

Standing Committee on State Development

Regional aviation services

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How to contact the committee

Members of the Standing Committee on State Development can be contacted through the Committee Secretariat. Written correspondence and enquiries should be directed to:

The Director

Standing Committee on State Development

Legislative Council

Parliament House, Macquarie Street

Sydney New South Wales 2000

Internet www.parliament.nsw.gov.au

Email statedevelopment@parliament.nsw.gov.au

Telephone 02 9230 2641

Facsimile 02 9230 2981

Terms of reference

That the Standing Committee on State Development inquire into and report on the provision of aerial regular passenger transport (RPT) services to regional centres in New South Wales, and in particular:

1. Cost of access to Sydney Airport, regional New South Wales airports and other landing fields including:
 - a) airport operator landing fees imposed at various airports and services and facilities included in those fees;
 - b) methodology for calculating landing fees for different classes of aircraft.
2. Financial management and viability matters impacting on RPT operators, including:
 - a) economics of operating various types of aircraft, including modern single engine turbine compared to older twin engine piston aircraft;
 - b) impacts of compliance costs, including per passenger costs;
 - c) suitability of “hub and spoke” systems for potential routes for smaller passenger numbers;
 - d) the viability of passenger loading for different classes of aircraft.
3. Economic impact on regional communities of gaining or losing RPT services, including:
 - a) the local business community;
 - b) the impact on general aviation and regional airport management of the gain or loss of RPT services to regional centres;
 - c) the potential for future economic development;
 - d) impacts for local, state and Federal governments, including licencing arrangements for services less than 50,000 passengers per annum.
4. Potential for development of future modern RPT aviation including:
 - a) opportunities for regional aviation manufacturing and servicing;
 - b) the development and supply of sufficient numbers of trained and skilled aviation personnel;
 - c) local, state and Federal government arrangements for staff travel;
 - d) opportunities for dual use RPT services to include both freight and passenger legs on the same routes.
5. Any other matter relating to the provision of aerial regular passenger transport services.

These terms of reference were referred to the Committee by the Hon Andrew Stoner MP, Deputy Premier, Minister for Trade and Investment, and Minister for Regional Infrastructure and Services on 6 December 2013.¹

¹ *Minutes*, Legislative Council, 13 May 2014, p 2495.

Committee membership

The Hon Rick Colless MLC	The Nationals	<i>Chair</i>
The Hon Mick Veitch MLC	Australian Labor Party	<i>Deputy Chair</i>
The Hon Catherine Cusack MLC	Liberal Party	
The Hon Paul Green MLC	Christian Democratic Party	
Mr Scot MacDonald MLC*	Liberal Party	
The Hon Steve Whan MLC	Australian Labor Party	

Committee Secretariat

Ms Madeleine Foley, Director
 Mr John Young, Director
 Ms Donna Hogan, Principal Council Officer
 Ms Emma Rogerson, Council Officer Assistant
 Mr Chris Angus, Council Officer Assistant

*Mr Scot MacDonald replaced Hon. Charlie Lynn as a member of the committee as of 14 May 2014.

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Chair's foreword

Australia has a rich and significant history in aeronautical research and aviation, dating back to the 1880's when Lawrence Hargrave commenced his investigations into the feasibility of human flight.

Hargrave developed the concept of the curved aerofoil, which remains as the standard wing shape of all aircraft flying today, and on 12th November 1894 he became the first man to be lifted off the ground utilising the curved aerofoil wing on a system of box kites tethered to the ground. This work was done at Stanwell Park, with the updraft towards Stanwell Tops providing the power to lift his kite and himself. Stanwell Tops is now one of the premier hang gliding sites in Australia, a fitting tribute to the early aeronautical work of Lawrence Hargrave.

The first powered and controlled flight in Australia occurred in 1910 and the Australian Flying Corps (later the RAAF) was formed in 1912. In 1916 the AFC commenced service with the first complete squadron, 1 Squadron, engaged in the Middle East in early 1916 and three other squadrons operating on the Western Front later in 1916.

Following Hargrave, there is a list of famous aviators and aviatrixes that worked tirelessly to advance the cause of commercial aviation across Australia. Ross and Keith Smith, Hudson Fysh, Nancy Bird-Walton, Charles Kingsford-Smith, Charles Ulm, Bert Hinkler, Millicent Bryant, Freda Thompson, Charles "Moth" Eaton, Arthur Butler and Reg Ansett are all names many Australians are familiar with.

The golden era of aviation really commenced following the end of World War II. There was an oversupply of well trained pilots, aircraft maintenance personnel and others who had been actively involved with the RAAF during the war. In 1947 my maternal grandmother flew in a Butler Air DH Dragon from Sydney to Coonamble to meet my father's parents, and in 1959 I can remember my father flying from Inverell to Sydney and return in an East West Airlines Douglas DC-3. Coonamble and Inverell are two of the communities that have been seriously impacted by the loss of their regular passenger air service in recent years.

Over the past two decades there has been considerable change across the aviation sector and the provision of regular passenger air services to regional centres has been adversely affected. In a relatively short period of time, between 2005 and 2014, the number of airlines providing regular passenger transport services in regional New South Wales decreased by 54 per cent. As a result, there has been a 37% reduction in the number of regional centres that have a regular passenger transport service. Unfortunately, it is anticipated that regular passenger transport services will continue to be vulnerable as airlines work hard to remain viable.

The benefits that regular passenger transport services provide to a regional community are significant and cannot be underestimated. Regions that have lost their services described the detrimental effect on their local communities which included social isolation, reduction of medical and other essential community services, loss of industry and local business, population decline, and increased travel and time away from family and loved ones. Many of these effects contribute negatively to the wellbeing of a community and its ongoing health, welfare and general prosperity.

The major recommendation to come from this inquiry relates to the governance of regional aviation and the creation of an industry and community based taskforce to progress the stabilisation, sustainability and viability of regional airlines required to service ports of less than 30,000 passengers

per year. The provision of a return passenger air service to and from Sydney is the most important transport issue facing many communities across NSW.

I urge the Government to consider the recommendations in this report and to recognise the issues confronting industry and regional communities and to develop strategies that will assist these communities to remain connected with metropolitan New South Wales.

On behalf of the committee, I extend my gratitude to all the participants in the inquiry, including those who made written submissions, and the individuals who attended the public hearings and facilitated site visits across the State. We appreciate your efforts to provide the committee with the benefit of your knowledge, and for sharing your concerns and suggestions.

Finally, I sincerely thank Donna Hogan for her tireless attention to detail during the inquiry process, and to John Young, Madeleine Foley, Emma Rogerson and Chris Angus for their invaluable contributions along the way.

A handwritten signature in black ink, appearing to read 'Rick Colless', with a stylized flourish extending from the end.

Hon Rick Colless MLC
Chair

Summary of recommendations

- Recommendation 1** 20
That local communities, the mining industry, the Civil Aviation Safety Authority and the NSW Government discuss opportunities to pursue a more coordinated approach to the provision of air services that recognise the needs of local communities and the resources industry.
- Recommendation 2** 35
That the NSW Government write to the Minister for Infrastructure and Regional Development, to encourage the expansion of the current Direction 93, made under subsection 95X of the *Competition and Consumer Act 1910* (Cth) to include pricing for other Sydney Airport services, including hangar space, airline office space, storage facilities, and other infrastructure used by regional airlines.
- Recommendation 3** 47
That the NSW Government write to the Minister for Infrastructure and Regional Development to encourage a review of the current slot allocation and movements cap systems in place at Sydney Airport, which should include eliminating the 15 minute movement cap and the removal of regional turboprop aircraft from the movements cap.
- Recommendation 4** 47
That the NSW Government write to the Minister for Infrastructure and Regional Development and request that the Federal Government consider the possibility of allocating a limited number of the reserved regional slots into Sydney Airport to specific regional communities.
- Recommendation 5** 48
That the NSW Government in its correspondence with the Minister for Infrastructure and Regional Development urge the Federal Government to amend the *Sydney Airport Demand Act 1997* to ensure the access of regional regular passenger transport services to Sydney Airport is preserved.
- Recommendation 6** 63
That the NSW Government establish a roundtable of stakeholders, headed by the Minister for Regional Infrastructure and Services to develop an on-going funding arrangement for the continued maintenance of the network of essential airfields across the state.
- Recommendation 7** 72
That the NSW Government institute legislative change that will provide aerodromes with a similar exemption to that provided to other state infrastructure in relation to the removal or pruning of obtrusive native vegetation.
- Recommendation 8** 72
That the NSW Government write to the Minister for Transport and Infrastructure to note the concerns of regional airports that they are overburdened and overwhelmed by the frequent changes to civil aviation safety legislation and regulations. Furthermore, the committee recommends that the NSW Government urges the Minister to consider the impact of security and safety regulations on regional airports and encourage the adoption of a risk management approach. The Minister will also be asked to provide funding to support regulatory change that requires upgrades to be made to infrastructure.

- Recommendation 9** 81
The committee recommends that the NSW Government work with industry and local government to develop a workable model, including regulation if necessary, that will facilitate the timely payment of airport fees to operators.
- Recommendation 10** 87
That the NSW government gives further consideration of the hub and spoke model as an option for the delivery of regional aviation services and takes into account the issues discussed in this report.
- Recommendation 11** 100
That the NSW Government commences discussions with the Federal Government, industry, Regional Development Australia, local councils and communities to plan for the impacts on communities and infrastructure resulting from the introduction of larger fleet sizes.
- Recommendation 12** 107
That the NSW Government explicitly acknowledge that regular passenger transport services in regional New South Wales are an essential service.
- Recommendation 13** 112
That the NSW Government considers the role of the Australian Airports Association, Regional Development Australia, and representative bodies including regional organisations of councils could play in providing advice and support on grants funding and application processes.
- Recommendation 14** 113
That the NSW government to continue to support aviation through grant programs and ensure that the application processes are uncomplicated and easy to follow.
- Recommendation 15** 117
The current NSW government assessment of air services in the Orana region be finalised promptly.
- Recommendation 16** 117
That the NSW government undertake studies similar to the Orana regional assessment, in other regional and remote communities that are without air services.
- Recommendation 17** 122
That Transport for NSW consult with local councils who currently have a regulated air route to discuss if deregulation is preferable to regulation.
- Recommendation 18** 122
That Transport for NSW consult with local government in a transparent and open way throughout the licence tender process and on the appointment of an airline, and continue to make improvements to consultation processes.
- Recommendation 19** 123
That Transport for NSW develop a guide for local government that clearly explains the department's role, and the responsibilities of council in relation to managing the relationship with the airline.

Recommendation 20

125

That regional air services be located within the portfolio responsibilities of the Minister for Regional Infrastructure and Services.

Recommendation 21

125

That the NSW Government establish a regional aviation taskforce under the direction of the Minister for Regional Infrastructure and Services, supported by a parliamentary secretary that takes into consideration the concerns raised by this report and the recommendations of the committee.

Glossary

AAA	Australian Airports Association
AAPA	Australian Airline Pilot Academy
ACA	Airport Coordination Authority
ACCC	Australian Competition and Consumer Commission
ALOP	Aerodrome Local Ownership Plan
BVSRRA	Bega Valley Shire Residents and Ratepayers Association
CASA	Civil Aviation Safety Authority
CASR	Civil Aviation Safety Regulation
CENTROC	Central New South Wales Councils
CPI	Consumer Price Index
GA	General Aviation
IATA	International Air Transport Association
MTOW	Maximum Take Off Weight
NTC	Notice to Consult
OTS	Office of Transport Security
PRSS	Permanent Regional Service Series (Regional Ringfence)
RAAA	Regional Aviation Association of Australia
RAAP	Regional Aviation Access Programme
RADS	Regional Airport Development Scheme
RAUP	Regional Airstrip Upgrade Programme
REROC	Riverina Eastern Regional Organisation of Councils
REX	Regional Express
RPT	Regular Passenger Transport
SAC	Sydney Airport Corporation
TFNSW	Transport for New South Wales

Chapter 1 Introduction

This chapter provides an overview of how the inquiry was established and conducted. It also provides a brief overview of the communication strategy used to increase consultation with the community and encourage their participation. An outline of the report structure is included.

Terms of reference

- 1.1 The terms of reference were referred by the Hon. Andrew Stoner MP, Deputy Premier, Minister for Trade and Investment, and Minister for Regional Infrastructure and Services on 6 December 2013.²
- 1.2 The committee was required to inquire into and report on the provision of aerial regular passenger transport (RPT) services to regional centres in New South Wales.
- 1.3 The full terms of reference are set out on page iv of this report.

Conduct of the inquiry

Communication strategy

- 1.4 The committee agreed to pilot a communication strategy during the course of the inquiry that would build awareness of the inquiry and encourage interaction by interested stakeholders, particularly people in regional communities.
- 1.5 Social media initiatives, including Twitter, You Tube and Storify, were used throughout the inquiry in addition to the 'typical' inquiry promotion activities, such as distribution of media releases, advertisements in regional newspapers and the internet, and letters inviting participation from key stakeholders. Media releases were also used to promote upcoming hearings and encourage the community to participate by attending the hearing, or sending through questions for the committee to ask witnesses.

Submissions

- 1.6 The committee invited submissions by advertising in *Western Magazine*, *Country Leader*, *The Rural*, *North West Magazine*, *The Border News*, *Southern Weekly Magazine*, *North Coast Town & Country Magazine*, *Hunter Valley Town & Country Leader*, *South East Town & Country Magazine* and the *Broken Hill Barrier Daily Truth*. A media release announcing the inquiry was sent to all media outlets in New South Wales. The committee wrote to key stakeholders inviting them to make a submission to the inquiry. The closing date for submissions was 14 March 2014, however, the committee continued to accept submissions after this date.

² *Minutes*, Legislative Council, 13 May 2014, p 2495.

- 1.7** The committee received a total of 65 submissions and one supplementary submission. Of these submissions, a large number were from local councils, airports and aviation organisations.
- 1.8** A list of submissions is contained in Appendix 1.

Public hearings

- 1.9** The committee held seven public hearings on 23 May 2014, 10 June 2014, 11 June 2014, 22 July 2014, 23 July 2014, 24 July 2014 and 15 August 2014. Witnesses at the public hearings included representatives from the NSW Government, local government, airline operators, airports, industry associations, and regional development and tourism organisations.
- 1.10** A full list of witnesses who appeared at hearings is included in Appendix 2. Witnesses who provided answers to questions on notice during the hearings and/or supplementary questions is provided in Appendix 3 and a list of documents tabled at the public hearings is provided in Appendix 4.
- 1.11** Transcripts of all of the hearings are available on the committee's website www.parliament.nsw.gov.au/regionalaviation. The minutes of the proceedings of all committee meetings relating to the inquiry are included in Appendix 5.
- 1.12** The committee would like to thank everyone who participated in the inquiry for their valuable contribution.

Site visits

- 1.13** On 10 June 2014, the committee visited the Regional Express facilities at Wagga Wagga Airport. Mr Warrick Lodge, General Manager, Network Strategy and Sales and Mr Dale Hall, General Manager of Engineering guided the committee through the Australian Airline Pilot Academy campus, the heavy maintenance facility, and the Rex corporate premises.
- 1.14** On 11 June 2014, the committee toured Brumby Aircraft Australia facilities at Cowra Airport and were hosted by Mr Philip Goard, Chief Executive Officer and Mr Paul Goard, General Manager. In addition, the committee held an informal roundtable discussion with representatives from Cowra Shire Council, and the Cowra Business Chamber.
- 1.15** On 23 July 2014, the committee participated in a tour of the Moree Regional Airport conducted by Mr David Aber, General Manager, Moree Plains Shire Council. The committee was also given an overview of the Moree Gateway infrastructure development project. Following this, Mr Lindsay Mason, Airport Operations Manager, (Dubbo) hosted the committee on a tour of the Dubbo City Regional Airport, which included an inspection of its new airport screening facility.
- 1.16** The committee is greatly appreciative of the organisations and individuals who facilitated the site visits and would like to thank them for their time and effort.

Report structure

- 1.17** The following chapter provides a description of the regulatory responsibilities of the Australian, NSW and local governments in relation to the aviation industry and the provision of regular passenger transport services.
- 1.18** Chapter 3 provides an overview of regional aviation in New South Wales, including a historical picture of air services, routes and airlines.
- 1.19** In chapter 4 Sydney's airports are discussed, including the recent decision to develop a third airport at Badgerys Creek.
- 1.20** Chapter 5 focusses on regional airports and includes an analysis of the issues faced by local council in managing and maintaining these facilities. The chapter also discusses the role of local government in the selection process of the regular passenger transport service provider and concludes with an analysis of hub and spoke models.
- 1.21** The social, economic and community impacts of losing a regular passenger transport service are explored in chapter 6.
- 1.22** In chapter 7 the future of regional aviation in New South Wales is discussed, including a trend towards the use of larger aircraft. The ability for the industry to meet its employment requirements is also explored, along with the potential for combining both freight and passengers on air services.
- 1.23** The final chapter, chapter 8, outlines the role of both federal and state government in providing support to airport operators in the ongoing maintenance of their aerodromes. In addition, the issue of subsidisation is discussed, along with the role state government and other stakeholders can play in planning for a regional approach to regular passenger transport services.

Chapter 2 Regulatory framework

The Australian and NSW Governments both have regulatory responsibilities in relation to regional aviation. The Australian Government's focus is on safety, security, price regulation and access to Sydney Airport, including the slot management scheme. It also operated the Payment Scheme for Airservices Enroute Charges (the Enroute Scheme) up until that scheme's end in July 2012.

The state government's role in regional aviation is focussed on providing a licensing regime that enables the regulation and deregulation of certain routes. Local governments may also have an essential role in managing regional airports, as a result of historic transfer arrangements of these assets by the federal government.

Federal regulation of aviation

- 2.1** The Australian Government plays a significant role in regulating key aspects of regional aviation, including safety and security. The pricing for regional air services is also monitored at a federal level, as are the access arrangements for regional airline access into Sydney Kingsford Smith Airport (hereafter known as Sydney Airport).

Safety

- 2.2** The principal instrument governing safety in civil aviation is the *Civil Aviation Act 1988* (Cth), with this Act focused on preventing aviation accidents and incidents.³
- 2.3** The Civil Aviation Safety Authority (CASA) is a federal agency responsible for safety and airspace regulation issues, with their functions outlined in the *Civil Aviation Act 1988* (Cth).⁴ Their primary role is to 'enhance and promote aviation safety through effective regulation and by encouraging the wider aviation community to embrace and deliver higher standards of safety'.⁵
- 2.4** Mr Terry Farquharson, Acting Director of Aviation Safety, Civil Aviation Safety Authority, outlined the role of CASA in evidence to the committee:

CASA's role is purely a safety role and that hinges around us granting somebody the appropriate authorisation—in this case it would be an RPT authorisation and that certifies that either the maintenance organisation or in terms of a rig licence that somebody has the wherewithal, the standards and the capability ongoing to operate in that environment and with the aeroplanes that they have in their stable.⁶

³ *Civil Aviation Act 1988* (Cth), pt 1 s 3A.

⁴ Submission 62, NSW Government, p 15.

⁵ Civil Aviation Safety Authority, *About CASA*, <http://www.casa.gov.au/scripts/nc.dll?WCMS:STANDARD::pc=PC_91621>.

⁶ Evidence, Mr Terry Farquharson, Acting Director of Aviation Safety, Civil Aviation Safety Authority, 15 August 2014, p 77.

- 2.5** The Australian Transport Safety Bureau, an independent federal transport safety investigator, also plays a role in maintaining the safety framework for civil aviation. It operates independently to investigate civil aviation accidents and incidents.⁷
- 2.6** In addition to those federal government agencies, Airservices Australia is a statutory authority that provides air navigation and aviation rescue and fire fighting services. Airservices Australia was established by the *Air Services Act* (Cth) to provide air traffic services, aeronautical data services, management of airspace usage and tower services at 29 airports. Airservices Australia also has a role in regulating aircraft noise.⁸

Security

- 2.7** The Australian Government also has responsibility for security, such as security measures at airports and on aircrafts.
- 2.8** Aviation security is regulated according to the *Aviation Transport Security Act 2004* (Cth) and the *Aviation Transport Security Regulations 2005* (Cth). These instruments embody Australia's international obligations under the Convention on International Civil Aviation.
- 2.9** There are 31 airports in New South Wales that are subject to the provisions of the *Aviation Transport Security Act 2004* (Cth). Of these, 10 airports provide aviation security screening services, including Sydney Airport, Norfolk Island, Albury, Ballina, Coffs Harbour, Dubbo, Williamtown (Newcastle), Port Macquarie, Tamworth and Wagga Wagga.⁹
- 2.10** The Office of Transport Security is the preventative security regulator for aviation, with responsibility for developing transport systems that are more secure against the threat of terrorism and unlawful acts.¹⁰
- 2.11** The Office of Transport Security responsibilities include passenger and baggage screening checks and other airport security measures. They also providers on-board physical security for aircraft.¹¹

Pricing

- 2.12** Pricing regulation of airport services is another area regulated by the Australian Government, stemming from provisions in the *Competition and Consumer Act 2010* (Cth) and *Airports Act 1996* (Cth).¹²

⁷ Submission 62, NSW Government, p 15.

⁸ Submission 62, NSW Government, p 16.

⁹ Submission 60, Commonwealth Department of Infrastructure and Regional Development, pp 2 and 7.

¹⁰ Department of Infrastructure and Regional Development, *Transport Security* < <https://www.infrastructure.gov.au/transport/security/> >.

¹¹ Submission 62, NSW Government, p 16.

¹² Submission 62, NSW Government, p 16.

- 2.13** Under this legislation, the Australian Competition and Consumer Commission (ACCC) is empowered to monitor and publish information relating to the price, cost, profits and service quality of aeronautical services and facilities, including car parking at major airports. Their responsibilities extend to assessing notifications of price increase for regional air services.¹³
- 2.14** The Productivity Commission also has responsibilities for pricing of airport services. The Commission undertakes a regular review of price regulation of airport services, for example, every five years for major capital city airports. It also reports on the economic regulation of airport services.¹⁴
- 2.15** Proposed price increases for regional airlines to access air services and facilities at Sydney Airport are capped at the rate of the Consumer Price Index. Sydney Airport Corporation must also inform the Australian Competition and Consumer Commission if it is proposing to raise the prices charged to regional operators, according to directions made by the Assistant Treasurer.¹⁵
- 2.16** In June 2010 Sydney Airport proposed a price increase and, in accordance with legislative requirements, notified the ACCC. The ACCC rejected the application on the basis that Sydney Airport 'had not sufficiently demonstrated that the proposed price increase was required to cover costs for the efficient provision of services'.¹⁶
- 2.17** This decision influenced pricing increases, as since 2011, there have been no price increases for access to aeronautical services at Sydney Airport.¹⁷

Access to Sydney Airport

- 2.18** Regional airline access into Sydney Airport is regulated by the *Sydney Airport Demand Management Act 1997* (Cth). This Act provides for a slot management scheme, a scheme that manages gate allocations at Sydney Airport. This scheme is administered by Airport Coordination Australia, an organisation jointly owned by a number of major airlines, Sydney Airport Corporation and Regional Airlines Association of Australia.¹⁸
- 2.19** In evidence, Mr Ernst Krolke, Chief Executive Officer of Airport Coordination Australia, advised the committee about the company's role in allocating slots under the scheme:

Airport Coordination Australia [ACA] is an independent company that allocates arrival and departure movements at congested airports. The Australian Government has appointed ACA to manage runway movements at Sydney airport in accordance with the 1997 *Sydney Airport Demand Management Act* which limits the movements to 80 movements per hour, and the 1988 Slot Management Scheme.¹⁹

¹³ Submission 62, NSW Government, p 16.

¹⁴ Submission 62, NSW Government, p 16.

¹⁵ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

¹⁶ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

¹⁷ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

¹⁸ Submission 62, NSW Government, p 17.

¹⁹ Evidence, Mr Ernst Krolke, Chief Executive Officer, Airport Coordination Australia, 15 August 2014, p 21.

- 2.20** Further, Mr Krolke explained that the scheme ‘follows the principles of the worldwide slot guidelines published by the International Air Transport Association [IATA] on behalf of the industry’.²⁰
- 2.21** Under the Slot Management Scheme:
- passenger aircraft can only seek a slot for a new service if the aircraft has a minimum of 18 seats
 - operators must use the slot allocated to them for at least 80 per cent of the time over a season, else they will lose the slot, unless exceptional circumstances apply.²¹
- 2.22** In addition, the scheme establishes ‘Permanent Regional Services Series’ slots, conditions that ensure slots held by services operating within New South Wales are not transferred to non-regional air services. These measures are ‘designed to ensure operators of regional services have equitable access to Sydney Airport by providing access during all operating hours of the day’.²²
- 2.23** Under these arrangements, restrictions also apply to the transfer of slots at peak hours from regional services to non-regional services.²³
- 2.24** Access is also governed by the *Sydney Airport Curfew Act 1995* (Cth), legislation that regulates the times in which passenger aircraft can operate, with a curfew imposed between 11pm and 6am.
- 2.25** The allocation of slots at Sydney Airport and their importance to regional aviation services is discussed in more detail in chapter 4.

State licensing regime

- 2.26** The *Passenger Transport Act 2014* provides for the licensing of specific intrastate air transport routes within New South Wales. Under this Act, the Minister can declare that an air service route is regulated, requiring the air service provider to apply for a licence to operate the route. If the route is not declared it is considered unregulated and there is no requirement for the air service provider to possess a route licence.²⁴
- 2.27** In considering whether to make a declaration to deregulate a route, the Minister for Transport can consider:
- the needs of the public, for example, whether the public needs air transport services along the routes concerned
 - fostering competition between airlines

²⁰ Evidence, Mr Krolke, 15 August 2014, p 21.

²¹ Submission 62, NSW Government, p 17.

²² Submission 60, Commonwealth Department of Infrastructure and Regional Development, pp 1-2.

²³ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 1.

²⁴ *Passenger Transport Act 2014*, pt 1 s 7.

- the effect on the maintenance and development of adequate and reasonable public air transport services within New South Wales
- the economic development of an area.²⁵

2.28 The licensing arrangements and deregulation of routes recognises that 'high volume routes should be deregulated, but low volume routes are potentially vulnerable and licensing protects them from competition, to increase stability and encourage market development'.²⁶

2.29 In evidence to the committee, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW (TFNSW), explained the regulatory approach to licensing of regional routes:

Air transport is one of those areas of government where we have a light touch regulation in place for deregulated routes. The New South Wales Government provides that deregulation where there are greater than 50,000 passengers into an area, such as Wagga Wagga. For lower than those levels we regulate through a licence system. Again it is a very light touch regulation. Ultimately the commercial decisions of an operator are for themselves as to whether they enter or exit certain areas.²⁷

2.30 Further, Mr Reardon explained that for regulated routes, licences are provided for five years to provide the air service operator with certainty:

A licence at this point in time can be valid for up to five years and we provide it for up to five years to provide the community with some certainty and the operator with some certainty to deliver services.²⁸

2.31 However, Mr Reardon counselled that the level of certainty provided to a community that an air service will continue is not absolute:

At the moment we play a role which is simply to provide protection for an operator between two ports: Kingsford Smith and a regional centre. As I said, the Act requires us to take various issues into consideration, including the needs of the community. I have made the comment, with what is occurring in the turnover with the commercial operators when they become non-commercial, that it is difficult for us with that licence instrument alone to provide that protection to the community. It certainly provides protection to the operator to have no other competition but, as with what has happened for a long period, not just in the last couple of years, with protection of the community it is difficult to respond with what is occurring.²⁹

2.32 As at March 2014, 12 routes in New South Wales were regulated, including Merimbula, Parkes, Lord Howe Island, Moree, Broken Hill, Bathurst, Moruya, Taree, Narrabri, Grafton, Narrandera and Mudgee.³⁰

²⁵ *Passenger Transport Act 1964*, pt 1, s 7(3).

²⁶ Transport for NSW, *Regional air legislative and policy framework* <<http://www.transport.nsw.gov.au/content/legislative-and-policy-framework>>.

²⁷ Evidence, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 10 June 2014, p 2.

²⁸ Evidence, Mr Reardon, 10 June 2014, p 3.

²⁹ Evidence, Mr Reardon, 15 August 2014, p 12.

³⁰ Submission 62, NSW Government, p 19.

- 2.33** The committee was advised that regulated routes now account for approximately 10 per cent of all services:

There has been a slow and steady decrease in the balance between regulated and deregulated. There used to be around 75 per cent of passenger numbers in deregulated regional centres in New South Wales to Sydney and about 25 per cent under regulated routes. That has now rebalanced to somewhere around almost 90 per cent in deregulated routes and unfortunately the regulated routes have shrunk down to almost about 10 per cent of the passenger numbers. There are just over 2 to 2.1 million customer journeys undertaken on all those services, regulated and deregulated, but as I say there is only just over 10 per cent which are now in the regulated markets.³¹

- 2.34** There are 12 deregulated intrastate routes, accounting for 87 per cent of all intrastate patronage.³² According to the Air Transport Amendment (Deregulated Routes) Order 2008, routes between Sydney (Kingsford-Smith) Airport and the following locations have been deregulated: Albury, Armidale, Ballina, Coffs Harbour, Dubbo, Griffith, Lismore, Orang, Port Macquarie, Tamworth, Wagga Wagga, Williamstown (Newcastle) and any routes that do not begin, end or pass through Sydney Airport.³³
- 2.35** All cross border air routes, for example, Sydney to Brisbane, fall under the Australian Government responsibility and are fully deregulated.³⁴
- 2.36** The committee received information about the regulation of air services in other jurisdictions. The Northern Territory, Tasmania and Victoria operate in a completely deregulated environment. South Australia has a similar system to that in New South Wales whereby routes are only licensed if it is deemed in the public interest. Two of South Australia's intrastate routes are regulated.³⁵
- 2.37** The Queensland Government has regulated routes, some of which attract a government subsidy. The subsidised routes are those operating to remote areas. The Western Australian Government also regulates certain air routes to ensure the provision of services if the route is considered essential and vulnerable.³⁶

Issuing a licence to operate on a regulated route

- 2.38** The Director General of TFNSW has responsibility for granting or refusing air licences.³⁷ In determining whether to grant a licence, TFNSW must take into account the following matters:
- the air transport service needs of the public in relation to the route concerned and whether the grant of the licence will meet those needs

³¹ Evidence, Mr Reardon, 10 June 2014, p 2.

³² Submission 62, NSW Government, p 8.

³³ *Air Transport Amendment (Deregulated Routes) Order 2008*, s 4.

³⁴ Submission 62, NSW Government, p 15.

³⁵ Submission 62, NSW Government, p 14.

³⁶ Submission 62, NSW Government, p 15.

³⁷ Transport for NSW, *NSW air licence application criteria and form* <<http://www.transport.nsw.gov.au/content/nsw-air-licence-application-criteria-and-form>>.

- the allocation of air transport routes so as to facilitate the provision of adequate and reasonable public passenger transport by air in New South Wales by more than one airline and to discourage the development of any monopoly of the provision of such transport in New South Wales
- the effect of the operation of the service over the proposed routes on the maintenance and orderly development of adequate and reasonable public passenger transport by air in New South Wales
- the effect on the economic development or on the environment of any area within New South Wales of the operation of aircraft by the applicant over the proposed routes.³⁸

2.39 Transport for NSW advised that the allocation of air licences is conducted in accordance with state government procurement processes. Mr Reardon stated:

In the licencing process generally, in allocating an air licence for a route between Sydney and Moree, or any other regional locations, Transport for NSW uses the standard government procurement process that is overseen by an independent probity adviser. Transport for NSW used a competitive process in order to attract operators who were committed to providing a reliable and customer-focused service. We are bound to assess the licence applications using the criteria established under section 6 of the *Air Transport Act 1964*, which includes taking into account the needs of the community served by the route.³⁹

2.40 Moreover, it was explained to the committee that the assessment process takes into account input from local councils:

Before assessing those applications we asked all councils for their input on matters that they and their community require from a regional air service to Sydney. All input received from councils assisted in guiding the decision making of the licence evaluation process.⁴⁰

2.41 If a licence is granted, the licence will be subject to certain conditions, for example, the need to maintain insurance cover and services being delivered in accordance with the service schedule of the licence.⁴¹

2.42 If a provider fails to comply with the conditions of their licence, it can constitute an offence and the air licence can be revoked. If a licence is revoked, varied or cancelled, the affected operator can apply for a review of the decision by making an application to the New South Wales Civil and Administrative Tribunal.⁴²

³⁸ *Passenger Transport Act 2014*, pt 3, div 2 s 44.

³⁹ Evidence, Mr Reardon, 15 August 2014, p 2.

⁴⁰ Evidence, Mr Reardon, 15 August 2014, p 3.

⁴¹ Submission 62, NSW Government, p 7.

⁴² Submission 62, NSW Government, p 7.

Role of local government

- 2.43** In the early 1990's the Australian Government transferred its ownership of local airports to local governments, as part of the Aerodrome Local Ownership Plan. As part of the transfer arrangements, one off funding for maintenance and development was also provided. Due to these transfers, since 1993, local governments have a direct role in funding and managing regional airports.⁴³
- 2.44** The role of local government is discussed in more detail in chapter 5.

⁴³ Submission 62, NSW Government, p 18.

Chapter 3 Regional aviation in New South Wales

This chapter provides an overview of regional aviation in New South Wales, including a historical picture of air services, routes and airlines. The chapter identifies those routes that are regulated or unregulated by the NSW Government and which airlines are currently providing services. The role of charter air services is also explored. Finally, the chapter discusses the major issues being encountered by regular passenger transport service providers.

Fluctuations in regular passenger transport services

- 3.1** Regular passenger transport (RPT) services in New South Wales have been in a state of flux over the past 20 years. Several airlines have ceased operating while those remaining operators have withdrawn services from routes they consider financially unviable. Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW (TFNSW), estimated that approximately 80 intrastate services have changed hands, ceased or commenced over the past 10 to 15 year period:

In that time, on my simple count, close to 80 routes have either been renewed, turned over, a service withdrawn and an operator re-entering one of those markets, so the turnover has been relatively significant. The number of airlines involved in New South Wales is around 15. Going back to the early 2000s we had Ansett, Hazelton and Kendall, and you can track through the entrants who have come and gone since that time, so it has been relatively significant.⁴⁴

- 3.2** There has been a gradual decline in both airlines and airports serviced since 2005. The following table indicates that in 2005, 11 airlines were providing services to 35 regional airports in New South Wales:

Table 1 Airports served by airlines in New South Wales, 2005⁴⁵

Airline	Airports served
Aeropelican Airservice	Williamtown
Airlink Pty Ltd	Bourke, Cobar, Coonamble, Dubbo, Lightning Ridge, Mudgee and Walgett
Alliance Airlines	Norfolk Island
Big Sky Express	Coonabarabran, Grafton, Gunnedah, Inverell and Taree
Eastern Australian Airlines	Albury, Armidale, Ballina, Coffs Harbour, Dubbo, Lord Howe Island, Moree, Narrabri, Port Macquarie, Tamworth, Wagga Wagga and Williamtown

⁴⁴ Evidence, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 10 June 2014, p 2.

⁴⁵ Commonwealth Department of Infrastructure and Transport, *Air transport service trends in regional Australia (2011 update)*, Research Report No 130, p 72.

Airline	Airports served
Jetstar	Ballina, Williamtown
Norfolk Jet Express	Norfolk Island
Qantas Airways	Norfolk Island, Williamtown
Regional Express (Rex)	Albury, Armidale, Ballina, Bathurst, Broken Hill, Cooma, Dubbo, Griffith, Lismore, Merimbula, Moruya, Narrandera, Orange, Parkes, Wagga Wagga and West Wyalong
Sunshine Express	Armidale, Coffs Harbour, Port Macquarie and Tamworth
Virgin Blue	Ballina, Coffs Harbour and Williamtown

- 3.3** By 2010, there were ten airlines operating services to regional New South Wales to 27 regional airports. The regional communities of Bourke, Coonamble, Lightning Ridge, Walgett, Coonabarabran, Gunnedah, West Wyalong and Inverell lost their RPT services during this time.⁴⁶
- 3.4** In 2014, only five airlines provide regional air services to 22 airports across New South Wales. During the period between 2010 and 2014, regular passenger transport services to Cooma, Mudgee, Narrabri and Cobar ceased.⁴⁷
- 3.5** The Commonwealth Department of Infrastructure and Regional Development reported that although there has been an overall decline in airports being serviced, several airports have experienced strong growth.⁴⁸

Table 2 Examples of New South Wales Regional Airports Activity⁴⁹

Strong growth airports (5 year compounded annual growth rate)	Declining activity airports (5 year compounded annual growth rate)
Port Macquarie (9.9 per cent)	Cooma (-29 per cent)
Cobar (9.3 per cent)	Lismore (-12.1 per cent)
Tamworth (7.5 per cent)	Grafton (-8.3 per cent)
Mudgee (5.6 per cent)	Narrandera (-6.8 per cent)
Armidale (2.4 per cent)	Merimbula (-5.8 per cent)
Ballina (2.4 per cent)	Taree (-5.7 per cent)

⁴⁶ Commonwealth Department of Infrastructure and Transport, Air transport service trends in regional Australia (2011 update), Research Report No 130, p 73.

⁴⁷ Submission 62, NSW Government, pp 19-20. Note that Norfolk Island and Norfolk Jet Express are not included in the NSW Government submission.

⁴⁸ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 3.

⁴⁹ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 6.

- 3.6** The Department contributed a level of decline to airport consolidation and provided the example of Lismore which is experiencing a fall in activity while Ballina (only 33 kilometres away) has experienced growth.⁵⁰
- 3.7** The most recent airline departures from the industry include Brindabella Airlines and Vincent Aviation. Brindabella Airlines was placed into receivership on 15 December 2013 and Transport for NSW revoked its licenses on 16 December 2013.⁵¹ The collapse of Brindabella had a significant impact on service provision as five regional routes in New South Wales lost their regular passenger transport service.⁵²
- 3.8** There were high hopes when Vincent Aviation was granted a license to operate the Narrabri to Sydney route in March 2014. The Narrabri community was very happy with the service provided. Ms Diane Hood, General Manager, Narrabri Shire Council, reported that Vincent 'were providing 110 per cent service'.⁵³
- 3.9** Transport for NSW was also planning to grant Vincent Aviation a licence to operate the Mudgee route and flights were due to commence from Mudgee to Sydney in May 2014. Unfortunately, this airline also went into receivership shortly after starting the Narrabri service.⁵⁴
- 3.10** Patronage levels were starting to build on the Narrabri route and there was evidence that Vincent was almost breaking even, with 647 passengers using the service in the month of April, before its demise. Anecdotal evidence from Ms Hood suggests Brindabella had twice as many passengers as this when it was operating the route.⁵⁵ The charter services that are now operating the route transported 1,490 passengers in May 2014.⁵⁶
- 3.11** The following table illustrates the extent of RPT service withdrawal across regional New South Wales since March 2002:

Table 3 Regional New South Wales routes with regular passenger transport services withdrawn since 2002⁵⁷

Route	Annual patronage	Year withdrawn
Glen Innes – Sydney	609	2002
Gunnedah – Sydney	1,763	2006
West Wyalong – Sydney	2,476	2007
Bourke – Sydney	1,526	2008

⁵⁰ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 4.

⁵¹ Submission 62, NSW Government, p 23.

⁵² Submission 62, NSW Government, p 22.

⁵³ Evidence, Ms Diane Hood, General Manager, Narrabri Shire Council, 23 July 2014, p 32.

⁵⁴ Submission 62, NSW Government, p 23.

⁵⁵ Evidence, Ms Hood, 23 July 2014, p 32.

⁵⁶ Evidence, Ms Hood, 23 July 2014, p 34.

⁵⁷ Answers to questions on notice, Mr Tim Reardon, Deputy Director General, Policy and Regulation, NSW Government, 12 September 2014, p 11.

Route	Annual patronage	Year withdrawn
Coonamble – Sydney	184	2008
Lightning Ridge – Sydney	791	2008
Walgett – Sydney	1,207	2008
Inverell – Sydney	5,581	2009
Cooma – Sydney	1,834	2013
Cobar – Sydney	11,496	2013
Mudgee – Sydney	11,705	2013
Narrabri – Sydney	14,137	2014

Regular passenger transport providers and routes serviced

3.12 Currently, RPT services in New South Wales are provided by five airline operators: QantasLink, Jetstar, Regional Express (Rex), Virgin Australia and Tiger Air who provide services across ten regulated routes and twelve unregulated routes.

3.13 The tables below provide details of these routes, annual patronage and current operator.

Table 4 New South Wales regulated regional routes with regular passenger transport service⁵⁸

Route	Annual patronage	Operator
Merimbula	32,062	Rex
Parkes	28,290	Rex
Lord Howe Island	27,172	QantasLink
Moree	27,040	QantasLink
Broken Hill	25,679	Rex
Bathurst	20,091	Rex
Moruya	18,403	Rex
Taree	16,474	Rex
Grafton	13,710	Rex
Narrandera	11,759	Rex

⁵⁸ Answers to questions on notice, Mr Reardon, p 11.

Table 5 New South Wales unregulated regional routes with regular passenger transport services⁵⁹

Route	Annual patronage	Operator
Coffs Harbour	336,284	QantasLink, Tiger Air, Virgin Australia
Ballina	299,401	Jetstar, Rex, Virgin Australia
Albury	239,119	QantasLink, Rex, Virgin Australia
Port Macquarie	191,386	QantasLink, Virgin Australia
Wagga Wagga	179,346	QantasLink, Rex
Dubbo	166,121	QantasLink, Rex
Tamworth	137,778	QantasLink
Armidale	107,781	QantasLink, Rex
Griffith	61,694	Rex
Orange	57,141	Rex
Lismore	36,063	Rex
Newcastle (Williamtown)	28,756	Rex

QantasLink

- 3.14** QantasLink provides services to nine regional locations in New South Wales, two of which are on regulated routes. In providing evidence, Mr John Gissing, Chief Executive Officer, QantasLink, stressed that there was an ongoing commitment by the organisation to regional aviation services, but noted ‘As a general rule, QantasLink rarely operates on routes with less than 30,000 passengers per year’.⁶⁰

Regional Express (Rex)

- 3.15** Regional Express (Rex) provides regular passenger transport services to 17 New South Wales regional airports.⁶¹ It is the largest independent regional airline in Australia.⁶² Similar to Qantas, Rex considered a minimum of 30,000 passengers per annum to be a sustainable regional air service:

Generally, we require about 30,000 passengers per annum to make a viable regional air service. That is based on being able to service that regional community with three return services with a Saab 340 aircraft, being able to provide a consistent schedule.⁶³

⁵⁹ Submission 62, NSW Government, p 20.

⁶⁰ Evidence, Mr John Gissing, Chief Executive Officer, QantasLink, 23 May 2014, p 2.

