal have heard from a number of other stakeholders expressing the view that there would be very many positive benefits from deregulation. Those stakeholders were not just the airlines, such as Impulse, Kendell, Eastern, but they were also the tourism bodies for example, and the Local Government Shires Association in response to the issues programmed in the final report supported deregulation. I understand that in their presentation to you the Local Government and Shires Association still supports deregulation.

**CHAIRMAN:** But on condition?

**Mr GROOM:** They are very concerned to see that there are adequate mechanisms there where should there not be a service to a small community where the Government considers it to be essential that there be a mechanism for encouraging such a service and that can occur within the deregulation environment.

**CHAIRMAN:** The LGSA have not been back to their members, in a sense, for a couple of years. In the last few months a lot of their members have all given us submissions and of 17 councils I think four supported or partially supported deregulation and the rest were against it. The Country Mayors' Association, which have 40 council members, were unanimously against it. Did they give you evidence?

**Mr GROOM:** Country Mayors, no. We had evidence from a number of regional councils and from the LGSA. I brought along with me a list of the submissions that we did receive.

**CHAIRMAN:** I would like you to give us those on notice, if you would not mind.

**Mr GROOM:** Yes, I have them with me.

**CHAIRMAN:** Could you table them?

**Mr GROOM:** Yes. You would be able to see from that that there is a substantial number of submissions from country councils. I understand there are about 177 local governments in New South Wales, over 100 of which are in the rural areas, so it is often difficult to get the full views of all those councils given that you will only see a relatively small number of them even with your Inquiry today and as we saw last time.

I think the Albury case is an interesting one because they are very much a council that sees both a regulated and unregulated route because there are services offered to Melbourne from Albury that are unregulated and

services from Albury to Sydney that are regulated.

**The Hon. Dr B. P. V PEZZUTTI:** Broken Hill too.

**Mr GROOM:** Broken Hill is another council that I understand supports deregulation and they see services coming into their port from both a regulated environment and a deregulated environment.

**CHAIRMAN:** But the company they want to come in there does not support deregulation.

**Ms MANDER:** They want to get access to the route but once they have access, they do not want to share the access.

**Mr GROOM:** I should mention too that I was interested in seeing a recent article in the paper from the Farmers' Association supporting deregulation.

**The Hon. J. R. JOHNSON:** They are selective on what they want deregulated.

**Mr GROOM:** The quote I saw was that, and I will quote it if I may:

“We saw in the early 1990s that the current regulations do not ensure services to rural communities. Operators can and do vary services during their licence period and can even cease to operate routes for which a licence has been issued. Farmers believe that intrastate air services should be deregulated. Competitive forces would ensure that the type and frequency and quality of service matched community needs.”

They did however go on to say that the removal of the State licensing regulations when there is uncertainty about access to KSA could be counter productive and that deregulation should go hand in hand with an overhaul of the regulations of the air traffic management around KSA. I think that is an important point too, in the circumstance where there are concerns about congestion at KSA, and it is a point made in the Tribunal's report, that deregulation may be able to assist you to provide a better solution to capacity rationing at KSA than in a regulated environment.

**CHAIRMAN:** That is the opposite to what we have heard. A lot of councils have now said, and to some degree the Shires Association who feel the same, said that since they made their submissions they have not looked at it again since, but the fact that there is now a slot system in operation at KSA if the system was deregulated as well as the slot system it would allow some of these airlines to shift their slots from some of the smaller areas to some of the more used areas so at the moment with regulation it ensures those slots are actually staying in the regional communities.

**Mr GROOM:** The question may be as to whether the regulation ensures that the slots are allocated in the way that best meets the needs of the rural community as a whole.

**CHAIRMAN:** All that comes back to, to some degree too you have mentioned, and so have a couple of other people, that in the start where you say that in current regulations there are no penalties for withdrawing or reducing services during the licence term and the incumbent operator is favoured. Could it also mean that rather than throw out the regulation that it should be strengthened?

**Mr GROOM:** I would be interested to see in what ways you would wish to strengthen the regulation.

**CHAIRMAN:** If you give somebody ten routes in New South Wales, five of them really good routes and five not so good routes and they decided two months after they had been given to them for three years that they will just drop out of the non-productive ones or they will reduce their planes back from SAABs to nine seaters, if the Air Transport Council says all or nothing, you pull out of the little ones and we will advertise the lot again, I think it would make a difference to whether they pulled out. It would also make a difference to whether they put in realistic bids before they started.

**Mr GROOM:** It would, I feel, alter their incentives for bidding for routes. If the current arrangement effectively, and there has been a degree of argument that it does, provides for cross-subsidisation between the routes, that is some routes will be offered that are very attractive, yield high profits, higher fares, in return for running routes that are less financially attractive, perhaps even loss making, that creates a cross-subsidy, that can be sustained if you like.

**CHAIRMAN:** Without the Government having to put in the money?

**Mr GROOM:** Without the Government having to put in the money but also without very strong disclosures as to what is actually happening in terms of those cross-subsidies.

**Ms MANDER:** And which communities end up paying for the cross-subsidies for other communities.

**CHAIRMAN:** If the Government puts it in who pays then?

**Ms MANDER:** Everybody. But there is a plain process as to the need for a subsidy to provide an essential service.

**Mr GROOM:** Sally is entirely right and I think if you alter the bidding rules you will alter the bidding behaviour by the airline companies. Companies would be far less willing, if you like, to bid on the basis of cross-subsidisation of services knowing that they cannot withdraw when they find those cross-subsidies to be too onerous, that is you will see much more conservative perhaps bidding strategy. Perhaps you will end up closer to a deregulated environment but still wearing the overheads of regulation, the overheads being the costs of going through the regulatory processes and the overheads being, if you like, some of the concerns that have been expressed about the ATC processes of regulation in terms of public disclosure, hidden cross-subsidies et cetera. I am not too sure if you are going to end up with not sustaining the cross-subsidies you are seeking to sustain yet still wearing the costs of regulation.

**Ms MANDER:** If I can just answer that. Also what that would result in is that if an airline actually lessens or stops providing a service and their licence came up for bid then, as Eric said, it was closer to deregulation and I think you would find that the councils would be just as opposed to it. What would happen is because they do not get the surety of the three year licence period on the profitable routes, which is what a lot of the councils say is getting them their services, are provided in some cases through the cross-subsidisation. If the airlines are not assured of having that licence for the three years then they are probably less likely to actually propose those routes in the first place or they are more likely to lose them to somebody else that would come in and then go through the whole process again.

**CHAIRMAN:** Not if they were fair dinkum in their original bid. Most of us come from country New South Wales and there is a real feeling in country New South Wales, and if you like you can call it the Pauline Hanson factor, that national competition policy has done absolutely nothing for the country, and that all it does is centralise services back towards Sydney, and that if you like to a large degree if national competition policy

had been around when Captain Cook arrived in Australia we would never have crossed the Blue Mountains because there is not enough people out there to fund those services, we would never have telephones, we would not have roads, we would not have had rail and probably not air services. Do you feel that just having an economist review that you did here with your IPART review missed out on some of the community feelings?

**Mr GROOM:** No, I do not. A couple of factors, firstly it was not just an economists review, the Tribunal members themselves bring to it a diversity of backgrounds, particularly as John Ward has brought to the review operational experience in the airline industry, operational experience that was noticeably absent amongst some of the submissions put to us. So I think it was much broader than an economists review.

One point I would also make is that this review was undertaken, if you like, post national competition policy and I do not want to get into the ins and outs of the merits of competition policy for rural community or not but the deregulation that occurred for example in South Australia pre-dated national competition policy and is seen to be achieving very positive outcomes for the rural communities in South Australia, viz a viz New South Wales, for example lower rates of increase in fares, more rapid rates of increase in service provision to the local community. That decision was taken well and truly before national competition policy. Similarly the deregulation that occurred in the USA, Canada and New Zealand was not driven by Australia's national competition policy, it was a decision taken at the time from the perspective of the broader community.

**CHAIRMAN:** You said there that they actually, the smaller communities, lost out?

**Mr GROOM:** I think it was the US one where we spoke of some smaller communities having lost out. We have recently had access to a review done by the US General Accounting Office, which is an odd name for a high level government organisation in the US that advises Government, that looked at the impacts on both small, medium and larger size communities and they found that across the small, medium and large size communities all three categories benefited in terms of improved services and reduced air fares under deregulation.

**The Hon. I. M. MACDONALD:** One of the things about your report that disturbs me is that it is so rosy it starts to lose, I think, some of its credibility. For instance, New South Wales, I believe, is an unique State compared to the rest of the States here, in that it is got both size, geographically, and a larger number of larger centres, say from three to 10,000 than any other State. In fact, I think it is about 62 ports are regularly flown to, which is well in excess of what you get in South Australia, Western Australia or Victoria, where you have a four or five airports and that is about it, do you feel that your whole States comparison is really built on not enough being put in to showing how New South Wales is unique from the other states in its composition and need for regional air travel; size, Kingsford Smith Airport, all those other factors?

**Mr GROOM:** In terms of the comparison with South Australia; South Australia is the one where we had the best information of what actually occurred. We have also seen deregulation in Queensland which has a similar scattering of major regional centres across large distances. New South Wales stands out, if you like, within Australia as the odd person out in terms of regulation. Queensland have put in place mechanisms for funding or subsidising areas within the south west to ensure services are provided there and that is an entirely appropriate way of ensuring those services are provided.

**The Hon. I. M. MACDONALD:** You say it is appropriate way but what if we say we do not see anything wrong with cross subsidies as another way of doing it?

**Mr GROOM:** If I could come back to the issue of cross subsidy versus explicit funding mechanism. I was going to go on to the Canadian comparison; I think that is also entirely appropriate for New South Wales

considering Canada has an area of congestion like our coastal strip. They have a strip across the US border which has a highly dense population and airports, I would presume, although I do not have first-hand experience, which would suffer congestion. Yet they have other areas with remote centres, of a reasonable size, large distances away from that strip of population. Yet again they have gone through a process of deregulation and seem to have achieved better service outcomes for their communities through deregulation.

So, I think although the picture may be rosy it is founded on the practical experience of other regimes. Our annex, attachment four, provides a coverage of experience both in Australia and overseas, including Canada. So, I think although it is a rosy picture I think it is well founded on practical experience.

**The Hon. I. M. MACDONALD:** You say regulation cannot guarantee the quality or quantity of service; what we have found is a belief that probably 16 to 20 of the ports would benefit to some extent by so called innovative services but what about your smaller centres, your small towns, which now are pretty well serviced? They have been provided an asset by the Commonwealth, which they have got to manage at cost, there would be hundreds of millions tied up in this and if they lose their services aren't they going to then suffer substantial loss for those communities?

**Mr GROOM:** I would come back to the point, it is not clear from the practical experience in terms of deregulation elsewhere that there would be a substantial number of small communities that would lose their service. The practical experience suggests more innovation in some centres. There may be some hubbing and spoking.

**The Hon. I. M. MACDONALD:** That is not seen as a positive for a lot of rural communities. If you have to go in to Tamworth or Dubbo, there is a bit of that done now at Dubbo, but it means that you cannot, from some of the closer centres, you cannot do it in one day. It would be a cost on business of having to stay overnight?

**Mr GROOM:** It comes back to the issue, is the travelling public concerned about frequency of service, size of plane or directness of service? The frequency of service or the ability to get more frequent service seems to come out strongly in terms of the travelling public's preferences.

**The Hon. I. M. MACDONALD:** That is not right. The evidence we have seen is safety and size of aircraft?

**Mr GROOM:** Safety is an important issue. In terms of trade off between frequency and size of aircraft, there seem to be number of practical experiences that people have been happier with a more frequent service in a smaller plane. I understand that there was a case in the Tamworth region where the operator came in offering a smaller plane but more frequent service and won in excess of half the patronage.

You see already from the north coast where frequent services in smaller planes from closely located airports in the Ballina, Casino, Lismore triangle still maintain a good market penetration because they offer a service that is more convenient than the midday jet for the travelling public. People will make their choices in that sense. I understand Hazleton have put strongly the case that frequency counts very much in the travelling public's eye.

