

**Submission
No 17**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Griffith City Council

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The Director
Standing Committee on State Development
Legislative Council
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Director,

SUBMISSION TO INQUIRY INTO REGIONAL AVIATION SERVICES



Griffith City Council would like to formally submit a response to the Inquiry into Regional Aviation Services, but first we would like to give the Committee members an overview of Griffith thus affording a better understanding of our importance to the economy of both NSW and Australia as well as the importance of a viable and affordable air services is for our region.

Background

Griffith City Council is located in the Riverina Region of South-Western NSW, 450 kilometres north of Melbourne and 570 kilometres west of Sydney. The Griffith local government area is 1,600 square kilometres.

Predominately rural land is used for irrigated agriculture, including intensive horticulture, citrus, prunes and viticulture, rice, canola, vegetable, cotton, wheat with some sheep and cattle grazing and dry land cropping.

The main industries in Griffith are food and beverage manufacturing, metal manufacturing, agriculture and retail trade. Manufacturing accounts for 20% of the area's job market and employs up to 2000 people, particularly during vintage season.

Manufacturing includes Baiada Poultry - the largest chicken producer in Australia. Baiada Poultry are rapidly progressing their growth phase and will have invested more than \$160 million dollars into the Griffith economy and increased staff numbers by an extra 600 employees directly and 200 indirectly. This will double output to 1.2 then 1.5 million birds a week within the next 18 months. As part of the expansion, an extra 120 chicken broiler sheds will be required in the region, invigorating the construction industry.

Griffith has 12 wineries of which five are in the top 10 largest wineries in Australia. Casella Wines [yellowtail], De Bortoli Wines, McWilliams Wines, Calabria Family Wines (formally Westend Estate) and Warburn Estate are all large family owned operations, contributing enormously to Griffith's economy as well as jobs growth. The wineries in Griffith export more than \$800 million dollars' worth of wine a year to international markets including the US, UK and China amongst others. The growth of a number of wineries will also see jobs creation with McWilliams Wines \$50 million master plan now approved.

The Murrumbidgee Irrigation Area (MIA) supplies 75% of NSW wine grapes and 70% of NSW citrus production. Griffith is home to three large citrus juicing operations; Real Juice, Summertime and Harvey Fresh.

The Griffith region supplies 90% of Australia's rice production via Sunrice located in Leeton.

Griffith is a multicultural community which has seen a steady growth in population trend. The Current official population of Griffith City (including Yenda Township and villages within the local government area) is 25,300 as of 2013 ABS.

To further demonstrate how Griffith is punching above its weight is the Coca Cola Amatil (CCA) \$45 million joint venture with Casella Winery to form a joint venture company called the Australian Beer Company.

The joint venture company will make premium beer brands, with CCA responsible for sales, distribution and development.

Expansion of health, community services will require essential regional airline routes to assist specialist health professionals to fly in – and fly out of the Griffith area, particularly when the St Vincent's Community Private Hospital Griffith at full capacity will require 45 full time staff of which all the recruitment will be carried out by St Vincent's.

In addition to all the above Griffith City Council has played its part in providing for a Regional Air Services by recently completing a \$2.5 million dollar terminal refurbishment and extension, apron extension to increase parking for planes and improvements for a car park, as well as providing an opportunity and space for an additional airline carrier. This expansion was made possible by RDAF round 2 funding.

Griffith City Council has successfully secured a regional carrier to provide for a service for our Griffith Melbourne route ...this is in addition to the 68,000 passengers we carry on our Sydney service. Whilst initially the daily flight to Essendon will begin in March with twin propeller 10 seater planes, it is hoped that Par Avion and Griffith City Council can grow numbers for this important link to Melbourne, which previously was serviced by REX who ceased this route two years ago as they could not make it viable in the SAAB aircraft with annual numbers around 10,000.

Combined, all of this expansion paints a picture of growth for the local government area and the region. The region has several companies with a global presence which also highlights the need for regional connectivity into Sydney for international flights.

The resurgence of agriculture will see further growth opportunities for our labour market.

All this clearly demonstrates that for a City like Griffith and our region access to affordable Air Services is an essential part of the overall mix of essential services that contribute to growth!

It is Griffith City Council's contention at the outset of our submission that Regional Aviation is an "essential national transport infrastructure for the 21st century". It supplies essential services to hundreds of regional communities and both State and Federal Government must recognise this fact and that they have an important part to play in ensuring this essential service is maintained and is affordable for the communities that are serviced by Air.

It is very evident in recent times that the airline industry is facing an uncertain future. This has been further reinforced, only in the last week with Qantas, Virgin and Rex Airlines, reporting significant losses as well as demise of Aeropelican and Brindabella Airlines. Regional air services are essential transport infrastructure in Australia. They enable the development of vital medical, educational and professional services in regional Australia and allow fast and efficient access to major cities for people living in regional communities. The Carbon Tax (CT) has meant higher costs for regional air services and may further discourage people to move from the crowded major cities to opportunities in the regional centres.

The CT only applies to domestic carriers. International operators are not being charged the tax on fuel thus forcing an unequal burden on regional operators. In Europe all international flights are subject to a carbon penalty through the European ETS.

Regional aviation has experienced a 'quadruple whammy' since 1 July 2012. This has had a considerable dampening effect on the sector and has threatened the viability of some routes.

Specifically:

- the Carbon Tax (through the increased fuel excise)
- the removal of the successful en - route rebate scheme
- new and costly security screening measures and subsequent operating cost increase at regional ports.

For example Rex our leading regional airline, paid \$2.4 million in carbon tax in 2012/13, a cost it did not have in the prior year.

However the real concern is its fuel bill in the 2012/13 financial year being \$36.2 million, down six per cent from \$38.6 million in the previous year, which clearly demonstrates how unfair the CT is to the Air industry...they can introduce measures to reduce fuel but have no control over the CT?

