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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

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

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Newcastle on Friday, 28 August 1998**

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

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**PRESENT**

**The Hon. A. B. Kelly (Chairman)**

**The Hon. I. Cohen, The Hon. J. R. Johnson, The Hon. J. Gardiner**

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**PAUL DESMOND REES**, Proprietor, Yanda Airlines; affirmed and examined:

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

**Mr REES:** As the proprietor of Yanda Airlines.

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

**Mr REES:** I did.

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

**Mr REES:** I am.

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

**Mr REES:** Yes.

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

**Mr REES:** Yes. I run a small regional airline called Yanda Airlines, which supplies daily and sometimes twice-daily and other times three-times-daily services to Coonabarabran, Gunnedah, Scone, Singleton and Maitland to Sydney. We operate nine-passenger twin-engine Piper Chieftain aircraft. We are one of the vanishing breed of small aircraft operators who fly into Sydney, and we are coming under fairly intense pressure from the regulator, in terms of the Commonwealth, the owners of Sydney airport and basically Federal government policies, stated or unstated.

**CHAIRMAN:** Do you go to Quirindi as well?

**Mr REES:** No, we do not have a flight to Quirindi. We link our aircraft. We have one aircraft based at Coonabarabran with two pilots; one aircraft based at Scone with two pilots; and the third aircraft is normally out for maintenance; and the fourth aircraft sits there as a spare. We fly Coonabarabran-Gunnedah-Sydney and Scone-Sydney-Maitland-Sydney. We have the capacity, because of timetabling, to link those flights so that they can mix and match. So, basically, if there are only nine passengers to Sydney from say Singleton down, then we have only got need to send one aircraft. This allows us to maximise our load factor. The aircraft are too small to play the yield game on fares, so that we have to play the game by maximising our load factor. We have that capacity.

With the slot mechanism in Sydney we are losing that capacity, because if we combine our flights too much we will lose the slot, so we cannot fly the flight when we have the passengers, and if we fly the flight without the passengers we lose the slot because we will go broke. So we are in a bit of a cleft stick. It is one of those things that I think is becoming part of the unstated Commonwealth policies.

**CHAIRMAN:** How do the landing fees increases affect you?

**Mr REES:** The big problem at the moment is that we do not know what they are. The Sydney Airport Corporation has had it approved by the regulator, and I think Minister Vaile has signed in to regulation that we have a \$100 flat landing fee as a minimum charge. That is in stark contrast to every other major capital city airport in Australia, which is \$27.50. On a tonne rate, that is approximately double the tonne rate. So, if you can fit in with the tonne rate below your minimum charge, you are infinitely better off.

All of the regional operators are negotiating with the Sydney Airport Corporation for a phasing in of whatever the increase is. The Australian Competition and Consumer Commission (ACCC) has given the Sydney Airport Corporation this increase for this financial year only. So, as of 1 July next year, we all start again with a fresh sheet of paper.

The regional airlines have put a proposal to the Sydney Airport Corporation which will involve our fees as nine-seaters going to \$33; the 18-seaters of Impulse, the then Tamair going to \$70; and Eastern, Hazelton and Kendell accepting the \$100 minimum charge across the board for all of their operations. We met in early August, and they were going to come back to us two days later.

**The Hon. J. R. JOHNSON:** Who is we?

**Mr REES:** The regional airlines as a group. We are still waiting for the Sydney Airport Corporation to come back to us. They have not come back to us, so we do not know what we are dealing with, and we do not know what the increase is. That is one of the difficulties we have and this starts on 1 October.

**CHAIRMAN:** What was the approved fee?

**Mr REES:** The Australian Competition and Consumer Commission has approved \$100.

**CHAIRMAN:** As of 1 October?

**Mr REES:** As of 1 October. If we do not reach an agreement with the Sydney Airport Corporation, we are in for \$100.

**CHAIRMAN:** So there is going to be a rebate?

**Mr REES:** We are negotiating the rebate. If that rebate is not negotiated, it starts at \$100. And, if that occurs, then we have got people like Country Connections and myself who will say, "Let's go and live on the beach." We will stop servicing something like 30 towns in New South Wales. We thought we had a fairly reasonable agreement with the people that we were negotiating with, the Sydney Airport Corporation, but it appears to have hit a brick wall within the organisation somewhere. I have a feeling that it is at the head of the organisation. Mr Stewart is the head of the Sydney Airport Corporation. We have a suspicion that that is where the problem lies.

**CHAIRMAN:** Have got any response yet about the rebate scheme?

**Mr REES:** No, other than they are still looking at it, and they will get back to us, hopefully, at the end of this week.

**CHAIRMAN:** They have not guaranteed anything yet?

**Mr REES:** No. And this is two weeks after they said they would get back to us.

**CHAIRMAN:** Are the country landing fees a concern? What you would really prefer is a per head rate, I suppose.

**Mr REES:** The proposal that we have put to them—and it has had some fertile ground with their accounts manager—is that there will be basically a head tax for the use of Sydney, so that every person who uses Sydney will pay the same amount of money. So, if you fly from Cairns or Brisbane to Sydney, it will work out just under \$3.00; if you fly from Dubbo to Sydney it will work out at just under \$30.00. It is a system under which, if we sell 100 tickets that week into Sydney, we collect the \$3.00 a head, and we remit \$300 to the Sydney Airport Corporation. To me, it is heaven on a stick if I were in their shoes because it would cut out all the administration, and all they would have to do is bank the cheques. The major airlines are very luke-warm on that idea; they are pretty well opposed to it. I do not know why, but that is the next issue.

**The Hon. J. GARDINER:** When you say the major airlines, whom do you mean?

**Mr REES:** Qantas and Ansett. I think it cuts down everybody's paper work. We do it now. For instance, we do it at Gunnedah. We have a head tax there of \$4.50, and that is collected on each ticket and remitted. That is all there is to it. It is a simple solution which does not involve a great deal of administrative work. As it is now, we get invoiced for each and every landing that we have to check that we have had the landing; and there are errors, so you have got to check, and it is not just a case of accepting it. So there is that side of it.

In the country towns, the towns that we serve have not been rapacious at all. Some of the country towns are pretty savage I believe, in terms of three and four times what we pay at our dearest airport. At places like Coonabarabran we pay basically a nominal fee of \$2,000 a year for using the airport. They want an air service, and they realise that if they make it too hot we are gone. Scone is about \$6,000, which is roughly \$3 a head. We own our own airstrip at Singleton, so we do not charge ourselves.

But country charges, from our point of view, in our operations are not a major factor. They are a major factor, I believe, with some other operators at some other ports. At Narrabri, for instance, I think it is \$11 a passenger, which is a fairly solid lump out of a fare.

**CHAIRMAN:** Do you have some comments on the slot system?

**Mr REES:** Yes. The slot system, as I indicated earlier, has problems for us. I believe the slot system was not something that the industry wanted; we were told we were going to get it. It was a decision made by the previous Minister for Aviation or Minister for Transport, John Sharp, and it was designed to regulate traffic into Sydney. There already was a control departure program in operation which regulated traffic into Sydney. So we now have two systems running. When the control departure program runs, the penalties under the slot system are effectively under starters orders.

The slot system itself has some major administrative drawbacks from our point of view. We have got to keep track of each and every landing, each and every off-slot that we have, to be able to justify that at our subsequent compliance meeting. So, what used to be a simple arrival and departure from Sydney is now a paper work exercise as well. The administration that keeps our company running is myself and my wife, so every bit of extra work generates more pressure.

The problem with the slot system is that if you use less than 80 per cent of your given slot, you risk losing that slot. So we are in a situation where we operate by mixing and matching our flights to the traffic loads on that day. So we have to tread fairly carefully as to whether we stay above or below the 80 per cent, because if we get below the 80 per cent we risk losing the slot, which means we cannot operate half our flights to Sydney when we do have passengers, or we have the alternative of running empty aircraft to Sydney just to occupy the slot, which to me is totally wasteful of both our resources and those of Sydney airport. So we are in that bind.

I think the slot system is a system that we did not need, that we do not want, and it does not achieve anything. I think

it is going to be used as a system to check what the air traffic controllers are saying about traffic loads rather than what we are doing with the traffic itself. They will be monitored fairly closely, and their performance will be monitored from the slot control system. The air traffic controllers will be a monitor on the slot control system. They are aware of that, and they are not very enthusiastic about it either.

Also, even though the government decided that we shall have the slot system, it was also determined that we should pay for it. So the total cost of organising the slot system and running it is about three-quarters of a million dollars a year, which is borne by each operator. So, if there are X number of slots, then you divide \$750,000 by X and that is what each aeroplane costs for a slot, arrival and departure.

**CHAIRMAN:** That is in addition to the landing fees.

**Mr REES:** Yes. It is only a couple of dollars, but it is a couple of dollars in and a couple of dollars out. We have paid that with an eight- or nine-seat aeroplane. Qantas pays that with a 450-seat jumbo jet. So once again it costs our passengers 50 cents for the slot control mechanism, which does not achieve anything, and it costs Qantas on a 747 some points of a percent per passenger.

**CHAIRMAN:** Do you have any suggestions regarding alternatives to a slot system? Some of these questions you might take on notice if you wish.

**Mr REES:** I do not believe there is a requirement for a slot system. The slot system was a politically-derived system to show that somebody was doing something about the matter.

**CHAIRMAN:** They are not reaching the maximum on any of the flights, are they? They are still using 70 of the 80 anyway.

**Mr REES:** In the 7 o'clock to 9 o'clock or 10 o'clock period is getting pretty crowded, but you have got to add to that that there is now a runway allocation system that is convoluted, to say the least. In the past, the runway allocation at Sydney was done by the senior tower controller on the best available operational situation concerning wind and aircraft arrivals. So aircraft coming from Melbourne and Adelaide landed on 07, the runway to the east; aircraft from the north landed on the runway to the south. So there was a fairly constant flow of traffic. Now, we spend time flying around to land from the north.

