

**Submission
No 41**

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Parkes Shire Council

Date received: 14/03/2014



PARKES SHIRE COUNCIL

Progress, opportunities and a quality lifestyle for our residents

KB:AW

Contact Person: Kent Boyd

14 March 2014

Hon Rick Colless MLC
Standing Committee on State Development
Parliament House
Macquarie St
Sydney NSW 2000

Dear Mr Colless

SUBMISSION TO THE LEGISLATIVE COUNCIL STANDING COMMITTEE ON STATE DEVELOPMENT INTO REGIONAL AVIATION SERVICES

Parkes Shire Council would like to thank the NSW Government for the opportunity to comment on Regional Aviation Services in NSW.

By way of explanation Council has provided detailed summary of its local and regional commitment to the aviation industry to make the point that Council believes that regional aviation services are paramount to maintaining and delivering prosperity and opportunities in regional Australia.

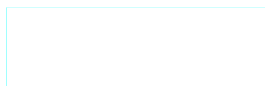
Council is a member of Australian airports Association annual committee will be in receipt of the detailed submission. We concur with the Australian airports Association submission in all respects but would like to highlight other key areas in which we would like to emphasise the need to ensure the provision on a continuous basis of regional aviation services at affordable prices. Of course any aviation service must be delivered in full recognition of the paramount need for safety of passengers.

To assist with Council's comments, local industry was also asked to comment and Council has attached examples of two letters received which are from the NorthParkes Mine and a local air charter and freight provider. Both submissions may be considered on their own merit or combined with Council's overall comments. Council is more than pleased to support their views.

Council would like to extend an invitation to Hon Rick Colless (Chair) and the members of the NSW Legislative Council Standing Committee on State development to visit Parkes to discuss issues highlighted by the submission. We understand that we are all subject to very tight schedules so we are also more than willing to travel to Sydney to discuss the implementations of the initiatives raised by the Strategy.

Should additional information be required Council's

Yours sincerely



Councillor Ken Keith
MAYOR



Parkes Shire Council Position on Regional Aviation

Parkes NSW

Parkes is a thriving Shire located within the Central West of New South Wales. The Parkes Shire covers an area of 5,191km² and comprises of Parkes and the smaller communities of Peak Hill, Tullamore, Bogan Gate and Trundle.

Parkes is considered the cross roads of the Nation with the Newell Highway, connecting Brisbane and Melbourne, and the transcontinental railway linking the eastern seaboard to Perth meeting in Parkes to form the logistics centre of Australia. 80% of Australia's population can be reached in less than 12hours from Parkes.

Parkes is well established as a National Transport Hub and plays an important element in keeping NSW and central western NSW competitive. These characteristics have made Parkes one of the most strategically significant locations in the future of transport and logistics in Australia.

Freight volumes are estimated to double by 2020 which will mean truck movements through Parkes every 30 seconds, superior connectivity between road, rail and air will continue to be vitally important for not only dealing with the increase in freight volume but to ensure the competitiveness of our country.

Parkes over the last 5 years has continually recorded population growth and has an estimated residential population in 2012 of 15,154. This population growth has resulted in investment in mining, transport and logistics and agriculture.

The Parkes Shire has a diverse economy. The Shire generated Gross Regional Product (GRP) of more than \$1.0 billion in 2010-11, representing annual GRP growth of 2.3%. The mining industry is a key driver of the Parkes Shire's local economy, accounting for a third and almost 6% of the Shire's total GRP and employment respectively. During the last five years, industries recording the highest growth included wholesale trade, health and social assistance, construction and transport, postal and warehousing

Outside of mining, the local economy is relatively diversified with other key sectors including agriculture and transport, postal & warehousing. These two sectors together contribute to more than 13% of the Shire's GRP and almost a fifth of local employment. Other key employers include retail trade (12.3%) and health care (11.8%), reflecting Parkes' role as a regional commercial and administrative service centre.



The Role of Aviation in a Regional Economy

The role of regional aviation in a diversified centralised economy can not be understated. Parkes Regional Airport is a strategic piece of regional infrastructure, enabling important economic and social benefits to the region, connecting individuals, families and communities.

The Parkes Regional Airport is owned and operated by Parkes Shire Council and located approximately 5km east of the township of Parkes. The airport has a diverse mix of users with a focus on Regular Passenger Transport (RPT) services and General Aviation (GA) activities.

The Parkes Regional Airport services a regional population of over 40,000 people across the LGAs of Parkes, Lachlan, Forbes, Bland and Weddin. A total of 32,300 passengers travelled on the RPT service operated by Regional Express on the Parkes-Sydney route in 2011-12, with 65% of passengers being residents of the Central West region. Passenger numbers have increased an average of 9.1% per year over the last 10 years.

