



Transport
for NSW

Ms Madeleine Foley
Committee Director
Standing Committee on State Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Ms Foley

Thank you for your correspondence regarding the Standing Committee on State Development Inquiry into regional aviation services.

Please find attached the following documents:

- A corrected transcript
- Answers to questions on notice taken during the hearing
- Answers to supplementary questions
- Copies of the *Review of NSW Passenger Transport Legislation* Discussion Paper.

I trust the above information is of assistance.

Yours sincerely

Tim Reardon
Deputy Director-General, Policy and Regulation

SUPPLEMENTARY QUESTIONS

1. *On page 8 of your submission it is noted that the threshold for a route being allocated to one operator only by licensing is that the route operates with fewer than 50,000 passengers per annum. The table listing deregulated routes on page 20 lists Lismore and Newcastle as having significantly less passengers annually – why would these routes be deregulated?*

Response prepared by Transport for NSW

In the lead up to the current licence period, Transport for NSW consulted with key stakeholders on the regulatory policy to apply to intrastate aviation services for the licence term commencing March 2013.

It was decided that the Sydney to Newcastle (Williamstown) route would continue to be deregulated regardless of any changes to the passenger threshold level, as the route was supported by two operators at the time. Furthermore, Newcastle Airport has a passenger throughput in excess of 1 million passengers annually, servicing 6 regional and interstate destinations.

The Lismore-Sydney route was deregulated in 2008. The route had not exhibited any signs of instability and had operated well above the 50,000 threshold before dropping below this level in 2011. The route is operated by a single operator, Rex, and neither the community nor the operator has requested that the route be regulated.

2. *The Regional Aviation Association of Australia believes that there should be a pricing review ombudsman to regulate and moderate the fees imposed by regional airports on RPT operators, and to provide for an appeal process for operators who believes fee increases are unjustified. What do you think of this suggestion and do you think that this is a role for the NSW Government?*

Response prepared by Transport for NSW

The Australian Competition and Consumer Commission (ACCC) monitors prices, costs and profits and quality of aeronautical services and car parking at Brisbane, Melbourne, Perth and Sydney airports in accordance with directions issued by the Assistant Treasurer under the Federal *Competition and Consumer Act 2010* and under the provisions of the *Federal Airports Act 1996* (C'wth).

The ACCC also assesses formal price notifications from Airservices Australia to increase its charges for terminal navigation and aviation rescue and fire-fighting services, charged to airports and airlines.

In addition, the Productivity Commission has previously reported on the appropriate economic regulation of airport services, including the effectiveness of the price and quality of service monitoring.

If the fees imposed by regional airports are to be regulated, it may be more appropriate for the Federal Government to perform this role.

3. *Can you give a progress report on the current Review of Passenger Transport Legislation which your submission notes (page 14) will be finalised during 2014?*

Response prepared by Transport for NSW

The *Passenger Transport Bill 2014* was introduced into Parliament on 18 June 2014. The reforms relation to air transport introduced by the Bill include:

- repealing the *Air Transport Act 1964*, including provision relating to air transport in passenger transport legislation;

- reversing the presumption of regulation, that is, all intrastate air transport services are to be deregulated unless declared to be regulated by the Minister for Transport;
- disbanding the State Aviation Working Group (SAWG), noting that Transport for NSW will continue to consult broadly on any proposed changes to the regulation of air transport services.

The SAWG has not met since 2008 and has no current members. Transport for NSW considers that having established the regulatory framework for intrastate air transport, there is no longer a need for this group. Additionally, communities have expressed a preference for direct consultation regarding their air service needs; and

- including a requirement for operators to provide patronage figures for all NSW intrastate routes, not just those that begin or end at, or pass through, Sydney (Kingsford-Smith) Airport.

These are the reforms that were originally proposed in the Discussion Paper released as part of the Review of Passenger Transport Legislation. The Discussion Paper can be downloaded from the Transport for NSW website: <http://www.transport.nsw.gov.au/nsw-passenger-transport-legislation-review>

Both Regional Express and Virgin Australia made submissions to the Review of Passenger Transport Legislation which are also published at the web address above.

4. *In your submission (page 25) you discuss the Hub and Spoke model and the concerns that have been raised in the past, including access constraints at Kingsford Smith Airport. Can you elaborate on this?*

Response prepared by Transport for NSW

As described in the NSW Government submission to the Committee, hub and spoke services have operated in the past within NSW, with Air Link (a Regional Express subsidiary) providing services up until late 2008 from Bourke, Cobar, Coonamble, Lightning Ridge and Walgett, into Dubbo before connecting to other Air Link and Regional Express services into Sydney (Kingsford-Smith) Airport.

