INQUIRY INTO REGIONAL AVIATION SERVICES

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NSW Government Submission

Inquiry into Regional Aviation Services

March 2014

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1   Introduction

This is the New South Wales (NSW) Government's submission to the Legislative Council Standing Committee on State Development's Inquiry into regional aviation services. It contains input from Transport for NSW, the Department of Premier and Cabinet, NSW Trade and Investment, NSW Health and the Department of Education and Communities.

This submission covers the following:

- NSW and Commonwealth regulatory arrangements relevant to regional air transport and the supporting policy framework for intrastate regional air transport;

- Historical and current servicing arrangements and patronage statistics;

- regional air freight;

- the economic impact on regional communities of changes to regular passenger transport (RPT) services;

- impact on the delivery health services to rural communities; and

- skill development and training for the aviation industry.

2   The legislation and policy framework

The NSW and Commonwealth Governments both have legislative responsibilities in relation to air services. The following sections describe the NSW legislative and policy frameworks for intrastate air services, and the Commonwealth's responsibilities in relation to safety and security, price regulation and access to airports.

2.1 NSW legislative framework

<u>NSW legislation</u>

The *Air Transport Act 1964* (the AT Act) provides for the licensing of intrastate air transport routes within NSW.

Under the AT act, a person shall not carry passengers by an aircraft within New South Wales (NSW) unless the person holds a licence for the route. A licence is required where the service operates:

- in accordance with fixed schedules over that route, or
- unless otherwise authorised by the Director-General (Transport for NSW), on 5 or more occasions within any period of 28 days over that route.

The Minister for Transport may, by order published in the Gazette, declare specified routes or classes of routes to be deregulated under the AT Act. In making such a decision, the Minister shall have regard to the following matters:

- the needs of the public of NSW, and of the area to be served by the air transport services;
- fostering competition between airlines;
- the effect, if any, on the maintenance and development of adequate and reasonable public air transport services within NSW;
- the effect, if any, on the economic development or the environment of NSW.

Granting a licence

The Director-General may grant or refuse any application for a licence. The AT Act requires the Director-General to consider the following factors when granting a licence and to have regard to no other matters:

- the needs of the public of NSW, and of the area to be served by the air service proposed;
- the allocation of routes to the airlines operating public air transport services in NSW to promote competition and discourage monopoly;
- the applicant's character and suitability to hold the licence applied for;
- the effect, if any, on the maintenance and development of adequate and reasonable public air transport services within NSW;
- the effect, if any, on the economic development of, or on the environment within NSW;
- whether the applicant and the applicant's aircraft, pilots and passengers will be adequately insured; and
- the ownership of, or the extent of the applicant's rights to operate, the aircraft to be used by the applicant.

A person who contravenes the above is guilty of an offence under the AT act and is liable for a penalty not exceeding 50 penalty units or imprisonment for a period not exceeding 12 month or for both.

Licensing conditions

The Director-General may grant licences subject to conditions. The current conditions are attached to regulated route licences provide that the licence holder must:

- provide services at or above the regular service schedule specified in the Route Schedule of the licence;

- submit any request for a reduction in the level of services, including a request to withdraw services, to Transport for NSW not less than 2 weeks prior to the proposed implementation of such change;

- maintain current insurance cover as specified in the Schedule of the Licence;

- provide Transport for NSW, within 2 weeks, a copy of any amendment to, or renewal of, the operator's Declaration of Insurance; and

- provide Transport for NSW with the operator's annual Audited Financial Statements, within 3 months of the end of the relevant reporting period.

The Director-General may exercise the power (by writing) to revoke, vary or suspend a licence subject to the criteria for granting a licence (above section). New market condition or the licence holder's failure to comply with the regulation or the conditions may lead to the Director-General's consideration in doing so.

A person who neglects or fails to comply with any condition attached to a licence of which the person is the holder is guilty of an offence against the AT Act.

Decisions can be reviewed by the Civil Administrative Decisions Tribunal. The NSW Government, following the removal of all licensing fees in 2001, imposes no cost on regional airline operators.

2.2 Policy framework

The following policy applies currently to intrastate air transport in NSW and was established by the State Aviation Working Group in 2007:

- all intrastate routes not linked to Sydney Kingsford Smith Airport (KSA) are unregulated, as are the routes between KSA and: Albury, Armidale, Ballina, Coffs Harbour, Dubbo, Griffith, Lismore, Newcastle (Williamtown), Orange, Port Macquarie, Tamworth and Wagga Wagga;

- 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;

- a five-year licence term currently applies, on a one route one licence basis (that is granting monopoly rights over a route);

- where regulated routes exceed the 50,000 level during the licence term, the five-year commitment takes precedence over deregulating the routes; and

- regulated route licences will run their full term, subject to licence conditions.

This is based on these more highly patronised routes being less prone to instability and more able to attract competition and provide lower airfares to passengers. In NSW, there are currently 12 deregulated intrastate routes operating services into Sydney, which account for approximately 87% of all intrastate patronage.

2.3 Previous NSW legislative and policy changes

Key legislative and policy amendments related to the regulation of intrastate air transport services are described below.

The Air Transport Act 1964

The *Air Transport Act 1964* commenced to prohibit, in certain circumstances, the carriage by aircraft of passengers or goods from one place to another within NSW except under the

authority of a licence. Licences were valid for a year and issued for specific aircraft, routes and operators.

The Air Transport Amendment Act 1987

The *Air Transport Amendment Act 1987* deregulated air freight services, allowed the determination of licence fees and established the Air Transport Council (ATC). The Minister for Transport was the licensing authority but delegated most functions to the ATC which was staffed by the Department of Transport. The main responsibilities of the ATC included:

- regulating and licensing intrastate air services;
- reviewing and monitoring air services; and
- liaising with regional airport owners.

At that time, all intrastate operators required a licence. A licence was valid for a period of three years at a cost of $100 to regular passenger transport (RPT) operators and $50 to charter operators. The number of licences issued for RPT services on each route was limited to either one or two operators.

Some licences specified certain conditions, such as aircraft size or frequency, which the operator was required to meet. There were no penalties for withdrawing from operating the route for which a licence was held or reducing service levels during the licence period. An operator wishing to operate on a route was required to bid for the route when the licence came up for renewal.

National Competition Policy Reforms

In April 1995, the Council of Australian Governments (CoAG) agreed to implement national competition policy reforms. These reforms aimed to establish a framework in which unnecessary barriers to trade and competition are removed.

At the request of the then Premier, the Independent Pricing and Regulatory Tribunal (IPART) conducted a review of the regulation and licensing of air service operators in NSW. IPART concluded that the state as a whole would benefit from deregulating air services, noting that licensing cannot guarantee any level or quality of air service if it is uneconomic to provide this service.

IPART recommended that that intrastate air services should be fully deregulated with effect from May 1999, when the licences current at that time expired. IPART noted that government (Commonwealth, State and/or local) participation in a deregulated intrastate air services market is not precluded. For instance, government could subsidise any services considered essential.

In response to IPART findings, the Government introduced the Air Transport Legislation Repeal Bill 1998 which would have abolished the *Air Transport Act 1964*. The Bill passed the Legislative Assembly however the then Minister for Transport requested that the Legislative Council's Standing Committee on State Development report on the provision and operation of rural and regional air services in NSW. The Minister referred this matter to ensure that there would be no adverse impacts on rural and regional communities through the Bill's proposal to deregulate intrastate air services.

