Submission No 34

INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Royal Newcastle Aero Club

Date received: 14/03/2014

NSW LEGISLATIVE COUNCIL

SUBMISSION TO THE STANDING COMMITTEE OM STATE DEVELOPMENT

INQUIRY INTO REGIONAL AVIATION SERVICES

SUBMITTED BY:

THE ROYAL NEWCASTLE AERO CLUB
MAITLAND AIRPORT
604 NEW ENGLAND HIGHWAY NSW

DATE: MARCH 2014

Table of Contents

SUBMISSION SUMMARY

The views expressed in this submission are those of Royal Newcastle Aero Club, the owners and operators of Maitland Airport and supported by general knowledge that we have of the industry.

The airport is located approximately 7km north-west of the city of Maitland and is accessed from the New England Highway. The airport was established in 1948 in an area of little resident or other development.

There was previously an RTP operator from Scone via Maitland to Sydney named Yanda Airlines, which operated from 1999 to 2000.

It is our view that passenger and freight services to Regional NSW could be operated from this airport. This would reduce congestion at major city airports, whilst providing reasonable links for ongoing passengers.

The establishment of sustainable routes for RPT operations to regional airports is dependent upon:

- Customer demand, passenger volume;
- Aircraft safety;
- Convenience; and
- Price

The establishment of maintenance services at regional airports in our view; relies on many factors, such as:

- Availability of a workforce;
- Provision of services;
- Work Facilities;
- Occupancy costs; and
- Transportation services.

The assistance needed for regional infrastructure development is in the areas of local government planning and protecting it from development which is contrary to the operation of an airport.

The planning around airports needs to be taken out of the hands of local councils, who, at will, are able to determine the future of an airport. Whilst development is permitted within noise contours, the flight paths are unprotected and generate the majority of noise complaints. This is then seen by the council as an unwanted development by the community, which eventually determines the fate of the airport.

It would appear that councils hold the view that, if airports are not profitable and do not generate either a financial or community return to the local council, the airport is not to be encouraged and in some cases, closed down. Local councils see their role as the protector of community assets, and as such, airports form part of the asset base.

The attitude of councils generates an atmosphere of uncertainty and insecurity for the future and as manufacturing requires large investments of capital both initially and ongoing, that attraction of businesses to airports remains difficult.

It is our view that legislation is needed to achieve the following:

- Prevent development which conflicts with airport activity;
- Planning authority given stronger powers to control development; and
- Provide certainty for the businesses around the long term existence of the airport.

The governing bodies should consider incentives for business relocation or employment via financial subsidies and start up taxation holidays. This will assist in the establishment phase of business

The government should view the aviation transportation issue in the same way as it does transportation within cities backed by appropriate legislation. There must be a realisation that there is not a level playing field between regional and city airports within Australia.

1. INTRODUCTION

The purpose of this submission is to present our view on the state of aviation at our airport, along with the view which we hold as to the future and the role which we may play in its development.

Our airport is privately owned, and receives no council or government support, which has meant that we have had no option but to develop our facility as a self-sustaining, financially viable, operation.

2. AIRPORT INFORMATION

Maitland airport is located approximately 7km north-west of the city of Maitland and is accessed from the New England Highway. The airport was established in(the early 1960's) ? 1948-see summary when the aero club moved from the former Broadmeadow site which was occupied since the 1930's.

The airport is located approximately 34km to the south west of Newcastle Williamtown airport, which currently facilitates passenger flights to other airports around Australia. It is our understanding that the destinations are soon to include some other countries and that they are in the process of developing the airport to accommodate this expansion.

3. COST OF ACCESS TO AIRPORTS

3.1 Landing Fees and Charges

The following fees and charges apply:

Charge	Rate	Comment
Landing	$12.10	Per 1000kg Maximum Take Off Weight (MTOW)
Parking Charges	$12.10	Per Day or part there of
Basing Charges	$355	Per 1000kg Maximum Take Off Weight (MTOW) Per year
Terminal Charges	Nil	Currently no RPT operation
Hangar licence fees	$16.84	Per Square metre per annum. This is the land content only and does not include any building costs

3.2 Landing fee methodology

Landing fees are based on the maximum take-off weight of the operating aircraft. This seems to be a long held practice within the regional airport, as the damage to the runway and taxi way is directly related to aircraft weight

In contrast to this approach, if we were to have an RPT operation, operating from the airport, we would be considering a passenger charge, which would reflect the throughput of people and the use of facilities at the airport.