Parkes Regional Airport supports regional business by providing access to suppliers, staff and customers, increasing business efficiency and contributing to stronger productivity performance and economic growth. It also provides aviation engineering, charter and freight services to a wide clientele. This access helps keep the region competitive in the wider business environment and will assist in attracting future investment. Many businesses will not invest in regional areas unless they can easily access the capital cities and other markets by air. 35% of PRA passengers are visitors generating expenditure of \$2.2 million in the region in 2011-12.

Tourism also plays a vital role in the airport catchment area. Parkes is home to the famous annual Elvis Festival as well as 'the Dish', featured in the 2000 film by the same title. According to analysis of Tourism Research Australia data and REX Airlines, 35% of passengers through the airport are tourism visitors. AECgroup estimates that the airport facilitated tourism expenditure of \$2.2 million in the catchment area in 2011-12.

"The airport runway is the most important main street in any town". Norm Crabtree, former aviation Director for the state of Ohio USA



Businesses and Industry Located at the Parkes Regional Airport

The Parkes Regional Airport has a diverse mix of users with a focus on the RPT services and a number of GA activities. Regular users of the airport include:

Regional Express: Regional airline operating three weekday flights between Sydney and Parkes with reduced weekend services.

Parkes Aero Club: Recreational aviation club with a clubhouse and 10-15 aircraft stored in a hangar.

Flight Training: One small flight school with 18 students operating on alternate weekends between Parkes and Forbes.

Agricultural Spraying: An operator undertaking agricultural spraying in the region with one aircraft operating regularly out of Parkes.

Light Freight: An operation with the TOLL Contract for Parkes and western NSW. Also provides a "just in time" part service to mining.

Passenger Charter Service: A operator servicing a wide clientele with dedicated cabin class twin engine aircraft.

Historical Aircraft Restoration Society (HARS) is a non for profit organisation made up of enthusiastic and energetic people who wish to take part in recording and preserving our national aviation history.

Social Equity provided by a Regional Airport

The Parkes Shire community has made it clear through consultation with Council as part of the Integrated Planning and Reporting Process (IP&R) that the airport and the maintenance and development of the airport is important to the Community. Parkes Shire Council has integrated this community demand into it's 2022 vision; "A progressive regional centre, embracing a national logistics hub, with vibrant communities, diverse opportunities, learning and healthy lifestyles". In order to achieve this vision Council recognises the need to have a modern, safe functioning airport which meets the needs of and increases the liveability and sustainability of our community and region.

Community consultations were undertaken in 2012 and over 700 residents participated. 94% of participants identified the Airport as an important service and support the growth and development of the airport.

The communities within the catchment area rely on the Parkes Regional Airport to conduct

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business, access essential social services and medical specialists as well as stay in touch with friends and family. The airport provides vital services to the Royal Flying Doctor, Air Ambulance, Angel Flight and NSW Rural Fire Service. These services fill a vital gap between urban and rural access to health and social services and help overcome the 'tyranny of distance' faced by many regional residents.

The Parkes Regional Airport provides social cohesion and intangible welfare gains to users and adds social capital to the region. A one hour flight between Parkes and Sydney (compared to a five hour drive) makes it feasible for people to travel to and from the Parkes region on a regular basis.

Local Government Ownership and Development

Parkes Shire Council ratepayers pay for the on-going maintenance of the asset with the only other any contributions from other stakeholders being landing fees. Despite the regional, state and federal benefits generated from this asset no other funds are provided by other tiers of government. While it's arguable if airports are the core business of local government, Parkes Shire Council has taken responsibility for the airport asset in response to community priorities to ensure its availability for social equity and far reaching regional impacts.

Although Council continues to work to make the airport cost efficient and it does generate revenue relevant to \$300,000 per annum, the cost of running and maintaining the assets is double that but the value that the airport brings to the as discussed in previous section is vastly leveraged to the region.

Parkes Shire Council sees the huge benefit of regional aviation to the Shire and beyond and has embarked on a \$3.4 million redevelopment program in conjunction with the Federal Government through a \$1.5 million Regional Development Australia Fund (RDAF) Grant.

Parkes Shire Council has undertaken significant planning in the redevelopment of the airport including:

- Parkes Airport Strategic Review AIRBIZ Workshop – October 2011
- Parkes Regional Airport Economic Assessment – November 2012
- Parkes Shire Council Community Plan – Adopted 05 March 2013
- Parkes Shire Council – Long Term Financial Plan – Adopted 05 March 2013
- Parkes Regional Airport Redevelopment – Business Case – April 2013
- Parkes Regional Airport Master Plan - May 2013.