To change the runway direction requires something like 15 to 20 minutes of research on the part of the air traffic controllers to see whether that would meet the criteria that have been laid down by the political directive. That does not augur well for the efficient and economic operation of Mascot airport. The additional holding that we have had since the third runway was opened costs our company approximately \$100,000 a year—just in additional holding! This is holding now which, because they changed the size of the controlled air space zone, on the basis of what the Chairman of the Civil Aviation Safety Authority wanted, is not outside the controlled air space, so that anybody can and does fly in that space.

The rest of it is then spent flying—for instance, Maitland to Sydney is 76 nautical miles. When we land on 34 we fly something like 118 to 120 nautical miles. That is a fairly significant percentage increase. We are held up until we are at Mascot at 6,000 feet in an unpressurised cabin, so operationally we then risk cooling our engines improperly and risk cracked cylinders and crank cases in future. So we have those problems that are caused by what I think is the improper operation of Mascot airport.

But Mascot airport itself, with the runways that it has available, is capable of handling significantly more than 80 movements an hour. I believe its capacity is round the 120 to 130 movements an hour, if used properly. So there is no requirement whatever to have a slot control system. The slot control system was a politically imposed system to

solve a political problem, and not an operation problem with the airport. That is one of the facts of life, of course. We live in a political world, and I do not have a problem with that sort of solution, but I think it has got to be identified and accepted as such, and not purported to be something that it is not.

**The Hon. J. GARDINER:** You mentioned a number of pilots. How many employees altogether are there in your airline?

**Mr REES:** We have four pilots, plus myself, my wife, and a maintenance controller. That is the full-time staff. We contract our check-and-train to an ex-DCA senior examiner of airmen. He was there senior examiner for 18 years. We have casual staff at Maitland airport and Gunnedah airport; that is, another four or five people. We contract our maintenance to a company called Scone Aircraft Maintenance, which has about 12 employees. Not all of them are used with us.

**The Hon. J. GARDINER:** Would you be their major client?

**Mr REES:** We would be one of their major customers, if not the major customer.

**The Hon. J. GARDINER:** Could you indicate the pattern of traffic say over the last five years? Has it been fairly constant, or is it going up or down? I am particularly interested because we have heard quite a bit of evidence from even larger centres, like Wagga Wagga, which is very conscious of improvements on the Hume Highway and what that does to travel time. With the improvements, particularly by the end of this year, to the New England Highway for example, what do you anticipate will happen then?

**Mr REES:** It hurts us all the time. I always used to say, "While we have sole rights to our runs, we have two competitors lower down in the lower Hunter; we have five bus companies, a railway line and a four-lane highway." So we had fairly significant competition from the Hunter Valley. It is very difficult to know whether the improvements in the highway are costing us traffic, or whether in factor the overall economic depression in the Hunter is costing us traffic. An example of that is that Warkworth Mining, for instance, has three large pieces of equipment which this year they parked rather than doing their major overhaul on it. Now, that major overhaul would have given us 200 to 300 outside contractors flying in and out, so it has cost the better part of 20 per cent of our traffic from Singleton.

**The Hon. J. GARDINER:** I am sorry?

**Mr REES:** Twenty per cent of our traffic to Singleton has gone simply because one mine has chosen not to overhaul that equipment this year and save themselves \$5 million and to do it next year and the year after, or whatever it is. At Gunnedah we have had the meat works close, the Vickery mine has closed, and the oldest mine that was up there did shut, and then Gunnedah colliery has in fact just retrenched workers as well.

**The Hon. J. GARDINER:** Yes, half their work force.

**Mr REES:** Yes. Late last week the Wambo mine in the Hunter Valley retrenched another 170. There is a significant depression in that area, and there is an attitude that is developing amongst the people there of not spending. A lot of it is misplaced because, for instance, I was talking to the previous owner of Cumnock colliery and he was saying that he and his mother owned the mine and they used to mine 2 million tonnes of coal a year and make \$2 or \$3 a tonne profit. As he said, "It was a nice little earner for mum and me."

They sold that mine to an international trading firm that actually trades coal around the world. The mine now makes no money! But the trading company makes \$5 or \$6 a tonne, but it makes the money in Bermuda or wherever. So the bloke who is working at the mine says, "The mine is not making any money, I'm not going to have a job, I'm not

going to buy the new fridge." So the Retravision bloke does not buy the new ute. And on it goes. So you have got that sort of depression of attitude.

**CHAIRMAN:** Though an artificial one.

**Mr REES:** Yes. There is no way the bloke at Cumnock is going to lose his job because the boys at Glencor love \$6 a tonne in Bermuda. So there is that side of it. A lot of our traffic in the Hunter Valley was not in fact Hunter Valley originated traffic; it was of consultants and contractors coming in and out. It might seem funny, but a coalmine does not travel much, but the bloke who sells them the grease travels a lot, so we get our traffic coming from that side of it.

Another area of our traffic is the Army, with the infantry centre at Singleton. The Army apparently is going through a fairly major restructure. Nobody quite knows what is where, and who is doing what to whom, so they are sitting pat as well. So we are getting this crush-down type of thing which, at the risk of being political, is showing up in the One Nation opinion polls. People are looking for something away from them. So that is the overall problem that we have there.

In terms of absolute traffic, our traffic in the third weekend of May last year dropped 25 percent on one weekend, just gone like that! Exactly the same weekend was the decrease in traffic for the motels. And even the local crane operator, who has some fairly large heavy lifting equipment and moving equipment had the same thing. In about May or June this year, it decreased again. We do not know whether that is going to be an ongoing decrease. The first one was certainly a decrease. The second one we do not know about because a lot of it was caused by not being able to use Gunnedah because it went under water; the airstrip itself went under water twice. It has not been under water since 1984; it was under water twice within three weeks. Singleton went under water. We do not know whether that is just a depression from that. The Gunnedah traffic has since come back a little bit, so we do not know whether it is going to be an ongoing thing or a short-term thing.

**The Hon. J. GARDINER:** What about Coonabarabran?

**Mr REES:** Coonabarabran just sort of trundles along in spite of itself. I know that is the right thing to say. Coonabarabran has the AAO up on the hill, and it provides a lot of traffic. And there are a significant number of Coonabarabran people. It is difficult to get anywhere from Coonabarabran. As Patricia Poole, the previous Mayor, said, when Ansett was serving the town they used to get a 40-seat Fokker Friendship, with a hostess or two hostesses; they got those services three times a week, the same day as the train arrived. Now that we are there, Coonabarabran gets a nine-seat aeroplane, but the two pilots live in town, chase the young ladies in town, and the town gets 12 services a week. So, as Patricia said, "We will travel in small aeroplanes." Their attitude is much more philosophical. They want the service, and therefore they will use it.

**The Hon. J. GARDINER:** Obviously, on the subject of deregulation of the regional airlines, you are not enamoured of that.

**Mr REES:** I am a bit ambivalent. I think one of the problems that we suffer from now is that we have been regulated since 1964, I think, when the Act came in. We have had the Air Transport Council since about 1986. It has been a nice, comfortable system. But, unfortunately, the system has merely reinforced the status quo. It was never designed to be a dynamic system. The system should have been allowing new operators to start, and percolate up. There have been no dynamics in the air transport system in the State. In fact, when the Air Transport Council was about to start there was Ansett and East West, and that was it in regional New South Wales, plus a couple of operators operating regulation 203 operations. A few years later we have still got Eastern, Hazelton and Kendell, and that is it. I am talking about operations into Sydney, and I take Impulse out of that because they are primarily a Newcastle hubbing exercise.



So we have Eastern in the Qantas system, and we have got Kendell and Hazelton in the Ansett system. So we still effectively have two operators. I am not suggesting that it should ever happen, or would ever happen, but for instance if we woke up tomorrow morning and found Hazelton had gone broke, or just decided not to play aeroplanes any more, other than the existing major operators, there is no-one else in the place to fill in the gaps. There is no-one there at the next rung below, because instead of having a number of small runners, as we used to have, we now have the Hazeltons and the Kendells there, and the Country Connections and the Yandas there.

We made a decision eight or nine years ago to stay at that level and service towns of that size. So we do not have a problem with that. But there has been no capacity to grow beyond that because to bid for the runs as they come up on the re-licensing you have got to have the equipment parked there; you have got to be ready to go; the establishment has got to be there. Only the existing operators have that. It is the same exercise, for instance, at Tamworth, which I think is to be considered by the Air Transport Council this week. There are only Hazelton and Impulse—because I do not think Kendell is putting in a bid—in a position to do anything about it. Nobody else is, because nobody has the equipment in situ to do anything.

**The Hon. J. GARDINER:** Do you think the market is big enough to allow for other operators?

**Mr REES:** I do not think so. I think it would be a blood-bath. As a small operator, we have probably had more experience with competition than anybody. We took over Coonabarabran and Gunnedah from Hazelton in 1991 when they pulled out of all the small ports. It is my belief that Hazelton should have had to go back to the Air Transport Council in respect of all of their runs, because they got the big ports on the basis of serving the little ports. So, if they do not want to serve the little ports any more, the big ports should be back in the pot. That did not happen.

**CHAIRMAN:** That is a point that has been raised before in our inquiry, because there is this process of advertising before the licences are issued, but if the successful operator pulls out of towns, or even downgrades the services, with fewer services or smaller aeroplanes, there should be a mechanism by which the licence goes back into the pot.

**Mr REES:** Yes. When we started at Gunnedah and Coonabarabran we immediately had Oxley Airlines there as a competitor at Gunnedah. Now, we fought Oxley from September 1991 until December 1992, when they went broke, and they were then taken over by Impulse, and then I had to fight Impulse until about May or June 1993. Then we had a fight with the Civil Aviation Authority at the end of 1994, and when we restarted in 1995 Tamair was going to Gunnedah. So we had to fight Tamair at Gunnedah from January 1995 until August 1996. So, in terms of a small operator, we are probably as used to competition as anybody.

