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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO REGIONAL AVIATION SERVICES**

**CORRECTED PROOF**

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**At Bega on Wednesday 11 June 2014**

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**The Committee met at 9.00 a.m.**

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**PRESENT**

The Hon. R. H. Colless (Chair)

The Hon. C. Cusack

The Hon. P. Green

Mr S. MacDonald

The Hon. M. S. Veitch (Deputy Chair)

The Hon. S. J. R. Whan

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**WAYNE SARTORI**, Group Manager, Infrastructure, Bega Valley Shire Council, and

**WILLIAM GREGORY TAYLOR**, Mayor, Bega Valley Shire Council, sworn and examined, and

**LEANNE BARNES**, General Manager, Bega Valley Shire Council, affirmed and examined:

**CHAIR:** I welcome everyone to the third hearing of the Standing Committee on State Development Inquiry into Regional Aviation Services. The inquiry is examining the provision of aerial regular passenger services to regional centres in New South Wales. Before I commence I would like to acknowledge the people of the Yuin and Monaro nations, who are the traditional custodians of this land and waters. I would also like to pay respect to the elders past and present of the Yuin and Monaro nations and extend that respect to other Aboriginals present. Today is the third of seven hearings we plan to hold for this inquiry. We will hear today from Bega Valley Shire Council, Eurobodalla Shire Council, Snowy River Shire Council and the Snowy Mountains Airport Corporation.

Before we commence I will make some brief comments about the procedures for today's hearing. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I would also remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. I urge witnesses to be careful about any comments they may make to the media or to others after they complete their evidence as such comments would not be protected by parliamentary privilege if another person decided to take action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat or from the table near the door.

There may be some questions that witnesses would be able to answer if they had more time or certain documents to hand. In these circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. The audience is advised that any messages should be delivered to Committee members through the Committee staff. I ask that everyone turn off their mobile phones throughout the duration of the hearing. I understand there are not any microphone facilities here today so I ask all members and witnesses to speak loudly so everyone in the audience can hear. I now welcome our first witnesses, Ms Barnes, Mayor Taylor, and Mr Sartori. Would one or all of you like to make a short opening statement before we proceed with questions?

**Mr TAYLOR:** Thank you, Mr Chairman, as mayor I will. Thank you for the invitation to address the Committee. A number of our councillors are also in the public gallery today.

**CHAIR:** Welcome, councillors.

**Mr TAYLOR:** There is a great deal of interest. We also have some staff members as well. Air transport is critical to the Bega Valley. We have the Merimbula airport, which is a council-owned property. It has been leased recently and is under a process of change. How the airport will be managed in future is still a matter for discussion and decision by council. At present council staff are negotiating with the current operator. As I say, air transport is critical to this area. We are halfway between Sydney and Melbourne and we are close to Canberra. We are a developing shire and there are some very exciting things happening. The general manager and her group manager will talk about that and how they will impact on the shire.

Very briefly, by 2016 we will have a new regional hospital in the area that will mean a critical change to this area being so close to Canberra, and with the future fund sitting in Canberra for the retirement of the baby boomer public servants we are so close, and with the improvement in health in this area, in my view there will be an increase in population into the future and air services tied in with that increase in population is critical to this area. For the detail, Mr Chairman, I note that you do have a submission that has been put in by the council and I would be asking our general manager, Ms Barnes, and Mr Sartori to take any questions that you might have based on that submission and any other questions that might arise.

**CHAIR:** Ms Barnes, would you like to make a short statement?

**Ms BARNES:** Yes, Mr Chair, I think the positioning of the Bega Valley, particularly the economic impact on our regional community of regional air services, is critical here. We do not have a train service, we

have a growing aged population and we have a very large tourism industry. We are currently growing through the developments in the Eden port cruise industry with potentially great opportunities through the Eden port and the link with the Merimbula airport to provide opportunities for people to cruise into Eden and fly out of Merimbula airport. We are also looking at trying to grow our tourism usage of the airport through a significant forum that will be hosted by the council and our local Sapphire Coast Tourism Board later this year.

At the moment about 70 per cent visitation to the area is for the leisure tourism market and about 22 per cent of people who come to the local area visit friends and family but only about 1.5 per cent of those people actually fly in. We see a great opportunity to grow that through some drive from the council to be able to look at new markets and new linking and triangulation. I would also just note that the Canberra airport master plan is currently on public exhibition as a draft and one of the key things indicated in that is the restoration of flights between Canberra and Merimbula in the medium term. At the moment their time frame is 2019-24 but in a submission that we are pulling together for that draft master plan we are noting that that should be brought forward and Canberra airport and the cruise industry will be in situ for our forum.

The other key things that we have in terms of market development and opportunities to grow this area is that business, government growth, a lot of the people who use our current service to Sydney and the services to Melbourne are doing so for business. We have a growing number of people who are living and making a lifestyle choice to live in this area and to operate with improved technology businesses locally. We also have a growing number of fly in fly out people who are using the airport and working away and bringing back income, taking advantage of some of the opportunities around the country. Just recently one of our staff members was sitting next to someone on a plane who was fly in fly out, going out to work away and fly back that night—a work at home person who was going to do business, so there are great opportunities to grow this area. So business, the things the mayor has mentioned and particularly the tourism focus provide great opportunities and it is a critical service locally here for us without those other transport links.

**CHAIR:** Mr Sartori, is there anything you would like to add?

**Mr SARTORI:** No, I do not wish to make an opening address, Mr Chair.

**CHAIR:** I will start with a couple of brief questions. Firstly, what is the population catchment for the Merimbula airport?

**Mr TAYLOR:** The shire has a population of 33,000 people and I think it would be fairly safe to say that that would be about the catchment for that airport. The next airport up the coast is at Moruya and I am sure you will hear about that from the mayor of Eurobodalla. The daily air service services both the airports on the same flights.

**CHAIR:** In your submission you state that annually there are 55,000 passengers, 32,000 to Sydney and the remainder to Melbourne, is that correct?

**Mr TAYLOR:** Yes.

**CHAIR:** The majority of those would obviously be going for business, as you stated a moment ago?

**Mr TAYLOR:** It appears to us that Rex Airlines, the provider, has a business model for their model. Air fares—put it this way—they are expensive.