⁶¹ Submission 57, Regional Express, p 3.

⁶² Submission 57, Regional Express, p 6.

⁶³ Evidence, Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, 23 May 2014, p 33.

Jetstar, Tiger Air and Virgin Australia

- 3.16** In comparison to QantasLink and Rex, Jetstar, Virgin Australia and Tiger Air Australia provide very few regional services in New South Wales. Virgin Australia provides regular passenger services from Sydney to Coffs Harbour, Ballina and Albury. Jetstar also operates a service to Ballina and Tiger Air operates a service between Sydney and Coffs Harbour.

Charter air services

- 3.17** Charter operations involve the carriage of passengers and or cargo on non-scheduled flights. Charter services are increasingly being used where there is no regular passenger transport service provider or the flight schedule of the RPT service is considered to be unsuitable for the passenger's needs. Charter flights provide services for business people, sporting teams, tourism groups, fly-in fly-out mining employees, bank or mail runs, and supply runs to remote or inaccessible communities.⁶⁴
- 3.18** Ms Andrea Plawutsky, Communications, Inland NSW Tourism, commented on the experience of Cobar where it was considered that the RPT service that was operating at the time did not meet the needs of the mining industry and its employees:
- ...the feeling was that the services did not reflect the needs of the mining community and one of the reasons the service may have not been viable is the fact that potentially the mines were chartering flights in and out to meet their timing needs and requirements rather than using the commercial services.⁶⁵
- 3.19** Several charter companies are providing air services between Narrabri and Brisbane, Sydney and occasionally Newcastle. Ms Hood told the committee: 'In the past two months, we have had 370 and 372 aircraft landing in the month, and they offer a variety of services.'⁶⁶
- 3.20** Two of the charter operators flying to Narrabri are Virgin Airlines, who fly a 68 seat jet, and Air Alliance, who fly a 77 seat jet. Ms Hood expressed hope that eventually one of the charter services may convert to a regular passenger transport service and noted that 'there have been some discussions in that regard'.⁶⁷
- 3.21** Cobar Shire Council has three large mines that are currently using charter services for their employees. Mr Gary Woodman, General Manager, Cobar Shire Council, estimates that approximately 150-200 fly in, fly out workers use charter services each week.⁶⁸
- 3.22** Mr Jeff Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council confirmed that the Barrick goldmine in West Wyalong uses charter jets for their workforce.

⁶⁴ Australian Transport Safety Bureau, *Trends in immediately reportable matters involving charter operations 2001-2006* (2009) <<http://www.atsb.gov.au/media/27361/ar2007057.pdf>>.

⁶⁵ Evidence, Ms Andrea Plawutsky, Communications, Inland NSW Tourism, 23 May 2014, p 17.

⁶⁶ Evidence, Ms Hood, 23 July 2014, p 32.

⁶⁷ Evidence, Ms Hood, 23 July 2014, pp 32-33.

⁶⁸ Evidence, Mr Gary Woodman, General Manager, Cobar Shire Council, 24 July 2014, p 37.

- 3.23** As mentioned, charter services are also being used for purposes other than mining. Cr Keith Rhoades, President, Local Government NSW, cited an example of a sporting team, the Australian Wallabies, who chartered planes to transport the team from Coffs Harbour where its training camp was based:

The Wallabies would take X amount of the planes, 737s. They would take X amount of seats and the remainder would go on sale, basically but were gone within that amount of time because you were not hubbing through (Sydney). It was very successful but unfortunately they were not RPTs; they were all charters. You cannot get it; you have to charter it.⁶⁹

- 3.24** Mr Joshua Elliott, Assistant to the Managing Director, Snowy Mountains Airport Corporation, noted that in the absence of a regular passenger transport services, people wishing to come to the region during the winter season are using charter planes, 'Obviously it varies season to season, but it is used probably peak times, say July and August, for larger organisations that are looking to charter to bring groups down'.⁷⁰

- 3.25** Although some charters are managing to fill a gap left by the withdrawal of regular passenger transport services, Ms Julie Robertson, Economic Development Officer, Mid Western Regional Council, commented that existing regulations are an impediment to some charter operators who would like to commence more regular services:

...we have a lot of charter operators contact us and talk to us extensively about delivering a service between Mudgee and Sydney using smaller aircraft. But the restrictions obviously are that they are charter operators and the minute they advertise that they leaving at 7.30 in the morning and that you can buy a public seat on that they obviously become RPTs and they need to have the licence. There are implications for them in terms of obtaining the licence. FlyPelican is very interested in converting from a charter operator to an RPT provider but it is a very costly process for them to go through, once again staring down the barrel of financial distress that the predecessors on the routes have experienced.⁷¹

Committee comment

- 3.26** The committee notes that the regions that are hosting the mining industry are experiencing a demand for charter services. However, this greater demand can have a detrimental impact on the patronage of regular passenger transport services.

⁶⁹ Evidence, Cr Keith Rhoades, President, Local Government NSW, 15 August 2014, p 68.

⁷⁰ Evidence, Mr Joshua Elliott, Assistant to the Managing Director, Snowy Mountains Airport Corporation, 11 June 2014, p 28.

⁷¹ Evidence, Ms Julie Robertson, Economic Development Officer, Mid Western Regional Council, 24 July 2014, p 49.

Recommendation 1

That local communities, the mining industry, the Civil Aviation Safety Authority and the NSW Government discuss opportunities to pursue a more coordinated approach to the provision of air services that recognise the needs of local communities and the resources industry.

Regulation of charter air services

3.27 Charter services are currently regulated by the Civil Aviation Regulations (Commonwealth). Civil Aviation Regulation 206 defines a charter as:

(i) the carriage of passengers or cargo for hire or reward to or from any place, other than carriage in accordance with fixed schedules to and from fixed terminals or carriage for an operation mentioned in sub regulation 262AM(7) or under sub regulation 317(1);

(ii) the carriage in accordance with fixed schedules to and from fixed terminals, of passengers and/or cargo in circumstances in which the accommodation in the aircraft is not available to persons generally.⁷²

3.28 A defining characteristic of a charter service is that seats on charter service cannot be sold to the general public. A federal court decision, referred to as the Caper decision, resulted in the Civil Aviation Safety Authority (CASA) writing to all charter operators on 18 June 2013 to confirm the outcome of the court's decision:

Operations on a fixed schedule, to and from fixed terminals over specific routes, for the purpose of transporting persons generally are RPT operations. Accordingly, a 'mail run' that operates to a fixed schedule, to and from fixed terminals, may not carry members of the general public unless the operator holds an Air Operator's Certificate (AOC) authorising RPT passenger-carrying operations.⁷³

3.29 In making this decision, the Federal Court held that operations conducted in accordance with an arrangement whereby a booking agent chartered the entire capacity of an aircraft, and then sold tickets for seats on the aircraft to the general public, was a regular passenger transport operation.⁷⁴

3.30 This definition has led to some confusion in the industry according to Mr Shannon Wells, Managing Director, Airlines of Tasmania Pty Ltd:

⁷² Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014 *Annual revenue of charter operators* (2014), p 3.

⁷³ Mr Peter Fereday, Executive Manager, Industry Permission Division, *Notice to all charter operators*, 18 June 2013 <http://www.casa.gov.au/wcmsw/_assets/main/aoc/download/letter-charter-air-ops-certificates.pdf>.

⁷⁴ Mr Peter Fereday, Executive Manager, Industry Permission Division, *Notice to all charter operators*, 18 June 2013, <http://www.casa.gov.au/wcmsw/_assets/main/aoc/download/letter-charter-air-ops-certificates.pdf>.

It has led to a lot of confusion. There are a lot of air tour companies around. I know a few operators have completely stopped doing air tours as a consequence and it has made us rethink the operations we are doing, even though we are an RPT service.⁷⁵

- 3.31** Mr Terry Farquharson, Acting Director of Aviation Safety, Civil Aviation Safety Authority, advised that the current regulatory environment is changing and the existing Civil Aviation Regulations (CARs) are gradually being replaced by the Civil Aviation Safety Regulations (CASRs):

The distinction between charter and regular public transport in the new environment will fundamentally disappear and the new terminology will be “passenger transport activities”. People will be able to operate either on a scheduled service or on what we would now classify as a charter service. They will be certified to do that, rather than the distinction that is being made at present between regular public transport and charter.⁷⁶

- 3.32** CASR’s currently under development include Part 119, Part 121, Part 133 and Part 135. Part 119 will deal with issuing an air operators certificate to undertake an air transport operation in an aircraft that is conducted for hire or reward or is otherwise publicly available; and that is a passenger transport operation or a cargo transport operation. Part 121 will set standards and condition for large aeroplanes, Part 133 for rotorcraft and Part 135 for small aircraft.⁷⁷

- 3.33** Central NSW Tourism was optimistic that the new regulations will open up opportunities for air services from those towns that have lost their provider because the route is considered unviable:

We understand proposed changes would open up the operation of regular air services to current charter operators by abolishing the distinction between smaller regular public transport operations and charter flights. Smaller aeroplanes with a maximum of nine seats would operate under part 135, which would provide common levels of maintenance and safety for current charter and RPT operators. These changes would increase the ability of regional communities to attract or re-establish a regular air service. It is important that the timing of introducing these changes is sooner rather than later. The proposed changes would bring Australia into line with international standards.⁷⁸

- 3.34** Mr Farquharson estimated, however, that implementation of the new regulations will take several years:

We would hope to put the notice of proposed rule-making out in the next three months. There will be a period of consultation, and given the concern of the industry we will probably have that open for two to three months, following which we will go back and assemble all the responses, determine if there is a need to go forward again with another notice of proposed rule-making or whether we can move to a notice of final rule-making. So I cannot give you a definite time, but that rule having been made

⁷⁵ Evidence, Mr Shannon Wells, Managing Director, Airlines of Tasmania Pty Ltd, 23 May 2014, p 23.

⁷⁶ Evidence, Mr Farquharson, Acting Director of Aviation Safety, Civil Aviation Safety Authority, 15 August 2014, p 77.

⁷⁷ Civil Aviation Safety Authority, *Under development CASR Part 119 – Australian air transport operators - certification and management* <<http://www.casa.gov.au/scripts/nc.dll?WCMS:PWA::pc=PARTS119>>.

⁷⁸ Evidence, Ms Lucy White, Executive Officer, Central NSW Tourism, 24 July 2014, p 15.

we usually, because of the need to transition such a lot of certificates, we then spend about a year preparing all the assessment forms, all the internal processes, training our people and educating the industry in relation to its responsibilities, and then we have a transition period. Recently those periods have been anywhere between, for a small part of a rule, 12 to 18 months. But these sorts of rules we are talking about would normally be three to four years.⁷⁹

Committee comment

- 3.35** The committee acknowledges that the current regulatory environment applying to charter operators is an impediment to their ability to provide regular passenger transport services. The committee welcomes the changes that CASA is in the process of implementing under CASRs Part 119, Part 121, Part 133 and Part 135 that are expected to simplify the process for charter operators seeking to convert their current operation to a regular passenger transport service.
- 3.36** The committee is disappointed that the time frame for implementation is estimated to be between three to four years. The committee has agreed to write to CASA outlining the importance of this change and the positive impact it is expected to have in terms of increasing passenger transport services in regional communities. The committee will encourage CASA to actively complete the implementation process as quickly as possible.

Trends in passenger numbers

- 3.37** In spite of the downward trend in the number of RPT providers and routes serviced, there has been an upward trend in passenger numbers over the past seven years. The following table illustrates passenger statistics for New South Wales air routes with an RPT operator providing services to and from Sydney airport over the past seven years:

Table 6 Passenger statistics for New South Wales air routes to and from Sydney Airport from 2007-08 – 2012-13⁸⁰

Financial year	Number of routes with RPT at 30 June	Total passenger numbers NSW air routes to Sydney airport
2007-08	30	2,045,455
2008-09	23 ⁸¹	1,998,831
2009-10	25 ⁸²	2,021,421
2010-11	26 ⁸³	2,096,985

⁷⁹ Evidence, Mr Farquaharson, 15 August 2014, p 76.

⁸⁰ Transport for NSW, *Quarterly passenger statistics for NSW air routes to and from Sydney Airport* (June 2014) <www.transport.nsw.gov.au/content/quarterly-passenger-statistics-nsw-air-routes>.

⁸¹ Aeropelican and Airlink withdrew services during the year, leaving Bourke, Cobar, Coonamble, Inverell, Lightning Ridge, Mudgee and Walgett without an operator in place at 30 June 2014.

⁸² Aeropelican commenced service on both the Cooma and Mudgee routes to Sydney.

⁸³ Brindabella Airlines commenced service on the Cobar/Sydney route.

Financial year	Number of routes with RPT at 30 June	Total passenger numbers NSW air routes to Sydney airport
2011-12	26	2,082,586
2012-2013	26	2,102,447
2013-14	22 ⁸⁴	2,116,991

- 3.38** As illustrated by the table, although the number of routes with a regular passenger transport operator has decreased, overall passenger numbers have increased slightly. Ms Sally Fielke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited, attributes this increase to the increasing use of larger aircraft size:

Sydney Airport has seen growth in regional demand matched by airlines up-gauging to larger aircraft. Over the long term, seven to ten seat aircraft have been replaced with 17 to 19 seat aircraft, which in turn have been progressively replaced by 30 to 36 seat, 50 seat, 64 to 72 seat, 100 seat and 170 to 180 seat aircraft. In fact, regional aircraft have increased in size more quickly than any other market segment, and the increase in aircraft size has both responded to and promoted passenger growth. Over the past 20 years, this trend has seen a 221 per cent increase in regional passenger numbers.⁸⁵

- 3.39** CASA concurs with this view, reporting that there were almost twice as many passengers carried in 2010 than in 2000 (Australia wide), and contributed this to the use of bigger aircraft to service regional airports.⁸⁶
- 3.40** The *Joint Study on aviation capacity in the Sydney Region 2012* noted that there has been a progressive trend in increased aircraft size and reported the number of passengers per intrastate movement at Sydney Airport have shown an increase from an average of 19 seats per movement to an average of approximately 31 seats over the period 2001 to 2010, which represents of 4.9 per cent year on year.⁸⁷

Issues challenging airline operators

- 3.41** Airline operators are functioning in an environment that is highly regulated, sensitive to the global economy, has high capital costs and low profit margins. Issues that have challenged the industry, and continue to do so in some cases, include the carbon tax, fuel increases, airport, charges, maintenance costs and increasing regulation. These circumstances have led to industry constraint, caution and where necessary, rationalisation and contraction of the services they provide.

⁸⁴ Brindabella Airlines and Vincent Airlines ceased services and as a result Cobar, Cooma, Mudgee and Narrabri did not have an operator in place at 30 June 2014.

⁸⁵ Evidence, Ms Sally Fielke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited, 15 August 2014, p 40.

⁸⁶ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 27.

⁸⁷ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 222.

- 3.42** Mr James Davis, Chair, Regional Aviation Association of Australia (RAAA), commented on the loss of regional air services throughout regional New South Wales:

New South Wales has lost a heap of air services. The number of air operators has declined. There are various reasons for this, which I will not go into here, but it gets back to cost. The cost of running a small airline in today's world is very high. It has driven the small guys out.⁸⁸

- 3.43** Airlines of Tasmania Pty Ltd described the increasing cost pressures of operating an aviation business, particularly in relation to fuel:

The costs of operating an aviation business are far exceeding the costs of inflation. Fuel price, both due to the carbon tax, overseas markets, and the fuel excise duty, makes aviation fuel a significant expense for an operator, which we have little ability to control. AVGAS refineries are closing, which will further lead to fuel price increases.⁸⁹

- 3.44** The Aviator Group emphasised the need for airlines to cost cut in response to rising fuel costs:

The sharp rise in oil and aviation fuel prices has added greater urgency to the need to make progress with cost saving initiatives. The average crude oil price has increased from \$28.90 per barrel in 2003 to \$98.50 per barrel in 2014.⁹⁰

- 3.45** The issues of most concern to airline operators that were raised during the inquiry were regulatory and compliance costs, airport charges, access to Sydney Airport, and airport infrastructure and facilities.

Regulatory and compliance costs

- 3.46** Increasing regulation and the resulting compliance costs were mentioned as an impediment to operations by a number of industry participants. CASA is in the process of reforming regulation to enhance safety in the aviation industry. Once completed, new standards and regulations relating to engineering, pilot licensing, flight training and operations, maintenance, fatigue risk management and standards for navigation, sport aviation and aerial work will be in place.⁹¹

- 3.47** The RAAA is highly critical of what it considered to be excessive regulation and judged much of it to have little value:

Aviation is particularly susceptible to excessive red-tape because it is a highly regulated industry. Overblown safety and security arguments are often used to enable increases in red-tape and regulation for zero safety or operational gain.⁹²

⁸⁸ Evidence, Mr James Davis, Chair, Regional Aviation Association, 23 May 2014, p 28.

⁸⁹ Submission 27, Airlines of Tasmania Pty Ltd (T/A Par Avion), p 1.

⁹⁰ Submission 47, Aviator Group, p 12.

⁹¹ Civil Aviation Safety Authority, *Aviation rules are changing*, <http://casa.gov.au/scripts/nc.dll?WCMS:STANDARD::pc=PC_101705>.

⁹² Regional Aviation Association of Australia, *RAAA response - Cutting Red Tape*, <<http://www.raaa.com.au/issues/submissions/RAAA-Response-Cutting-Red-Tape-July14.html>>.

- 3.48** Mr Shannon Wells, Managing Director, Airlines of Tasmania noted the considerable burden that regulation places on small operators, such as his company:

Regulation for RPT, as opposed to charter aircraft, has increased. As we operate RPT aircraft, we are mandated to have various positions within our organisation – key personnel (quality managers, continuing airworthiness managers) as well as Safety Management Systems and other mandated manuals. While I don't necessarily disagree with these positions, it does increase our costs.⁹³

- 3.49** According to CASA the cost of regulation is made up of two components, which are regulatory charges (reviewing changes to operations and for the issue of licences, certificates and aircraft registrations) and compliance cost. Compliance with the *Civil Aviation Act 1988* (Cth) and the Civil Aviation Safety Regulations (CASR) requires activities such as reporting, maintaining documentation, staff induction, equipment purchases and maintenance, establishment of systems and development of processes and procedures, which CASA acknowledges, can be time consuming and resource intensive.⁹⁴

- 3.50** The new maintenance arrangements introduced in June 2013 and defined under CASR Part 145 mandated that any organisation conducting maintenance services for RPT aircraft or their aeronautical products required certification as a Part 145 Approved Maintenance Organisation.⁹⁵

- 3.51** According to Mr Wells, the introduction of Part 145 resulted in many previously qualified maintenance operators no longer being qualified to work on RPT aircraft. Mr Wells remarked that there is only one Part 145 Approved Maintenance Operator in the entire Melbourne area.⁹⁶

- 3.52** Mr Wells explained the difficulty he faced, as a small operator, in altering his maintenance regime to conform to the new regulation:

The fact that there is no maintenance facility at Griffith airport, because of the new Civil Aviation Safety Authority [CASA] regulations, means that we have to have two planes based up there. If a plane breaks down, the engineer up there—who has been fixing planes like ours for 20 years and who has a very nice, clean facility—cannot touch our planes. So we pretty much have to have two planes based up there...I guess, if you do the numbers, having one pilot and two planes up there is not really a financially viable option. In order to get the route established and to build a good relationship with the community that is what we have decided to do. But it is a lot of money to have invested in a plane which is sitting there and only flying a few times a week.⁹⁷

⁹³ Submission 27, Airlines of Tasmania Pty Ltd (T/A Par Avion), p 1.

⁹⁴ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 42.

⁹⁵ Civil Aviation Safety Authority, *The New Maintenance Regulations Continuing airworthiness – Part 145 approved maintenance organisations* <http://services.casa.gov.au/elearning/casa_145/page_2.htm>.

⁹⁶ Evidence, Mr Wells, 23 May 2014, p 23.

⁹⁷ Evidence, Mr Wells, 23 May 2014, p 21.

- 3.53** In order to maintain his aircraft Mr Wells has taken the step of gaining accreditation under Part 145 to carry out maintenance within his company:

It took us about six months. I had the majority of my staff writing manuals for about four months. We had to use one of our hangars at the airport solely for part 145 testing. We had to kick out all the private owners and take that over for our own maintenance. I had to employ another staff member just for audits.⁹⁸

- 3.54** CASA does not consider the cost of compliance to be an excessive or onerous burden. It has calculated that compliance contributed to only a small proportion of an airline's operating expenses. CASA estimated that a large airline would expend approximately 2.78 percent of its operating budget on compliance. CASA does acknowledge that smaller airlines, which do not have the same economies of scale, do bear a higher cost which it estimated to be approximately 3.6 percent of operating expenditure.⁹⁹

- 3.55** CASA also cited the results of a survey conducted in conjunction with the Bureau of Infrastructure, Transport and Regional Economics which identified the primary reasons for holders of Air Operator Certificates ceasing to operate aircraft. Based on the survey results, the main reason provided by 19 per cent of respondents, related to a lack of demand for the services provided. Four percent of survey participants cited regulations and the regulator as the reason for ceasing operations.¹⁰⁰

Airport charges

- 3.56** Airport charges, including passenger head fees, aircraft landing fees and security screening charges, were a common concern shared by RPT providers. There are a range of charges that can be imposed by airport operators and these vary depending on the facilities offered and the location of the airport.

- 3.57** Sydney Airport Corporation (SAC) levies the following charges for users of Sydney Airport:

- passenger use charge, per arriving and departing passenger
- runway charge, per 1000 kilogram of maximum take-off weight, per movement
- passenger and airfield security charge, per embarking and disembarking passenger
- aircraft parking charge at the terminal
- apron parking charges.¹⁰¹

⁹⁸ Evidence, Mr Wells, 23 May 2014, p 23.

⁹⁹ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014 - Attachment 2, Civil Aviation Safety Authority, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 47.

¹⁰⁰ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014 - Attachment 2, Civil Aviation Safety Authority, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 49.

¹⁰¹ Sydney Airport, *Sydney Airport Conditions of Use (COU)*
<<http://www.sydneyairport.com.au/corporate/aviation/terms-and-charges/conditions-of-use.aspx>>.

- 3.58** In terms of regional airports, the nature and amount of charges levied varies and there does not appear to be a consistent approach to fee setting. Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, commented on this during evidence:

Regional airports levy their charges in different ways. The majority of them levy it on a per arriving and departing passenger basis. Some charge a rate per tonne for each landing. At the end of the day that is the methodology for charging the airline to use the airport. We are paying Orange Airport around \$900,000 in airport head taxes at the moment and effectively that is our cost of doing business in Orange.¹⁰²

- 3.59** There is a perception by some in the airline industry that airport owners are running their airports as profit making enterprises. In giving evidence, Mr James Davis, Chair, Regional Aviation Association of Australia asserted that the larger airports, or the larger councils as owners of airports, tend to look at the airports as revenue sources.¹⁰³

- 3.60** The RAAA contended that councils should be manage their airports in the same manner as other cost centres (eg: roads) which are provided for the overall benefit of the community.¹⁰⁴

- 3.61** Rex expressed a similar view and noted that regional airports should be considered as necessary local infrastructure. Rex vented its criticism of the ‘user pays’ approach imposed by regional airports:

...most regional airports adopt a user pays approach that requires the airport business to stand alone at no cost to the council ratepayer and in many cases generate a substantial surplus back to council.¹⁰⁵

- 3.62** The Aviator Group was also disparaging of the charges levied by regional New South Wales airports and considered them ‘punitive’ in nature:

Regional airport landing charges and passenger facilitation fees do not reflect the financial risk adopted by regional airlines to service small towns on routes that may only be considered marginal. These fees often levied by local councils, who by majority are the landlords of regional airport infrastructure, may be seldom reinvested into the infrastructure that the owners claim are providing a critical service to their regional communities.¹⁰⁶

- 3.63** The NSW Business Chamber acknowledged the impact that airport charges have on an airline operators profitability:

...airport charges make up a significant amount of each ticket charge. With a total profitability last year of five million dollars, Rex reported profits of less than ten dollars per passenger using their services. With such thin margins, any move to increase airport charges by regional airports significantly impacts the airline operators.¹⁰⁷

¹⁰² Evidence, Mr Lodge, 23 May 2014, p 31.

¹⁰³ Evidence, Mr Davis, 23 May 2014, p 28.

¹⁰⁴ Submission 59, Regional Aviation Association of Australia, p 4.

¹⁰⁵ Submission 57, Regional Express, p 15.

¹⁰⁶ Submission 47, Aviator Group, p 6.

¹⁰⁷ Submission 53, NSW Business Chamber, pp 3-4.

3.64 The NSW Business Chamber suggested that airport operators consult with their regular passenger transport provider before raising airport fees to ensure the impact of an increase can be borne and the impact on ongoing operations is minimised.¹⁰⁸

3.65 The Aviator Group recommended that airports charge a fix price for aircraft that is based on passenger numbers, not the weight or size of the aircraft:

We recommend that regional airports apply a consolidated fixed charge per passenger which incorporates a landing fee and passenger facilitation fee. Doing so would result in greater incentive for airlines to operate larger and more modern aircraft when demand warrants it; and greater incentive for airlines to up-gauge an aircraft at a time when a lower gauge aircraft is unserviceable rather than cancelling a service.¹⁰⁹

3.66 Rex described the behaviour of airports as monopolistic in regard to the fees they impose on airlines and the overcapitalisation of airport infrastructure.¹¹⁰ The committee questioned QantasLink about its experience with regional airport operators. QantasLink responded that it enjoyed favourable relationships with airport operators in New South Wales:

We have good relationships, if I can talk to New South Wales specifically. All of the airports that we operate to, we recognise, in partnership, that it is in all of our best interests to be aware of one another's business needs and to manage cost in the best possible way that we can together, because it is just as important for the long-term viability of the airport as it is for us to provide those services. In summary, no. The behaviours we see are in fact partner focused, open, commercial by their very nature, but open in the sense that we are always looking for opportunities to reduce cost. A recent example at one of our airports was a redesign of manpower management for security screening, for instance, where up to 10 per cent of the cost of screening has been able to be achieved and then that gets passed through to the overall cost pool of that operation. The short answer is no, we do not see any behaviours that would adversely impact our cost of operation.¹¹¹

3.67 The federal government announced regulatory changes to the national aviation security regime in 2009. These changes are gradually being implemented with the first enhancements to security becoming effective on 1 July 2010, which required passenger and baggage screening for all RPT aircraft greater than 30,000 kg maximum take-off weight (MTOW). On 1 July 2012, security screening was extended to all RPT aircraft with a greater than 20,000 kg MTOW weight. Small aircraft of 50 seat capacity or less are below this threshold.¹¹²

3.68 Rex expressed its anger that its RPT services were being subjected to screening at particular airports, even though its fleet does not exceed the MTOW threshold:

Dubbo Council has arbitrarily and unfairly imposed the unnecessary screening arrangements on to all Rex Services, which not only adds significant cost to Rex, but it

¹⁰⁸ Submission 53, NSW Business Chamber, p 4.

¹⁰⁹ Submission 47, Aviator Group, p 11.

¹¹⁰ Submission 57, Regional Express, p 15.

¹¹¹ Evidence, Mr Gissing, 23 May 2014, p 7.

¹¹² Submission 57, Regional Express, p21.

also defrays the security cost recovery away from the operator/aircraft that legally requires or triggers the costly security screening.¹¹³

- 3.69** Mr Mark Riley, General Manager, Dubbo City Council, confirmed that this was the practice at Dubbo Airport:

In respect of security screening, which I alluded to earlier, Council took the decision in early 2013 that all passengers utilising the airport would be screened and the airline companies are invoiced on a prorata basis. So whatever the costs are – last year they were \$868,000 for security screening – that is split between the two companies in terms of how many passengers they actually carry.¹¹⁴

- 3.70** Rex felt so strongly about the imposition of these charges that it challenged the decision in the Land and Environment Court. The Land and Environment Court judgement dismissed the claim lodged by Rex in June 2014.¹¹⁵

- 3.71** Some airports have separate screening processes so that only passengers from aircraft that are required to be screened are sent through a screening area. Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council, explained the security arrangements at the Wagga Wagga Airport:

As you probably are aware, we screen QantasLink passengers and baggage at Wagga Wagga, we do not screen Rex passengers. We do screen Rex baggage. All baggage that is going through the operational periods is screened. We pass on the cost of screening to QantasLink on a dollar-for-dollar basis. As we are invoiced by our security screening provider, we pass that invoice cost on to QantasLink.¹¹⁶

- 3.72** Mr Gregory Lawrence, Manager, Tourism and Economic Development, Griffith City Council, commented on the cost of implementing security measures:

...the private businesses such as Par Avion, it becomes very hard for them to take on board those sorts of costs. And when you have the screening already in place in Sydney – and none of us dispute air safety, we are all about safety, that is a given – but it is the degree of that safety that we are being forced to pay for when you already know that, when you come into Sydney Airport, you have got to go through security in any case.¹¹⁷

- 3.73** Wider adoption of split systems would seem to be preferable and lead to better outcomes for smaller operators. However it can be costly to accommodate two separate areas. Mr Garry Styles, General Manager, Orange City Council, informed the committee that it agreed to a

¹¹³ Submission 57, Regional Express, p 22.

¹¹⁴ Evidence, Mr Mark Riley, General Manager, Dubbo City Council, 24 July 2014, p 2.

¹¹⁵ *Regional Express Holdings Limited v Dubbo City Council* [2014] NSWLEC 87.

¹¹⁶ Evidence, Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council, 10 June 2014, p 48.

¹¹⁷ Evidence, Mr Gregory Lawrence, Manager, Tourism and Economic Development, Griffith City Council, 10 June 2014, p 18.

request from Rex to accommodate separate systems, which resulted in an additional cost of \$12,000 for the airport.¹¹⁸

- 3.74** The RAAA suggested that an appeal process should be built into the overall pricing regime imposed by regional airports:

... from the operator's point of view there is no avenue of appeal. If they want to hit us with a big charge we generally have to cop it. The smaller regional operators are not in a position to negotiate their way out of such a charge, unlike the major airlines that successfully negotiate good deals. We would like to see some method of appeal, maybe through the Ombudsman or something, where the smaller guys would have somewhere to go if they feel they have been hit with an unfair charge.¹¹⁹

- 3.75** Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, doesn't believe however that airport charges are dramatically affecting the viability of an airline's operation. In providing evidence he explained, 'The operating costs are the operating costs and the capital costs of the aircraft and actual hourly operating costs are the main drivers. It is getting utilisation on those aircraft.'¹²⁰

- 3.76** The issue of airport charges will be discussed in more detail in chapter 4 and chapter 5.

Access to Kingsford Smith Airport (Sydney Airport)

- 3.77** Access to Sydney Airport is considered critical by regular passenger transport service providers for their regional services. The recent announcement of Badgerys Creek as the site of the second Sydney airport has caused concern among RPT operators who are worried about the redirection of regional air services away from Sydney Airport. Mr Davis commented on behalf of the RAAA:

Obviously with Badgerys Creek coming up there could be again pressure to move the regional airlines out of Badgerys Creek. We are very concerned about that. We need to stay in Sydney for a variety of reasons.¹²¹

- 3.78** This view is shared by regional councils and is considered a key concern among regional communities. It will be discussed in detail throughout the report.

- 3.79** QantasLink would like to see the current access arrangements maintained for regional operators. Mr Gissing confirmed this position:

We are absolutely in there supporting the ring fencing and the access to Kingsford Smith airport by regional Australia. That has been the case for a long time and it continues to be the case.¹²²

¹¹⁸ Answers to questions on notice, Ms Jennifer Bennet, Executive Officer, Central Councils of NSW, 4 August 2014, p 3.

¹¹⁹ Evidence, Mr Davis, 23 May 2014, p 28.

¹²⁰ Evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, 15 August 2014, p 36.

¹²¹ Evidence, Mr Davis, 23 May 2014, p 28.

¹²² Evidence, Mr Gissing, 23 May 2014 p 9.

Airport infrastructure and facilities

- 3.80** Airline operators raised concerns about two aspects relating to airport infrastructure and facilities. The first concern related to the decline in standards at some airports. The Aviator Group was disturbed by the poor facilities it had encountered at regional airports, particularly at those that charge passenger landing fees at the higher end of the range:

Some of the most expensive airports by landing charge and passenger facilitation fee offer the weakest customer proposition.¹²³

- 3.81** The Aviator Group recommended that legislation be introduced to compel regional airport owners to reinvest the money they collect from landing and passenger fees to maintain and develop infrastructure at the airport.¹²⁴

- 3.82** The second issue relating to infrastructure that aggravated some airline operators was the perceived over development of airport facilities. Rex was particularly disturbed by this and critical of airports who 'build grandiose airport terminals' and expand runways, taxis and aprons in anticipation of larger aircraft and increased passenger numbers. Rex referred to this as the 'build it and they will come' approach.¹²⁵

- 3.83** Similarly, the RAAA raised concerns about the number of local authorities 'who build airport infrastructure that cannot be justified on any reasonable projection of passenger numbers'.¹²⁶

- 3.84** Rex also claimed that regional airports are mismanaging the funds they receive and are not retaining sufficient revenue for essential maintenance and upgrades:

Many regional airports have not placed any revenues into necessary sinking funds for the major capital investment that will be required in maintaining and upgrading airport infrastructure and years later seek to recoup this mismanagement through increasing airport charges to the detriment of regional airlines and regional customers.¹²⁷

- 3.85** Mr Garry Styles, General Manager, Orange City Council, responded to criticisms of this nature that were directed at his Council:

The Orange Airport derives its income from passenger tax, landing fees and land leases. Council has always recognized the importance of the Airport as an economic gateway to this Region. Any surplus derived from income is kept in a restricted asset for future development and major maintenance or capital works at the Airport. The Airport does not pay any dividends to Council's general revenue.¹²⁸

- 3.86** Mr Mark Riley, General Manager, Dubbo City Council, acknowledged the views expressed by the airline operators. However, he expressed his view that the recent development at Dubbo City Airport was justified and within reason:

¹²³ Submission 47, Aviator Group, p 10.

¹²⁴ Submission 47, Aviator Group, p 3.

¹²⁵ Submission 57, Regional Express, p 15.

¹²⁶ Submission 59, Regional Aviation Association Australia, p 4.

¹²⁷ Submission 57, Regional Express, p 15.

¹²⁸ Answers to questions on notice, Mr Garry Styles, General Manager, Orange City Council and Economic Development Sponsoring General Manager, Central NSW Councils (CENTROC), p 4.

I understand their perspective. They are about making as much for their shareholders as they can. Conversely, as I said earlier, for us it is about our residents and the region and also projecting an image. Often people from the western area do get to Dubbo airport, and they get there early. They need a good facility, and they deserve a good facility. Certainly if you look at what has happened in Sydney in terms of the airport terminal facilities there then you see that they are first-class facilities. There is no reason why people in western New South Wales should not also have first-class facilities, and I think that is what we have provided. Yes, it does come at a cost; but it is a manageable cost.¹²⁹

3.87 Nevertheless, Rex does not believe that a more attractive airport is an enticement for visitors:

Regional travellers do not choose to fly to a town because the airport is bigger. On the contrary, the larger airport would make travelling more expensive and subsequently reduce the existing demand.¹³⁰

3.88 Regional airport infrastructure at regional airports will be discussed in detail in Chapter 5.

¹²⁹ Evidence, Mr Riley, 24 July 2014, p 2.

¹³⁰ Answers to supplementary questions, Mr Warrick Lodge, General Manager, Regional Express, 17 June 2014, p 1.

Chapter 4 Sydney airports

This chapter discusses the two operational airports in Sydney and the decision to develop a third airport at Badgerys Creek. Kingsford Smith Airport (Sydney Airport) is Sydney's premier airport and is able to accommodate international, domestic and regional airlines. The need for continued and affordable access to Sydney Airport was raised throughout the inquiry by airlines, local councils, tourism authorities, industry groups, and the community. Bankstown Airport is a small general aviation (GA) airport that is considered by some inquiry participants to have some capacity to accept regional flights. This proposition is discussed along with the views of regional passengers to this proposal. Finally, the decision to build Sydney's second major airport at Badgerys Creek and the impact that the establishment of this airport will have on regional air services is considered.

Kingsford Smith Airport (Sydney Airport)

- 4.1 Kingsford Smith Airport (Sydney Airport) has a route network that includes 47 international, 24 domestic and 24 regional destinations. Thirty-six international, six domestic and six regional airlines fly into Sydney Airport.¹³¹ As mentioned in chapter 2, Sydney Airport is subject to legislation which prescribes requirements relating to regional airline access and airport charges, aircraft movements, and landing and take-off time constraints. These constraints are discussed in detail in this section.

Regulation of charges for regional aircraft at Sydney Airport

- 4.2 Sydney Airport Corporation (SAC) is required to notify the Australian Competition and Consumer Commission (ACCC) of any proposal to increase charges for the aeronautical facilities and services it provides to regional airlines. Additionally, any proposed increases are currently capped at the rate of the Consumer Price Index (CPI).¹³²
- 4.3 These constraints are set out under Direction no. 34 (price cap) and Declaration no. 93 (notification) made under subsection 95X of the *Competition and Consumer Act 2010* (Cth). The intention of this regulation is to facilitate continuing access to Sydney Airport by operators of regional air services.¹³³
- 4.4 Both the Determination and Declaration were renewed on 1 July 2013 and are currently effective until 30 June 2016.¹³⁴
- 4.5 Sydney Airport Corporation has not increased its charges for services to regional airlines since 25 May 2001. Its most recent application for a 2.9 per cent increase to its terminal, runway and passenger security charges was rejected by the Australian Consumer and Competition Commission on 17 September 2010.¹³⁵

¹³¹ Submission 21, Sydney Airport Corporation Limited, p 2.

¹³² Submission 21, Sydney Airport Corporation Limited, p 2.

¹³³ Submission 21, Sydney Airport Corporation Limited, p 5.

¹³⁴ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

¹³⁵ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

- 4.6 Sydney Airport Corporation estimate that aeronautical charges for regional airlines arriving and departing at Sydney Airport have fallen in real terms by 29 per cent since May 2001.¹³⁶
- 4.7 A report on airport charges prepared by Ernst and Young for SAC indicates that Sydney Airport aeronautical charges are in the majority of instances, substantially lower than those imposed by regional airports.¹³⁷
- 4.8 The charges imposed on regional regular passenger transport (RPT) service providers for regional passengers arriving and departing at Sydney Airport is considerably less than that imposed for passengers on domestic and international services. The following table demonstrates this disparity:

Table 7 Sydney Airport Aeronautical Charges from 1 July 2014, inclusive of GST¹³⁸

Charge	International	Domestic	Regional
Passenger charge	\$31.25	\$9.44	\$4.95

- 4.9 The operators of larger aircraft also incur higher runway charges because these charges are based on maximum take-off weight. Combined with higher passenger volumes, larger aircraft provide greater economic value to Sydney Airport.
- 4.10 Regional airline operators are anxious about increases to charges that may be proposed by SAC when the current Direction and Declaration expire on 30 June 2016. In referring to the attempt by SAC to increase its charges in 2010, Regional Express (Rex) noted its apprehension about being priced out of the airport:

Without the Declaration and Direction, Rex would have been priced out of Sydney Airport in 2010. If the current Declaration and Direction had not been extended in mid 2013 through until mid 2016, then there would have been nothing to stop Sydney Airport from pricing independent regional operators out of Sydney Airport after 1 July 2013 with a consequent loss of regional services for New South Wales.¹³⁹

- 4.11 Additionally, Rex would like to see price regulation extended to what it refers to as airport non-pricing pressure points such as hangar space, office space for airport staff and flight crew, equipment storage, check in desks, and customer waiting areas, including airline lounges.¹⁴⁰
- 4.12 Rex noted that without regulatory oversight of this type, the smaller airlines are vulnerable:

This leaves the smaller independent regional airlines highly exposed to both price increases associated with mandatory airport requirements and airport decision making that can lead to a significant negative impact to the airline and its customers. What maximises profitability for the airport may make an airline less efficient or add cost or

¹³⁶ Submission 21, Sydney Airport Corporation Limited, p 5.

¹³⁷ Submission 21, Sydney Airports Corporation Limited, p 6.

¹³⁸ Sydney Airport, *Sydney Airport Conditions of Use (COU)*
<<http://www.sydneyairport.com.au/corporate/aviation/terms--and-charges/conditions-of-use.aspx>>.

¹³⁹ Submission 57, Regional Express, p 12.

¹⁴⁰ Submission 57, Regional Express, p 13.

reduce the quality of service and quite often all three of these outcomes are incurred.¹⁴¹

- 4.13** Ideally, Rex would like to see the current Direction expanded but if this is not feasible, would accept the appointment of a third party ombudsman to arbitrate on negotiations between Sydney Airport and the regional operators.¹⁴²
- 4.14** The Regional Aviation Association of Australia (RAAA) claimed that SAC imposes inflated prices for these non-regulated services as a way of discouraging small airlines from using the airport: 'Sydney Airport has a vested interest in driving out regional aircraft and can and has tried to do so by applying exorbitant price increases on unregulated charges.'¹⁴³
- 4.15** The NSW Business Chamber supported the continuation of price regulation of charges for regional carriers: 'In light of the recent events in the regional aviation market, we do not think any significant changes to the price controls would be appropriate at this time.'¹⁴⁴

Committee comment

- 4.16** The committee acknowledges the concerns of regional airlines in relation to pricing at Sydney Airport, particularly in relation to those charges that are not regulated. The committee considers that extending regulation to include charges for hangar space, airline staff and passenger facilities and other necessary infrastructure has merit and will contribute to ensuring affordable access to Sydney Airport for regional air services.
- 4.17** The committee will urge the Hon Andrew Stoner, Deputy Premier and Minister for Trade and Investment to write to the the Hon Warren Truss, Deputy Prime Minister and Minister for Infrastructure and Regional Development, to encourage the expansion of the current Direction 93, made under subsection 95X of the *Competition and Consumer Act 1910* (Cth) to include pricing for other Sydney Airport services, including hangar space, airline office space, storage facilities, and other facilities used by regional airlines.

Recommendation 2

That the NSW Government write to the Minister for Infrastructure and Regional Development, to encourage the expansion of the current Direction 93, made under subsection 95X of the *Competition and Consumer Act 1910* (Cth) to include pricing for other Sydney Airport services, including hangar space, airline office space, storage facilities, and other infrastructure used by regional airlines.

¹⁴¹ Submission 57, Regional Express, p 13.

¹⁴² Submission 57, Rex Regional Express, p 14.

¹⁴³ Regional Aviation Association of Australia, *Call for Action on Aviation Policy*, (19 March 2013) p 9, <<http://www.raaa.com.au/issues/raaa-policy/document.html>>.

¹⁴⁴ Submission 53, NSW Business Chamber, p 3.