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

When you get two of the major regionals, Kendell and Eastern, owned by the major airlines, who is going to fight that? I do not want to take them on. I have got better things to do with my time, even if it is only to sit on the beach. The outcome of that sort of struggle is clear-cut if they get serious. Now, if they just sit there and play the game, somebody can survive with them. But if they are serious about giving you a hard time, then they will give you a hard time. Years ago, when Ansett were in Dubbo and Hazelton was there, one of the Hazelton pilots said to me that Ansett was going to buy them out because they wanted to get them out of Dubbo. I said, "But Hazelton does not have anything that Ansett wants. Secondly, if Ansett wanted Hazelton out of Dubbo, they would just cut their prices by half for six months, and Hazelton would cease to exist. It would be a lot cheaper than buying them out."

That is the problem. In the mechanism for deregulation there is nothing to deter predatory behaviour, or provide a penalty for it. The same situation occurs in America. There is much debate at the moment about predatory

behaviour. But at least in the United States there is a mechanism to take someone to task over it.

**CHAIRMAN:** Could you explain that a little bit more.

**Mr REES:** In the United States, if you are guilty of predatory behaviour, then the anti-trust mechanism comes into play. Not only do you not have to fight the case if you are being preyed on, but they will fight the case and, as well as the predator being fined for doing that the court can award the operator who is being preyed on significant penalty payments. And the United States gets serious when they talk about fines; they don't muck around. So there is that mechanism, in place.

There is no such mechanism with the Independent Pricing and Regulatory Tribunal (IPART). IPART put out a report that said the Australian Competition and Consumer Commission has got this thing about hosting and will be able to sort that out. I contacted the ACCC, and the ACCC could not find it. There was a discussion they had written years before but that they had lost. And this was the mechanism that IPART said would save us.

The problem that I have with deregulation is that sort of behaviour. But, more importantly, if deregulation is going to come into play, it should come into play because of reasoned and logical decisions. IPART does not provide those. In fact I have said to IPART that if a year 12 economics student wrote that report, the student would probably be failed. It started with a conclusion and then wrote the report. That is the way I read it. They even said things like, "It will result in a \$30 fare increase around the country." Well, Canberra to Sydney is much the same distance as Scone to Sydney, about a mile difference in air distance. Canberra is unregulated. It has major jets and competitive operators. The standard fee out of Canberra is \$163. I operate to Scone with a nine-seater aeroplane on a protected route, and my fare is \$144. Tamworth.

**CHAIRMAN:** That did not come out in the report.

**Mr REES:** Those are the sorts of things that they just blithely skipped over. The report is full of things like, "It's a well-known fact", "It can easily be shown", but it is never shown.

**The Hon. J. R. JOHNSON:** You were going to say something about Tamworth.

**Mr REES:** I was going to compare Tamworth to Gunnedah. Gunnedah is probably about 20 miles further from Sydney than Tamworth by air. Our fare to Gunnedah is \$178, plus the \$4.50 council tax. So it is \$182.50 for a passenger. The fare to Tamworth I think is \$186, plus \$11 council tax, but it is in the area of \$190. So, once again, if IPART's thinking holds true, that fare should have been only \$152 \$30 less than mine. So the IPART report is flawed. Whether the government chooses to deregulate or not is a government decision, as it is with Mascot, but to make the decision based on the IPART report would be to make a decision on a flawed basis.

**The Hon. J. R. JOHNSON:** You indicated that the airport could handle anything up to 120 or 130 air movements. Would an upgrade of the air traffic controllers' equipment be necessary?

**Mr REES:** Very little. I think the rules that they work with would have to be changed. The PARM radar would have to come into play. It has already been installed and been sitting there for some years. It allows simultaneous operations on parallel runways in instrument weather. Currently, we can do simultaneous approaches in fine weather, but this PARM radar will allow simultaneous approaches in bad weather. So it removes the weather from being a factor.

**The Hon. J. R. JOHNSON:** Is that its main advantage?

**Mr REES:** Yes. That is its only advantage. I do not believe the system needs any more upgrading on what is there.

They are spending hundreds of millions of dollars putting in new taxiways. Well, we get lost on the taxiways that are there now. It comes down to a philosophical point of view on the control of infrastructure. We have handed over the infrastructure to a private corporation which will do as it wants, rather than what the national good dictates. Now, it may well be that the two are the same, but they might not be. So we have a problem with that as well. Equally, we have a problem with the charging mechanism. The Federal Airports Corporation's way of arriving at this \$140 was to take the costs of the runways and taxiways in Sydney and divide it by the number of movements. That was it. It was a very complicated system of calculation that they used, even though we do not need 10,000 feet of runway.

**The Hon. J. R. JOHNSON:** What would happen to Gunnedah and Condobolin and Scone and Singleton if, as you said, you went and sat on the beach as a consequence of something happening?

**Mr REES:** IPART makes much of the fact that in 1991, when Hazelton pulled out of the small ports, that there were a whole bunch of operators rushed in to fill the void. I do not think the same operators are there now to fill the void. The regulatory environment has changed to the extent where I do not think that is possible. For instance, in the Hunter Valley, the main airstrip in the Hunter is at Singleton, where we physically own the real estate. So, if we packed our bags and wandered off, then there is no airport at Singleton.

**The Hon. J. R. JOHNSON:** Grow tomatoes.

**Mr REES:** Well, grow timber and sell the carbon credits. Coonabarabran, I would suggest, would probably lose its air service altogether. It may be feed in through Coonamble into Dubbo. That is a possibility. In respect of Gunnedah, it would be the case that somebody would fly them over to Tamworth, or they would be driven there. When East West pulled out of Gunnedah in the early seventies, that is exactly what happened. There was a bus service that ran them across to the airport. With the weather and so on at Scone, with fogs and things in the morning, unless you have an operator you could not get a reliable service into Scone. Maitland would just lose its service altogether, and it would drift over to Williamtown, and the Army would have to march.

**The Hon. I. COHEN:** You have got the Army marching. Given that scenario, and the problems with the proximity of a number of airports, could you see any hubbing and spoking route arrangements that could resolve those problems and perhaps result in an upgraded and more efficient service?

**Mr REES:** We looked at that.

**The Hon. I. COHEN:** I am particularly interested in minimising the number of flights into Kingsford Smith airport.

**Mr REES:** The number of flights into Kingsford Smith airport does not really matter. It is the type of aircraft that is operating into Kingsford Smith airport that really makes the difference. For instance, my house at Singleton sits on the end of the runway, and we do not have a problem with aircraft noise because there are only light aeroplanes. Some time ago we looked at TNT in fact taking a position in our company. We were going to ferry them to Aeropelican.

We then sat down with the General Manager of Aeropelican, Trevor England, and worked out how it would fit. We both came to the conclusion that it would not fit, because basically you are flying east-south-east to get to Aeropelican, and you are then flying sou'sou'west to get to Sydney. By the time you flew to Aeropelican, landed, changed aeroplanes and flew on to Sydney, the same person could have got in his car at Singleton and have driven to Sydney, and he has got his car when he gets there. At Williamtown, the position gets even worse, because the angle is even more acute.

Our plan, when we first took over the company in 1985 at Singleton was to hub other ports into the Hunter and on to Sydney—places like Mudgee, Coonabarabran, even Walgett. In fact, we had a grand scheme that the whole thing

was going to be floated on the second board of the Stock Exchange, and then we would franchise out country towns, so that we would supply the commercial pilot in Moree with an aeroplane, and he would fly the people to Singleton, where we would put them in a larger aircraft and take them all to Sydney.

Several things intervened, not the least was 1987 and the capacity not to do anything. Then the Air Transport Council got into the act and allocated the runs, and that was the end of the whole of that situation. That situation could be freed up by deregulation, but I do not know that that would be the sole justifiable reason for having deregulation.

**The Hon. I. COHEN:** A lot of the flights from the Ballina and Lismore area stop over in the Hunter, with an anomaly of flying to Sydney and getting back to the Hunter. In a former inquiry we were looking at opportunities for the Hunter region. Obviously, there is a lot of potential in health services to be focused in the northern region and so on. Obviously, we would be looking at an orientation change so that the Hunter could become the hub for a wider spoke system.

**Mr REES:** One of the things that we look at is running from the Hunter to Brisbane. That is probably on a bigger scale.

**The Hon. I. COHEN:** Would that be a milk run, with stops?

**Mr REES:** No. We would go from Singleton, to Scone to Brisbane. Most of the mining supply companies—such as Shell, which is a major mine owner—all have their offices in Brisbane. So there are some attractions there. But just to fly a Piper Chieftain, which is probably the minimum that you could fly on that sort of run, from say Singleton to Ballina would be about an hour and three-quarters. So you are talking about a round trip of 3 hours for the round trip. If you are going to do two a day, that is seven hours a day.

Six round trips a week brings it up to 42 hours, so you are talking about \$10,000 in direct operating costs every week.

That \$10,000 does not cover any of the overheads, the aeroplane, the aeroplane insurance, landing fees, et cetera. The best you could ask for in a fare is \$250. On an 80 per cent yield, you are down to close to \$200. You have got to have 50 people a week travelling between those two ports to justify it. That is the big trouble. If you get 51, you make a lot of money. If you get 49, you and the bank manager are not good friends.

It is an area where, even with small aeroplanes, it is big money. Our Chieftains cost just on \$5 a minute to operate, so you do not need much to bring the economics undone. We keep telling our pilots about planning the arrival and departure from the circuit better. If they can save one minute per segment, the company would save \$55,000 a year in direct operating costs. It is that marginal.

**The Hon. I. COHEN:** Perhaps not from the industrial areas, but from the outlying areas of Coonabarabran, et cetera, do you see an opportunity for the government to give some sort of subsidy to service those country people?