**CHAIR:** I can assure you that they are to all regional centres.

**Mr TAYLOR:** Yes.

**CHAIR:** In your submission you also state that you would like to see the service grow to 80,000, which is what you require?

**Mr TAYLOR:** Yes.

**CHAIR:** How do you propose to encourage that to happen, given that you currently have a total of 55,000? Quite a big growth is required.

**Mr TAYLOR:** Apart from the natural growth that will occur from the developments that are occurring and the ageing population, I go back to the fact that the hospital is a critical thing for people wanting to move to this area. Tourism promotion is the real key driver for expanding usage of our airport but then we run into the problem of the air services not being aimed at tourism promotion, but that is what we are working on and I think in September this year we are developing a major forum for the development of tourism in this area. That is just one aspect of what we are doing. Ms Barnes might talk about coastal wilderness and various other things, tying in with the commitment by Carnival Cruises to use Eden port as one of its major stopover ports on the East coast of Australia.

**Ms BARNES:** Yes, Mr Chair, we see great potential to look at opening up a triangulation, either through Eden, Merimbula, Canberra, Sydney or Canberra-Melbourne linked to the cruise, so you can hop off your cruise ship, hop on your cruise ship, fly; you can see Australia's capital, you can see the high country, wilderness, and you can see Australia's coastal wilderness, so it has great sales potential. Linked into that, we are looking at bringing together Canberra airport, Carnival Cruises, other cruise liners and ourselves to try to really grow that. We are hoping that in the early days that will be subsidised potentially by the cruise industry and others so that we can get the numbers up and we can look at that with that support, growing those other pathways, which will bring with it broader opportunities as well.

**Mr SARTORI:** Council did have Dr Webber do a route feasibility on the Merimbula, the Merimbula-Sydney and the Merimbula-Melbourne route. His investigation indicated that the route potential was 150,000 passengers within 10 years. That was the medium forecast. There was a high-growth forecast and a low-growth forecast. To realise that, clearly there is going to have to be a partnership between the airline, council and the regulatory authorities and council is looking to explore those partnerships in order to realise that potential.

**CHAIR:** Is that document a public document?

**Mr SARTORI:** It was a document prepared for council. I would have to confirm whether it was confidential or not.

**CHAIR:** But you might take that question on notice? I think the Committee would like that to have a look at that report.

**Mr SARTORI:** Sure. It formed part of the background information in formulating council's master plan for the airport.

**The Hon. MICK VEITCH:** Can I explore the operation of the airport. You say it is a leased airport?

**Mr TAYLOR:** Currently.

**The Hon. MICK VEITCH:** I take it the plan is to review whether it is leased?

**Mr TAYLOR:** The current situation is that the long-term lease, which has been going for about 15 years, expires on 30 June this month. The current lessee is negotiating with Mr Sartori for an extension of that for 12 months while we come up with a final decision on the future operation of the airport. That lessee has indicated that he will not go beyond this time next year.

**The Hon. MICK VEITCH:** It was floated yesterday in Wagga Wagga by a witness giving testimony that there is a scenario where councils could walk away from operating airports. I was interested to hear that yours is leased. Is that a view your council would subscribe to, to walk away from the ownership of the airport?

**Mr SARTORI:** In terms of selling the airport? Just to give it some context.

**The Hon. STEVE WHAN:** Is that on the table?

**The Hon. MICK VEITCH:** Is that on the table?

**Mr SARTORI:** No. Council is reviewing three potential models. One is to operate it itself, one is to operate it under a contract arrangement where council still bears the regulatory responsibilities and the third option is to operate it under an operating lease where the leaseholder takes on the regulatory burdens. They are the three models being considered by council. Those models have been debated and ultimately council needs to

make that decision within the next 12 months in order to go forward. The operating lease model has been very successful for council over the last 15 years and I have to say it is fairly unique across local government.

**The Hon. MICK VEITCH:** Yes, it is.

**Mr SARTORI:** It has operated fairly successfully in terms of the operating burden, in that the operating costs and regulatory burdens have fallen to the leaseholder. The capital burdens have still remained with council. Going forward where we are looking to develop our airport there would be a significant capital burden and council needs to weigh that up in terms of what its future operating model will be. Council needs to make that decision. As far as walking away from it and selling it, council have not supported that position at all.

**Ms BARNES:** I was just going to confirm that council looked at four options and that was the one that they categorically took off the agenda in order to work through the other three.

**The Hon. MICK VEITCH:** Thank you for that clarification. You were talking about the plans for development of the infrastructure there. One of the regular passenger transport [RPT] operators has advised the Committee that they are concerned about councils across the State undertaking, in their words, "grandiose" development of their airports and then passing the costs on to the operators, who then have to pass the cost on via the airfares, which makes the airfares more expensive. When you develop forward plans for infrastructure development at the airport is the RPT operator involved in that process as a stakeholder?

**Mr SARTORI:** Significantly, and they have been involved through the consultation process and developing a master plan. In terms of grandiose plans they may appear to be grandiose because the figure is \$30 million but that is over a significant development life. Council's commitment to this date has just been to renew its current runway. It has done that. It has renewed its current runway, taxiway and apron. That is an infrastructure renewal type approach. The runway still remains too short for a larger aircraft so it still requires extending the runway. That is the 10-year commitment that council has made. I do not believe they are grandiose, I believe they are quite reasonable.

**The Hon. MICK VEITCH:** They were not saying your council.

**The Hon. STEVE WHAN:** They were talking about other councils.

**The Hon. MICK VEITCH:** They are not saying your plans were grandiose, it was a statement made about another airport in New South Wales.

**Mr SARTORI:** In terms of recovering the costs council wants to operate as close to operating cost neutral as it can. That is always the target but with aviation it has always been a struggle. In terms of RPT head taxes and the charges to the passengers, council has not changed that since 2006. It is still \$11. It is at the lower end of that range within rural regional New South Wales. Merimbula has been very reasonable in that regard. At \$11 it is at the bottom of the range and it has not changed since 2006.

**The Hon. MICK VEITCH:** Another issue put to this Committee by one of the operators is that they feel there needs to be an independent arbiter such as Independent Pricing and Regulatory Tribunal [IPART] that is involved in the setting of the landing fees or passenger fees at airports across New South Wales. Do you have a view as to whether that would be an appropriate model?