The Committee tabled an Interim Report tabled in Parliament on 24 September 1998. The key recommendation of the Committee was that a decision on deregulation should be deferred until after the Committee could further investigate the impacts of air service deregulation on small regional communities. This Bill lapsed following the 1999 election.

Amendments 1999 – 2002

In 1999, administrative arrangements made to deregulate routes of 20,000 passengers per annum or more, while maintaining a monopoly licensing arrangement on lower volume routes within the NSW intrastate RPT market.

On 1 December 2002, the licensing threshold was raised from 20,000 to 50,000 passengers per annum on all routes. Before this threshold policy decision was made, the Government had considered work undertaken by airline administrators, following the collapse of Ansett and its regional subsidiaries, on the viability of regional air services. Outcomes of this work can be summarised as follows:

- In terms of providing a commercial return to operators, it was considered that there was scope for two airlines only on routes with a volume in excess of approximately 100,000 passengers per annum;
- In the range 100,000 to 65,000 the analysis considered that these ports would be capable of supporting one carrier with full time aircraft and another with partly committed aircraft;
- Between 65,000 and 35,000 the view was that only one operator using 36 seat aircraft full time would be commercially viable;
- Towns generating passenger volumes between 35,000 and 6,000 could support one carrier using 19 seat aircraft on a full time or part time basis; and

- Below 6,000 passengers per annum, it is thought that only small 9-12 seat aircraft would be viable, generally feeding into larger regional centres and having on line booking arrangements with one or more of the principal carriers.

The State Aviation Working Group

The *Air Transport Amendment Act 2006* established the State Aviation Working Group and abolished the Air Transport Council. This Act also abolished the licensing requirement for charter services, abolished licensing fees, vested licensing decisions in the Director-General of the Department of Transport for better administrative efficiency and introduced appeal provisions for greater transparency.

Following the establishment of the Working Group, the then Ministry of Transport consulted on, and the Working Group later considered, five options:

1. Deregulate the entire intrastate air transport market;
2. Adopt a 100,000 annual patronage single operator licensing threshold;
3. Leave unaltered the routes already declared deregulated by the Minister;
4. Continue using a 50,000 annual patronage single operator licensing threshold;
5. Lower the threshold to say 35,000 annual patronage.

The Working Group's key recommendations were:

- The Government should introduce a 5-year licence term and a competitive licence application process. The five year licence term is recommended on the basis that it presents a balance between giving airlines time to grow the markets and providing communities with the opportunity to test the market for alternative service proposals.

- The routes between Sydney KSA and Griffith, Lismore and Orange should be deregulated as they now traded above 50,000 passengers per annum;

- A regulation be made requiring all operators (except those airlines operating in competition with another airline on a deregulated route) to:

  - submit annually the proposed aircraft type, average number of flights and peak-hour flights per week, seat load factor and fare structure; and

  - submit six-monthly actual aircraft type, average number of flights, peak hour flights per week, seat load factor, gross revenue and on time running for the past half year.

As a result of these recommendations:

- a five-year licence period was adopted (December 2002 as described above);

- the routes Sydney KSA and Griffith, Lismore and Orange were deregulated (2008); and

- a regulation was made requiring quarterly patronage reports for each route that begins or ends at, or passes through, Sydney (Kingsford-Smith) Airport (2007).

In 2006, The Minister for Transport also declared 9 further routes to be deregulated under the AT Act (the routes linking Sydney with Albury, Armidale, Ballina, Coffs Harbour, Dubbo, Port Macquarie, Tamworth, Wagga Wagga and Williamtown). In addition to this, any routes that do not begin or end at, or pass through, KSA were also deregulated.

<u>Continuation of Current Policy Settings</u>

In November 2012, TfNSW announced that regional air services into Sydney from 14 NSW regional communities would continue to operate under new five-year licences to take effect from 30 March 2013.

2.4 Future Reforms

Transport for NSW is currently conducting a Review of Passenger Transport Legislation, including the Air Transport Act 1964. A Discussion Paper released as part of the Review recommends three key changes in relation to the regulation of intrastate aviation:

1. 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; and

2. disbanding the State Aviation Working Group, noting that Transport for NSW will continue to consult broadly on any proposed changes to the regulation of air transport services; and

3. include 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.

Transport for NSW expects that the Review will be finalised during 2014.

2.5 Interstate Comparison of Regulatory Practices

Air services in Northern Territory, Tasmania and Victoria are fully deregulated. In South Australia routes are licensed when this is deemed to be in the public interest. The South Australian Government does not subsidise commercially operated regional air services, and has only previously declared and licensed two intrastate routes in the public interest.

In Queensland some routes are regulated without subsidy while others, to small centres in the more remote areas of that state, are regulated and subsidised. Still other higher volume routes are deregulated.

The Western Australian Government regulates (through contracts) some air routes to ensure the provision of services on routes that are considered essential but are not commercially viable, and to protect vulnerable routes.

All interstate (or cross-border) air routes, including the main trunk services such as Sydney-Melbourne and Sydney-Brisbane come under Commonwealth Government responsibility and are fully deregulated.

3   Commonwealth legislation

3.1 Safety and security

Australia's aviation safety framework is administered by the Commonwealth Government, through a network of agencies with diverse statutory responsibilities. The Civil Aviation Safety Authority (CASA) is responsible for safety and airspace regulation issues. CASA's functions are specified in the Civil Aviation Act 1988 and its direction has been set by the 2009 National Aviation Policy Statement (the White Paper) and the 2012 Australian Airspace Policy Statement.

The Australian Transport Safety Bureau (ATSB) also plays a role in maintaining the safety framework, operating as an independent agency responsible for the investigation of accidents and incidents involving civil aircraft in Australia.

Airservices Australia (ASA) is a Commonwealth Statutory Authority, established by the *Air Services Act 1995* (C'th). Its role is to provide air navigation and aviation rescue and fire fighting services. ASA also delivers en route and terminal air traffic services, aeronautical data services, management of airspace usage, tower services at 29 airports. ASA also has a role in regulating aircraft noise.

Australia's aviation security regime is also overseen by the Commonwealth, through the Office of Transport Security (OTS) and includes passenger and checked baggage screening requirements and other airport security measures, and on-board physical security for aircraft.

3.2   Price

Under provisions within the *Competition and Consumer Act 2010* and the *Airports Act 1996* (C'wth), and in accordance with directions issued by the Assistant Treasurer, the Australian Competition and Consumer Commission (ACCC) monitors and publishes information relating to prices, costs, profits and service quality of aeronautical services and facilities and car parking at Brisbane, Melbourne, Perth and Sydney Airports.

The ACCC also has responsibility under Division 4 of Part VIIA of the *Trade Practices Act 1974* for assessing notifications of proposed price increases from Sydney Airport in relation to regional air services.

The Productivity Commission undertakes a regular review of price regulation of airport services (for the major capital city airports, and usually every 5 years). The Commission is to report on the appropriate economic regulation or airport services, including the effectiveness of the price and quality of service monitoring. The Commission also considers whether the existing regime is effective in appropriately deterring potential abuses of market power by

airport operators, and the effectiveness of the monitoring regime conducted by the ACCC, including the methodology used and the adequacy of the information collected.