**Mr REES:** If there are going to be subsidies, I would love to put my hand up.

**The Hon. I. COHEN:** Is there a reasonable need?

**Mr REES:** This has got to be a government decision, saying, "We want this level of service into this sort of town." If the town itself cannot justify that level of service, then to get it the government is going to have to pay a subsidy. But I think that subsidies should be the last thing on the table, not the first. That is probably a very poor way of putting it. Subsidies should only come into play if the government decides in its wisdom that that area should have a service and that it should have that level of service, and therefore if the level of service that the area can support is A, and the government wants B, then I think it is fair for the government to decide that if it wants the service to be B that it contributes the difference. How the mechanism would work, I do not know. But that would be my view on it.

**The Hon. I. COHEN:** Does Bankstown airport have any potential?

**Mr REES:** It has no potential from our point of view. Seventy-eight per cent of our passengers from Singleton on-carry to Ansett or Qantas. Out of Maitland, 38 per cent on-carry. Some years ago, once again when Trevor England was the General Manager of Aeropelican, he did a survey of his passengers for about three months to see who would prefer to go to Bankstown rather than Sydney. He got one. So we had a whole new market to explore!

Bankstown is not a viable option from our point of view. Even for people flying on from somewhere else, if you have got to fly from Singleton to Bankstown and then drive an hour to get back into the city, you would get in your car in the first place. If Bankstown became the only place that we could operate into Sydney, we would not operate; we would just close down.

**CHAIRMAN:** What services do you use in Sydney?

**Mr REES:** We are hosted in the Qantas reservation system. We share a terminal with Impulse. They provide us with turnaround facilities.

**CHAIRMAN:** Is there a possibility that this might be a solution to some of the problems: that two slots a day would be allocated to smaller towns, at a discount rate. For example, Scone gets access to Sydney twice a day, at \$10 a slot rather than \$100 a slot, and if it was really needed it could be subsidised.

**Mr REES:** I would put my hand up for that.

**CHAIRMAN:** When you get to a certain level of aeroplane, perhaps once you get to 34-seaters, they would go in at \$100.

**Mr REES:** The only thing is that you have now got the Sydney Airport Corporation, which is an independent company, and it is going to say, "Why should we forgo our revenue?" So someone is going to have to pay.

**CHAIRMAN:** The Federal government has not actually leased the airport yet. There is still some opportunity for regulation.

**Mr REES:** The problem that you have there, though, is that when Vaile was the Minister he acted fairly courageously when he was about to hand control of the airport over to John Fahey. The proposal was for \$140 and he wrote the ministerial directive for \$100. I do not think that won him any friends. I am trying not to be political with it, but it is now in the hands of a person who has, I think, a vested interest in Sydney airport remaining the premier airport, otherwise Badgerys Creek is built, which flies over the electorate that he lives in.

If I was the Federal Airports Corporation I would have gone straight to the Commonwealth and said, "Look, we can shift all these regional airlines out to Bankstown, and that will let us put more big aeroplanes into Sydney, and get more money out of that, so that when we sell it we can get more money, and that will make Bankstown more viable and we will get more money when we sell that, and we don't have to build a new airport until at least after the next election." If you were the Cabinet, you would take him to lunch. So I think you have got those sorts of considerations.

**The Hon. J. R. JOHNSON:** They would have to do it before the elections, because they would lose their seats afterwards.

**Mr REES:** That is the problem. Come an election, it may well be a different kettle of fish altogether. But, at the present, in terms of the underlying attitude towards Mascot of the Federal Cabinet, that is in play there. As I said, I think Vaile did a fairly courageous act in doing that. He did it unilaterally, I believe.

**CHAIRMAN:** Another example of our slavish adherence to national competition policy even though it works against country people.

**Mr REES:** I am sure it is, and that is the problem that we get with IPART.

**CHAIRMAN:** I thank you very much for your interesting information and matters to follow up from your evidence this morning. If there is anything else that you feel you have not dealt with and you want to write, feel free to do that.

**Mr REES:** There is not much else. I think the main things are covered in the submission. I do not have a position per se on deregulation or regulation. From a strictly selfish point of view, if the State stays regulated, I maintain a business. If the State deregulates, I have a set of slots that are worth money. If they cannot be sold, things can be done. The problem we have is that, if the State deregulates, there is a de facto regulation system behind it in terms of access to Sydney and access to reservation systems. I think the access to reservation systems is at least as important as the access to Sydney.

**CHAIRMAN:** I thank you very much for your evidence.

**(The witness withdrew)**

**JOHN ANTHONY GAUDRY**, General Manager, Scone Council, sworn and examined:

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

**Mr GAUDRY:** On behalf of the Hunter Region Organisation of Councils.

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

**Mr GAUDRY:** I did.

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

**Mr GAUDRY:** I am.

**CHAIRMAN:** You have not made a written submission to the Committee. Are there any papers that you would like to leave with us?

**Mr GAUDRY:** No, I have not. I have some material that I would refer to.

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

**Mr GAUDRY:** Yes, certainly. On the publication of the inquiry, Scone Council lodged a submission that you would have a copy of. The Chairman of the Hunter Region Organisation of Councils was aware of that submission and was aware of the inquiry.

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

**Mr GAUDRY:** Certainly, because it is relevant in as much as the Hunter Region Organisation of Councils, particularly those relative to the Upper Hunter, have a great reliance on the air services provided and operated being to a substantial degree domiciled in Scone, and that is Yanda Airlines. Paul Rees has his airport at Singleton, but it certainly serves the Upper Hunter, and in particular Scone. And, in Scone itself, a company resident in Scone undertakes the maintenance operations on his airlines. As far as our local economy is concerned, that is worth something in excess of \$250,000.

So we have a major role to play in respect of the Hunter, and particularly the Upper Hunter councils, and particularly as far as the operation of the regional airport is concerned. So a number of points that we have made are relevant pretty much across the Hunter as a whole, and in some degree are relevant to Aeropelican and also Impulse Airlines at this end. I note that they will be appearing before the Committee, and I am sure I would only be repeating myself if I addressed those matters.

In respect of the Upper Hunter, might I say that it is an area now served by Yanda. It is a population of 50,000 people. I think it is fair to say that it is a substantial growth area in regional New South Wales. I am sure that you would all be very much aware of the mega open-cut coalmines in the Upper Hunter. Just to mention one, the notorious Hunter Valley No. 1 coalmine, and not so recent but not too far distant in the past was the Bengalla open-

cut mine, which was the subject of a commission of inquiry. It has been approved, and in fact it is now in the course of construction. That is a mega mine.

Immediately adjacent to that is a further mega mine, also the subject of a development application. That is the Mount Pleasant mine. That surrounds Muswellbrook. To the south, and pretty much adjoining that, is the Mount Arthur mine under exploration. Again, that would be a mega mine. If you travel further down the valley, we have of course got the Hunter Valley No. 1, Cumnock and so forth.

There is a great deal of expertise required in the management and the maintenance of those mines, as there is, of course, in the development and opening up of new mines. Might I say that on the boundary of Scone we have a major mine operated by the Shell company. It is an underground mine, the Dartbrook mine. I think it is set up as something of a model underground mine. The adjoining countryside is predominantly dairy, and not too far distant are some major horse studs.

When we are looking at development, we must turn to the equine industry in the Upper Hunter. I think it goes without saying that those who might be somewhat aware of that industry, one which unfortunately is not covered in ABS statistics under agriculture. But if I could touch on but one, which is the Coolmore stud. Last year it had a turnover, just in the servicing of their mares, of \$60 million. That is just one horse stud. Of course, we have Arrowfield in the Upper Hunter, in the Scone shire. We have horseflesh that probably represents something like 60 per cent of the thoroughbred yearling sales conducted over the Easter period in Sydney. The horses would probably be averaging between \$90,000 and \$300,000. So it is a huge industry.

I might indicate that it has been recognised by both the State and Federal governments inasmuch that at Scone, and almost adjacent to the Scone airport, we have a cluster of equine industry which incorporates a research establishment, an equine research centre the only one in Australia, and probably one that will be of the equal of that of Kentucky in the United States. That is the centre piece of a new racecourse that has been completed in the last couple of years. You are looking at a \$7 million construction. A new TAFE college has really developed on the basis of integrating with the equine industry, and fundamentally has rural-based studies.

There are other inter-related industries, such as veterinary clinics. We have one of the largest veterinary practices in Scone, having something like 10,000 brood mares on its books. I am trying to give you an overview of the scene in the Upper Hunter. It attracts significant industry, significant research, and significant commercialism. Of course, we are talking of industries that are international.

I listened to the submission of Paul Rees in relation to the importance of Kingsford Smith airport to the Upper Hunter. From that description, you can get a feel for the fact that there are a significant number of international business people in particular who travel into the Upper Hunter and need a very quick interchange by way of moving from international flights to regional flights. Likewise, they turn around and pretty well fly straight out again. These people are just moving internationally. They probably spend more time on international aircraft than they do on the ground. So the retention of Kingsford Smith airport, to the Upper Hunter, is of enormous importance and significance to us.

Landing fees, of course is an issue for us. It is important to the traveller. In fact, we were a little concerned to learn of a possible substantial increase in landing fees that were likely to affect the cost of air transport. To give an example as far as Scone is concerned, the impact would escalate the price of a ticket, which is not cheap by any standards, by something like \$25 to \$30.

That has an impact, not so much on the business fraternity here which might be able to afford that, but again I raise the importance of airline commuting from the Upper Hunter. We are something like 3 hours out of Scone, and as you come down you probably decrease that by about half an hour when you move into places like Muswellbrook and



Singleton. What I am saying is that there is a sector of the community that we have identified as relying heavily on air transport within our catchment—and again I am talking of a population of around 50,000 people—and particularly aged people and people requiring medical attention.

It was quite surprising to learn of the number of people who utilise the aircraft out of Scone for the purpose of medication attention in Sydney. These are people who might be going down to Sydney for treatment for heart problems, for instance, and the distance and the time to travel by car serves as a severe inconvenience to them. So, for those in a remote area, air transport becomes extremely important.