The project is providing contemporary facilities, includes replacing the existing runway lighting, terminal refurbishment (which was originally designed in 1976 to meet the needs of 8000 passenger annum). Passenger numbers have achieved 35,000pa with future projections of 40,000pa over the next 5 years, the expansion for security readiness, additional car parking, infrastructure and technology improvements and new security regime readiness, connection of potable water and areas annexed for commercial activities.

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An Economic Assessment report carried out by AECgroup estimated that the redevelopment will increase the local economy (in terms of GRP) both directly and indirectly by \$5.3 million during construction and provide an annual increase of \$5.1 million during operation. In terms of employment (both directly and indirectly), the construction phase would generate 42 FTE jobs and 41 FTE jobs on an on-going basis in the economy during operation.

Market research carried out by AECgroup identified that the airport redevelopment could specifically encourage private sector investment including an air freight facility, aircraft maintenance facility, pilot training facilities as well as retail, commercial and accommodation developments. These investments would increase the capacity of the airport to facilitate air freight and build synergies with the National Logistics Hub located in Parkes.

Summary

The Parkes Regional Airport Redevelopment addresses the key needs identified by the Parkes community and the region. It supports social inclusion and numerous other social benefits as well as allows for the reinvigoration of our region as a business and tourism destination.

To this end it is Council's stated position that the industry be supported by central government and encouraged through financial incentives and regulatory frameworks to ensure regional aviation benefits stakeholders, community and the nations economic competitive interests.

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Parkes Shire Council

Response to the Terms of Reference to the Inquiry into regional Aviation

1. Cost of Accessing Sydney Airport

Council encourages consistent monitoring of the cost burden of flying into and out of Kingsford Smith airport by RPT operators. The ACCC should widen its pricing overview and monitoring to include the impact on the wider regional areas of New South Wales and not just the narrow scope of competitive pricing. Any upward shift in costs passed on to RPT operators by Sydney airport directly impact on the cost of flying for regional residents. With tight margins and without the luxury of deep reserves, small RPT operators cannot sustain any fare discounting campaign to win market share and never will. The hit to their bottom line directly affects rural and regional passengers in a disproportionate and discriminatory sense compared to interstate and international carriers who also utilise Kingsford Smith airport.

It has been postulated in previous submissions to the a ACCC by other commentators that Sydney airport is endeavouring to price out the smaller operators to free up slots for larger capacity aircraft and are looking to achieve this goal by increasing user charges beyond the tipping point of the smaller operators. Council is not as direct with such an accusation but would support the continued close scrutiny of the ACCC on the effect of Sydney airport price rises on rural and regional passengers.

2. Financial Management And Viability Matters Impacting on RPT Operators

As mentioned earlier, increased costs are not and cannot be absorbed by small to medium RPT operators. Therefore Council suggests a rationalisation or differentiation on a risk assessed basis of the one size fits all compliance requirement for aircraft operations which affect RPT costs. The mining boom across Australia has seen the growth and continuation of charter services operating older twin engine piston aircraft which are in essence fulfilling a secondary market in RPT. These operations if risk assessed to a level of acceptable safety and compliance could increase profitability and fulfil an important niche for communities into which larger turboprop modern aircraft cannot land.

A modified RPT regime based on passenger loading for different classes of aircraft is supported

3. Economic Impact On Regional Communities Of Gaining Or Losing RPT Services

Council's detailed position paper which forwards this submission describes the extent of the economic importance which RPT offers regional communities and specifically Parkes Shire and district.

The Parkes community is a thriving service centre and continues to develop and position itself for the future needs of the central west of New South Wales. However very stark evidence of the granular affect the loss of RPT services can have on communities is now

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abundant. Council refers of course to the recent collapse of Brindabella Airlines and it is not necessary to retell the story and describe the effect this has had on the communities involved. Growth centres such as Moree and Mudgee have had to enter into significant negotiations with state government and existing RPT operators to underwrite the cost of providing RPT services into their prosperous communities which at the time of writing has not been resolved. The effect of course is greater on communities that are really suffering from non-diversified economies and the negative consequences of economic rationalism which has moved populations and services to larger centres.

Council simply calls on the government and regulators to look more closely at a risk assessed compliance and education/assistance regime for operators so that regulators can value-add to the industry by being facilitators as well. A wholly regulatory approach is inconsistent with the wider impact on communities that failed RPT services can have. A much longer view of the importance of regional aviation services for Australia should be taken and incorporated in monitoring and sanctioning frameworks.