**The Hon. Dr B. P. V PEZZUTTI:** Only because they cannot afford to buy jets.

**The Hon. I. M. MACDONALD:** They would all prefer to be in a bigger plane. One thing that worries me about the push is this reduced prices, reduced prices, reduced prices that runs right through your report. We are getting lots of evidence of various kinds about the pressures that is putting on airlines, in terms of maintenance, and being able to fund that side of the business. That does not really enter into your equation at

all, does it?

**Mr GROOM:** I guess I would pose the question, can regulation guarantee financial viability of the airlines? I think it is clear that regulation per se cannot guarantee the financial viability of the airlines.

**The Hon. I. M. MACDONALD:** No one can guarantee financial viability but if you have a regime in place that has a pretty good record - 62 ports visited regularly and there has been trouble with the Merimbula-Sydney route and with the Glen Innes-Inverell route, which had nothing to do with the regulation regime in New South Wales and everything to do with the failure of the company in Tasmania - why change that situation if it is working pretty efficiently and effectively?

**Mr GROOM:** I think the view is that better outcomes can still be achieved for the regional communities in terms of services provided in deregulated environment. That is practical experience from the case studies elsewhere.

**The Hon. I. M. MACDONALD:** That will only be for a certain number of towns, will it not? Ballina might get a bit extra, Dubbo might get a bit extra, you are not going to, in towns like Cootamundra and West Wyalong and places like that, get improved services, improved safety, improved financial viability by your regime. It just cannot work.

**The Hon. J. A. GARDINER:** Particularly for those towns which do not have the easy option of jumping in a car. They really need - Griffith is another one - to have access to air services.

**Mr GROOM:** I think the experience elsewhere has shown that you do get actually get innovative proposals being developed in terms of linking of services that can provide quite effective air services in those rural communities. That was again the experience that seems to be coming out of the United States study where they cited that the improvements were not just for the medium to large communities but also for the small communities.

**The Hon. I. COHEN:** Your papers clearly state services to some small communities adversely affected in the United States. And second to that, increased congestion of airports as the result of an increased number of services, obviously not from the small communities and obviously you are saying here starve small communities yet you are building up on the more productive routes and, from my perspective, this Committee is interested in looking at services to those small communities. I can not see how they are not going to suffer?

**Mr GROOM:** Coming back, the quote in terms of the United States was some small communities not all small communities. The evidence suggests that overall in terms of the small communities that they benefit.

**The Hon. I. COHEN:** Your ideologically driven assessment --

**The Hon. Dr B. P. V PEZZUTTI:** -- That is unfair; his scientifically driven assessment.

**The Hon. I. COHEN:** Your assessment or the IPART's assessment, looking at your economic rationalist assessment of these issues does not take into account the various issues of guaranteed access for the really small communities. I am talking about also you are saying that if you do not agree with a deregulation of the bigger routes and a regulation of the smaller routes, how can you possibly tell this community that that is going to benefit those small communities and in turn that is part of the overall network in terms of survival of those communities. I think that has come out really clearly in this Committee; it is survival of community that we

are looking at.

**Ms MANDER:** When we wrote the report - there is a little bit on subsidies - we did not feel it was our place to recommend anything to the State Government. In fact the Treasury put a submission in that said that they did not believe that the Government would see air services to small communities as essential services.

**The Hon. I. COHEN:** We say that.

**The Hon. Dr B. P. V PEZZUTTI:** The Labor Government would say that.

**Ms MANDER:** What I am getting at is that the airlines felt that if they had flexibility in serving different routes, and it would be more hub and spoke, but there would be an opportunity to pick up some marginal traffic on the way from some place to somewhere else.

The tourism bodies were all for deregulation because they felt it would better meet the needs and would provide better access to some centres, not all centres.

**The Hon. I. COHEN:** A lot of these centres we are not talking tourism at all. Coffs Harbour is doing well, Ballina is doing well, but we are talking of business and medical and necessary transport for the small communities to be able to still get access. In your own statement about America is the increased number of services and congestion in the major airports is a major problem we have at the moment and how do we guarantee these country communities are going to survive.

**Ms MANDER:** I think the difference is who pays for it.

**The Hon. I. COHEN:** You do not agree that is an argument for any sort of subsidy of these small communities?

**Ms MANDER:** No. We said in here that we believe that there may be some small centres that may warrant a subsidy we just do not believe it was our place to recommend to the State Government that subsidies should be provided to particular service areas.

**The Hon. I. COHEN:** Why not?

**Ms. MANDER:** Because we would not be able to say which services will be lost and which ones will not.

**The Hon. I. COHEN:** If this is something that is outside your purview why cannot you recommend, you do not have to pinpoint the services, why cannot there be a recommendation that there needs to be subsidy in certain areas?

**Mr GROOM:** We did not identify specific areas that may need subsidies we identified that there may well be a need for subsidies but the way that would be implemented would be a decision for Government. Be a decision of Government, not of Treasury.

**Ms MANDER:** That is the three tiers of Government.

**Mr GROOM:** Three tiers of government; Commonwealth, State and Local. In Queensland you have already in place a Commonwealth subsidy scheme, I understand, for the medical emergencies and those sort of things. You have in Queensland in place an arrangement for subsidisation or CSO payments in the south west corner,

which amounts to \$2.7 million. We were pointing to the existence of those sorts of schemes.

**The Hon. I. COHEN:** If you are subsidising medical emergencies that is all well and good but if you have not got the infrastructure there it is not going to do you much good. Are you acknowledging that there is a need? I think that you are not prepared to say that you need to bend a little bit.

**CHAIRMAN:** They actually do say that; "Subsidisation of some intrastate air services in New South Wales may be appropriate. However, this is a policy decision". I suppose to some degree they do say that.

**The Hon. I. M. MACDONALD:** It is not a recommendation.

**Ms MANDER:** Some of the evidence we heard was that the local council fees for the use of airports are quite expensive and can be more expensive than Mascot.

**CHAIRMAN:** There was only one who complained about that and that was the one who supports deregulation: Albury.

**The Hon. J. A. GARDINER:** If the Legislative Council continues to block Mr Kelly's proposal to deregulate, do you have any suggestions that would improve the operations of the Air Transport Council, make it more effective?

**Mr GROOM:** I would not wish to, if you like, get in to that area. The tribunal is an independent arm of Government. It undertakes reviews for Government that are referred to it. The tribunal came to its conclusions on deregulation. It made a number of adverse comments about the current regulatory process and the problems with that. I would not wish to advise you, off the top of my head, in this forum, as to how to redesign that regulation, nor would I think it appropriate for us to get into that area.

**The Hon. J. A. GARDINER:** You might have to get a separate reference on that if that is the outcome in Parliament.

**The Hon. J. R. JOHNSON:** In Tamworth you have made reference to an aeroplane, Mr Groom, sitting on the airport that wanted to fly to Sydney. What was the company that owned the aeroplane?

**Mr GROOM:** Yes. Impulse was the company. It is described in the report. The circumstance was that they had a service from Brisbane to Tamworth that arrived in at about, I think it was 10 a.m. in the morning or 11 o'clock. The plane flew a service back to Brisbane at around about three o'clock in the afternoon and in between those times it was sitting on the tarmac available but unable to be used because of the constraints on its operation within New South Wales.

**The Hon. J. R. JOHNSON:** Within the last few years there was another major airline company started, Compass, it was almost predatory pricing, Compass went to the wall owing thousands of people air tickets, numerous employees money, numerous suppliers money, and I am of the view at this stage that that is what will happen. We have seen tragedy happen up in Tamworth in recent times with one of the companies. If the deregulation comes in?

**Mr GROOM:** The Tamworth example is perhaps useful to talk about quickly. My understanding is that Impulse offered to step in and offer the services and take over the routes of Tamair. One of the problems being faced in what would have hopefully have been a seamless transition is the fact that Impulse still has to win the right to those routes in front of the ATC, so it is operating in a degree of uncertainty at present.

**CHAIRMAN:** Not now.

**The Hon. J. R. JOHNSON:** It did get it.

**CHAIRMAN:** It got it.

**Mr GROOM:** You have more up to date information than I have in that case. There was a degree of uncertainty in that transition process imposed by the regulatory regime.

On the question of Compass and the deregulation on the interstate air routes, the Bureau of Transport Economics Review came to the conclusion that there were definitely net benefits to that deregulation. That, I guess, reflected also, or was consistent with, evidence from overseas experience. I would note too that often the benefits do not come through strong reduction in prices but in improved services. There was a study from the North Western University in United States that highlighted that.

John Quiggin, who is known to be not sympathetic towards national competition policy, did a review of the Compass experience and although he came to the conclusion that the benefits were less strong than the Bureau of Transport Economics concluded, he still concluded there were some net benefits of the deregulation process, notwithstanding the failure of Compass. I think the important issue is that it opens up the routes to contestability through deregulation.

**The Hon. J. R. JOHNSON:** You indicated the National Farmers' Association has supported deregulation, is that correct?

**CHAIRMAN:** That's right. That was quoted in the Land.

**The Hon. Dr B. P. V PEZZUTTI:** Was it the New South Wales Farmers or National Farmers?

**Mr GROOM:** New South Wales Farmers Association and Mr Clark who heads up their, I have forgotten the exact name of the Committee, I have not got it in front of me, but it was quoted in the papers on 6th June.

**The Hon. J. R. JOHNSON:** Have you had an inquiry on chemist shops and newsagencies and what was their proposal there?

**Mr GROOM:** No, I have not.

**The Hon. J. R. JOHNSON:** Two bob each way - not you.

**The Hon. Dr B. P. V PEZZUTTI:** Just to recap. Your Inquiry found that the ability to get a licence depends upon history, in other words what you had to get without promising any increase or improvement in services, is that correct?

**Mr GROOM:** That is right. There was an advantage to the incumbent if you were providing the service.

**The Hon. Dr B. P. V PEZZUTTI:** Secondly, did that usually include an option to bid on the licence?

**Mr GROOM:** I understand there was a case quoted in the report in terms of the Merimbulah-Sydney service

where Hazelton was the incumbent and Impulse sought to obtain the licence to that service and Impulse offered if you like more modern equipment, planes, and lower airfares yet because Hazelton was the incumbent Hazelton retained the licence.

**The Hon. Dr B. P. V PEZZUTTI:** Are they able to bind them to the offer of better services?

**Ms MANDER:** In that case Hazelton actually reduced services and then the Merimbulah Council actually approached the ATC to see what recourse they had and of course there was no recourse.

**The Hon. Dr B. P. V PEZZUTTI:** So in other words the current regulatory process is nothing more than a joke? If Hazelton, as they did, pulls out of 14 ports - no penalty? Correct? If somebody wants to come in and replace that then you go through the whole rigmarole again, but if they reduce the service then that is a matter that is all decided by the Air Transport Council, is it not?

**Mr GROOM:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Local communities have an input but they have no more say than anybody else, is that correct?

**Ms MANDER:** Not during the three year licence term.

**The Hon. Dr B. P. V PEZZUTTI:** Once it is issued there is consultation before they are issued, but the decision is made in Sydney, Elizabeth Street makes a decision and everybody lives with that. The issue of subsidy is exciting, it is something I have been asking on this Committee since we started. Community service obligations are paid for medical and a lot of the people who travel. You answered the question when I was out as I had to go elsewhere, was that about you were not prepared to recommend a method of subsidy?

**Mr GROOM:** That is right. The report noted that there may be a need for CSOs in some circumstances.

**The Hon. Dr B. P. V PEZZUTTI:** You do not recommend how they might be done?

**Mr GROOM:** No, we saw that as being a matter for Government to sort out how they may be delivered.

**The Hon. Dr B. P. V PEZZUTTI:** But the issue of cross-subsidy versus an open subsidy, which is the fairer and which is the cleaner?