When we are talking about the cost of tickets and the impact of costs on the operator, another concern is raised with us inasmuch as, apart from the impost on ticketing, we are concerned that it could have a flow-on effect in two areas. One relates to the operators of the airport. Singleton, Scone and of course Maitland have airports that are maintained by the local community. From time to time—and I do not think it is a case in isolation—air operators find it difficult to balance their books. We have had a need to bail out, in a sense, Yanda Airlines, which had accrued outstanding landing fees with the Scone Shire Council.

We see the possibility of any increase subsequently leading to further subsidisation of air services on routes where we would be keen to retain an operator, but might find it necessary to put to the community a strong argument that it might be difficult to maintain the service because of escalating costs. Currently, the Yanda service and most of the other operators operating into our airport, are meeting their landing fees, so that we do not have any outstanding fees in that regard.

The other question that concerns us relates to air safety. To some degree, we are watchful of the standard of operation, and, particularly in recent times, when we hear of the unfortunate incidents relating to small aircraft. We have small aircraft predominantly operating into Scone, of course. It is of concern that any escalation in costs could lead to pressures being put on operators such that that might in turn lead to a decrease in the servicing of their aircraft.

One other interesting point that I heard Paul Rees mention related to the time slots into Kingsford Smith airport, or the actual slots allocated to the airlines. We put forward an interesting scenario in that regard. That is that we feel that those slots might better be allocated to the region, rather than to an airline. In saying that, we put the argument that we have a concern that there may be a possibility that this slot could be on-sold by an operator, resulting in a service being lost to the region and to the local airport. I think that just above covers the matters I wish to speak about.

**The Hon. I. COHEN:** Mr Gaudry, in the Hunter area I wonder whether it would be reasonable to say that, big airport or no big airport, the competition from road, rail and the marginal advantages of flying, is a question that is very difficult to deal with. You have referred to the types of services that you provide for those in the equine industry and for those who need to travel to Sydney for medical purposes.

**Mr GAUDRY:** That is fair comment. We are at the top end of the valley, and we are 3 hours out of Sydney.

**The Hon. I. COHEN:** That is 3 by road from this end of Sydney. Is that so?

**Mr GAUDRY:** I think that would be fairly accurate, yes.

**The Hon. I. COHEN:** I would imagine the average drive to Scone airport might take 20 minutes. What are we dealing with in terms of a flight time to Kingsford Smith airport?

**Mr GAUDRY:** The current service is a milk run: it drops into Singleton and also into Maitland. That might take

1 hours. So you are probably looking at a 50 per cent saving in time. As you come down the valley, people would ask the question whether it would be in their interests to drive to Scone and catch an aircraft back into the city. But, as I said, the importance of a service is for the people in our end in particular, probably that area west and north-west of Muswellbrook in particular. That is the area that is really expanding as far as major industry is concerned. That is the area where the major studs are. That is the remote area that requires that service for the aged and for medical purposes.

**The Hon. I. COHEN:** What are the road surfaces like in the area?

**Mr GAUDRY:** The New England Highway cuts down through the valley. Out of Cessnock it is the motorway. From there, I would regard the road as being of good quality.

**The Hon. I. COHEN:** Do you see any measures that the government could implement to ensure that the services are maintained? There has been some talk about subsidies.

**Mr GAUDRY:** No, I do not think that is necessarily the answer. We are concerned about the impact of deregulation. We think that that could well put excessive pressure on the smaller operators. We think that where there is a patronage of less than 30,000 per annum should remain regulated. Otherwise, I am sure that could lead to the exertion of excessive financial pressure on the smaller operators, and instead of having two in competition you might end up with zero operators. I think I could speak on behalf of our council when I say that the council does not see that as the answer. If operators and businesses cannot stand on their own two feet, well they really do not have a future.

**The Hon. J. R. JOHNSON:** Mr Gaudry, what is your major concern?

**Mr GAUDRY:** There are probably two. The operation of the air service into Kingsford Smith airport is number one. We see that as terribly important. The other is the cost pressures on the operator, particularly in regard to national landing fees that might lead to an escalation on fees and put pressure on the airline to either cease its activities or, on the other hand, lead to a subsidisation by the local community to maintain that service, or likewise put pressure on the operator in relation to the maintenance of the aircraft, and therefore bring into issue the matter of safety.

**The Hon. J. R. JOHNSON:** As an affiliate of the Hunter Region Organisation of Councils, can you tell us what charges are placed on the operators in those areas?

**Mr GAUDRY:** Each of the councils would maintain and conduct its own airport and would effect a landing charge on the operator.

**The Hon. J. R. JOHNSON:** I wanted to know what the charges are.

**Mr GAUDRY:** I am not certain what they might be.

**The Hon. J. R. JOHNSON:** Could you get that information for us?

**Mr GAUDRY:** Yes. Paul Rees might have provided that to you in his submission.

**CHAIRMAN:** If you have a management plan for the future of the airport, you might submit that to the Committee.

**Mr GAUDRY:** Right.

**The Hon. J. R. JOHNSON:** Are you satisfied with the services that you are now getting?

**Mr GAUDRY:** We are very happy with the service. We have a twice-daily service. The time slots are most appropriate. The community is very happy with the level of that service.

**The Hon. J. R. JOHNSON:** That is the service from where?

**Mr GAUDRY:** Those are Yanda services, and they operate out of Sydney to Scone through to Singleton and also Maitland as the demand dictates.

**The Hon. J. R. JOHNSON:** In regard to new developments in the area, have they affected other industries like the new Bengalla mine?

**Mr GAUDRY:** Of course, they have a flow-on effect. They do bring in service industries with them. The mining industry throughout the Upper Hunter certainly has tangible flow-on effects throughout the community. Even at the community level, we see that the work force has escalated as a direct result of mining, and that will have a flow-on into transport and other service industries, and that ultimately leads to a flow-on into shops and into schools and hospitals. So those industries are particularly important to the growth, development and prosperity of the Upper Hunter.

**The Hon. J. R. JOHNSON:** May you continue to grow.

**Mr GAUDRY:** We hope so. It is doing just that now.

**The Hon. J. GARDINER:** Mr Gaudry, you mentioned the significant number of people using the Yanda service for medical purposes. Do you know, and if you do not could you find out, the proportion of passengers who indicate that they need to use the airline to get those services?

**Mr GAUDRY:** I will endeavour to do that. As I said, we have got some anecdotal evidence from people with whom we have come in contact on the question of air services. As a result of the Federal government inquiries into the maintenance of smaller airlines, at one stage Yanda got a wrap over the knuckles and was in the headlines. At that particular point of time there were a number of elderly people who raised concern with the mayor about the fact that they might lose the air service out of Scone. It was then obvious that they used it for specifically the purpose of medical appointments and could not drive the distance; it was just too far and took too much time, and that this was one service that they could enjoy.

**The Hon. J. GARDINER:** You mentioned that some time ago the council had to "bail out" Yanda Airlines regarding landing fees and so on. Could you indicate how much money was involved and when that was?

**Mr GAUDRY:** Yes, it was roughly two years ago, and there was about \$3,600 that had accrued in outstanding landing fees that the company did have some difficulty in paying. That had accrued over a period of time—probably 18 months to two years—and the council was reluctant to put pressure on the company. It had constant discussions with the company as to how it might make arrangements to offset the debt. The long and short of it was that the indications were that they were finding it difficult, and their argument was persuasive enough to convince the council that the best solution in the circumstances was to write the amount off.

**The Hon. J. GARDINER:** Was that a situation that was replicated in other councils? Did they have to do the same?

**Mr GAUDRY:** I cannot really speak for other councils. Interestingly, I did note that in the crash of Tamair, at

Gunnedah there was a considerable sum of money that was outstanding for landing fees. In my past experience I was the Town Clerk at Grafton, and in my day we had some trouble with East West Airlines. So I would think that it would go without saying that the indications are that a lot of shire councils or country councils that manage airports would be running those airports at a considerable loss.

Until the Local Government Act changed recently to allow councils an easy path to collect their fees, it had been very difficult for the councils to collect their money. I think that there were a lot of councils that had considerable sums of money outstanding in landing fees, not only from the commercial carriers but from other users of their airports who just fly in and fly out again and pay no landing fees.

**The Hon. J. GARDINER:** Hence your caution about the idea of the local communities paying any subsidy.

**Mr GAUDRY:** That is exactly right. I am sure, from my past experience, that the same would apply in another area anyway. There was always grave concern about the cost to the community of maintaining an airport. They are very costly. In our case, as I said, it is \$60,000. Just to reseal out tarmac costs about \$50,000, and we have to do that every five years. Certainly, it is a public service in a sense. I think it has reached the level that people in the community are saying, "How much can we afford. How much should we pay for that service, important as it might be?"

**CHAIRMAN:** From the Hunter perspective and not just the perspective of Scone, what impact would deregulation of intrastate services have on the services within the ambit of the Hunter Region Organisation of Councils? Is there any impact apart from what you have already referred to?

**Mr GAUDRY:** Not really, because the service into Scone is by Yanda, and you might say that that is the regional airline. It services Maitland and Cessnock. Down here, of course, they have Aeropelican and Impulse standing alone. To our understanding, they do not have the same pressures as a small airline might have. Our concern, as I have indicated, is that deregulation of those carriers moving less than 30,000 could put such financial pressure on them that they could well go to the wall.

**CHAIRMAN:** Has the slot system aided the Hunter community?

**Mr GAUDRY:** I think it is pretty much the same throughout. We would be interested in whether that slot can be allocated to a regional airline or not, and whether it would encourage another operator to come in, rather than have an operator who might have to off-sell it and so leave the region without a slot.

**CHAIRMAN:** Is there any problem with restrictions on landings at the Williamtown Air Force base?

**Mr GAUDRY:** I honestly do not know.

**CHAIRMAN:** We may well ask the next people to give evidence.

**Mr GAUDRY:** I just do not have knowledge other than what I hear second-hand, and I would not be prepared to repeat that.