As an aside, it is an interesting observation from a regional perspective, the biggest competitor to regional air services is the car and private motorists are not subject to the Carbon Tax.

At the same time that Government regulation and taxes are slowly dampening regional aviation, people are being actively encouraged through financial incentives to move to regional areas from Sydney, Newcastle and Wollongong.

Griffith City Council believes that any potential "*Tree Changer*" candidate will look for a number of key requirements from a region and apart from the obvious ones of employment, schools and medical facilities is access to a reliable regional air service.

Another cost issue facing regional air services is being able to access slots at Sydney Airport and that regional air services must not become the poor cousins by sacrificing its slots for added major carriers and or International growth. The continued discussion about a second airport needs to be finalised with urgency so that this can free up some regional slots at Sydney airport.

Slots must not be taken from regional airlines and or regional airlines in major regional centres must not be redirected to the second airport as this will place further inhibitors to revenue from the business sector, which in turn will place further pressure on airlines to maintain services. This may also increase the use of the motor car to become a more viable option.

Whilst this is a Federal Government issue, it needs to be included in Council's submission as we all have a part to play. There needs to be the re-introduction for the very successful *En-Route Rebate Scheme*. This will have an immediate positive effect on our operators and will certainly help offset other costs.

A further cost to regional airlines and to Council's who manage airports and whilst this is not part of the terms of reference for this Inquiry, it is an important ingredient for this submission and that has been the introduction of security screening and whilst we should never take security for granted, it would appear by many to be just window dressing. Has a Security Risk Analysis been carried out to determine the appropriateness of the measure? This impost also comes again with a cost which in turn will threaten the viability of a number carriers or routes.

Further cost to regional airlines is the "*80 movements within a 60 minute*" time period. We understand that aircraft have had to be held on the tarmac fully fuelled, engines running waiting for the clock to tick over into the next 60 minute period, as a result of this procedure. Apart from the obvious impact to wasting fuel, which is a cost to already struggling airlines, it also has a direct impact on carbon emissions. We recommend that a full review of how airlines are being handled at Sydney will be one way to overcome anomalies like the above and this should be done as a matter of routine to ensure Sydney Airport is keeping up with an ever changing landscape.

Griffith City Council would like to also point out that an effective regional air service is more than just transporting passengers. It has to also include freight. In a region like Griffith which has such a high density of industries the opportunity for "just in time" freight could add to airlines profitability.

It should be noted as well that, Griffith has several global companies which also highlights the need for regional connectivity into Sydney for International flights.

It is a paradox that while aviation is essential transport infrastructure for Australia in the 21st century there appears to be subdued interest in maintaining and expanding this infrastructure. WWII supplied a myriad of airfields that have served regional towns well but all the airfields are ageing and often expensive to maintain. Over the past twenty years many airfields were gifted to regional councils that had limited ability to develop their airfields other than to provide essential, basic maintenance.

Some Council's, Deniliquin for example, have been innovative by developing residential and commercial airparks to finance the further growth of their airfields.

Griffith has its own airport precinct which is highly undervalued and under developed in regional centres such as ours - Thomson Aviation and Gerry Wilcox Helicopter business contribute enormously to our economy. As an example, during the 2012 floods if it wasn't for Gerry Wilcox, Casella's (producing over a 160 million bottles of wine) would not have been able to finish their vintage. Furthermore the SES and other emergency services utilised the helicopter service to continue their disaster relief and recovery work.

The Griffith airport is an important conduit for isolated primary producers, agricultural services - spray and crop dusting, geophysical survey and mapping industry, learn to fly teacher training services and other related industries, which contribute to the importance of regional airports, the economy and the airport precinct.

Regional Australia has always been air-minded but there is a chance that aviation is being taken for granted and we may need to rekindle a deeper understanding about what it takes to maintain and grow modern regional air services. The aero-medical sector remains strong with sound government and philanthropic support but Regular Passenger Transportation, freight, charter and training companies are struggling. It would only take another major spike in fuel prices to force a number to reconsider their regional operations.

What is not always fully understood is the deep and broad value that aviation offers to regional NSW. This is not just the commercial value but the social connection and benefits that air services provide to dispersed families and friends. While enhanced IT and communications can connect people to a certain extent, it is aviation that brings people together expeditiously and in-person. Aviation is providing a considerable social good, and to what extent is worth further research. This may require a joint industry/government research project.

It is obvious that regional air services cannot operate from every airfield but regional hubs should be identified where available government and industry funds might be channelled to maintain regional aviation infrastructure. It must be remembered that commercial aviation is still relatively young and that new aircraft, avionics and engines are under constant development. Regional towns are well placed to take advantage of these advances but must have decent transport infrastructure in place. This includes maintaining runways/taxiways and ensuring terminals and security are at the required standard. None of this is cheap but it will mean that regional towns have access to 21st century aviation options in both aircraft and nav aids.

In closing we would like to summarise the key points for our submissions as follows-

1. Maintain the Sydney slots for regional air services
2. Removal of the Carbon Tax
3. Re-introduce the En - Route Rebate Scheme

4. Recognition by both State & Federal Government's that regional air services are an Essential Service. Furthermore acknowledge and enshrine regional air services are as important to Australia's economy as essential road and rail links, which are heavily subsidised by the taxpayer with far more being spent per capita in regional areas.
5. Conduct a cost analysis of security screening to determine need.

Griffith City Council sees a reliable and affordable Air Services as an important vehicle for our region's success in the future and we hope that the committee can take on board the issues raised in our submission.

Thank you for taking the time to read our submission.

Yours sincerely,

BRETT STONESTREET
GENERAL MANAGER