**Mr SARTORI:** I would have no objection to that. I would think IPART would come to the conclusion fairly quickly that it is a real operating cost, it is not something that councils, especially councils with our passenger movements, run away from. I would not want to speak for the larger airports that are generating 300,000 to 400,000 passengers because they would have a totally different operating mix to us.

**The Hon. STEVE WHAN:** What is the largest aircraft that can fly into Merimbula?

**Mr SARTORI:** On a regular basis, without concession, is the Saab 35-seater. We can get Dash 8s, which is a slightly larger aircraft, a 50-seater, but that would be by concession and probably could not come in fully loaded.

**The Hon. STEVE WHAN:** Which version of the Dash 8s, the Q200 or Q300?

**Mr SARTORI:** The Q300.

**The Hon. STEVE WHAN:** You have been talking about some fantastic prospects for other routes such as Canberra to Merimbula in conjunction with the cruise industry. Have you been talking to the airline operators about that as well and what sort of response have you got?

**Ms BARNES:** We are in the process of commencing that at the moment. We are in the process of establishing meetings to start that discussion and we have kicked off those by meeting and talking with Canberra airport to work in partnership so we can have that plan in terms of the Merimbula-Canberra route. We are still progressing to have those first meetings.

**The Hon. STEVE WHAN:** What are the cruise operators such as Carnival saying to you about their view of what sort of capacity you would need to service if you were offering a fly in to get on a cruise ship, or vice versa, option?

**Ms BARNES:** For them it is early days in that model. They are still building a stop at Eden. We are projecting that into the future and we would be looking at it not being full shiploads, but people that want to join the cruise. It is building a different package into what they are currently promoting. They will be looking at growing their cruise numbers from 2015. We are already getting the ships booking for 2015-16. We would be looking to build that type of model with those offshoot opportunities from 2018-19. They know that the discussion is on the table but we have not had any formal response at this point.

**The Hon. STEVE WHAN:** As part of the work on their options for activities for people does stopping over involve the flights you were talking about into the mountains and things like that? Are they far advanced in developing that?

**Ms BARNES:** At this point we are developing and getting right the cruise into Eden model, but this is about the longer term planning following on from that. The forum later this year will be really kicking off the partnerships to start building that. The cruise industry builds their calendar of events three to five years out so we would be looking at that model.

**The Hon. STEVE WHAN:** When are you expecting the first cruise ships?

**Ms BARNES:** We have five coming in this next cruise season. The first ones of those are in.

**CHAIR:** How long do they stay in Eden?

**Ms BARNES:** They do an overnight stay and some do a cruise-in in the morning, cruise-out at evening. They are also marketing a food cruise now that stops in Eden to wine and dine and then to Melbourne, but there are a couple of ships that are around Australia stays so they will do a day stay in Eden.

**The Hon. CATHERINE CUSACK:** Congratulations.

**CHAIR:** That is very exciting.

**Ms BARNES:** It is exciting. And we are getting a bit excited now.

**The Hon. STEVE WHAN:** It is a long time coming but that is good.

**Mr TAYLOR:** I might add that we have had international cruise ships coming into Eden for a number of years. They are more sporadic than the proposed Carnival cruises. The other thing that is on the boards is Canberra as an international airport and connecting to those services. It is an unknown at this stage but if Canberra has international flights then Merimbula-Canberra is far easier than trying to get into Sydney to connect with international flights. That is another thing that is happening and how we connect to that is something for the future.

**Ms BARNES:** And the marketing of that through Australia's coastal wilderness.

**The Hon. STEVE WHAN:** Where I am heading with my questions is what is the base that is going to be there to build a new route from Canberra and build the business on the other routes—but particularly

Canberra to Merimbula? I know there are strong links between the health service and Canberra so I assume there is a bit of traffic with visiting doctors and specialists and presumably a fair bit of business use. Have you got any assessments of what patronage is likely to be on a route like that?

**Ms BARNES:** At the moment one of the things that we have put in our submission to Canberra airport is that we will be undertaking research both with people that currently fly and other opportunities linked to a whole range of things that are building tourism. The education link includes a large number of students that live in the Bega Valley and study in Canberra. We also have campuses of Canberra university and Australian National University [ANU] here. You have that education link as well. We are looking at building across that.

There are government links with Queanbeyan, being the head office for a number of regional local government organisations, and as the mayor has mentioned we have a large number of people here locally who are retired that fly and have national and international holidays. For them to fly Merimbula to Canberra to get on an international flight is probably much better. Presently many of them will drive to Melbourne or Sydney to fly out. We are looking at all of those avenues and getting that research done over that period of time with Canberra airport to bring forward their date from 2019.

**The Hon. STEVE WHAN:** What do you think that the State Government could do to assist with that?

**Ms BARNES:** We have had discussions with the Premier's coordinator about bringing Canberra down and building an economic model around that. It is helping us develop that and helping us do the research. It is a big task for us as a small local government authority to undertake the detailed research we would need to do for that. Being able to pull that business case together and help us through that, whether it is through Destination NSW or Department of Trade and Industry [DTI] would be very advantageous to us.

The mayor has prompted me to mention Bega Cheese. Obviously Bega Cheese is another large local employer. They have their marketing and sales branches in Melbourne. At the moment, because the Melbourne flights confine their being able to get down and back in a day, they have bought a mini bus and are transporting people to fly out of Canberra. We are looking at bringing them on board and working with them. They have also indicated that they would be a strong partner in any research that we do to build those services.

**The Hon. PAUL GREEN:** In terms of the airport, do you collect section 94s in any way towards the airport infrastructure?

**Mr SARTORI:** No, we do not.

**Ms BARNES:** The answer is, no, we do not collect them.

**The Hon. PAUL GREEN:** How do you plan long-term recovery of finances to look after the maintenance of the airport long-term?

**Mr SARTORI:** At this stage it has been through loan borrowings and use of the Local Infrastructure Renewal Scheme [LIRS] funding from the State Government. Going forward we were hoping to grow our passenger numbers in order to make some contributions towards an asset reserve that allows us to expand. We know in terms of our passenger numbers that the leisure market is our strongest market. The coastal ports up and down the New South Wales coast have a proportion of their passenger numbers in the order of 15 to 20 per cent would be the leisure market. Out of Merimbula it is less than 1.5 per cent. There is huge potential for us to grow through the leisure market.