**Mr GROOM:** I think an open subsidy is fairer and cleaner. It is fairer in the sense that in hidden cross subsidies communities contributing to the cross-subsidy are not aware of it and I think it is reasonable that if people are contributing to a cross-subsidy that they be aware of it. Secondly, I think in the context of the processes for regulation as it currently runs and the fact that arguably, if you are cross-subsidising, the selection of the operator on any one route is not being taken solely on the merits of the proposals on that route, that to my mind raises significant questions of public processes and the fairness of the allocation mechanism and I think it could easily get into a very messy situation if some of those were to be disputed.

**The Hon. Dr B. P. V PEZZUTTI:** On the public record I would like to state that the north coast is the poorest part of Australia and those two routes, the Coffs Harbour and the Ballina routes, are subsidising in a cross-subsidy way most of the other services offered by Hazelton and Kendell and I put that on the public record and I find it appalling. I am not unhappy with subsidies but I am unhappy with cross-subsidies.

**Ms MANDER:** In addition to the open subsidies, the other thing that it does, is it actually makes more transparent the level of service that should be provided under the subsidy, whereas currently some of the cross-subsidies might be providing a level of service which is far superior than what might be thought by some of the communities contributing to the cross-subsidies should be servicing those communities.

**The Hon. Dr B. P. V PEZZUTTI:** You are talking about a benchmarking process?

**Ms MANDER:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** The second question I have is about table nine in your report, page 9, table 2.1. Are those figures, because I have never been able to understand all the figures, but the figures we get about landings et cetera are they landings and take offs at the individual airports? Those landings at the individual airports are they passengers for Sydney?

**Ms MANDER:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Is it possible to get landings for Sydney, because that is what this is all about? Looking at Dubbo, 97,000, it could not possibly be taking people to Sydney whereas out of Ballina and Lismore that would all be people to Sydney.

**CHAIRMAN:** You might take that on notice if you have not got any definitive figures here.

**The Hon. Dr B. P. V PEZZUTTI:** The other question which you could take on notice if you like is the closures of Lismore and Ballina and the fact that you said that there is a huge amount of increase of importance of people using those services, even though they are close, is that to the detriment of the size of the services? In other words, instead of having seven services a day to serve two points, could it be that they could have a higher quality service with a jet and therefore be improving themselves and better servicing a tourist industry?

**Mr GROOM:** The report poses that as a possible outcome and Ballina, Casino and Lismore airports are very close together in terms of driving distance.

**CHAIRMAN:** You might take that on notice. We have got a few others that we would like you to take on notice and I will give you a list of those. What is the likely financial penalty, in other words reduction in compensation payments from the Commonwealth for New South Wales, if they do not deregulate their intrastate aviation market?

**MR GROOM:** I could not comment on that.

**CHAIRMAN:** You did not look at that.

**Mr GROOM:** No, because that was not within our terms of reference and I also understand that would be an issue for NCC advice to the Commonwealth.

**CHAIRMAN:** If deregulation proceeds can IPART suggest how the Government can ensure that rural and regional communities maintain their services? I think these will probably need to all be on notice.

**Mr GROOM:** We would need to be given a reference.

**CHAIRMAN:** If deregulation does not proceed can IPART suggest changes to be made to the Air Transport Council to make it more effective?

**Mr GROOM:** Again I think that question was posed earlier. We would need to be given a reference in order to provide advice on those sorts of policy issues. I should stress IPART is different from a normal Government agency, we operate on a very arms length arrangement with Government.

**CHAIRMAN:** Did IPART assess the costs associated with airlines failing?

**Mr GROOM:** That was not explicitly considered in terms of trying to identify those costs within the report. I think the evidence on deregulation, both in terms of the interstate market and the Compass foray into the market and the overseas experience with competition, also highlights that in the longer term there are significant benefits to the communities from deregulation.

**CHAIRMAN:** The Standing Committee has heard claims that New South Wales air services differs from other States, I think Ian Macdonald asked this to some degree, because Sydney is the gateway to Australia and it is artificially constrained by the movements per hour cap and LTOP. How can the State Government ensure that air service provision to rural and regional communities continues in the light of constraints at KSA?

**Mr GROOM:** I think there are two mechanisms there, one is how the slot management system at KSA operates and through input to that, that is a far more direct way of ensuring the appropriate management of that congestion. The second thing is through the CSO payments et cetera if the Government wishes to ensure access to services in those smaller communities.

**The Hon. Dr B. P. V PEZZUTTI:** Is it possible to get a table like this table on page nine that talks only about Sydney?

**Mr GROOM:** We would have to take that on notice.

**Ms MANDER:** This actual table came from the 1995/96 ATC determination, so it would just be a matter - I am not sure if you are hearing from the ATC.

**CHAIRMAN:** If you could just check if you have got them but if not we will also ask the ATC, but if you have them it would be helpful.

**Ms MANDER:** We would not have anything more up to date than this table, this is 1995-96.

**(The witnesses withdrew)**

**PETER WILLIAM TODD**, Manager, Administration, Deniliquin Council, sworn and examined:

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

**Mr TODD:** Yes, I did.

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

**Mr TODD:** Yes.

**CHAIRMAN:** I am aware you have got a copy of a management plan for Members, would you care to table that and take it as part of your sworn evidence?

**Mr TODD:** Yes.

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

Would you like now to give us a brief presentation and then we will ask you some questions.

**Mr TODD:** Yes, Mr Chairman, what I will do is give a brief overview of the airport at Deniliquin. It is a rural airport which has connections to other regional centres mainly. This is basically a precise of a lot of the information that is contained within the management plan which I have tabled.

The Deniliquin Airport is located on Wirraway Drive in the Deniliquin Council area and is five kilometres by road from the central business district.

The site of the airport is adjacent to an industrial area bounded by Wirraway Drive, Saleyards Road and State Highway No. 21. The adjacent topography is flat and the site is highly visible. There are two runways at the airport, a sealed runway measuring 1,220 metres long by 30 metres wide and a grassed runway 600 metres long by 30 metres wide.

A number of structures on site at the airport include a terminal building, a clubhouse for the local aero club, there is an airport residence, there is Bureau of Meteorology equipment which is an automatic weather station, there are four Belman hangars, a non-directional beacon as a navigational aid, the Bush Fire Brigade have their headquarters located on the airport site. There is also temporary accommodation arranged there for all the aerial agricultural activities for their peak season times, with a car wash and a separate chemical shed for all the aerial ag. fellows to store their chemicals and an aeroplane wash down area as well as the New South Wales Fire Brigade now have got a large onsite training centre being establish at the airport.

**CHAIRMAN:** I have been informed that is a pretty good training centre, too.

**Mr TODD:** It is, they are spending a lot of money there and it is becoming a pilot scheme for the State and we hope that will also increase usage of our airport in the long term.

Some brief history of the airport. The airport was a No. 7 flying school for the Second World War. Just by way of comment there was another reunion held there on Saturday as a matter of fact where a local enthusiast has got one of the few Wirraways still flying, he has totally restored it and he quite generously let that do a few passes during the ceremony and he also landed at the airport for the flying school to inspect at the reunion. So there is still a good connection to the history of the airport out there.

The flying school was formed in 1941 and prior to that it was also used as an Air Force training ground by the RAAF. In 1941 the Department of Interior commenced work on the construction of a flying school and commenced flying operations in July 1941. The cost of the buildings and services at the school was 211,030 pounds.

During the period 1942/43 the average number of aircraft at the school was 130. The main type of aeroplane at the school was the Wirraway, however later was introduced Airspeed Oxfords.

The ownership of the airport became the responsibility of Council in 1968 under the local ownership plan with the Department of Civil Aviation. In 1992 the Commonwealth Government withdrew from this ALOP scheme and subsequently funding from the Government ceased and responsibility and operation of the airport became Council's responsibility, meaning we lost our 50% funding as a result of that withdrawal with all maintenance and improvement costs.

The history of the air services at Deniliquin is that between 1928 and 1936 N. Lloyd & Sons, they were stock and station agents, and later Lance Lloyd Travel, were the agents for Australian Aerial Services which flew into the airport. Between 1936 and 1948 the Victorian Instate Airways serviced the airport.

From 1948 Ansett Airlines, TAA airline of New South Wales, McKnight Air Services, East West Airlines, Link Airways, Peninsular Airways, the most current service to operate at the airport was Air Facilities, which ceased operations in December 1996 and currently today there is still no RPT service at Deniliquin.

Because of the Commonwealth Government's withdrawal from the ALOP scheme in 1992 the council had planned and managed its resources much better for the airport. Our routine maintenance and operating costs in 96/97 was \$45,000. We also looked to create reserves for the future recurrent costs for capital works such as resealing and any major costs over and above normal operating costs. Previously 50 per cent of this expenditure was provided through Government grants through the ALOP scheme.

In 1994 the management plan was prepared for the airport on the basis of the following objectives: Management, financial plan, development strategy and upgrading works. This was all brought about because of the withdrawal of the ALOP scheme and the Local Government's emphasise on forward planning and the present situation in income generating activities at the airport. Current users of our airport include two aviation industries in aerial agriculture; being Superspread and Field Air. We have a local charter flight being Wettinall Air Services. There is a flying school that operates out there by Mr T. Evans, who is also a contract pilot for the charter service. There is a number of private owners out there who utilise the airport and also our hangers. There is a local aero club. We have Security Express fly in with legal documents, bank exchanges and all that type of thing, as well as, as I mentioned earlier, the fire brigade hot fire training service and we have a share farmer on site at the airport, which is about 250 hectares in size. The type of use is varied, which is bank transactions, medical and health transport, conference visits, State Government departments flying in, training services with the pilot training, aerial agricultural service, the charter service, express delivery service and sharing farming.

The council sees the air ambulance service as an essential service and we feel it is very important to maintain that facility for the air ambulance. It is an alternative landing strip for emergencies in bad weather should pilots run into difficulties. It is an important link for commercial and business activities, also any aerial inspections by various Government departments, whether they be water resources, CALM, whatever it may be, and also a good contact facility to accommodate media, political and military usage.

From a Deniliquin perspective at the moment, we do not have a RPT service, therefore, we are not required to have a licence or a manual but the council is committed to providing and maintaining its airport to the best possible standard and, accordingly, we do have a licensed airport. We consider there is many advantages in this in that the licence is perpetual, insurance may be cheaper due to recognised certification, we are included on the on route supplement which promotes the airport at Deniliquin. It provides authentication which may encourage potential users to come to Deniliquin because we have a licensed airport. It provides a basis for sound management practice and also provides regular independent inspections through CASA.

Our funding requirements for current operation and maintenance. Over the years the normal operating and maintenance costs for the airport have been in excess of \$40,000. We found this amount had not been adequate to maintain the facility to the standard we wanted. It is a statement in our manual that a minimum of \$45,000 per annum is considered the amount necessary to return maintenance of the airport. Also in the manual we have set up a reserve to cover the cost of all our resealing works for our runways and any other major works which may be required over and above routine maintenance to our structures out there. We have set aside some money. We had a lot of works carried out when we withdrew from the ALOP scheme so we are setting reserves for our resealing. It costs us in the vicinity of \$100,000 to reseal our runways and service areas.

Our income we derive from the lease of hangers, parking fees and annual permit fees. We do not have individual landing fees as such, we have an annual permit fees for regular users. We have council funding and our reserves I have mentioned, income from the share farming activities and also we have a small contribution coming from our adjoining councils.

Just before I close, Mr Chairman, I make mention that the council has been very active in trying to attract another RPT service to Deniliquin and our most recent enquiries, in June of this year, have led to us that a possible air service could come through Deniliquin with International Aviation which would have a Sydney-Melbourne flight which would come via Deniliquin and Swan Hill I have no further information to add. I will just leave it at that, Mr Chairman.

**CHAIRMAN:** Just on page ten of your plan, you say the aeroplane point: "Airports with regular public transport greater than 30 passenger seats". What you mean there is that they have aircraft with 30 seats rather than 30 passengers a day and freight aircraft with a pay load of greater than 3.4 tonnes require licences?

**Mr TODD:** Yes, that's correct.

**CHAIRMAN:** The airport has to be licensed if it is operating with 30 seaters?

**Mr TODD:** Correct, yes. We have never operated, or have not operated with 30 seats for a long time, but we still want to maintain our licence.