3.3   Access to airports

Regional airline access into KSA is regulated by the Commonwealth Government under the *Sydney Airport Demand Management Act 1997* (DM Act). This Act provides for a Slot Management Scheme for the allocation of gate movements at Sydney Airport. Day to day administration of the Slot Management Scheme (appointed by Minister for Transport and Regional Development on 29 March 1998) is undertaken by Airport Co-ordination Australia (ACA) as the Slot Manager. ACA is a company jointly owned a number of major airlines, the Regional Airlines Association of Australia and Sydney Airport Corporation. The airport Slot Management Scheme requires that passenger aircraft seeking a slot for a new service must have a minimum of 18 seats.

The DM Act limits movement at Sydney Airport to a Maximum Movement Limit of 80 aircraft movements per hour outside of the curfew period. The curfew is regulated by the *Sydney Airport Curfew Act 1995* (the Curfew Act) and operates between 11 pm and 6 am. An operator must use the slot allocated to them for at least 80% of the time over a season or lose the slot, subject to the Slot Management Scheme rules and exceptional circumstances.

Special rules have been established in the Slot Management Scheme to maintain permanent regional service slots, based initially on historical precedence and allocation in the first scheduling season of the scheme's operation. This arrangement is also known as the "regional ring fence". KSA currently has approximately 20% of its peak slots allocated to NSW regional air services.

The NSW Government has no role in the management of slots at KSA and the local aerodromes. Local Government has ownership and responsibility of local airports through the Aerodrome Local Ownership Plan (ALOP) in the early 1990s.

Under the ALOP, the Commonwealth Government transferred its ownership of local airports to the local governments and contributed one-off funding for the maintenance and development of the airports at the time of the transfer. Since 1993, the local Governments have a direct role in funding and managing the regional airports.

Access to some regional airports is constrained, for example, runway length and pavement strength that prevents the access of larger aircrafts to some of the regional airports.

In addition, the Visitor Economy Industry Action Plan recognised that issues around future access to Lord Howe Island will need to be addressed. QantasLink has a five year exclusive licence to provide aviation services to Lord Howe Island. It currently operates a Dash 8–200 to service the Island as it is the only aircraft in the Qantas fleet that can serve the Island due to the size and nature of its runway. The current runway on the Island will not accommodate landing by the new generation Dash 8–300 aircraft, or aircraft of similar size.

The Lord Howe Island Board will commence an estimated $8 million project for the resealing of the airport runway and associated drainage works in mid-2015, which is being jointly funded by the NSW and Commonwealth Governments. While this project will provide runway improvements, it will not be addressing the size and nature of the runway to accommodate larger aircraft. The airport supports regular aviation services, which are key for the Island's visitor economy, and which provide essential services for Island residents and allow access to medical treatment on mainland NSW. Destination NSW has commenced work with the

Lord Howe Island Board on scoping options to address the issues associated with the runway.

4 Market situation

4.1 Regional air services patronage

The tables below detail the current operational routes in NSW (as at March 2014), their corresponding 2012/13 annual patronage and service providers.

Regulated Routes

ROUTE	PATRONAGE	OPERATOR
Merimbula	32,062	Rex
Parkes	28,290	Rex
Lord Howe Island	27,172	QantasLink
Moree^	27,040	QantasLink
Broken Hill	25,679	Rex
Bathurst	20,091	Rex
Moruya	18,403	Rex
Taree	16,474	Rex
Narrabri*	14,137	Vincent Aviation
Grafton	13,710	Rex
Narrandera	11,759	Rex
Mudgee#	11,705	Vincent Aviation

^operated by QantasLink until March 2013, and Brindabella Airlines from March 2013 until 15 December 2013. QantasLink commenced services 24 December 2013.
*previously operated by Brindabella Airlines (withdrew December 2013). Licence awarded to Vincent Aviation March 2014.
previously operated by Brindabella Airlines (withdrew December 2013). Vincent Aviation's licence for Mudgee is pending the Civil Aviation Safety Authority adding the Mudgee route to the airline's Air Operator's Certificate.

Route	Annual Patronage	Operator
Coffs Harbour	336,284	QantasLink, Tiger Air, Virgin Australia
Ballina	299,401	Jetstar, Rex, Virgin Australia
Albury	239,119	QantasLink, Rex, Virgin Australia
Port Macquarie	191,386	QantasLink, Virgin Australia
Wagga Wagga	179,346	QantasLink, Rex
Dubbo	166,121	QantasLink, Rex
Tamworth	137,778	QantasLink
Armidale	107,781	QantasLink
Griffith	61,694	Rex
Orange	57,141	Rex
Lismore	36,063	Rex
Newcastle (Williamtown)	28,756	Rex

Historical trends in patronage

The following graph shows NSW intrastate air services annual patronage, the number of regulated and deregulated routes for the 10 most recent financial years to January 2013 (where data available).

Historic trends in Patronage & No. of deregulated routes

No. of Routes | Intrastate Patronage (Annual)

Date	Regulated Routes	Deregulated Routes
Jan-04	10	24
Jan-05	9	24
Jan-06	9	24
Jan-07	9	24
Jan-08	12	18
Jan-09	12	11
Jan-10	12	13
Jan-11	12	14
Jan-12	12	14
Jan-13	12	14