4. Potential For Development Of Future Modern RPT Aviation

Council is concerned that within Australia there is little attention being paid to the encouragement of training and development of pilots for the aviation industry. A strong aviation industry requires well trained and well skilled pilots across the board. Pilot training is largely left to the commercial operators via academies and cadet intake systems. To a lesser degree a very small number of enthusiastic aviators find their way through a highly expensive process and have to serve many flying hours often in remote areas to get the time to be of any interest to RPT services.

Council suggests a bonded training scheme or a tertiary education "HELP" style funding arrangement to encourage more pilots into the skies. I encourage the Committee to examine the statistics relating to the number of CPL pilots acquiring their wings (not including the foreign training which reverts overseas once acquired).

Council also acknowledges the rapidly changing world of aviation technology which will outdate much of the current navigation aids and airport landing systems in the very near future. Council encourages the Federal government to fund the required updates at RPT airports on the basis of a "public good" and to appropriate the necessary funds over the next 5 to 10 years to modernise these aids. The industry is moving towards stabilised RNAV (GPS) approaches to all airports of consequence and quite often these costs would be outside of the operational ability of local councils to afford.

On the matter of a dual use model for RPT services and freight Council does not agree that such a system would be viable. It is the experience at Parkes airport that these two important services operate within their own paradigms and no economies of scale would occur from either supplier if they were combined. A hub and spoke system may achieve benefits in a freight forwarding sense however it is not thought that a dual use model would be successful.

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5. Conclusion

Parkes Shire Council welcomes the opportunity to comment and provide input into the Inquiry's body of work. To assist with Council's comments, local industry was also asked to comment and I have attached examples of two letters received which are from the Northparkes gold and copper mine and a local air charter and freight provider. Both submissions may be considered on their own merit or combined with Council's overall comments. Council is more than pleased to support their views.

Before closing I would also like to join with RPT operators and the Australian Airports Association in the call for the reintroduction of the en-route subsidy scheme. This scheme whilst a relatively small cost in the overall federal budget, would make a significant difference to the affordability of RPT operations and as a consequence assist the viability of not only the service providers but of the regional centres they visit.

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www.
northparkes.
com

NORTH PARKES MINES

PO BOX 995 PARKES NSW 2870 AUSTRALIA
T +61 2 6861 3000 F +61 2 6861 3101

11 March 2014

Ms Anna Wyllie
Economic and Business Development manager
Parkes Shire Council
PO Box 337
Parkes NSW 2870

Dear Anna

**RE: Parliament of NSW, Legislative Council – Standing Committee on State Development
Inquiry into Regional Aviation Services**

Northparkes Mines regularly uses and depends on the aviation services offered by Parkes Regional Airport. The daily flights to Parkes are critical to our business operations for three main reasons.

Firstly, our contractors who fulfil specialist roles and business critical activities depend on this service to travel to Northparkes from different parts of the state and country during maintenance shut downs and / or to work on specific projects. At least five employees as well as specialist consultants use the service on a regular basis, during shut downs or specific projects this number can increase dramatically.

Secondly, as Northparkes is part of a global company with joint venture partners in China and Japan, it is essential that personnel and representatives from China Molybdenum and Sumitomo companies are able to travel in timely manner to and from Parkes to international destinations. This service is also critical for day trips to Sydney for employees who can travel to Sydney and back to Parkes in a day for business.

Finally, our current and prospective employees have indicated that having access to aviation services is important to them for medical specialists and appointments that are not available in Parkes.

Having access to a reliable, regular aviation service and airport facilities is important to our business, our owners, our employees and our future. I am pleased to provide this input to the submission being prepared by Parkes Shire Council on the State Development Inquiry into Regional Aviation Services.

Yours sincerely

Stefanie Loader
Northparkes Mines general manager



AFS Charter

Tim & Esther Hall-Matthews

Parkes Airport
Parkes NSW 2870

In response to the terms of reference of the Inquiry into regional aviation services, we can see 3 options that would be possible:

The first option, and likely the most viable, would be to provide a feeder service from smaller towns that are traditionally overlooked by the larger Regular Public Transport (RPT) companies, with a link to airports with these services. This would involve arranging flight times to coincide feeder arrival with the departure of the RPT service from the larger centres. For example a departure from Cobar at 5am to arrive in Parkes by 6am for the Regional Express 630am service to Sydney Kingsford Smith.

The second option would be to provide a RPT flights out of the currently non serviced towns, direct to Sydney. In the current situation this would involve the flights terminating at Sydney Bankstown airport due to the unavailability of slots and the unfeasible costs involved with Sydney Kingsford Smith. The current public transport at Bankstown however, is almost non-existent and as such an increase in the volume of paying passengers on scheduled flights into the airport would warrant and require a higher level of public transport to be provided there.