Prior to this, in the mid 1990's, services operated under a hub and spoke model out of Newcastle Airport to a number of interstate and intrastate destinations such as Tamworth, Taree, Port Macquarie and Coffs Harbour.

However, in general, rural communities have sought to maintain or re-establish direct air links to Sydney, rather than access services through larger regional centres. This was confirmed during Transport for NSW's consultation undertaken as part of the most recent licensing process. The results of this consultation are summarised on the Transport for NSW website: <http://www.transport.nsw.gov.au/content/regional-air-service-community-consultation>

Transport for NSW notes that there are other service models employed to deliver air services on routes with smaller passenger numbers, including, for example, triangulation. Triangulation is currently used to service the routes between Sydney and the communities of Griffith and Narrandera; Grafton and Taree; and Merimbula and Moruya.

Ultimately, the success of a hub and spoke service model depends on the willingness of commercial operators to structure their network accordingly, with appropriate scheduling and pricing, and the level of market acceptance.

5. *The Government's Visitor Economy Industry Action Plan includes 'a focus on regional airport infrastructure needs and supporting the enhancement and development of air services to regional airports...' (page 27-28). Can you elaborate on the aviation actions that are proposed and what progress has been made?*

The Visitor Economy Action Plan supports a number of actions that relate to regional aviation. They include:

- To undertake an audit with key stakeholders (including the Federal Government), to assess regional airport infrastructure needs in the light of increased security requirements, increase in aircraft size and the inadequate funding available to Local Councils to expand and maintain key regional airports; and
- Support the development and enhancement of air services into Newcastle, Canberra and Gold Coast/ Coolangatta airports to facilitate increased visitation to NSW.

Initial implementation of aviation actions in the Visitor Economy Industry Action Plan has focused on the NSW Government's domestic and international airline partnership strategies as drivers of demand as well as advocacy initiatives with the Federal Government surrounding aviation policy and regulation.

The NSW Government has also supported a number of investment initiatives within the aviation sector through the State Investment Attraction Scheme and the Regional Industries Infrastructure Fund, for example, funding support for the upgrade of Orange Airport.

Financial assistance is available under these programs for initiatives that have the potential to create significant jobs, benefit local industries, or encourage business investment, local infrastructure and economic development projects across metro and regional NSW that result in or promote economic benefits for the State.

In June 2014, the NSW Government announced in the 2014-15 Budget a \$110 million Regional Tourism Infrastructure Fund. This Fund will enable regional destinations throughout NSW to develop their full potential by investing in critical visitor economy infrastructure, such as airport upgrades, cruise facilities and rail trail infrastructure. The Fund will help build the infrastructure required to drive tourists to the regions, create jobs and increase the economic competitiveness of NSW.

Responses to questions taken on notice at the 10 June 2014 hearing

1.

The Hon. MICK VEITCH: I have a couple of questions on some very specific issues which were raised not only at the last hearing but also in submissions we have received. The first is to do with the submission from Regional Express [Rex] and their criticism of Orange City Council and the development process for the airport at Orange. I heard you speak earlier about how you work with councils, and you said it was important to work with councils. What was the role, if any, of your department in Orange City Council's development of their airport?

Mr REARDON: There will be a few questions here today that I need to take on notice because I am representing broader government, including the Ministry of Health, the Department of Education and Communities, and Destination NSW.

The Hon. MICK VEITCH: I appreciate that.

Mr REARDON: In terms of that route from a purely transport perspective, Transport for New South Wales did not have any involvement in that. As I said, we are about a fairly light touch regulation; and Orange is not even in that regime. So we did not have any specific involvement in relation to the Passenger Transport Act, but I can take that question on notice in terms of the development of Orange City Council's airport.

Response (prepared by NSW Trade & Investment):

In 2012, the NSW Government, through the Regional Industries Investment Fund administered by NSW Trade & Investment, provided \$1.27 million to Orange City Council for the upgrade of Orange Airport. The project also secured funding support from the Federal Government, Orange City Council and Newcrest Mining.

The estimated \$13.91 million project is scheduled for completion by the end of 2014. Once completed, the project is expected to generate more than 200 jobs and \$177 million investment over a five year period. It will involve the extension of the main runway, the upgrade of taxiways and large aircraft parking areas, and the expansion of the terminal building.