Legend: ■ Deregulated Routes ■ Regulated Routes — Intrastate Patronage (RHS)
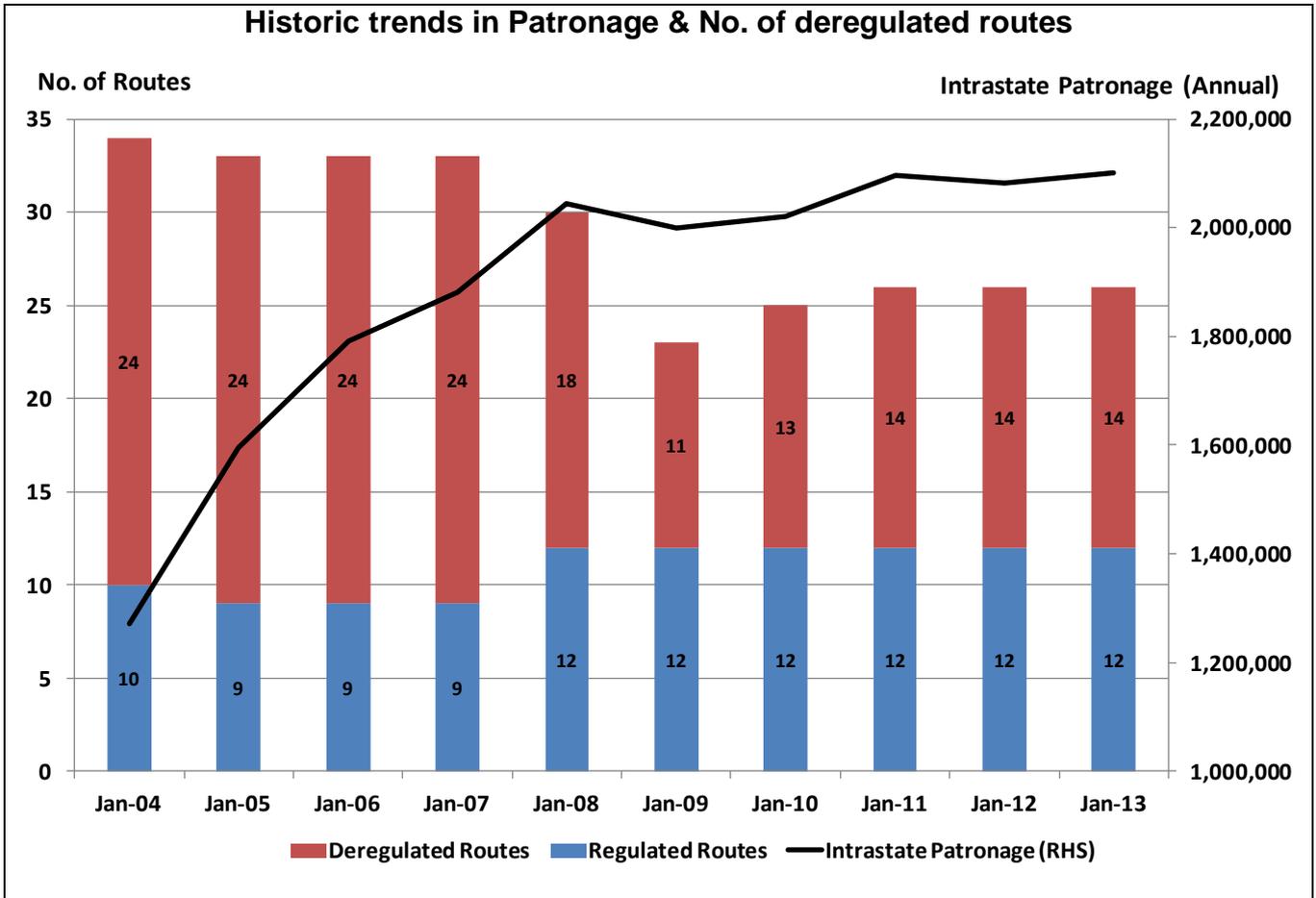
In March 2014, and following the withdrawal of Brindabella Airlines from the aviation market, there are 11 operational regulated routes in addition to the 12 deregulated routes.

For the year-end 30 June 2004, there were 6 regional airlines operating intrastate services (Qantas, Virgin Blue, Regional Express, Air Link, Aeropelican and Big Sky Express). As at February 2014, there were also 6 operators providing services: Qantas, Virgin Australia, Regional Express, Tiger Airways, Jetstar and Vincent Aviation (who entered the market in February 2014).

Non-operational routes & service withdrawals

The number of intrastate air service routes operating throughout NSW has decreased over time, from 34 routes in 2003/04 to 23 routes by February 2014. Sustainability issues on low-volume routes have led to the withdrawal of operators on these marginal routes over time.

During the 2000-2001 period there were 14 regional NSW routes linked to Sydney that were withdrawn. 12 of these operated with fewer than 3,000 passengers per annum, and the remaining 2 routes sustained over 8,000 passengers per annum before their collapse.

In December 2008, Regional Express terminated the regular public transport operations of its wholly-owned subsidiary, Air Link Pty Ltd, resulting in air services withdrawal[1]. An Expression of Interest (EOI) conducted by Transport for NSW at the time did not result in any eligible applications. Further EOI[2] resulted in Aeropelican Air Services taking up Mudgee-Sydney service in October 2009 (the airline also commencing operations on the Cooma-Sydney route in June 2010), and Brindabella Airlines commenced on the Cobar-Sydney route in late September 2010. These two airlines later merged their operations, under the Brindabella name.

Up until December 2013, Brindabella Airlines operated 5 of the 14 regulated route licences (those linking Sydney with Cobar, Cooma, Moree, Mudgee and Narrabri). In November 2013, a number of Brindabella Airlines aircraft were grounded by the Civil Aviation Safety Authority. Following further aircraft groundings on 12 December 2013, Transport for NSW announced on 13 December 2013 that alternative transport arrangements would be put in place from 14

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[1] The service withdrawn here was to communities of Bourke, Cobar, Coonamble, Lightning Ridge, Mudgee and Walgett.
[2] TfNSW conducted further EOI for the above routes in October 2009 and June 2010.

December 2013 for communities isolated by the groundings, in the lead up to the 2013/14 holiday period.

Brindabella Airlines was placed into receivership on 15 December 2013. Transport for NSW revoked Brindabella Airlines licences on 16 December 2013, and on 19 December 2013 commenced a process to restore services as soon as possible by enabling operators who had said publicly they were able to provide services to these communities on a temporary basis, to apply to do so. On 24 December 2013 QantasLink began operating on the Moree-Sydney route, and on 19 February 2014 Vincent Aviation began operating on the Narrabri-Sydney route.

On 23 January 2014, Transport for NSW called for applications for those regulated routes formerly operated by Brindabella Airlines, for services to March 2018. On 21 February 2014, Transport for NSW granted QantasLink a licence to operate the Moree to Sydney air service, and on 11 March 2014, granted Vincent Aviation a licence to operate the Narrabri to Sydney air service.

Transport for NSW is also planning to grant Vincent Aviation a licence for the Mudgee to Sydney air service, pending the Civil Aviation Safety Authority adding the Mudgee route to the airline's Air Operator's Certificate.

Issues that have affected the sustainability of smaller regional routes include proximity to larger towns offering more convenient flight times and larger aircraft, and patronage levels which make routes commercially unviable.

Over the past 12 years (since March 2002) the following Sydney linked routes have been withdrawn and there are currently no operators providing services on these routes.

Route	Annual Patronage	Year Withdrawn
Glen Innes – Sydney	609	2002
Gunnedah – Sydney	1,763	2006
West Wyalong – Sydney	2,476	2007
Bourke – Sydney	1,526	2008
Coonamble – Sydney	184	2008
Lightning Ridge – Sydney	791	2008
Walgett – Sydney	1,207	2008
Inverell – Sydney	5,581	2009
Cooma – Sydney	1,834	2013
Cobar – Sydney	11,496	2013

4.2 Hub and spoke

Hub and spoke arrangements involve regional carriers operating smaller aircraft types to provide services into larger regional airports, for interconnecting to capital cities such as Sydney. These services operate in place of point to point operations connecting regional ports that may be restricted by take-off/landing slot availability or minimum aircraft size limitations.

These models 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 KSA.

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

Concerns that have been raised previously in relation to this model include:

- increases to journey time, potentially making it unviable for tourism and business travel; and

- access constraints at KSA.

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 Narrandra; Grafton and Taree; and Merimbula and Moruya.

5 Economic impact of RPT services on regional communities

The presence of regular air passenger services across regional NSW is an important component of maintaining professional services such as medical and legal services. The presence of regular air passenger service may impact on the lifestyle characteristics of the regional centres.

There are many economic factors and demand drivers that impact on the viability of a regional aviation service. Regional centres with more business and social activities are more like to be able to support an airport and regular air services.

The delivery of regular air services is also important to the visitor economy in regional NSW. Visitors and crew spend time in regional towns and cities, during which they spend money on accommodation, meals and other products and services available locally. The reduction in frequency, or withdrawal, of regional services can have an impact on this type of visitor expenditure for some destinations.