Regulation of aircraft movements

- 4.18** Aircraft movements at Sydney Airport are regulated by the *Sydney Airport Demand Management Act 1997* (the *Demand Management Act*) and the *Sydney Airport Curfew Act 1995* (the *Curfew Act*). The *Demand Management Act* prescribes a cap of 80 runway movements for every operating hour. The cap is monitored and measured in any one hour period and calculated from each quarter hour mark, for example, 7.00 am – 8.00 am, 7.15 am to 8.15 am, 8.30 am – 9.30 am. Additionally, the *Demand Management Act* establishes a framework for a slot management scheme, designed to authorise movements to and from the airport, at a specified time on a specified day.¹⁴⁵

Slot Management Scheme

- 4.19** The Australian Government appointed Airport Coordination Australia (ACA) to manage runway movements at Sydney Airport and administer the Sydney Airport Slot Management Scheme 2013 (the Slot Management Scheme). The aim of the Slot Management Scheme is to encourage efficiency of operations by staging the scheduling of aircraft movements to avoid congestion. Allocation of slots must be consistent with the runway movements cap and accordingly, no more than 80 slots are allocated in an hour.¹⁴⁶
- 4.20** Mr Ernst Krolke, Chief Executive Officer, ACA, explained the function of a slot: ‘A slot is nothing more than permission to arrive or depart at a time at an airport.’¹⁴⁷
- 4.21** The allocation of slots to air service operators is reviewed each scheduling season. There are two scheduling seasons each year and they run from October until March, and from March until October. Prior to the end of the scheduling season, airlines submit their applications for slots in the following season to the slot manager who is responsible for the day to day administration of the scheme.¹⁴⁸

Permanent Regional Service Series (PRSS) slots – regional ring fence

- 4.22** The Slot Management Scheme provides for the allocation of slots to operators of regional services. A regional service is defined as a service that takes off and lands within New South Wales.¹⁴⁹

¹⁴⁵ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 142.

¹⁴⁶ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 142.

¹⁴⁷ Evidence, Mr Ernst Krolke, Chief Executive Officer, Airport Coordination Australia, 15 August 2014, p 21.

¹⁴⁸ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 143.

¹⁴⁹ Department of Infrastructure and Transport, *Sydney Airport Slot Management Administration Manual*, Version 1.1, July 2013, p 25, <https://www.infrastructure.gov.au/aviation/airport/planning/files/Sydney_Airport_Slot_Administration_Manual.pdf>.

- 4.23** Permanent Regional Service Series (PRSS) slots were introduced to ensure slots held by services operating within regional New South Wales are not progressively transferred to non-regional services.¹⁵⁰
- 4.24** Regional movements during peak periods have been frozen since 2003 which means that 28 per cent of slots during the morning peak (6.00 am to 11.00 am) and 35 per cent of slots in the evening peak (3.00 pm to 8.00 pm) are allocated to regional services. This is referred to as the regional ring fence.¹⁵¹
- 4.25** The Australian Government considers Sydney Airport to be an essential hub for regional airport services and subsequently regulated access to ensure access for regional airlines continues.¹⁵²
- 4.26** Mr Krolke explained the level of protection provided by the PRSS slots ‘The ring fence does not allow New South Wales regional slots to be used by international or domestic interstate services, except in exceptional circumstances’.¹⁵³
- 4.27** While the PRSS slots must be used to provide a regional air service, they are not route specific and are allocated to the regular passenger transport service provider who can use them on any regional route. Mr Krolke provided an example of how the scheme works:
- ...slots are not route specific. If an airline had a slot from Sydney to Narrabri and they believe that the route is commercially not viable they can take that Sydney slot and go to Coffs Harbour where they can have a viable service.¹⁵⁴
- 4.28** To maintain their right to a slot, the airline must ensure the slot is in use eighty per cent of the time over the season. This allows for seasonal fluctuations, mechanical breakdowns, disruptions and cancellations to services, and other similar reasons that impact on operation.¹⁵⁵
- 4.29** The slot manager will undertake an assessment of activity over the season which is referred to under the Slot Management Scheme as the ‘Use it or Lose it Test’. If the assessment of activity indicates that it has not been used eighty per cent of the time over the season, the slot will be reallocated.¹⁵⁶
- 4.30** Mr Krolke confirmed that the slots that were allocated to Brindabella Airlines have not been used since March 2014 and that they will be reallocated at the end of the current season which ends in October 2014.¹⁵⁷

¹⁵⁰ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 1.

¹⁵¹ Evidence Mr Krolke, 15 August 2014, p 21.

¹⁵² Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 1.

¹⁵³ Evidence, Mr Krolke, 15 August 2014, p 21.

¹⁵⁴ Evidence, Mr Krolke, 15 August 2014, p 21.

¹⁵⁵ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 142.

¹⁵⁶ Evidence, Mr Krolke, 15 August 2014, p 21.

¹⁵⁷ Evidence Mr Krolke, 15 August 2014, p 21.

4.31 The process for allocating PRSS slots is prescribed under the Slot Management Scheme. If an airline has historical precedence to a slot (it was used by the airline in the previous season), the airline operator will be offered the slot first.¹⁵⁸

4.32 If there is no historic precedent, applications from other interested airlines will be considered. Mr Krolke noted that the peak slots, particularly in the morning, are in very high demand and there is always a waiting list.¹⁵⁹

4.33 Preference is given initially to new operators who would like to commence an RPT service in New South Wales. Following this, preference is given to the operator with the largest aircraft. Mr Krolke explained the assessment process:

If there is a new entrant – someone who wants to start operating in New South Wales – that airline will have preferential use. If there is more than one or no new entrant and only the incumbents apply, the slot will be allocated to the airline that uses the largest aircraft. We then apply what is called the aircraft size test. That means if an airline is allocated a slot on aircraft size it must operate 80 per cent of the time in the season with that aircraft size. You cannot apply for an 80-seat aircraft and operate a 33 seater.¹⁶⁰

4.34 The retention of the peak hour regional slots at Sydney Airport is considered vitally important by many inquiry participants. In its submission, Clarence Valley Council argued that having access to peak hour slots is essential:

It's absolutely crucial for the growth of regional economies for a business person to arrive in Sydney by 8.30 am and have access out after 6.00 pm. Similarly, flights from Sydney need to be available to make regional centres by at least 9.00 am.¹⁶¹

4.35 Subsequently in evidence, Mr Des Schroder, Director, Environment and Planning and Community, Clarence Valley Council, emphasised the importance to regional economies of retaining peak hour access:

If we end up losing the morning slots then that is a real worry for the whole of the north coast, particularly given our development. We are growing at an average rate of about one per cent. The real worry for us is keeping those business passenger slots.¹⁶²

4.36 Likewise, Ms Julie Stewart, Airport Manager, Business and Events Directorate, Tamworth Regional Airport, explained the importance of the regional slots for the region:

One of the concerns that we have is the protection of slots into Sydney Airport. It is important for business and it is important for legal, medical and educational purposes

¹⁵⁸ *Sydney Airport Slot Management Scheme 2013*, pt 2 div 2 s 15.

¹⁵⁹ Evidence Mr Krolke, 15 August 2014, p 22.

¹⁶⁰ Evidence, Mr Krolke, 15 August 2014, p 22.

¹⁶¹ Submission 8, Clarence Valley Council, p 1.

¹⁶² Evidence, Mr Des Schroder, Director, Environment and Planning and Community, Clarence Valley Council, 22 July 2014, p 5.

as well. We need to ensure that our businesses and the citizens of Tamworth can have regular and timely services into Sydney.¹⁶³

- 4.37** Bland Shire Council also emphasised the value of access to Sydney Airport for government, business and communities in regional New South Wales:

The location of Sydney Airport and the improved train service between the domestic terminal and the city centre enables passengers with meetings and appointments to travel to Sydney and back within one day. This is critical due to the extra costs with over-nighting in Sydney and remembering that in many instances people have had to travel to reach their airport in their regional location.¹⁶⁴

- 4.38** Similarly, Wagga Wagga City Council insisted continuing access to slots during peak time is a key imperative for future economic development and submitted:

The proximity of Sydney Airport to the central business district, all modes of transport, including train services between the domestic terminal and the city centre enable passenger with meetings and appointments to travel to Sydney and back in one day.¹⁶⁵

- 4.39** Ms Jennifer Bennett, Executive Officer, Central NSW Councils (CENTROC) advised that retaining the ring fence was an absolute priority:

Our priority, the priority of the Central New South Wales Councils [CENTROC] board, regarding regular passenger transport and much of anything to do with air flight, is retaining those ring fence slots down in Sydney for a number of reasons, particularly for just being able to ensure that visits and those types of things can happen on a daily basis. It is an absolute passion of the board and that is the message they want to send across to you. In the scheme of things—looking at new airports and all the other conversations that we are just beginning to hear trickling out into the regions—we are feeling a little threatened and we would like to ensure that we keep those slots ring fenced. It is absolutely essential to the communities of Central New South Wales and regional New South Wales.¹⁶⁶

- 4.40** Further to maintaining the current number of PRSS slots, some inquiry participants advocated for the number of PRSS slots to be increased. Narrabri Shire Council contended the lack of peak hour slots is inhibiting regional development:

The *Sydney Airport Demand Act* is impacting on regional development...The opportunities for Narrabri to expand services to meet their growing community's needs are non-existent. New services would need to apply for slots in the off peak periods. Such times are not conducive for regional development or visiting medical services.¹⁶⁷

¹⁶³ Evidence, Ms Julie Stewart, Airport Manager, Business and Events Directorate, Tamworth Regional Airport, 22 July 2014, p 25.

¹⁶⁴ Submission 59, Bland Shire Council, p 4

¹⁶⁵ Submission 52, Wagga Wagga City Council, p 2.

¹⁶⁶ Evidence, Ms Jennifer Bennett, Executive Officer, Central NSW Councils (CENTROC), 24 July 2014, p 13.

¹⁶⁷ Submission 10, Narrabri Shire Council, p 2.

4.41 Eurobodalla Shire Council stated that the shortage of slots at Sydney Airport contributed to the upward pressure on head tax costs and compelled airlines and the airport to focus on high volume routes.¹⁶⁸

4.42 Coffs Harbour City Council also supported an increase to the current allocation of PRSS slots, and believed it would lead to increased competition and reduced airfares:

The most crucial issue impacting on the Coffs Harbour route is the lack of access to Sydney during peak periods. As a consequence this route does not have competition in the peak am/pm slots which results in high airfares for business, medical and other necessary travel during those times. Other airlines have indicated a desire to provide flights at peak times but are unable to get slots at Sydney Airport at the required times.¹⁶⁹

4.43 The allocation of the PRSS slots to an airline, as opposed to a route or region, was a cause for concern in regional communities. The prevailing view in regional communities was that the current allocation process allowed an airline to withdraw its service on a low patronage route at any time and use their PRSS slot to provide services on another regional route that has higher passenger numbers, providing greater economic returns.

4.44 Several inquiry respondents, particularly councils, suggested that slots should be given to a location or region, rather than the regular passenger transport service provider.

4.45 Cr Katrina Humphries, Mayor, Moree Shire Council, explained to the committee why she would like see PRSS slots allocated to a region:

When Brindabella went belly up, Korda Mentha became the holders of the time slots, not Moree community, and it left us nowhere to go because we had no time slots into Mascot. We could not even charter planes ourselves to get into Mascot because we did not have those key time slots. I would be very, very appreciative if, in this inquiry, you could look at and consider the time slots. Whether you give them to the shire or the council at the time, but the time slots have to stay with the bush. These accesses to Mascot are vital for not only our wellbeing but also our business wellbeing.¹⁷⁰

4.46 Inland NSW Tourism also supported assigning slots to a destination:

Consideration should be given to the Sydney Airport slots being attributed to the destination and not owned by the carrier to permit continuity of service in the event a carrier ceases to service a region or operate commercially.¹⁷¹

4.47 It was suggested by Mr Vanderbeek that if slots were allocated to a route they should be reallocated if they were not being utilised but quarantined for future use:

Clearly, if a route has not been operating then that slot should be released into the general use. But it is a question of whether you quarantine that for future use so that

¹⁶⁸ Submission 19, Eurobodalla Shire Council, p 2.

¹⁶⁹ Submission 3, Coffs Harbour City Council, p 1.

¹⁷⁰ Evidence, Cr Katrina Humphries, Mayor, Moree Shire Council, 23 July 2014, p 5.

¹⁷¹ Submission 44, Inland NSW Tourism, p 2.

sometime in the future, if that route becomes viable, those slots are still there and available.¹⁷²

4.48 A number of inquiry participants did not consider the allocation of slots to a route or council as a practical option. For instance, Mr Krolke noted ‘In my view, if a council owned a slot, and no airline would operate it, that slot would be blocked and could not be used. It would be a waste of capacity at the airport’.¹⁷³

4.49 Mr James Davis, Chair, Regional Aviation Association of Australia indicated that the majority of Association’s members supported the current system of slot allocation:

Obviously the airlines value their slots and they would not like to give them up. The model has worked quite well so far. I would have to think about that question, to be honest. We have members that are airports as well as airlines but, overall, our members want to see the current system maintained.¹⁷⁴

4.50 Although the allocation of slots to a location rather than an airline may bring the community a sense of security, ultimately an airline would still need to be procured to operate the route. As discussed in chapter 3, Qantas and Rex are not interested in servicing regional routes that have proven to be unviable because of low patronage levels. Quarantining aPRSS slot to a region would not guarantee that a regular passenger transport service would be provided.

4.51 There was also a view expressed by some inquiry participants that the PRSS model, in any format, was an inefficient use of limited airport capacity. Regional Development Australia Sydney points out that New South Wales intrastate aircraft movements comprise approximately twenty per cent of all slot allocations and RPT activity at Sydney Airport, yet only carry six per cent of the total airport passengers.¹⁷⁵

4.52 The Aviator Group submitted that the economic inefficiency of the current model must place Sydney Airport Corporate under pressure to improve its economic outcomes:

Sydney Airport is dependent on passenger volumes rather than the frequency of airline services. As a result of capacity limitations due to aircraft movement capping and night time curfews, Sydney (Kingsford Smith) Airport will no doubt be under considerable commercial pressure to develop the number of larger interstate and international services which deliver passenger volume.¹⁷⁶

4.53 The example below, provided by the Aviator Group, illustrates the commercial benefit to SAC of swapping one regional intrastate service with an interstate service that has greater passenger capacity and a hefty maximum take-off weight (MTOW):

¹⁷² Evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, 15 August 2014, p 34.

¹⁷³ Evidence Mr Krolke, 15 August 2014, p 25.

¹⁷⁴ Evidence, Mr James Davis, Chair, Regional Aviation Association of Australia, 23 May 2014, p 37.

¹⁷⁵ Submission 12, Regional Development Australia – Sydney, p 4.

¹⁷⁶ Submission 47, Aviator Group, p 5.

Table 8 Comparison of regional and interstate services – value to Sydney Airport¹⁷⁷

Route	Aircraft type	Passenger numbers	Aircraft maximum take-off weight	Passenger use charge for terminal 2	Runway charge	Passenger and airfield security charge	Total
Sydney-Mudgee - Sydney	Beech 1900D	14 each way	7,764 kg	\$126.00	\$82.50	\$24.36	\$232.86
Sydney-Brisbane-Sydney	Boeing 767	190 each way	450,000 kg	\$3,286.40	\$1,470.60	\$722.00	\$5,605.00
Difference							\$5,372.14

- 4.54** Local Government NSW is concerned that SAC will attempt to restrict the access of regional aircraft during peak periods in order to increase passenger numbers:

We have noted concern with previous statements made by Sydney Airport Corporation Limited that the development of a second Sydney airport could be delayed through the use of larger planes and better use of non-peak times, allowing the number of passengers passing through the airport to be more than doubled in that period. Clearly, this could only be achieved through a reduction of the present curfew, and/or the substitution of slots currently available to smaller regional aircraft for larger aircraft.¹⁷⁸

- 4.55** However, Ms Sally Fielke, General Manager, Corporate Affairs, SAC, argued that Sydney Airport has sufficient capacity to allow it to cater for all aircraft types, including those smaller aircraft operating on regional routes:

...we currently only utilise 65 per cent of our capacity so there is still a reasonable amount of room for growth. What our master plan seeks to achieve is to even further optimise this across the existing footprint that we have got. So there is no real plan to deviate from that at the moment. The regional access that is there is locked in and there is no intention that it be changed.¹⁷⁹

- 4.56** In any case, the access of regional carriers into Sydney Airport and the prices they are charged by SAC are mandated through legislation. Mr Ted Plummer, Head of Government and Community Relations, SAC acknowledged this: 'It is what it is. It is not within our power to change it'.¹⁸⁰

¹⁷⁷ Submission 47, Aviator Group, p 5.

¹⁷⁸ Submission 23, Local Government NSW, p 3.

¹⁷⁹ Evidence, Ms Sally Fielke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited, 15 August 2014, p 48.

¹⁸⁰ Evidence, Mr Ted Plummer, Head of Government and Community Relations, Sydney Airport Corporation, 15 August 2014, p 49.

- 4.57 Ms Fielke expressed a level of pride in the role SAC plays in providing services to regional communities:

...Sydney Airport is proud of the service it provides regional communities, including an extensive route network during the peak hours facilitating connectivity with international and domestic routes and lower airport charges than almost all other airports in the Sydney regional route network.¹⁸¹

- 4.58 The SAC Master Plan 2033 acknowledges the current restraint imposed by legislation and notes the organisation's preparedness to work within existing constraints for the foreseeable future:

Nevertheless, consistent with existing legislation, the Sydney Airport Corporation Master Plan 2033 assumes no change to the curfew, aircraft movement cap, noise sharing arrangements, access arrangements for regional airlines or flight paths and assumes no new runways.¹⁸²

Increasing the 80 movements per hour cap

- 4.59 There was wide spread support among inquiry participants to increase the 80 movements per hour cap with many believing that the cap was out of date and not in step with recent developments in aviation that are resulting in the use of significantly quieter aircraft in comparison to aircraft being flown when the cap was established.

- 4.60 Narrabri Shire Council supported an amendment to the movements cap in recognition of the use of modern, less obtrusive aircraft:

The existing movement constraints are unrealistic for the premier airport in Australia and when introduced in 1997 was at a time when aircraft noise was a strong social issue. Today's modern generation of aircraft emit far less noise than the aircraft in operation when the *Demand Management Act* was introduced. New generation aircraft such as the Boeing 787 and the Airbus A350 will produce even lower noise foot prints than current aircraft.¹⁸³

- 4.61 Ms Fielke claimed that, operationally, the movements cap could be increased as the airport has the capacity to function effectively with a greater level of aircraft movements than the current 80 movements an hour.¹⁸⁴

- 4.62 Mr Plummer concurred with Ms Fielke and referred to the *Joint Study into aviation capacity in the Sydney Region*, released in 2012:

It recommended the cap be increased to 85 movements per hour during the peak. That gives you a rough estimation of how many extra flights would be possible. The airfield and airport infrastructure can operate at that movement rate.¹⁸⁵

¹⁸¹ Evidence, Ms Fielke, 15 August 2014, p 40.

¹⁸² Sydney Airport Corporation Limited, *Sydney Airport Master Plan 2033*, p 9, <<http://www.sydneyairport.com.au/corporate/master-plan/master-plan-downloads.aspx>>.

¹⁸³ Submission 10, Narrabri Shire Council, p 4.

¹⁸⁴ Evidence, Ms Fielke, 15 August 2014, p 39.

¹⁸⁵ Evidence, Mr Plummer, 15 August 2014, p 41.

- 4.63** This view, however, is not supported however by Mr Krolke who believes that the airport does not have the additional capacity to increase aircraft movements, particularly in the two daily peak periods:

Airservices Australia cannot handle more than 50 arrivals. In peak periods we are at 50 arrivals. You could not put any more arrivals in.¹⁸⁶

- 4.64** When pressed on the realistic capacity of Sydney Airport to accommodate more than 80 movements per hour, Mr Plummer acknowledged that the current limit of 80 movements per hour is not achievable on a consistent basis:

Depending on the weather you will not get anywhere near 80. For instance if there is a very strong westerly wind and we can only use our east-west runway, the movement rates are down in the mid-50s. You certainly could not get 80 all the time because of the weather. It depends on a range of facts, including the mix of aircraft types.¹⁸⁷

- 4.65** Mr Plummer does believe however that infrastructure and technology improvements at Sydney Airport will ultimately lead to greater capacity:

Our master planning contains a range of taxiway improvements that will improve mode capacity, so that is true. Other things would be technology improvements from Airservices Australia for air traffic control. I know they have done that. That is obviously a fast moving area for technology. Everything is heading in the right direction so far as improving capacity at the airport and that benefits all classes of aircraft.¹⁸⁸

- 4.66** In evidence, Mr Krolke stated that he is not aware of any technology improvements that could be used to increase capacity but accepted that in the future that could change.¹⁸⁹

- 4.67** The RAAA noted its support of an increase to the movements cap and recommended that the NSW Government petition the federal government to:

Review the movement cap at Sydney Airport, with the purpose of lifting the cap to 85 movements per hour, which it operated to prior to the 1996 federal election when it was dropped for political purposes.¹⁹⁰

- 4.68** Similarly, Rex would like to see the movements cap increased and suggested that the airport is capable of facilitating 90 movements per hour. Rex is also of the view that the compliance regime that monitors movements on the quarter hour is unnecessary:

...the compliance regime that enforces the 80 movements cap is excessive in that it assesses the cap against rolling 15 minute quarters (i.e 8.00 am – 9.00 am, 8.15 am – 9.15 am, 8.30 – 9.30 etc). The compliance regime exceeds any practical requirements given the airport rarely hits the cap.¹⁹¹

¹⁸⁶ Evidence Mr Krolke, 15 August 2014, p 24.

¹⁸⁷ Evidence, Mr Plummer, 15 August 2014, p 42.

¹⁸⁸ Evidence, Mr Plummer, 15 August 2014, p 42.

¹⁸⁹ Evidence, Mr Krolke, 15 August 2014, p 25.

¹⁹⁰ Submission 59, Regional Aviation Association of Australia, p 5.

¹⁹¹ Submission 57, Regional Express, p 10.

- 4.69** Additionally, the current system causes costly and unnecessary delays on the tarmac as aircraft are made to delay take-off until the next 15 minute quarter commences:

It defies logic that departing aircraft can be held at Sydney Airport to keep aircraft movements below an arbitrary movement cap, when this is compounding airport congestion, increasing airline costs and making the airport less efficient.¹⁹²

- 4.70** Rex believes that the planned allocation of slots should be a sufficient means of enforcing the cap:

Airports implement runway demand management systems (slot systems) to maximise airport efficiencies, not make them less efficient, and there is no practical difference if there were 79 movements in one hour and 81 movements in the next hour when it comes to the issue of aircraft noise, with noise being the core driver of the movement cap.¹⁹³

- 4.71** Airservices Australia has concluded previously that in perfect operating conditions Sydney Airport could process between 85 and 87 movements per hour on its parallel runways. However, this level could only be achieved with optimal conditions including good weather, efficient utilisation of runways, and the right fleet mix, to ensure the time required between movements is maximised.¹⁹⁴

- 4.72** The *Joint Study on aviation capacity in the Sydney Region* noted that any increase in movement rates would require a subsequent investment in airport infrastructure, such as taxiways, aprons and gates, as the current facilities struggle to meet the demand of 80 movements per hour.¹⁹⁵

- 4.73** Several inquiry participants suggested that regional aircraft services should not be included in the movements cap. In this regard, the RAAA that propeller aircraft are not the subject of noise complaints and their departures and arrivals from the airport should not be included in the cap.¹⁹⁶

- 4.74** Narrabri Shire Council supported this exemption:

These aircraft are by their nature low noise producing aircraft and have minimal effect on the overall aircraft noise at the airport. Such a move would allow for an increase in all types of movements at the airport on a proportional basis in the peak movement periods.¹⁹⁷

- 4.75** SAC supports the removal of regional aircraft from the movements cap for similar reasons:

Even if the existing cap of 80 aircraft movements per hour were to remain, an exceptional category for low-impact, quiet (including regional) aircraft could be

¹⁹² Submission 57, Regional Express, p 10.

¹⁹³ Submission 57, Regional Express, p 11.

¹⁹⁴ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 138.

¹⁹⁵ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 138.

¹⁹⁶ Submission 59, Regional Aviation Association of Australia, p 5.

¹⁹⁷ Submission 10, Narrabri Shire Council, p 5.

designated whereby they are not included in the cap. The *Sydney Airport Curfew Act 1995* has long recognised that smaller aircraft have a lower noise impact and, as such, they can therefore operate between 11.00 pm and 6.00 am. If such aircraft are already exempt from the curfew restrictions, it follows they could be exempted from the movement cap.¹⁹⁸

- 4.76** In providing evidence, the NSW Government noted that it is negotiating with the Australian Government in an attempt to facilitate an easing of the regulatory restrictions relating to movements at the airport:

The New South Wales Government, through what is called the visitor economy industry action plan, has accepted a responsibility for advocacy in relation to Kingsford-Smith. We have done a number of things at a senior bureaucrat, senior officials and tourism Ministers councils raising issues in relation to the optimisation of the existing regulatory framework. So it is our view that there is room within the Commonwealth's regulatory settings to create greater utilisation of Kingsford-Smith. If the recommendations that we have been advocating to the Commonwealth were in place, then more regional slots would be available. What we have been arguing is that peak movements should be increased from 80 to 85 and with shorter curfews there should be an additional number of movements in the morning and the evening.¹⁹⁹

- 4.77** The NSW Government has also recommended that the Australian Government should amend the regulations to exempt regional carriers from the movements cap.²⁰⁰

Committee comment

- 4.78** The committee believes that access to peak hour slots at Sydney Airport for regular passenger transport services from regions is essential and that the Permanent Regional Service Series (PRSS) slots are vitally important in ensuring that this access continues. The committee considers that the *Sydney Airport Demand Management Act 1997* should be amended to enshrine the access of regional RPT services during peak hour.
- 4.79** In addition, the committee would encourage a review of the current allocation of domestic slots, where large airlines with multiple slots to the same destination, in cascading time slots, consolidate some of these services through the use of larger aircraft. This could improve capacity without increasing the number of peak hour slots.
- 4.80** The committee is sympathetic to the suggestions from local communities that regional slots at Sydney Airport be owned by the communities they are intended to service. The committee is of the view that investigating this option has merit, particularly the potential to allocate a certain number of the reserved regional slots to communities with regulated air routes and allowing those communities to negotiate with an airline to use the slot. The committee would not envisage all regional slots being allocated in this way.

¹⁹⁸ Submission 21, Sydney Airport Corporation Limited, p 13.

¹⁹⁹ Evidence, Ms Amanda Chadwick, Executive Director, Innovation and Industry Policy, NSW Trade and Investment, 15 August 2004, p 13.

²⁰⁰ Evidence, Ms Chadwick, 15 August 2004, p 14.

- 4.81** The committee acknowledges the overwhelming view of inquiry participants that the movements cap at Sydney Airport should be increased. However, the committee notes that there is also evidence that the current movement cap is rarely reached and can only be achieved if there are optimal conditions in place.
- 4.82** The committee is of the view however that there could be a more flexible approach to managing movements over hourly periods, as opposed to current movement restrictions imposed on the quarter hour. The committee believes that the 15 minute movement cap of 20 movements should be lifted and movements should be measured on an hourly basis.
- 4.83** The committee acknowledges that the movements cap and curfew restriction were implemented as part of a strategy to share noise and minimise its impact on the surrounding environment. The committee also notes that regional turboprop aircraft are exempted under the *Sydney Airport Curfew Act 1995*. The committee believes that regional turboprop aircraft should be similarly excluded from the movements cap.
- 4.84** As the management of the PRSS slots and movement cap is the responsibility of the Australian Government, the committee will provide a copy of this report to the federal minister, the Hon Warren Truss, Deputy Prime Minister and Minister for Infrastructure and Regional Development, to inform him of the concerns of inquiry participants in relation to these issues.
- 4.85** In addition the committee will urge the Hon Andrew Stoner, MP, Deputy Premier and Minister for Trade and Investment to write to the Minister for Infrastructure and Regional Development seeking a review of the current slot allocation and movements cap system, which should include eliminating the 15 minute movement cap and the removal of regional turboprop aircraft from the movements cap.

Recommendation 3

That the NSW Government write to the Minister for Infrastructure and Regional Development to encourage a review of the current slot allocation and movements cap systems in place at Sydney Airport, which should include eliminating the 15 minute movement cap and the removal of regional turboprop aircraft from the movements cap.

Recommendation 4

That the NSW Government write to the Minister for Infrastructure and Regional Development and request that the Federal Government consider the possibility of allocating a limited number of the reserved regional slots into Sydney Airport to specific regional communities.

Recommendation 5

That the NSW Government in its correspondence with the Minister for Infrastructure and Regional Development urge the Federal Government to amend the *Sydney Airport Demand Act 1997* to ensure the access of regional regular passenger transport services to Sydney Airport is preserved.

Sydney Airport Curfew

4.86 The *Sydney Airport Curfew Act 1995* (Cth) (the *Curfew Act*) was introduced with bipartisan support in 1995 to protect the surrounding communities from aircraft noise while balancing the need for economic development at Sydney Airport. The Act imposes a curfew between 11.00 pm and 6.00 am, during which time only specific air craft can arrive and depart at the airport.²⁰¹

4.87 The *Curfew Act* legislates that during the curfew period only certain types of freight aircraft (BAe-146 and DC9), and propeller driven aircraft under 34,000 kilograms that comply with noise standards can use the airport. Additionally, under section 15 of the Act, there is provision for the Minister to exempt jet aircraft under 34,000 kilograms that comply with noise standards from the curfew.²⁰²

4.88 Mr Krolke informed the committee that regional aircraft are able to operate during the curfew hours because of the exemption for propeller aircraft. However, he acknowledged that an early morning departure may not be appealing for passengers:

I have said many times you can come in on a 5.00 am to Sydney. You have got to depart at 3.30 am in the morning, which is not very nice in winter, from some of the communities, but that is possible. You can operate on the fringe.²⁰³

4.89 Many inquiry participants proposed that a review of the *Curfew Act* was needed. The RAAA noted the curfew is outdated, highly inefficient and needs to be re-examined in light of modern aircraft noise levels.²⁰⁴

4.90 The current Australian Government policy on aviation includes a commitment to review the existing list of business and charter aircraft permitted to operate during the curfew with the intention to ensure that newer, quieter and more efficient aircraft can be used. However, any subsequent changes to the type of aircraft that can operate during the curfew hours will not increase the number of flights allowable during curfew periods.²⁰⁵

²⁰¹ Submission 62, NSW Government, p 17.

²⁰² Submission 62, NSW Government, p 17.

²⁰³ Evidence, Mr Krolke, 15 August 2014, p 23.

²⁰⁴ Regional Aviation Association of Australia, Call for Action on Aviation Policy, (19 March 2013) p 9, <<http://www.raaa.com.au/issues/raaa-policy/document.html>>.

²⁰⁵ Liberal Party of Australia, *The Coalition's Policy for Aviation*, August 2013, p 7 <<http://lpaweb-static.s3.amazonaws.com/Coalition%202013%20Election%20Policy%20%E2%80%93%20Aviation%20%E2%80%93%20final.pdf>>.

- 4.91** Part 5 of the *Curfew Act* requires significant community consultation before any amendments are made to the existing legislation. The Act specifies that consultation should include extending an invitation to the public to make submissions and consultation with stakeholders.²⁰⁶
- 4.92** Section 17 of the Act states that once Badgerys Creek becomes operational and able to be used for night aircraft movements, the exemptions that currently apply to freight aircraft, propeller driven aircraft under 34,000 kilograms, and those jet aircraft under 34,000 kilograms that are specified by the minister, will no longer apply.

Bankstown Airport

- 4.93** Bankstown Airport is located approximately 4 kilometres west of Bankstown city centre, 38 kilometres from Sydney and 14 kilometres from Parramatta by road. Bankstown Airport is the primary general aviation aerodrome for the Sydney region and New South Wales and it has the second highest number of aircraft movements in Australia.²⁰⁷
- 4.94** Bankstown Airport has a lease arrangement with the federal government to operate for 99 years which has been in place for approximately 12 years.²⁰⁸
- 4.95** Australian aerodromes are classified using a coding system, known as the Aerodrome Reference Code, which specifies the standards for individual aerodrome facilities which are suitable for use by aircraft within a range of performances and sizes.²⁰⁹
- 4.96** The Code is composed of two elements: element 1 is a number related to the aeroplane reference field length; and element 2 is a letter related to the aircraft wingspan and outer main gear wheel span.²¹⁰
- 4.97** Bankstown Airport is able to accommodate Code 3C notified aerodrome which means that its landing facilities can accommodate the following aircraft that have the corresponding characteristics listed in the table below:

Table 9 Code 3C Aerodrome - Airplane type and airplane characteristics²¹¹

Airplane Type	Aeroplane Characteristics
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²⁰⁶ *Sydney Airport Curfew Act 1995*, pt 5 s 23.

²⁰⁷ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 244.

²⁰⁸ Evidence, Mr Mario Bayndrian, General Manager Aviation, Bankstown Airport Limited, 23 May 2014, p 39.

²⁰⁹ Civil Aviation Safety Authority, *Manual of Standards Part 139 – Aerodromes*, ch 2, s 2.1.5.1, February 2012.

²¹⁰ Civil Aviation Safety Authority, *Manual of Standards Part 139 – Aerodromes*, ch 2, s 2.1.5.1, February 2012.

²¹¹ Civil Aviation Safety Authority, *Manual of Standards Part 139 – Aerodromes*, ch 2, s 2.1.6, February 2012.

	Airplane reference field length (m)	Wingspan (m)	Outer main gear wheel span (m)	Length (m)	Maximum take off weight (kg)	Turning point (kPa)
Bae:						
Jetstream 31	1,440	15.9	6.2	14.4	6,950	448
Jetstream 41	1,500	18.3		19.3	10,433	
146-200	1,615	26.3	5.5	26.2	42,185	1,138
146-300	1,774	28.7	4.9	31.0	44,225	945
Bombaier Global Express	1,774	28.7	4.9	30.3	42,410	
Embraer:						
EMB 120	1,420	19.8	7.3	20.0	11,500	828
EMB 170	1,600	26.0	5.8	29.90	37,2700	940
Fokker:						
F27-500	1,670	29.0	7.9	25.1	20,412	540
F28-400	1,640	25.1	5.8	29.6	32,205	779
F50	1,760	29.0	8.0	25.2	20,820	552
F100	1,695	28.1	5.0	35.5	44,450	920
SAAB SF- 340	1,220	21.4	7.5	19.7	12,371	655

- 4.98** Mr Mario Bayndrian, General Manager, Bankstown Airport noted that the airport would be ideal for passengers who do not need to connect with other flights and for people who are conducting business in the western suburbs and believes that there is a market that should be tapped:

We have sufficient market for Western Sydney that airlines need to explore their market capacity for people wishing to travel to Bankstown as a destination to really carry out business anywhere from Strathfield to the Blue Mountains from Richmond down to Picton.²¹²

- 4.99** The Bankstown Airport Preliminary Draft Master Plan 2014 includes provision for 12 regular passenger transport movements per day. Rather than becoming a major passenger transport airport or act as a surrogate second airport for Sydney, the Master Plan is aiming to position

²¹² Evidence, Mr Bayndrian, 23 May 2014, p 39.

the Airport to accommodate 'low frequency niche start-up operations by small regional or inter-state based carriers'.²¹³

4.100 Unlike Sydney Airport, Bankstown Airport operates with no regulation in terms of aircraft movements. Mr Bayndrian explained 'There is no movement cap, there is no curfew; Bankstown airport operates without any of those restrictions'.²¹⁴

4.101 Mr Bayndrian also claimed that the airport's passenger charges would be significantly cheaper than the fees charged at airports catering to higher levels of compliance and maintenance required for the larger aircraft they accommodate.²¹⁵

4.102 Mr Bayndrian acknowledged that there are issues with transporting passengers to and from the Sydney CBD but believes the widening of the M5 will assist with this. Ground transport is also considered in the Airport's master plan.²¹⁶

4.103 The *Joint Study on aviation capacity in the Sydney Region* proposed that Bankstown Airport could be utilised as an alternative destination for all regional turboprop aircraft operations, as a way of increasing slot capacity at Sydney Airport.²¹⁷

4.104 Inquiry participants communicated mixed views on this proposition. The Australian Airports Association (AAA) noted the role that Bankstown could play as an alternative destination:

The use of Bankstown Airport for RPT services would provide greater choice of destination within the Sydney region for those travelling from regional locations and would significantly grow the economic prosperity of Western Sydney, with improved air access, expanded aeronautical and non-aeronautical facilities and more skilled jobs.²¹⁸

4.105 Regional Development Australia Sydney believes that Bankstown has untapped potential for a variety of uses:

There is potential for additional development in flight training, maintenance, air freight and passenger services and other related industries, which would provide employment for local residents living in areas with current high unemployment levels and also new business opportunities.²¹⁹

4.106 A lack of ground transport and the airport's distance from the Sydney CBD were major sticking points for many inquiry participants. Ms Bennett remarked that moving regional air services to Bankstown presented another barrier to service delivery in regional communities:

²¹³ Bankstown Airport Limited, *Bankstown Airport Preliminary Draft Master Plan 2014*, p 66 <http://www.bankstownairport.com.au/Corporate/Master_Plan/2014_PDMP/2014_Preliminary_Draft_Master_Plan.aspx>.

²¹⁴ Evidence, Mr Bayndrian, 23 May 2014, p 39.

²¹⁵ Evidence, Mr Bayndrian, 23 May 2014, p 40.

²¹⁶ Evidence, Mr Bayndrian, 23 May 2014, p 39.

²¹⁷ Department of Infrastructure and Regional Development, *Joint Study on aviation capacity in the Sydney Region*, 2 March 2012, p 160.

²¹⁸ Submission 30, Australian Airports Association, p 21.

²¹⁹ Submission 12, Regional Development Australia – Sydney, p 5.

You would have to look at who is using the planes and what they are using the planes for. One of our big concerns is medical folk. Again, if we start to do some work on whether these folk are prepared to get into a one-engined plane, the next question you would ask is, "Are you prepared to get into a cab or drive out to Bankstown and then get on a plane?" Any barriers that you put between the services that we need in regional New South Wales would not be accepted. I would suggest to you that it is a significant barrier to ask the people who provide the services that we need out here to go to Bankstown.²²⁰

- 4.107** Ms Lucy White, Executive Officer, Central NSW Tourism gave evidence that Bankstown Airport could not be considered as a feasible option because it is not easily accessed by public transport:

It is not a case of no, we would not use Bankstown. It is a case of access to Bankstown as it is currently and you cannot get a train or a fast train out there, so you will spend half a day getting there and half a day getting back. It is a very big disincentive, not so much for tourism, because that is a leisure decision; it is a different mindset. But medical staff is the most critical issue we are facing at the moment; they are not going to do it.²²¹

- 4.108** Local Government NSW does not support regional aircraft being redirected from Sydney Airport to any other airport, including Bankstown:

The proposal of regional airlines being forced to use either a second Sydney Airport or existing facilities such as Bankstown, Newcastle or Canberra rather than Sydney is also not attractive to regional operators and unacceptable to regional communities of NSW. Even if transport infrastructure were provided, there would still be extra time and cost for country people having to do business in Sydney or transferring to interstate or international flights.²²²

- 4.109** However, other inquiry participants were more willing to consider Bankstown Airport if transport options were improved. Cr Lindsay Brown, Mayor, Eurobodalla Shire Council noted:

As long as the connection from Bankstown to where you wish to go is quick. Truckage is the issue from Bankstown. Getting out of Sydney Airport is bad enough, but Bankstown is even further. If transport issues were addressed it would be okay.²²³

- 4.110** Mr Joshua Elliott, Assistant to the Managing Director, Snowy Mountains Airport Corporation, noted that either Bankstown or Badgerys Creek would be reasonable as options for regional services, in light of the limited availability of suitable slots at Sydney Airport:

Look, we have certainly been open to having discussions. When we have had previous discussions with airlines about year-round services, obviously, they seem to indicate issues with landing rights at Sydney at particularly peak periods: the first thing of a morning and around dusk, the 4-to-6 o'clock period. Certainly from our view, if there were other options, we think that would be beneficial to regional travel. I think it

²²⁰ Evidence, Ms Bennett, 24 July 2014, p 14.

²²¹ Evidence, Ms Lucy White, Executive Officer, Central NSW Tourism, 24 July 2014, p 17.

²²² Submission 27, Local Government NSW, p 4.

²²³ Evidence, Cr Lindsay Brown, Mayor, Eurobodalla Shire Council, 11 June 2014, p 16.

comes down to a case of where there are only so many landing spots, the airlines are looking at the services that can produce the largest revenue and profit during that period. The unfortunate reality is that Cooma-Snowy Mountains, Merimbula or another regional service is going to lose out to a Melbourne or a Brisbane service.²²⁴

- 4.111** As a small aircraft operator, Mr Shannon Wells, Managing Director, Airlines of Tasmania Pty Ltd considered Bankstown Airport as a highly suitable option:

I would be happy to operate into Bankstown. If I was to operate an RPT service into Sydney with our planes, I think Bankstown is fine for the planes we use. I would be lobbying for a better transport link or something like that to operate into Bankstown.²²⁵

- 4.112** However, Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional (Rex) noted the Rex fleet could not be accommodated at Bankstown Airport due to its fleet size and based on passenger needs:

There are two issues for Rex in regard to Bankstown. The first is the operational capability of our aircraft to operate to and from Bankstown, particularly with a full payload, due to the runway length and surrounding residential area. But for us also we have considerable connectivity from Rex on to both other regional services, other domestic services and also, to a lesser extent, international services. Some of our regional markets that we have surveyed have anywhere between 20 and 30 per cent on-carriage.²²⁶

Committee comment

- 4.113** Bankstown Airport is less regulated than Sydney Airport and does not have restrictions in relation to aircraft movements or curfews. It is, however, challenged by passenger facilities and limited ground transport. Additionally, it is incapable of accommodating the aircraft operated by Rex, if they are at full capacity. It could however be a suitable option for a small operator with an appropriate fleet size interested in starting a regional passenger service. Any future use by regional passenger services would have to be conditional on significant improvements to transport services and linkages to the Sydney central business district.
- 4.114** In addition, the committee believes further assessment of regulatory requirements and significant public consultation is necessary before regular passenger transport services operating at Bankstown Airport can be considered as a viable option.

Badgerys Creek

- 4.115** The Australian Government recently announced that Badgerys Creek is the site selected for a new airport for Western Sydney. The Department of Infrastructure and Regional

²²⁴ Evidence, Mr Joshua Elliott, Assistant to Managing Director, Snowy Mountains Airport Corporation, 11 June 2014, p 27.

