INQUIRY INTO REGIONAL AVIATION SERVICES

Organisation: Local Government NSW

Date received: 14/03/2014

Our ref: R90/0846rc Out-22364
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10 March 2014

The Hon. Richard Colless, MLC
Chair, Legislative Council Standing Committee on State Development
Parliament House
Macquarie St
SYDNEY NSW 2000

Dear Mr Colless

Submission to the Legislative Council of NSW State Development Committee Regional Aviation Services Inquiry

Thank you for the invitation to contribute to your inquiry concerning Regional Aviation Services in NSW.

Local Government NSW (LGNSW) is pleased to make a written submission in response to the Terms of Reference.

Should you require further information or wish to discuss the matters raised in our submission, please contact Richard Connors, Senior Policy Officer – Roads and Transport at LGNSW, on 02 9242 4000.

Yours Sincerely

Noel Baum
Director - Policy

LGNSW Submission to the NSW Legislative Council State Development Committee Regional Aviation Services Inquiry

February 2014

1.   Preamble

Local Government NSW (LGNSW) is the peak body for NSW Local Government, representing all the 152 NSW general-purpose councils, the special-purpose county councils and the NSW Aboriginal Land Council.

LGNSW is a credible, professional organisation representing NSW councils and facilitating the development of an effective community-based system of Local Government in NSW. LGNSW represents the views of councils to NSW and Australian Governments; provides industrial relations and specialist services to councils; and promotes NSW councils to the community.

LGNSW thank the Committee for the invitation to make a submission concerning the Regional Aviation Services in NSW.

Local Government is a key stakeholder in the provision of aviation services to regional NSW and Australia. Many airports in regional centres are owned and operated by local councils, and the infrastructure and associated airline services are vital components for the economic and social development of regional areas. At the same time, many regional services and centres are dependent on efficient and equitable access to major airports such as Sydney.

2.   Sustainability of regional aviation services

It is the policy of LGNSW that all residents of rural and regional New South Wales should be afforded equitable access to ongoing and reliable air services. Modern and efficient air services between country areas and the state capital are essential for the social and economic wellbeing of all residents, and particularly for country residents who rely on air travel increasingly for access to the wide range of services no longer available outside Sydney. This includes travel related to essential business, education, health and medical purposes.

It is important to note that a viable competitive and accessible regional aviation sector is not only beneficial to regional based customers. It is vital that Sydney-based professionals, administrators, businesses and investors with responsibilities or interests in regional areas, have efficient access to regional aviation services on an equitable basis.

In a general sense, regional communities remain concerned that while the existing state licensing arrangements have been adequate, the reliability of individual operators and services has been marginal in some cases. The continued uncertainty in the regional aviation industry highlights the need for a policy response by both the Commonwealth and State Governments to ensure the availability of air services to regional areas.

Operators in this sector of the industry, including Regional Express, have themselves raised doubts about the future viability of their services.

We reaffirm that it is vital to these communities that access is maintained and that services are appropriate to that area. Pricing mechanisms should not focus solely on the optimal or economically most efficient outcome, but should also address the continued provision of viable services delivering frequency and quality of service appropriate to the needs and size of regional communities. Our rural and regional constituents have consistently expressed the view that their access to air services should be comparable to those available to people in metropolitan centres.

The NSW Government, through its responsibilities under the *NSW Air Transport Act*, exercise the ability to exercise functions on air transport service matters that have the potential to affect the whole State. These were formerly enacted partly through the State Aviation Working Group and its precursors, however our understanding is that this group has not been maintained under the current Government/Transport for NSW arrangements.

LGNSW is firmly of the view that in arranging agreements with existing or new regional owners or operators, there is an obligation for the NSW Government to ensure that there are sufficient incentives set in place to ensure their on-going viability, for example by raising the regulatory passenger threshold in some cases where route/operator viability has been marginal.

The development of more airport capacity in regional New South Wales would potentially increase the aviation related economic contribution to this State, as well as strengthen Australia's major airport network and capacity. Exploring this possibility is especially important in the ongoing climate of uncertainty surrounding the second Sydney airport, and may be warranted even if a second airport proceeds.

3. Regional Airline Access to Sydney Airport

The issue of access to Sydney airport is one that is crucial to Local Government in NSW. While cognisant of the economic efficiency of using larger aircraft to manage and expand the capacity of Sydney Airport, LGNSW believes there are other broader economic, social and regional development issues which should also be considered. Local Government in NSW, including both urban and regional councils, is united in its support for continued regional access to Kingsford Smith Airport at affordable prices.

We have noted concern with previous statements made by Sydney Airport Corporation Limited (SACL) that the development of a second Sydney airport (wherever that would be located) could be delayed through the use of larger planes and better use of non-peak times, allowing the number of passengers passing through the airport to be more than doubled in that period. Clearly this could only be achieved through a reduction of the present curfew and/or the substitution of slots currently available to smaller regional aircraft for larger aircraft.