6   Growing the Visitor Economy

A thriving visitor economy is vital to the broader NSW economy as it generates substantial revenue and supports a vast array of industries and jobs throughout the State. The term 'visitor economy' captures a range of activities that support the provision of goods and services to overnight visitors and have both direct and indirect economic impacts on businesses and communities.

While a successful visitor economy in Sydney is essential for NSW and Australia, tourism is also often a significant part of the local economy in many regional destinations throughout the State. This is why the visitor economy and regional NSW are priority areas in the NSW Government's economic development agenda.

The visitor economy is an important economic driver for NSW. It supports a total of 152,000 jobs, which translates to one in 24 jobs in the State, almost half of which are in regional NSW. In the year ended September 2013, tourism expenditure generated a total of $27.6 billion for the State economy, of which $13.7 billion can be attributed to regional NSW.

In the year ended September 2013 (tables below), NSW welcomed 25.5 million domestic overnight visitors. Private or company vehicle was the most popular mode of transport for domestic intrastate visitors (88.4%) and for interstate travellers (53.2%) to NSW. Air travel was more popular amongst interstate visitors to NSW (43.8%) in contrast to intrastate visitors of whom only 4.1 per cent used air transport3.

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[3] Source: National Visitor Survey, Year ended September 2013, Tourism Research Australia.

Transport Used by domestic visitors (% of trip, intrastate & interstate)

Mode	Holiday	VFR[4]	Business	Total
Air	9%	14%	41%	**17%**
Rail	3%	6%	2%	**4%**
Coach/Bus	2%	1%	1%	**2%**
Private or Company Vehicle	84%	80%	55%	**77%**

Transport Used by international visitors (% of trip)

Mode	Holiday	VFR	Business	Education	Employment	Total
Air	36%	23%	20%	23%	21%	**31%**
Rail	4%	4%	1%	5%	5%	**4%**
Coach/Bus	6%	2%	1%	3%	5%	**4%**
Priv./Comp. car	15%	59%	16%	35%	31%	**27%**
Rental Car	7%	5%	6%	2%	6%	**6%**

The NSW Government's *NSW 2021* sets an ambitious target to double overnight visitor expenditure in NSW by 2020. In 2012, the NSW Government released the Visitor Economy Industry Action Plan[5], which outlines the whole-of-Government commitment to the NSW visitor economy and a long-term strategy in partnership with industry.

The Visitor Economy Industry Action Plan contains a number of specific initiatives related to aviation. Initial implementation of these actions has focused on the NSW Government's domestic and international airline partnership strategies as drivers of demand as well as advocacy initiatives with the Commonwealth Government surrounding aviation regulation.

Actions in the Visitor Economy Industry Action Plan include a focus on regional airport infrastructure needs and supporting the enhancement and development of air services to

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[4] VFR: Visiting Friends and Relatives.
[5] The NSW Government directs the Inquiry to the Visitor Economy Industry Action Plan and the Final Report of the industry-led Visitor Economy Taskforce. Copies are available for download at: www.business.nsw.gov.au/doing-business-in-nsw/industry-action-plans/visitor-economy.

regional airports to facilitate increased visitation to NSW. The NSW Government continues to monitor and implement work plans to achieve delivery of aviation actions supported in the Visitor Economy Industry Action Plan within specified timeframes.

6.1   Key travel markets

Regional air services are accessed by a variety of travellers that contribute to the visitor economy. In addition to leisure travellers, business, Government and medical travellers rely on these services. Business events tourism, for example the meetings, incentives, conferences and exhibition sector, is an attractive market for the regional visitor economy. This group of travellers are traditionally high-yield, delivering more in overnight expenditure than those travelling for leisure and tourism purposes.

Visiting friends and relatives is a leading 'purpose of visit' for air travellers. This group can often be solo travellers who prefer the convenience of air travel over road transport. In the year ended September 2013, the National Visitor Survey showed that 14 per cent of domestic visitors in this group chose to travel by air.

6.2   Sydney Airport utilisation

The NSW Government, in the Visitor Economy Industry Action Plan, supports the better utilisation of the existing infrastructure at Sydney Airport in accordance with current legislation and improved transport and access to, and around, the Airport precinct. These changes will help to ensure that Sydney Airport is operating at world's best practice and open further opportunities for all three airline markets – international, interstate and regional.

The NSW Government, through Destination NSW and NSW Trade and Investment, also works with the Commonwealth on existing and future bilateral air agreements and worked with Sydney Airport Corporation Limited on its recently approved Draft Master Plan 2033, which includes a ground transport plan to improve traffic flows in and around the Sydney Airport precinct.

6.3 Regional airline access to KSA

The Visitor Economy Industry Action Plan process showed that there is a very high level of utilisation by the regional airlines of the protected regional slots. Only very few regional slots remain available on some days during peak periods[6]. Better utilisation of Sydney Airport via addressing the regulations related to the hourly movement cap during peak periods and increasing aircraft movements within the morning shoulder curfew, would have the potential of opening up more landing slots for regional carriers.

Furthermore, Destination NSW considers that a decision by the Commonwealth to exempt regional flights from the aircraft movements per hour cap would have the potential of removing the artificial constraints on capacity at Sydney Airport. It would also free up more opportunities for route development and improved services, which would stimulate and grow the NSW economy as well as provide residents and visitors with more travel options.

Greater use of regional aviation also provides an opportunity to increase dispersal of visitors to regional NSW. At present, only a very small percentage of all passenger movements at NSW airports occur outside Sydney Airport[7]. Increasing the passenger movement capacity

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[6] Source: Airport Co-ordination Australia, 2011.
[7] Source: Final Report of the Visitor Economy Taskforce, June 2012, p. 60

and capability of regional airports can help spread the benefits from a growing visitor economy and ensure that NSW enhances its competitiveness in comparison to other States.

Destination NSW also considers that the Commonwealth should continue to fund mandatory security upgrades at regional airports due to the relatively low number of passengers using the complex and costly security installations. This would further underpin the ongoing financial viability of regional airports.

7   Regional air services and NSW Health

Regional Airlines have an important role in supporting the delivery of rural and regional health services in NSW.

NSW Health recently completed a state-wide review of Aeromedical Fixed Wing Non-Emergency Patient Transport including data collection and consultation with all Local Health Districts (LHDs), NSW Ambulance (NSWAS), Royal Flying Doctor Service (RFDS), and the two main private providers Wingaway and Skymed.

Private providers of aviation services supplied approximately 2,110 transfers for Local Health Districts (LHDs) at a cost of $7.85m in 2012/13.

These providers focus solely on lower acuity non-emergency patient transport, and are able to schedule flights without being diverted for emergency purposes. Other services are provided by NSW Ambulance or the Royal Flying Doctor Service.

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. This reduces the type of patients able to be transferred.

The Civil Aviation Safety Authority has proposed changes to Civil Aviation Safety Regulations, setting minimum acceptable standards for small aeroplanes. While the impact on regional air services to support health delivery is currently unknown, possible risks would be the continued viability of the private providers or increased costs to NSW Health.

Currently formal arrangements with private providers have been in place in three LHDs. Western NSW LHD has a Memorandum of Understanding with one provider, while Northern NSW and Mid North Coast LHDs have had a contract in place with two providers.