²²⁵ Evidence, Mr Shannon Wells, Managing Director, Airlines of Tasmania Pty Ltd, 23 May 2014, p 27.

²²⁶ Evidence, Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, 23 May 2014, p 36.

Development will be responsible for the implementation of this decision and will consult with local councils, the community and other stakeholders, including the aviation industry. The Department will also work closely with the NSW Government to develop a coordinated transport plan that will support the airport.²²⁷

4.116 Sydney Airport Corporation recently received a Notice to Consult on the development and operation of the Western Sydney airport from the Australian Government. Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, Sydney Airport has a Right of First Refusal to develop and operate a second Sydney airport. The Right of First Refusal has a number of phases, including a consultative phase and a subsequent contractual phase. These are expected to take up to two years to complete.²²⁸

4.117 Following the consultation phase the Australian Government may enter a contractual phase, which would involve issuing a Notice of Intention to the Sydney Airport Group. The Notice of Intention would set out the detailed terms for the development and operation of an airport at Badgerys Creek, including technical specifications, contractual terms and timetable. The Sydney Airport Group would then have the opportunity to exercise its option to develop and operate the airport at Badgerys Creek. Should they decline the opportunity, the Australian Government may approach the market, or choose to develop and/or operate the airport itself.²²⁹

4.118 Badgerys Creek will not be completed quickly. The Australian Government has estimated that the airport will not be operational until the mid-2020s.²³⁰

4.119 It is too early to determine how Badgerys Creek will ultimately affect regional aviation services. Unfortunately, this uncertainty is causing regional communities some anxiety about their future air services and whether they will continue to have access to Sydney Airport.

4.120 Cr Lindsay Brown commented on the uncertainty:

The other thing in the mix is the possibility or strong likelihood of a second Sydney airport. People like to travel to and from Sydney at peak times, but we have yet to have a discussion with any stakeholders about how that will affect slots at Badgerys Creek. That is a concern for us.²³¹

4.121 Mr Joseph Vescio, General Manager, Snowy River Shire Council does not support regional air services being sent to Badgerys Creek:

²²⁷ Department of Infrastructure and Regional Development, *The Australian Government's Sydney Aviation Strategy* (1 October 2014), <http://www.infrastructure.gov.au/aviation/airport/western_sydney/index.aspx>.

²²⁸ Media release, Sydney Airport Corporation Limited, 'Western Sydney Airport Notice to Consult', 18 August 2014 <<http://www.sydneyairport.com.au/corporate/media-centre/media-releases.aspx>>.

²²⁹ Department of Infrastructure and Regional Development, *Delivering the Western Sydney Airport*, <http://www.infrastructure.gov.au/aviation/airport/western_sydney/files/Fact_Sheet_7_Right_of_First_Refusal.pdf>.

²³⁰ Department of Infrastructure and Regional Development, *Building an airport at Badgerys Creek*, <http://www.infrastructure.gov.au/aviation/airport/western_sydney/files/Fact_Sheet_3_Building_an_airport_at_Badgerys_Creek.pdf>.

²³¹ Evidence, Cr Brown, 11 June 2014, p 16.

If you were to remove the regional carriers to Badgerys Creek for us, you may as well drive because you are right on the outskirts of Sydney and you have to get into the city because when we go up for business that is where we are going. I think the regional services should still fly into Mascot.²³²

- 4.122** The impact Badgerys Creek will have on Sydney's other two airports is largely unknown. However, Mr Bayndrian remarked that there is a future for all three airports in which they can all remain functional:

You must consider that airports in New York are the size of Sydney Airport and there are four of them, and a Bankstown thrown in for good measure. London is the same. You have Gatwick, Luton, Heathrow, and London City is like having an airport at Pymont basically. They manage their air space. There are solutions to it but obviously it is something that the Civil Aviation Safety Authority and Airservices Australia will need to look at.²³³

- 4.123** The NSW Business Chamber considered the development of a second Sydney airport as an opportunity to increase the number of intrastate regional air services at both airports:

...we believe that rather than diminish regional access to Sydney Airport, a second airport would instead help insure the viability of regional services into over the longer term...Given the emerging capacity constraints at Sydney Airport, a second airport would open up additional capacity both at that airport and at Sydney Airport to meet demand from regional carriers.²³⁴

- 4.124** Mr Mark Riley, General Manager, Dubbo City Council stated that without further information it is difficult to have a firm opinion on Badgerys Creek:

The concern of people out this way is: What is the length of time needed to get from Badgerys Creek into the CBD? That is really the issue. Time is money, and everyone recognises that. That is just in respect of business. In respect of tourist passengers, if they have to connect with transport from Badgerys Creek to Sydney Airport to catch a plane to Hong Kong or wherever then that is inconvenient. So there are a lot of balls in the air in terms of how that would operate. Obviously it is quite a few years away. Certainly we need to keep that issue of access for the regions into Sydney Airport on the agenda.²³⁵

- 4.125** Mr Robert Germaine, Executive Officer, Regional Development Australia Sydney noted that appropriate road infrastructure is needed to make Badgerys Creek work:

Putting a major roadway on Elizabeth Drive to the M7 is a very good start. If you have studied the broader western Sydney employment area structure plan where a lot of transport studies were done and the what-if scenarios of Badgerys Creek, from a starting point, initially it will be a road from the M7 to the M5. Certainly it puts additional importance on getting the WestConnex up and running very soon. Unless it is running efficiently from a starting point, I believe it will be bus to rail as against rail

²³² Evidence, Mr Joseph Vescio, General Manager, Snowy River Shire Council, 11 June 2014, pp 22-23.

²³³ Evidence, Mr Bayndrian, 23 May 2014, p 39.

²³⁴ Submission 53, NSW Business Chamber, p 3.

²³⁵ Evidence, Mr Mark Riley, General Manager, Dubbo City Council, 24 July 2014, p 2.

initially. Certainly the link to the railway from South West Rail, once it is connected, will be good. We will need to make sure we put a fast direct route alongside the normal route in order to make it work.²³⁶

4.126 Additionally, Mr Germaine believes a very fast train would be useful:

Our view would be that we should be taking the opportunity to get a fast train. If we can get from Badgerys Creek to the city in 45 minutes, that is probably about it. I am trying to think of the station in London, but years ago I used to catch the train from Heathrow and it used to take about 45 minutes. That is the magical number. If it is an hour and a half, it is far too long. That would be my suggestion.²³⁷

4.127 The Australian Government's *Delivering the Western Sydney Infrastructure Plan* has allocated three billion dollars over a ten year period to fund infrastructure including road upgrades and an extension to the South West Rail Link.²³⁸

Committee comment

4.128 The committee notes that the planning processes for Badgerys Creek are in the very early stages which makes it difficult to assess the impact the new airport will have on regional regular passenger transport services. The committee does however believe that regional stakeholders must be involved during consultation processes.

4.129 In addition, the committee considers that appropriate transport infrastructure is critical to ensure that there are transport linkages between Badgerys Creek, Bankstown, the Sydney central business district and Sydney Airport.

²³⁶ Evidence, Mr Robert Germaine, Executive Officer, Regional Development Australia Sydney, 23 May 2014, p 50.

²³⁷ Evidence, Mr Germaine, 23 May 2014, p 50.

²³⁸ Media release, The Hon Tony Abbott MP, Prime Minister, 'Western Sydney Infrastructure Plan: More jobs, better roads', 16 April 2014, <<http://www.pm.gov.au/media/2014-04-16/western-sydney-infrastructure-plan-more-jobs-better-roads>>.

Chapter 5 Regional airports

Regional airports in New South Wales are largely the responsibility of local government. In this chapter, the management of regional airports is discussed, along with the financial strain some councils experience in maintaining their airports. The chapter highlights the initiatives that local government are implementing that are helping to finance the maintenance and continued operation of their aerodromes. This chapter also covers airport charges, an issue of some controversy for both airlines and airports. Also explored is the role of local government in the tender and selection process of the regular transport provider, the airline. The chapter concludes with an analysis of hub and spoke models.

Operation and classification of regional airports

5.1 In the past regional airports were owned and funded by the Australian Government. Between 1958 and 1993, the Australian Government transferred all of its regional airports to local council authorities under the Aerodrome Local Ownership Plans (ALOP). As part of the transfer, the Government provided funds for both maintenance and approved development.²³⁹

5.2 The ALOP prescribe certain obligations on local councils, including:

- operating and maintaining the airport in compliance with civil aviation regulations
- developing, operating and maintaining the aerodrome including visual aids and associated equipment to Civil Aviation Safety Authority (CASA) standards
- providing open, unrestricted and non-discriminatory access to the aerodrome by airline and aircraft operators on reasonable terms and conditions.²⁴⁰

5.3 In addition, the council is responsible for the safety and security of the airport.²⁴¹ Some local councils have since sold their airports to private owners but the majority have remained under the ownership of local governments. Local Government NSW noted the significant role of local councils in looking after these facilities:

Local Government is a key stakeholder in the provision of aviation services to regional Australia. Regional airports are almost exclusively owned and operated by council and the infrastructure and associated airline services are vital components for the economic and social development of regional areas.²⁴²

5.4 CASA is responsible for the registration and classification of aerodromes under Civil Aviation Safety Regulations (CASRs) Part 139. Part 139 prescribes the requirements for aerodromes used

²³⁹ Australian Productivity Commission, *Economic Regulation of Airport Services*, No. 57 (30 March 2012) p 327.

²⁴⁰ Australian Airports Association, *Australia's Regional Airports, Facts, Myths and Challenges*, November 2012, p 32.

²⁴¹ Australian Airports Association, *Australia's Regional Airports, Facts, Myths and Challenges*, November 2012, p 32.

²⁴² Submission 23, Local Government NSW, p 4.

in air transport operations. Subpart 139H specifies the requirements for the provision of aerodrome and fire fighting services.²⁴³

- 5.5** The CASRs recognise the variety of aerodromes that operate across Australia from those located in cities, regions, and in the outback. Accordingly, the regulatory framework for a large, high use airport with extensive facilities will be more complex than that prescribed for an isolated aerodrome that is used infrequently.²⁴⁴
- 5.6** CASR Part 139 requires operators of aerodromes used by aircraft with more than 30 passenger seats conducting air transport operations to be certified. Operators of other aerodromes may also apply to have their aerodromes certified.²⁴⁵
- 5.7** Alternatively, operators of non-certified aerodromes used by aircraft with no more than 30 passenger seats may apply to have their aerodromes registered by CASA. Registration is less complicated than the certification process as there is no mandatory requirement to have an aerodrome manual. Where practical, operators of registered aerodromes are encouraged to document procedures.²⁴⁶
- 5.8** Operators of non-certified and non-registered aerodromes (termed Other Aerodromes) may have to discharge certain regulatory functions if the aerodrome is used by aircraft with more than nine passenger seats conducting air transport operations once a week or more.²⁴⁷
- 5.9** A certified airport is required to have an Aerodrome Manual, a Safety Management System, a trained Reporting Officer, and an Aerodrome Technical Inspection. A registered airport is required to have an aerodrome safety inspection and a Trained Reporting Officer.²⁴⁸
- 5.10** An Aerodrome Manual requires the airport to develop, plan and report on various activities, including:
- aerodrome emergency plan
 - aerodrome lighting
 - unauthorised entry to airport
 - aerodrome works safety
 - aircraft parking control

²⁴³ Civil Aviation Safety Authority, Aerodromes Rules and Regulations, <http://www.casa.gov.au/scripts/nc.dll?WCMS:STANDARD::pc=PC_90406>.

²⁴⁴ Civil Aviation Safety Authority, CASA Advisory Regulation of Aerodromes use in air transport: and overview, Circular AC 139-01(01), p 2, <http://www.casa.gov.au/wcmswr/_assets/main/rules/1998casr/139/139c01.pdf>.

²⁴⁵ Civil Aviation Safety Authority, CASA Advisory Regulation of Aerodromes use in air transport: and overview, Circular AC 139-01(01), p 2, <http://www.casa.gov.au/wcmswr/_assets/main/rules/1998casr/139/139c01.pdf>.

²⁴⁶ Civil Aviation Safety Authority, CASA Advisory Regulation of Aerodromes use in air transport: and overview, Circular AC 139-01(01), p 2, <http://www.casa.gov.au/wcmswr/_assets/main/rules/1998casr/139/139c01.pdf>.

²⁴⁷ Civil Aviation Safety Authority, CASA Advisory Regulation of Aerodromes use in air transport: and overview, Circular AC 139-01(01), p 2, <http://www.casa.gov.au/wcmswr/_assets/main/rules/1998casr/139/139c01.pdf>.

²⁴⁸ Australian Airports Association, Australia's Regional Airports – Facts, Myths and Challenges, November 2012, p 42.

- airside vehicle control
- bird and animal hazard control
- obstacle control
- handling of hazard materials
- protection of radar and navigational aids
- low visibility operations.²⁴⁹

- 5.11** CASA also requires certified and registered airports to have a drug and alcohol management plan. The CASA Manual of Standards specifies further conditions under which aerodromes must operate.²⁵⁰
- 5.12** Local Government NSW estimates that there are some sixty CASA certified or registered council owned and managed aerodromes in New South Wales. This includes twenty-six airports serving over two million passengers annually on regular passenger transport services, and other charter, emergency and general aviation services.²⁵¹
- 5.13** Airports that do not have regular passenger transport services continue to provide a vital service to their communities by maintaining their aerodrome to a standard to enable the facilitation of services such as mail and time sensitive freight deliveries, the Royal Flying Doctor Service, CareFlight, NSW Rural Fire Services, bush taxis, and the transfer of workers to employment centres and job sites.²⁵²
- 5.14** In addition, many regional airports contribute to local aviation communities, through the facilitation of aviation training, aviation support businesses, courier services, Royal Australian Air Force operations, and general aviation that encompasses both recreational and agriculture aviation.²⁵³
- 5.15** Aerodromes also provide a very welcome landing facility in instances where an emergency landing is required.

Issues confronting airport operators

- 5.16** Similarly to airlines, regional airports have been through significant change over the past twenty years, with fluctuations in service levels, passenger numbers and airline providers, and modifications to the regulatory framework. This environment has presented challenges for local councils who are desperate to secure and maintain a regular passenger transport (RPT) service to ensure critical access for the community to medical, business, education, social and other services.

²⁴⁹ Australian Airports Association, *Australia's Regional Airports – Facts, Myths and Challenges*, November 2012, p 43.

²⁵⁰ Australian Airports Association, *Australia's Regional Airports – Facts, Myths and Challenges*, November 2012, p 43.

²⁵¹ Submission 23, Local Government NSW, p 4.

²⁵² Australian Airports Association, *Australia's Regional Airports – Facts, Myths and Challenges*, November 2012, p 8.

²⁵³ Submission 30a, Australian Airports Association, p 3.

- 5.17** Local Government NSW commented on the issues confronting councils which vary depending on the size of the airport, its facilities and passenger numbers:

For example, an airport such as Dubbo which serves in excess of 160,000 passengers per year with multiple operators, faces issues such as security provision and other infrastructure costs related to potential use of jet services or larger turbo-prop aircraft. In contrast, nearby Parkes airport, with only one operator and passenger levels of only 28,000 per year faces difficulties in funding their basic infrastructure costs though a limited ability to apply or increase landing/head fees. Still other councils have even more marginally viable airport facilities such as Inverell which over the last ten years or so has been unable to support a sustainable air service, and where council and state government subsidies are required to assist in the provision of air services, and where there is no scope for any scale of cost-recovery to assist in the funding or maintenance of aerodrome facilities.²⁵⁴

- 5.18** The major issues and challenges facing regional airports identified during this inquiry are discussed below.

Economic issues

- 5.19** The Australian Government provided a limited amount of funder when it transferred ownership of regional airports to local government. Presented with a valuable asset and associated funding, many councils would have been pleased with the arrangement. However, Cr Conrad Bolton, Mayor, Narrabri Shire Council, remarked that the level of funding was inadequate:

It was interesting that, when the Federal Government divested themselves of the regional airports, probably in the 1990s they decided: "We will do the airport up to 100 per cent and then we will give you \$300,000 over the next 10 years, at \$30,000 a year, for the maintenance and upkeep of it and after that, it is yours". So that is what they did and so they divested themselves of the responsibility for regional airports, even though it is really a federally controlled and licensed operation. So I guess most councils said, "Thank you very much—\$300,000 of extra income and we get to own our own airport". It might have sounded pretty good then. I was not in the mix with the decision-making. I know that, after 10 years no more income.²⁵⁵

- 5.20** The cost of running an airport is dependent on its facilities, the service it provides, the size of the aircraft using the aerodrome, and other environmental issues. The Australian Airports Association (AAA) estimated that the cost of staffing a basic aerodrome without RPT services is approximately \$250,000 per annum.²⁵⁶
- 5.21** Bourke Shire Council, whose RPT service ceased in 2008, estimated that council expends approximately \$200,000 annually to keep its airport operational.²⁵⁷

²⁵⁴ Submission 23, Local Government NSW, p 4.

²⁵⁵ Evidence, Cr Conrad Bolton, Mayor, Narrabri Shire Council, 23 July 2014, p 41.

²⁵⁶ Australian Airports Association, *Australia's Regional Airports – Facts, Myths and Challenges*, November 2012, p 38.

²⁵⁷ Evidence, Mr Ross Earl, General Manager, Bourke Shire Council, 23 July 2014, p 20.

- 5.22** Mid Western Regional Council's RPT service between Mudgee and Sydney ceased in December 2014. The council's General Manager, Mr Brad Cam, estimated that the airport costs council approximately \$175,000 per year. Without an RPT service provider, council will subsidise approximately ninety per cent of that cost this financial year.²⁵⁸
- 5.23** Several councils reported significant losses resulting from airport operational costs. Mr Des Schroder, Director, Environment, Planning and Community, Clarence Valley Council, estimated that Clarence Valley Council incurred a \$128,327 loss for airport operations in 2013-2014.²⁵⁹
- 5.24** Narrandera Shire Council incurred an annual loss of \$163,000 from its airport last financial year. The council received some funding from the Federal Assistance Grant Scheme but was required to account for the majority of the loss from the general council budget.²⁶⁰
- 5.25** Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association, informed the committee that based on research the AAA conducted in 2012, as many as fifty per cent of regional airlines incur a loss each year.²⁶¹
- 5.26** More recent data collected from the AAA indicated that over sixty per cent of New South Wales regional airports would record losses this financial year, ranging from \$90,000 to \$405,000, with an average loss of approximately \$180,000.²⁶²
- 5.27** Airports are heavily reliant on the timely payment of airport fees from airport users. Several regional airports were left with a considerable debt from unpaid fees when Brindabella Airlines went into receivership. The AAA commented that, along with the immediate debt, there is an ongoing cost:
- Indeed, in the case of the collapse of Brindabella Airlines, we understand that regional airport operators are owed close to a million dollars in unpaid airport charges which are unlikely to be recovered. This does not include the income lost into the future, nor the broader economic and social costs which will ultimately be borne by the respective local government authorities, ratepayers and the broader communities.²⁶³
- 5.28** Many regional airports supported the introduction of a central fund, contributed to by a small levy, that could be accessed in these circumstances. Mr Gary Woodman, General Manager, Cobar Shire Council, stated this would be beneficial:

Cobar Shire Council would support the implementation of a small levy for compensation of councils owning regional airports for future airline failures if the levy is contained within the airline ticket price and collected and administered by the NSW

²⁵⁸ Evidence, Mr Brad Cam, General Manager, Mid Western Regional Council, 24 July 2014, p 53.

²⁵⁹ Answers to questions on notice, Mr Des Schroder, Director, Environment, Planning and Community, Clarence Valley Council, 6 August 2014, p 1.

²⁶⁰ Evidence, Mr Frank Dyrssen, Director, Technical Services Narrandera Shire Council, 10 June 2014, p 44.

²⁶¹ Evidence, Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association, 15 August 2014, p 50.

²⁶² Evidence, Ms Wilkie, 15 August 2014, p 50.

²⁶³ Submission 30, Australian Airlines Association, p 7.

Government through NSW Transport and that if over time a large amount of funds is collected that those funds be returned for improvement to regional airports.²⁶⁴

- 5.29** Moree Shire Council supported such a scheme in principal but cautioned that it must not itself present another burden for regional aviation services:

However, it is of vital importance that the development and design of such a scheme is undertaken with due consultation to key stakeholders and that the scheme would not place further undue pressure on regional aviation services. It would perhaps be more appropriate to have such a levy spread over the passenger airline industry in its entirety, encapsulating movements between the major urban centres such as Sydney/Melbourne.²⁶⁵

- 5.30** Similarly, Tamworth Regional Council would support an aviation relief funding scheme, particularly if it was used to secure payment on unpaid debts at small regional airports that are financially most at risk.²⁶⁶

- 5.31** The AAA however, is not supportive of this type of scheme:

The position of the AAA and its Board is that, as a general philosophy, we do not support the introduction of network charges and that basis we would not support the introduction on a ticket levy for a fund to potentially support a failing regional airline.²⁶⁷

- 5.32** To safeguard airports from collapse in the future, the AAA recommends that the process for appointment of airlines to regulated routes be improved to ensure that only financially viable airlines are appointed and that they have strict requirements to maintain the routes.²⁶⁸ The tender process for airlines is discussed in more detail in chapter 9.

- 5.33** The committee received evidence of airports who consider ongoing operational costs untenable. Ms Wilkie discussed the position these airports find themselves in:

We have had examples of at least two airports in New South Wales in the past 12 to 18 months who have said that they are considering downgrading. There are probably another two that were also looking at it as well. One airport said to me they would not pay the membership fee and they could not maintain the airports so there were going to put grass and cattle on it, which is a terrible state of affairs.²⁶⁹

- 5.34** Tumut Shire Council recently gave serious consideration to deregistering the Tumut Aerodrome which was prompted by a regulatory requirement to upgrade runway lighting at an

²⁶⁴ Answers to questions on notice, Mr Gary Woodman, General Manager, Cobar Shire Council, 19 August 2014, p 2.

²⁶⁵ Answers to supplementary questions, Mr David Aber, General Manager, Moree Shire Council, 21 August 2014, p 1.

²⁶⁶ Answers to questions on notice, Ms Julie Stewart, Airport Manager, Tamworth Regional Council, 22 August 2014, p 1.

²⁶⁷ Answers to questions on notice, Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association, 15 September 2014, p 1.

²⁶⁸ Evidence, Ms Wilkie, 15 August 2014, p 51.

²⁶⁹ Evidence, Ms Wilkie, 15 August 2014, p 51.

estimated cost of \$200,000. Following consultation with CASA, the council agreed to hold off on deregistration until the results of a CASA review into aerodrome licensing is released in November 2014.²⁷⁰

Committee comment

- 5.35** The committee is greatly concerned that some local councils are considering deregistering their aerodromes because of the financial burden of maintaining the facility while not receiving any of the benefit and financial support provided by a regular passenger transport service. The consequences can only be imagined if the Coonabarabran Aerodrome was not maintained and had been unusable during the 2013 Coonabarabran fires.
- 5.36** Local aerodromes are an essential facility that must be maintained for safety and emergency purposes and all steps must be taken to ensure that they are retained for their intended purpose. The financial burden for maintaining a network of operable airfields cannot rest solely with local government, particularly when an airfield is not generating any revenue for a local government. Many government departments and agencies, such as Health and the Rural Fire Service have an interest in the maintenance of the network.
- 5.37** The committee believes that this issue needs to be addressed as soon as possible. The issue should be considered by way of a roundtable of stakeholders including local government and relevant government agencies and headed by the Minister for Regional Infrastructure and Services.

Recommendation 6

That the NSW Government establish a roundtable of stakeholders, headed by the Minister for Regional Infrastructure and Services to develop an on-going funding arrangement for the continued maintenance of the network of essential airfields across the state.

Maintenance and infrastructure upgrades

- 5.38** Ongoing maintenance costs and infrastructure upgrades, some of which are required by legislation, can place immense financial strain on regional airports and threaten their ongoing operation. Airports need to be maintained to a required standard and as aircraft size increases, and passenger movements grow, maintenance costs rise because runways and taxiways require strengthening, enlarging or replacement.²⁷¹
- 5.39** The AAA recently canvassed member airports in relation to planned maintenance works over the next three years. Smaller airports, consisting of aerodromes without an RPT service or those with very low patronage levels, anticipated capital expenditure ranging from \$75,000 to \$450,000 for aerodrome maintenance. Airports that have RPT services, estimated capital expenditure between \$1 million to \$5 million. Capital expenditure for larger aerodromes was

²⁷⁰ 'Airport registration remains' *Tumut and Adelong Times*, 25 July 2014, p 1.

²⁷¹ Submission 30, Australian Airports Association, p 11.

predicted to range from \$10 million to \$10.5 million. Seventy percent of respondents indicated that they did not have adequate funds to meet these maintenance needs.²⁷²

- 5.40** Ms Wilkie advised that the majority of regional New South Wales airport operators did not have access to an airport reserve fund to utilise for capital works and non-ongoing infrastructure maintenance. Those with a reserve fund did not believe it would adequately meet the cost of necessary work.²⁷³
- 5.41** Ms Wilkie described the circumstances of one council who estimated the cost for pavement upgrade this year would almost reach \$9 million. With only four hundred thousand dollars in its reserve fund, this airport needed to find the money by reducing other council programs, or through increased council rates.²⁷⁴
- 5.42** Councillor Katrina Humphries, Mayor, Moree Shire Council, spoke of the pressure that local councils are under to subsidise the airport at the cost of other council services

We are severely constrained by our ability to fund and cross-subsidise. There is a lot of pressure on us from airlines to cross-subsidise to reduce our fees. As many of you have actually been here before know, we have a network of around 3,000 kilometres of road with a significant shortfall in our budget to look after it. In fact we estimate a shortfall to be around \$8 million a year. It is a major challenge for this council to keep those assets operating and running. We really think you need to have that in mind: It is not just the area operations we are looking at but also our road systems and a whole heap of other major assets that we have to look after to sustain our economy and sustain the operations out here.²⁷⁵

- 5.43** Many regional airports will borrow money to fund infrastructure. Mr Stephen Prowse, Chair, NSW Division, Australian Airports Association, advised the committee that Wagga Wagga airport borrowed approximately ten million dollars to update and build new infrastructure.²⁷⁶
- 5.44** Regional councils who borrow funds for their airports experienced a subsequent impact on their overall borrowing capacity which can affect their ability to fund other council projects and infrastructure development outside the airport.²⁷⁷
- 5.45** Airports that do not have a RPT services are still required to maintain their aerodrome. Walgett Shire Council has not had RPT services since 2008 but recently refurbished and resealed its airport tarmac, upgraded navigational aids and installed night lighting. The council is in the process of installing fencing to keep wildlife off the tarmac. The work is being partially funded

²⁷² Submission 30a, Australian Airports Association, p 4.

²⁷³ Evidence, Ms Wilkie, 15 August 2014, p 51.

²⁷⁴ Evidence, Ms Wilkie, 15 August 2014, p 51.

²⁷⁵ Evidence, Cr Katrina Humphries, Mayor, Moree Shire Plains Council, 23 July 2014, p 2.

²⁷⁶ Evidence, Mr Stephen Prowse, Chair, NSW Division, Australian Airports Association, 15 August 2014, p 57.

²⁷⁷ Evidence, Mr Prowse, 15 August 2014, p 57.

by council, and through the federally funded Regional Aviation Access Program²⁷⁸. Council has also secured funds through low interest rate loans.²⁷⁹

5.46 Similarly, Cobar Shire Council reported that the airport is costing \$260,000 per year to maintain, a considerable cost to bear without RPT services. As a result, the level of service provision council can provide in other areas will be decreased to offset this cost.²⁸⁰

5.47 Mr Raymond Smith, General Manager, Bland Shire Council, noted the difficulty of finding funds to maintain the airport at West Wyalong without a RPT service:

In our long-term financial plan we have plans to reseal the runway but I would suggest that if there is no future for a regional transport service then council probably will not go ahead with that infrastructure upgrade. You are looking at somewhere between \$1 million and \$1.5 million to resurface the strip. It is a big investment if we cannot see anything on the horizon.²⁸¹

5.48 The trend toward larger aircraft is also adding to the cost of infrastructure for regional airports. Lengthening runways, extending terminal and apron space, and other infrastructure enhancements need to be planned to accommodate larger aircraft. Airport operators who invest in this infrastructure can run the risk of overcapitalising if the planned service never eventuates.

5.49 The NSW Government noted in its submission that the airstrips of many New South Wales regional towns without RPT services are not being adequately maintained and present a serious safety risk. The Air Ambulance, which may be the only user of some of these airstrips, had to contend with:

- lack of airfield maintenance (pot holes, resurfacing)
- lack of suitable fencing which increases the risk of animal strike, particularly by kangaroos
- deteriorating or non-existent amenities, including toilets.²⁸²

5.50 In addition, approximately 52 of the ambulance approved airstrips no longer provided refuelling facilities.²⁸³

5.51 The safety of air ambulance flights is paramount and the following upgrades were suggested by the NSW Government:

- runway lighting to enable 24 hour operation

²⁷⁸ The Regional Aviation Access Programme is administered by the Department of Infrastructure and Regional Development. Programme information is available at <https://www.infrastructure.gov.au/aviation/regional/>

²⁷⁹ Evidence, Mr Donald Ramsland, General Manager, Walgett Shire Council, 23 July 2014, p 16.

²⁸⁰ Submission 11, Cobar Shire Council, p 3.

²⁸¹ Evidence, Mr Raymond Smith, General Manager, Bland Shire Council, 10 June 2014, p 31.

²⁸² Submission 62, NSW Government, p 33.

²⁸³ Submission 62, NSW Government, p 33.

- instrument approach facilities to allow aircraft to operate in most weather conditions, including those low visibility and low cloud conditions
- bitumen surfacing which would allow all weather operations and better performance capabilities, while limiting damage to aircraft components.²⁸⁴

5.52 As illustrated, enhancements such as these are be prohibitively expensive and, based on the evidence of local government, it is unlikely that they can be completed through existing council budgets. Government funding is needed to supplement or fund the entire cost in these circumstances. Current government funding arrangements and support will be discussed in chapter 9.

Losing regular passenger transport services

5.53 Regional airports are very concerned about losing their RPT service as a result of declining passenger numbers or through the financial circumstances of the airline.

5.54 While regional passenger numbers have increased collectively over the past 20 years, there has not been consistent growth across all routes. Several services have experienced declining passenger numbers, including Lismore, Grafton, Merimbula and Taree.²⁸⁵

5.55 Based on the evidence received, it is apparent that both QantasLink and Rex considered routes with patronage numbers below 30,000 passengers per year as not viable. Many of the New South Wales regulated routes recorded passenger numbers well below this in 2013-14 which placed their services at risk.²⁸⁶

5.56 Clarence Valley Council submitted that its airport located at Grafton has experienced a continuous decline in passenger numbers. Currently, only 15,000 passengers fly from Grafton to Sydney annually. There are two factors that have contributed this reduction. Firstly, there are two airports, Ballina and Coffs Harbour, located within close proximity.²⁸⁷ Both of these airports have RPT services provided by low cost carriers.²⁸⁸ Subsequently, airfares to Sydney from these alternative destinations are considerably cheaper than flights from Grafton which are operated by a sole operator, Rex.²⁸⁹

²⁸⁴ Submission 62, NSW Government, p 33.

²⁸⁵ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 6.

²⁸⁶ Transport for NSW, *Quarterly Passenger Statistics - NSW Air Routes to and from Sydney Airport - 5 year - March 2009 to June 2014* (13 August 2014), <<http://www.transport.nsw.gov.au/content/quarterly-passenger-statistics-nsw-air-routes-and-sydney-airport>>.

²⁸⁷ Ballina/Byron Gateway Airport is 133 kilometres north of Grafton while Coffs Harbour Airport is 85 kilometres south of Grafton.

²⁸⁸ QantasLink, Virgin Australia, Tiger Air provide services from Coffs Harbour Airport. Jetstar, Regional Express, and Virgin Australia provide services from Ballina/Byron Gateway Airport.

²⁸⁹ Submission 8, Clarence Valley Council, p 1.

- 5.57** Secondly, the current service from Grafton to Sydney stops at Taree along the way. Mr Des Schroder, Director, Environment, Planning and Community at Clarence Valley Council elaborated on why this route was consider unattractive to passengers:

When you are going from Grafton to Taree you leave Grafton at 6.30 a.m and get to Taree at, say, 7.30 a.m. Often you get to Taree with a 15 to 20 minute changeover and all of a sudden air traffic control says, "Wow, you have lost your slot" and you arrive in Sydney about 9.30 a.m. having left at 6.30 a.m. So the issue with the small planes getting into Sydney can be a real issue even when you stop. If you went straight from Grafton to Sydney you would leave at 6.30 a.m. and be in Sydney at 8.00 a.m. and probably miss any delays.²⁹⁰

- 5.58** Mr Schroder is attempting to have a direct Grafton to Sydney flight reinstated through its negotiations with Rex.²⁹¹ If a direct service does commence from Grafton, it will have implications for the Taree leg of the current service which is unlikely to be sustained due to low passenger numbers.²⁹²

- 5.59** Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express (Rex) commented on efforts to continue the Lismore service which is becoming increasingly difficult:

The Sydney to Lismore RPT market has been in decline for quite a number of years as it grapples with dealing with jet activity flying to and from Ballina. It is almost impossible for Rex to compete with the price war between Virgin and Jetstar operating \$59 and \$69 fares out of Ballina.²⁹³

- 5.60** CASA cited five major factors that affect the demand for air travel in regional Australia:

- price of air fares relative to prices of other substitutes which compete with air travel
- prices and availability of alternative transport
- quality of air services, including timetabling
- socio-demographic characteristics of travellers
- level of economic activity in the catchment area, including population growth, income, tourism and industry growth.²⁹⁴

- 5.61** The distance between the originating point and the destination will also be a consideration. Air routes with distances between sectors ranging between 200 and 400 km are continuing to decline.²⁹⁵

²⁹⁰ Evidence, Mr Des Schroder, Director, Environment, Planning and Community, Clarence Valley Council, 22 July 2014, p 2.

²⁹¹ Media Release, Regional Express, 'Rex slashes services in NSW', 23 September 2014 announced changes to its Lismore, Grafton, Newcastle and Taree services which will take effect from 27 October 2014.

²⁹² Evidence, Mr Schroder, 22 July 2014, p 2.

²⁹³ Evidence, Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, 23 May 2014, p 35.

²⁹⁴ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014 - *Civil Aviation Safety Authority, Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 13.

- 5.62** Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, agreed that Australians are inclined to drive unless an air service provides a better option:

For people in the country, and I come from the country, just to sit in a car and drive five hours is just one of the things you accept that you need to do if you need to get somewhere. If it is going to take me five hours to get an air service to connect into Sydney I may as well just hop in the car and drive because then I have got a car at the other end and I have got my own time that I can work to and so on.²⁹⁶

- 5.63** Transport for NSW (TFNSW) reported that there is a lack of interest in low patronage routes. Following the collapse of Brindabella Airlines, TFNSW sought expressions of interest for the licence to operate the Cooma, Mudgee, Narrabri and Cobar routes. Vincent Aviation was the only air service operator who applied. Initially, Vincent Aviation was interested in securing a licence for the Narrabri route, but ultimately expressed interest in the licence for the Mudgee route as well. Unfortunately, after a relatively short period of operating the route from Narrabri from Sydney, Vincent Aviation withdrew its service and interest in operating from either route. Transport for NSW gave evidence there has been no further interest in any of these licences.²⁹⁷

- 5.64** New airservice operators that are contemplating entering the regional regular passenger transport services market are challenged by the lack of peak hour slots at Sydney Airport and the financial difficulty of providing a service that has less than optimal passenger numbers. Mr Vanderbeek commented on this:

But if you are a new entrant trying to come in and you are looking at some of these smaller routes you are going to be stuck on the small routes. Why are they there? Why are the others not doing them? It is because they are not economical. Unless you can spread that cost out by getting some larger routes, realistically it is recipe for disaster and these routes are never going to become economic. And we are just going to continue to repeat this cycle where operators attempt to come in, attempt to make them work, but they do not have the operating base through access to a range of routes and slots to take on some of the bigger routes to make it work.²⁹⁸

- 5.65** Mid Western Regional Council has lost several RPT service providers in the past five years, including Rex, Brindabella and Vincent Aviation. Mr Brad Cam, General Manager of the council expressed doubt that a Mudgee to Sydney service would ever be reinstated under the current aviation model:

The reality for us is that there are no regular passenger transport service providers that are willing to take over small passenger routes with less than 20,000 passengers. That is reality. Unless you have more than 30,000 passengers they are not interested. It is difficult for places like Mudgee to get a flight from Mudgee to Sydney.²⁹⁹

²⁹⁵ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014 - *Civil Aviation Safety Authority, Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 13.

²⁹⁶ Evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, 15 August 2014, p 36.

²⁹⁷ Evidence, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 15 August 2014, p 3.

²⁹⁸ Evidence, Mr Vanderbeek, 15 August 2014, p 34.

²⁹⁹ Evidence, Mr Cam, 24 July 2014, p 48.

- 5.66** QantasLink advised that it operates in accordance with market demand and forecast requirements and will withdraw or reduce services that are not well patronised:

Qantas continues to ensure services operated to regional communities are sustainable, adding capacity and frequency where required and if necessary reducing capacity and frequency when demand is persistently soft or continuously declining.³⁰⁰

Security and changing regulatory requirements

- 5.67** Regional airports spend considerable resources on complying with the Civil Aviation Safety Regulations (CASRs) and can find it more difficult to absorb these costs in comparison to larger airports. The AAA estimated that regulation and compliance costs comprise approximately 12 per cent of a regional airport's operating costs. In comparison, larger airports contribute only four per cent of their total costs to regulation and compliance.³⁰¹
- 5.68** The *Aviation Transport Security Act 2004* (Cth) and the Aviation Transport Security Regulations 2005 require security screening to be undertaken at those airports that receive passenger aircraft with a maximum take-off weight (MTOW) greater than 20,000 kilograms. Ten airports in New South Wales are required to provide aviation security screening.³⁰²
- 5.69** The Australian Government has previously provided funding to airports required by the legislation to purchase screening equipment. Ultimately, the airport will be responsible for the ongoing operating cost and any other capital costs such as terminal extensions.³⁰³
- 5.70** An airport screening operation typically involves walk through metal detection, carry on and checked baggage x-ray and explosive trace detection equipment. Between five and seven screening staff are considered necessary to undertake screening requirements.³⁰⁴
- 5.71** Dubbo City Airport has had to spend over \$1.9 million to extend its terminal to accommodate screening equipment required by the security legislation.³⁰⁵ Similarly, Wagga Wagga Airport has recently spent \$1,167,573 on security screening infrastructure.³⁰⁶
- 5.72** While airports and airlines support regulation relating to safety and security, there is a view among many inquiry participants that the level of security risk at regional airports has not been taken into consideration by CASA. In its current form, the legislation requires small airports to have similar security requirements to that of larger airports. The AAA believes the level of security required at some airports is disproportionate to the risk.³⁰⁷

³⁰⁰ Answers to supplementary questions, Mr John Gissing, Chief Executive Officer, QantasLink, 20 June 2014, p 2.

³⁰¹ Submission 30, Australian Airports Association, p 8.

³⁰² Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 2.

³⁰³ Australian Airports Association, *Australian Regional Airports – Facts, Myths and Challenges*, November 2012, p 77.

³⁰⁴ Submission 60, Commonwealth Department of Infrastructure and Regional Development, p 3.

³⁰⁵ Submission 30, Australian Airports Association, p 8.

³⁰⁶ Submission 30, Australian Airports Association, p 8.

³⁰⁷ Australian Airports Association, *Australian Regional Airports – Facts, Myths and Challenges*, November 2012, p 76.

- 5.73** Ms Julie Stewart, Airport Manager, Tamworth Regional Airport, explained her general frustration at regulation that occasionally does not make sense:

I have just had an audit done by the Civil Aviation Safety Authority [CASA] on part of our apron, our general aviation area. I got a non-compliance because I had keyhole markings on part of our apron—they indicate to an aircraft where to park. Because I got the non-compliance I actually repainted the apron and now I have aircraft facing every which way. So the rules are not necessarily the common sense approach. I understand why we have rules and why we need to make those rules compliant but sometimes the rules—the cost of doing that upgrade and maintenance on that apron has done exactly the opposite of what it needed to do.³⁰⁸

- 5.74** The committee also heard evidence of the difficulty of complying with conflicting legislative requirements. Eurobodalla Shire Council commented that the civil aviation safety regulation requirements to maintain visibility and remove obstructions can be impeded by the need to comply with environmental legislation pertaining to the removal of native vegetation:

An example of this is the maintenance operations required to prevent obstructions, in particular, native vegetation, impacting on both the Visual Segment Surface (VSS) and the Obstacle Limitation Surfaces (OLS). This is becoming increasingly difficult and costly to achieve due to continued growth and increased difficulties encountered when trying to undertake these works while complying with the current environmental legislation and planning policies.³⁰⁹

- 5.75** Other infrastructure, such as roads, communications and electricity, are exempted under the State Environmental Planning Policy Infrastructure in relation to the removal or pruning of native vegetation. Eurobodalla Shire Council would like to see this same flexibility applied to aerodromes.³¹⁰

- 5.76** An additional burden on regional airports is the need to keep abreast of regulatory changes. Airports that operate with a few staff find it particularly challenging. The AAA submitted that the regulatory authorities need to improve their method of communicating changes to airports and provide sufficient consultation and support during implementation.³¹¹

Innovations of regional airports to support operations

- 5.77** Several regional airports are exploring ways of attracting other airport users and are using adjacent land to boost economic prospects and contribute to maintenance costs. Many local councils have rezoned land for use by aviation, freight and other industries.³¹²

- 5.78** The state's Rural Fire Service and State Emergency Service use Grafton Airport as their primary base for fire and flood response for the surrounding local government areas. Clarence Valley Council is also planning to develop the area around its airport as a freight centre. The council is

³⁰⁸ Evidence, Ms Julie Stewart, Airport Manager, Tamworth Regional Airport, 22 July 2014, p 26.

³⁰⁹ Submission 19, Eurobodalla Shire Council, p 3.

³¹⁰ Submission 19, Eurobodalla Shire Council, p 3.

³¹¹ Submission 30, Australian Airports Association, p 9.