The upgrade will help boost tourism and support new activities by Newcrest Mining in the region by enabling the company to increase its fly-in fly-out operations based out of Orange and train employees at the Orange TAFE mining simulator.

2.

The Hon. STEVE WHAN: I noted your comment about the resurfacing of the runway at Lord Howe Island. Has the department done any work on the viability of lengthening that runway for future air travel?

Mr REARDON: The Lord Howe Island Board, which includes government representation, has been fairly focused on that amongst other matters for the island. I can take it on notice.

The Hon. STEVE WHAN: If you could that would be good.

Mr REARDON: For ourselves, in terms of a licensing process, beyond getting an operator there, which ends up being QantasLink until 2018, that is where we are from our point of view.

The Hon. STEVE WHAN: QantasLink is essentially saying to us that when they phase out the Dash-8-200s they will not have a plane that will land there and no-one else is flying planes with that capacity at the moment. It is obviously a problem. If you were going to do a major capital works they would have to be embarked on reasonably soon, I would have thought.

Mr REARDON: The matter that you are raising in terms of the licensing process for 2012-13, clearly we were aware of it. We have got a licence holder there who is delivering services until 2018 at this point.

The Hon. STEVE WHAN: In terms of your department's responsibilities the licence is one thing, but where do you cross over into infrastructure issues when it is a clear challenge for this community to retain a long-term service?

Mr REARDON: I fully appreciate that. To answer that, we cross over where institutions like the Lord Howe Island Board take over and we would interact with them.

The Hon. MICK VEITCH: Surely there is a whole-of-government responsibility to provide air services for Lord Howe Island, and not for the tourism market alone. Mr Whan is right about the timing. QantasLink told us they are phasing out their Q200s, and once they are gone no-one else in Australia has the capacity at the moment to service that runway. Surely we have a responsibility.

Mr REARDON: I take your point. Lord Howe Island board is in place. I will take on notice your comment.

Response (provided by NSW Department of Premier and Cabinet):

The Lord Howe Island Board maintains and operates the Island's Aerodrome. The Board is aware of the 2018 expiry date of the QantasLink air services licence and in May 2014 adopted a number of recommendations, including:

- commencing discussions with all relevant Government agencies with a view to developing a whole of Government solution;
- seeking grant funding to undertake a feasibility study into extending the runway;
- continuing discussions with QantasLink regarding the prospect of a service beyond 2018;
- with Destination NSW and the Lord Howe Island Tourism Association, continuing efforts to improve visitor numbers to maintain the attractiveness of the route to operators.

Following these recommendations, in conjunction with Destination NSW, work commenced in early August 2014 to access the NSW Government's *Regional Tourism Infrastructure Fund*. A consultant recently visited the Island to prepare a tender document to seek proposals from consulting organisations to undertake a Feasibility and Options Study for the Aerodrome infrastructure and Island air services beyond 2018. This would include consideration of options for runway extensions and available aircraft which are capable of operating on the restricted runway length.

3.

The Hon. PAUL GREEN: On page 30 of your submission, in the last paragraph under Regional air services and NSW Health, you say:

The main issue with private providers is there are generally no agreed service specifications or standards around clinical governance, i.e., no minimum standards for aircraft and equipment specifications, escort requirements and staff training, medications or escalation procedures if patient deteriorates.

Obviously, this would contribute to poorer health outcomes. What part is the Government playing in putting in place proposed changes to regulate these services?

Mr REARDON: Just after that the submission talks about CASA proposing changes to those regulations.

The Hon. PAUL GREEN: Are you working with CASA?

Mr REARDON: I will take that on notice. I will make some comments about Health. We are not directly, but I can take that question on behalf of the Department of Health. These things come into stark relief when a service is no longer available. Moree and Narrabri brought this into stark relief for us. We did a lot of work with the Department of Health leading up to the Christmas-New Year period. We worked hard around a whole range of areas we did not have expertise in, but we quickly had to get up to speed. We looked at types of health equipment and professionals out of Sydney and John Hunter Hospital, to the north-west of New South Wales. We are aware of acute and clinical needs, but in terms of regulation and what is required on charter service, I can only refer to the submission and CASA work that is underway.

The Hon. PAUL GREEN: It would be good if you take that on notice, because an ageing population and isolated populations will create a perfect storm for medical needs in the long term. The last thing you would want is to put those people on a plane without the necessary equipment to treat emergency cases.

Mr REARDON: Understood. I will take that on notice.

Response (provided by NSW Health):

As an interim measure, existing private fixed wing aero-medical providers, Wingaway and Skymed, are being required to operate on a state-wide basis under the same service specifications as apply to a current contractual arrangement in place with the Mid North Coast and Northern NSW Local Health Districts.