In addition, the private provider market is very shallow, with two private operators currently providing services to NSW Health. The market has been relatively unstable, with the third main operator going out of business in recent years.

If a regional airline ceases operations, such as Brindabella Airlines in December 2013, there can be a significant impact on health services. Brindabella was the sole provider of air passenger services from Sydney to Moree and Narrabri, and from Brisbane to Tamworth. Additionally there may be impacts to people accessing needed services, leading to poorer health outcomes, and an increase in costs to NSW Health due to increased costs for reimbursement of increased travel and chartered flights.

Examples of regional aviation services of private providers which support NSW LHDs are:

- flying in speciality medical services provided at District Health Services and other health clinics. For example Orthopaedic and Ear, Nose and Throat surgeons travel to

Moree from Sydney to attend to specialist clinics and undertake surgical operations each month;

- specialist medical services that provide clinics in regional areas include gynaecologists, ophthalmologists, psychiatrists, endocrinologists, paediatricians, rheumatologists and physicians amongst other specialties;

- freight providers for blood products and components for renal and chemotherapy services. Many chemotherapy drugs that are regularly flown in have a very limited shelf / refrigerator life and have to be administered within hours of arrival.

- flying in Locum Doctors to provide regular services of Emergency Medicine, Anaesthetics, Obstetrics and Surgical Services.

The NSW Air Ambulance Service operates five fixed wing aircraft based at Sydney's Mascot International Airport, due largely to the State's referral patterns, which see over 65% of all patients transferred either to or from the major inner-city teaching hospitals.

The Air Ambulance Service covers 809,000 square kilometres, and the aircraft land at over 100 approved ports which are a mix of public, unlicensed and certified strips, within an area extending from Brisbane to Melbourne and from Bourke to Lord Howe Island.

Air Ambulance provides both emergency medical and non-urgent inter-hospital transport to approximately 5,610 patients each year, undertaking nearly 3,050 missions and travelling over 7,650 hours. The service is provided when required and does not operate a regional passenger transport type service.

In providing this essential service to patients in rural and regional areas, last financial year, NSW Air Ambulance paid over $770,000 in air navigation charges. Navigation charges at

Sydney Airport alone account for approximately $391,000. The navigation charges are made up of $354,000 in landing charges and $37,000 in parking charges.

The withdrawal of regular passenger transport services to many NSW country towns has meant that Air Ambulance is one of only a small number of users, and in some cases the only user, of a rural airstrip. This affects operations of the air field in a number of ways:

- lack of air field maintenance (pot holes, resurfacing);
- lack of suitable fencing which increases the risk of animal strike, particularly by kangaroos, intensifying in the current drought conditions;
- airfield amenities have either declined or are non-existent (e.g., lack of suitable toilets).

Approximately 52 of the Ambulance-approved airstrips, e.g., Kempsey, Casino, Brewarrina, no longer provide refuelling facilities; the lack of fuel at many rural locations was one of the reasons Ambulance decided to operate two larger, more expensive B350 aircraft.

A number of improvements to airport facilities would enhance safety. These include:

- runway lighting (which would enable 24 hour operations);
- instrument approach 'Area NAVigation' (RNAV) which will allow aircraft to operate in most weather conditions, e.g. low cloud and low visibility;
- a bitumen surface, which would allow all weather operations, better performance capabilities and limit damage to aircraft components.

8   Development of modern RPT aviation

8.1   Government arrangements for staff travel

State Government agencies utilise aviation services as part of the delivery of Government services which includes health, education and law enforcement activities.

During 2012/13, NSW Government agencies undertook a total of 40,874 intrastate journeys at a cost of $15.8 million.

As part of its commitment to improve regional infrastructure, the NSW Government within its Orana Action Plan committed to investigating options to improve commercial air services to remote communities including Lightning Ridge, Walgett, Brewarrina and Bourke. This includes assessing the needs of local, state and Commonwealth Government to regularly access these communities to deliver services and support.

The Department of Premier and Cabinet is leading this work. In particular, the work is examining the feasibility of using existing and future Government travel demand as a means of attracting an airline to provide an air service to remote and regional communities. This coordinated, strategic procurement may provide a sufficient base level of demand to elicit the restoration of passenger airline services. The outcomes of this project are expected to be known by mid-2014.

8.2   Regional development initiatives and regional aviation

NSW Government's Visitor Economy Industry Action Plan

To increase visitation to, and within NSW, the NSW Government works with international and domestic airlines to develop airfare and accommodation packages to/from Sydney and

regional NSW. The NSW Government's Visitor Economy Industry Action Plan contains a number of specific initiatives related to aviation.

Initial implementation of these actions has focused on the NSW Government's domestic and international airline partnership as well as the Commonwealth Government's aviation initiatives. Actions in the plan include a focus on regional airport infrastructure and supporting the development of regional airports to facilitate increased visitation to NSW.

In 2013, the NSW Government established a three year $30 million Memorandum of Understanding with Qantas Airways. The partnership has a strong domestic component. It includes joint consumer advertising and trade partner activities promoting airfares and packages, which are designed to encourage more Australians to visit NSW and the regions for business and leisure travel. It offers streamlined services on QantasLink to a wide range of NSW destinations including Albury, Coffs Harbour, Dubbo, Lord Howe Island, Port Macquarie, Tamworth and Wagga Wagga.

Also in 2013, Qantas and Emirates entered into an alliance to form a code share agreement through which Emirates is now selling airfares to the aforementioned regional centres. The ability to have regional NSW airports loaded into the travel trade's global distribution system contributes to the increased international recognition of NSW destinations beyond Sydney.

The inclusion of regional NSW airports in the travel trade's global distribution system is especially useful for the regional events industry, particularly those with an international appeal. Examples of regional events that international visitors have travelled to NSW to experience include: the Toyota Country Music Festival Tamworth, Bluesfest Byron Bay, Ironman Port Macquarie, Coates Hire Rally Australia at Coffs Harbour, and the Qantas Wallabies v. Scotland rugby match in Newcastle.

The development of this Strategy considered transport links to regional centres and involved consultation with regional air service providers, including QantasLink, REX and Tiger Air.

Supporting Regional Aviation

NSW Trade and Investment provides business advisory, support and facilitation services to companies considering establishing or expanding a business, or investing, in NSW, as a means of stimulating economic growth in the State. NSW Trade and Investment also administers two funding programs that are designed to encourage business investment in NSW and support the creation and growth of employment across all sectors and regions of the State, including aviation.

These programs are the State Investment Attraction Scheme and the Regional Industries Infrastructure Fund. These two programs complement the suite of other NSW Government programs aimed at supporting regional economic development, including the Regional Relocation Grants, the Jobs Action Plan, and the Restart NSW Fund.

The State Investment Attraction Scheme specifically targets investment projects that meet certain criteria, such as projects that are considering alternative geographical locations outside NSW. These projects have the potential to create significant jobs or will benefit our local industries by promoting clustering, filling any gaps in capabilities, providing access to international supply chains or linking research and development.

The Regional Industries Investment Fund aims to drive economic growth in regional NSW as well as enhance the attractiveness of regional areas. Financial assistance is available under this Fund for business investment, local infrastructure and economic development projects across regional NSW that result in or promote economic benefits for the State.