³¹² Submission 18, Regional Development Australia, Northern Rivers, p 4.

working with the Department of Planning and Roads and Maritime Services to facilitate the appropriate road works and ramps.³¹³

- 5.79** Coonamble Shire Council supported the use of the airport by the Achieve Aviation Flying School. The council is also planning to establish a licensed aircraft maintenance engineer to provide services across the greater area.³¹⁴
- 5.80** Temora Shire Council has built on the success of the Temora Aviation Museum to create opportunities for growth. Council has developed a residential sub-division for plane owners, that includes hanger space. The sub-division has sold out, and buyers include both plane owners and small businesses that have set up to service the aviation industry.³¹⁵
- 5.81** Ms Stewart commented that Tamworth Regional Airport has a flying college which has the defence contract for Australian Defence and Singapore Defence. Students travel from Brunei and Papua New Guinea to undertake their basic flight training. As a result the Airport is able to operate a flight tower and a number of navigational instruments have been put in place.³¹⁶
- 5.82** Additionally, Qantas has invested in an engineering and maintenance facility at Tamworth which employs approximately 100 staff, including 62 skilled engineers who conduct maintenance on the Qantas fleet of 49 turboprop aircraft.³¹⁷
- 5.83** West Wyalong has hosted the Bathurst Soaring Club for a number of their annual gliding camps. Mr Jeffery Stien, Senior Economic and Tourism Advisor, Bland Shire Council noted other avenues the council is pursuing:

I went down to Avalon last year to promote the airport at West Wyalong for potential users, for example, flight training centres and so forth, and other air users. It is definitely on our radar because we are maintaining it and it is a great location.³¹⁸

Committee comment

- 5.84** The committee acknowledges the integral role that regional airports play in their communities. Regional airports, including those without regular passenger transport services, must continue to operate and maintain their aerodromes for essential medical and emergency services, freight and charter operations. The committee believes that all steps must be taken by both federal and state governments to ensure airports across New South Wales are maintained as registered facilities.
- 5.85** The committee understands that the cost of operating, maintaining and developing airport infrastructure is considerable. The committee is concerned that these costs can result in other council services being withdrawn or reduced.

³¹³ Submission 8, Clarence Valley Council, p 3.

³¹⁴ Evidence, Cr Danny Keady, Deputy Mayor, Coonamble Shire Council, 24 July 2014, p 23.

³¹⁵ Submission 46, Riverina Eastern Regional Organisation of Councils, p 3.

³¹⁶ Evidence, Ms Stewart, 22 July 2014, p 25.

³¹⁷ Evidence, Mr John Gissing, Chief Executive Officer, QantasLink, 23 May 2014, p 3.

³¹⁸ Evidence, Mr Jeffery Stien, Senior Economic and Tourism Advisor, Bland Shire Council, 10 June 2014, p 30.

- 5.86** The committee commends those councils who have been proactive in expanding the business interests of their airports and have successfully attracted industry to the airport precinct. These initiatives have resulted in supplementary income streams that are assisting the airports to maintain their infrastructure.
- 5.87** The committee acknowledges the constraints and costs the regulatory environment imposes on local councils in the operation of their airports. While the committee accepts that aviation security and safety is paramount, it also considers that legislation must be relevant and appropriate to the circumstances and associated risks. The committee is also of the view that conflicts between legislation should be assessed and where possible, removed.
- 5.88** The committee believes that any legislative change should be underpinned by an appropriate communication strategy. Additionally, legislative amendments that require changes to infrastructure should be funded by government.

Recommendation 7

That the NSW Government institute legislative change that will provide aerodromes with a similar exemption to that provided to other state infrastructure in relation to the removal or pruning of obtrusive native vegetation.

Recommendation 8

That the NSW Government write to the Minister for Transport and Infrastructure to note the concerns of regional airports that they are overburdened and overwhelmed by the frequent changes to civil aviation safety legislation and regulations. Furthermore, the committee recommends that the NSW Government urges the Minister to consider the impact of security and safety regulations on regional airports and encourage the adoption of a risk management approach. The Minister will also be asked to provide funding to support regulatory change that requires upgrades to be made to infrastructure.

Airport fees for regular passenger transport

- 5.89** Airport fees contribute to the day to day cost of running an airport, as well as supporting essential maintenance and future development.
- 5.90** Airport fees imposed by regional councils vary considerably in terms of the amount that is charged, the nature of the charge, and when and how fees are increased. The AAA provided an overview of the type of fees that can be levied:

Fees and charges that an aerodrome operator can request of facility users include things such as landing fee (apron charge), touch and go (training flight), parking charge, passenger screening charge (for security controlled airports), marshalling

charge, late arrival charge, terminal passenger charge, aviation rescue fire fighting service (ARFFS) fee, and air traffic control (ATC) service fee.³¹⁹

5.91 The two most common fees charged are passenger fees, which are charged on a per head basis, and landing fees which are calculated on the maximum take-off weight (MTOW) of the aircraft. Recent legislative changes relating to security have also required some councils to introduce security measures, the operating costs of which are passed on to the airline.

5.92 The committee received evidence indicating that passenger fees at regional airports are determined through numerous methods. A survey conducted by the AAA, seeking information from its members on their methods of setting airport fees, noted:

A very limited number of airports used more sophisticated methods such as the Regulated Asset Pricing Model (RAPM) to determine passenger charges, with other focussing on a cost-recovery basis. However, it was clear that for the majority of regional airports the passenger charge is simply based on a historical figure that is adjusted annually in accordance with CPI.³²⁰

5.93 Several councils had implemented a cascading fee model that reduced fees once a prescribed number of passenger movements was reached. For instance, Armidale Dumaresq Council charged \$14.90 per inbound and outbound passenger for the first 70,000 passengers. Once this threshold was reached the fee reduced to \$9.70 per passenger. Council also decreased its passenger fee to \$9.70 if the airline discounted airfares to below \$180 one way.³²¹

5.94 Dubbo City Council used a similar fee setting model. Mr Mark Riley, General Manager, Dubbo City Council, explained the methodology his council used for determining passenger fees:

In terms of what council charges at the airport, in 2014-2015 we charge \$13.95 per head for the first 75,000 passengers and it reduces to \$6.95 after that as an incentive to get more people to travel. This is an all up fee – landing and terminal use.³²²

5.95 However, Dubbo does charge an additional security screening fee that is applied across the board to all airlines, regardless of whether screening is legislatively required. The current security screening fee charged is approximately \$4.60 per passenger.³²³

5.96 Mr Des Schroder, Director, Environment, Planning and Community, Clarence Valley Council, advised that his council charged a fee that is highly subsidised by council:

We have worked with Rex over the years on this. We have been very generous with our landing fees to keep Rex flying there. We have been slowly increasing those fees but I would not say they are charged on a commercial basis at the moment. The airport is one of those subsidised businesses that the council runs.³²⁴

³¹⁹ Submission 30a, Australian Airports Association, p 3.

³²⁰ Submission 30a, Australian Airports Association, p 3.

³²¹ Answers to questions on notice, Mr David Steller, Director, Strategic Projects and Public Infrastructure, Armidale Dumaresq Council, 22 August 2014, p 4.

³²² Evidence, Mr Mark Riley, General Manager, Dubbo City Council, 24 July 2014, p 2.

³²³ Evidence, Mr Riley, 24 July 2014, p 3.

³²⁴ Evidence, Mr Schroder, 22 July 2014, p 4.

- 5.97** Clarence Valley Council collected approximately \$117,000 in passenger fees based on 12,500 passengers which equates to approximately nine dollars per passenger.³²⁵
- 5.98** Cobar Shire Council charged \$22.00 per passenger at its airport. Councillor Lilliane Brady, Mayor, Cobar Shire Council stated the higher passenger charge is justifiable because of the cost of maintaining air services.³²⁶
- 5.99** The calculation of landing fees is not as nebulous as the setting of passenger fees as the landing fee is based on the weight of the aircraft. Ms Diane Hood, General Manager, Narrabri Shire Council explained:
- Essentially the methodology for the current landing fees is the heavier the aircraft, the higher per tonne charge. Heavier aircraft generally operate at higher tyre pressures which has greater impact on the runway pavement.³²⁷
- 5.100** The price per tonne charged by airports may also vary. Ms Hood advised that the landing fee charged was benchmarked against other airports that are similarly sized to Narrabri with comparable passenger numbers.³²⁸
- 5.101** Several airports indicated that they do not impose any fees. For instance, Walgett Shire Council has not charged airport fees for several years. Mr Donald Ramsland, General Manager, Walgett Shire Council stated:
- I think it has basically been a council policy in the past a means of encouraging airline operators to use the facility and also because of the community service obligation to endeavour to reduce the cost of airfares for local residents.³²⁹
- 5.102** During the inquiry, the committee received evidence from airline operators who objected to the fees they are charged by regional airports. Rex was critical of regional airports that generate an excessive revenue surplus via the airport head tax revenue stream.³³⁰ Ms Wilkie, however, asserted that the fees referred to by Rex contributed very little to the airport's revenue:
- In relation to fees and charges, results from the survey indicated that for small regional aerodromes passenger charges generally provided little more than one-third of an airport's revenue, with landing charges tending to account for less than on-quarter of revenue in most cases.³³¹
- 5.103** Councillor Katrina Humphries, Mayor, Moree Plains Shire Council maintained that the council does not seek to make a profit but does attempt to recover operating costs and be in a position to make some improvements to the airport.³³²

³²⁵ Submission 8, Clarence Valley Council, p 2.

³²⁶ Evidence, Councillor Lilliane Brady, OAM, Mayor, Cobar Shire Council, 24 July 2014, p 35.

³²⁷ Answers to questions on notice, Ms Diane Hood, General Manager, Narrabri Shire Council, 20 August 2014, p 1.

³²⁸ Answers to questions on notice, Ms Hood, p 1.

³²⁹ Evidence, Mr Ramsland, 23 July 2014, p 17.

³³⁰ Submission 57, Regional Express, p 16.

³³¹ Evidence, Ms Wilkie, 15 August 2014, p 50.

³³² Evidence, Cr Humphries, 23 July 2014, p 2.

5.104 Mr John Sommerlad, Director, Business and Events, Tamworth Regional Council stated that Tamworth Regional Airport is a standalone business that pays for itself and is able to achieve a profit which is held in a reserve for replacement of essential infrastructure.³³³

5.105 The Aviator Group suggested that regional councils charge one fee that consolidates both a passenger head charge and a landing fee. Further, it is believed that the current system of calculating the landing fee on MTOW discourages airlines from using larger aircraft.³³⁴

5.106 Wagga Wagga City Council noted it charged air service operators one fee only, based on passenger numbers. Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council explained:

There is no landing charge for RPT as I said and we do not charge any additional rentals or any other charges to RPT. One charge covers everything. That includes all the space they have in the terminal, the baggage space, offices, so on and so forth.³³⁵

5.107 Similarly, Narrandera Shire Council remarked that it charged a passenger fee only, which was currently \$9.30 per passenger. Council increases this fee marginally each year, usually in line with the consumer price index (CPI).³³⁶

5.108 Increases to airport fees are approached differently across regional airports. The AAA advised the committee that the negotiation process between the airline operator and the airport owner will depend on the parties involved, but generally one or more of the following actions are taken:

- direct meetings with the airline, tabling necessary financial and non-financial information
- correspondence with the airline, including details of the proposed increase
- a draft business plan that includes fees and charges is provided to the airlines for consideration and given the opportunity to respond.³³⁷

5.109 Armidale Dumaresq Council noted that it takes into consideration the previous year's passenger numbers when it is determining any increase to fees:

Where passenger number increases are above the CPI increase (say 3%) then fees remain the same as the previous year. Where the airport income exceeds expenditure for the year then these funds are held in reserve for major capital renewals and upgrades such as runway overlays and other aircraft movement areas, car park extensions and passenger terminal improvements.³³⁸

³³³ Evidence, Mr John Sommerlad, Director, Business and Events, Tamworth Regional Council, 22 July 2014, p 28.

³³⁴ Submission 47, Aviator Group, p 11.

³³⁵ Evidence, Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council, 10 June 2014, p 50.

³³⁶ Evidence, Cr Barry Mayne, Councillor, Narrandera Shire Council, 10 June 2014, p 39.

³³⁷ Submission 30a, Australian Airports Association, p 3.

³³⁸ Answers to supplementary questions, Mr Steller, p 4.

5.110 On the basis of this model, Armidale Dumaresq Council has not increased passenger fees since 2008.³³⁹

5.111 Rex admitted to a level of frustration prompted by high volume regional airports that do not reduce their passenger landing fees despite significant annual airport revenue growth through an increase in passenger numbers. Rex cited Albury Airport as an example of an airport that has experienced strong revenue growth:

Albury airport generated around \$1.4 million from RPT passenger in financial year 2003, which increased to approximately \$3.9 million (including GST) in financial year 2013 which is around 11% annual airport revenue growth.³⁴⁰

5.112 Rex proposed that airports should share the improved airport efficiencies and economies of scale by reducing the airport unit rate charges which in turn contributes to the viability of the air service and can contribute to lower airfares in the local community.³⁴¹

5.113 Mr John Gissing, Chief Executive Officer, QantasLink suggested a cooperative approach between the airport and the airline assisted in sharing costs and benefitted all parties:

For instance, if we are going to offer a discounted fare that is going to stimulate the market and bring additional custom to the port it is only reasonable, we believe, that that should be a time when the cost per passenger is shared between us. In other words, some of the incentive and the risk taking, if you like, in terms of future investment are shared with that airport provider. The degree to which we can create relationships that maximise that incentivisation is a very healthy part of that process.³⁴²

5.114 The Productivity Commission noted in its report, the *Economic Regulation of Airport Services*, that airport prices must be set to reflect the ongoing and future cost of the airport:

Prices not reflective of long-run incremental cost are likely to result in deferred maintenance, or the mistiming of investment decisions, which itself can result in congestion or underutilisation of capacity.³⁴³

5.115 The evidence received by the committee indicated that negotiations on fees can be quite confrontational for both parties. Some airline operators branded regional airports as monopolistic while certain local councils expressed they felt intimidated by airline operators. Local Government NSW noted that some regional councils have had to abandon proposed increases to fees when their RPT provider threatened to withdraw services.³⁴⁴

5.116 Councillor Humphries gave evidence that following the appointment of Brindabella Airlines, the airline pressured the Moree Plains Shire Council to reduce their airport charges. Cr Humphries stated that the airline was in better negotiating position than the council:

³³⁹ Answers to supplementary questions, Mr Steller, p 4.

³⁴⁰ Submission 57, Regional Express, p 16.

³⁴¹ Submission 57, Regional Express, p 16.

³⁴² Evidence, Mr Gissing, 23 May 2014, p 9.

³⁴³ Australian Productivity Commission, *Economic Regulation of Airport Services*, No. 57 (30 March 2012) p 331.

³⁴⁴ Submission 27, Local Government NSW, p 4.

We had nowhere to go Mr Whan. We had nowhere to go. We were told (by Transport for NSW) that these were going to be the people that were going to supply us a service and we had to make it work. It was not easy.³⁴⁵

- 5.117** The AAA remarked that their members have cited instances where airlines refuse to pay increases imposed by the airport:

We also have examples here in New South Wales and also nationally of situations where airports and councils have levied fees on regional carriers, for example, a CPI increase. The airline operating to that airport continues to pay the original fee but for a number of years has not paid the CPI increases and just simply refuses to pay the increase. Because of the nature of the organisation, there is usually one airline servicing an airport so obviously, the council needs to continue to maintain to have that airline service so there are quite a bit of arrears in a number of cases of airports around Australia.³⁴⁶

- 5.118** The AAA noted its view that airlines have the countervailing power in negotiating fees as they are able to take their services elsewhere. An airport, however, has to compete with other airports for services, particularly if they are relatively close in proximity, as is the case with Grafton, Ballina and Coffs Harbour.³⁴⁷

- 5.119** The AAA advised that many airports felt that airlines were not transparent and reluctant to provide information during fee negotiations. Additionally, the AAA is aware of airlines that have threatened to withdraw or reduce the frequency of their RPT service if the airport imposed an increase in fees.³⁴⁸

- 5.120** Councillor Lindsay Brown, Mayor, Eurobodalla Shire Council commented on negotiations with Rex:

Rex can be tough negotiators. When they took the Melbourne route away from us – we had a direct Melbourne flight from the Eurobodalla – we came to a decision that we needed to drop those rates (airport fees) to try to keep Rex there. It was a difficult decision to make but we are very keen and committed to our airport and we wanted to make sure that we had airline facilities for our local communities to benefit from.³⁴⁹

- 5.121** The Productivity Commission report, *The economic regulation of airport services*, did not support the notion that the airport has market power and is in a better negotiating position than the airline, and stated that:

The proposition that regional airlines do not have countervailing power in negotiating with regional airports seems difficult to sustain when, for the majority of those airports, the negotiating airline will be the sole operator. In the Commission's view, while local council airports may be monopolies in their regional area, their market

³⁴⁵ Evidence, Cr Humphries, 23 July 2014, p 8.

³⁴⁶ Evidence, Ms Wilkie, 15 August 2014, p 51.

³⁴⁷ Submission 30, Australian Airports Association, p 16.

³⁴⁸ Submission 30a, Australian Airports Association, p 4.

³⁴⁹ Evidence, Councillor Lindsay Brown, Mayor, Eurobodalla Shire Council, 11 June 2014, p 12.

power is likely to be curtailed by the airlines' market power, particularly given that many regional routes are in fact licenced and/or 'conferred monopolies'.³⁵⁰

- 5.122** Additionally, the Productivity Commission noted that the negotiation skills of airline operators would far surpass those available at most regional airports:

Indeed, large airlines, such as Qantas and Virgin Australia (as well as smaller, established airlines such as Rex), have the benefit of negotiating with many airports across Australia, while the majority of regional airports will negotiate with only a single airline. This 'learning by doing' puts the airlines at a significant expertise advantage in their dealings with regional airports, in addition to any countervailing power they hold as the sole operating airline.³⁵¹

- 5.123** Both airports and air services agreed that there needed to be a balance when setting fees that provided sustainability of the airport and continuing viability of the air service provider. Mr Prowse noted 'It is a matter of finding the balance between supply and demand and where prices can be set that they do remain viable for the operators'.³⁵²

- 5.124** Similarly, Local Government NSW asserted that maintaining access to services is paramount and airports must consider this when setting fees:

Pricing mechanisms should not focus solely on the optimal or economically most efficient outcome but should also address the continued provision of viable services delivering frequency and quality of service appropriate to the needs and size of regional communities.³⁵³

- 5.125** The AAA submitted that regional airports needed to operate at the elusive intersection between commercial reality and community need.³⁵⁴

- 5.126** It was suggested by several inquiry participants that airport fees should be regulated and proposed increases subjected to assessment by an independent body, such as the Australian Competition and Consumer Commission (ACCC) or the Independent Pricing and Regulatory Tribunal (IPART).

- 5.127** The Bega Valley Shire Residents and Ratepayers Association commented that regulation would protect the rights of both airline and airport operators.³⁵⁵

- 5.128** Mr Lodge suggested that an independent regulator would be significantly better than the current system of conducting individual negotiations:

³⁵⁰ Australian Productivity Commission, *Economic Regulation of Airport Services*, No. 57 (30 March 2012) p 331.

³⁵¹ Australian Productivity Commission, *Economic Regulation of Airport Services*, No. 57 (30 March 2012) p 333.

³⁵² Evidence, Mr Prowse, 15 August 2014, p 56.

³⁵³ Submission 23, Local Government NSW, p 2.

³⁵⁴ Australian Airports Association, *Australia's Regional Airports – Facts, Myths and Challenges*, November 2012, p 70.

³⁵⁵ Submission 65, Bega Valley Shire Residents and Ratepayers Association, p 4.

As a regional airline that is operating into more than 30 regional airports and obviously then dealing with more than 30 regional councils and local governments we would support anything that enables a very transparent process. We spend far too much time in discussions with councils in disagreements in relation to airport charges. We can see that through the airline's investment that we have been able to grow passenger numbers and airport revenue yet we are constantly battling with many regional councils that apply the standard council consumer price index [CPI] approach to their fees and charges without really having a full understanding of how their revenue has been tracking historically and where their revenue is expected to be tracking.³⁵⁶

- 5.129** Mr Riley, however, believed that this would be considered as over regulation for what is essentially a small business operation and minor amounts of money:

You end up with a whole system of bureaucracy looking at how you are running a fairly small business. Our income at the airport is some three million dollars. We are at the lower end of the chain. One could say "Well why don't we regulate passenger charges of the actual airlines themselves." Where do you stop and where do you start?³⁵⁷

- 5.130** Similarly, the AAA submitted that an independent mediator would not add value:

In principle, the AAA does not support a third-party playing a role in setting the fees and charges for the aviation industry. The AAA believes that for regional council owned airports, the fees and charges issued by the airport should be set by the council through its due processes, to ensure these fees accurately reflect the costs being incurred by the airport depending on its activity and development.

With regards to a third party arbiter or ombudsman being utilised for dispute resolution, the AAA is concerned that such a process may unnecessarily delay some negotiations and has the potential to be too heavily relied upon in the event of disagreement.³⁵⁸

- 5.131** Mr Lindsay Mason, Airport Operations Manager, Dubbo Regional Airport, noted that there needed to be a level of flexibility in relation to fee setting that is reflective of the variations between airports in terms of facilities and their maintenance costs:

You need to compare apples with apples. We have a large runway which is 45 metres wide. Most of our neighbours have runways that are 30 metres wide. You cannot compare the two. Then there is the question of how those runways which we have inherited were constructed in the past. Most of the time we do not actually know what is underneath the surface. So it is really hard to compare infrastructure. We have two runways and five taxiways – compared to, say, Orange, which has one or two taxiways and one runway.³⁵⁹

³⁵⁶ Evidence, Mr Lodge, 23 May 2014, p 28.

³⁵⁷ Evidence, Mr Riley, 24 July 2014, p 5.

³⁵⁸ Answers to questions on notice, Ms Wilkie, p 2.

³⁵⁹ Evidence, Mr Lindsay Mason, Airport Operations Manager, Dubbo Regional Airport, 24 July 2014, p 5.

- 5.132** The Productivity Commission stated in 2012 that it would be problematic to impose price setting regulation on regional airports but considered that there was a need for the AAA to provide support and advice to its members:

...while no regulatory response is warranted, there is likely to be benefit from the AAA (or similar industry body) playing a greater role in training and advising regional airport staff in negotiating with airlines.³⁶⁰

- 5.133** The NSW Business Chamber indicated it supported the view of the Productivity Commission that regulation is not necessary. It does however believe there is a need for the development of common principles or a best practice framework to assist both parties in their negotiations.³⁶¹

- 5.134** Some regional airports expressed their frustration with the slow payment of fees by airlines. Ms Stewart explained the lengthy payment process to the committee:

A lot of people probably do not recognise the fact that if you bought a ticket, for example, on 1 March for an airfare in the beginning of April, those fee calculations are not calculated until the end of the month. Bills are handed out and then you have got a 30-day period in which to pay that back. So all-up you are looking at around 12 weeks before the aerodrome receives their fees even though the passenger has actually paid their fee at the beginning of that time. Protection of fees for the aerodromes would minimise the risk of aerodromes not actually receiving their fees should something occur to an airline or the funds are misappropriated in some form.³⁶²

- 5.135** Armidale Dumaresq Council explained that fees can be held over for a number of months resulting in a significant debt owed to the council. To counter this problem, the council would like to see passenger fees administered in a similar way to departure tax:

It is Council's recommendation that the passenger fees should be treated in a similar way to the departure tax on international passengers which is collected by the airline on behalf of the Federal Government and then paid when the passenger departs the country. Primarily for Regional airports the fees could be collected by the airline and paid at the end of each month when the passenger travels. The passenger fee needs to be treated as a secured payment and not left as an unsecured payment which airport owners have no chance of recovering if the airline ceases to operate.³⁶³

Committee comment

- 5.136** While airport fees can be a source of consternation for the parties involved the committee believes that both airport owners and air service operators are fully aware of the tenuous nature of the aviation sector and are motivated to ensure fee setting is done in a manner that enables both parties to achieve mutually beneficial outcomes. The committee agrees with the AAA that regional airports need to operate at that elusive intersection between commercial reality and community need.

³⁶⁰ Australian Productivity Commission, *Economic Regulation of Airport Services*, No. 57 (30 March 2012) p 333.

³⁶¹ Answers to questions on notice, Mr Luke Aitken, Senior Manager, Policy, NSW Business Chamber, 11 September 2014, p 2.

³⁶² Evidence, Ms Stewart, 22 July 2014, p 26.

³⁶³ Answers to supplementary questions, Mr Steller, 22 August 2014, 2.

- 5.137** The committee is of the view that an independent regulatory body would add a level of unnecessary complexity. The committee encourages the industry groups to work together to develop models that will assist their members during negotiation processes.
- 5.138** The committee recognises the impact that unpaid passenger fees can place on the financial capacity of an airport. The time it takes for fees to be paid seems lengthy and unnecessary and should be improved.
- 5.139** The refusal of airlines to pay increases in airport charges is contemptuous behaviour. The committee is very concerned that local government is of the view that it is powerless and unable to address these matters.

Recommendation 9

The committee recommends that the NSW Government work with industry and local government to develop a workable model, including regulation if necessary, that will facilitate the timely payment of airport fees to operators.

A regional approach to regular passenger transport services

- 5.140** It was suggested by many regional councils that better planning is needed to sustain regional airports. There is a growing realisation that not all airports will be able to sustain a regular passenger transport service in the future.
- 5.141** The north coast of New South Wales has several airports, some of which are beginning to struggle with low passenger numbers. Clarence Valley Council commented that a regional view is necessary for the region:

With the north coast population continuing to grow it is obvious a strategic airport plan is needed to look at the future of the array of airports along the east coast. Already at the majority of regional airports there are reports of conflict developing between increased frequency of passenger services and other services that operate from these airports e.g. flight training schools, freight services, and recreational services. There is potential for the smaller airports to take a bigger role in these other services which also increases their viability.³⁶⁴

- 5.142** Mr John Walkom, Chair, Regional Development Australia - Orana considered good regional planning as essential, particularly in a region like Orana which has many local government areas (LGAs) without a regular passenger transport service:

There is certainly an unmet need for aviation services across our region but good regional planning is vital. Through discussing the intricacies of the relationships between the various LGAs and the nature of their own submissions, it has become apparent that this issue needs greater research and assessment at a regional level.³⁶⁵

³⁶⁴ Submission 8, Clarence Valley Council, p 3.

³⁶⁵ Evidence, Mr John Walkom, Chair, Regional Development Australia – Orana, 24 July 2014, p 3.

Committee comment

- 5.143** The committee can see that there are obvious benefits to a regional approach to maintaining air services. The committee encourages regional bodies to work together in developing strategies for their local government areas.

Hub and spoke model

- 5.144** A hub and spoke model refers to an operation where a large airport such as Dubbo Airport acts as a hub. Aircraft from smaller airports (the spokes) fly into the airport and use it as base to fly on to other destinations. Hub and spoke models can be confused with other models such as the point to point or triangulated models where there may be two or more stops on route to a final destination such as Sydney. These models require a sizeable aircraft to accommodate longer flying times and additional passengers. Smaller aircraft are considered to be more appropriate for hub and spoke models because they have fewer passengers, fly shorter distances and are cheaper to operate.
- 5.145** Dubbo City Regional Airport has operated as a hub over the years for many of its outlying regional communities. Prior to the cessation of Airlink, services from Cobar, Bourke, Brewarrina, Lightning Ridge, Walgett and Coonamble landed at Dubbo Airport. These services carried both passengers and freight and provided transport links for the mines located in Cobar and Bourke. These services have now been replaced by either air charters, or road transport. The NSW Government operates a bus service between Dubbo and Cobar.³⁶⁶
- 5.146** Hub and spoke models received varying levels of support from inquiry participants. Most communities would welcome any model that resulted in the reintroduction of RPT services. There was less support from the airline industry who considered the model to be unviable for regional New South Wales due to the small number of passengers the spoke route in the model attracts.
- 5.147** A survey conducted by the AAA indicated that 71 per cent of respondents supported the concept of 'hub and spoke' or 'milk run' models in regional New South Wales.³⁶⁷ Further, the AAA indicated that regional New South Wales is capable of supporting hub and spoke systems and commented on the benefits of this model:

There are many benefits to this model, including a reduced demand for peak slots, freeing up slot capacity for new routes, reduced maintenance costs and reduced security costs...This operating model has the added benefit of making marginal routes viable through combined catchment areas.³⁶⁸

- 5.148** Mr David Aber, General Manager, Moree Plains Shire Council, noted that Moree has the necessary facilities to be the hub in such a model and that this was discussed as an option when Brindabella Airlines was providing RPT services to and from Moree.³⁶⁹

³⁶⁶ Submission 13, Dubbo City Council, p 2.

³⁶⁷ Submission 30a, Australian Airports Association, p 2.

³⁶⁸ Submission 30a, Australian Airports Association, p 2.

³⁶⁹ Evidence, Mr David Aber, General Manager, Moree Plains Shire Council, 23 July 2014, p 6.

- 5.149** Narrandera Shire Council, however, does not support hub and spoke operations and would not like to their current service, which operates between Griffith, Narrandera-Leeton and Sydney, replaced by this model:

Hub services have a proven record of failure and significantly inflate the cost of air services. The introduction of a hub service would damage the economic development of the region. It would result in fewer passengers flying as flight times and costs would increase. This would lead to a drop off in visitors and business.³⁷⁰

- 5.150** Mr James Davis, Chair, Regional Aviation Association of Australia stated during evidence that the start up costs of establishing a hub and spoke service would be considerable. He noted that a new single engine aircraft such as the Pilatus would cost approximately \$12 million to purchase or between two and three million dollars for a second hand model. This initial outlay would be extremely hard to recoup on a route that was not expected to have high levels of patronage:

The problem the operators will face is recovering their capital cost or servicing that cost. It does make it very problematic as to whether you could ever reinstitute the sort of hub-and-spoke system that Air Link, for instance, used to operate. In fact, you could not do it on those routes anymore. They would not support it. If you had the right network—I am trying to think of what places would be appropriate—you could possibly do it but, in general, no.³⁷¹

- 5.151** Similarly, Mr John Gissing, Chief Executive Officer, QantasLink doubted the viability of hub and spoke routes:

As a pilot by training and previously having flown with Hazleton Airlines in its years, I have experienced the industry when in fact 10-seat Navajo aircraft were flown in from various markets to hub and spoke places like Orange and Dubbo in New South Wales. I think that model has been tested over the years and for various economic market reasons has not been found to be sustainable.³⁷²

- 5.152** Mr Lodge, could not envisage that this model would be sustainable for Rex:

I think because of the economics as well, we are now operating in the single fleet-type thing, the 34-seat Saab, and I guess, similar to Qantas Link, we are finding it difficult to get down and service 25,000 to 35,000 passengers a year. It is difficult for a 34-seat operator to get down and service routes with potentially less than 5,000 passengers per year.

A lot of those routes that you mentioned were previously operated by Chieftains—five or six passengers on board the flight—and really what was a catalyst for Airlink to withdraw from some of those was not only to do with the marginal nature of the route and the inability to even break even on the route but it was also resourcing that type of operation.³⁷³

³⁷⁰ Submission 9, Narrandera Shire Council, p 3.

³⁷¹ Evidence, Mr James Davis, Chair, Regional Aviation Association of Australia, 10 June 2014, p 30.

³⁷² Evidence, Mr Gissing, 23 May 2014, p 3.

³⁷³ Evidence, Mr Lodge, 23 May 2014, p 35.

- 5.153** Mr Lodge also pointed out difficulties with acquiring and retaining skilled personnel to operate the spoke routes, noting that many services on the smaller routes were withdrawn because of a shortage of pilots:

Rex incurred 50 per cent pilot attrition in 2007-08 where we lost 130 pilots of our 260-odd pilot workforce in one financial year. So when we were dealing with that, Airlink were also dealing with how do we keep our pilots? Predominantly single-engine operations, how do we stop them from going into carriers—even the regional carriers, because the regional carriers' pilots were moving on to Jetstar and Virgin and Qantas, et cetera.³⁷⁴

- 5.154** Mr Lodge said that there are also problems with resourcing maintenance operations in these remote locations:

When you are operating, for example, a hub and spoke operation to and from Dubbo you have got to resource that with engineering, line maintenance and schedule maintenance, and having pilots based out in the bush, and that is extremely difficult.³⁷⁵

- 5.155** The Aviator Group, however, believes that hub and spoke could be supported in regional New South Wales and this model could actually boost the sustainability of marginal routes:

There is opportunity within regional New South Wales for the introduction of a “hub and spoke” system whereby smaller marginal routes can be fed by traffic stimulated from rural communities that would not otherwise sustain a regular public transport service. This would allow a marginal route with low annual passenger volume (sub 20,000) such as Narrabri to Sydney to be supported by additional passengers being delivered from rural communities by small sub 20 seat passenger aircraft; and rural customers access to larger cities through connecting air services and reduced journey times.³⁷⁶

- 5.156** The Aviator Group suggested that hubs should ideally be located in those towns that have marginal air services, rather than at larger regional airports such as Dubbo, Tamworth and Wagga Wagga that already have sustainable air services:

...we foresee that such a system would operate from smaller towns with a twice daily service to Sydney that are within proximity to the new rural communities that could be serviced. Such a “hub and spoke” system could viably result in the reinstatement of regular public transport services to towns that were once serviced by regional operators but lost their services...³⁷⁷

- 5.157** The Aviator Group commented that the airports at Mudgee and Narrabri would be suitable hubs for their outlying communities. Nyngan, Young and Cobar would feed into the Mudgee hub and and Brewarrina, Coonababran, Walgett, Lightning Ridge and Bourke passengers would fly into Narrabri.³⁷⁸

³⁷⁴ Evidence, Mr Lodge, 23 May 2014, p 35.

³⁷⁵ Evidence, Mr Lodge, 23 May 2014, p 35.

³⁷⁶ Submission 47, Aviator Group, p 15.

³⁷⁷ Submission 47, Aviator Group, p 15.

³⁷⁸ Submission 47, Aviator Group, p 16.

- 5.158** The financial viability of an airline operating on these small routes remains questionable. During evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, acknowledged that there are substantial financial hurdles to overcome in trying to make services on remote and less populated routes sustainable:

This is the issue that we will always face when we are looking at trying to service remote communities particularly. For example, if you take a Cessna Caravan with 12-seats offering two services a day, five days a week, you are looking at about 6,000 seats a year that you are putting into the market. Assume that you get on average a 75 per cent to 80 per cent load factor—4,500 passengers a year and work that out in terms of operating costs and the sort of ticket prices that you need to apply—you are talking very difficult numbers to actually to make these sort of operations work.³⁷⁹

- 5.159** Mr Vanderbeek noted that an initial economic assessment would be essential to determine if there is value in having services on those routes. He suggested that some services would need to have some guarantee by the government that public servants would utilise a fixed number of seats to make the route economical.³⁸⁰

- 5.160** The type of aircraft that would suit this type of service was discussed by inquiry participants, particularly the safety aspects of a single engine turbine powered aircraft compared with a twin piston engine aircraft.

- 5.161** Councillor Conrad Bolton, Mayor, Narrabri Shire Council, noted that the advantage of a turbo engine is that you can monitor its performance and undertake maintenance when it is obviously needed:

You can see degradation in performance and know that you need to pull it apart and have a look inside to see what is going on. It is not like a piston engine, that when it starts using oil you think, okay, things are getting a bit sloppy, but a piston can break down, a con rod can let go, and you would not anticipate that. A turbo engine is so reliable that you can actually trend the data, and you do that. Every five hours you do a trend on what is happening with the engine.³⁸¹

- 5.162** Mr Vanderbeek also discussed the safety features of the single engine turbine:

There has been a lot of research done on it. Evidence in the public forum suggests that single engine aircraft are six times safer than piston twin-engine aircraft by a large factor.³⁸²

- 5.163** In relation to the cost of purchasing an aircraft, Mr Vanderbeek estimated that a second hand Caravan would cost approximately \$US1.5 million and a Pilatus PC 12 would be substantially more.³⁸³

³⁷⁹ Evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviation Group, 15 August 2014, p 37.

³⁸⁰ Evidence, Mr Vanderbeek, 15 August 2014, p 37.

³⁸¹ Evidence, Mr Bolton, 23 July 2014, p 33.

³⁸² Evidence, Mr Vanderbeek, 15 August 2014, p 32.

³⁸³ Evidence, Mr Vanderbeek, 15 August 2014, p 37.

- 5.164** Councillor Danny Keady Deputy Mayor, Coonamble Shire Council, does not believe that passengers are bothered by aircraft type but they are concerned about the reputation of the operator:

...people like to fly with someone they know and trust, so if that is a well-known and trusted operator, then I do not think they would have a problem. The type of aircraft I do not think would make a difference, it would be who is operating the aircraft.³⁸⁴

- 5.165** The AAA noted that the developments of modern turboprop aircraft which are more fuel efficient are leading to an increase in hubbing across Australia regional air routes.³⁸⁵ However, the AAA added that there are disadvantages of hub and spoke models which include increased travel times and higher travelling costs for the public.³⁸⁶

- 5.166** Ms Lee O'Connor, Economic Development Manager, Coonamble Shire Council, discussed the cost of flying from Coonamble to Dubbo, and then to Sydney that was possible before the RPT service withdrew from the Coonamble route:

The flight from Coonamble to Dubbo that went through to Walgett and Lightning Ridge ended in about 2008-09. At that time it cost \$272 to fly from Coonamble to Dubbo and whatever the fare was from Dubbo to Sydney. If you booked a flight from Coonamble, you could not access any discounts on the leg from Sydney to Dubbo regardless, even though you had to disembark and wait to change planes. It was essentially two separate trips. That was just the way the ticketing was configured. That meant that we were paying a premium.³⁸⁷

- 5.167** The Dubbo fare was always the full rate, regardless of when it was booked, as the spoke route passengers were not eligible for discounted fares. Councillor Keady contributed the declining passenger numbers at that time to the exorbitantly priced one way fare to Sydney which was \$700 and considered far too expensive by the community.³⁸⁸

Committee comment

- 5.168** The committee accepts that hub and spoke models could be used effectively in regional New South Wales and may be part of the solution of restoring regular passenger transport services to those communities who are currently without a service.
- 5.169** However, the committee notes that there are related financial complexities, including capital costs and the ongoing financial viability of marginal routes, which may prove to be insurmountable.
- 5.170** The committee does believe that this model warrants further analysis by the NSW government. Issues relating to ticketing, booking processes and fares need to be given due consideration as part of this.

³⁸⁴ Evidence, Cr Keady, 24 July 2014, p 25.

³⁸⁵ Submission 30, Australian Airports Association, p 17.

³⁸⁶ Submission 30, Australian Airports Association, p 17.

³⁸⁷ Evidence, Ms Lee O'Connor, Economic Development Manager, Coonamble Shire Council, 24 July 2014, p 24.

³⁸⁸ Evidence, Cr Keady, 24 July 2014, p 25.

Recommendation 10

That the NSW government gives further consideration of the hub and spoke model as an option for the delivery of regional aviation services and takes into account the issues discussed in this report.

Chapter 6 Communities and regular passenger transport services

In this chapter, the positive outcomes regular passenger transport services provide for regional communities are discussed. Additionally, the social and economic impacts of losing an air service are also considered.

Community impacts

- 6.1 Regional communities that are serviced by regular passenger transport (RPT) services enjoy the benefit of being connected to Sydney and other major centres. Regular passenger transport services provide opportunities to conduct business, attend medical appointments, see family and friends, and connect with air services to other national and international destinations.
- 6.2 Of equal importance, RPT services facilitate service provision within regional communities as professionals, specialists, tradespeople, family and friends, have ready and timely access. Communities with RPT services feel connected which is extremely important for those populations located in the more isolated areas of the state.
- 6.3 Tamworth Regional Council submitted that communities without RPT services have difficulty attracting employees, visitors and tourists. Additionally, access to services and facilities outside the region can seem complex and may well influence the decision of potential businesses, residents and visitors. This in turn can lead to population decline and reduced business and industry opportunities.³⁸⁹

Economic impacts

- 6.4 Mr John Walkom, Chair, Regional Development Australia Orana advised the committee that studies have shown that a region with RPT services will grow six times faster than an area without an RPT service.³⁹⁰
- 6.5 The Australian Airports Association (AAA) concurred with this view and submitted that the existence of RPT services can have a positive flow on effect to other industries, through increased trade opportunities and productivity gains from easier access to clients, suppliers and staff.³⁹¹
- 6.6 In 2012, Wagga Wagga Airport conducted an economic impact assessment of the aviation sector in the region. The study indicated that the Wagga Wagga Airport contributed 4.6 per cent to employment in the region and approximately 4.8 per cent to the gross regional product.³⁹²

³⁸⁹ Submission 40, Tamworth Regional Council, p 3.

³⁹⁰ Evidence, Mr John Walkom, Chair, Regional Development Australia Orana, 24 July 2014, p 3.

³⁹¹ Submission 30, Australian Airports Association, p 18.

³⁹² Evidence, Mr Stephen Prowse, Chair, NSW Division, Australian Airports Association, 15 August 2014, p 57.

- 6.7** A similar analysis completed for Clarence Valley Airport in 2011 estimated that the airport and supporting operations contributed almost nine million dollars per annum to the local economy.³⁹³
- 6.8** Regional Development Australia Northern Rivers estimated that the three airports in its region (Ballina, Lismore and Clarence Valley) would contribute \$162.74 million to Gross Regional Product by the end of the 2014 financial year.³⁹⁴
- 6.9** Moree Plains Shire Council noted that local businesses relied on RPT services for training, client contact, sales, marketing, and financial, technological and legal services. As a result of the loss of its RPT service the local business community incurred over \$1.5 million in direct and indirect costs, and productivity losses.³⁹⁵
- 6.10** Similarly, Eurobodalla Shire Council noted the heavy reliance of its business community on its RPT service, indicating that 75 per cent of passengers on this service are business travellers. Council considered the continuation of this service as critical to the community's economic sustainability.³⁹⁶
- 6.11** The loss of RPT services can force businesses to relocate to where services are provided. Cobar Shire Council relayed an example of this:
- Recently, Peel Resources moved their headquarters from Cobar to Griffith due to the lack of reliability in Brindabella flights and the subsequent loss of an air service. Their exploration activities required reliable RPT services which they could not access in Cobar. This is a loss of jobs and economic activity for our town.³⁹⁷
- 6.12** Additionally, an airport that loses its regular transport services may also lose other aviation related businesses such as aviation fuel suppliers and aviation engineering businesses. The loss of income from airport users then impacts on the ability of the airport to fund airport infrastructure, maintenance and renewal works.³⁹⁸
- 6.13** Communities without RPT services lose out on opportunities that can boost the local economy. Mr Jeffery Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council, noted that West Wyalong has experienced this first hand:

I have had conversations about the cricket world cup, which is coming out. The first question that was asked was "Has West Wyalong got an airport and regular passenger services?" As soon as you say no then we are just not in the running, even though we have great facilities, great ovals and everything.³⁹⁹

³⁹³ Submission 18, Regional Development Australia Northern Rivers, p 2.