4. FINANCIAL MANAGEMENT AND VIABILITY OF RPT OPERATORS

4.1 Suitability of the Hub and Spoke system for potential routes

The concept of the hub and spoke system would allow operators to base their aircraft in close proximity to a large city. This in turn would make the attraction and retention of key personnel easier than if they had to base at an airport further away from the populated areas.

Where a labour force is readily available, the choice of employees increases which results in reduced pressure on the cost of employment.

The benefit to small RPT operators include the saving of the cost of slots, landing fees and parking fees as the capital invested in smaller capacity airports is not as great as that for capital city airports.

The reduced operating costs would permit a small passenger capacity airline to operate at a lower cost per seat, thereby increasing the viability of a regular service to country towns that are otherwise not serviced by an airline and in many cases not otherwise serviced by other public transport.

If a smaller hub is located near a major city large hub passengers may be transported by road, say a journey of not greater than 45 minutes to an hour travel time which is not uncommon from an international airport to the centre of the city served by it.

5. ECONOMIC IMPACT OF GAINING RPT SERVICES

5.1 Impact on general aviation and regional airport management of the gain of RPT services

As noted below RPT services have an economic benefit, not only to the community served by the airport servicing the RPT service, but also increase national productivity.

There is a flow on benefit to general aviation by the provision of the services available at an affordable cost and providing a base for aviation services such as charter or flying training that would otherwise be unavailable.

General aviation also enables smaller business personnel to travel long distances to conduct business that would otherwise have to be taken often by circuitous routes that can result in lost productions through absence.

5.2 The potential for future economic development

It is recognised that airports present an opportunity for improving the performance of the aviation value chain. *"Airports in the aviation value chain: Financing, Reform, Risk and Investment." Discussion Paper OECD No 2013-15*, providing opportunities for aircraft related manufacturers; service providers; the provision of infrastructure; freight distribution; and passenger distribution.

The same report indicates the return on investment capital as being greater for airports then airlines. A Canadian study found that many small/regional airports were not able to cover their operation costs and required government grants. The key findings of a study conducted by InterVISTAS Consulting found, however, that investments in airports often provided high rates of return and that the investments improves overall national productivity.

6. POTENTIAL DEVELOPMENT OF FUTURE RPT AVIATION

6.1 Regional Aviation manufacturing and servicing

Airports rely on revenue from many sources to maintain a commercial viable existence. Councils and other service providers do not provide any discount or reduction due to the fact that the payer is an airport

There are two major areas requiring consideration, they are: firstly, in relation to aviation; and secondly, other industry types.

6.1.1 Aviation manufacturing and servicing

The usual thinking is to engage with manufacturing and servicing of aircraft at an airport.

This has many advantages most of which is that aircraft can fly in for servicing. Manufacturers of aircraft can use the airport for aircraft flying; however manufacturers of components are not as dependent on the airport as a facility.

In relation to carrying out servicing, it is not industry practice for engineers to travel to have aircraft repaired. This is primarily due to the requirement to have specialist tooling, which is quite difficult to transport and the licencing approvals granted by CASA may restrict that type of servicing

There are however avionics technicians, who do travel to repair aircraft avionics which do not require large work to be carried out. Even so, in order to gain approval from CASA they generally need to have a workshop base to demonstrate their servicing ability.

This discussion will be restricted to manufacturing and servicing as it relates to businesses based on the airport

The location of a business relies on many factors, such as;:

- Availability of a workforce;
- Provision of services;
- Work Facility;
- Occupancy costs; and
- Transportation services.

Regional airports such as ours are able to offer all of the above perhaps with the limitation of available workforce, which arguably may only be fully satisfied within a capital city.

The cost pressures on the traditional location of these manufacturing and servicing at city airports is creating opportunities for regional airports to grow this sector of aviation.

Assistance required

Assistance needed for regional infrastructure development is both Financial and Planning.

The planning around airports needs to be taken out of the hands of local councils, who at will are able to determine the future of an airport.
Development is permitted within noise contours, whilst the flight paths are unprotected and generate the majority of complaints. This is then seen by the council as an unwanted development by the community, which eventually determines the fate of the airport.

Councils have little if any understanding of how an airport operates, and had airports thrust upon them by the federal government. As a result, if they are not profitable and do not generate either a financial or community return to the local council, the airport is not encouraged and in some cases closed down.

Local councils see their role as the protector of community assets, and as such airports form part of the asset base. Whilst this remains unchanged councils will be unlikely to change their attitude in relation to airports

This attitude of councils generates an atmosphere of uncertainty and insecurity for the future and as manufacturing requires large investments of capital both initially and ongoing, the attraction of businesses to airports remains difficult.