**The Hon. PAUL GREEN:** When you talk about funding out of loan borrowings what sort of figures are you talking about?

**Mr SARTORI:** I would have to take that on notice in terms of how our finance manager is funding it, but the recent development, the \$6 million renewal of our runway, taxiway and aprons was funded using the LIRS borrowings.

**The Hon. PAUL GREEN:** Are there any plans to introduce section 94s to be able to get some other people who are using the facilities to carry the load a bit?

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**Ms BARNES:** The section 94 plan has just been completed and that was not introduced as part of the section 94 plan.

**The Hon. PAUL GREEN:** Is that a good thing? That is a financial management question?

**Mr SARTORI:** It is not a question I can answer.

**The Hon. PAUL GREEN:** It is unusual that would not have been considered, given the fact that for the financial sustainability of local councils you need every dollar you can get. I think it would be more appropriate to ensure that those people developing in the area and taking advantage of the airport would contribute in some shape or form if they were calling this place home.

**Ms BARNES:** Our section 94 has just come off public exhibition—the reworking of our plan and our section 94A plan for the first time. Councillors will be workshoping that in the near future. Maybe we can take that back to them.

**The Hon. PAUL GREEN:** I would be amending it if it were my local area.

**Ms BARNES:** The other thing to mention in relation to your question about the funding of the airport is that we have a large number of leases to business operators on the airport land. They contribute to a fund. We have previously been in the situation where the leaseholder for the airport managed most of those leases as an income source for the airport. They are now coming directly to council and go into reserves. We are looking at that and negotiating those leases at the moment.

**CHAIR:** What proportion of your total airport income does that account for?

**Mr SARTORI:** Do you mean the land development and leasing?

**CHAIR:** Yes.

**Mr SARTORI:** It is approximately \$30,000 out of \$400,000.

**The Hon. PAUL GREEN:** I am sorry, I might be being a bit cheekier with my local government colleagues here. It is because the Bega Valley and Eurobodalla are a bit like family. So I can probably get away with it. In terms of red tape, is there any red tape that this inquiry could look at cutting to help the airport to thrive?

**Mr SARTORI:** Regulatory challenges are always there. From the point of view of the Civil Aviation Safety Authority [CASA], their position is always a very conservative one and a risk-averse one. Some of the challenge is that the regulations imposed on the airports offer significant costs and hurdles—for example, the extension of our runway into some sensitive areas surrounding the lake and the widening of the runway strip. The runway strip has been 90 metres for some time. There was a change which required it to be 150 metres. Nothing particularly changed in terms of aviation. The widening of that runway to a width of 150 metres starts to impose on infrastructure and areas previously built upon.

Those hurdles seem to be, from my point of view, somewhat arbitrary. Yes, safety is important. It is very conservative. But those sorts of impediments do have a significant impact on our operations. In terms of the regulated route, it provides limitations in terms of growing our business and competition. But I understand that it is a difficult area given that with our passenger numbers you cannot afford to have two operators at that level of operation, as ultimately neither would be profitable. While it is a hurdle for our profitability it also offers protection to a lot of regional airports. So it is a vexed question for which I do not have a definitive answer.

**The Hon. PAUL GREEN:** The Committee is visiting to take evidence on what is the best way forward for you, basically. If you were writing the report, what recommendations would you be making?

**CHAIR:** And feel free to be totally parochial.

**The Hon. CATHERINE CUSACK:** Is it \$10 million, \$20 million or \$30 million?



**Mr SARTORI:** It is about creating a framework that allows partnerships to occur. We have an airline that is very focused on its business model, and rightly so. Council has a focus on its community model, which is a different mix. We have to create a framework to bring those two together in partnership. Funding is important, and we would love to have \$30 million. But ultimately if that grant or funding does not create the framework that allows sustainability then it will be wasted in the long term. It is important that—even in granting opportunities, recognising timeslots and providing concessions to regional passengers—it helps to grow the business and does not just go into someone's profit and loss statement.

**Mr TAYLOR:** If I could add to that, in terms of the development of the airport, the master plan has trigger points in there. The trigger points are usage, which would trigger council to move on to a different stage. Being part of the South Coast family, you would be well aware that our airport is constrained in that it is adjacent to a lake. Any expansion of the airport would involve some environmental issues. That is possibly where Government could get involved in terms of red tape, as you called it.

The other area where both levels of government and I think both sides of politics are involved is the infrastructure and regional development policies of governments. That is where government can assist councils such as ours in negotiating and liaising with the corporations that we have to deal with—whether it be Regional Express, Qantas, Virgin or whoever else. If government at a State level is committed to infrastructure development and regional development, and those two go together, then we would take all of the assistance we could get in terms of negotiating with these people. That is what I would add to what Mr Sartori just said.

**Ms BARNES:** I would like to add that the airport is a critical part of our public transport network. We do not have access to rail. We have limited access to bus transport—for some people it is difficult to use. In terms of the process for us, it is a critical part of our community's social network as well. So those areas in regional New South Wales that have airports but which do not have access to other public transport provided to other areas in New South Wales should be given some sort of priority in the hierarchy. It is a critical piece of community infrastructure in this area.

**The Hon. PAUL GREEN:** One of the things that we are finding is that people think airport services should come under essential services. Would that be your view?

**Ms BARNES:** I think it is, because we do not have those other links. Having the airport there and making it viable leads to so many social outcomes, health outcomes and education outcomes for the community. It is also a very important emergency services hub in terms of not only firefighting but also medical evacuation. So, yes, it is a critical piece of social and community infrastructure.

**The Hon. CATHERINE CUSACK:** I want to ask you about other aviation uses. I know that nearly 80 per cent of the shire is national park. We saw some awful bushfire disasters occur down here.

**Mr TAYLOR:** It is State forest and national park.

**The Hon. CATHERINE CUSACK:** The bushfire risk is quite profound. Could you expand on the emergency services use of the airport and what the alternative would be without it?

**Ms BARNES:** Wayne might like to talk in more detail about this. There is very high usage. We use it as a water-bombing collection point.

**Mr SARTORI:** It is used by both fixed-wing and rotary-wing response units. It is also used for medical evacuations by the air ambulance and any rescues associated with rapid transport. It becomes the hub for all of those emergency services. In terms of bushfires, many areas are inaccessible so bushfires there require water-bombing. That requires fixed-wing and rotary-wing aircraft.