³⁹⁴ Submission 18, Regional Development Australia Northern Rivers, p 2.

³⁹⁵ Submission 26, Moree Plains Shire Council, p 12.

³⁹⁶ Submission 9, Eurobodalla Shire Council, p 4.

³⁹⁷ Submission 11, Cobar Shire Council, p 2.

³⁹⁸ Submission 30, Tamworth Regional Council, p 2.

³⁹⁹ Evidence, Mr Jeffery Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council, 10 June 2014, p 29.

- 6.14** Charles Sturt University is Australia's largest university in regional and rural Australia, and has campuses and study centres across the state. RPT services allow teaching staff to deliver teaching, undertake collaborative research, engage with industry and provide student support across its many locations. The existence of RPT services has also led to opportunities for the university:

One of the major benefits of having access to strong regional aviation services is that it has allowed Charles Sturt University to develop a substantial regional, national and international market for its educational and research offerings from regional NSW, generating new business for our regions and income for the New South Wales economy.⁴⁰⁰

- 6.15** Charles Sturt University considered regional aviation services as a critical factor in allowing the university to grow its market reach globally and nationally.⁴⁰¹

- 6.16** Regional airports with regular passenger transport services generate employment opportunities through both direct employment and indirectly through related industries. Regional Development Australia Northern Rivers estimated that airports in the Northern Rivers support almost 300 jobs.⁴⁰²

- 6.17** Regional communities without an RPT can encounter skill shortages because they experience difficulties in attracting new people to their towns. Councillor Danny Keady, Deputy Mayor, Coonamble Shire Council remarked that the town had lost new business opportunities as a result of not having RPT services:

...if you are going to set up a business in Coonamble—and we have got the opportunities to set up some pretty good businesses there with the grains industry and the add-on industries—but if you cannot get down to Sydney to do your business and get back in the time you need to, or get people here easily, then it is a pretty big disincentive for the growth in the region.⁴⁰³

- 6.18** Councillor Keady also noted that Coonamble has difficulty attracting professionals, such as teachers, as they are reluctant to bring their families to an isolated location without regular passenger transport.⁴⁰⁴

- 6.19** Mr Donald Ramsland, General Manager, Walgett Shire Council, concurred with this and also noted that it was difficult to retain existing staff:

One of the other issues that plays on from that is the existing people that you have—teachers, police and other government agencies—and the lack of a direct air service, particularly a service out on Friday afternoons and back in either Sunday afternoon or Monday morning so they can get away for a weekend. That has an adverse effect on both attracting and retaining those suitably experienced and qualified professional staff.⁴⁰⁵

⁴⁰⁰ Submission 49, Charles Sturt University, p 3.

⁴⁰¹ Submission 49, Charles Sturt University, p 4.

⁴⁰² Submission 18, Regional Development Australia – Northern Rivers, p 3.

⁴⁰³ Evidence, Mr Danny Keady, Deputy Mayor, Coonamble Shire Council, 24 July 2014, p 27.

⁴⁰⁴ Evidence, Mr Keady, 24 July 2014, p 30.

⁴⁰⁵ Evidence, Mr Donald Ramsland, General Manager, Walgett Shire Council, 23 July 2014, p 18.

- 6.20** The Australian Airports Association commented that RPT services allow the more efficient development of New South Wales natural resources, bringing fly-in, fly-out workers to regional centres to work in the mining and agricultural sectors. Additionally, these services attract and retain staff to regional and remote locations, by minimising the isolation that can be felt otherwise.⁴⁰⁶

Social impacts

- 6.21** Many inquiry participants strongly believe that RPT services can improve the quality of life of their community members. Communities without RPT services experience a subsequent effect on service provision. This can have a significant impact on the health and wellbeing of the community, particularly those from low socio-economic backgrounds who have a high need for support services.
- 6.22** Public transport is lacking in many regional and remote communities, further restricting access to essential services. The Riverina Eastern Regional Organisation of Councils (REROC) represents 15 local government areas, located across 45,000 square kilometres and populated by approximately 140,000 people. The region has two airports, located at Wagga Wagga and Albury, and many residents are required to travel in excess of 100 kilometres to access regular passenger transport services. Aside from Wagga Wagga and Albury, public transport is virtually unavailable across the region.⁴⁰⁷
- 6.23** Snowy River Shire Council has limited access to public transport and residents that can drive have to travel large distances to access tertiary education, training, health and social services. The most vulnerable members of the community are adversely effected, including young people, the elderly, the disabled, unskilled workers, the unemployed, and carers.⁴⁰⁸
- 6.24** Mr Ross Earl, General Manager, Bourke Shire Council, noted that Bourke has a high proportion of people from low socio economic backgrounds. Travelling to Dubbo for services can be a considerable financial impost on members of the community who have limited financial resources. If a person is required to drive to Dubbo for services, he or she may try to travel back on the same day to save the cost of accommodation. A round trip between Bourke and Dubbo is approximately 740 kilometres and will require over eight hours driving time.⁴⁰⁹
- 6.25** Mr Keady highlighted the predicament of the elderly in the Coonamble shire:

My father is turning 80 next year and regularly, in order to get Sydney, he has got to drive to Dubbo and that is getting harder and harder. Otherwise, if you are not driving, you are on a bus. And the bus does not link up with the plane, it goes to Dubbo train station, so then you are in a cab or something, trying to get a lift to the airport. It is probably not going to link up with the time, so you might be there for a couple of hours before your plane leaves.⁴¹⁰

⁴⁰⁶ Submission 30, Australian Airlines Association, p 18.

⁴⁰⁷ Submission 46, Riverina Eastern Regional Organisation of Councils, p 1.

⁴⁰⁸ Submission 42, Snowy River Shire Council, p 4.

⁴⁰⁹ Evidence, Mr Ross Earl, General Manager, Bourke Shire Council, 23 July 2014, p 20.

⁴¹⁰ Evidence, Ms Lee O'Connor, Economic Development Manager, Coonamble Shire Council, 24 July 2014, p 27.

- 6.26** Members of the community who do not drive, are unlicensed, or do not have access to a motor vehicle can experience a higher level of isolation from essential services, resources and facilities than those who are more mobile. Ms Lee O'Connor, Economic Development Manager, Coonamble Shire Council, elaborated on this:

I think it is 11 or 12 per cent of households at the moment in Coonamble that do not have access to a motor vehicle. And it is a very high proportion of people who do not have licences. We work on programs to try to address that situation with the licensing, but that is a major barrier to people.⁴¹¹

- 6.27** In a community such as Coonamble where there is no public transport, a family can be left without transport if a member of the family has to take the car to travel to Sydney.⁴¹²
- 6.28** Councillor Keady noted that many of Coonamble's retirees with family in Sydney or other capital cities are planning to relocate away from the town because of the logistical difficulties of travel they currently experience.⁴¹³

Medical impacts

- 6.29** Communities without RPT services may find getting access to specialist medical services challenging. Medical personnel find it difficult and time consuming to reach isolated communities without RPT services. As a result they may limit the frequency of their visits. This can result in an overwhelming need for limited appointment times.
- 6.30** The Moree Plains Shire community relies on its RPT service for visiting specialists for gynaecological, ear nose and throat, rheumatology, cardiology and ophthalmological services. Without RPT services, patients would have to drive three hours to Tamworth, or alternatively catch a train to Werris Creek and then a bus.⁴¹⁴
- 6.31** Disadvantaged members of the community may have difficulty funding travel, and if needed, overnight accommodation. If the cost is excessive or not feasible, community members will not get treatment.⁴¹⁵
- 6.32** Regional Development Australia Orana noted the importance of RPT services for a community's ongoing health:

Project consultants, clinicians, dentists, allied health and mental health workers are essential to a community's wellbeing. Not only does a lack of RPT services prevent these services from accessing these communities but also limits the community's capacity to recruit professionals and help them maintain the professional development requirements. It leads to professional isolation and creates further inequity between metropolitan and regional areas.⁴¹⁶

⁴¹¹ Evidence, Ms O'Connor, 24 July 2014, p 27.

⁴¹² Evidence, Ms O'Connor, 24 July 2014, p 27.

⁴¹³ Evidence, Mr Keady, 24 July 2014, p 28.

⁴¹⁴ Submission 26, Moree Plains Shire Council, p 22.

⁴¹⁵ Submission 26, Moree Plains Shire Council, p 23.

⁴¹⁶ Submission 15, Regional Development Australia Orana, p 2.

- 6.33** When Moree Plains Shire Council suddenly lost its RPT service, the orthopaedic specialist who usually serviced the community was unable to come during November and December 2013. As a result, approximately 15 surgeries and over 50 consultations were postponed.⁴¹⁷
- 6.34** Similarly, prior to losing its RPT service, Cobar Shire Council was visited twice weekly by medical specialists who are now unable to provide this service.⁴¹⁸
- 6.35** There is a significant cost to providers of health services to travel to remote communities. The Coonamble Aboriginal Health Service has to pay travel costs for locum medical practitioners and specialists who visit Coonamble each week. Travel costs include return flights between Sydney and Dubbo and a hire car for the drive to Coonamble from Dubbo. The locums require overnight accommodation because they are unable to complete their trip in one day, which was possible when Coonamble had its own RPT service to Sydney.⁴¹⁹
- 6.36** Councillor Keady spoke of the difficulties faced by people in his community who require treatment for cancer which isn't available locally:

...I know that is a big haul from Coonamble, where you cannot get the cancer treatment, to Dubbo. And sometimes you cannot get it there, so you have to move on to Sydney. So you have those big legs of driving, or patient transport, to Dubbo and then on to Sydney. If you can get those cancer sufferers on a plane from Coonamble to Sydney for their treatment, they would be able to go down and back per treatment, rather than having to bus or car and plane or train and then stay down there for two or three nights or whatever it is and back. It makes a big difference for those people.⁴²⁰

Other service impacts

- 6.37** Mr Donald Ramsland, General Manager, Walgett Shire Council, said that there has been a gradual reduction of NSW Government services in the shire since the RPT service ceased:
- There has been a slow reduction of services right across our shire and a lot of those services have been withdrawn into Dubbo—things like the Lands Department services, where officers from the Lands Department are now based out of Dubbo. We have had a reduction through the Livestock Health and Pest Authority and the withdrawal of the catchment management services to the stage where people like the vet who used to be based at Walgett is now based in Narrabri. There has been a constant trickle of positions away from the local area.⁴²¹
- 6.38** State government agencies that remain in Walgett find it difficult to attract staff while existing staff are driving long distances and are away from their homes for extended periods.⁴²²

⁴¹⁷ Submission 26, Moree Plains Shire Council, p 21.

⁴¹⁸ Submission 11, Cobar Shire Council, p 2.

⁴¹⁹ Submission 38, Coonamble Chamber of Commerce, p 1.

⁴²⁰ Evidence, Mr Keady, 24 July 2014, p 27.

⁴²¹ Evidence, Mr Ramsland, 23 July 2014, p 18.

⁴²² Submission 39, Walgett Shire Council, p 2.

Committee comment

- 6.39** The committee acknowledges that an absence of regular passenger transport services in regional communities can contribute to considerable disadvantage among community members. Regular passenger transport services deliver vital services and the committee is concerned that regional communities without RPT services have experienced reduced access to health, education and other community services.
- 6.40** The committee is also concerned that there is a lack of alternative transport in place and that the community and the professionals seeking to provide services in those communities are required to drive long distances.
- 6.41** The committee also acknowledges that regular passenger transport services are beneficial to the economic development of regional communities and that there is a resulting cost when a community loses its service.

Chapter 7 Future directions for regional aviation

In this chapter, the future of regional aviation in New South Wales is discussed. The chapter discusses the trend towards larger aircraft being used for regular passenger transport services, along with a decline in manufacturing of smaller aircraft with a seat capacity of less than 50 passengers. The ability for the industry to meet its employment requirements is also discussed. Finally, the potential for combining both freight and passengers on air services is examined.

The changing fleet

- 7.1** Regional air services are serviced by three aircraft types: jet, turboprop and piston driven, ranging from single engine to a maximum of four engines. According to the Civil Aviation Safety Authority (CASA), there has been a downward trend in aircraft movements by both piston powered and turboprop aircraft, while jet aircraft movements have significantly increased since 2002.⁴²³
- 7.2** Additionally, there has been an increase in aircraft movements undertaken by larger size aircraft, while there has been a subsequent decrease in aircraft movements from small aircraft, particularly those with less than 18 seats.⁴²⁴
- 7.3** Ms Sally Fielke, General Manager, Corporate Affairs, Sydney Airport Corporation (SAC) commented on the growing trend for regional air services to use larger aircraft:
- Over the long term, seven to ten seat aircraft have been replaced with 17 to 19 seat aircraft, which in turn have been progressively replaced by 30 to 36 seat, 50 seat, 64 to 72 seat, 100 seat and 170 to 180 seat aircraft. In fact, regional aircraft have increased in size more quickly than any other market segment.⁴²⁵
- 7.4** Evidence provided to the committee suggested that the composition of the regional airline aircraft fleets will continue to change in the coming years with the manufacture of smaller aircraft ceasing, and the gradual replacement of these aircraft with larger models.⁴²⁶
- 7.5** Mr John Gissing, Chief Executive Officer, QantasLink, informed the committee that QantasLink will eventually retire its ageing smaller aircraft, the Q200 and Q300, which are no longer being manufactured:

For the Q200 and the Q300, the 36-seat aircraft and the 50-seat aircraft, they are no longer in production. They are an ageing fleet, so they will have a life limit on them at some stage.⁴²⁷

⁴²³ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 25.

⁴²⁴ Correspondence from Mr Terry Farquharson, Deputy Director of Aviation Safety, Civil Aviation Safety Authority, to committee, received 13 August 2014, *Review of environmental forces and compliance cost in regional aviation*, (8 April 2014), p 25.

⁴²⁵ Evidence, Ms Sally Fielke General Manager, Corporate Affairs, Sydney Airport Corporation, 15 August 2014, p 40.

⁴²⁶ Submission 21, Sydney Airports Corporation, p 3.

7.6 QantasLink's fleet strategy is to continue to purchase larger and faster aircraft. Accordingly, QantasLink recently purchased seven Q400 aircraft. The Q400 has capacity for 74 passengers and is considered to be considerably faster than comparable aircraft. QantasLink estimated that travel time will be reduced by 20 per cent.⁴²⁸

7.7 Larger aircraft can provide economic benefits to an airline. During evidence, Mr Vargeesan Thillainathan, Head of Commercial, QantasLink, detailed the costs improvements that are achievable through the use of larger aircraft:

Just to give you a sense, if you look at our 36-seat aircraft to our 50-seat aircraft you are looking at about a 20 per cent improvement in cost. But then from the 50-seat aircraft to the newer Q400 aircraft you are actually looking at a further almost 30 per cent improvement in the cost per seat per kilometre... when you look at some of our costs like fuel, which is increasing quite dramatically, it helps us manage that cost better and not to have to increase our prices significantly over time.⁴²⁹

7.8 Mr Gissing added that larger aircraft deliver benefits to passengers as well in terms of increasing capacity at times when people prefer to fly and providing cheaper airfares:

... it presents the economics in peak times where we get to a point during the peak times where the frequency is at a maximum. Increasing capacity at that particular time not only keeps access at the best time of day but it introduces better economics in terms of fare proposition.⁴³⁰

7.9 According to SAC, larger aircraft contribute positively to the economy. It estimated that upgauging a daily regional service from a Saab 340 (34 seats) to a Dash 8-400 (77 passengers) would contribute \$5 million to Australian Gross Domestic Product and 60 full time equivalent jobs.⁴³¹

7.10 The growing prevalence of larger aircraft is expected to impact on the provision of regional air services. QantasLink confirmed that smaller aerodromes and lower passenger numbers will not be viable for services provided by the Q400:

QantasLink's emphasis on the larger Q400 turboprop aircraft and the gradual retirement of Q200 and Q300s means that a number of smaller towns in New South Wales are not suitable for Qantaslink services and are better served by regional carriers with smaller aircraft. Limitations are often operational (e.g runways not permitting larger aircraft to land, commercial (e.g. insufficient passenger demand to make large aircraft commercially viable), or both.⁴³²

7.11 Lord Howe Island, currently serviced by a QantasLink Q200 aircraft, is a route that could be placed in jeopardy by QantasLink's upgauging program. The runway at Lord Howe Island cannot accommodate larger aircraft and is unable to be extended because of environmental

⁴²⁷ Evidence, Mr John Gissing, Chief Executive Officer, QantasLink, 23 May 2014, p 4.

⁴²⁸ Submission 56, QantasLink, p 3.

⁴²⁹ Evidence, Mr Vargeesan Thillainathan, Head of Commercial, QantasLink, 23 May 2014, p 8.

⁴³⁰ Evidence, Mr Gissing, 23 May 2014, p 8.

⁴³¹ Submission 21, Sydney Airports Corporation, p 2.

⁴³² Submission 56, QantasLink, p 3.

constraints. Mr Gissing advised that QantasLink is currently licensed to continue this service until 2018, after which it will be a challenge to continue the service.⁴³³

- 7.12** When questioned by the committee about other regional air routes that may be affected by the phasing in of the Q400, QantasLink confirmed that Armidale Airport would require pavement enhancements to accommodate the larger aircraft. Additionally, current passenger numbers on both the Moree and Armidale routes would not support a Q400 aircraft. If passenger numbers increased to adequate levels to sustain a larger aircraft, both airports would need to implement security screening infrastructure, as required by legislation.⁴³⁴

- 7.13** The Regional Aviation Association of Australia (RAAA) is concerned that regional air services will continue to contract as a result of the trend to operate large aircraft:

...thin routes where low capacity aircraft are operated often with low load factors (i.e. few of the available seats actually occupied) necessarily means greater seat costs. These seat costs can only be reduced by larger aircraft on more populous routes. Where operators have moved to larger aircraft, they have sought to reduce their route structures and increase their passenger load factors by ceasing services to smaller communities.⁴³⁵

- 7.14** The loss of services to smaller communities may also be exacerbated if smaller airline operators are unable to replace their aircraft as they age. The Aviator Group noted its concerns:

Currently there is no sub-50 commercial aircraft in production, with aircraft manufacturers concentrating on producing larger aircraft that allow a reduced cost per passenger. The lack of aircraft entering the commercial airline market that will replace small commercial turbo prop aircraft that operate in regional Australia today is deeply concerning and there is a very real risk of rural Australia being further distanced from larger towns or capital cities.⁴³⁶

- 7.15** Regional Express (Rex) operates a fleet of Saab 340 aircraft which has a 34 seat passenger capacity. Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, expressed his apprehension about the absence of small aircraft manufacturers:

It is a real void in the aircraft manufacturing area. I guess 10 to 15 years ago we saw Qantas operating the 36-seat Dash 8 and both Kendall and Hazelton operating 34-seat Saabs. We are now in the situation where we have the Saab operators that are still operating the Saab 340 aircraft, but aircraft manufacturing worldwide has essentially moved into the 70-seat category, with the 74-seat Q400 operated by QantasLink and also the 68-seat ATR operated by Virgin.⁴³⁷

⁴³³ Evidence, Mr Gissing, 23 May 2014, p 5.

⁴³⁴ Answers to questions on notice, Mr John Gissing, Chief Executive Officer, QantasLink, 20 June 2014, p 2.

⁴³⁵ Submission 59, Regional Aviation Association of Australia, p 4.

⁴³⁶ Submission 47, Aviator Group, p 12.

⁴³⁷ Evidence, Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, 23 May 2014, p 34.

- 7.16** While QantasLink is willing and capable of changing its fleet size, smaller airlines indicated that upgauging would place them in an economically dangerous position. Mr Lodge remarked that careful consideration would be required:

It is a very big step-up in terms of not only seat capacity but also the capital costs to the aircraft when you are looking at aircraft in the vicinity of \$20 million to \$30 million in capital cost.⁴³⁸

- 7.17** Mr Lodge noted that the current Rex fleet of Saab 340s is operationally efficient and the aircraft are capable of operating for another 15 to 20 years.⁴³⁹

- 7.18** CASA recently estimated that the average age of aircraft in Australia's piston engine fleet is in excess of 40 years. While older aircraft are not necessarily considered unsafe, CASA has increased its program of scrutiny of these aircraft.⁴⁴⁰

- 7.19** Airlines of Tasmania pointed out that maintaining an ageing fleet is expensive and challenging, as parts become increasingly difficult to source.⁴⁴¹ Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group agreed with this view and predicted that maintenance costs into the future would be considerable.⁴⁴²

Committee comment

- 7.20** The committee acknowledges that the changes to fleet size will present another challenge in maintaining regular passenger transport services to regional communities. The replacement of smaller aircraft with larger aircraft may result in the withdrawal of aerservices or require costly upgrades to aerodrome pavements and other airport infrastructure.

- 7.21** The committee recommends that the NSW Government work with the Federal Government, industry, Regional Development Australia, local councils and regional communities in those situations where it is known that services will be affected in the coming years by the introduction of larger aircraft, such as a Lord Howe Island, Moree and Armidale.

Recommendation 11

That the NSW Government commences discussions with the Federal Government, industry, Regional Development Australia, local councils and communities to plan for the impacts on communities and infrastructure resulting from the introduction of larger fleet sizes.

⁴³⁸ Evidence, Mr Lodge, 23 May 2014, p 34.

⁴³⁹ Evidence, Mr Lodge, 23 May 2014, p 34.

⁴⁴⁰ Civil Aviation Safety Authority (CASA) Discussion Paper 1205CS Ageing Aircraft Management Plan – to increase awareness and education in relation to ageing aircraft issues, September 2014, p 1.

⁴⁴¹ Submission 27, Airlines of Tasmania Pty Ltd (T/A Par Avion), p 1.

⁴⁴² Evidence, Mr Ian Vanderbeek, Chief Executive Officer, Aviator Group, 15 August 2014, p 36.

Maintaining skilled aviation personnel

- 7.22** The Australian Airports Association described the aviation workforce as highly skilled and diverse, with a high proportion of technical professions, including pilots, air traffic controllers, aircraft engineers, information technology professionals, airport managers, safety officers, and aerodrome reporting officers. Ensuring that there are sufficient numbers of skilled personnel is critical to the industry's sustainability.⁴⁴³
- 7.23** Australia experienced a critical shortage of pilots between 2007 and 2008. Rex was severely impacted by this, losing 130 of its 260 pilots in one year. According to Mr Lodge, Airlink was forced to withdraw its services from many of its small routes because of a lack of pilots.⁴⁴⁴
- 7.24** Regional airports can find recruitment and retention of staff particularly difficult. Ms Julie Stewart, Airport Manager, Tamworth Regional Airport, commented that the airport has an ageing workforce and replacement staff are difficult to find locally because of the skill level required. Retention of staff is also a problem:
- ...even getting the young recruits on board and getting them trained up to the services – the big city lights are obviously more attractive to younger people – getting them to stay at Tamworth and maintain their employment here is another difficulty we face.⁴⁴⁵
- 7.25** Parkes Shire Council is concerned that there are inadequate training opportunities for pilots in Australia:
- A strong aviation industry requires well trained and well skilled pilots across the board. Pilot training is largely left to the commercial operators via academies and cadet intake systems. To a lesser degree a very small number of enthusiastic aviators find their way through a highly expensive process and have to serve many flying hours often in remote areas to get the time to be of any interest to RPT services.⁴⁴⁶
- 7.26** The council suggested that a bonded training scheme or a 'HELP' style funding arrangement be considered to assist with the costs involved.⁴⁴⁷
- 7.27** Albury City Council also noted that there are some current issues with training and skill development in the industry:
- Relevant training and development is disparate and difficult to access. A coordinated industry wide approach to aviation training and improved regional access will deliver sufficient numbers of trained and skilled aviation personnel.⁴⁴⁸
- 7.28** Many regional airports are hosting training facilities for industry personnel. The Australian Airline Pilot Academy (AAPA) relocated to Wagga Wagga Airport in 2009. The AAPA, owned by Rex, offers a full time 32 week full time course for trainee pilots. The AAPA is

⁴⁴³ Submission 30, Australian Airports Association, p 20.

⁴⁴⁴ Evidence, Mr Lodge, 23 May 2014, p 34.

⁴⁴⁵ Evidence, Ms Julie Stewart, Airport Manager, Business & Events Directorate, Tamworth Regional Council, 22 July 2014, p 28.

⁴⁴⁶ Submission 41, Parkes Shire Council, p 8.

⁴⁴⁷ Submission 41, Parkes Shire Council, p 8.

⁴⁴⁸ Submission 25, Albury City Council, p 6.

integral to the Rex cadet program and also provides training and development for pilots currently employed by Rex. Since 2008 Rex has invested approximately \$30 million in pilot training.⁴⁴⁹

- 7.29** Other aviation training programs and facilities located in Wagga Wagga include the National Aerospace Training Centre of Excellence, providing technical trades training to recruits at the RAAF Base Wagga Wagga and TAFE NSW Riverina Institute providing training for Airservices Australia trainees through their Diploma of Engineering, Electronics and Communications. Wagga Wagga Airport has also developed aviation training in partnership with TAFE Riverina NSW Institute, the Transport & Logistics Industry Skills Council, Queensland Airports Ltd, and the Australian Flexible Learning Framework.⁴⁵⁰
- 7.30** Douglas Aerospace has established an aircraft painting and refurbishment facility at Wagga Wagga Airport. The facility can accommodate domestic and international aircraft up to Boeing 737-800 and Airbus A321. They are currently completing a second hanger and training facility at the airport and is anticipated that by 2014/15 the company will employ more than 40 full time staff skilled in aeronautical finishing.⁴⁵¹
- 7.31** BAE Systems Flight Training Australia (BAE Systems) is located at Tamworth Regional Airport and conducts flight screening and the first stage of flight training for Australian defence force pilots. It also hosts training courses in aircraft mechanics and engineering.⁴⁵² The BAE Basic Flight Training school trains approximately 425 students each year.⁴⁵³
- 7.32** Additionally, Tamworth Regional Airport hosts Aviskills, an aviation training college providing vocational training in Aeroskills (Avionics, Mechanical and Structures) in partnership between New England Institute of TAFE, QantasLink, BAE Systems, and Tamworth Regional Council. APAC provides training to some of Australia's largest and successful aerospace and defence industries.⁴⁵⁴
- 7.33** In 2013, Jetstar invested \$1.5 million in new training and apprenticeship programs at its heavy maintenance base in Newcastle, by offering 10 new four year apprenticeships.⁴⁵⁵
- 7.34** The Australasian Airports Association and the Transport Logistics Industry Skills Council are implementing a national training plan that is delivering training for Work Safety Officers and Aerodrome Reporting Officers as part of the National Workforce Development Fund. Training has been provided to over 100 personnel.⁴⁵⁶

⁴⁴⁹ Submission 57, Regional Express, p 3.

⁴⁵⁰ Submission 30, Australian Airports Association Attachment 2 - Deloitte Access Economics, *The economic and social contribution of Australia's Airports*, May 2012, p 48.

⁴⁵¹ Submission 30, Australian Airports Association, p 21.

⁴⁵² Submission 30, Australian Airports Association, p 20.

⁴⁵³ Submission 62, NSW Government, p 48.

⁴⁵⁴ Submission 30, Australian Airports Association Attachment 2 - Deloitte Access Economics, *The economic and social contribution of Australia's Airports*, May 2012, p 48.

⁴⁵⁵ Submission 62, NSW Government, p 48.

⁴⁵⁶ Submission 30, Australian Airports Association Attachment 1 - Australian Airports Association, *Australia's Regional Airports, Facts, Myths and Challengers*, November 2012, p 71.

- 7.35** The NSW Government provides government subsidised training under its Smart and Skilled program. In 2014, several aviation and aeroskills qualifications were eligible for assistance under this program. Between 2011 and 2013, the NSW Government funded 35 places in the Diploma of Aviation (Instrument Flight Operations) program through its Strategic Skills Program.⁴⁵⁷
- 7.36** Additionally, the Apprenticeship and Traineeship Training Program provides funding for aviation and aeroskills qualifications. According to the NSW Government there were 1,130 apprentices and 1,571 apprentices studying aviation or aeroskills in 2013.⁴⁵⁸

Committee comment

- 7.37** The committee notes the current training opportunities being provided by both government and industry and encourages the continuation of these programs.

Freight and passenger services

- 7.38** The Department of Infrastructure, Transport, Regional Development and Local Government reported that airfreight equated to less than 0.1 percent of total freight volumes across Australia.⁴⁵⁹ Similarly, the NSW Government noted there is very little movement of freight by air within the state. There following regional airports in New South Wales that have reported air freight activity to the Australian Government: Albury, Armidale, Coffs Harbour, Dubbo, Port Macquarie, Wagga Wagga and Willamtown.⁴⁶⁰
- 7.39** The most common types of freight carried by regional air services are fresh seafood and meat, scientific and medical equipment and supply (e.g blood), high value consumer goods, and mail.⁴⁶¹
- 7.40** There are very few dedicated freight air service operators in New South Wales regional areas because of the low level of demand for air freight. Most freight will be carried in the cargo holds of regular passenger transport services which is referred to as 'belly capacity' freight. The amount of freight that can be carried in this way is constrained by both the aircraft being used and the passenger weight also being carried on the plane.⁴⁶²
- 7.41** Coonamble Shire Council noted it has a daily freight service and encouraged the committee to pursue the possibility of a dual purpose service on this route as a way of restoring regular passenger transport services.⁴⁶³

⁴⁵⁷ Submission 62, NSW Government, p 39.

⁴⁵⁸ Submission 62, NSW Government, p 41.

⁴⁵⁹ Department of Infrastructure, Transport, Regional Development and Local Government, Information sheet 34 *Road and rail freight: competitors or complements*, July 2009, p 4.

⁴⁶⁰ Submission 62, NSW Government, p 43.

⁴⁶¹ Submission 62, NSW Government, p 43.

⁴⁶² Submission 62, NSW Government, p 43.

⁴⁶³ Submission 36, Coonamble Shire Council, p 6.

7.42 Regional Development Australia Riverina noted that it would support the dual use of both freight and passengers on air services but observed that additional funding would need to be provided to implement any necessary infrastructure.⁴⁶⁴

7.43 Parkes Shire Council, however, does not support a dual use model:

It is the experience of Parkes Airport that these two important services operate within their own paradigms and no economies of scale would occur from either supplier if they were combined.⁴⁶⁵

7.44 Regional airports may be restricted by their size and limited capacity to accommodate freight. Tamworth Regional Council indicated that it would need to upgrade its runway and taxiway to facilitate landing and take-off weight of a combined freight and passenger aircraft. The apron upgrade alone is estimated to cost \$300,000.⁴⁶⁶

7.45 According to the NSW Government, the airports located at Dubbo, Parkes and Tamworth have each submitted proposals to NSW Trade and Investment for assistance to upgrade their airports to accommodate freight aircraft that would be used primarily to export produce. However, the investment and lead in time for the necessary enhancements are considered to be substantial and there has been no further progress.⁴⁶⁷

Committee comment

7.46 The committee acknowledges that combining passenger and freight services may present logistical difficulties. It may prove difficult to balance passenger numbers and luggage while accommodating the required weight for freight. However, if a regional community such as Coonamble, has indicated an interest in using an existing freight service for regular passenger transport services, it is an opportunity that should be given due consideration.

7.47 The committee encourages the NSW Government to consider the dual use of freight and regular passenger transport services as part of its regional transport planning processes.

⁴⁶⁴ Submission 51, Regional Development Australia Riverina, p 6.

⁴⁶⁵ Submission 41, Parkes Shire Council, p 8.

⁴⁶⁶ Submission 40, Tamworth Regional Council, p 3.

⁴⁶⁷ Submission 62, NSW Government, p 44.

Chapter 8 Role of government

This chapter outlines the role of both the federal and state governments in supporting and sustaining regular passenger transport services in regional New South Wales. Current grant programs are discussed, along with proposals for future assistance. The expectations of the community and industry on the nature and level of government support are also explored.

Social obligation of government

- 8.1** Many inquiry participants strongly believed that government has a responsibility to regional communities to provide similar levels of support to that available in metropolitan areas. Cr Keith Rhoades, President, Local Government NSW, commented in this regard:

... Local Government NSW believes all residents of rural and regional New South Wales should be afforded equitable access to ongoing reliable air services. This includes travel for business, for education and, in particular the further west you go, for medical reasons and family and recreational purposes.⁴⁶⁸

- 8.2** Cowra Shire Council made a similar submission:

Social equity dictates that all NSW residents should benefit from a transport system that links major centres of business, services and recreation facilities with the state as a whole, regardless of their location; and that these services should be encouraged at a government level. These links are not one way from regional areas to larger centres but promote business health, education trade and recreational travel opportunities both to and from regional areas of the state.⁴⁶⁹

- 8.3** Likewise, Cobar Shire Council remarked that adequate access to air transport is an essential entitlement:

Equitable air transport should be available to all Australians regardless of where they live – not just those living in the cities and other major centres. Governments at all levels need to start looking at aviation services in regional and remote parts of Australia from a social justice perspective and start working with the regional aviation industry to find solutions.⁴⁷⁰

- 8.4** Mrs Julie Briggs, Executive Officer, Riverina Eastern Regional Organisation of Councils (REROC), commented on the apparent inequity in public transport provision in regional New South Wales in comparison to Sydney:

I see that the State Government puts a lot of money into public transport in New South Wales in Sydney. There is a lot of money sunk into State Rail, CityRail and stations and all of the periphery that goes with moving people who live in the city around the city. I am saying, “Should Wagga Wagga have to spend \$7 million to move people from my region around to get to the city?” I think that there is a role for the State to play. If there is a role for the State to play in public transport in the city to

⁴⁶⁸ Evidence, Cr Keith Rhoades, President, Local Government NSW, 15 August 2014, p 60.

⁴⁶⁹ Submission 58, Cowra Shire Council, p 3.

⁴⁷⁰ Submission 11, Cobar Shire Council, p 3.

move people about the city there is a role for the State to play in moving country people to the city.⁴⁷¹

- 8.5** In response to a question regarding transport funding in Sydney, the NSW Government advised the committee that the net cost of operating public transport (encompassing train, bus and ferry services) in the metropolitan areas of New South Wales in 2013-14 was approximately \$2 billion.⁴⁷²

- 8.6** The Bega Valley Shire Residents and Ratepayers Association Inc (BVSRRRA) argued that Government should provide and support regional air services in the same way that it delivers other infrastructure and community services:

As is the case with other types of essential infrastructure, the BVSRRRA believes that there is a critical role to be played by all levels of government in the provision of regional airservices.⁴⁷³

- 8.7** Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council noted that without government support the regional aviation industry could not continue in its current form: 'The reality is that regional aviation needs support from State and Federal Governments.'⁴⁷⁴

Committee comment

- 8.8** The committee agrees with the expectation of regional communities to have access to essential services such as transport, health, education and other community services that are comparable with those provided to residents in metropolitan cities. It is also acknowledged that government, in its quest to deliver equivalent services, is challenged by low population density, the remoteness of regional communities, and fiscal restraints.
- 8.9** The committee considers that the current lack of public transport services in regional communities hinders access to other essential community services. This is of concern and there is a need to address the needs of isolated communities, while balancing the economic reality.
- 8.10** The committee believes that regional communities should receive a level of funding for public transport services that is comparable to that provided to metropolitan areas in New South Wales. Based on the figures provided by the NSW Government, approximately \$5.5 million is expended every day to provide metropolitan bus, ferry and train services. This equates to a net cost of approximately \$1 per person per day. Similar funding for a regional area with a population of 20,000 people would see the NSW Government expend \$20,000 a day or seven million dollars annually.

⁴⁷¹ Evidence, Mrs Julie Briggs, Executive Officer, Riverina Eastern Regional Organisation of Councils (REROC), p 54.

⁴⁷² Answers to questions on notice, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 12 September 2014, p 3. Net cost of service is the cost to government after ticket purchases have been deducted.

⁴⁷³ Submission 62, Bega Valley Shire Residents and Ratepayers Association, p 2.

⁴⁷⁴ Evidence, Mr Stephen Prowse, Manager, Commercial Business, Wagga Wagga City Council, 10 June 2014, p 55.

- 8.11 If in the interests of funding parity a regional centre was to receive \$20,000 per day, it very well may be that the most beneficial and efficient model available would be a partially funded regional air service.

Recommendation 12

That the NSW Government explicitly acknowledge that regular passenger transport services in regional New South Wales are an essential service.

Current government assistance

- 8.12 Government at both state and federal levels currently provide a level of support to sustain the ongoing operation of regional airports, typically in the form of grants for infrastructure upgrades. The Australian Government's key funding initiatives are the Regional Aviation Access Programme which encompasses the Remote Airstrip Upgrade Programme (RAUP), the Community Development Grants Programme (ceasing in 2017), and the National Stronger Regions Fund.
- 8.13 The RAUP is part of the Australian Government's Regional Aviation Access Programme (RAAP) and provides funding for upgrades to remote airstrips in isolated outback communities. The key objective of the RAUP is to enhance the safety and accessibility of aerodromes in remote areas of Australia and facilitate the improved delivery of essential goods and services, including health care.
- 8.14 Projects that are considered eligible for funding include:
- upgrading runway surfaces
 - upgrading stormwater drainage
 - installation of safety equipment such as runway lighting and navigation aids
 - other infrastructure such as animal proof fencing.⁴⁷⁵
- 8.15 RAUP funding does not extend to landside works including terminals, hangars, buildings or commercial developments. The following table shows recent projects that received funding under this program.⁴⁷⁶

⁴⁷⁵ Department of Regional Development and Infrastructure, *Remote Airstrip Upgrade Programme* (9 July 2014), <<http://www.infrastructure.gov.au/aviation/regional/raug.aspx>>.

⁴⁷⁶ Department of Regional Development and Infrastructure, *Remote Airstrip Upgrade Programme* (9 July 2014), <<http://www.infrastructure.gov.au/aviation/regional/raug.aspx>>.

Table 10 Approved projects funded by Regional Airstrip Upgrade Program (RAUP)

Applicant	Aerodrome	Project	Total project cost \$	Australian Government funding 2014-2015 \$
Brewarrina Shire Council	Brewarrina	Reseal apron and taxiway	30,000	15,000
Brewarrina Shire Council	Goodooga	Reseal apron and taxiway	30,000	15,000
Central Darling Shire Council	Tilpa	Install new runway	59,800	29,900
Cobar Shire Council	Nymagee	Replace gable markers and install wind sock	28,690	14,345
Walgett Shire Council	Collarenbri	Erect animal proof perimeter fence and install GPS RNAV equipment	495,950	247,975
Walgett Shire Council	Walgett	Erect animal proof perimeter fence	204,000	101,000

8.16 The Australian Government's Community Development Grants Programme was established to provide funding for the development of local infrastructure. Approximately \$300 million dollars was allocated to the program and funding has been granted for projects ranging in value from \$2,000 to \$13 million. Funding commenced in the 2013-14 financial year and will cease on 30 June 2017. Under this program, the following projects in NSW received funding:

- Lord Howe Island Aerodrome works - \$4 million
- Armidale Airport upgrade - \$3.5 million
- Clarence Valley Regional Airport upgrade - \$1.06 million.⁴⁷⁷

8.17 The Government's \$1 billion National Stronger Regions Fund will commence in July 2015 and provide funding over five years to support investment in priority infrastructure that creates economic development opportunities across Australia's regions. Funding priority will be given to disadvantaged regions with a higher than average unemployment rate.

8.18 Organisations, including councils and community groups, will be able to apply for grants between \$20,000 and \$10 million, to meet up to half the cost of community building projects.⁴⁷⁸

⁴⁷⁷ Department of Infrastructure and Regional Development, *Community Development Grants Programme* (15 August 2014), <<http://investment.infrastructure.gov.au/funding/communitydevelopment/index.aspx>>.

Enroute Charges Payment Scheme

- 8.19** The Enroute Charges Payment Scheme was introduced by the Australian Government as a temporary arrangement to assist former Ansett subsidiaries and other regional airlines following the Ansett collapse. Under the scheme eligible regional operators had their enroute navigation charge across their whole network fully refunded by the Government. The scheme was cancelled on 1 July 2012.⁴⁷⁹
- 8.20** The federal government announced on 15 September 2014 that a new Enroute Charges Payment Scheme would commence immediately and provide subsidisation of navigation charge for airlines operating on low volume air services:
- The new Scheme will provide assistance based on the enroute navigation charges levied by Airservices Australia. For existing routes, assistance will equate to 60 per cent of the Enroute charge for an eligible flight, with assistance of 100 per cent of the charge available for new routes for up to three years.⁴⁸⁰
- 8.21** Airlines providing a regular passenger transport service on routes carrying up to 15,000 passengers per year using aircraft with a maximum take-off weight on 15 tonnes are able to apply for subsidisation under the Scheme. The service can link the regional community with either a capital city or major regional centre. One million dollars will be allocated each year for the next four years to fund the program.⁴⁸¹
- 8.22** Funding will be subject to availability and preference will be given to new eligible routes that commenced on or after 1 July 2014.⁴⁸²
- 8.23** The regional aviation sector has welcomed the introduction of the new scheme but is disappointed with the level of funding that has been allocated. Mr Paul Tyrrell, Chief Executive Officer, Regional Aviation Association of Australia noted that the previous scheme provided \$5 million in funding each year, 'It is absolutely better than nothing and we are grateful for that but it is a very small amount of money across the country.'⁴⁸³
- 8.24** Mr Tyrrell is hopeful that the new scheme will help to sustain existing services and assist in the establishment of new services.⁴⁸⁴

⁴⁷⁸ Department of Infrastructure and Regional Development, *National Stronger Regions Fund* (8 October 2014), <<http://investment.infrastructure.gov.au/funding/NSRF/index.aspx>>.

⁴⁷⁹ Australian Government, *National Aviation Policy White Paper*, December 2009, p 57.

⁴⁸⁰ Media Release, Hon Warren Truss, MP, Deputy Prime Minister, Minister for Infrastructure and Regional Development, 'Regional air services boosted by revival of Enroute Scheme', 15 September 2014.

⁴⁸¹ Media Release, Hon Warren Truss, MP, Deputy Prime Minister, Minister for Infrastructure and Regional Development, 'Regional air services boosted by revival of Enroute Scheme', 15 September 2014.

⁴⁸² Department of Infrastructure and Regional Development, *Air Services Australia Enroute Charges Payment Scheme Guidelines*, 7 August 2014, p 6.

⁴⁸³ Australian Aviation, *Industry welcomes government revival of enroute scheme*, <<http://australianaviation.com.au/2014/09/government-revives-enroute-scheme/>>.

⁴⁸⁴ Australian Aviation, *Industry welcomes government revival of enroute scheme*, <<http://australianaviation.com.au/2014/09/government-revives-enroute-scheme/>>.