**The Hon. I. COHEN:** Mr Todd, I am just wondering what the public sentiment was at the time the air services ceased and if you can give the Committee an overview of impact on the township itself and

surrounding areas?

**Mr TODD:** I suppose it was a pretty severe impact when we had no direct link where we could leave Deniliquin and fly out to Sydney.

**The Hon. I. COHEN:** How far do you have to go now?

**Mr TODD:** For me to come up here I drove two and half hours to get to Albury airport, probably half an hour there, an hour and half flight up here, 20 minutes to get out of the airport and half an hour to get in to here this morning. I suppose travel does not effect country people. Wherever we go to play sport or visit people you jump in the car and do a couple of hundred kilometres. That does not really have any impact on us. We can leave Deniliquin, drive to Melbourne in three half hours and be in Tullamarine and fly direct to Sydney. The air fare is cheaper, direct from Melbourne to Sydney, that is another option. I suppose you have to weigh up also is travel time. You can leave Deniliquin and be in Sydney in seven and half hours by car and you are looking to come exit Albury, as I did, could take you six, six and half hours to get in to the central business district. So, again you have to weigh up the costs and time.

**The Hon. I. COHEN:** In terms of use by the local community comparing say tourism, medical services, do you have a rough percentage on the type of usage that was occurring on those flights previously?

**Mr TODD:** No. No, we do not, there is no records at all.

**The Hon. I. COHEN:** Can you hazard a guess at all of the type of clients, the use the airline or the air transport was put to beforehand?

**Mr TODD:** No, I can not comment on that. I have I have not had a large involvement at the airport. I can not comment.

**The Hon. I. COHEN:** Was there a Government subsidy to the airport in Deniliquin?

**Mr TODD:** That again I am not privy to.

**The Hon. I. COHEN:** Do you see there is an argument for subsidy there or how do you see opportunities to revive a RPT route through Deniliquin?

**Mr TODD:** I suppose that rests with the operator. If any operator is interested in coming to Deniliquin I am sure the council will lay their weight one hundred per cent behind them. I believe it will be up to the operator to do negotiations for any subsidy through any department but they would have our one hundred per cent support.

**The Hon. I. COHEN:** Can you give an indication where your community is directly suffering from the loss of the airport?

**Mr TODD:** I believe we have lost a lot of Government departments out of Deniliquin. The CSIRO, Department of Agriculture, Water Resources and the Roads and Traffic Authority have all down sized Deniliquin and gone into regional centres around Albury-Wagga Wagga. I believe has had a big impact on Deniliquin, not only loss of current employment but future progress.

**The Hon. J. A. GARDINER:** Mr Todd, could you give us an indication, just roughly, how many charter flights go across from Deniliquin to Albury each week to get people up to Sydney via that route?

**Mr TODD:** No, I could not hazard a guess at that. We have no reports, we have no flight records at our airport.

**The Hon. J. A. GARDINER:** As far as you know most people jump in the car and do the two and half hours?

**Mr TODD:** I would say they would go Wagga Wagga, Albury or Melbourne.

**The Hon. J. A. GARDINER:** I missed what you were saying about the latest inquiry for a service to go into Deniliquin?

**Mr TODD:** Yes.

**The Hon. J. A. GARDINER:** Was there not an indication that one of the regional airlines was going to come from outside New South Wales and into and then across?

**Mr TODD:** International.

**The Hon. J. A. GARDINER:** Not a domestic one.

**CHAIRMAN:** That is its name, International Airlines.

**The Hon. J. A. GARDINER:** Any word as to that one?

**Mr TODD:** We are no further advanced on that. Enquiries were in June. I have not received any updates.

**The Hon. J. A. GARDINER:** What about the other way, going down to Mildura, do many people take that option?

**Mr TODD:** Through charter flying?

**The Hon. J. A. GARDINER:** Charter flying?

**Mr TODD:** That would be too far.

**CHAIRMAN:** Griffith too far?

**Mr TODD:** Griffith is about 130 mile from Deniliquin, I suppose.

**CHAIRMAN:** Still two and half hours?

**Mr TODD:** Wherever you go you are looking at two and half to three hour drive for a regional airport.

**The Hon. J. A. GARDINER:** Are you saying that the decrease in the number of Government agencies in town is directly related to not having regular air services or has the removal of Government service offices come first and then a self perpetuating thing?

**Mr TODD:** I think it has run hand in hand with the Government's down sizing everywhere. I believe that has had a big impact on no RPT service in TO Deniliquin. A huge impact. Usage from those departments was pretty high.

**The Hon. J. A. GARDINER:** Pretty high and good customers?

**Mr TODD:** Now local charter they use a lot.

**The Hon. J. R. JOHNSON:** Do you know what happens at Hay, have they got a service?

**Mr TODD:** No, I do not believe they have. There was a connection from Deniliquin to Hay at one stage, that was run by the same operator that serviced Deniliquin. That has gone.

**The Hon. J. R. JOHNSON:** What is your population?

**Mr TODD:** Of Deniliquin alone, 8,500. Within a drawing area of perhaps 50 kilometres that would be doubled.

**The Hon. J. R. JOHNSON:** Where would you draw from, which towns?

**Mr TODD:** I could table this also. Within an 80 kilometre radius, you are looking at the townships of Finley, Berrigan, Tocumwal, Cobden in Victoria.

**The Hon. J. R. JOHNSON:** Have they got a service?

**Mr TODD:** No. Of course Deniliquin, you have got Mathoura, you could come down to Echuca, Moama. I will leave that with you, if you like.

**CHAIRMAN:** Formally table that.

**The Hon. J. R. JOHNSON:** How long since you have had a viable service there?

**Mr TODD:** December 96 was the last one with air facilities.

**The Hon. J. R. JOHNSON:** Nobody has made any attempt since then to provide a service?

**Mr TODD:** There has been a couple of enquiries. The latest one has been International Aviation.

**CHAIRMAN:** They spoke to us when we were out at Bankstown.

**The Hon. J. R. JOHNSON:** What is your total income from your council?

**Mr TODD:** For the airport?

**The Hon. J. R. JOHNSON:** No, the total income from the council?

**Mr TODD:** Ten million.

**CHAIRMAN:** Pre goods and services tax.

**The Hon. J. R. JOHNSON:** Will not come, there is going to be a election.

**The Hon. J. A. GARDINER:** There is going to be two elections.

**The Hon. J. R. JOHNSON:** One for the Senate and one for the rest.

**CHAIRMAN:** Just to follow on from the Honourable John Johnson, the airline that provided the services to Deniliquin, what size planes were they and how often?

**Mr TODD:** They were those small nine seaters, Chieftains or something like that.

**CHAIRMAN:** Nine seaters?

**Mr TODD:** He was doing a daily service from Deniliquin-Albury-Canberra. He still currently operate routes out of Albury.

**CHAIRMAN:** Did he say why he pulled out?

**Mr TODD:** Was not viable.

**CHAIRMAN:** How many passengers a year used to travel there?

**Mr TODD:** I have not got passenger numbers.

**CHAIRMAN:** What do people do requiring medical services to metropolitan areas?

**Mr TODD:** We have the air ambulance service that comes, otherwise road transport.

**CHAIRMAN:** Not many people fly to Sydney who can make their own way.

**The Hon. J. A. GARDINER:** Go to Melbourne?

**Mr TODD:** Melbourne orientated a lot for medical services, or Albury. Albury have specialists come across to Deniliquin.

**CHAIRMAN:** They drive?

**Mr TODD:** Yes.

**CHAIRMAN:** You were not aware of charter flights, whether they increased since the RPT ceased?

**Mr TODD:** The main charter flights would be still servicing the departments in the area.

**CHAIRMAN:** You talked about the Government cut back, because of those two lots of cut backs were there any cut backs in businesses or reduction in businesses in Deniliquin after the air services pulled out that you

are aware of?

**Mr TODD:** I could not comment on that.

**CHAIRMAN:** What about tourist numbers, has there been any decrease in tourist numbers that you are aware of?

**Mr TODD:** Pretty hard to gauge the tourists that would come to Deniliquin by air, could be a percentage, no doubt, but to be accurate I could not comment there.

**CHAIRMAN:** Just finally did Deniliquin council seek assistance from State or Federal Government when it was announced the RPT services would cease and also what was the Air Transport Council's reaction?

**Mr TODD:** I am not aware that we made any submissions to anybody.

**CHAIRMAN:** No contact from the Air Transport Council?

**Mr TODD:** No, not that I am aware of.

**The Hon. Dr B. P. V PEZZUTTI:** Under regulation you have got no air service and effectively I presume that this route, Deniliquin to anywhere, to Albury or to Sydney, would be open for anybody who came along who said they could provide a service, is that right?

**Mr TODD:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** You are an example of a community which has no air services, whether it is regulated or deregulated?

**Mr TODD:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** You have said the service, was it Hazleton?

**Mr TODD:** No, Air Facilities.

**The Hon. Dr B. P. V PEZZUTTI:** When Tony asked you the question about patient travel who were not urgent but needed to travel did you indicate how they could go by air, are they allowed to charter?

**Mr TODD:** They could charter or if it is an emergency we have the air ambulance.

**The Hon. Dr B. P. V PEZZUTTI:** If it is a routine service and you do not want the person travelling in pain or a brain tumour needing radiotherapy or something, how do they get to Sydney by air?

**Mr TODD:** They would not go to Sydney, they would go to Melbourne.

**The Hon. Dr B. P. V PEZZUTTI:** You still have to travel to Albury to get on the plane, have you not?

**Mr TODD:** Yes, if you want to go by that way, but I would say that most of them would go by road ambulance.

**The Hon. Dr B. P. V PEZZUTTI:** From Deniliquin to Sydney by road ambulance?

**Mr TODD:** To Melbourne.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any idea of how a subsidy, community service obligation, by Government could be paid? Are there any options that you have thought about where a community service obligation to improve the chances of people from Deniliquin, or isolated areas, to get a routine air transport to Sydney?

**Mr TODD:** No, I have not looked at it in any way.

**The Hon. Dr B. P. V PEZZUTTI:** If you do in the future, can you just let us know because I am sure you could be a bit more creative than we would be able to be. Have the number of charter flights increased dramatically or decreased at all since the withdrawal of the routine air transport service?

**Mr TODD:** Not having figures, the only positive comment I could make is that they would not have dropped; I would say they would be on an increase.

**The Hon. Dr B. P. V PEZZUTTI:** Has Council, or have you, has anybody from Deniliquin written to the State Government or the Federal Government seeking a form of subsidy?

**Mr TODD:** I am not aware of anything.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of any importunings that were done by the local council to the Air Transport Council when the operator who got the licence pulled out?

**Mr TODD:** No.

**The Hon. Dr B. P. V PEZZUTTI:** So you just sort of said well "Goddamn there it goes"?

**Mr TODD:** No, all those negotiations would have been handled by the general manager and I suppose you are not privy to everything that goes on, some of those discussions I would not be aware of.

**The Hon. Dr B. P. V PEZZUTTI:** When air facilities pulled out did the Air Transport Council rush down to Deniliquin to have a public hearing about what was going on and great communication between the two?

**Mr TODD:** No. If I could make one additional comment on the air charter. I would say it is definitely on the increase because the current operator Wecknall(?) Air Services has purchased additional planes and also the pilot instructor, Mr Evans, has also purchased a second plane.

**The Hon. Dr B. P. V PEZZUTTI:** Has any of them thought of starting a Deniliquin to Albury routine run, say three days a week or four days a week?

**Mr TODD:** I cannot comment on that. I do not know. I am not aware of any discussions or anything.

**The Hon. Dr B. P. V PEZZUTTI:** I am wondering if you could answer the question, you might not be able to answer the question, is there a huge cost in becoming a routine airline service compared to a charter operator?

**Mr TODD:** I could not comment on that.

**CHAIRMAN:** You might like to take that on notice and make some enquiries of the local service to developing that route. Anything else that you feel that you missed out on saying here today if you would like to send us a letter we would be very pleased to see it.