6.1.2 Non-Aviation manufacturing and servicing

As airports are struggling to generate profitable returns, they are looking towards non-aviation related developments for income. Airports are generally flat land with no obstacles or flora and forna issues, which makes it easy to develop in terms of the environment.

We do welcome developments which are non-residential, so that the noise complaints are minimised and the returns are greater than those for residential developments

6.2 Development and supply of sufficient numbers of trained and skilled aviation personnel

The shortage of skilled workers is not restricted to the aviation industry. We are seeing work being performed overseas in less expensive countries for economic reasons.
Currently there are shortages of Licenced Aircraft Maintenance Engineers and Radio Technicians. This requires aircraft operators to take their aircraft into major airports to carry out maintenance

As a result when it comes down to the maintaining of aircraft the employment pool is being reduced in regional Australia.
With the development of aviation related services in regional areas this will provide a breeding ground for an aviation workforce both young and old.
Young people are able to enter the industry without having to relocate to a major city. After gaining their skills, they have the option of remaining and working in their regional area or moving away to chase work within aviation at a larger centre.

Aircraft operators will be able to have maintenance carried out in regional areas, which in turn will generate more work in the maintenance and related industries.

What's needed to achieve this?

Airports generally have a management structure which will accommodate the operation, so it is the geographical location, financial viability, and certainty of the airport's future which present as limiting factors to this development.

The financial aspect can be overcome by the provision of subsidies from Government's and local councils to attract and support industries generating employment in the region. The certainty of the airport remaining in existence due to poor local government planning, need to be addressed by the law makers

In areas such as ours, the local council has little if any interest in the airport facility. They are allowing development up to the boundary fences which overtime, through noise pressures, will not allow any expansion or development of the airport facilities.
The council's view is that they are powerless to prevent such development, if they do not breach the current planning laws of 20 to 25 ANEF contours. If the

developer were to take this matter up with the Land and Environment court, the council may well loose and the developer would be entitled to develop and perhaps get a costs order against the council.

Understandably the local councils do not wish to waste limited rate payer's money on cases which they know that they will not win. As a result the path of least resistance is to permit the development. Councils should either be taken out of the approval process of land development in the vicinity of airports or legislation must be passed to give them the power to quarantine the land in the airport vicinity. Another view is that legislation be enacted to prevent the rights of residents who live in the vicinity to take action which may result in the restriction or closing down of airports.

With the provision of airport certainty, confidence by operators will follow to invest large sums of money for the establishment of maintenance services in regional areas.

6.3 Opportunities for dual use of RPT services, including both Freight and Passengers

Opportunities for dual use of RPT for freight and passengers will, in our view are limited by the aircraft carrying capacity.

The operating aircraft will have an obligation to carry passenger luggage on board as a priority, this would be at a minimum, a passenger expectation. Unfortunately this will not be able to be quantified until passenger check in has been completed, which creates an uncertainty in freight planning and the flow on impact on the freight recipients, whether they may be domestic or commercial?

There is no doubt that at times there will be freight capacity; however it is the ability to plan freight movements with certainty, which is the major concern of freight forwarding organisations

One solution is that aircraft operators limit the amount of passenger baggage permitted on board, so as to make provision for a specified amount of freight. This would create certainty around the movement of freight, however it would introduce challenges in the area of passenger baggage.

Another planning area is that operators make standard allowance for aircraft, and allocate the remaining capacity to freight.

Given the fact that most aircraft that operate in regional airports are of the smaller type, the weight for freight availability will be limited.

7. OTHER MATTERS RELATING TO THE PROVISION OF RPT

The basic requirement of an RPT service is profitability. Operators will not in the long term, operate routes at a financial loss.

The establishment of RPT as a profitable route will be influenced by customer demand, driven among other things by safety, convenience and price.

Governments should address this industry as they would an essential transportation service in a major capital city.

There must be encouragement by way of subsidy and planning support to facilitate this industry development.

With the view of governments of not supporting industry which is unprofitable, it will be a difficult task to gain the much needed support needed to stop the closing down of airports for residential and commercial development.

Services to regional airports generally start from a major airport which creates congestion at these facilities. As a means of reducing the congestion and supporting another airport, we suggest that consideration is given to smaller regional airports from which to base such services.

We have seen a large push to privatise and invest in the larger regional airports as they present more opportunity to generate profits; however the smaller airports have been overlooked for their contribution and potential to facilitate the provision of additional services. One of the most recent investments is for the Port Macquarie Airport of $21m where the expectation is to increase the number of passengers to 350,000 by 2019.

Smaller airports such as ours and many others could not hope to compete with such growth in passenger numbers, and as such will not be attractive to a larger RPT operator.