More recently we have also raised concerns at attempts to restrict access by regional airlines to key departure gate, lounge and maintenance facilities by SACL. Restrictions such as this place in doubt the protection of slots for regional airlines secured as part of the airport privatisation process. Equitable access to terminals, gates and other facilities form vital components of any access arrangements and the economic viability of regional airlines as a whole.

It is the policy of LGNSW that residents of country New South Wales should be afforded equitable access to Sydney Airport. As stated in above, efficient air services between country areas and the state capital are essential for the economic viability of our rural and regional areas.

It would be a retrograde step for a commercial decision of the Sydney Airport management or broader national efficiency objectives to diminish current airport and terminal access arrangements for country air travellers, or for such a decision to adversely impact the ability of any particular operator to access the airport.

In a general sense, regional communities remain concerned that while the existing access management regime, particularly for peak hour access, may be adequate, there are no guarantees about future access. It is vital to these communities that access is maintained and that services are appropriate to the local community. Pricing and access mechanisms should not focus solely on the optimal or economically most efficient outcome for Sydney Airport, but should also address the continued provision of viable, profitable services delivering frequency and quality of service appropriate to the needs and size of regional communities.

The prospect of regional airlines being forced to use either a second Sydney Airport or existing facilities such as Bankstown, Newcastle or Canberra rather than Sydney is also not attractive to regional operators and unacceptable to regional communities of NSW. Even if transport infrastructure were provided, there would still be extra time and cost for country people having to do business in Sydney or transferring to interstate or international flights. .

It should therefore be clearly evident from the above discussion that there is no viable alternative to maintaining regional airline access to Sydney Airport.

4.   Regional Airport Infrastructure Issues

Local Government is a key stakeholder in the provision of aviation services to regional Australia. Regional airports are almost exclusively owned and operated by councils and the infrastructure and associated airline services are vital components for the economic and social development of regional areas. There are some 60 Civil Aviation Safety Authority certified or registered council owned and managed aerodromes in NSW. This includes 26 airports serving over 2 million passengers annually on regulated and deregulated regular passenger services, as well as many other charter, emergency and general aviation services.

Also the range of issues faced by councils can vary significantly from council to council, depending on the size and range of airport facilities and services used by that airport. For example an airport such as Dubbo which serves in excess of 160,000 passengers per year with multiple operators, faces issues such as security provision and other infrastructure costs related to potential use of jet services or larger turbo-prop aircraft. In contrast, nearby Parkes airport, with only one operator and a passenger levels of only 28,000 per year, faces difficulties in funding their basic infrastructure costs through a limited ability to apply or increase landing/head fees. Still other councils have even more marginally viable airport facilities, such as Inverell which over the last 10 years or so has been unable to support a sustainable air service, and where council and state government subsidies are required to assist in the provision of air services, and where there is no scope for any scale of cost-recovery to assist in the funding or maintenance of aerodrome facilities.

At airports outside of Sydney, airport owners face significant issues in cost recovery for the use of their facilities. Regional airports are almost exclusively owned and operated by councils. Currently some councils charge fees reflecting the cost of the service provided, while others subsidise the services through their ratepayers, justified on tourism or regional development grounds, or to assist with the retention of their service. Several councils in NSW have attempted to increase landing/head tax fees to pay for necessary runway and infrastructure upgrades, only to have the main airline operator serving that destination threaten to withdraw services and indeed, actively campaign against any attempt to increase fees.

A consistent approach to airport charging including the possibility of government subsidies where the taxation burden is shared by the community as a whole may address this imbalance.

Also some councils have noted difficulties associated with security upgrades at regional airports. This is particularly the case where operations are shifting to larger aircraft which require additional security equipment such as X ray machines. While the Commonwealth Government has provided a degree of assistance for the purchase of this equipment, there remains in many cases the significant cost of renovations required in terminal buildings to accommodate these new security arrangements. LGNSW believe that aviation security is a Commonwealth Government responsibility and as such all costs associated with these measures should be born by them.

Issues such as these have also been actively pursued by the Australian Local Government Association on behalf of councils throughout Australia.

5.   Conclusion

Small regional airlines not only provide a much needed service to their communities, especially to the local business community, but also provide a service to the whole community by allowing access for food, medical supplies, mail and other urgent supplies and by providing these communities with equitable access to the capital cities, larger regional centres and other smaller centres, and through connections with overseas destinations. In turn regional airlines are able to provide city-based business and leisure based travellers with efficient access to regional areas. Appropriate investment in the provision of these services, including pilot training initiatives, is therefore justified on state and national interest grounds.

The provision of airports and associated aviation services also provides a significant development impetus to regional areas and helps to further encourage development and business investment in that region.