**(The witness withdrew)**

**BEVERLEY ANNE JORDAN**, Economist, New South Wales Farmers' Association, sworn and examined:

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

**Ms JORDAN:** I did.

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

**Ms JORDAN:** I am.

**CHAIRMAN:** You have made a submission, which you have handed round to us, to the Committee do you wish that to be included as part of your sworn evidence?

**Ms JORDAN:** I do.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard and seen only by Members of the Committee then the Committee would be willing to accede to your request and resolve into camera.

If you would like to go to the main points and then we will rotate round and ask you some questions.

**Ms JORDAN:** I would like to thank the Committee for the opportunity to put the views of the New South Wales Farmers' Association before you and thank you for the opportunity to table the submission.

The key issues we believe for rural communities are that they continue to have access to service at a level and a frequency that are appropriate to their needs and it is our belief that the current licensing regulations do not effectively address that.

Our submission would therefore be in support of deregulation that removes those licensing requirements when the current licences lapse. However, we are aware that the Committee has taken note of the way in which the Federal regulations that govern access to Kingsford Smith has the potential to act to disadvantage small regional and rural communities that are currently able to support a profitable service but at a level that may not suit the efficiency aims of the managers of the Sydney airport.

It is in line with those factors that we would stress that the key issues for regional communities are continued access to the State capital and continued access to international and interstate links. The Association would stress that it is the interstate links that we believe are most important. The access for regional business, there are already disincentives to establish a business in a region and that will only be exacerbated if access to the State capital, including access to Government agencies and the normal business activities, if regional business is put in the position where the time taken to achieve those business needs is exacerbated by breaking the link between regional airlines and interstate airlines.

Currently, with few exceptions, regional business has to come through Kingsford Smith in order to make interstate connections. Siting regional services separately from those interstate services could mean for some business the expense of overnight stay, that would only be exacerbated by flight delays or the normal delays experienced in Sydney traffic.

The way in which access to Kingsford Smith is likely to be governed for regional airlines is by the two systems that have been put in place, they are intended to provide an integrated response to the current problems of noise and congestion at Kingsford Smith. We have not addressed the appropriateness of the cap on movements at Kingsford Smith because we believe that falls outside the terms of reference but we believe that that is an important limiting factor.

The slot management system that provides an administrative structure to deal with the congestion arising from that cap has to some extent protected the existing access of existing regional operators into Kingsford Smith but we would argue that the other leg of that integrated response, the operational charges, is currently designed to act against the objectives of the slot management system and to the extent that that would prevent regional operators from making effective use of the slot management system it discriminates against those regional operators.

The nub of our submission is that it is the interaction between the Federal regulation and the progress of State deregulation that is the key area.

To address the effects of licencing briefly, we would suggest that the history of regional services shows that the current licensing arrangements have not been effective in requiring the continued operation of any regional service. The effect that that has is to prevent competition from entering in on the route but they do not ensure continued service for that regional community in the event that an operator who holds the licence is unable or unwilling to continue to service that route.

In the light of that we would submit that regional air services should be deregulated by removing the licensing regulations, but we would suggest that there is a role for State Government in monitoring the effect that that has on pricing and particularly in monitoring the effect that the Federal pricing charges have on continued access for small profitable routes.

We would also welcome any lobbying action by State Government that would ensure that pricing structures operating at Sydney Airport do not adversely weigh on regional passengers. The effect of the landing fee charges as they currently apply, and as they are proposed to apply from 1st October, mean that the per passenger charge is higher for regional passengers. It is reasonable that regional aircraft bear a portion of the fixed charges associated with the operation of the airport, it is not reasonable that they bear a higher proportion of those than the services such as the international services which are making greater use of the capital investments at that airport.

I have briefly addressed the issue of the interconnection between regional and interstate and international airlines, our recommendation would be that any proposal that restricts the ability of regional passengers to easily and timely access interstate and international flights should be dismissed and should not be further pursued.

Should it become necessary through weight of traffic it would be our contention that it is the regional and interstate services that should be sited together and the international services which should be sited at a different venue but it is obviously our strong preference that regional services continue to have access to those connections.

**CHAIRMAN:** I notice your submission is a bit like the Shire Association, to do with the impacts of deregulation. The recommendation is that regional air services be deregulated, however, the eight paragraphs involved there, including the first paragraph as a straight lift out of IPART, all of the other paragraphs actually

talk about the dangers of deregulation and the dangers to smaller country areas and talk about if there was deregulation there should be safeguards put in place. Just to look at your recommendation without the balance of the text is to unfairly treat your submission.

**The Hon. J. A. GARDINER:** Firstly, Beverley, were you here when the Sydney Airports Corporation Limited gave their evidence?

**Ms JORDAN:** No.

**The Hon. J. A. GARDINER:** They indicated that on Friday there was a decision to bring aircraft landing charges down and small aircraft be charged \$40 per landing, medium down to \$82.50 and then the larger at the hundred dollar figure. That might be useful but we have not heard from the regional airlines as to whether they are happy with that or not.

**Ms JORDAN:** We obviously were unaware of that and we would be equally unaware of the regional operator's response. I think our contention on this is that, yes, that would go some way to addressing the issue of the minimum landing fee but there are other ways of structuring those fees that could, using other measures, lighten the unfair distribution per head. One thing that this would not address is the fact that the charges per or the weight related charges have been dramatically decreased. Now, that is, to some extent, compensated by the fact they have introduced the international terminals charge but the combination of the fixed landing charge and the decrease in the weight related charge will continue to push the balance of the way those landing charges are felt per passenger unfairly against regional services.

**The Hon. J. A. GARDINER:** Does the association have a view about the sorts of communities that we were just hearing from, that are fairly far flung from a major centre, but they do not have viable numbers of passengers and the question of CSOs coming in to apply those; do you have a view about those smaller places.

**Ms JORDAN:** We have not looked closely at the way in which a CSO would operate but it is exactly those sorts of communities that we believe the slot management scheme was designed to assist in ensuring that they continue to have access. The operation of the landing fees will mean that slot management system access is of no assistance to those communities and in those circumstances a CSO that guaranteed access where they do not have viable alternatives would be appropriate.

**The Hon. I. COHEN:** Miss Jordan, do you feel that there is support from the farming community to your position for deregulation? Is that an overwhelming support?

**Ms JORDAN:** It is current association policy and the way in which the association formulates its policy is through a very democratic structure that I know that you are aware of. So, yes, we would believe.

**The Hon. I. COHEN:** There has been a vote on this issue or some sort of polling of membership?

**Ms JORDAN:** It is pretty long standing association policy that intra State services be deregulated and that is a policy that came up through the association's conference.

**The Hon. I. COHEN:** It is just that information, as I interpret it, from the community, is that a lot of farming communities are feeling a significant concern, Deniliquin you might have heard just before you appeared, that they are losing services, that there is a fear that the marginal services, economically marginal services, are going to be effected by deregulation, you do not think that that is a problem?

**Ms JORDAN:** I think what we have tried to reflect in our submission is that we do think that is a problem but we do not think that comes from the lapsing of the licencing, State licencing. We think that that is going to be a problem, and currently is a problem, even with licencing in place. We would suggest that the factors that are causing that come more from the pricing of access to Kingsford Smith and that the State licencing requirements have had the effect of preventing competition on routes that might have provided those communities with services that were better suited to what those communities required.

The effect of the pricing of landing fees has meant that the incentive for the regional service operators is to move to larger aircraft and to structure their routes so as to maximise their effective use of Kingsford Smith and that does not necessarily equate with the perception of the local community of the level of service, the kind of aircraft, the frequency of operation on the route.

**The Hon. I. COHEN:** Does your organisation have an opinion on possible subsidising of small marginal routes to out lying areas?

**Ms JORDAN:** The association has not addressed that particular proposal directly but other policy positions of the association would mean that we would not support the direct subsidisation of specific routes but we would support the Government accepting a community service obligation in the underlying structure and operation of the market that would perhaps change the perception of that route.

**The Hon. I. COHEN:** Is not that a regulation, like a regulation process to actually maintain, force the maintenance of certain routes?

**Ms JORDAN:** No.

**The Hon. I. COHEN:** They may have one route and other marginal routes may have trouble.

**Ms JORDAN:** It may be addressed as providing a community service obligation that allows regional airlines a more equitable per person landing fee regardless of which particular route you are talking about.

**The Hon. I. M. MACDONALD:** The New South Wales Farmer's Association policy on the dairy industry, as I recall, was to oppose deregulation, is that correct?

**Ms JORDAN:** I do not believe that we opposed deregulation.

**CHAIRMAN:** Do you mean the deregulation that Ian Armstrong did in 1992 or the recent one, the farm gate price?

**The Hon. I. M. MACDONALD:** The farm gate price.

**Ms JORDAN:** I do not think we opposed deregulation per se. I think in that instance we were arguing that the marketing structure was addressing a current imbalance of power in the market that would have resulted in producers getting lower prices but retailers not passing on that price and, therefore, it was not in the public interest.

**The Hon. I. M. MACDONALD:** So there is a question of imbalance and power in the market place that secures the competitive demand or whatever?

**Ms JORDAN:** Exactly. That was what I was trying to get at in my previous answer. While we would not support subsidy of particular routes we would support the Government fulfilling a community service obligation that meant that all regional operators had assistance in securing access, for example, to Kingsford Smith. In other words, redressing the existing imbalance between the per passenger rate on a 707 or a 747, using the same stretch of run way at Kingsford Smith, versus the current per person rate on say a Dash 8.

**The Hon. I. M. MACDONALD:** Is not there an inbuilt lack of competition, in a sense, in our State, in that you have maybe 15 to 20 strong growing and effective centres, for one reason or another, which would be the absolute operating competitive forces in terms of what you say in your submission, their community's needs would get matched for sure, they would have good type of flight, they would have frequency and quality, those 16 to 20 growing centres who have say passengers over 70- 80,000 per annum. But there is another 40 odd that do not reach figures anywhere near that. Do not you accept that competition would eschew towards, the whole direction of air services in this State, under deregulation, towards those growing and bigger centres and that being an imbalance, in effect?

**Ms JORDAN:** It would and it probably should but the operation of market forces would not necessarily prevent those smaller communities from supporting an appropriate service for their needs. It may not be as frequent, it may not be on as large an aircraft and the current licencing requirement under the New South Wales regulations does nothing to ensure that those services or that that type of service remains in place for those centres.

I would suggest that where the imbalance and the skewing of the operation of market forces lies is with the access to Kingsford Smith which will push those smaller aircraft servicing the kind of community that you are looking at out of the peak periods and possibly close access to them altogether. It is those communities that need to be better served by safeguards that protect them against pricing competition and that protect them against the anti-competitive use of prices.

**The Hon. I. M. MACDONALD:** You would be opposed to Qantas and Ansett ganging up for years to wipe out any third competitor?

**Ms JORDAN:** Absolutely.

**The Hon. I. M. MACDONALD:** It is impossible to stop, is it not, really? You can talk about it, we will try and make it, we can monitor it, but in effect they are not going to stop it?

**Ms JORDAN:** That is the area we need to be addressing.

**The Hon. I. M. MACDONALD:** Once you have no licencing system in place at least make sure that the State has a fair chance of across it being serviced, once you have a total anything goes why would West Wyalong not fold and why would not those communities be upset to think, oh, well, we can solve that by giving you a once a week service rather than a daily service.

**Ms JORDAN:** Those communities would be upset but it is not the licencing regulation that currently ensures that they do have access to that particular service.

**The Hon. I. M. MACDONALD:** By and large because the licences are entered into under condition.

**Ms JORDAN:** I would submit that it does not because even under the licencing regulations where airlines

have been unable to sustain service along the route and withdrawn, unless there is another airline that is able to come in and provide the service the licencing regulation does not ensure the continuation of that service.

**The Hon. I. M. MACDONALD:** By and large they have.

**CHAIRMAN:** What if they change the system and issued them as a bulk group? In other words, if they issued 20 licences to an airline, ten of them good ones and ten of them not so good ones and if they pulled out the ten not so good air routes then the whole lot are up for grabs. Would you support that?

**Ms JORDAN:** I believe that still would not address what is the key issue and that is the ability of the landing fees to prevent them from continuing to service those routes. Because with the way in which the slot management scheme operates and the landing fees operate the incentive is always going to go towards larger craft and, therefore, to try and route regional services through larger centres because those will always be the most profitable routes.