The least viable possibility would be to provide a direct competition to the currently established RPT providers. This could be achieved by providing a further variety of flights that depart at different times than the current services being offered. This would depend on location and the current number of RPT flights per day. For example, an airport which already has a morning, noon and afternoon RPT flight would not be a viable for this option as one which has just a morning and evening flight.

Cost of access to Sydney Airport, regional New South Wales airports and other landing fields including:

- a) Airport operator landing fees imposed at various airports and services and facilities included in those fees;
 - With a smaller number of seats than typical RPT aircraft, high fees can prevent the chance of providing affordable air travel due to the fewer people to spread the charge across. At regional airports these fees tend to be lower and so can be more readily incorporated into an attractive ticket price. This is further the case if regularly serviced airport operators can provide a discount for regular use. In larger cities such as Sydney (Kingsford Smith and Bankstown) and Canberra, these fees are much larger and rarely discounted which could prevent the offering of reasonable ticket prices and so lower the viability of these services.
- b) Methodology for calculating landing fees for different classes of aircraft.
 - These problems could possibly be avoided if the fees for flights were charged by the number of seats on the aircraft. This would ideally still be charged in price brackets, for example <12, 12-19, 20+ etc.



AFS Charter

Tim & Esther Hall-Matthews

Parkes Airport
Parkes NSW 2870

Financial management and viability matters impacting on RPT operators, including:

- a) Economics of operating various types of aircraft, including modern single engine turbine compared to older twin engine piston aircraft;
- Under the current regulations the older twin engine piston aircraft would still be the only real option due to being able to fly under the Instrument Flight Rules (IFR) by night. Currently Single Engine Turbine aircraft can only fly IFR by day.

It is likely that the single engine turbines would be more viable to run after taking into account fuel, maintenance and other economic factors, if they were able to fly IFR by night instead of what is currently only Visual Flight Rules (VFR) at night.

- b) Impacts of compliance costs, including per passenger costs;
- The current maintenance regimes imposed on RPT aircraft are perhaps too onerous for low capacity, feeder type RPT services as mentioned, which would use piston powered aircraft. Again, with smaller passenger numbers possible per flight, this cost could not be spread as thinly across ticket prices in comparison to the larger RPT aircraft.
- c) Suitability of 'hub and spoke' systems for potential routes for smaller passenger numbers;
- As previously mentioned, this would be a viable way to provide RPT service to a larger proportion of regional communities.
- d) The viability of passenger loading for different classes of aircraft
- In smaller aircraft a greater emphasis needs to be placed on the weights loaded on board. The payload can differ depending on fuel requirements. Difficulties could arise if a lower baggage limit is applied to passengers on the smaller feeder aircraft than is allowed on the larger aircraft.

In terms of actually loading passengers onto the aircraft, there is less ability to load and unload physically impaired passengers.

Economic impact on regional communities of gaining or losing RPT services, including:

RPT services provide a vital link between regional areas and the commercial and manufacturing centres which tend to be on the East coast in the larger cities. If RPT services were discontinued or reduced the impact on the ability to do business in the western areas of the state could be greatly reduced. The ongoing impact could be the loss of population



AFS Charter

Tim & Esther Hall-Matthews

Parkes Airport
Parkes NSW 2870

from these areas towards the cities. The loss of RPT would also prevent movement of people to the regional areas if they feel a link to the city will not be available.

Potential for development of future modern RPT aviation including

- d) Opportunities for dual use RPT services to include both freight and passenger legs on the same routes
 - This could be an ideal way to offset costs if there is sufficient freight to warrant the use of the service.

Air Freight Solutions is a business that has been operation for the last 6 years. We are located in Parkes.

Air Freight Solutions has a number of “arms” we carry “Air Freight”, we operate “Charter Flights” and we have a Hanger in Parkes where we carry out “General Aircraft Maintenance” under the name of Parkes Aviation. We currently operate our passenger charter flights with 2 Piper Chieftains. We also operate 2 (dedicated) freight runs from Bankstown into Central NSW. We own and operate 7 aircraft.

The business is owned and operated by Tim and Esther Hall-Matthews. We are a family run company with a commitment to servicing Central NSW and beyond from our base in Parkes.

Tim is an ex-diesel mechanic who got into aviation 15 years ago following a passion for flying. Esther is an ex- Flight Attendant who has a love for Aviation and a passion for excellent service.

Please feel free to contact us if you have any further queries at all.

Kind regards,

Tim Hall-Matthews