**The Hon. CATHERINE CUSACK:** I suppose also it is critical for bringing in emergency services workers from around the State.

**Mr SARTORI:** Yes.

**Mr TAYLOR:** Just to add to that, in the last couple of weeks a customs aircraft had to make an emergency landing at Merimbula Airport.

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**The Hon. CATHERINE CUSACK:** Is there much revenue in terms of freight or is that something we should ask the airlines about?

**Mr SARTORI:** The airlines carry a lot of freight in the underbelly of the aircraft. We have several courier services. In terms of quantum, I could not give you an answer on that. You would have to talk to each of those providers.

**The Hon. CATHERINE CUSACK:** In terms of reliability for landing, is fog an issue at the airport?

**Mr SARTORI:** Typically fog is not an issue on the coast. Prevailing weather conditions can include strong winds. Where there are directional winds such as crosswinds in excess of, say, 30 knots they cannot land. We only have the one runway. We rarely have failure to land though.

**The Hon. CATHERINE CUSACK:** In terms of extending the length of the runway, is that because you would like to have jet services?

**Mr SARTORI:** I do not think having jets is a reasonable consideration in our foreseeable future. Having jets opens up a whole range of different regulatory and environmental issues. The master plan focuses more on the Dash 8 aircraft, which is, if you like, the current workhorse of light aviation. Regular use of that aircraft at Merimbula required the lengthening of the runway by 200 metres to the north, which is quite possible within existing airport land, and to the south by about 100 metres, which starts to infringe on the edge of the lake.

The southern extension is not a major environmental hurdle but nonetheless there are some planning issues to get around there. What becomes an issue with the lengthening is the provision of a 150 metre wide runway strip. It is currently 90 metres. The regulations now sit at a 150 metre wide runway strip. I understand that they are reviewing those requirements. The 150 metre width will impinge on the existing roadway that is there. We will have to get around that. So those are the main hurdles.

**The Hon. CATHERINE CUSACK:** What would be the costs of lengthening the runway at 90 metres and lengthening the runway at 150 metres?

**Mr SARTORI:** The physical cost of the infrastructure was priced at about half a million dollars at the time we were doing the runway renewal. That was our best estimate of the work. To go in and do it separately would cost a touch more than that but the construction costs would be in that order.

**The Hon. CATHERINE CUSACK:** Does that include the widening?

**Mr SARTORI:** The widening of the runway strip was a notional width—where the fence sits, if you like. Obviously, because of the limits of the aircraft, it affects the adjoining roadway. For example, if a high truck drove along that road then it would infringe on the obstacle limit. So if the 150 metre requirement stays in place then we will have to relocate the road or lower the road.

**CHAIR:** Is that a vertical limit? Is it about the height of the truck?

**Mr SARTORI:** Yes, that is right. It is a vertical limit. If you imagine the edge of the physical runway—the bitumen the aircraft try to hit when they land—you have the width of the 90 metre strip. At that width there is a notional plane that extends out. That is now pushed out to 150 metres, and that is the boundary. If you imagine a truck going along there which is, say, four metres high, then it notionally infringes upon it. That is the impact for us. The trees along that area will have to be cut down.

**The Hon. CATHERINE CUSACK:** So the rule makes it unviable?

**Mr SARTORI:** It is still doable but it makes it much more costly, yes.

**The Hon. CATHERINE CUSACK:** When did that new regulation come in?

**Mr SARTORI:** It has been in place for some time. Most airports, and Merimbula is one of them, operate under a concession because of the original 90 metre provisions.

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**The Hon. CATHERINE CUSACK:** Is there any capacity to negotiate it?

**Mr SARTORI:** It is very difficult to negotiate a safety case with the Civil Aviation Safety Authority [CASA].

**The Hon. CATHERINE CUSACK:** You talked about regulated routes. I just want to clarify that it is not the airport itself which is regulated but it is the route which is regulated, is that correct?

**Mr SARTORI:** Yes, the regulations are for passenger routes less than 50,000 passengers. There is a licence to operate for five years. It only applies in New South Wales. So there is a regulated route between Merimbula and Sydney but not from Merimbula to Canberra or from Merimbula to Melbourne.

**The Hon. CATHERINE CUSACK:** That clarifies things. You actually have more than that number of passengers but on more than one route.

**Mr SARTORI:** Yes, that is correct. We have a Melbourne route.

**The Hon. CATHERINE CUSACK:** In terms of anything to do with Canberra that would become a regulated route as well?

**Mr SARTORI:** I do not believe so.

**Ms BARNES:** We do not believe it would be.

**The Hon. STEVE WHAN:** The regulated routes are only into Sydney.

**Mr SARTORI:** It is within New South Wales.

**The Hon. CATHERINE CUSACK:** So the Melbourne route is not regulated?

**Mr SARTORI:** No, it is not.

**Ms BARNES:** No, the Melbourne route is not regulated.

**The Hon. CATHERINE CUSACK:** It is only the Sydney route that is regulated.

**Mr SARTORI:** It is only the Sydney route that is regulated.

**The Hon. CATHERINE CUSACK:** Thank you for clarifying that. In relation to landing slots, are landing slots at Melbourne airport as much of an issue as they are at Sydney airport?

**Mr SARTORI:** We do not believe so. The landing slots into Sydney are the issue. The challenge is whether those slots remain available to the airline or to the airport and how they can be used in a deregulated route when you might have two operators coming in at the same time.

**The Hon. CATHERINE CUSACK:** Mr Chair, can I just run a wild idea past the witnesses? Currently the slots go to the airlines. But what would happen if the slots were to be given to the councils? How would that improve your negotiating position?

**Mr SARTORI:** We believe the slots are attributable to the airport. However, if you speak to the airlines then you will see that they have a different view. It is not something we have tested but we believe that the slots belong to the airport.

**Ms BARNES:** To the departure destination and the arriving destination.

**The Hon. CATHERINE CUSACK:** I do not want to slur any particular airline but it does seem to me that there has been considerable bullying of certain councils going on in relation to "we have got the slots and we will take those slots and offer a service elsewhere". Would it not be better, given that the intention of the policy is to facilitate the servicing of regional New South Wales, for the slots to go to the councils? It seems to

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me that the way it is working in practice is that it is being discussed between the airlines and Sydney Airport rather than having the ownership of the slots rest with the councils or the local airport.