**CHAIRMAN:** Thank you for coming along this morning and presenting your case.

**(The witness withdrew)**

**RICHARD JOHN BOMBALL**, Chairman, Newcastle Airport Limited, and

**MALCOLM ALEXANDER (SANDY) WHITE**, Manager, Newcastle Airport Limited; sworn and examined:

**CHAIRMAN:** Air Vice-Marshal Bomball, in what capacity are you appearing before the Committee?

**Air Vice-Marshal BOMBALL:** As Chairman of the Newcastle Airport Limited.

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

**Air Vice-Marshal BOMBALL:** I did.

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

**Air Vice-Marshal BOMBALL:** I am.

**CHAIRMAN:** Would you like the submission that you have provided to be taken as part of your sworn evidence?

**Air Vice-Marshal BOMBALL:** Yes, indeed.

**CHAIRMAN:** Sandy, what is your full name?

**Mr WHITE:** My full name is Malcolm Alexander White, but I am known as Sandy.

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

**Mr WHITE:** As Airport Manager, Newcastle Airport Limited.

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

**Mr WHITE:** Yes.

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

**Mr WHITE:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Air Vice-Marshal, you might like to give a brief summary before the members of the Committee ask questions.

**Air Vice-Marshal BOMBALL:** Thank you, Mr Chairman. As our submission indicates, there are really three issues that we wish to deal with: the first is pricing, the second is slot control, and the third is deregulation. The last two of those are very much inter-related.

In terms of pricing, Newcastle-Sydney is a very short route. It is dominated by the end cost, particularly at the Sydney

end for the airlines, and it is a route that is subsidised by the parent airline, mainly Qantas. I will come back to that when I talk about the operators on the route. It is therefore vulnerable, in that sense, to whatever happens in Sydney in terms of shoulder pricing or lifting landing costs across the whole day.

The important consideration as far as slots is concerned is that unfortunately, contrary to how the concept began, where the slots would be community-specific and tied to the various communities throughout the State, they have become airline specific. That means that, should an airline choose to move from a region, it can take its slots with it.

Coupling that with deregulation, in a sense the Newcastle-Sydney route already has been de-regulated, because we have Eastern Airlines—by far the most dominant operator at about 40,000 a year, and they are a Qantas-related airline; and we have Impulse Airlines, whose traffic is almost insignificant because Ansett, to which it is affiliated, of course is the owner and operator of Belmont airport, and most of its traffic is directed through Belmont. So Eastern is by far the most important operator for us.

Eastern is rationalising its fleet to Dash-8 aircraft, which are 36-seaters. They currently operate 18-seat Jetstream aircraft on the Newcastle-Sydney route. The fear that we have is that 36-seater aircraft are too much to sustain on that route, at least currently, and the worry we have is that once they have rationalised the temptation will be there, when deregulation allows, to transfer the slots on the Newcastle route to another, more profitable route.

In fairness, we have had some very detailed talks with Eastern, and they have assured us that in some way they will retain a presence on the Newcastle route, maybe with a smaller affiliated operator, or in some way. But, given that—and we accept that in good faith—I think that the fear remains that what the airline wants to do is totally out of the region's control. Hypothetically, for example, if Ansett's operations out of Belmont tempted them to take the eight or so slots they have per day out of Belmont and use those with bigger aircraft somewhere else—which they could do under the system, although there is no suggestion that they will but the possibility is there—then, the way the system is being set up, that could expose the Newcastle area to having no routes to Sydney whatsoever. As I say, those sorts of things are hypothetical, and the airlines have given us assurances, but the situation is out of Newcastle region's control the way the current proposals are moving.

**CHAIRMAN:** Sandy, did you want to add anything?

**Mr WHITE:** No. I think that encapsulates it.

**The Hon. J. R. JOHNSON:** Gentlemen, what is your major concern?

**Air Vice-Marshal BOMBALL:** Our major concern is that an airline can take its slots to a more profitable route, or for other reasons decide not to fly the route, and then Newcastle would lose air access to Sydney.

**The Hon. J. R. JOHNSON:** Do you have a solution to that sort of scenario?

**Air Vice-Marshal BOMBALL:** As I say, it is a hypothetical position. Eastern, which is our main operating airline on that route, has assured us that they will retain a presence. But, whilst that assurance no doubt has been given in good faith, there can be no guarantees.

**The Hon. J. R. JOHNSON:** Would you prefer to see the slots allocated to you as indigenous operators for your airport, as distinct from the airlines having the slots allocated to them?

**Air Vice-Marshal BOMBALL:** Or a compromise. The airlines obviously need a level of guarantee if they are going to invest in a route and a region, and all the other things that go with that, such as facilities. Maybe a compromise would be to have a consultative process, operated by the Air Transport Council or some such body, that

requires that there has to be consultation between the region, the airline and whatever the appropriate authority is before slots could be moved willy-nilly out of a region.

**The Hon. J. R. JOHNSON:** What are the fares between Sydney and your airport?

**Mr WHITE:** I am struggling to remember, there are so many of them.

**The Hon. J. R. JOHNSON:** What is the highest one?

**Mr WHITE:** Offhand, I cannot tell you, but it is several hundred dollars.

**CHAIRMAN:** You might take that question on notice and write to the Committee.

**The Hon. J. R. JOHNSON:** If, per chance, a GST was applied to that, do you think that would have an effect on traffic?

**Mr WHITE:** The level of fare always affects your passenger demand.

**Air Vice-Marshal BOMBALL:** If I could add that, in our case, and I think in the case of most airports throughout the State, the level of business traffic is somewhere in the order of 80-plus per cent, so that perhaps it would have an effect on the private traveller more than the business traveller.

**Mr WHITE:** That is correct.

**The Hon. J. R. JOHNSON:** The 20 per cent is the cream though, is it not?

**Air Vice-Marshal BOMBALL:** Yes indeed.

**The Hon. J. R. JOHNSON:** Without the 20 per cent, there is no profit.

**Air Vice-Marshal BOMBALL:** Yes. They are very low-yielding passengers generally.

**The Hon. J. GARDINER:** You said that Eastern has about 40,000 passengers. Could you give an indication of the total number in and out?

**Air Vice-Marshal BOMBALL:** Out of Newcastle?

**The Hon. J. GARDINER:** Yes.

**Air Vice-Marshal BOMBALL:** It is 140,000.

**Mr WHITE:** Maybe, as well as providing ticket price evidence, we could give you passenger statistics as well.

**CHAIRMAN:** Thank you.

**The Hon. J. GARDINER:** If there is any information about the breakdown in terms of business passengers and private passengers and tourists.

**Mr WHITE:** That is not available. It is hearsay. It is market information.

**The Hon. J. GARDINER:** You suggested a possible compromise on the shifting of slots, and that there perhaps could be some sort of regulation put in place so that there must be consultation before a slot is moved. Have you had the opportunity to put that up as an option to IPART or to any other authority? If so, what has been the response?

**Air Vice-Marshal BOMBALL:** Not to IPART.

**Mr WHITE:** Not to any formal body. It is an opinion that we have formed.

**Air Vice-Marshal BOMBALL:** The issue of slots really came up after deregulation. We have, in discussions with the Department of Transport, put that position. But there really has not been an opportunity in this sort of context to put it formally.

**Mr WHITE:** Deregulation, on its own, does not provide such a great threat to Newcastle airport as deregulation and slots into Sydney. We, if you like, were less concerned earlier, until the slots came in; and then, seeing what happened in the United States experience, those slots take on almost a cash value, and the services shift them around between destinations to maximise the income, I guess.

**The Hon. J. GARDINER:** In terms of the slots at Kingsford Smith airport, from your point of view, how has the system operated thus far? Apart from the value, in terms of efficiency and so on, how do you think it is going?

**Mr WHITE:** We have maintained the same number of movements. There has been no cut in traffic to Sydney. When it first came in—and whether this was tied with an ATC change as well I do not know—there were delays of aircraft in and out of Sydney. Rumour would tell you still that those delays are higher now than before the slots came in, but I could not say I would agree with that. Certainly, when they first came in, the aircraft were delayed. But, to my mind, that question has gone away.

**The Hon. J. GARDINER:** Most of the evidence that this Committee has received seems to be to the effect that the delays have improved.

**Mr WHITE:** It depends whom you speak to, but I cannot say that there is a problem now, certainly not as far as Newcastle airport is concerned.

**The Hon. I. COHEN:** You mentioned that there are 140,000 passengers out of Newcastle. Perhaps you could take this question on notice, but could you indicate how many of those passengers are actually going to Sydney to transit out using an international airport?

**Air Vice-Marshal BOMBALL:** We cannot because the airlines hold those figures fairly closely. But, anecdotally, we believe that probably 65 to 70 per cent are on-carriage passengers. That is of the 40,000 flying to Sydney. The 140,000 was the number of total passengers out of Newcastle to Brisbane and all the other routes. But, of the 40,000 who fly to Sydney, Eastern has indicated to us at times that it is in the order of 60 per cent on-carriage.

**Mr WHITE:** Might I also point out that when we say 140,000 passengers, we mean in and out of the airport. So, in simple terms, that is 70,000 in and 70,000 out. So the 40,000 on the Sydney route, again in simple terms, would be 20,000 out and 20,000 coming back.

**The Hon. I. COHEN:** So it is a relatively small route that is competing with road and rail, et cetera. Just on a rough guesstimate of times getting to Sydney, we are looking at about 1 hours, if you include getting to the airport and so on, and that is not including the limited number of flights. That has to be weighed up against about two hours for a fast train or three hours for a slow train and about 1 hours by car. That really does negate the effectiveness of that



particular run, would you not agree?