Strengthening Aviation Security Initiative

8.25 The Strengthening Aviation Security Initiative was announced on 9 February 2010 and provided funding for the following four years for the development and implementation of security infrastructure at airports. The funding was made available to regional airports implementing passenger and baggage screening for all regular public transport and open charter air services utilising aircraft with a maximum take-off weight greater than 20,000 kilograms.⁴⁸⁵

8.26 The NSW Government funding initiatives for aviation include support for infrastructure developments and assistance for new business initiatives.

8.27 NSW Trade and Investment administers the State Investment Attraction Scheme and the Regional Industries Investment Fund:

Both programs are designed to encourage business investment in NSW and support the creation and growth of employment across all sectors and regions of the state, including aviation.⁴⁸⁶

8.28 The NSW Government has invested in a number of initiatives in the aviation sector and contributed funding for the following projects:

- \$1.27 million for the upgrade of Orange Airport in 2012
- \$1.6 million for infrastructure upgrades at Glen Innes Aerodrome in 2013
- \$11.1 million for the expansion of the Newcastle Airport terminal.⁴⁸⁷

8.29 The NSW Government Resources for Regions program was established to fund projects that will improve local infrastructure in mining affected communities. Through this program, in 2013-14, the Government provided \$5.9 million to upgrade and expand Narrabri Airport, and \$2.5 million for upgrading the runway at Cobar Regional Airport.⁴⁸⁸

Issues with current funding models

8.30 Several inquiry participants were critical of the funding models of both levels of government, and commented on a lack of funding, and the complexity of the application process.

8.31 Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association (AAA), informed the committee that funds were scarce and difficult to secure:

Unfortunately, due to the nature of a lot of these funding arrangements that might be available – and they are very few, I might add – their requirements are very strict.

⁴⁸⁵ Department of Infrastructure and Regional Development, *Strengthening Aviation Security Initiative* (1 July 2014), <<http://www.infrastructure.gov.au/transport/security/aviation/strengthening.aspx>>.

⁴⁸⁶ Submission 62, NSW Government, p 36.

⁴⁸⁷ Submission 62, NSW Government, p 37.

⁴⁸⁸ Media Release, Andrew Stoner MP, Minister for Trade and Investment, Minister for Regional Infrastructure and Services, 'Resources for Regions provides \$75 million boost to regional infrastructure', 18 March 2014.

Those airports that I have been talking to would not qualify because they do not have RPT. These communities that I am thinking of did not necessarily have another airport in close proximity so it was going to have longer-term implications for the economic viability of those communities.⁴⁸⁹

- 8.32** Mr Raymond Smith, General Manager, Bland Shire Council, spoke of the difficulty in getting assistance from the Federal Government, particular for small councils:

We have to compete against the Waggas and the Griffiths and the Dubbos for funding. Resource-wise in Bland Shire Council, I do not have the staff that I can allocate to put in a really good submission that can take days, if not weeks to put together. That competitiveness disadvantages the smaller rural councils, whereas if you had specific funding allocated to the local government area, it would be much more beneficial.⁴⁹⁰

- 8.33** Mr Smith also commented on the selection criteria for the various grant programs and noted it changed regularly:

Sometimes the criteria changes from program to program, which makes it difficult for a council the size of Bland to really be competitive when the criteria keeps changing. We were only advised today that there is another Federal Government program coming out in 2015 where preference will be given to areas with high unemployment and yet we do our best to provide employment in our own town and now we could be penalised for providing employment because we do not have high unemployment so we will not meet the criteria for the Federal Government.⁴⁹¹

- 8.34** Mr Jeffery Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council, remarked that councils can be eliminated on criteria that does not reflect the characteristics of the wider region:

The other figure they are using at the moment is the Socio-Economic Indexes for Areas [SEIFA], which is from the Australian Bureau of Statistics, and having a goldmine is not beneficial to those applications either because if you look at our SEIFA ranking we are 82 whereas the surrounding councils are around 42.⁴⁹²

- 8.35** Mr Smith suggested that the Federal Government Regional Development Australia Fund Round 5, should be reintroduced as it allocated funding on a non-competitive basis to local government areas.⁴⁹³

- 8.36** Mr Warrick Lodge, General Manager, Network Strategy and Sales, Regional Express, indicated the current funding model is not targeted at those airports that have the most need:

There are regional airports that deserve some funding to help upkeep aprons, taxiways and runways, whereas airports that are already generating in excess of \$1 million a year

⁴⁸⁹ Evidence, Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association, 15 August 2014, p 51.

⁴⁹⁰ Evidence, Mr Raymond Smith, General Manager, Bland Shire Council, 10 June 2014, p 29.

⁴⁹¹⁴⁹¹ Evidence, Mr Smith, 10 June 2014, p 34.

⁴⁹² Evidence, Mr Jeffery Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council, 10 June 2014, p 34.

⁴⁹³ Evidence, Mr Smith, 10 June 2014, p 29.

in airport head taxes seem to be able to access either State or Federal government funding and to inject that into their airport.⁴⁹⁴

- 8.37** Mr Lodge commented on the funding that was recently provided for enhancements at both Griffith and Orange Airports and questioned if the funding could have been better directed:

When you look at an amount of say \$1.4 million that Griffith may have received to do their terminal upgrade, that is a lot of money and that could go a long way in terms of assisting many regional airports. I am not disagreeing with that funding for Griffith but there are many decisions in terms of funding where the funding amounts are quite significant. There was about \$4.5 million worth of Federal government funding into Orange airport. That could give nine struggling regional airports \$500,000 to inject into necessary runway works that need to happen which they are struggling to achieve.⁴⁹⁵

- 8.38** Ms Wilkie believes there is merit in having a regional approach to the allocation of funds and refers to a model of this type that is operating in Western Australia:

The Western Australia Regional Airport Development Scheme (RADS) is probably the most comprehensive. RADS was based on royalties for regions so obviously I appreciate that Western Australia had a little more money. Its funding was based on a 50:50 split. It did not necessarily need to be for something large. I remember there was one example of an aerodrome that needed to get a new wind sock. Wind socks are quite expensive, and the funding went half in from them and half in from the council.⁴⁹⁶

Committee comment

- 8.39** The committee acknowledges the benefit existing funding programs provide to regional airports. It is noted, however, that the current process for applying for grants can be difficult for smaller councils. The committee believes that organisations such as the Australian Airports Association, Regional Development Australia, and representative bodies including regional organisations of councils, could assist councils with advice on grant applications.
- 8.40** Government agencies should also develop grant application processes that are simplified, while still applying necessary criteria, which are clearly explained and relevant.

Recommendation 13

That the NSW Government considers the role of the Australian Airports Association, Regional Development Australia, and representative bodies including regional organisations of councils could play in providing advice and support on grants funding and application processes.

⁴⁹⁴ Evidence, Mr Warrick Lodge, General Manager, Network Strategy Sales, Regional Express, 23 May 2014, p 32.

⁴⁹⁵ Evidence, Mr Lodge, 23 May 2014, p 32.

⁴⁹⁶ Evidence, Ms Wilkie, 15 August 2014, p 52.

Recommendation 14

That the NSW government to continue to support aviation through grant programs and ensure that the application processes are uncomplicated and easy to follow.

Proposals for government assistance

- 8.41** Several inquiry participants gave evidence that the level of assistance provided by government could be increased, particularly for those regions where regular passenger transport services are proving to be unsustainable. It was suggested that government had to rethink its approach to regional aviation.
- 8.42** For instance, Ms Julie Robertson, Economic Development Officer, Mid Western Regional Council gave evidence that government needed to find a way to make regional air services to places like Mudgee operate and succeed. Further, there is a need for government to consider regular passenger transport as an essential service, as opposed to a commercial activity.⁴⁹⁷
- 8.43** Similarly, Cobar Shire Council remarked that government needed to recognise that the market based approach to regional air services is not effective in all situations and cannot be relied on for air services that have low passenger activity.⁴⁹⁸
- 8.44** Mr Brad Cam, General Manager, Mid Western Regional Council, recommended that government increase its level of support and allocate funds to support regional airlines flying on routes with less than 20,000 passengers.⁴⁹⁹
- 8.45** Councillor Danny Keady, Deputy Mayor, Coonamble Shire Council, agreed that if regional air services are to continue across New South Wales, the government has to contribute:
- There is no way out for the Government from investing in regional air. Call it a subsidy, call it what you like, there is going to have to be a level of investment that is going to be needed regionally to be able to make it work.⁵⁰⁰
- 8.46** Councillor Keady suggested that regional aviation services should be subsidised in a manner that provides a similar level of support to that given for Sydney buses, trains, and ferries.⁵⁰¹
- 8.47** Cobar Shire Council suggested that the government implement a system of subsidised regular passenger transport routes that is similar to the model operating in Queensland.⁵⁰²
- 8.48** The Queensland Department of Transport and Main Roads subsidises a number of regular passenger transport air services to ensure that identified transport-disadvantaged communities

⁴⁹⁷ Evidence, Ms Julie Robertson, Economic Development Officer, Mid Western Regional Council, 24 July 2014, p 52.

⁴⁹⁸ Submission 11, Cobar Shire Council, p 3.

⁴⁹⁹ Evidence, Mr Brad Cam, General Manager, Mid Western Regional Council, 24 July 2014, p 52.

⁵⁰⁰ Evidence, Cr Danny Keady, Deputy Mayor, Coonamble Shire Council, 24 July 2014, p 29.

⁵⁰¹ Evidence, Cr Keady, 24 July 2014, p 29.

⁵⁰² Submission 11, Cobar Shire Council, p 4.

have year-round access to a range of essential business, educational, medical, and cultural services in larger centres, reducing the social and economic isolation of rural and remote communities.⁵⁰³

8.49 The current contract holders and their corresponding regulated air services routes are:

Skytrans

- Western 1 (Brisbane – Toowoomba – St George – Cunnamulla – Thargomindah)
- Western 2 (Brisbane – Toowoomba – Charleville – Quilpie – Windorah – Birdsville – Bedourie – Boulia – Mount Isa)
- Gulf (Cairns – Normanton – Mornington Island – Burketown – Doomadgee – Mount Isa).

Regional Express

- Northern 1 (Townsville – Winton – Longreach)
- Northern 2 (Townsville – Hughenden – Richmond – Julia Creek – Mt Isa).

QantasLink

- Northern 3 (Townsville – Cloncurry – Mt Isa)
- Central 1 (Brisbane – Roma – Charleville)
- Central 2 (Brisbane – Blackall/Barcaldine – Longreach)
- Horn Island (Cairns – Horn Island)
- Weipa (Cairns – Weipa).

8.50 The Queensland Government contributes approximately \$8.5 million per annum to ensure the continued operation of these services.⁵⁰⁴

8.51 The Western Australian Government also subsidises a regular passenger transport service which services the Kimberley communities of Broome, Derby, Fitzroy Crossing and Halls Creek.⁵⁰⁵

8.52 Mr Lodge explained the Queensland model to the committee during evidence:

⁵⁰³ Queensland Government, *Contracted Air Services*, Department of Transport and Main Roads, (25 June 2014) <<http://www.tmr.qld.gov.au/Travel-and-transport/Qconnect/Regulated-air-services.aspx>>.

⁵⁰⁴ Queensland Government, *Contracted Air Services*, Department of Transport and Main Roads, (25 June 2014) <<http://www.tmr.qld.gov.au/Travel-and-transport/Qconnect/Regulated-air-services.aspx>>.

⁵⁰⁵ Department of Transport, *Review of regulated regular public transport air routes in Western Australia, position paper for public comment*, July 2014, p 17 <http://www.transport.wa.gov.au/mediaFiles/aviation/AV_P_ReviewRegulatedAirRoutesRPT.pdf>.

Essentially there is a revenue component that is derived from the passengers travelling on those remote routes and then the subsidy tops up that revenue to a requirement that delivers an agreed profit margin.⁵⁰⁶

8.53 Mr Lodge noted that the degree of subsidisation is broadly worked out on a five per cent profit margin.⁵⁰⁷

8.54 Mr David Aber, General Manager, Moree Plains Shire Council, however, cautioned against subsidisation:

...if we go too far into subsidisation of the actual service, is that the service becomes lazy and reliant on the government subsidy. The danger in that I see is that, okay it might be all right in the short to medium term, but in the long term sooner or later we are going to wake up as the Government is saying “Why are we funding this?” and pulls out. Then the community loses that service. It is better in the long term to be lean and hungry and actually operating efficiently than to be fat and lazy.⁵⁰⁸

Supporting services through government use

8.55 State government agencies regularly use aviation services to deliver a range of government programs relating to health, education and law enforcement activities. During 2012-13, government employees undertook 40,874 intrastate journeys at a cost of \$15.8 million.⁵⁰⁹

8.56 However, the demise of regular passenger transport services to particular communities has resulted in many public servants driving greater distances, chartering planes, or delivering their services remotely by phone or video connection, or from another regional centre that has an air service.

8.57 It was suggested by many inquiry participants that the NSW Government could support the re-establishment of air services that have ceased by providing a commitment to potential operators that the service would be used in the provision of government services.

8.58 For instance, Cobar Shire Council commented that government should guarantee to purchase a prescribed number of seats from a service provider where there is evidence that the community is a high level user of government services, such as Cobar.⁵¹⁰

8.59 Similarly, Walgett Shire Council submitted that the state government should underwrite government employee’s airfares as part of its tender process for a regular passenger transport service provider operating on a marginal route.⁵¹¹

8.60 Many regional communities have a high reliance on government services. For instance, Coonamble Shire Council provided evidence of the region’s significant use of community, health and education services:

⁵⁰⁶ Evidence, Mr Lodge, 23 May 2014, p 30.

⁵⁰⁷ Evidence, Mr Lodge, 23 May 2014, p 30.

⁵⁰⁸ Evidence, Mr David Aber, General Manager, Moree Plains Shire Council, 23 July 2014, p 3.

⁵⁰⁹ Submission 62, NSW Government, p 34.

⁵¹⁰ Submission 11, Cobar Shire Council, p 4.

⁵¹¹ Submission 39, Walgett Shire Council, p 4.

By way of illustration, Coonamble has an indigenous population of approximately 30 per cent. The Coonamble Aboriginal Health Services (CAHS) provides essential medical and health services. Currently, CAHS pays to fly locum medical practitioners and specialists on a weekly basis from Sydney and to hire a car from Dubbo...

Coonamble High and Primary schools, with roughly 70 percent aboriginal student population, are both part of the NSW Government's Connected Communities Program. As a result, specialist consultants other DET personnel frequently travel to Coonamble from Sydney and further afield.⁵¹²

- 8.61** Regional Development Australia – Orana remarked that health and community services is the third most dominant sector in the Orana region and there is a large amount of travel undertaken by professionals carrying out these services. One example provided was related to a business located in Bourke, operating as an Australian Disability Enterprise:

Twice yearly contractors visit the business to undertake a Quality Audit. Each staff member (currently 10) is separately assessed for work readiness annually, again by external contractors. The federal funding body visit once or twice yearly, and training is conducted by consultants three or four times annually.

Assuming each visit is only undertaken by one person, this equals 18 return trips between Sydney and Bourke annually, for one small business.⁵¹³

- 8.62** Guided by its Orana Action Plan, the NSW Government is conducting a study to determine the travel needs of local, state and federal government staff who provide services across the region. The aim of this is to investigate option for improving air services to communities such as Lightning Ridge, Walgett, Brewarrina and Bourke:

The Department of Premier and Cabinet is leading this work. In particular, the work is examining the feasibility of using existing and future government travel demand as a means of attracting an airline to provide an air service to remote and regional communities. This coordinated, strategic procurement may provide a sufficient base level of demand to elicit the restoration of passenger airline services.⁵¹⁴

- 8.63** Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW (TFNSW), provided an update on the progress of the study during evidence:

A fair amount of work has been undertaken to date. Our involvement will be because we have the procurement infrastructure in place to determine whether an operator may wish to fly under certain circumstances. The pooling of government resources about people taking seats on those flights is being looked at right at the moment. Due diligence is underway in some fairly large departments, such as health and education. To trial this means you need to get the design and everything right first. We would prefer to do that than get something started without having full visibility of the level of demand.⁵¹⁵

⁵¹² Submission 36, Coonamble Shire Council, p 3.

⁵¹³ Submission 15, Regional Development Australia Orana, p 3.

⁵¹⁴ Submission 62, NSW Government, p 34.

⁵¹⁵ Evidence, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 10 June 2014, p 13.

- 8.64** Mr Reardon noted that TFNSW will have a role in conducting a licence process, if a service eventuates, which will specify how many seats will be used by government.⁵¹⁶

Committee comment

- 8.65** The current feasibility study being conducted by the NSW Government is a positive initiative. The committee is hopeful that it will be finalised soon and eventuate in the restoration of an air service for isolated communities in the Orana region. The committee encourages the government to conduct similar assessment processes across other communities that are without regular passenger transport services.

Recommendation 15

The current NSW government assessment of air services in the Orana region be finalised promptly.

Recommendation 16

That the NSW government undertake studies similar to the Orana regional assessment, in other regional and remote communities that are without air services.

Regulation and licensing

- 8.66** As discussed in chapter 2, TFNSW is responsible for granting or refusing licences for air service providers wishing to operate on regulated routes under the *Passenger Transport Act 2014*.
- 8.67** Evidence received by the committee indicated varying levels of support for regulation of routes. Mr James Davis, Chair, Regional Airport Association of Australia, believes regulation adds little value, and imposes a level of unnecessary complication:

We think it probably had some merit in the early days when you did have a lot of small airlines, some of them operating Chieftains and that sort of thing, and they were struggling and there was a need seen to protect those airlines by giving them exclusive rights to a route. By and large they are all gone.

You have now got Rex, Qantas and, I think, Vincent operating a couple of regulated routes. So I do not think the need is there to protect those small airlines anymore and this system simply complicates the whole issue. The other thing is it does not protect the community because under the system an airline can be given a regulated route but they could still withdraw from it, as indeed Rex has done in the past.⁵¹⁷

⁵¹⁶ Evidence, Mr Reardon, 10 June 2014, p 13.

⁵¹⁷ Evidence, Mr James Davis, Chair, Regional Aviation Association of Australia, 23 May 2014, p 38.

- 8.68** The Aviator Group, however, considered regulation as essential for the protection of smaller regional carriers who have invested considerable resources in establishing an air service:

The granting of exclusivity in New South Wales where a route has fewer than 50,000 passengers annually allows an airline to commit to significant capital investment that makes a regional service possible. In fact, it should be considered that the benchmark of 50,000 passengers annually be lifted to 75,000 owing to the significant and ever increasing level of financial commitment required by an operator.⁵¹⁸

- 8.69** Rex maintained that regulation will not protect an airline from collapse if the route it is operating is unviable:

Thin regional routes that lack economies of scale and necessary efficiencies will not be more sustainable due to the licensing of the route and this was evident with the collapse of Brindabella airlines in mid-December 2013.⁵¹⁹

- 8.70** However, there was a level of support from regional airports for regulation and several regional councils believed that route regulation did help protect their air services. Mr Duncan McWhirter, Director, Corporate Services, Leeton Shire Council, noted his support for regulation:

Our view is that the protection of the current airline that services Leeton-Narrandera is pretty important. My experience is that, in the aviation industry, there are not a lot of other participants knocking on the door. So, whilst it sounds like a good idea, creating an environment that might increase the competition faced by the one player actually may not be a good idea. If it resulted in Regional Express having to make some hard decisions and pulling out of the route then that would be disastrous for our towns. Our view is that, while lack of competition or whatever you want to call it might cause the airline ticket price to be a bit higher than average, the flow-on effect of having that service for the region is critical.⁵²⁰

- 8.71** Mr Reardon advised the committee that the recently introduced *Passenger Transport Act 2014* removed the presumption of regulation that was provided under the previous Act. However, the Director General, Transport for NSW could declare a route to be regulated, if it is considered that it was necessary for market protection. The new Act and its presumption of deregulation has provided a more flexible process for operators:

... I think the presumption of deregulation may allow for some operators, more nimbly and with a bit more agility, to come forward and say they would like to service a certain community and to have a conversation with government about that. That may be the outcome.⁵²¹

- 8.72** Before a declaration is made to specify an air route as regulated, the legislation requires that regard must be given to the needs of the community.⁵²² Current air transport licences will remain unaffected by this regulatory change.⁵²³

⁵¹⁸ Submission 47, Aviator Group, p 19.

⁵¹⁹ Submission 57, Regional Express, p 23.

⁵²⁰ Evidence, Mr Duncan McWhirter, Director, Corporate Services, Leeton Shire Council, 10 June 2014, p 39.

⁵²¹ Evidence, Mr Reardon, 10 June 2014, p 7.

⁵²² Passenger Transport Act 2014, pt 1, s 7(3).

8.73 The new Act has also included provision for TfNSW to award a temporary licence for a regulated route where there has been a service failure, should there be another service provider willing to service the route.⁵²⁴

8.74 Mr Reardon noted that this will provide a smoother process and allow a quicker transition to a new service provider. In relation to the collapse of Brindabella Airlines, and the subsequent appointment of QantasLink as the licensee for the Moree service, he commented:

We moved as quickly as we could leading up to Christmas last year, but it is still—a technical term—a clunky process with the licence: revoking it and getting another operator on line. We got that done within a week, a week and a half, but it should be a smoother process. So there are some temporary licence considerations within that new *Passenger Transport Act*.⁵²⁵

8.75 Several regional councils identified a level of dissatisfaction with the involvement they currently have in the appointment of an airline to operate on a regulated route. Mr Andrew Greenway, Divisional Manager, Business Development and Events, Eurobodalla Shire Council, commented he would like to see local government more involved in the process:

In the process of the licence being awarded, I seem to recall it being the State Government and the operator; there was no sort of partnership with the destination. We were a bit player in the process. So if the regime stays then a greater partnership approach would be of benefit, but I do not see much advantage when we are never going to have more than one serviced provided in Moruya.⁵²⁶

8.76 Moree Plains Shire Council was very critical of the tender process that resulted in the appointment of Brindabella Airlines as the service provider on the Moree to Sydney regulated route:

...the Department of Transport let us down seriously because they did not come to the community and they did not ask what we wanted. That had always happened before. There might be a couple of companies. I remember Rex and Qantas back in 2007 and 2008 came to the community. Both companies got to present what they had. They brought aircraft here. People were able to get on the aircraft and have a look and see what they were actually getting. There was none of that this last time.⁵²⁷

8.77 Mr David Aber, General Manager, Moree Plains Shire Council, submitted that the NSW Government has to offer regional councils to participate in a more open, transparent and consultative process:

⁵²³ Answers to questions on notice, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 12 September 2014, p 8.

⁵²⁴ Answers to questions on notice, Mr Reardon, p 9.

⁵²⁵ Evidence, Mr Tim Reardon, Deputy Director General, Policy and Regulation, Transport for NSW, 15 August 2014, p 10.

⁵²⁶ Evidence, Mr Andrew Greenway, Divisional Manager, Business Development and Events, Eurobodalla Shire Council, 11 June 2014, p 16.

⁵²⁷ Evidence, Cr Katrina Humphries, Mayor, Moree Plains Shire Council, 23 July 2014, p 7.

We have to be involved and consultation has to happen through the local community in terms of these groups. To ignore the passenger requirements and to make a decision on high does not work.⁵²⁸

8.78 Mr Reardon assured the committee that TFNSW is committed to consulting with community:

We want to ensure that we learn the lessons of how to consult with the community so we know specifically what the community want. We believe that through council we are getting the voice of the community.⁵²⁹

8.79 In response to feedback from both Moree and Narrabri, TFNSW subsequently enhanced and extended its consultation process to allow further communication with local communities prior to granting a licence to the air service provider. Mr Reardon commented on the consultation methods which will now be used:

We did that through community representatives and establishment of community advisory groups with nominees from each council to provide advice to the tender assessment panel.⁵³⁰

8.80 While TFNSW is obliged to comply with probity and commercial in confidence requirements, appropriate and allowable concessions have been made to include the general manager of a council in the tender precess to a greater extent than what was possible in the past.⁵³¹

8.81 Several inquiry participants were also concerned that TFNSW was not applying due diligence in selecting air service providers. It was recommended on a number of occasions that a more rigorous assessment be undertaken to guard against airlines suddenly withdrawing from services, as was the case recently with Brindabella Airlines and Vincent Aviation.

8.82 In this regard, Rex made the following comment:

Rex also questions the due diligence of the Transport for NSW route licensing process in that Brindabella airlines were awarded a number of NSW licenced routes within 12 months of their financial collapse. Due to the extent of monies owed (\$37 million) to creditors the financial signs should have been clearly visible.⁵³²

8.83 QantasLink recommended that Transport for NSW 'include some form of business viability test' for airlines seeking to participate in the New South Wales regulated routes application process.⁵³³

8.84 Moree Plains Shire Council similarly suggested 'a high level of appropriate due diligence and scrutiny needs to be applied in the selection process.'⁵³⁴ Additionally the council urged

⁵²⁸ Evidence, Mr Aber, 23 July 2014, p 11.

⁵²⁹ Evidence, Mr Reardon, 10 June 2014, p 15.

⁵³⁰ Evidence, Mr Reardon, 15 August 2014, p 3.

⁵³¹ Evidence, Mr Reardon, 15 August 2014, p 7.

⁵³² Submission 57, Regional Express, p 24.

⁵³³ Answers to questions on notice, Mr John Gissing, Chief Executive Officer, QantasLink, 20 June 2014, p 2.

⁵³⁴ Submission 26, Moree Plains Shire Council, p 29.

Transport for NSW to conduct ‘a rigorous review of an airlines capacity’ to deliver a reliable and safe service.⁵³⁵

- 8.85** In response to this evidence, Mr Reardon noted that TFNSW had implemented measure to augment due diligence:

I would like to make some comments on due diligence in our processes. As part of the standard New South Wales government procurement process Transport for NSW undertakes due diligence on each airline at the time of the application and throughout the term of the licence, once granted. Airlines are required to provide Transport for NSW, within two weeks, a copy of any amendment to, or renewal of, the operator's declaration of insurance. Since March 2013 it is also a condition of any new licence that airlines provide Transport for NSW with the operator's annual audited financial statements within three months of the end of the relevant reporting period of that financial year.⁵³⁶

- 8.86** Mr Reardon added that this process enabled an assessment of financial viability at the time of the application and at the end of each financial year during the term of the licence.⁵³⁷

- 8.87** Further, the licence applicant was now required to sign a release form that allows Transport for NSW to access and share information that the Civil Aviation Safety Authority may have in relation to the airline operator that may be relevant to the airline's ability to continue operate.⁵³⁸

- 8.88** Mr Reardon suggested that there may be a need for more regular reporting but noted there may be difficulty in getting the information for those airlines that are not publicly listed:

The only comment I make is the frequency and availability of the information. For those that are publicly listed we get to see what they say and we certainly did over the past year. For those that are not, the only comment I make is that the seeking of that information is not as fast moving.⁵³⁹

- 8.89** Transport for NSW noted it is attempting to enhance its level of monitoring while operating in a framework that is essentially light touch regulation.⁵⁴⁰

- 8.90** The AAA noted its preference for light hand regulation to continue:

...the AAA believes that commercial issues should be negotiated solely between the airline and the airport, without the risk of further regulatory intervention where it may not be necessary. The AAA supports a light-handed approach to airport regulation and believes that market interference should be kept to a minimum.⁵⁴¹

⁵³⁵ Submission 26, Moree Plains Shire Council, p 29.

⁵³⁶ Evidence, Mr Reardon, 15 August 2014, p 3.

⁵³⁷ Evidence, Mr Reardon, 15 August 2014, p 3.

⁵³⁸ Evidence, Mr Reardon, 15 August 2014, p 3.

⁵³⁹ Evidence, Mr Reardon, 15 August 2014, p 5.

⁵⁴⁰ Evidence, Mr Reardon, 15 August 2014, p 5.

⁵⁴¹ Answers to questions on notice, Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association, 15 September 2014, p 1.

Committee comment

- 8.91** The committee acknowledges that while there is considerable support for regulation of routes with passenger numbers of less than 50,000, it is also of the view that deregulation can provide opportunities for growth.
- 8.92** The committee notes that the new passenger transport legislation has removed the presumption of regulation and the needs of the community will be considered before a route is declared as regulated. The committee believes that local councils who have an air route that is currently regulated should be consulted by Transport for NSW to discuss if deregulation, which could lead to increased competition and growth, is preferable to regulation.
- 8.93** The committee acknowledges the positive impact the new passenger transport legislation will have on the capacity of Transport for NSW to respond quickly when an airline withdraws its services. The committee also recognises the initiatives Transport for NSW has put in place to improve consultation with community. The committee accepts that Transport for NSW has also acted to improve its due diligence when selecting air service provider.
- 8.94** The committee encourages Transport for NSW to continue to consult extensively with community and look for ways to involve local government in the selection of an air service that they will ultimately have to work with closely to maintain air services.
- 8.95** The committee believes as part of its consultation during the tender process, Transport for NSW should discuss with airport owners any plans they have for the airport in terms of future use and growth. This information should be included in the information provided to air service providers as part of the tender process.
- 8.96** The committee believes that there is a lack of understanding within the community about the role of Transport for NSW and that of local government in relation to the licence process and the delivery of the air service. A guide to the process, including a clear statement of responsibilities for both levels of government should be developed. The guide should also outline stages of consultation with community, the selection process for the RPT provider, and monitoring the service provided.

Recommendation 17

That Transport for NSW consult with local councils who currently have a regulated air route to discuss if deregulation is preferable to regulation.

Recommendation 18

That Transport for NSW consult with local government in a transparent and open way throughout the licence tender process and on the appointment of an airline, and continue to make improvements to consultation processes.

Recommendation 19

That Transport for NSW develop a guide for local government that clearly explains the department's role, and the responsibilities of council in relation to managing the relationship with the airline.

Strategic planning

8.97 Many inquiry participants commented that there was a need to improve planning, coordination, direction and strategy development for aviation, particularly given the forecast for continuing change in the air services industry, increasing infrastructure costs, and further contraction of air services.

8.98 The AAA recommended that the NSW Government take a lead role in the development of an state wide aviation strategy:

The strategy would establish a clear vision for aviation in New South Wales that will support and promote the economic and social development of the State through the provision of safe, affordable, efficient and effective aviation services and infrastructure. It would also aim to provide a sound framework for policy setting, future planning and investment in New South Wales air services and airport infrastructure.⁵⁴²

8.99 Similarly, the BVSRRRA remarked that there should be a commitment from all levels of government to pursue an integrated and aligned strategy in support of all regional services and airport operators.⁵⁴³

8.100 Mr John Walkom, Chair, Regional Development Australia Orana remarked that there needed to be a greater emphasis on regional assessment and planning, and requested government assistance in establishing this:

A regional network assessment of transport services is needed. Such a study would assess the current and hidden demands for services, examine other transport linkages, including road and rail, and consider the interdependency between the region's major towns. It would uncover the potential of expanding cost-effective RPT services in this region. We will be pursuing the opportunity to develop this evidence base. Discussions of where RPT services could operate and be economically sustainable should be based on good research and we would ask for the Government's support in this endeavour.⁵⁴⁴

8.101 Mr Mark Riley, General Manager, Dubbo City Council, similarly noted that better regional planning was needed:

The challenge for local Government, and this is what is coming forward in terms of the local Government review, is the need for this regional planning. I think there is

⁵⁴² Submission 30, Australian Airports Association, p 21.

⁵⁴³ Submission 65, Bega Valley Shire Residents and Ratepayers Association, p 2.

⁵⁴⁴ Evidence, Mr John Walkom, Chair, Regional Development Australia – Orana, 24 July 2014, p 2.

value in getting together all the councils as they currently exist and identifying what the issues are. Obviously air transport is an issue. If we as a whole region can develop a strategy so that everyone is on board and we all move forward at the same level then I think there is value in that.⁵⁴⁵

8.102 Central NSW Tourism and Central NSW Councils (CENTROC) indicated a willingness to work with state government to develop a regional aviation strategy, which should consider:

- opportunities for regional aviation manufacturing and servicing with special reference to a region's location
- community/aerodrome decision making and compliance regarding RPT and licensing
- RPT and its role in tourism.⁵⁴⁶

8.103 Regional Development Australia Sydney also remarked that state government could play a significant role in fostering economic development and increasing opportunities for airports:

...we believe that new regional aviation economic development strategies (including regional aviation manufacturing) need to be developed around and supported by the state government as part of the new Regional Economic Development Strategies. These strategies should take into account the key local industries, regional competitive strengths, connectivity, and location of other centres, transport corridors and major infrastructure.⁵⁴⁷

8.104 In relation to the role TFNSW could play in the development of a strategic approach to aviation across regions, Mr Reardon commented:

We put out the Long Term Transport Master Plan for the State recently, as you would be aware. We then put out regional plans for each region, which talk about all modes of transport within a region. We are now going into what that means longer term for rail strategy and ultimately other modes as well. That is what we are doing in a planning sense.⁵⁴⁸

8.105 Beyond noting the importance of regional air services and confirming a commitment of government support, the Long Term Transport Master Plan provides no further information on how the government will plan for the future of aviation in regional communities.

Committee comment

8.106 It is evident that the availability of air services is determined by the viability of routes and not on the needs of regional and remote communities. The committee acknowledges that continuation of the current model of service provision without additional government assistance will not result in the re-establishment of air services where they have been

⁵⁴⁵ Evidence, Mr Mark Riley, General Manager, Dubbo City Council, 24 July 2014, p 6.

⁵⁴⁶ Submission 32, Central NSW Councils (CENTROC) and Central NSW Tourism NSW, p 7.

⁵⁴⁷ Answers to questions on notice, Mr Robert Germaine, Executive Officer, Regional Development Australia, 20 June 2014 p 2.

⁵⁴⁸ Evidence, Mr Reardon, 15 August 2014, p 10.

withdrawn. It may lead to a further decline of services as air service providers direct their interests to routes that are profitable.

8.107 The committee is of the view that the location of the responsibility for regional air services within Transport for NSW is neither a comfortable nor logical fit. It is fair to say that the primary focus of this agency is the provision of public transport services to the metropolitan areas of New South Wales.

8.108 The committee believes that responsibility for regional air services would sit better within a Ministerial portfolio that has a strong regional focus (Regional Infrastructure and Services) or expertise in the provision of transport infrastructure, often in partnership with the private sector (Roads and Freight). More importantly regional air services, now more than ever, require a strong advocate.

Recommendation 20

That regional air services be located within the portfolio responsibilities of the Minister for Regional Infrastructure and Services.

8.109 The committee is of the view that the NSW Government should establish and lead a taskforce that includes representatives from the aviation industry and local government. The taskforce should develop a framework to facilitate a regional approach to the provision of aviation services, including further examination of hub and spoke systems. The task force should consider service linkages with other transport methods including road and rail and take into consideration the concerns raised by this report and the recommendations of the committee.

Recommendation 21

That the NSW Government establish a regional aviation taskforce under the direction of the Minister for Regional Infrastructure and Services, supported by a parliamentary secretary that takes into consideration the concerns raised by this report and the recommendations of the committee.

Appendix 1 Submission list

No	Author
1	Mr Glen Crump
2	Lake Macquarie City Council
3	Coffs Harbour City Council
4	Bega Valley Shire Council
5	Bourke Shire Council
6	Mid-Western Regional Council
7	Leeton Shire Council
8	Clarence Valley Council
9	Narrandera Shire Council
10	Narrabri Shire Council
11	Cobar Shire Council
12	Regional Development Australia Sydney
13	Dubbo City Council
14	Griffith Business Chamber
15	Regional Development Australia Orana
16	Mr Robert Gordon
17	Griffith City Council
18	RDA Northern Rivers
19	Eurobodalla Shire Council
20	Cessnock City Council
21	Sydney Airport Corporation Limited
22	Gilgandra Shire Council
23	Local Government NSW
24	Mr Kevin Anderson MP
25	AlburyCity Council
26	Moree Plains Shire Council
27	Airlines of Tasmania Pty Ltd (T/A Par Avion)
28	Armidale Dumaresq Council
29	Hunter Business Chamber
30	Australian Airports Association
30a	Australian Airports Association
31	Orange Business Chamber

No	Author
32	Central NSW Councils (Centroc) & Central NSW Tourism
33	Ms Roslyn Lunsford
34	Royal Newcastle Aero Club
35	Port Macquarie-Hastings Shire Council
36	Coonamble Shire Council
37	Wyang Shire Council
38	Coonamble Chamber of Commerce
39	Walgett Shire Council
40	Tamworth Regional Council
41	Parkes Shire Council
42	Snowy River Shire Council
43	Lachlan Shire Council
44	Inland NSW Tourism
45	Broken Hill City Council
46	Riverina Eastern Regional Organisation of Councils
47	Aviator Group
48	Newcastle Airport Pty Ltd
49	Charles Sturt University
50	Bathurst Regional Council
51	Regional Development Australia Riverina
52	Wagga Wagga City Council
53	NSW Business Chamber
54	Ballina Byron Gateway Airport
55	Riverina Regional Tourism
56	Qantas Airways Limited
57	Rex Regional Express Airlines
58	Cowra Shire Council
59	Regional Aviation Association of Australia
60	Commonwealth Government, Department of Infrastructure and Regional Development
61	Bland Shire Council
62	NSW Department of Premier and Cabinet, NSW Government
63	Bankstown Airport
64	Mr Frank Irving
65	Bega Valley Shire Residents & Ratepayers Association

Appendix 2 Witnesses at hearings

Date	Name	Position and Organisation
Friday 23 May 2014 Parliament House	Mr Graham Perry	Chief Executive Officer, Inland NSW Tourism
	Ms Andrea Plawutsky	Communications, Inland NSW Tourism
	Mr Shannon Wells	Managing Director, Par Avion Flight Training
	Mr Jim Davis	Chairman, Regional Aviation Association of Australia
	Mr Warrick Lodge	General Manager - Network Strategy & Sales, Rex Regional Express Airlines
	Mr Mario Bayndrian	General Manager Aviation, Bankstown Airport Limited
	Mr Bob Germaine	Executive Officer, Regional Development Australia Sydney
	Mr John Gissing	Chief Executive Officer, QantasLink
	Mr Vargeesan Thillainathan	Head of Commercial, QantasLink

Date	Name	Position and Organisation
Tuesday 10 June 2014 Wagga Wagga	Mr Tim Reardon	Deputy Director General Policy and Regulation, Transport for NSW
	Ms Lani Houston	Chief Executive Officer, Regional Development Australia Riverina
	Mr Gregory Lawrence	Manager, Tourism & Economic Development, Griffith City Council
	Mr Ray Smith	General Manager, Bland Shire Council
	Mr Jeff Stien	Senior Economic Development and Tourism Advisor, Bland Shire Council
	Mr Frank Dyrssen	Director, Technical Services, Narrandera Shire Council
	Cr Barry Mayne	Councillor, Narrandera Shire Council
	Mr Paul Maytom	Mayor, Leeton Shire Council
	Mr Duncan McWhirter	Director, Corporate Services, Leeton Shire Council
	Mr Andrew Pearson	Traffic & Airport Officer, Narrandera Shire Council
	Mrs Julie Briggs	Executive Officer, Riverina Eastern Regional Organisation of Councils
Wednesday 11 June 2014 Bega	Mr Stephen Prowse	Manager Commerical Business, Wagga Wagga City Council
	Mr Joseph Vescio	General Manager, Snowy River Shire
	Mr Josh Elliott	Assistant to Managing Director, Snowy Mountains Airport Corporation
	Ms Leanne Barnes	General Manager, Bega Valley Shire Council
	Mr Wayne Sartori	Group Manager, Infrastructure, Waste and Water, Bega Valley Shire Council
	Cr Bill Taylor	Mayor, Bega Valley Shire Council
	Cr Lindsay Brown	Mayor, Eurobodalla Shire Council
	Mr Andrew Greenway	Divisional Manager, Business Development and Events, Eurobodalla Shire Council

Date	Name	Position and Organisation
Tuesday 22 July 2014 Tamworth	Cr Laurie Bishop	Mayor, Armidale Dumaresq Council
	Cr Margaret O'Connor	Councillor, Armidale Dumaresq Council
	Mr David Steller	Director, Public Infrastructure, Armidale Dumaresq Council
	Mr Des Schroder	Director Environment, Planning and Community, Clarence Valley Council
	Ms Julie Stewart	Airport Manager, Business & Events Directorate, Tamworth Regional Council
	Mr Russell Webb	Acting Mayor, Tamworth Regional Council
	Mr John Sommerland	Director, Business and Events, Tamworth Regional Council
	Mr Robert Gordon	Private citizen
Wednesday 23 July 2014 Moree	Mr Donald Ramsland	General Manager, Walgett Shire Council
	Mr Ross Earl	General Manager, Bourke Shire Council
	Cr Andrew Lewis	Mayor, Bourke Shire Council
	Cr Conrad Bolton	Mayor, Narrabri Shire Council
	Ms Diane Hood	General Manager, Narrabri Shire Council
	Mr David Aber	General Manager, Moree Plains Shire Council
	Cr Katrina Humphries	Mayor, Moree Plains Shire Council

Date	Name	Position and Organisation
Thursday 24 July 2014 Dubbo	Mr Tim Horan	Manager, Coonamble Aboriginal Health Service
	Cr Danny Keady	Deputy Mayor, Coonamble Shire Council
	Ms Lee O'Connor	Economic Development Manager, Coonamble Shire Council
	Cr Lilliane Brady, OAM	Mayor, Cobar Shire Council
	Ms Angela Shepherd	Special Projects Officer, Cobar Shire Council
	Mr Gary Woodman	General Manager, Cobar Shire Council
	Mr Brad Cam	General Manager, Mid-Western Regional Council
	Ms Julie Robertson	Economic Development Officer, Mid-western Regional Council
	Mr Lindsay Mason	Airport Operations Manager, Dubbo City Council
	Mr Mark Riley	General Manager, Dubbo City Council
	Mr John Walkom	Chair, Regional Development Australia Orana
	Ms Jennifer Bennett	Executive Officer, Central NSW Councils (Centroc)
	Ms Lucy White	Executive Officer, Central Tourism NSW

Date	Name	Position and Organisation
Friday 15 August 2014 Parliament House	Mr Ernst J Krolke	Chief Executive Officer, Airport Coordination Australian
	Mr Ian Vanderbeek	Chief Executive Officer, Aviator Group
	Ms Sally Fielke	General Manager, Corporate Affairs, Sydney Airport Corporation Limited
	Mr Ted Plummer	Head of Government and Community Relations, Sydney Airport Corporation Limited
	Mr Stephen Prowse	Chair - NSW Division, Australian Airports Association
	Ms Caroline Wilkie	Chief Executive Officer, Australian Airports Association
	Mr Richard Connors	Senior Policy Officer, Local Government NSW
	Cr Keith Rhoades	President, Local Government and Shires Association of NSW
	Mr Luke Aitken	Senior Manager, Policy and Advocacy, NSW Business Chamber
	Ms Larissa Cassidy	Infrastructure Advisor, NSW Business Chamber
	Mr Dean Gorddard	Executive Manager, Tourism Industry, NSW Business Chamber
	Mr Terry Farquharson	A/Director Aviation Safety, Civil Aviation Safety Authority
	Ms Amanda Chadwick	Executive Director, Innovation and Industry Policy, NSW Trade and Investment
	Mr Tim Reardon	Deputy Director General, Policy and Regulation Division, Transport for NSW
	Mr Anthony Wing	General Manager, Efficiency and Effectiveness, Policy and Regulation Division, Transport for NSW

Appendix 3 Answers to questions on notice

The committee received answers to questions on notice from the following:

- QantasLink
- Regional Express (REX)
- Regional Aviation Association of Australia (RAAA)
- Regional Development Australia Sydney
- Griffith City Council
- Regional Development Australia Riverina
- Bland Shire Council
- Narrandera Shire Council
- Leeton Shire Council
- Bega Valley Shire Council
- Eurobodalla Shire Council
- Snowy River Shire Council
- Clarence Valley Council
- Armidale Dumaresq Council
- Tamworth Regional Council
- Moree Plains Shire Council
- Narrabri Shire Council
- Dubbo City Council
- Regional Development Australia Orana
- Central NSW Councils (CENTROC)
- Cobar Shire Council
- Mid-Western Regional Council
- Airport Coordination Australia
- Local Government NSW
- Civil Aviation Safety Authority (CASA)
- Coonamble Shire Council
- Sydney Airport Corporation Limited
- Transport for NSW
- NSW Business Chamber
- Australian Airports Association
- Wagga Wagga City Council
- Inland NSW Tourism

Appendix 4 Tabled documents

Tuesday 10 June 2014

Quality Inn Carriage House, Wagga Wagga

1. Media release and newspaper article about Rex air services, *tendered by Mr Jeff Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council.*
2. Map of Narrandera Leeton Airport terminal precinct development, *tendered by Cr Barry Mayne, Councillor, Narrandera Shire Council.*

Wednesday 11 June 2014

Council Chambers, Bega Valley Shire Council

3. Opening statement, *tendered by Mr Joseph Vescio, General Manager, Snowy River Shire Council.*

Tuesday 22 July 2014

Quality Hotel Powerhouse, Tamworth

4. House of Representatives Standing Committee on Transport and Regional Services, Making ends meet: Regional aviation and island transport services, November 2003, *tendered by Mr Robert Gordon, private citizen.*
5. Australian Farm Institute, Essential Services in Urban and Regional Australia, November 2009, *tendered by Mr Robert Gordon, private citizen.*

Wednesday 23 July 2014

Moree Services Club, Moree

6. Summary of presentation by Bourke Shire Council, *tendered by Mr Ross Earl, General Manager, Bourke Shire Council.*
7. Vincent passenger numbers, *tendered by Ms Diane Hood, General Manager, Narrabri Shire Council.*
8. Narrabri Shire Council key performance indicators – aircraft movements, *tendered by Ms Diane Hood, General Manager, Narrabri Shire Council.*
9. Revenue and Expenditure Report – Aerodromes – for the periods ended 30 June 2012 to 30 June 2014, *tendered by Ms Diane Hood, General Manager, Narrabri Shire Council.*

Thursday 24 July 2014

Dubbo RSL Club, Dubbo

10. Mid-Western Regional Council – Statement at Inquiry, *tendered by Ms Julie Robertson, Economic Development Officer, Mid-Western Regional Council.*

Friday 15 August 2014

Parliament House, Sydney

11. Opening statement, *tendered by Ms Sally Feilke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited.*
12. Opening statement, *tendered by Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association.*

Appendix 5 Minutes

Minutes No. 26

Friday, 13 December 2013

Standing Committee on State Development

Room 1136, Parliament House, 10.02 am

1. Members present

Mr Colless, *Chairman*

Mr Veitch, *Deputy Chair*

Mr Green

Dr Phelps

Mr Whan

2. Apologies

Mr Lynn

3. Previous minutes

Resolved, on the motion of Mr Whan: That Draft Minutes No. 25 be confirmed.