Some notable investment initiatives within the aviation sector supported by NSW Trade and Investment include:

- $1.27 million for the upgrade of Orange Airport in 2012 (as part of the $13.91 million project by mid-2014);
- up to $1.6 million was provided by the NSW Government in 2013 to Glen Innes Severn Council to support infrastructure upgrades at the Glen Innes Aerodrome;
- $11.1 million in funding in 2013 for the expansion of the Newcastle Airport terminal as part of the second round of the Hunter Infrastructure and Investment Fund.

Further details of projects funded under these programs are provided in Appendix A.

The NSW Government has also recently committed $5.9 million to support upgrades and an expansion at Narrabri Airport, as part of the latest Resources for Regions (Restart) package, and $2.5 million to support upgrades to the regional airport runway at Cobar. These initiatives were announced by the Deputy Premier and Minister for Regional Infrastructure and Services, Andrew Stoner, on 18 March 2014.

Supporting Regional NSW

The NSW Government believes it is important to create a business and economic platform that drives investment and jobs growth across regional NSW, due to the supply chain benefits and multiplier effects that can result from increased business activity. This is why the Government has a number of initiatives aimed at supporting regional businesses and communities, and driving economic development across all industry sectors.

Industry and community demand for business activities, as well as a workforce capable of delivering these activities, are essential factors that the NSW Government aims to address

through its focus on labour shortages and skills development as well as the provision of the Regional Relocation Grant, Skilled Regional Relocation Incentive and the Jobs Action Plan.

In 2014, NSW Trade and Investment will also be delivering a Regional Economic Development Strategy to position the regions for long term growth and align federal, state and local regional development activities.

Labour and Skills Development

A trained and skilled workforce is important to the sustainability and growth of many industries, including the aviation sector. Industry feedback suggests that appropriately skilled workers have become increasingly difficult to source and retain, particularly in regional NSW. This is why addressing labour issues and strengthening the State's skill base, especially in regional NSW, is one of the key goals in NSW 2021.

The NSW Government supports the recommendation in the Visitor Economy Industry Action Plan to increase the participation of workers in tourism industries, and enhance the skills of workers to fill the gap in demand for skilled labour in the visitor economy in NSW. The NSW Skills List contains visitor economy-related qualifications, and is reviewed regularly to meet the changing needs of the industry. The Government is working to align training and curriculum frameworks with the Skills List to better match the industry's workforce requirements.

The NSW Government also works to boost NSW's share of the skilled and business migrant intake to ensure that migration supports the needs of the NSW economy through the NSW

Strategy for Business Migration and Attracting International Students8. Under the Strategy, the NSW Government has increased the number of NSW nominated Skilled Nominated (subclass 190) visas from 400 in 2010/11 to over 4000 visas to date.

The NSW Government continues to advocate to the Commonwealth to ensure NSW is in a position to attract relevant skilled workers to address identified labour and skills shortages.

To ensure that a skilled labour workforce is available to be utilised by businesses in regional NSW, the NSW Government also supports a number of programs aimed at encouraging individuals to relocate to regional destinations.

8.3 Development and supply of trained aviation personnel

Currently, the Aviation (AV108) and Aeroskills (MEA11) training packages are funded by the NSW Government. Historically over 70% of apprenticeships in these qualifications are in regional New South Wales. As part of the Smart and Skilled reforms, a Skills List has been developed that defines qualifications that are eligible for Government funding. A number of aviation and aeroskills qualifications are included in the 2014 Skills List. These qualifications include three Air Transport professional qualifications and 12 Aircraft Maintenance Engineer qualifications.

Strategic Skills Program

Under the Strategic Skills Program, 35 places were funded for the Diploma of Aviation (Instrument Flight Operations) AV150408 qualification for the years 2011 to 2013.

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[8] The NSW Government directs the Inquiry to the NSW Strategy for Business Migration and Attracting International Students, available for download at:
http://www.business.nsw.gov.au/__data/assets/pdf_file/0012/30054/NSW-Strategy-for-Business-Migration-and-attracting-international-students.pdf.

Training was provided for jobseekers and the upskilling of existing workers at a cost of $387,500 per person. The NSW Government provides funding through the following two programs in support of the training and supply of aviation personnel.

Apprenticeship and Traineeship Training Program

The Apprenticeship and Traineeship Training Program provides funding for the training for apprentices and trainees in aviation and aeroskills (excludes TAFE apprentices). The table below shows the funding provided in the recent years:

Year	Funding
2011	$110,465
2012	$84,336
2013	$78,754
2014	$160,000 (as at 10 February 2014)

There are five training organisations contracted by State Training Services to deliver Government funded aviation training across New South Wales. Three of the training organisations operate in regional NSW:

- KRTS Pty Limited based in Junee

- Australian Airline Pilot Academy based in Wagga

- TAFE NSW – Riverina Institute - Albury and Wagga campuses.

For the years 2011 to 2013 the number of apprentices in training in an aviation or aeroskills qualification is as follows:

	2011	2012	2013
No of apprentices	975	1,373	1,130
Apprentices in regional NSW	669 (70%)	1,126 (82%)	987 (87%)
No of trainees	709	727	441
Trainees in regional NSW	249 (35%)	247 (34%)	152 (28%)
Total	**1,684**	**2,100**	**1,571**

In 2013, 289 apprenticeships and traineeships were approved in aviation and aeroskills qualifications with 229 (or 79%) located in regional NSW.

Details on other support for regional aviation skills development are provided in Appendix B.

9   Air freight

Air cargo is low volume, high value freight. It is typically very time sensitive and requires efficient and reliable airside and land side infrastructure. The majority of air freight moving through Sydney airport is international, with limited interstate and rare intrastate movements.

Air freight makes up a very small share of total freight (e.g., compared to land freight) in NSW. A reliable volume is unavailable due to the lack of record on intrastate air freight movements (in contrast to international air freight movements which are recorded at Customs). For an indicative estimate of the range - the regional Aviation Association of Australia estimated the Australia wide regional air freight task is 23,000 tonnes (as at 2011) and NSW regional air freight would only be a portion of this. This is very small compared to the total NSW land freight task of 410 million tonnes (in 2011).

There are 8 regional airports in NSW that report a measurable amount of air freight activity to the Commonwealth Government. These are:

- Albury
- Armidale
- Coffs Harbour
- Dubbo
- Port Macquarie

- Wagga Wagga

- Williamtown (Newcastle).

The key commodities moved by regional air freight are:

- fresh seafood and meat from regional producers to Sydney before export (to Asia, for example). These are likely to be seasonal;

- scientific equipment for regional Universities and research centres (e.g., environmental research projects in the regions). These are usually one-off;

- medical equipment and supply (e.g., blood) for regional hospitals;

- high value consumer goods (e.g., perfumes); and

- mail.

NSW regional air freight moves in two ways – in dedicated freighter aircraft and in the cargo holds of passenger services. There are very few dedicated cargo airlines in NSW regional areas as the low demand for air freight makes it hard to operate in a cost efficient manner. The vast majority of freight capacity is "belly capacity" which is provided in the holds of aircraft operated by passenger carriers.

"Belly freight" capacity is constrained by the type of aircraft an operator uses. Some smaller regional aircraft are passenger-only and do not have the capacity to carry freight. Most aircraft that operate to regional communities with small patronage are without "belly capacity". Besides, an aircraft's "belly capacity" is also constrained by the passenger weight it carries.