**Mr WHITE:** The importance to the passenger of being able to fly from Newcastle to Sydney is, as my Chairman has said, the ability to on-carriage to other destinations. So you buy a Qantas ticket and you fly from Newcastle to Sydney, and then on to Adelaide or Los Angeles, or wherever. That is important to many passengers. Certainly, visitors do not have a car and cannot make that run. So we are detecting a slight increase in the number of passengers with large baggage who are going overseas or whatever. There is also the desire of the passengers, especially if somebody else is paying for the ticket, to gain as many Frequent Flier points as possible. That has a definite bearing on where you fly from.

**Air Vice-Marshal BOMBALL:** The other point is that the domestic and business passenger seeking on-carriage to Melbourne, Canberra and other domestic destinations can probably get there and back in a day if he flies and has a 30-minute transfer in Sydney, as opposed to actually having to drive from Newcastle to Sydney, or train it, and then get back. That is one of the reasons that there is a very high percentage of business travellers from Newcastle.

**CHAIRMAN:** That will improve when you get the eight-minute train trip from Kingsford Smith airport to Sydney.

**Air Vice-Marshal BOMBALL:** Yes. People go to Sydney for two main reasons. In the main, it is either to transfer to another aeroplane for on-carriage, or to do business in the central business district of Sydney. That latter one is the one that we have to compete against in the context that you spoke about. But, for the on-carriage people, notwithstanding that it is so close in terms of time, it is competitive for the business traveller who wants to go to Melbourne in a day.

**The Hon. I. COHEN:** Air Vice-Marshal, since you last appeared before this Committee on another inquiry, has Newcastle become any more of a hub in terms of accessing regional airlines?

**Air Vice-Marshal BOMBALL:** Since we last appeared, I think the major development would have been the addition to Sunstate Airlines on the northern route. I am not sure whether that happened before or after.

**Mr WHITE:** It was before.

**Air Vice-Marshal BOMBALL:** So, probably, there have not been any major developments other than the consolidation of the routes that we already operate.

**The Hon. I. COHEN:** Given my position as a Green member of the upper House, I dream about more effective public transport, such as quicker rail services, fast rail and that type of thing, to really get mass movements of people between the Hunter and Sydney. I said to an earlier witness that it is almost as if we will have a bigger aircraft or no aircraft. Would either of you agree with that, or is that pie in the sky?

**Air Vice-Marshal BOMBALL:** I cannot really follow the logic. I mean, no route exists unless there is demand for it. Even in the Sydney route, obviously we have got to compete with road and rail and other transport means. But there is the number. I am not sure how you get to the bigger aircraft or no aircraft scenario.

**The Hon. I. COHEN:** Looking at an international airport in this area, or an airport in some way taking over some of the traffic from Kingsford Smith airport.

**Air Vice-Marshal BOMBALL:** Could I repeat one thing that I said earlier. There are two main reasons that people go to Sydney. One is the on-carriage route, and that is of particular importance in the international context. The other is to do business in the central business district. It is very difficult to see a second Sydney airport that does not

cater for those two requirements, and that means that if people are going to on-carriage domestically they do not want to be coming to places like Newcastle and then have a long trip to Sydney. If they are going internationally, they want to go to where the international aircraft will fly from. It would be very difficult to see a major international airport competing with Sydney. If they want to do business in Sydney, they certainly do not want to come to Newcastle and travel down there.

I find it difficult to see an argument for a second Sydney airport in places like Canberra, Newcastle or those other regional centres. Their role, in my view, is to relieve Sydney and provide the direct routes that we are providing for the people in our catchment area to come to Newcastle airport, fly direct to Melbourne, fly direct to Canberra or Brisbane, which are the routes we have provided. That has been the secret of our growth from 56,000 to 140,000 passengers in five years.

**The Hon. I. COHEN:** So you are saying that they are actually hubbing and spoking away from Sydney?

**Air Vice-Marshal BOMBALL:** Yes, absolutely.

**The Hon. I. COHEN:** So you are building up a regional base here to facilitate your country areas?

**Air Vice-Marshal BOMBALL:** Yes.

**The Hon. I. COHEN:** We have previous evidence of major problems. I was wondering if you had any ideas for the Committee in terms of shortcomings of the present hubbing and spoking system.

**Air Vice-Marshal BOMBALL:** I think a statistic that is a very telling one is that regional movements into Sydney account for 30 per cent of their traffic, for 6 per cent of their passengers. That is a very high impost on a regional movement of 14 or 15 passengers.

**CHAIRMAN:** But they all vote in Australia.

**Air Vice-Marshal BOMBALL:** Yes, they do.

**The Hon. I. COHEN:** Some are living under the aircraft corridors, and that is the problem.

**Air Vice-Marshal BOMBALL:** Somehow we need to come up with an answer that guarantees access into Sydney for the regional traveller who wants to get on his international aeroplane or do business in Sydney. But, at the same time, we have to accommodate those people who do not want to do business in Sydney but have to travel there in order to go to Melbourne, Brisbane or somewhere else. That is really what we are trying to do, and, in conjunction with Impulse Airlines, it has been a very successful tactic. Our direct route to Melbourne and our direct route to Canberra, as well as the direct routes to Brisbane, are plied by either Sunstate or Impulse. That has had a very warm reception from regional travellers.

**The Hon. I. COHEN:** Is there a time saving as well as a cost saving?

**Air Vice-Marshal BOMBALL:** Certainly a time saving, but it is not a great cost saving, because the regional airlines have difficulty competing with the high-volume trunk routes that the major airlines ply between capital cities. That is why I think the major airlines have a dilemma in that they want to encourage people into Sydney, but on the other hand they do not like seeing the regional aircraft taking up the traffic space. So they are a bit schizophrenic on the sort of concept that we are pushing out of Newcastle.

**The Hon. I. COHEN:** Could there be a reasonable argument that you can relieve Sydney of some of this air traffic, and diminishing slightly the big hub down there and having many other benefits to the community, by seeking some

subsidy or cost relief in terms of landing fees and such like by the use of a regional airport and avoiding Sydney? Is that a reasonable argument?

**Mr WHITE:** Could I come back to the very question you asked before I answer that question?

**The Hon. I. COHEN:** Yes.

**Mr WHITE:** You asked whether a bigger airport or no airport be the better option. My answer, in this town, would be that one airport rather than two airports would be the better option. Then you discussed hubbing and spoking, and we discussed the direct routes. The direct route to Melbourne is not a hubbing and spoking exercise. I believe we do have a small amount of hubbing going on through the airport at the moment, but it is not large.

Philosophical debate still goes on as to whether you could build hubs outside Sydney. Sydney is so big that that is where all the action is, and for the airlines that is where their financially efficient hub would be. You would have to offer other benefits or other financial benefits to build a Sydney kind of hub either in Newcastle, or Canberra, or wherever it is offered. Certainly, it will happen, and it will have an effect on Sydney, but I do not think you can talk about going any way towards solving the Sydney problem by just expecting the airlines on their own to hub out of Newcastle.

Newcastle airport has got a significant catchment area. It has got the Hunter Valley, which is about 600,000 in population. The central coast would take the total catchment area up to a million or just over a million. That is about what we would serve; we would serve a region with a catchment area of that magnitude. That would define the kind of airport we would aspire to be and the kind of traffic that we would aim to have.

**CHAIRMAN:** Surely the current regulatory system has effectively added a hubbing and spoking system to some degree by promoting the rise of Impulse.

**Mr WHITE:** Yes.

**CHAIRMAN:** The people of Coffs Harbour and Port Macquarie, and all those people who fly to Newcastle and want to go to Melbourne or Canberra will no longer have to go to Sydney because they have an option.

**Mr WHITE:** There is that option. I am not sure how big that number of traffic is. As my Chairman said before, there is a slight cost disadvantage still in using Newcastle airport.

**The Hon. I. COHEN:** Do you mean a cost disadvantage for the operator or for the passenger?

**Mr WHITE:** For the passenger. The fares are higher. Unless it is a specific timing thing, which is what we are stressing by saying that you can be to Melbourne and back if you go direct, and things like that, you would probably get the cheaper fares through Sydney and, as a passenger, that is the course you are going to follow.

**The Hon. I. COHEN:** I asked before about any concepts to create greater efficiency, because if I am at Ballina, where I happen to live, and I want to get to the Hunter, I either have to drive to Coffs Harbour to get a flight to Newcastle, or else I have to fly from Ballina to Sydney and then fly back up to Newcastle. To me, that is not only madness but, as you know, the Committee has been to the Hunter some 19 times and we are all arguing about a medical centre and offering all sorts of support systems for the lower north coast and even up to the north coast. I wonder whether there are other ways of perceiving this hubbing effect, because again I get back to an issue that may not have to do with the economics of the airline but is to do with the issue of alleviating Sydney air traffic and the great issues associated with the debate on where we can put another airport in Sydney.

**Mr WHITE:** The answer as to why there is not a route Ballina-Newcastle is that there are not enough people who want to fly that route to justify an airline flying it.

**The Hon. I. COHEN:** But, what if you had a bit of a milk run?

**Mr WHITE:** It is available now.

**The Hon. I. COHEN:** It is not available to Ballina.

**Mr WHITE:** No. The option is available to an airline to fly the route now, if an airline wanted to fly the route.

**CHAIRMAN:** There is no regulation on those flights.

**Mr WHITE:** Or even if there were, if nobody else is flying that route and an airline wanted to take that chance, I am fairly certain that it could move in and fly that route. But there is just not the demand at the moment. Consequently, if you want to fly, you have to fly where the aircraft go.

**Air Vice-Marshal BOMBALL:** The difficulty really comes back to decentralisation in a sense. Somebody operating out of Dubbo or Ballina, or wherever, might have a 20-seat aeroplane. Of those passengers, there might be five who want to get on an international flight and go somewhere else, and there may be five who want to do business in the central business district of Sydney, and the other ten might want to go to Melbourne, Brisbane or somewhere else. To split that load and send them to the other destinations is very difficult, so that really the only commercial option is for the operator to say, "We are going to go to Sydney, and those of you who want on-carriage domestically will have to go that way."