4. Correspondence

The committee noted the following items of correspondence:

Received:

- ***
- 6 December 2013 – Letter to Chair from the Hon Andrew Stoner MP, Deputy Premier, Minister for Trade and Investment, Minister for Regional Infrastructure, requesting the Committee to consider terms of reference for an inquiry into the provision of aerial regular passenger transport (RPT) services to regional centres in New South Wales.

5. Consideration of Ministerial terms of reference

The Committee noted the correspondence received on 6 December 2013 from the Hon Andrew Stoner MP, Deputy Premier, Minister for Trade and Investment, Minister for Regional Infrastructure, requesting that the Committee consider terms of reference for an inquiry into the provision of aerial regular passenger transport (RPT) services to regional centres in NSW, and in particular:

Cost of access to Sydney Airport, regional NSW airports and other landing fields including:

- a) Airport operator landing fees imposed at various airports and services and facilities included in those fees;
- b) Methodology for calculating landing fees for different classes of aircraft.

Financial management and viability matters impacting on RPT operators, including:

- a) Economics of operating various types of aircraft, including modern single engine turbine compared to older twin engine piston aircraft;
- b) Impacts of compliance costs, including per passenger costs;
- c) Suitability of “hub and spoke” systems for potential routes for smaller passenger numbers;
- d) The viability of passenger loading for different classes of aircraft.

Economic impact on regional communities of gaining or losing RPT services, including:

- a) The local business community;

- b) The impact on general aviation and regional airport management of the gain or loss of RPT services to regional centres;
- c) The potential for future economic development;
- d) Impacts for Local, State and Federal governments, including licencing arrangements for services less than 50,000 passengers per annum.

Potential for development of future modern RPT aviation including:

- a) Opportunities for regional aviation manufacturing and servicing;
- b) The development and supply of sufficient numbers of trained and skilled aviation personnel;
- c) Local, State and Federal government arrangements for staff travel;
- d) Opportunities for dual use RPT services to include both freight and passenger legs on the same routes.

Any other matter relating to the provision of aerial regular passenger transport services.

Resolved, on the motion of Dr Phelps: That the Committee adopt the terms of reference from the Deputy Premier, Minister for Trade and Investment, Minister for Regional Infrastructure to undertake an inquiry into the provision of aerial regular passenger transport (RPT) services to regional centres in NSW.

6. Inquiry into the provision of aerial regular passenger transport (RPT) services to regional centres in NSW

6.1 Advertising and call for submissions

Resolved, on the motion of Dr Phelps: That:

- the Inquiry call for submissions be advertised in four regional papers, the Northern Daily Leader (Tamworth), the Daily Advertiser (Wagga), the Central Western Daily (Orange), the Daily Liberal (Dubbo) and in their regional inserts, and in the Broken Hill Barrier Daily Truth, as soon as possible in the week following Monday 6 January 2014
- the closing date for submissions be 14 March 2014
- the Chair issue a media release announcing the establishment of the Inquiry.

6.2 Invitations to stakeholders to make a submission

Resolved, on the motion of Mr Green: That:

- the Secretariat circulate a list of proposed stakeholders, and that the Committee write to these stakeholders informing them of the Inquiry and inviting them to make a submission
- members notify the Secretariat of any additional stakeholders they wish to be invited by COB Wednesday 18 December 2013.

6.3 Publishing submissions

Resolved, on the motion of Dr Phelps: That the Committee authorise the publication of all submissions to the Inquiry into the provision of aerial regular passenger transport (RPT) services to regional centres in NSW, subject to the Committee Clerk checking for confidentiality, adverse mention and other issues. Submissions identified as containing confidentiality, adverse mention or other issues will then be considered by the Committee.

6.4 Short title of the Inquiry

Resolved, on the motion of Mr Whan: That the Committee adopt a short title for the Inquiry of 'Inquiry into regional aviation services'.

6.5 Timeline for Inquiry

The Committee noted a proposal by the Chair that there be an initial hearing in Sydney, followed by at least three hearings in regional centres: Tamworth, Wagga and either Orange or Dubbo, and a final hearing held in Sydney, on dates to be determined by the Chair after consultation with members.

The Committee also noted a proposal by the Chair of an indicative reporting date of October 2014.

7. Other business

Dr Phelps advised that he would be replaced on the Committee by the Hon Catherine Cusack MLC and thanked the members and Committee secretariat for all of their work.

8. Adjournment

The Committee adjourned at 10.15 am, *sine die*.

Teresa McMichael
Clerk to the Committee

Minutes No. 27

Wednesday, 2 April 2014

Standing Committee on State Development

Room 1136, Parliament House, 2.30 pm

1. Members present

Mr Colless, *Chairman*

Mr Veitch, *Deputy Chair* (via teleconference)

Mr Green

Ms Cusack (via teleconference)

Mr Whan (via teleconference)

Mr MacDonald (participating member – via teleconference)

2. Apologies

Mr Lynn

3. Previous minutes

Resolved, on the motion of Mr Veitch: That Draft Minutes No. 26 be confirmed.

4. Correspondence

The Committee noted the following items of correspondence:

Received:

- 17 December 2013 – Letter from Regional Express Airlines to Committee Chair advising of reply to Orange City Council regarding the Council's increase of the Orange airport head tax.
- 16 January 2014 – Letter from Mr John McCormick, Director of Aviation Safety, Civil Aviation Safety Authority to Committee Chair, declining invitation to make a submission but offering to answer specific questions if required.
- 5 February 2014 – Letter from Department of Premier and Cabinet to Committee Chair advising that a coordinated NSW government submission will be made to the Inquiry.
- 31 March 2014 – Letter from Bland Shire Council to Committee inviting the Committee to conduct a site visit and public hearing in West Wyalong.

Sent:

- 10 February 2014 – Letter from Committee Chair to Mid Western Regional Council seeking a submission to the inquiry given that the Council had conducted a survey on resident's views on air services in the region.
- 13 February 2014 – Letter from Committee Chair to Par Avion inviting them to make a submission.

5. Inquiry into regional aviation services

5.1 Submissions

Resolved, on the motion of Mr Veitch: That the Committee note that Submission Nos. 1-56 were published by the Committee Clerk under the authorisation of an earlier resolution.

5.2 Communications strategy update

Members were updated on progress in implementing the pilot communication strategy.

5.3 Dates for inquiry activity

Resolved, on the motion of Ms Cusack: That the Committee hold two hearings in Sydney on 23 May 2014 and 15 August 2014 and five hearings in the regional centres of Tamworth, Wagga Wagga, Dubbo, Moree and Bega, to be scheduled on 10 and 11 June 2014 and during the period 21 to 25 July 2014.

5.4 Site visits

The Committee discussed conducting a site visit to Brumby Aircraft Australia, located in Cowra.

Resolved, on the motion of Mr Veitch: That the Committee conduct a site visit to Cowra in conjunction with the hearing schedule agreed to by the Committee.

5.5 Witnesses

Members were advised that a list of potential witnesses will be circulated to members for comment.

6. Adjournment

The Committee adjourned at 3.05pm, *sine die*.

Madeleine Foley

Clerk to the Committee

Minutes No. 28

Friday, 23 May 2014

Standing Committee on State Development

Macquarie Room, Parliament House, at 9.30 am

1. Members present

Mr Colless, (*Chair*)

Mr Veitch, (*Deputy Chair*)

Mr Green

Mr Whan

Mr MacDonald

2. Apologies

Ms Cusack

3. Committee membership

The committee noted that Mr MacDonald replaced Mr Lynn as a member of the committee from 14 May 2014.

4. Public hearing

The media, public and witnesses were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr John Gissing, Chief Executive Officer, Qantas Link
- Mr Vargeesan Thillainathan, Head of Commercial, Qantas Link.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Graham Perry, Chief Executive Officer, Inland NSW Tourism
- Ms Andrea Plawutsky, Communications, Inland NSW Tourism.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Shannon Wells, Managing Director, Airlines of Tasmania Pty Ltd.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Warrick Lodge, General Manager, Network Strategy and Sales, Rex Regional Express Airlines
- Mr James Davis, Chair, Regional Aviation Association of Australia.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Mario Bayndrian, General Manager Aviation Bankstown Airport Ltd.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Bob Germaine, Executive Officer, Regional Development Australia, Sydney.

The public hearing concluded at 2.56 pm. The public, witnesses and the media withdrew.

5. Deliberative meeting

5.1 Previous minutes

Resolved, on the motion of Mr Veitch: That draft Minutes No. 27 be confirmed.

5.2 Correspondence

The committee noted the following items of correspondence:

Received:

- 7 May 2014 – Letter from Mr Robert Young, President, Jindabyne Aero Club Inc inviting the committee to visit Jindabyne for discussions (attached).

Sent:

- 22 April 2014 – Letter from chair to Bankstown City Council inviting them to make a submission.
- 22 April 2014 – Letter from chair to Sydney Metro Airports Bankstown and Camden inviting them to make a submission.
- 15 May 2014 – Letter from chair to Mr Darryl Maguire MP giving notice that the committee would be conducting a hearing in Wagga Wagga on 10 June 2014.

- 15 May 2014 – Letter from chair to the Hon Andrew Constance MP giving notice that the committee would be conducting a hearing in Bega on 11 June 2014.
- 15 May 2014 – Letter from chair to the Hon Katrina Hodgkinson MP giving notice that the committee would be undertaking a site visit in Cowra on 11 June 2014.
- 15 May 2014 – Letter from chair to Mr Kevin Anderson MP giving notice that the committee would be conducting a hearing in Tamworth on 22 July 2014.
- 15 May 2014 – Letter from chair to the Hon Kevin Humphries MP giving notice that the committee would be conducting a hearing in Moree on 23 July 2014.
- 15 May 2014 – Letter from chair to the Hon Troy Grant MP giving notice that the committee would be conducting a hearing in Dubbo on 24 July 2014.

6. Inquiry into regional aviation services

6.1 Submissions

Resolved, on the motion of Mr Veitch: That the committee note that Submission Nos. 57-63 were published by the committee clerk under the authorisation of an earlier resolution.

6.2 Travel by charter plane

Resolved, on the motion of Mr MacDonald: That the committee authorise the use of a charter plane for the site visits to Tamworth/Moree/Dubbo and Bega/Wagga Wagga/Cowra at an approximate cost of \$38,650.

6.3 Supplementary questions

Resolved, on the motion of Mr Veitch: That for the duration of the inquiry, supplementary questions may be lodged with the secretariat up to two days after the receipt of the transcript.

6.4 Questions on notice

Resolved, on the motion of Mr Veitch: That for the duration of the inquiry, witnesses be requested to return answers to questions taken on notice and supplementary questions within 21 days of the date on which the questions are forwarded to the witness.

6.5 Invitation to comment on evidence

Resolved, on the motion of Mr Veitch: That the committee forward the transcript from today's hearing to Orange City Council and the Lord Howe Island Board and invite them to comment on the evidence, should they wish to do so.

7. Adjournment

The committee adjourned at 3.05pm, until Tuesday, 10 June 2014.

Donna Hogan

Clerk to the Committee

Minutes No. 29

Tuesday 10 June 2014

Standing Committee on State Development

Sydney Airport, 7.30 am

1. Members present

Mr Colless, *Chair*

Mr Veitch, *Deputy Chair*

Ms Cusack (via teleconference)

Mr Green
Mr MacDonald (via teleconference)
Mr Whan

2. Previous minutes

Resolved, on the motion of Mr Veitch: That draft minutes no. 28 be confirmed.

3. Correspondence

The committee noted the following items of correspondence:

Sent:

- 3 June 2014 – Letter from chair to Orange City Council inviting comment on evidence received at the committee's Inquiry into Regional Aviation Services hearing in Sydney on 23 May 2014.
- 3 June 2014 – Letter from chair to Lord Howe Island Board inviting comment on evidence received at the committee's Inquiry into Regional Aviation Services hearing in Sydney on 23 May 2014.

4. Formation of sub-committee

Resolved, on the motion of Mr Veitch: That the committee appoint:

- a sub-committee to hold a hearing and site visit in Wagga Wagga on Tuesday 10 June
- Mr Colless, Mr Veitch, Mr Green and Mr Whan as members of the sub-committee
- Mr Colless to act as chair of the sub-committee.

5. Adjournment

The committee adjourned at 7.35 am until 9.00 am, Wednesday 11 June 2014, Bega Valley Shire Council.

Madeleine Foley
Clerk to the Committee

Minutes No. 30

Tuesday 10 June 2014

Standing Committee on State Development – sub-committee

Sydney Airport, 7.35 am

1. Members present

Mr Colless, *Chair*
Mr Veitch
Mr Green
Mr Whan
(meeting as a sub-committee)

2. Site visit – Wagga Wagga Airport

The sub-committee met with Mr Warrick Lodge, General Manager Network Strategy and Sales and Mr Dale Hall, General Manager, Engineering, for a tour of the Rex Training Centre, Wagga Wagga Airport.

3. Public hearing – Wagga Wagga

The sub-committee conducted a public hearing.

Witnesses, the public and the media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Tim Reardon, Deputy Director General Policy and Regulation, Transport for NSW.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Gregory Lawrence, Manager, Tourism & Economic Development, Griffith City Council
- Ms Lani Houston, Chief Executive Officer, Regional Development Australia Riverina.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Jeff Stien, Senior Economic Development and Tourism Advisor, Bland Shire Council
- Mr Ray Smith, General Manager, Bland Shire Council.

Mr Stien tendered the following document:

- Media release and newspaper article about Rex air services.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Andrew Pearson, Traffic & Airport Officer, Narrandera Shire Council
- Cr Barry Mayne, Councillor, Narrandera Shire Council
- Mr Frank Dyrssen, Director Technical Services, Narrandera Shire Council
- Cr Paul Maytom, Mayor, Leeton Shire Council
- Mr Duncan McWhirter, Director, Corporate Services, Leeton Shire Council.

Cr Barry Mayne tendered the following document:

- Map of Narrandera Leeton Airport terminal precinct development

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mrs Julie Briggs, Riverina Eastern Regional Organisation of Councils
- Mr Stephen Prowse, Manager Commercial Business, Chartered Accountant, Wagga Wagga City Council.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 4.05 pm. The public and the media withdrew.

4. Adjournment

The sub-committee adjourned at 4.05 pm until the next meeting of the committee at 9.00 am, Wednesday 11 June 2014, Bega Valley Shire Council.

Donna Hogan
Clerk to the Committee

Minutes No. 31

Wednesday 11 June 2014

Standing Committee on State Development

Council Chambers, Bega Valley Shire Council, 9:00am

1. Members present

Mr Colless, *Chair*

Mr Veitch, *Deputy Chair*

Ms Cusack

Mr Green

Mr MacDonald

Mr Whan

2. Public hearing – Bega

Witnesses, the public and the media were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Cr Bill Taylor, Mayor, Bega Valley Shire Council
- Ms Leanne Barnes, General Manager, Bega Valley Shire Council
- Mr Wayne Sartori, Group Manager, Infrastructure, Waste and Water, Bega Valley Shire Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Cr Lindsay Brown, Mayor, Eurobodalla Shire Council
- Mr Andrew Greenway, Divisional Manager, Business Development and Events, Eurobodalla Shire Council.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Joseph Vescio, General Manager, Snowy River Shire Council.

Mr Vescio tendered the following document:

- Opening statement

The evidence concluded and the witness withdrew.

The following witness was sworn and examined via teleconference:

- Mr Josh Elliott, Assistant to Managing Director, Snowy Mountains Airport Corporation.

The evidence concluded and the witness withdrew.

The public hearing concluded at 12:15pm. The public and the media withdrew.

3. Site visit – Cowra Airport

3.1 Brumby Aircraft Australia

Mr Phillip Goard, Chief Executive Officer and Mr Paul Goard, General Manager escorted the committee on a tour of the Brumby Aircraft Australia facility at Cowra airport.

3.2 Cowra Shire Council round table discussion

Mr Bill West, Mayor, and Mr Paul Devery, General Manager and other representatives from Cowra Shire Council met the committee for a round table discussion.

4. **Adjournment**

The committee adjourned at 12:09pm until 7:30 am, 22 July 2014, at Sydney Airport Charter Terminal.

Donna Hogan

Clerk to the Committee

Minutes No. 32

Tuesday, 22 July 2014

Standing Committee on State Development

Sydney Airport, 8.05 pm.

1. **Members present**

Mr Colless, (*Chair*)

Mr Veitch, (*Deputy Chair*)

Mr Green

Mr Whan

Mr MacDonald

2. **Apologies**

Ms Cusack

3. **Previous minutes**

Resolved, on the motion of Mr Whan: That Draft Minutes Nos. 29, 30 and 31 be confirmed.

4. **Correspondence**

The committee noted the following items of correspondence:

Received:

- 13 June 2014 – From Ms Penny Holloway, Chief Executive Officer, Lord Howe Island Board to Committee commenting on evidence received regarding landing facilities on Lord Howe Island
- 10 June 2014 – From Cynthia Irving to Committee regarding reduced air service at Merimbula Airport (attached)
- 17 June 2014 – From Ponie De Wet, Cowra Council to Committee Secretariat attaching six documents including Cowra Airline Business Case; Cowra airline passenger forecasts, airline catchment statistics; Cowra Airport – Precincts 4 & 5 Concept plan; airport statistics, and Airport information (attached)
- 16 June 2014 – From Mr Garry Styles, General Manager, Orange City Council to Chair responding to issue raised by Rex Airlines in evidence about Orange Airport and Terminal
- 1 July 2014 – Copy of letter forwarded to committee from Mr Warrick Lodge, General Manager – Network Strategy & Sales, Regional Express (Rex) addressed to Orange City Council expressing dissatisfaction with the Council's increased airport passenger tax.
- 21 July 2014 – Email from Ms Kimmaree Thompson, Chief Executive Officer, Regional Development Australia – Northern Rivers, sending apologies for Dr Ian Tiley, Chairman who is unable to attend the hearing in Tamworth on 22 July 2014.

Resolved, on the motion of Mr Veitch:

- That correspondence received from Lord Howe Island Board and Orange City Council be published

- That the letter forwarded to the Committee by Regional Express (Rex) addressed to Orange City Council remain confidential.

Sent:

- Letter to Mr John Richardson, Secretary, Bega Valley Shire Residents and Ratepayers Association confirming that the committee will accept a late submission from the Association to the Inquiry into regional aviation services.

5. Publication of answers to questions taken on notice

The committee noted the publication of answers to questions on notice from the following organisations:

- REX Regional Express Airlines
- QantasLink
- Regional Development Australia – Sydney
- Inland NSW
- Regional Aviation Association of Australia
- Wagga Wagga City Council
- Griffith City Council
- Narrandera Shire Council
- Leeton Shire Council
- Bland Shire Council
- Regional Development Australia – Riverina
- Bega Valley Shire Council.

6. Inquiry into regional aviation services hearings**6.1 Report of sub-committee**

Resolved, on the motion of Mr Veitch: That the committee adopt the report of the sub-committee.

6.2 Tabled documents

Resolved, on the motion of Mr Green: That the committee accept and publish the following documents tendered during the public hearing on 10 and 11 June 2014:

- Media release and newspaper article about Rex air services, tendered by Mr Jeff Stien, Bland Shire Council
- Map of Narrandera Leeton Airport terminal precinct development, tendered by Cr Barry Mayne, Narrandera Shire Council
- Opening statement, tendered by Mr Joseph Vescio, Snowy Mountains Shire Council.

6.3 Submissions

Resolved, on the motion of Mr Green: That the committee note that Submission Nos. 64 and 65 were published by the Committee Clerk under the authorisation of an earlier resolution.

7. Public hearing - Tamworth

The media, public and witnesses were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was sworn and examined:

- Mr Des Schroder, Director Environment, Planning and Community, Clarence Valley Council.

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Robert Gordon, Private citizen.

Mr Gordon tabled the following documents:

- House of Representatives Standing Committee on Transport and Regional Services, *Making ends meet: Regional aviation and island transport services*, November 2003
- Australian Farm Institute, *Essential Services in Urban and Regional Australia*, November 2009.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Cr Margaret O'Connor, Councillor, Armidale Dumaresq Council
- Mr David Steller, Director, Public Infrastructure, Armidale Dumaresq Council

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Russell Webb, Acting Mayor, Tamworth Regional Council
- Ms Julie Stewart, Airport Manager, Business and Events Directorate, Tamworth Regional Council
- Mr John Sommerlad, Director – Business and Events, Tamworth Regional Council.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 4.34 pm. The public, witnesses and the media withdrew.

8. Adjournment

The committee adjourned at 4.34 pm, until Wednesday, 23 July 2014.

Donna Hogan

Clerk to the Committee

Minutes No. 33

Wednesday, 23 July 2014

Standing Committee on State Development

Moree Services Club, Moree, at 9.15 am

1. Members present

Mr Colless, (*Chair*)

Mr Veitch, (*Deputy Chair*)

Mr Green

Mr Whan

Mr MacDonald

Ms Cusack

2. Tabled documents

Resolved, on the motion of Mr Veitch: That the committee accept and publish the following documents tendered by Mr Robert Gordon during the public hearing on 22 July 2014:

- House of Representatives Standing Committee on Transport and Regional Services, *Making ends meet: Regional aviation and island transport services*, November 2003
- Australian Farm Institute, *Essential Services in Urban and Regional Australia*, November 2009.

3. Legacy reports

The chair advised the committee that the Deputy President will give notice of a motion in the House requesting that the chairs of each of the Standing Committees prepare a Legacy Report that will outline the activities undertaken by the committee during the Parliamentary session and may include recommendations for future directions. The report is to be agreed by the committee and tabled in the House by the second sitting week in November 2014.

4. Public hearing

The media, public and witnesses were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr David Aber, Director Environment, General Manager, Moree Plains Shire Council
- Cr Katrina Humphries, Mayor, Moree Plains Shire Council.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Donald Ramsland, General Manager, Walgett Shire Council.

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Ross Earl, General Manager, Bourke Shire Council
- Cr Andrew Lewis, Mayor, Bourke Shire Council.

Mr Earl tabled the following document:

- Summary of presentation by Bourke Shire Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Diane Hood, General Manager, Narrabri Shire Council
- Cr Conrad Bolton, Mayor, Narrabri Shire Council.

Ms Hood tabled the following documents:

- Vincent passenger numbers
- Narrabri Shire Council key performance indicators – aircraft movements
- Revenue and Expenditure Report – Aerodromes – for the periods ended 30 June 2012 to 30 June 2014.

The evidence concluded and the witnesses withdrew.

The public hearing concluded at 2.56 pm. The public, witnesses and the media withdrew.

5. Adjournment

The committee adjourned at 3.05 pm, until Thursday, 24 July 2014.

Donna Hogan

Clerk to the Committee

Minutes No. 34

Thursday, 24 July 2014

Standing Committee on State Development

Dubbo RSL Club, Dubbo, at 9.00 am

1. Members presentMr Colless, (*Chair*)Mr Veitch, (*Deputy Chair*)

Mr Green

Mr MacDonald

Ms Cusack

2. Apologies

Mr Whan

3. Tabled documents

Resolved, on the motion of Ms Cusack: That the committee accept and publish the following documents tendered during the public hearing on 23 July 2014:

- Vincent passenger numbers, tendered by Ms Diane Hood, General Manager, Narrabri Shire Council
- Narrabri Shire Council key performance indicators – aircraft movements, tendered by Ms Diane Hood, General Manager, Narrabri Shire Council
- Revenue and Expenditure Report – Aerodromes – for the periods ended 30 June 2012 to 30 June 2014, tendered by Ms Diane Hood, General Manager, Narrabri Shire Council
- Summary of presentation by Bourke Shire Council, tendered by Mr Ross Earl, General Manager, Bourke Shire Council.

4. Public hearing

The media, public and witnesses were admitted.

The chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witnesses were sworn and examined:

- Mr Mark Riley, General Manager, Dubbo City Council
- Mr Lindsay Mason, Airport Operations Manager, Dubbo City Council
- Mr John Walkom, Chair, Regional Development Australia – Orana.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Jennifer Bennett, Executive Officer, Central NSW Councils (CENTROC)
- Ms Lucy White, Executive Officer, Central Tourism NSW.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Ms Lee O'Connor, Economic Development Manager, Coonamble Shire Council
- Cr Danny Keady, Deputy Mayor, Coonamble Shire Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Cr Lilliane Brady, OAM, Mayor, Cobar Shire Council

- Mr Gary Woodman, General Manager, Cobar Shire Council.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Brad Cam, General Manager, Mid-Western Regional Council
- Ms Julie Robertson, Economic Development Officer, Mid-Western Regional Council.

Ms Robertson tendered the following document:

- Mid-Western Regional Council – Statement at Inquiry.

The evidence concluded and the witness withdrew.

The public hearing concluded at 1.14 pm. The public, witnesses and the media withdrew.

5. Acceptance and publication of documents tendered during the public hearing

Resolved, on the motion of Ms Cusack: That the committee accept and publish the document ‘Mid-Western Regional Council – Statement at Inquiry’, tendered by Ms Julie Robertson, Economic Development Officer, Mid-Western Regional Council.

6. Adjournment

The committee adjourned at 3.05pm, until Friday, 15 August 2014.

Donna Hogan

Clerk to the Committee

Draft Minutes No. 35

Friday 15 August 2014

Standing Committee on State Development

Macquarie Room, Parliament House, 9.00 am

1. Members present

Mr Colless, *Chair*

Mr Veitch, *Deputy Chair*

Mr Green (until 4.15 pm)

Mr Whan (until 4.15 pm)

Mr MacDonald

Ms Cusack

2. Previous minutes

Resolved, on the motion of Mr Veitch: That draft minutes nos. 32, 33 and 34 be confirmed.

3. Correspondence

The Committee noted the following items of correspondence:

Received:

- 14 July 2014 – Email from Ms Eloise Nigro, A/Principal External Relations Officer, Strategic Relations and Communications, NSW Department of Health to Committee Secretariat declining the invitation to appear as a witness (attached).
- 16 July 2014 – Email received from Mr Andrew Greenway, Divisional Manager, Business Development and Events, Eurobodalla Shire Council regarding letters received by Council supporting the continued operation of Moruya Airport (attached).

- 1 August 2014 – Letter received from Cr Jodie Harrison, Mayor, Lake Macquarie City Council, to Director – requesting opportunity to present additional information at 15 August 2014 hearing regarding the loss of regular aviation services (attached).
- 4 August 2014 – Email from Ms Jenny Bennett, Executive Officer, Central NSW Councils (CENTROC) to Committee Secretariat providing answers to supplementary questions (attached).
- 13 August 2014 – Email from Mr Terry Farquharson, Deputy Director of Aviation Safety, CASA to Committee Secretariat providing two recent reports for discussion at the public hearing on 15 August 2014.
- 14 August 2014 – Email from Mr Terry Farquharson, Deputy Director of Aviation Safety, CASA to Committee Secretariat providing two additional documents for the information of the Committee.

4. **Publication of answers to questions taken on notice**

The Committee noted the following answers to questions on notice from the following organisations have been published by the committee clerk under the authorisation of the committee's previous resolution:

- Eurobodalla Shire Council
- Snowy River Shire Council
- Leeton Shire Council
- Dubbo City Council
- Clarence Valley Council.

5. **Public hearing**

Witnesses, the public and the media were admitted.

The Chair made an opening statement regarding the broadcasting of proceedings and other matters.

The following witness was examined on his former oath:

- Mr Tim Reardon, Deputy Director General, Policy and Regulation Division, Transport for NSW.

The following witnesses were sworn and examined:

- Ms Amanda Chadwick, Executive Director, Innovation and Industry Policy, NSW Trade and Investment
- Mr Anthony Wing, General Manager, Efficiency and Effectiveness, Policy and Regulation Division, Transport for NSW.

The evidence concluded and the witnesses withdrew.

The following witness was sworn and examined:

- Mr Ernst J Kolke, Chief Executive Officer, Airport Coordination Australia

The evidence concluded and the witness withdrew.

The following witness was sworn and examined:

- Mr Ian Vanderbeek, Chief Executive officer, Aviator Group

The evidence concluded and the witness withdrew.

The following witnesses were sworn and examined:

- Mr Ted Plummer, Head of Government and Community Relations, Sydney Airport Corporation Limited
- Ms Sally Feilke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited

Ms Sally Feilke tendered the following document:

- Opening statement.

The evidence concluded and the witnesses withdrew.

The following witness was examined on his former oath:

- Mr Stephen Prowse, Chair – NSW Division, Australian Airports Association.

The following witness was sworn and examined:

- Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association.

Ms Wilkie tendered the following documents:

- Opening statement
- Supplementary submission.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Cr Keith Rhoades, President, Local Government and Shires Association of NSW
- Mr Richard Connors, Senior Policy Officer, Local Government NSW.

The evidence concluded and the witnesses withdrew.

The following witnesses were sworn and examined:

- Mr Dean Gorddard, Executive Manager, Tourism Industry, NSW Business Chamber
- Ms Larissa Cassidy, Infrastructure Advisor, NSW Business Chamber
- Mr Luke Aitken, Senior Manager, Policy and Advocacy, NSW Business Chamber

The evidence concluded and the witnesses withdrew.

Mr Green and Mr Whan left the meeting.

The following witness was sworn and examined via teleconference:

- Mr Terry Farquharson, Acting Director of Aviation Safety, Civil Aviation Safety Authority.

The evidence concluded and the witness withdrew.

The hearing concluded at 5:00pm. The media and public withdrew.

6. Deliberative meeting

6.1 Tendered documents

Resolved, on the motion of Mr Veitch: That the Committee accept and publish the following documents tendered during the public hearing:

- Opening statement tendered by Ms Sally Feilke, General Manager, Corporate Affairs, Sydney Airport Corporation Limited.
- Opening statement tendered by Ms Caroline Wilkie, Chief Executive Officer, Australian Airports Association.

7. Adjournment

The Committee adjourned at 5.00 pm until Friday 17 October at 9.30 am.

Donna Hogan
Clerk to the Committee

Draft minutes no. 36

Friday 17 October 2014

Standing Committee on State Development

Room 1153, Parliament House, 9.30 am

1. Members presentMr Colless, *Chair*Mr Veitch, *Deputy Chair*

Ms Cusack (from 10.03am)

Mr Green

Mr MacDonald

2. Apologies

Mr Whan

3. Previous minutes

Resolved, on the motion of Mr MacDonald: That draft minutes no. 35 be confirmed.

4. Inquiry into regional aviation services**4.1 Correspondence**

The Committee noted the following items of correspondence:

Received

- 13 August 2014 – Email from Mr Allen Treanor, State Productivity Branch, NSW Department of Premier and Cabinet to Committee Secretariat providing advice of the feasibility studies in regional NSW regarding regular passenger transport services.
- 14 August 2014 – Email from Mr Terry Farquharson, Deputy Director of Aviation Safety, CASA to Committee Secretariat providing additional information to committee.
- 15 August 2014 – Email from Cowra Shire Council to Committee Secretariat providing additional information to the committee.
- 10 September 2014 – Email from Coonamble Shire Council to Committee Secretariat providing additional information to the inquiry.
- 12 September 2014 – Email from Mr Stephen Prowse, Manager Commercial Businesses, Wagga Wagga City Council to Committee Secretariat providing answers to questions on notice taken during the hearing.

4.2 Submissions

The committee noted that supplementary submission no. 30a was published by the committee clerk under the authorisation of an earlier resolution.

4.3 Answers to questions on notice and supplementary questions

The Committee noted the following answers to questions on notice from the following organisations have been published by the committee clerk under the authorisation of the committee's previous resolution:

- CENTROC
- Cobar Shire Council
- Narrabri Shire Council
- Mid Western Regional Council
- Moree Plains Shire Council
- Dubbo City Council
- Tamworth Regional Council
- Armidale Dumaresq Council

- Airport Coordination Australia
- Civil Aviation Safety Authority
- Coonamble Shire Council
- NSW Business Chamber
- Transport for NSW
- Sydney Airport Corporation Limited
- Australian Airports Association.

Resolved, on the motion of Mr MacDonald: That the following documents provided as answers to questions on notice provided by Wagga Wagga City Council be kept confidential:

- Wagga Wagga Airport Long Term Financial Plan 2014/15 – 2023/24
- Wagga Wagga Airport Draft Cost Statement as at 30 June 2014
- Regulated Asset Pricing Model Template – Used as a tool to assist in calculating Passenger Charges (Airline Passenger Charges).

4.4 Consideration of Chair's draft report

The Chair submitted his draft report entitled *Regional aviation services*, which, having been previously circulated, was taken as being read.

Resolved, on the motion of Mr MacDonald: That the following committee comment and recommendation be inserted after paragraph 3.25:

‘Committee comment

The committee notes that the regions that are hosting the mining industry are experiencing a demand for charter services. However, this greater demand can have a detrimental impact on the patronage of regular passenger transport services.’

Recommendation X

That local communities, the mining industry, the Civil Aviation Safety Authority and the NSW Government discuss opportunities to pursue a more coordinated approach to the provision of air services that recognise the needs of local communities and the resources industry.’

Resolved, on the motion of Mr Veitch: That the following paragraph be inserted after paragraph 4.79:

‘The committee is sympathetic to the suggestions from local communities that regional slots at Sydney Airport be owned by the communities they are intended to service. The committee is of the view that investigating this option has merit, particularly the potential to allocate a certain number of the reserved regional slots to communities with regulated air routes and allowing those communities to negotiate with an airline to use the slot. The committee would not envisage all regional slots being allocated in this way.’

Resolved, on the motion of Mr Veitch: That the following new recommendation be inserted after Recommendation 2:

‘Recommendation X

That the NSW Government write to the Minister for Infrastructure and Regional Development and request that the Federal Government consider the possibility of allocating a limited number of the reserved regional slots into Sydney Airport to specific regional communities.’

Resolved, on the motion of Mr Veitch: That the following committee comment and recommendation be inserted after paragraph 5.34:

‘Committee comment

The committee is greatly concerned that some local councils are considering deregistering their aerodromes because of the financial burden of maintaining the facility while not receiving any of the

benefit and financial support provided by a regular passenger transport service. The consequences can only be imagined if the Coonabarabran Aerodrome was not maintained and had been unusable during the 2013 Coonabarabran fires.

Local aerodromes are an essential facility that must be maintained for safety and emergency purposes and all steps must be taken to ensure that they are retained for their intended purpose. The financial burden for maintaining a network of operable airfields cannot rest solely with local government, particularly when an airfield is not generating any revenue for a local government. Many government departments and agencies, such as Health and the Rural Fire Service have an interest in the maintenance of the network.

The committee believes that this issue needs to be addressed as soon as possible. The issue should be considered by way of a roundtable of stakeholders including local government and relevant government agencies and headed by the Minister for Regional Infrastructure and Services.

Recommendation X

That the NSW Government establish a roundtable of stakeholders, headed by the Minister for Regional Infrastructure and Services to develop an on-going funding arrangement for the continued maintenance of the network of essential airfields across the state.'

Resolved, on the motion of Ms Cusack: That an additional footnote be inserted after footnote 290: 'Media Release, Regional Express, *Rex slashes services in NSW*, 23 September 2014, announced changes to Rex's Lismore, Grafton, Newcastle and Taree services which will take effect from 27 October 2014.'

Resolved, on the motion of Mr Green: That the following committee comment be inserted after paragraph 8.90:

'Committee comment

The committee acknowledges that while there is considerable support for regulation of routes with passenger numbers of less than 50,000, it is also of the view that deregulation can provide opportunities for growth.

The committee notes that the new passenger transport legislation has removed the presumption of regulation and the needs of the community will be considered before a route is declared as regulated. The committee believes that local councils who have an air route that is currently regulated should be consulted by Transport for NSW to discuss if deregulation, which could lead to increased competition and growth, is preferable to regulation.'

Resolved, on the motion of Mr Green: That the following committee comment be inserted after paragraph 8.94:

'Committee comment

The committee believes as part of its consultation during the tender process, Transport for NSW should discuss with airport owners any plans they have for the airport in terms of future use and growth. This information should be included in the information provided to air service providers as part of the tender process.'

Resolved, on the motion of Mr Green: That the following recommendation be inserted after paragraph 8.96:

'Recommendation X

That Transport for NSW consult with local councils who currently have a regulated air route to discuss if deregulation is preferable to regulation.'

Resolved, on the motion of Mr Green: That recommendation 13 be amended by inserting:

'That Transport for NSW consult with local government in a transparent and open way throughout the licence tender process and on the appointment of an airline, and continue to make improvements to consultation processes.'

Resolved, on the motion of Ms Cusack: That the following committee comment be inserted after paragraph 8.106:

‘Committee comment

The committee is of the view that the location of the responsibility for regional air services within Transport for NSW is neither a comfortable nor logical fit. It is fair to say that the primary focus of this agency is the provision of public transport services to the metropolitan areas of New South Wales.

The committee believes that responsibility for regional air services would sit better within a Ministerial portfolio that has a strong regional focus (Regional Infrastructure and Services) or expertise in the provision of transport infrastructure, often in partnership with the private sector (Roads and Freight). More importantly regional air services, now more than ever, require a strong advocate

Resolved, on the motion of Ms Cusack: That paragraph 8.104 be omitted: ‘The task force should be comprised of representatives from the aviation industry, local government and Transport for NSW and should take into consideration the concerns raised by this report and recommendations of the committee’, and the following new paragraph be inserted instead:

‘Committee comment

The committee is of the view that the NSW Government should establish and lead a taskforce that includes representatives from the aviation industry and local government. The taskforce should develop a framework to facilitate a regional approach to the provision of aviation services, including further examination of hub and spoke systems. The task force should consider service linkages with other transport methods including road and rail and take into consideration the concerns raised by this report and the recommendations of the committee.’

Resolved on the motion of Ms Cusack: That Recommendation 15 be amended by omitting the words ‘Minister for Transport’ and replaced by ‘Minister for Regional Infrastructure and Services’.

Resolved on the motion of Mr Green: That the following new committee comment be inserted after paragraph 8.11

‘Recommendation X

That the NSW Government explicitly acknowledge that regular passenger transport services in regional New South Wales are an essential service.’

Resolved on the motion of Mr Green:

- a) That the draft report as amended be the report of the Committee and that the Committee present the report to the House;
- b) That the transcripts of evidence, submissions, tabled documents, answers to questions on notice, minutes of proceedings and correspondence relating to the Inquiry be tabled in the House with the report;
- c) That upon tabling, all transcripts of evidence, submissions, tabled documents, answers to questions on notice, minutes of proceedings and correspondence relating to the Inquiry not already made public, be made public by the Committee, except for those documents kept confidential by resolution of the Committee;
- d) That the report be tabled on Thursday 23 October 2014;
- e) That the Government be requested to provide a response to the report by 27 February 2015.

5. Adjournment

The committee adjourned at 11.21 am *sine die*

Donna Hogan

Clerk to the Committee.