**Mr SARTORI:** I would not use the word "bullying" but negotiations can be very tough.

**The Hon. CATHERINE CUSACK:** In relation to the local route being regulated by the New South Wales government, could that potentially be better regulated by your council? Could the tender be administered by the council rather than by the New South Wales government?

**Mr SARTORI:** I do not think council is in a position to administer the tendering process for a time. I think council should have input into that and have an opportunity to comment on those submissions that are being made but I do not know if council is in a position across the whole of New South Wales in terms of understanding the context—

**The Hon. CATHERINE CUSACK:** I am just talking about the Sydney to Bega route.

**Mr SARTORI:** Yes, but understanding the context in which these routes are being regulated across the whole State. It is difficult for council to go through a tender process.

**The Hon. CATHERINE CUSACK:** How hard could it be?

**Mr SARTORI:** You would need to know more about the airline business than councils know, such as the viability of particular airlines and what services they can provide. Council is just not in a position to know the inner workings of an airline business.

**The Hon. CATHERINE CUSACK:** You feel that the New South Wales Government does know?

**Mr SARTORI:** My assumption is yes.

**CHAIR:** Mr Mayor, thank you for allowing us to use your beautiful chambers here. It is a most appropriate place for us to meet. You took some questions on notice and the Secretariat will be in touch with you to confirm those issues. Members might have some other questions after we have read through the transcript. If you would not mind taking those on notice and replying within 21 days it would be fabulous. Thank you very much for attending.

**(The witnesses withdrew)**

**LINDSAY BROWN**, Mayor, Eurobodalla Shire Council, affirmed and examined:

**ANDREW GREENWAY**, Divisional Manager, Business Development and Events, Eurobodalla Shire Council, sworn and examined:

**CHAIR:** Welcome. Would one or both of you like to make a short opening statement?

**Mr BROWN:** I will make a brief opening statement. Thanks for the opportunity to be here and also thank you for coming out into the regions and addressing what are very important regional issues. There are a few things I would like to reiterate from our submission. Of course, I am not the first mayor to sit here and tell this Committee that the air service is vital to our community. I think you have probably heard that more than once. Those services have an economic, social, medical and emergency services importance for us. Importantly, we have allied health professionals, visiting medical specialists, Medicare Locals and Southern NSW Local Health District staff who use the service every week. We estimate there are about 600 patients a year who travel outside the shire for emergency treatment.

The service is also used by staff at local businesses that have their head offices in Sydney to get there and back for training in a day. Following significant lobbying by council we have also had businesses relocate into our area because of the air service that is available. Should the air service fail then those businesses would have to leave as well, which is another issue we need to address. We have a number of weekly commuters who travel to Sydney and work regularly who are spending their earnings in the region. They travel up and back in a day and are doing business based in the Eurobodalla. We also have a number of fly-in fly-out workers. I think currently there are about 30 people who we know that fly in and out of Moruya just to the mines alone, plus there are also those who drive as well. We are a base for a lot of people who travel in and out of the shire to earn their income.

The Rural Fire Service, as mentioned earlier in the previous submissions, is important to our area as well during emergencies such as fire and the like. We had unseasonal fires last year. We had a major fire in August last year. Unfortunately, there was a death of a pilot to the north of us. There was also another tragic death where a pilot who was travelling from Victoria came up here to supply equipment for a firefighter based in the Eurobodalla and that gentleman lost his life. So in actual fact that was a death incurred due to the fires here recently. The commercial viability of the route and the commercial considerations of airlines do not reflect the significance of the service to the community. In this regard we are keen to continue the current slot availability and pricing controls for regional routes on the airport and that they are maintained and strengthened.

There are a couple of issues I would like to flag that are of significant impact. Of course, the potential introduction of baggage screening would dramatically increase the operational costs. We only need an issue with terrorism to implement that and it would be a major cost to the airports. Our ballpark figure is about around \$4 million. With the possibility of putting that into our airport it is pretty difficult for us to locate those sorts of funds. Also the viability of the small airports beyond the 20-year lifespan of the current planes that currently use the airport, being the Saabs, is an issue. My understanding is that there is no other manufacturer that manufactures planes of that size. In 20 years time—and of course we do need to do some long-term planning with our airports—what do we do when we have to go to the larger planes? Even though our airport can handle larger planes it also brings in that baggage screening issue and other security issues.

Because the service has evolved Eurobodalla council already operates the airport at a significant loss. It is currently running at around about \$225,000 a year for council to run the airport. That is our council commitment to the airport facility there because it is so important to our community. Head tax fees have remained broadly unchanged for a number of years despite increasing infrastructure costs and increasing price pressures. We currently have probably the lowest head tax. I think we are at about \$7.50 per head, which is a hell of a lot less than what is going around.

I take on board the comments that Ms Cusack mentioned regarding bullying. Rex can be tough negotiators. When they took the Melbourne route away from us—we had a direct Melbourne flight from the Eurobodalla—we came to a decision that we needed to drop those rates to try to keep Rex there. It was a difficult decision to make but we are very keen and committed to our airport and we wanted to make sure that we had airline facilities for our local communities to benefit from. Pretty much, that is our opening statement.

There are a number of other issues I would like to canvass such as environmental issues, which you talked about before.

The other thing I would like to say is that different to our previous speakers where they are looking at the tourism base, being that we are closer to Sydney we are not really tourism based and we are not really chasing the tourism market. Eighty per cent of our traffic is business and the majority of that is visiting medical professionals that come in and out. The medical professionals that come into our area are not price sensitive. They are not concerned about the \$400 return; they get that out of their first hour of consultancy, to be quite frank.

**CHAIR:** Good work if you can get it.

**Mr BROWN:** It is. We have one visiting medical officer who comes from New Zealand. He flies in from New Zealand, does a couple of days in Sydney, comes down to the Eurobodalla and does another day there. He picks up his few bob and heads back again. That is the issue that we have with medical services in the shire. I think we need to be mindful that whilst the tourism side is a very important aspect to us and we see a lot of growth in that area as well, it is not our major concern. Our major concern is the social impact should the airport be lost to our community and also the economic loss because of the jobs we currently have.