**CHAIRMAN:** There might be some changes to those landing fees to be announced shortly.

**Ms JORDAN:** The changes we have heard I think still will not address that adequately.

**The Hon. J. R. JOHNSON:** For some considerable time your organisation has been urging the Government not to deregulate chemist shops and news agencies, yet the association wants some deregulation of the airline industry and I find it inconsistent. Would you like to comment.

**Ms JORDAN:** I do not think that I can directly address that other than to say that we are reflecting here the views of members that the existing licencing regulations have not ensured the kind of services that they believe their regional communities want and that, in the absence of the licencing regulations, there is more chance of increased competition on the regional routes, providing them with the level of service, the type of service and the frequency of service. I know that has not directly answered your question.

**The Hon. J. R. JOHNSON:** Have you been following the situation in regard to the Tamair in Tamworth?

**Ms JORDAN:** I have but I do not have a great deal of detailed information about that.

**The Hon. Dr B. P. V PEZZUTTI:** Earlier in your evidence you said that New South Wales Farmers believe that there should be frequency and level of service appropriate to the needs of community; is that a reasonable statement of what you said?

**Ms JORDAN:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Would you like to add something to that, like practicality or within reasonable cost or something. Because an individual, every individual's needs for frequency and access of a level of service depends upon each individual's needs, if I am a doctor sitting in Lismore or a doctor sitting in Deniliquin it is exactly the same. There has to be something that brings that down to reality, which is what the Honourable Ian McDonald said. So what brings it down to reality, what makes it practical or nonpractical or is it your suggestion they have to be profitable?

**Ms JORDAN:** Absolutely, that is the underlying assumption here.

**The Hon. Dr B. P. V PEZZUTTI:** I have heard what you said. If you don't like the question you can say stop. If it has got to be practical and there has to be a level above which it is profitable and below which it is not profitable, is there a way in which the Government can intervene or somebody else can intervene to lower the bar, to make it more available in a more equitable fashion to a large number of people?

I could ask you the other question, which is a ridiculous question, but do you believe that there should be Bob Carr Airlines started up in New South Wales to service those ports which are not profitable?

**Ms JORDAN:** I think we have answered that question. I think we said no. I think I have also said that specific routes should not be directly subsidised. I think the airlines should not be, the specific route should not be, but the thing that we see standing in the way of market forces providing exactly the services with the qualities that we have referred to here, what we would argue is that normal operation of market forces would provide that kind of service. The regulations governing access to Kingsford Smith which is, by any measure, the key hub for the air services, those incentives necessarily act against a route that is servicing a small market because those incentives are designed to push through larger aircraft.

**The Hon. Dr B. P. V PEZZUTTI:** Given that we have heard today that regional aircraft produce 5% of the passengers and use up 35% of the peak times and 33% of all the other times and there is a ring around that, that sort of regulation must be costing Sydney airport a fortune. So somebody is paying a subsidy here already. They are guaranteeing access at a lower cost.

**Ms JORDAN:** My understanding of what they are guaranteeing is they are guaranteeing access to the slot, they are not guaranteeing access at a lower cost and there is no opportunity for an operator that does not already have access to that slot to purchase that slot. So the operational system that we contend does provide better access for regional routes, the objectives of that are in conflict with the incentives and the objectives of the charging system. It is in that area that there would be room for the use of a CSO in addressing the imbalance.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of the costs of the operation of the Air Transport Council to the State Government of New South Wales?

**Ms JORDAN:** No, I do not have that detail.

**The Hon. Dr B. P. V PEZZUTTI:** Do you know who pays for its operation?

**Ms JORDAN:** I would imagine the tax payer would.

**The Hon. Dr B. P. V PEZZUTTI:** Do we know how much it costs?

**CHAIRMAN:** \$320,000 a year net cost.

**The Hon. Dr B. P. V PEZZUTTI:** It would be your contention that it has in terms of its operation, the decisions on who gets what route is made by the Air Transport Council at Elizabeth Street, is that correct?

**Ms JORDAN:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware if there is a variation whether there is any consultation or a need for consultation between the Air Transport Council and the local community or the people who made the

original submissions about the people who got the original licence?

**Ms JORDAN:** We are talking about the original New South Wales licences?

**The Hon. Dr B. P. V PEZZUTTI:** If it is a New South Wales licence say from Sydney to Deniliquin, if there was one, and there was, and the person pulled out what consultation was there between the Air Transport Council and the Deniliquin community?

**Ms JORDAN:** As far as I am aware there is no requirement for there to be any consultation and the licence does not require the operator to continue to provide the service.

**The Hon. Dr B. P. V PEZZUTTI:** Or live with any of the conditions of the licence?

**Ms JORDAN:** Or live up to any of the conditions of the licence.

**The Hon. Dr B. P. V PEZZUTTI:** Is the Air Transport Council's operations in New South Wales anything but a sick joke?

**Ms JORDAN:** I might decline to answer that question.

**The Hon. Dr B. P. V PEZZUTTI:** Can you give me one good thing, one thing which is rational, responsible and delivers an outcome that the Air Transport Council is doing today, at a cost of \$320,000 to the tax payer we are told, that could not be delivered in any other way without them and without their regulations?

**Ms JORDAN:** Our argument is that the licensing should not continue because it has not been effective.

**(The witness withdrew)**

**GERRARD PATRICK MCGOWAN**, Executive Chairman, Impulse Airlines, and

**IAN DONALD DAWSON**, Director, Impulse Airlines, sworn and examined:

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

**Mr MCGOWAN:** I did.

**Mr DAWSON:** I did.

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

**Mr MCGOWAN:** Yes.

**Mr DAWSON:** Yes.

**CHAIRMAN:** You have made a submission to the Inquiry, would you like that to be taken as part of your sworn evidence?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents that you may wish to present to the Committee should be seen or heard only by the Committee then the Committee would be willing to accept your request and resolve into camera.

Because we have got that submission you do not have to necessarily read it out but you might just like to take a couple of points and highlight them and then we will go through the process of asking you some questions.

**Mr MCGOWAN:** Impulse is of the view that air services in New South Wales should be deregulated. We do not think it has delivered what was envisaged. According to a release made by Ian Armstrong when this Committee was set up he believed that regulation or managed competition, whichever you want to call it, would ensure that companies were viable, that there would be adequate profit margins, that small communities would not lose their services, that operators would be given a say in how the industry is run and that the economic survival of country towns were dependant on air services bringing passengers to Sydney. We do not believe that regulation has delivered on any of that.

We think that regulation has fatally flawed the industry, especially in light of what is happening with Sydney Airport with slots and with all those issues that are currently happening. We think it is a flawed system. We think that the Air Transport Council does not have a role in the future of the industry and we are advocating that it be deregulated.

**CHAIRMAN:** Do you have any comments on any of the other terms of reference specifically?

**Mr MCGOWAN:** I am happy to go straight to questions.

**CHAIRMAN:** What size aircraft does Impulse utilise?

**Mr MCGOWAN:** Impulse utilises Beech 1900Bs, they are a 19 seat commuter aircraft and some with toilets, refreshments and some not.

**CHAIRMAN:** In one of the blurbs in one of the planes it says that you operate one of the most modern air fleets?

**Mr MCGOWAN:** Our average aircraft age is under 18 months. We have got the most modern fleet of aircraft in this country, barring no-one.

**CHAIRMAN:** How will the increase in landing fees at Sydney Airport effect your operations?

**Mr MCGOWAN:** They will not effect our operations. We are not in agreeance with the way the landing fees were set. Initially when they were set at \$140 we were critical of the Government and that the current fees were \$44. We negotiated with Sydney Airport Authority earlier on this week to get the fees commencing October 1 reduced to \$82.50 for 19 seat operators, \$40 for 9 seat operators and the 36 seat operators will be paying \$100.

**CHAIRMAN:** How many planes do you have?

**Mr MCGOWAN:** Thirteen.

**CHAIRMAN:** How do landing fees at regional airports effect you?

**Mr MCGOWAN:** It has been an argument we have been having with them for some time. We feel that regional airports tend to overspend on their facilities, that they see the airports as an economic centre in their own right and they look to either make profits for it or at least have it break even. Those airports that are not used very frequently it is very difficult for them to have them break even. We really see regional airports as a community asset that needs to be supported as are roads or anything else that the community does. It brings people to town to do business, to spend money, things like staying in hotels, those sorts of things. I do not think communities see it that way and some of the regional airport charges are quite high.

**CHAIRMAN:** What effect would the re-direction of country air services at Bankstown have on your operations?

**Mr MCGOWAN:** If regional airlines were allowed to fly wherever they wanted to from Bankstown I think there would be a role for Bankstown. I think the reality is that the way this industry was deregulated on a national level with such a high majority of the travel agents being owned by the two major airlines, by the two reservation systems being totally controlled by the two major airlines, it makes viable regional air services from Bankstown very difficult. We have put forward proposals where we would seek to fly to Bankstown with major capitals as well as link regional centres into Bankstown, but that has not been met with a favourable response from our host carrier.

**CHAIRMAN:** Would you see deregulation would increase your business much?

**Mr MCGOWAN:** If you had asked me that a couple of years ago I would have said yes, but the slots make it very difficult.

**CHAIRMAN:** Is there provision for you to get slots? Just say there was no regulation at the moment and you

wanted to operate in three more areas next week?

**Mr MCGOWAN:** 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 11.00 o'clock or 12.00 o'clock or 1.00 o'clock but to have viable air services from the country communities we need access at peak periods and there is not a hell of a lot of slots left there, or there are no slots left there.

**CHAIRMAN:** If you get the Tamworth route is there any problem with just taking over that existing slot?

**Mr MCGOWAN:** We secured what slots Tamair had, the unfortunate thing with Tamair was that Dave was starting to reduce services over a period of time so they let slots go that service that community and they have gone to other operators or back into the general industry. So yes, it was difficult to get slots to service Tamworth. What we have pulled up with Tamworth is it would be almost impossible for us to do again with any other community.

**CHAIRMAN:** Only because there were slots there?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** We are led to believe this morning it is not that easy to transfer them between airlines or even between communities. How many people does Impulse employ in New South Wales?

**Mr MCGOWAN:** About 260.

**CHAIRMAN:** Where are the major location areas?

**Mr MCGOWAN:** Our major employment areas are in Newcastle, Brisbane, Sydney and we have 22 employees in Tamworth.

**The Hon. J. A. GARDINER:** Including the Tamair people?

**Mr MCGOWAN:** Including the Tamair people that we currently have on board.

**CHAIRMAN:** I think you made a proposal that you would take a lot more on board if you get the route?

**Mr MCGOWAN:** That is right.

**CHAIRMAN:** Have the local communities been happy with the level of service provided by Impulse?

**Mr MCGOWAN:** Yes, I think so. I think in our submission to Tamworth Council we had a high level of support from other regions we service.

**CHAIRMAN:** What success is Impulse having in making Newcastle a hub?

**Mr MCGOWAN:** I think Newcastle has been a very interesting story in that when we first went there we were doing 40,000 passengers a year, five years later we will do better than 200,000 this year. The growth has been quite strong there. I think the whole issue of air services in New South Wales is not to create Sydney as the main hub, I think that has been the thing that deregulation has left on air services in New South Wales

because everything comes into Sydney.

Twenty per cent of regional passengers want to go somewhere else and they are forced to hub through Sydney. What we have done in Newcastle is we have taken them direct and it has proved very popular and it has also increased the traffic demand out of that region quite considerably.

We see that any viable future service in New South Wales is going to have to address those sorts of issues. I cannot see any sense in Tamworth passengers coming to Sydney when they want to go to Brisbane and that is why we started the Tamworth-Brisbane service. We have committed to Tamworth that we will commence operations to Canberra and Melbourne, because once again there is high on-carriage out of those regions. If you take Tamworth to its logical conclusion there is no reason why you would not connect places like Moree, Gunnedah even Dubbo into places like Tamworth and use it as a genuine hub to allow them to go to many different destinations rather than one.