In the longer term the Ministry of Health will develop common state-wide service specifications to better define clinical and operational requirements, establish a co-ordinated booking system and tender for a panel of providers to be engaged under a state-wide contract.

At the same time amendments are being made to the *Health Services Act 1997* which will include regulations on the minimum standards for all non-emergency patient transport, including fixed wing.

Both the service specifications and the legislation will encompass CASA requirements. The impact on providers of the proposed changes to the CASA requirements has been reviewed recently with NSW Ambulance, the Royal Flying Doctor Service and Wingaway. These parties indicate they either currently meet the proposed requirements or see minimal cost impacts. Skymed had not assessed the potential impacts as yet. This issue will be further explored in future consultations.

4.

The Hon. PAUL GREEN: Your submission notes ambulances-approved airstrips in Kempsey, Casino and Brewarrina no longer provide refuelling facilities and that there are complications with planes getting away safely which could be improved by runway lighting, instrument approach navigation and bitumen surfacing. Is the department helping places without the capacity to do these sorts of things to improve access for medical needs?

Mr REARDON: I will have to take that on notice.

Response (provided by NSW Health):

NSW Ambulance operates to over 100 airstrips throughout NSW, Victoria and Queensland. NSW Ambulance does not have the capacity to upgrade or improve runways or navigation aids. However, NSW Ambulance does from time to time, advise airport operators that Federal Government funding is available for airport upgrades (e.g. fencing and lighting).

NSW Ambulance now operates, as part of its fleet of five aircraft, two larger Beechcraft B350

aircraft which have greater engine capacity and can fly further than the smaller B200 aircraft. The larger aircraft eliminate the need for refuelling as often as the smaller aircraft.

5.

CHAIR: Is there a government policy about travel arrangements for public servants? I am referring to whether there is a guideline requiring public servants to travel by air rather than driving their cars and staying overnight.

Mr REARDON: There is an air transport policy and other policies are in place. There are also decision points about using videoconferencing even to provide evidence to hearings, about driving and about flying. There is some strong commentary about sitting at the back of the plane. In terms of the balance between how far you travel by road before you fly, I would need to take that on notice. I might be able to get a response about the New South Wales transport response before the end of the day. There is an air transport policy in place and, in terms of rural and remote, what is the most efficient way.

CHAIR: It has been brought up with me a few times that, for example, people travelling from Dubbo to Sydney could fly there and back in a day. Sometimes these people drive to Sydney and stay overnight, so receiving a financial benefit. I would appreciate it if you would have a look at that.

Mr REARDON: I think that is the point we were just making then, which is if the most efficient is air you fly air the most.

Response (provided by Finance and Services):

The Department of Premier and Cabinet has published a *Policy on Official Travel within Australia and Overseas*. This policy can be found at the following link:

http://www.dpc.nsw.gov.au/_data/assets/pdf_file/0020/156026/Official_Travel_Policy_within_Australia_and_Overseas_-_August_2013.pdf

This Policy covers all official air travel by public officials using public money. The Policy seeks to minimise travel and requires that alternative methods of communicating over long distances should always be explored prior to considering travel. Technologies such as teleconferencing and video conferencing are nominated as suitable alternatives.

This whole of Government policy does not consider whether one mode is preferable to another. Each NSW Government agency is able to establish an agency-level policy on which mode of travel should be used by employees.

6.

The Hon. STEVE WHAN: You talked earlier about moving to a system where there was a presumption of deregulation and that, effectively, you are there at the moment. What actual changes need to be made to the legislation to put that in place?

Mr REARDON: Two key changes. The Air Transport Act 1964 is one less instrument. We said we would bring it into the Passenger Transport Act so it is there with all the other modes of transport that we regulate. Secondly, simply do those changes to the Passenger Transport Act itself – actual amendments to the Act. We have had a discussion paper out on that; it goes through those items on what we are proposing for the presumption of deregulation, et cetera. I could furnish a copy of the discussion paper if the Committee wishes. Certainly we are seeking to take that forward. We received a fair amount of feedback from the community but certainly we can give the Committee a copy of the discussion paper.

Response (provided by Transport for NSW):

Review of NSW Passenger Transport Legislation Discussion Paper (September 2012) provided for forwarding to the Committee.

The Discussion Paper can also be downloaded from Transport for NSW's website:
<http://www.transport.nsw.gov.au/nsw-passenger-transport-legislation-review>