Like I said, we have small manufacturers coming in that need the airport for their businesses. We have currently what has been branded as Australia's Oyster Coast on the south coast here. The oyster farmers are looking at putting their oysters as a world brand and they need to get from here to the airport and off to Sydney pretty quickly. The best and quickest way is via the airport and they are looking at having a packaging plant at the airport to facilitate that. That is pretty much our opening statement. You obviously have our submission. We are open for questions.

**CHAIR:** Can I start by asking what the population catchment is for Moruya Airport?

**Mr BROWN:** Our current base population is around 40-odd thousand but we also did some numbers and found that around about 50,000 to 55,000 are in the Eurobodalla in any one day on a day-to-day basis. Of course, it triples that at Christmastime.

**CHAIR:** We heard from Bega Valley Shire that they would be keen to grow the service to about 80,000, which may put the Sydney route over the 50,000 threshold and that would mean that the opportunity for larger aircraft might be looked at in the future. I am not suggesting it is going to be, but it would be an option if the passenger numbers justified it. If the Q300s or Q400s were to take over this route at some stage in the future as the smaller of the two airports in terms of passenger numbers you might be caught up with this screening issue. Is that a concern that you have considered?

**Mr GREENWAY:** Yes, absolutely. The capital cost of installing the equipment is one thing but also the ongoing staff cost of having a couple of extra staff there to screen the baggage would inevitably get passed on to customers or funded by the ratepayers, neither of which is very palatable. It makes it even less viable for somebody to fly. I think our current cheapest fares are \$300 return to Sydney or a four or five hour drive. A lot of people go for the drive already. Obviously, everybody wants people off the roads: it is not efficient economically and it is not as safe.

**Mr SCOT MacDONALD:** You have an issue about managing the vegetation around the runways. I guess you are talking about the Native Vegetation Act, from my recollection. Is there a clear recommendation we can pick up to ease the green tape burden?

**Mr BROWN:** I think from a broader perspective not only for airports—Mr Green will probably understand the pressures of local government—the issue is we have major infrastructure that we need to maintain and develop and expand. We get caught up in that issue of dealing with environmental constraints. To give you an example from a local perspective, we are currently going through a bio-certification process that will allow the expansion of the airport. The reason we had to do that is because that area around the airport has been called an endangered ecological community [EEC]. The only way to do that is to go for a bio-certification process where you are able to redevelop that land at a cost of maintaining an existing area somewhere else.

**Mr SCOT MacDONALD:** An offset somewhere?

**Mr BROWN:** Yes. The offset is a bit of a ballpark figure. Sometimes it is one to five, sometimes it is one to 10 and sometimes it is one to 50. We had to offset land to expand our cemetery, because we wanted to bowl a couple of trees over between the cemetery and a car yard. It was only about 50 metres but we had to put away 10 times that. I suppose as a recommendation, it is a broader picture when it comes to environmental constraints. Local government should be part of important infrastructure such as airports and other areas, sewage treatment works and the like.

**Mr SCOT MacDONALD:** We relaxed the vegetation clearing around houses in bushfire danger zones. How about a recommendation along those lines and that sort of thinking?

**Mr BROWN:** I understand that. I spoke to Minister Constance about it the other day, and everything is welcome. I would take it if it was what was available. Councils need to be in a position to do all the assessment internally. We have the skills to do it, but we have to go through a lot of hoops to get to that point.

**Mr SCOT MacDONALD:** That is lengthy and costly?

**Mr BROWN:** It is lengthy and costly. As an example, we do bio-certification with a group of small landowners. They develop land and have had schools built close by. They put in the water, sewerage, kerbs and guttering, the treatment works and the roads and then the community came over the top of them and said they could not develop that land. That land is zoned residential and ready to be sold, but they cannot sell because they cannot clear the land. Those people have been doing that for 10 years and they have paid over \$1 million in land tax. That is a major crisis for one small community and they are close to bankrupt because of this process. Had we been able to expedite the bio-certification a lot quicker—because they are adjacent to the airport—we would have saved them some money and given them surety for their development.

**Mr GREENWAY:** The need to meet CASA regulations in terms of clearing vegetation does conflict with the environmental legislation. The recognition of the airport as essential infrastructure and gaining precedence over the native vegetation to meet safety requirements from CASA would be of benefit to us.

**The Hon. CATHERINE CUSACK:** I think it is the most beautiful airport.

**Mr BROWN:** Until you get into the terminal, which is colloquially known as a toilet block. It is a real challenge to provide a service here. You start off with a great picture and then all of a sudden it is a bit difficult. That is why we are going through this development process. Our airport can handle large planes. It is not the extension of the airport that is the issue; it is the availability of ancillary uses. We own our airport. The Federal Government gave us our airport about 20 years ago. It was an airport base during the war. It had a cross runway and there is still a bunker. The idea of the expansion of our airport is that we have expansive land and can move the terminal out of the way. It is not a grandiose plan, but the idea is to open up as much as possible to get other income through leasing the site to aeronautical activity.

**The Hon. CATHERINE CUSACK:** How much of that land around the runways and the terminal do you own?

**Mr BROWN:** We own from George Bass Drive further north to Broulee. We own quite a large parcel of land. The area we are looking at clearing for the development is about 45 hectares. That includes residential developments. We have a large area, but I cannot give you the numbers. I can take that on notice and get back to you, if you wish.

**Mr GREENWAY:** There is about 14 hectares in and around the airport that can be developed.

**The Hon. CATHERINE CUSACK:** But it is a constrained site in terms of biodiversity and flooding.

**Mr BROWN:** Yes, although flooding is not a major issue. We have managed that. We have never had to close the airport for flooding, from what I understand, but it is mainly the environmental issue.

**The Hon. CATHERINE CUSACK:** You say in your submission that the airport is heavily subsidised. What is the cost per year to council?

**Mr GREENWAY:** We subsidise the airport by over \$225,000 a year. That is the net cost and includes all our leasing from airport businesses. It is a growing precinct for adventure sports—skydiving and the seaplane

business operate from there—and there are ancillary hangarage and airport maintenance. All those go to reducing the subsidy from council.

**The Hon. CATHERINE CUSACK:** Is your business plan to try to get the airport to be sustainable?

**Mr BROWN:** Yes, that is the idea. At the moment the cost is borne by a small number of suppliers and existing tenants. Our idea is to expand that and bring the cost down. Having said that, council is committed to the airport and that is why we are prepared to spend that sort of money.