**Mr DAWSON:** Impulse have developed a definition of a hub which I think is different to the common language of the industry. There is a feeling in the Tourism Task Force and others who have advocated that you consolidate loads into regional centres like Tamworth and other places and bring the lot into Sydney and then they hub out from Sydney. We believe you can decentralise hubs. We believe that we have done that in Newcastle, we are starting to do it in Wollongong and we certainly, if given the opportunity, intend to do that in Tamworth.

The key is to make the city connections out of the regional centre rather than bring everything into Sydney on a jet or on a bigger aircraft. I just want to clear up the definition of what a hub is when we use the expression.

**CHAIRMAN:** You said you had 13 planes but I think if you get Tamworth you are looking at perhaps buying another half dozen.

**Mr MCGOWAN:** Yes, we have six on firm order.

**CHAIRMAN:** No finance apparently according to the report you gave to the Air Transport Council, there is nothing on loan. I was intrigued there, on the side of the planes it has got, is it Fairfax? That is how you started, wasn't it, you started as a newspaper carrier?

**Mr MCGOWAN:** Yes, and we still do that to this day; we do the distribution of the Fairfax and News Limited publications around Australia. It is really how we got into the airline business, we bought aircraft to service the cargo requirements.

**CHAIRMAN:** You have moved to your own terminal in Sydney. I would be interested to see how that is working. I think somebody else said they that they might have actually used your terminal there as well, one of the small operators. Is it Yanda?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** The CRS computer reservation system, how is that operating?

**Mr MCGOWAN:** In terms of terminals we are trying to move to our own terminal wherever possible. We just moved to the common use terminal in Brisbane out from Ansett. The new owners at Canberra airport are building a common use facility. Certainly our facility in Sydney works well.

There is normally some percentage of our customers, a very small percentage, that would prefer that we pulled into an Ansett or a Qantas terminal because they just want ease of access to the Golden Wing Clubs, those sorts of things. What we say to those communities is that normally about 60% of the traffic originates Sydney and for those passengers they can pull into our facility, they get free car parking, they can get there 15 minutes before flight departure and it is just easy for them. It is basically a country terminal in a city.

**The Hon. I. M. MACDONALD:** What about if they are going on?

**Mr MCGOWAN:** If they are coming in from a country location into Sydney?

**The Hon. I. M. MACDONALD:** And they are going somewhere else?

**Mr MCGOWAN:** If they pull in on Hazelton or Tamair they would get on a bus and they get taken to the Ansett terminal. If they pull into Impulse we put them on a bus, we take them to the Ansett terminal or the Qantas terminal or the international terminal free of charge.

On the reservation systems, to us when the Hawke Government deregulated we think the bad thing about that deregulation was the ownership of the terminals and the reservation systems were left with the airlines and they continue to use that, in our view, in a predatory way. It is very difficult to control costs. Some of our terminal costs went up in excess of 250% in one year. Our reservation system charges continue to go up outside of any expectation that we might have. If you choose to compete with one of the majors then you normally find your services will be buried on the second or third page of the reservation system and it is something that we have been encouraging the agency to look at, without any success at this stage.

**CHAIRMAN:** They have not looked at it?

**Mr MCGOWAN:** They have, they have been out to us, we have shown them how the reservation system works but there has been no action forthcoming.

It is a very technical thing and it is difficult for people outside the industry to get their heads around but we think at some stage if there are going to be any viable third airlines come out of this they probably should be coming out of a regional carrier and unless you can get some control over the reservation systems it is going to be very difficult for that to occur. Also, when you consider the amount of ownership of travel agencies by the major two as well, it makes it very difficult.

**The Hon. J. R. JOHNSON:** Can you give us the sequence of events with the fold-up of Tamair?

**Mr MCGOWAN:** The sequence of events were that I believe on Friday, I do not know the date, but Tamair handed in their air operators ticket to CASA. CASA subsequently, we found out, did not accept that and they decided that they would take their air operators certificate. We believe the Air Transport Council then cancelled their licenses. Ansett cancelled all of their commercial agreements with them at that stage.

**The Hon. J. R. JOHNSON:** What happened subsequent?

**Mr MCGOWAN:** Subsequent to that we got a call to our Tamworth agent on the Friday by Paul Bredereck who wanted to basically sell his operation to Impulse agents or whoever he could get across the line. The way he described it was that the business was still operating and that the assets of the business or the share holding of the business were available for sale. What we subsequently found out was that he had basically already

ceased to operate and he had no right to trade in air licenses and that commercial agreements and his air operators certificate had all been taken off him.

**The Hon. J. R. JOHNSON:** Was he offering the business with the encumbrances?

**Mr MCGOWAN:** He was offering the business in whatever form a buyer would want to take it. He really did not have anything concrete on the table to offer other than to say that the ongoing business should be able to keep its air operators certificate, its licenses and all those sorts of things that you would need to operate - that was not the case.

**The Hon. J. R. JOHNSON:** Then what happened? How was Tamworth serviced?

**Mr MCGOWAN:** We picked up the services from that day.

**The Hon. J. R. JOHNSON:** How?

**Mr MCGOWAN:** The Air Transport Council gave us a temporary licence it runs out on 14 September. We honoured Tamair tickets that had been paid for by the public, we have honoured over 20,000 to date.

**The Hon. J. R. JOHNSON:** 20,000 tickets.

**Mr MCGOWAN:** \$20,000 worth of tickets. That continues to grow every day. The difficulty we are facing in Tamworth at the moment is there is still no decision on the licence. Our current licence runs out on the fourteenth.

**CHAIRMAN:** Monday.

**Mr MCGOWAN:** We cannot sell tickets beyond that date, so it means that passengers that want 21 days, 14 days, seven day advance purchase cannot book, so we are seeing that market dry up for us very quickly.

**The Hon. J. A. GARDINER:** What is your expected timetable on your announcement?

**Mr MCGOWAN:** We would have hoped an announcement would have been made Friday, today at the outside.

**The Hon. J. R. JOHNSON:** What about the employees, their annual holidays and long service leave and superannuation and sick leave entitlements?

**Mr MCGOWAN:** We know we have pilots that were taken on, they are owed in excess of \$75,000. You have ten cadets up there, some of them have only been there eight days, they have paid over \$85,000 up front to learn how to be a pilot and supposedly have a job guaranteed at the end of it. Some of those kids have had families mortgage homes, properties, those sorts of things and they have got nothing.

**The Hon. J. R. JOHNSON:** You have not taken over those employees?

**Mr MCGOWAN:** No, we cannot.

**The Hon. J. R. JOHNSON:** I take it that there is a new contract of employment with them that you have got?

**Mr MCGOWAN:** That is right.

**CHAIRMAN:** And if you get the licence after next Monday would you propose to take any of those on?

**Mr MCGOWAN:** The cadets are a very difficult case, in that, you do not what standard they have been trained to. If you hire cadets out of the British aerospace flying college you know the syllabus they have trained to is the Ansett syllabus, with these kids, like everything else with Tamair, you just do not know what is there.

**The Hon. J. R. JOHNSON:** How many involved?

**Mr MCGOWAN:** Ten that I saw on Thursday. We are working with Newcastle University to try and create some sort of environment where they can go ahead with their studies and come out with a viable degree at the end of it. We are working with some of the kids to see if they can put off their flying ambitions, do the degree, maybe move into operational areas. We are conscious of the damage that has been done to them. At the end of the day we are going to do as much as we can to help them but we are still trying to work out what that can be. It is a bad situation up there.

**The Hon. J. R. JOHNSON:** Just one more question, in answer to a question from the Chairman you indicated that you are buying another six aircraft.

**Mr MCGOWAN:** Yes.

**The Hon. J. R. JOHNSON:** And you do not lease aircraft?

**Mr MCGOWAN:** No, we do not lease aircraft. What you see on our balance sheet is basically what is there. We do not lease them to try and get them off balance sheet. What we say is that we have no bank debt, no leases. When we purchase our aircraft we pay significant deposits. The aircraft manufacturer has a bank that basically loans money against that equipment. The only debt the company runs is a proportion of the aircraft but everything in our business we fund out of our cash flows.

Airlines are great cash flow businesses. You only have to see the trouble that Ansett have been in for long time now but they survive and it is because of that you are generating lots of cash, which is great for airline. 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.

**The Hon. Dr B. P. V PEZZUTTI:** Your pennanted chart which had the various costs of the council charges but significantly you have left Sydney off, because the whole reason for this inquiry is substantially about Sydney routes. I will come on to the other issue later. You have left Sydney off, what would be the equivalent numbers for Sydney?

**Mr MCGOWAN:** Costs for landing in Sydney are \$82.50.

**The Hon. Dr B. P. V PEZZUTTI:** For your 19 seater?

**CHAIRMAN:** That is the new stuff on Friday.

**The Hon. Dr B. P. V PEZZUTTI:** The stuff that was equivalent to these costs here.

**Mr DAWSON:** We did not do the analysis because this was for another submission. We are a very small user of Sydney airport, basically.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any routine flights into Sydney?

**Mr DAWSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** What were you paying?

**Mr DAWSON:** That was for a specific period.

**The Hon. Dr B. P. V PEZZUTTI:** Do you not do Sydney to Newcastle?

**Mr MCGOWAN:** Very limited.

**Mr DAWSON:** We do Port Macquarie-Sydney and Cooma-Sydney.

**The Hon. Dr B. P. V PEZZUTTI:** The port Macquarie-Sydney I know that is not a peak time flight, is it?

**Mr MCGOWAN:** Port Macquarie-Sydney, yes, we did not schedule around the peaks, we would fly in through them.

**The Hon. Dr B. P. V PEZZUTTI:** What were you paying for the landing?

**Mr MCGOWAN:** We were paying \$44 plus the \$250 surcharge.

**The Hon. Dr B. P. V PEZZUTTI:** \$2.50 per person?

**Mr MCGOWAN:** No, \$250 peak period landing fee.

**The Hon. Dr B. P. V PEZZUTTI:** So looking at the other international, the other State big ones, Coolangatta, Melbourne, Sydney, Brisbane, the cost of landing at those per person is very small, aren't they, compared to the huge cost that Port Macquarie Council is charging? Six million dollars is its income. The income for Coffs Harbour council is four million dollars, the income for Newcastle city, or for Newcastle airports, I presume that is both of them?

**Mr MCGOWAN:** No.

**Mr DAWSON:** That would be Williamtown.

**The Hon. Dr B. P. V PEZZUTTI:** That would be the Williamtown one, would it?

**Mr DAWSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** 11 million dollars. Tamworth two million dollars and Armidale two million dollars. Now these are big amounts of income for relatively smaller airports. I would love to know what is Sydney airports income.

**CHAIRMAN:** We have got it.

**The Hon. Dr B. P. V PEZZUTTI:** Is it billions? The question is, looking at the cost per landed person in regional New South Wales at a regional airport are vastly higher than landing at Sydney, so why is this fascination that people have about the cost of landing at Sydney?

**Mr DAWSON:** I think there is two issues there. One is whether there is an agenda running in Sydney to use pricing as a means to get smaller aircraft out.

**The Hon. Dr B. P. V PEZZUTTI:** Ignoring fear and concern, the reality at the moment, none of the landings in Sydney would go close to \$15.75 for a 19 seater.

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Yet we hear screams about Sydney airport. The New South Wales farmers terribly concerned about the cost of landing at Sydney airport and yet the real costs are out here in Tamworth, Port Macquarie and Coffs Harbour.

**Mr MCGOWAN:** Once again I would say that you have got the mentality of councils out there want to have full cost recovery for their airport operations. On top of that they want to build significant terminals. If you look at the terminal built at Port Macquarie, or at Tamworth, or Coffs Harbour, the amount of development work that goes on out there. It is not like Sydney where you have a huge pool of aviation paying for it. Out there you have one or two airlines that have to pay for it and it is big and they want one hundred per cent cost recovery.

**The Hon. Dr B. P. V PEZZUTTI:** This Committee has continued to hear from councils who are terribly concerned about deregulation what it will do to their community. We are also mindful of what it will do to the pockets of the councils in making decisions that they have made over time. Lismore city is about to build a two million dollar brand new terminal.