Most of the regional air freight moves through Sydney airport. The NSW Freight and Ports Strategy 2013 identified the landside facilities (e.g., airport terminals and other freight

handling facilities) in the airport and road capacity around the airport as one of the constraints for growing freight capacity.

9.1 Agriculture by Air Freight

Air freight of agricultural produce occurs predominantly via Sydney or Brisbane airports. A considerable amount of cherries are flown from NSW (210 megatons this season[9]). Breeding livestock is also a high value area, as are the cut flower and seafood industries.

Due to their size, regional airports generally do not have the capacity to accommodate larger planes needed for export freight. While NSW Trade and Investment understands that there have been proposals for regional airports in Parkes, Tamworth and Dubbo to be upgraded to facilitate export of produce, these developments have considerable investment and lead-time requirements.

The Agriculture Industry Action Plan is due to be delivered in 2014 and will set out a ten-year vision to help unlock domestic and global growth opportunities, particularly the rising global demand for protein and fibre.

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[9] Source: Agriculture NSW, Department of Primary Industries, 2014.

Appendix A. Initiatives funded by the State Investment Attraction Scheme and the Regional Industries Infrastructure Fund.

Regional Relocation Grant

NSW Trade and Investment works with businesses and communities in regional NSW to help them grow and create local jobs that support local industry sectors. One means of achieving this is through the provision of the Regional Relocation Grant. The Regional Relocation Grant was introduced in July 2011 and provides a one-off payment of $7,000 to eligible households (families and individuals) who relocate from the metropolitan areas of Sydney, Newcastle and Wollongong to regional NSW.

Key changes which came into effect on 1 January 2014, have extended the reach of the scheme by enabling long term renters to be eligible to apply and introducing a minimum distance requirement of 100km for the relocation. In addition, a new Skilled Regional Relocation Incentive of $10,000 to eligible applicants was introduced to encourage people to relocate to regional NSW for full-time employment, including self-employment.

Skilled Regional Relocation Incentive

The Skilled Regional Relocation Incentive is designed to deliver employment outcomes and contribute to the socio-economic growth of regional communities. The $10,000 employment relocation incentive aims to appeal to an economically active demographic that could bring skills and contribute to the vitality of regional communities.

Jobs Action Plan (Payroll Tax Rebate Scheme)

The Jobs Action Plan is a key priority of the NSW Government that provides NSW businesses with a payroll tax rebate when they employ new workers in new eligible

employment. This plan targets the creation of 100,000 new jobs in NSW from July 2011 and gives businesses the incentive to employ new workers and expand their enterprises to support economic development. Forty per cent of the new jobs will be prioritised for non-metropolitan areas of NSW, with the remaining 60 per cent in metropolitan areas.

The scheme has been extended to 30 June 2015 and the rebate increased from $4,000 to $5,000 for new jobs created after 1 July 2013. The scheme is administered by the Office of State Revenue.

Appendix B. NSW Government support for the development of aviation skills

BAE Systems' Basic Flying Training School in Tamworth

In 2011, BAE Systems Australia won an extension on its contract to train Australian Defence Force pilots in flight screening and basic flight training in Tamworth, through to at least 2017. The Basic Flying Training School supports 135 direct full-time jobs in Tamworth, trains about 425 students a year, and injects around $9 million a year directly into the local economy with significant additional impacts when flow-on jobs are included. NSW Trade and Investment is also working with BAE Systems as they seek to secure a further 25 year defence flight training contract from 2017 at Tamworth that will bring approximately $2 billion worth of economic benefits for Tamworth over the life of the project.

Virgin Australia's workforce expansion in Sydney

In 2011, Virgin Australia announced an expansion of its Sydney workforce, creating up to 250 new jobs. The cabin crew and supervisor roles were positioned on Virgin's domestic network and enabled the airline to expand its services across Australia as well as enhance service levels for travellers.

Tiger Airways' Sydney Base

In 2012, Tiger Airways Australia established a new base at Sydney Airport with initially three Airbus A320 passenger jets and 150 new jobs. The airline chose Sydney for its new base to focus on key routes between Sydney, Melbourne, Brisbane and the Gold Coast, with potential for further growth. In 2013, Destination NSW worked in partnership with Tiger Airways to promote the introduction of their new Sydney to Coffs Harbour service, which was the airline's first NSW intrastate route.

Upgrade of Orange Airport

In 2012, the NSW Government provided $1.27 million for the upgrade of Orange Airport. The estimated $13.91 million project is scheduled for completion by mid-2014, by which time it is expected to have created more than 200 jobs and generated more than $177 million in investment over the next five years. 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.

Jetstar's training and apprenticeship programs in Newcastle

In 2013, Jetstar invested $1.5 million in new training and apprenticeship programs at its heavy maintenance base in Newcastle, by offering 10 new four-year apprenticeships. This followed more than $800,000 in capital expenditure at the base earlier in the year. Jetstar employs 90 engineers at the Newcastle maintenance base.

Eagle Copters Australasia's establishment in Coffs Harbour

In late 2013, Eagle Copters Australasia Pty Ltd established itself in Coffs Harbour with details of its major new rotary maintenance project set to create up to 64 jobs for the region over the next five years. The new project was a joint venture between Eagle Copters of Canada and Aero Assist Pty Ltd, currently located in Queensland. The project is expected to have flow-on effects for jobs in the region, utilising specialised contractors and localised manufacturing and engineering support during construction and operation. Projects will initially be focused on providing specialised maintenance services for helicopters in Australia and around South-East Asia and the Pacific. The projects are later expected to extend to the wider rotary

aviation sector, including training of specialist maintenance engineers, pilots and aviation support staff.

Upgrades at the Glen Innes Aerodrome

In 2013, funding of up to $1.6 million was provided by the NSW Government to Glen Innes Severn Council to support infrastructure upgrades at the Glen Innes Aerodrome. These upgrades helped to position the site for the establishment of a new college to be operated by Australia Asia Flight Training Pty Ltd, with the potential to support 379 new full-time equivalent jobs, plus an additional eight jobs in aircraft maintenance and fuel distribution in secondary linked projects.

Expansion of the Newcastle Airport terminal

In 2013, the NSW Government provided $11.1 million in funding for the expansion of the Newcastle Airport terminal as part of the second round of the Hunter Infrastructure and Investment Fund. NSW Trade and Investment works very closely with Newcastle Airport in facilitating access to State and Federal funding programs for use on capital expansion projects.

The project will allow the expansion of the existing terminal footprint by 2,600 square metres, helping to alleviate current capacity issues during peak operating periods and paving the way for international air travel in and out of the Hunter. Under the plans, the annual passenger capacity will expand from two million to five million and ensure better access for local residents as well as better enable the Hunter to be a staging site for internationally significant events, such as the Hunter's four games in the 2015 Asian Football Cup.

The Academy is a wholly owned subsidiary of Regional Express (REX), Australia's largest independent regional airline. It was set up to ensure a continual supply of high quality pilots for its aerial regular passenger transport operation. It is based at a $20 million campus at Wagga Wagga. NSW Trade and Investment has supported the Academy's marketing of its accreditation to train overseas pilots thus diversifying its market.