

D14/13804

16 June 2014

The Hon Mr Rick Colless MLC
Chairman Standing Committee on State Development
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Colless

INQUIRY INTO REGIONAL AVIATION SERVICES

Thank you for the opportunity to respond to issues raised by Rex Airlines in relation to the upgrade of the Orange Airport and Terminal.

The aim of the project is to expand the existing Orange Airport for larger aircraft, improve the capacity of the airport and enhance its ability to function as a hub for a range of aviation related activities.

The project includes the following:

- New Terminal
- Runway extension of 538 meters, new lighting
- Taxiway extensions
- Apron Extension
- Relocation of the Primary Wind Indicator
- Upgrade of services to the General Aviation Area
- Relocation of Roads
- Relocation of the natural gas pipeline

The total cost of the project is around \$19 million dollars; \$4.9 million from the Federal Government, \$1.5 million from the State Government, \$3 million from Newcrest Mines, and the remainder financed by Orange City Council.

Council is required to have a Master Plan for the Airport and the first master Plan was completed in 1997. The Master Plan looks at current facilities and demand and the future requirements and demands. The plan was reviewed in 2006 and 2011.

The 2011 plan identified the need for future runway and apron extensions. It should be noted that community and industry consultation occurs during the development of the Master Plan for an Airport.

The extension of the runway and apron was accelerated in part due to the fly in fly

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out operations of Newcrest Mine using Fokker 70 and Fokker 100 jet aircraft chartered from Alliance Airlines. Due to the length of the runway and the elevation at Orange these aircraft could not carry a full passenger or fuel load. These operations have ceased at the current time.

It was noted in the review of the Airport Master Plan in 2006 Regional Express staff indicated when the Saab 340 aircraft operating at the elevation of Orange when temperatures were above 27 degrees there is a restriction to the performance of the aircraft at maximum take-off-weight with the current length of the runway.

Regional Express manage this with restrictions to passenger numbers and the weight of baggage. The extension to the runway will therefore be beneficial to the airline.

It should also be noted Council has had requests for 737 type aircraft to land at Orange and the current runway could not cater for this.

The 2006 Master Plan provided an aircraft activity forecast of 15,400 movements per annum and it was predicted these would increase by 3% per annum.

The review of the Master Plan in 2011 identified the aircraft activity as being around 21,000 movements per annum, a significant increase than was previously predicted.

The apron extension is yet to be completed. The existing apron does become congested with Regular Passenger Transport aircraft (RPT), charter aircraft, general aviation aircraft and medical retrieval aircraft. Orange is the major medical centre for Central and Western NSW and generally has two to three medical aircraft visit each day.

The ground crew contracted to Regional Express have made numerous complaints to Council in regard to the lack of room on the apron and the minimum clearances of aircraft. Council made a small extension to help reduce this issue prior to the apron expansion.

The original terminal was constructed in the 1960s and was refurbished several times with the latest being in 1996.

The seating capacity was for 40 people with addition café seating. In the case of having more than one aircraft on the ground and this may be due to Rex having more than one aircraft on the apron, Brindabella or an Alliance plane, the terminal became very congested.

The terminal was really only set up for one airline with one combined arrival and departure gate. Council has also seen the advantage of attracting another airline to

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Orange. This occurred with Brindabella, however that service has since ceased.

The new terminal is nearly double the size of the old terminal. Provision has been made for both passenger and baggage screening if this is required in the future.

This is an unknown factor in regional aviation, however the old terminal would not have been capable of screening should it be required. Terminals are generally designed for peak demand as this is the nature of the industry.

The current turboprop aircraft have a limited life span and depending who you talk to this will be 10 to 20 years. There are currently no new 30-34 seat aircraft being manufactured and it is suggested in the future ports such as Orange will be serviced by larger either turboprop or jet aircraft. This should also assist with access to Sydney Airport.

PROJECT BENEFITS

An economic and cost benefit analysis was undertaken by the Western Research Institute. It verifies that the benefit of this project extends beyond the Orange Local Government Area.

An expansion of the Orange Regional Airport will create 93 fulltime construction jobs and when operational will add 126 full time positions to the regional economy in its first five years.

The construction will add \$10.9 million in gross regional product (GRP) and when operational \$13.4 million in GRP in its fifth year.

Additional benefits of the project would include job opportunities, potential additional passenger flights and charter services and potential improve connections to support the health, education and tourism sectors.

CONSULTATION

Through the process for the development Council consulted with all stakeholders in regard to the project. Regional Express did make submissions through this process.

The only request we had was for another departure gate to be installed for Regional Express in case screening was introduced at Orange. Council agreed to this request at an additional cost of \$12000.00.

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PASSENGER TAX

It is noted that Regional Express indicate that Orange has the dearest passenger tax on their network, and this may be the case. The passenger tax for Orange is currently \$15.95 per passenger. The tax is paid by the customers of Regional Express, not the Airline. It should also be noted Orange like other regional ports services the surrounding region not only the community of Orange.

AIRPORT INCOME

The Orange Airport derives its income from passenger tax, landing fees and land leases. Council has always recognized the importance of the Airport as an economic gateway to this Region. Any surplus derived from income is kept in a restricted asset for future development and major maintenance or capital works at the Airport.

The Airport does not pay any dividends to Council's general revenue.

It is noted Regional Express has indicated it should only cost \$500,000 a year to efficiently run a regional airport. Council is very conscious of the costs for operating the airport and tries to keep these to a minimum. There are however costs which Council has no control for example electricity.

Just as Regional Express increase their ticket prices to cover such things as the carbon tax and increasing fuel prices it's not unreasonable for Council to apply CPI increases to assist in covering increasing costs.

Council has not increased the passenger tax by more than the CPI and in fact last year did not increase the fee due to the works being undertaken at the Airport. The CPI has also not been applied every year, from July 2006 to October 2009 and from October 2009 until September 2012 there were no increases to the passenger tax. It could therefore be argued that any increase over a number of years would be substantially less than the CPI.

Each year Council advertises its Operational Plan and within this are the proposed fees and charges. Anyone can make a submission in regard to the proposed increases for Council's consideration.

Orange City Council owns and operates the Orange Airport. Regional Express states that Council takes a monopolistic approach towards the airport. The same could be said of Regional Express as they are the only airline flying into Orange. They do not consult with Council in regard to when they choose to add or withdraw flights from the Orange route nor does Council or the public have the ability to

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comment on fare increases prior to them being introduced.

Council has on numerous occasions tried to enter a partnership arrangement with Regional Express however this has only occurred on one occasion. Council has an open door for negotiations with Regional Express should they wish to enter into a workable and sustainable agreement.

Council and the Orange community would like nothing more than to have a second airline flying into Orange however this is an economic decision for airlines to make and not Council.

Council must concur with comments made in regard to access to Sydney Airport. Regional access has been maintained to Sydney and it is important this continues for the viability of regional passenger aviation. This aviation link is vital for future economic growth of the region. Already there are rumors that regional aircraft will be diverted to Badgerys Creek. This will be at the demise of ports such as Bathurst and Orange which already compete against road and rail transport.

The restriction of 80 movements an hour at Sydney should also be revisited. Turboprop aircraft are relatively quiet compared with other stock and increasing the cap to include these aircraft should be considered.

Yours sincerely


GENERAL MANAGER