**Mr MCGOWAN:** And in every instance we have come across that we have opposed it. Local communities you do not get to the airport an hour before you want to go. You get up there, you drive in 15 or 20 minutes, you do not need much in terms of terminal and we prefer to see cheaper terminals, cheaper operations out of the country communities.

**Mr DAWSON:** Can I add a rider to that, you have to be careful with these figures that you are comparing oranges with oranges. In Sydney and Melbourne they are for landing charges only. We get large charges from Ansett for turn around charges through their terminals.

**The Hon. Dr B. P. V PEZZUTTI:** There are other charges, I am aware of that.

**Mr DAWSON:** Okay.

**Mr PEZZUTTI:** The landing fees, which is what people talk about, which is the variable, not the access to a terminal, because you can have your own terminal, of course they have to provide their own terminal after all, the cost of physical landing is the thing people get terribly excited about but they are nothing like the costs elsewhere.

The other question I have for you is, do you think one of the ways we could take advantage regional New South Wales, or take away some of the disadvantage to regional New South Wales, is to provide a form of community service obligation which would overcome some of the difficulties of size and give a bit better access and, if so, how is that best provided?

**Mr MCGOWAN:** In terms of?

**The Hon. Dr B. P. V PEZZUTTI:** A subsidy of some sort.

**Mr MCGOWAN:** 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 obligation to continue to fly from where you gain those slots. We saw that as obviously a flaw in the system.

The alternative to that is, with deregulation, what happens to smaller regions if they lose their air services. My contention is that other airlines will make more sense of their networks by incorporating some of those smaller regions. If they do not the Government has the option to subsidise those areas and recover the cost out of the industry and we would be supportive of that.

**The Hon. Dr B. P. V PEZZUTTI:** Currently, what Tony Kelly was suggesting, they might get a bag of 12, six good ones and six pretty marginal or loss leaders; do you think it is fair for the six good ones to be cross subsidising for a particular company?

**Mr MCGOWAN:** No, I do not. We were critical last week of the Tamworth situation where you have one operator that had no slots to service that market. So, their choice was to take an aircraft and slots from another port, which is what we believe they were going to do, to service a more viable one. Our view on that is that we do not think that that is the way to run an air service. If you look say at Cooma in our network where we do very well out of there in the winter but you bleed all summer, you still have community obligations to bleed all summer, in my view.

**Mr PEZZUTTI:** You appeared before air transport council last week I believe to try and get this licence out of Tamworth. Fascinated, because this morning we had the Sydney Airport Corporation and it ofexplained to us their understanding of how the slot allocation system works and they said it works on history, if the history dies that slot goes back in to the system. Not just back in to the system for the airline company that owned it but floats up into the system; who wants this slot? That is what they are saying. What you said was that the Tamair slot went voof and you got it with the service. So, where is the cooperation between the Air Transport Council and the Federal Airports Corporation slot management company coordinator.

**Mr MCGOWAN:** I do not believe there is any.

**The Hon. Dr B. P. V PEZZUTTI:** How did you get the slot?

**Mr MCGOWAN:** We went directly to the slot Committee and said we providing services to Tamworth and we needed the slots to provide them.

**The Hon. Dr B. P. V PEZZUTTI:** And you had in your hand this wonderful thing called a temporary licence from the Air Transport Council?

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Do you think the Air Transport Council has any reason for existing at all after appearing before them last week?

**Mr MCGOWAN:** No.

**The Hon. Dr B. P. V PEZZUTTI:** Do you think the \$320,000 spent on the Air Transport Council is a good use of the tax payer's money?

**Mr MCGOWAN:** Absolutely not.

**The Hon. Dr B. P. V PEZZUTTI:** Would it be easier to provide that \$320,000 as a CSO to help make a thing like the Denilquin service more viable would be a better use of the taxpayer's money?

**Mr MCGOWAN:** Absolutely.

**CHAIRMAN:** Just to follow on from Dr Pezzutti, you only actually put in a bid for Tamworth you did not put in a bid for Inverell and Glen Innes?

**Mr MCGOWAN:** We did not have to, the Air Transport Council deregulated them.

**Mr DAWSON:** We have a licence.

**CHAIRMAN:** You have a licence for them as well?

**Mr DAWSON:** Yes, we do.

**CHAIRMAN:** You are operating on them or not?

**Mr MCGOWAN:** Yes, we are. That was the issue that we were quite disturbed about, that the small centre lost all regulation because the airline fell over.

**CHAIRMAN:** Your proposal was to continue to have a service for those as well?

**Mr MCGOWAN:** That is right.

**Mr DAWSON:** Yes.

**CHAIRMAN:** The actual inquiry by the Air Transport Council was only for Tamworth?

**Mr MCGOWAN:** Only for Tamworth.

**Mr DAWSON:** They said there would be only one licence issued, which we are assuming means to some indefinite period in the future there will not be a consideration for a third licence granted. But the Glen Innes and Inverell licences were issued as open licences, which means anybody can come in and apply, and I am reading in to that on the assumption that they meet the same terms and conditions that they will get a second licence.

**CHAIRMAN:** You have applied for that?

**Mr DAWSON:** We have got the first licence.

**The Hon. Dr B. P. V PEZZUTTI:** Is any route, apart from a Sydney route, licensed? If you want to do Newcastle, Lismore Brisbane, would that be the a regulated route?

**Mr MCGOWAN:** You need to go to the Air Transport Council and get a piece of paper but there is, in effect, no regulation.

Can I just say that at the last licence review ports that have previously been deregulated were regulated. So places like Cowra and Young were re-regulated.

**The Hon. I. COHEN:** And the Hunter.

**Mr MCGOWAN:** And the Hunter. Here we had a situation, through no fault of their own, the operator fell over and the Air Transport Council deregulated.

**The Hon. I. COHEN:** You say in your submission you have been successful in developing Sydney bypass services. In the current state of play are you looking through deregulation, are you looking at increasing the network throughout the State that is going to be able to have shorter distances, perhaps hopping to nodes and channelling in to Sydney, is this part of the plan?

**Mr MCGOWAN:** We do not see Sydney as a hub for us. We have our northern hub, which is Newcastle, Brisbane is turning into a hub for us. We wanted our western hub, which we hope will be Tamworth and we want a southern hub.

**The Hon. I. COHEN:** In New South Wales or out of New South Wales?

**Mr MCGOWAN:** Probably in Canberra. From those centres we want to fly direct to all the major areas that we can get to, including Sydney. We also want to give people the availability to have a multiple choice of destination, not just one.

**The Hon. I. COHEN:** Would you expect most competition on that layout of network.

**Mr MCGOWAN:** Most competition will occur on the Sydney sectors because that is where every one is geared up to fly.

**The Hon. I. COHEN:** So, why such a strong push for deregulation? Could you not just see yourself fitting into a new regulated or part regulated scenario given you seem to be opting for almost a niche mode of operating?

**Mr MCGOWAN:** If we leave regulation as it stands then what we have gone through in this past week in Tamworth is going to continue to occur every two or three years. We are in a position where you have to deal with three layers of Government: We have to deal with the Federal Government on slots, with the State Government to get a licence to fly in New South Wales, then you have to deal with the local council. The way that regulation has worked is that you are, basically, running an election campaign through that. You are out there kissing babies, promising the world to these communities to try and get them to support you to expand your business or to fly where you want to fly.

I can not think of too many other businesses that has to employ someone full-time to deal with Government. That two days out of five with the chief executive normally taken up are dealing with one layer of Government or the other and that, for instance, last week when we want to make a 25 million dollar investment in aircraft to place in a region that is going to create employment we have to go through this whole election campaign. At the end of the day, even though we have local council and community support, there is still no guarantee that we are going to fly there. As happened through the last review.

I do not believe the whole review process reflects what is good for the community or what the community wants, nor do I think that the local council would reflect that. The thing that I found astounding with Tamworth was that most of the councillors, when they stood up and spoke on the air services, few of them had used it. They did not know what it was like to fly into Sydney. They did not know what the terminal was like because they had not been to Sydney or when they do come they drive.

So, we just regard the whole process as a nonsense. We are running a commercial business, we should be able to expand it within our means and we should be able to grow where we want to grow.

**Mr DAWSON:** One of the issues that we ran into difficulty, it is very difficulty to get productivity gains out of fleet when we are blocked on certain routes, particularly the popular routes into Sydney. The best example of that is we have always had an aircraft positioned in Tamworth with nine or ten employees permanently based in Tamworth and we have been running the northern service through to Brisbane, that aircraft used to sit on the ground for three or four hours a day because we could not fly it anywhere else because we did not have a licence to fly it. The only alternative at that stage was to fly it into Sydney. By getting the Sydney service we can flow aircraft through Brisbane, Tamworth, down to Sydney, and back up the coast, we can position them for maintenance, we can put four aircraft out there because we will be doing some of our own maintenance out there and, therefore, we can build services into Canberra and Melbourne.

The licencing system makes it very difficult to get productivity gains out your aircraft and your crews because every now and again you run into a brick wall which says you can not fly that leg. Then we have to what we call dead leg into Newcastle, we have to fly them from Tamworth into Newcastle, ostensibly as a regular passenger service, but really flying half a dozen passengers a week. The licencing system has really impacted our productivity.

**The Hon. I. COHEN:** Is it not protecting you as well?

**Mr MCGOWAN:** Protecting us from what?

**Mr DAWSON:** Competition?

**The Hon. I. COHEN:** Yes.

**Mr DAWSON:** No, we get plenty of competition on Newcastle-Brisbane with Qantas and we reckon it is the best thing for us. It keeps us on our toes. We grow the markets. We have chased them off once, we are trying to do it again because we respond to that level of competition. We do not want protection, never had.

**Mr MCGOWAN:** Qantas came at us with Dash 8 aircraft, 36 seat aircraft versus 19, they halved our fares, but at the end of the day they only fly one route. What the business passengers want, they want a lot of frequency and choice of destination. The impact that Qantas has had on us has been zero. The market size

has grown considerably because they have dragged market out of the Qantas system that previously was flying through Sydney.

**The Hon. I. COHEN:** Are you running any of your routes at a loss?

**Mr MCGOWAN:** Tamworth-Brisbane was very marginal for us.

**The Hon. J. R. JOHNSON:** Was or is?

**Mr MCGOWAN:** If we had not had the freight distribution off the back of it of a night then it would have been a loss. We always try to have one development route we are growing. Newcastle-Canberra has been painful, it has taken us a long time to grow that market. We now three services a day in there. When we get a market to some sort of break even we then try to increase frequency. We are always carrying one route, that is the way we grow our market.

**The Hon. J. A. GARDINER:** In terms of the concept you call the decentralised hubbing, is that a model you have developed yourself?

**Mr MCGOWAN:** It is a model that we have developed in Australia but it is one that we have experienced a lot of in the US. The US is very much going down that path. Trying to get anywhere in the United States was terrible, you had to go through these main city hubs all the time. The regional jets have transformed that and are giving communities a hell of a lot of choice. Our vision for our hubs is that 2000 we will have some jet services running out of those hubs for the longer hauls. At that stage then we can feed all the surrounding communities in there, so we think the viability of the regional communities of getting to multiple large city destinations around Australia is going to grow without having to come to Sydney.

**The Hon. J. A. GARDINER:** With respect to the ACCCs apparent lack of interest, do you think that perhaps that might be something this Committee recommend they have another crack at it?

**Mr MCGOWAN:** Absolutely.

**The Hon. J. A. GARDINER:** On the question of the training re Tamair, what is the situation with respect to accreditation of trainers and the certification that the cadets get?

**Mr MCGOWAN:** I think it has got to be very suspect, what the cadets have got, yes.

**The Hon. J. A. GARDINER:** There is a huge investment for young people and to come out with a question mark on a bit of paper.

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Was it VETAC approved?

**Mr MCGOWAN:** I do not know. I know it is not to an Ansett standard.

**CHAIRMAN:** If there is anything you wish to elaborate on perhaps send us some notes.

**(The witnesses withdrew)**

**(The Committee adjourned)**