I guess what has been fortunate for us here is the size of our catchment area, as Sandy just mentioned, and the fact that we have got probably three-quarters of a million from the mid-north coast and throughout the Hunter. We advertise we have been advertising fairly strongly this year, for example, on the mid north coast, to say, "Hey, you don't have to drive south to Sydney, pay to park your car, and do all those things, if you want to go to Brisbane. Come north to us and we will take you there direct." So, in that sense, we think we have a role in alleviating Sydney. I believe Canberra is another prime example. It has got routes to Melbourne and Brisbane, and a couple to Adelaide, but not many. That is the sort of thing that major regional hubs can do, but the scope is limited and ultimately that will not solve the totality of their problems.

**The Hon. J. R. JOHNSON:** Has your advertising campaign had an effect?

**Air Vice-Marshal BOMBALL:** Yes.

**Mr WHITE:** Yes.

**The Hon. J. R. JOHNSON:** To what extent?

**Air Vice-Marshal BOMBALL:** If I could give you one more observation. You were talking about alleviating Sydney. When the Federal government was talking about Badgerys Creek and forcing regionals out of Sydney into Badgerys Creek, there was no talk in the early days of any high-speed transit system that would get passengers from one airport to the other. If you look at the map of Sydney, there is a rail corridor that goes almost to Bankstown; it passes about a mile and a half south of Bankstown. Again, regional airlines are still terrified about being pushed out of Sydney and into Bankstown. There is more talk of that.

If somebody bit the bullet and said, "Right, we are going to provide a very high speed transit system and a good terminal at Bankstown, and put the regional operators into Bankstown, and guarantee you 10-minute transit to

Mascot, or 20-minute transit into the central business district," then I think the regions might start saying, "yes, that's not such a bad idea." But nobody puts the two together. But we have got a little bit away from deregulation.

**The Hon. J. GARDINER:** In terms of filling in the picture of the market, you mentioned the central coast.

**Mr WHITE:** Yes.

**The Hon. J. GARDINER:** Is that a growing proportion who would go north, rather than getting on the freeway and going straight to Mascot?

**Mr WHITE:** The central coast is, yes. I hope the central is a growing market. The catchment area is never stable, and from my point of view I hope it is widening all the time. We have done some surveys—one in the Hunter Valley—which showed that there was 97 per cent recognition of the Newcastle airport as being their airport, and that was following a sizeable amount of advertising. We did a similar survey in the central coast area, and there were 60 per cent recognition. So we have just recently concluded an amount of advertising in the central coast.

I cannot recall the figures, but, just looking at the way in which our traffic has grown, with the first bout of advertising in the Hunter area you can see a definite step up in the traffic. We advertised on the central coast, and although it has been only one or two months now you can see an even more marked influence on the way that the traffic has simply stepped up.

It would be my hope now to move down into the central coast area. One of the things we say—whether it is true or not I do not know—is that it is 60 minutes drive from the central coast to Newcastle airport, and 60 sets of traffic lights from the central coast to Mascot. I believe that eventually we could drive the catchment out and pick up Hornsby.

**The Hon. J. GARDINER:** Following on from the Committee's Hunter region business and jobs inquiry, there was evidence given to the Committee about the computer reservation systems. Has there been any improvement in the system since we were last here?

**Mr WHITE:** It is still the same. I think we have met once with Ansett, but there has been no progress so far. I think that is going to be the story from now on.

**The Hon. J. GARDINER:** So you might like us to mention that again in this report.

**Air Vice-Marshal BOMBALL:** That would be helpful.

**CHAIRMAN:** What are the landing fees at Newcastle airport?

**Mr WHITE:** It is \$5 per landed tonne, and \$5 per passenger.

**CHAIRMAN:** Is that both, or either/or?

**Mr WHITE:** You pay for the aircraft and the passenger.

**CHAIRMAN:** You mentioned about the British experience of slots being allocated to airlines and the consequence of the high cash value of the slots. You said that that was to the detriment of the communities.

**Mr WHITE:** That is correct.

**CHAIRMAN:** Are you aware of a slots system under which the slots are allocated to communities rather than to airlines?

**Mr WHITE:** There generally have been two airlines. You mentioned the British experience there. I think the more extreme experience is the United States experience, where the slots have massive cash values, to the extent that finance houses now buy airlines and trade the slots as a commodity. It is quite an interesting subject. We are talking about a million-plus dollars.

**CHAIRMAN:** Are you aware of any communities in which the system goes the other way, in other words, where the slots are allocated to the communities?

**Mr WHITE:** There is one, and I cannot remember it. I used to study this subject as part of my PhD.

**CHAIRMAN:** You might take the question on notice and, if you find that information, would you let us know. We intend to make an interim report soon.

**Mr WHITE:** I will have to read all my notes.

**CHAIRMAN:** Any information on the position with overseas slots, or any of that sort of information, we would be very appreciative of.

**Mr WHITE:** What I have got, and what I could offer immediately, is that when I was studying I wrote a series of papers on the theoretical and how it was supplied in other countries. Maybe I could offer those as a starting point.

**CHAIRMAN:** Excellent. I have a couple of questions to do with the Newcastle airport. There was a problem surfaced just recently about the slots at Newcastle airport.

**Air Vice-Marshal BOMBALL:** There have been reported problems. When the council leased the airport five years ago there was a requirement in the lease that we re-negotiate the operating agreement. It took us a little while to get around to that, with all sorts of other things going on, but that negotiation has been going on over the last year. The original joint user agreement was 20 years old, and it had figures like four to six movements an hour, and that sort of thing.

Obviously, we have to operate in very close co-operation with the Air Force. Recently we had got to the point of an interim agreement that would give us six landings an hour. They are not concerned about take-offs because an aircraft can sit there and slot in whenever it has to, recognising that it might have to wait some time. But that effectively doubles our movements on the old scale.

**CHAIRMAN:** Does it match what is actually happening?

**Air Vice-Marshal BOMBALL:** Yes.

**Mr WHITE:** That is how we schedule now.

**Air Vice-Marshal BOMBALL:** We have just had a strategic planning exercise done. We believe that for the possible role of Newcastle airport, which is always going to be limited to basically a regional and domestic feeder, that that is going to cope with the foreseen requirements of the airport. You have got to recognise that talk of a second Sydney airport, and of unrestricted international operations out of Williamstown simply are not feasible unless the Federal government decides to change the role and move the Air Force, or whatever. Now, that is totally out of the

control of the community. So there is a finite limit on what Newcastle airport can do. But we believe that, with the interim agreement that we have struck—and it is interim because, obviously, it has got to be agreed by the Air Force office—the current arrangements are adequate and are operating very well.

**CHAIRMAN:** You have some grant applications in for the upgrade of airport services. I understand that Bob Baldwin has suggested that there should not be any Federal money going into the airport.

**Air Vice-Marshal BOMBALL:** We understand that also, and we have got Mr Baldwin coming to a board meeting today to discuss that issue with him. I believe he came to that conclusion based on the old joint user agreement. In fact, things have travelled along in the last couple of months on that score, to the point that I have just indicated. In fact, we hope to convince him today that he is wrong. The other aspect of that is that we are really talking about funding for the aircraft apron. That aircraft apron is not just a factor in allowing our current operating airlines, for example, to upgrade to larger aircraft in the longer term, but it is a major factor in some industrial prospects such as the assembly and production of airborne early warning aircraft and that sort of thing. They want us to have that sort of opening there. So, potentially, it is a catalyst in projects accounting for 400 or 500 jobs. So it is really about jobs, and not so much about air traffic.

**CHAIRMAN:** I have a couple of other questions that you might take on notice. You obviously would have a management plan that would have some projections for years to come, and it is probably a public document. Could you send a copy of that along to the Committee?

**Mr WHITE:** We are just about to go into a period of public consultation on those very issues. So, when it is published in a short period of time, we will send you a copy of the whole thing.

**CHAIRMAN:** The other matter is the charter of user rights. It was suggested at the country summit that perhaps a charter of user rights should enshrine continued access to Kingsford Smith airport. Other regional airports have suggested that that is probably not good enough, and that there needs to be Federal legislation as well because the Federal Airport Act guarantees affordable access for international flights and interstate flights but it does not guarantee access for residents of this State. Do you have a comment on either of those two options or any other options?

**Air Vice-Marshal BOMBALL:** It is nothing that we have talked about, but my personal view is that if there was an adequate alternative, then economically, because of the figures that I have mentioned 30 per cent of movements and 6 per cent of the traffic I think there has got to be a better solution. The only one that I can think of is a high-speed transit link to somewhere like Bankstown that meets the requirements of regional airlines and freed up Sydney for really what it is designed for.

Now, if that sort of solution was acceptable to the regions and was possible, then I think it might be a mistake to enshrine regional access in legislation. But that is very much a personal view, and I know that it is one that is not shared by the regions. Sandy might have a different comment.

**CHAIRMAN:** Sandy, did you want to make a comment or give a personal view?

**Mr WHITE:** On a personal level, I am not a fan of the Bankstown option, and I hope I keep my job in saying that. At the end of the day, airlines and aircraft only go where passengers want to fly.

**CHAIRMAN:** We asked a company I think called International Aviation, which operates out of Bankstown but of course out of Kingsford Smith airport also, a question something along the lines: Do you have any problems about shifting out to Bankstown? He said, "Yes, passengers. We wouldn't have any."

**Mr WHITE:** Yes. Could I add one point?

**CHAIRMAN:** Yes.

**Mr WHITE:** You asked me earlier how much was the fare to Sydney, and I said several hundred dollars. I will get it right, but, just thinking about it, it is around about \$100.

**CHAIRMAN:** Thank you very much, Sandy, and Air Vice-Marshal, for coming along again to give evidence to the Committee.

**(The witnesses withdrew)**

**(The Committee adjourned)**