**The Hon. CATHERINE CUSACK:** Can aircraft like Rex refuel at the airport?

**Mr BROWN:** Yes.

**Mr GREENWAY:** They do not, but other aircraft do.

**The Hon. CATHERINE CUSACK:** You say business users like to fly during peak periods. Does that include people coming from Sydney to the area and locals going to Sydney? Ideally, do they like to leave in the morning and return in the afternoon?

**Mr BROWN:** Yes, that is how it is. You can fly back at night by leaving Sydney at 6.50 p.m. and you can leave in the morning to fly to Sydney at 7 o'clock. You can do a lot of business in the day, provided the service runs on time. We have been "Rexed" a few times.

**The Hon. STEVE WHAN:** I sat in that terminal for four hours one night.

**Mr BROWN:** They can be allowed out of Sydney and by the time they get to Merimbula there has to be a changeover time for staff. I was on a 7 o'clock flight a while ago and it turned into a 9 o'clock departure. I am not in charge of Rex; this is their issue.

**The Hon. CATHERINE CUSACK:** They need to have enough aircraft.

**Mr BROWN:** Business is okay and they can reschedule, but when people with illnesses are waiting to see specialists who do not normally travel into the area, this has a major impact on them because the specialist will not come back for another four weeks. It is a major issue for us.

**Mr GREENWAY:** To be fair to Rex, some of the reasons for delays are at Sydney Airport.

**The Hon. PAUL GREEN:** Earlier you talked about the capacity of medical people to pay. Did you say "to quote Frank" or "to be quite frank"?

**Mr BROWN:** Quite frank.

**The Hon. PAUL GREEN:** Do you charge fees under section 94 of the Environmental Planning and Assessment Act to address the needs of your airport?

**Mr BROWN:** We have not in the recent past because we have not had any development. Section 94 will be part of the new process for income. The fees we charge at the moment have been in existence since before section 94 became available.

**The Hon. PAUL GREEN:** I note your frustration with vegetation issues. What other red tape is in the way of delivering an effective and efficient service?

**Mr BROWN:** The red tape we can all talk about is to do with health and safety issues, which are really important for employees but are sometimes more Federal than State. From my perspective, we have to maintain CASA and other over-the-line regulations. Red tape is not coming to me as an issue in managing the airport.

**Mr GREENWAY:** We have concerns around pricing control and slot availability at Sydney Airport. A comment was made about the amount regional airports charge, but our head tax would be dwarfed by what Sydney Airport charges Rex. In terms of the overall profitability of the route, we are a tiny bit compared to what



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Sydney Airport charges and it probably wants to charge more. That is a regulatory protection I would be in favour of.

**Mr BROWN:** The other thing in the mix is the possibility or strong likelihood of a second Sydney airport. People like to travel to and from Sydney at peak times, but we have yet to have a discussion with any stakeholders about how that will affect slots at Badgerys Creek. That is a concern for us.

**The Hon. PAUL GREEN:** We have heard about the preservation of slot times at Kingsford Smith. You talk about Badgerys Creek, but we already have Bankstown that is a little under capacity. People want to get to Sydney urgently and there seems to be a lot of room for movement at Bankstown. What is your view of Bankstown?

**Mr BROWN:** As long as the connection from Bankstown to where you wish to go is quick. Truckage is the issue from Bankstown. Getting out of Sydney Airport is bad enough, but Bankstown is even further. If transport issues were addressed it would be okay. I reiterate what Mr Sartori said earlier, we do not know who owns the slots. We are told Rex own the slots and we were told in our negotiations with Rex that they only have a certain number of slots and it is not leverage for them. We need more security on slots.

**The Hon. CATHERINE CUSACK:** They should be given to the airport, should they not?

**Mr BROWN:** Yes, it should be clarified because that would give you confidence to make a development. If any airport is going to spend money it needs surety. If we are not sure we can get into the destination airport then it becomes very problematic.

**Mr GREENWAY:** I reiterate the point made in the opening submission that the commercial nature of the route does not reflect the importance to the community. Slot availability is a key part of that. It could be flying to Byron Bay, but that does not get to the fabric of why it is important to us.

**The Hon. PAUL GREEN:** You mentioned large planes can land at your airport. How big?

**Mr BROWN:** The next size up.

**Mr GREENWAY:** I am not an airport expert, but it is the 64-seaters we can land at the moment.

**Mr BROWN:** We currently have aircraft from the Army and the Air Force doing touchdowns and take-offs on a regular basis. We also have private jets coming in. Landowners fly their own private jets and they handle the airport quite well. This surface is intact, and the structure of our airport is in very good condition. Development is not hinged on extending the airport; it is hinged on increasing the income from ancillary uses.

**The Hon. PAUL GREEN:** If you were writing the report, what would be your recommendation?

**Mr BROWN:** We need to clarify the slots. That is the leverage being used. It is an issue that needs to be addressed. Airports should be recognised as major infrastructure and State Government should recognise what is major infrastructure, which should then be given a fast track to get developments through. You mentioned red tape and that could be done to encourage responsible industry.

**The Hon. STEVE WHAN:** At the moment the route to Merimbula is regulated. Do you think that having State Government status as a regulated route helps? Would that make a significant difference to retaining the route?

**Mr GREENWAY:** I do not believe so. In the process of the licence being awarded, I seem to recall it being the State Government and the operator; there was no sort of partnership with the destination, we were a bit player in that process. So if the regime stays then a greater partnership approach would be of benefit, but I do not see much advantage when we are never going to have more than one service provided in Moruya.

**The Hon. STEVE WHAN:** You do not really see that it adds a lot of value having that structure over the process?

**Mr GREENWAY:** No.

**The Hon. STEVE WHAN:** I am sure you are well aware of Merimbula's efforts to boost the patronage there. Do you have any fears that if Merimbula was successful in boosting its number of passengers that the airlines might choose to send a full plane to and from Merimbula rather than continuing to stop in Moruya?

**Mr BROWN:** I think with the development of Merimbula airport it is important to us to see us working closely together. I think the main issue for us, and Lindsay alluded to this before, is that we have not been involved in the conversation a lot with Rex. It is a fait accompli that they were going to come up for a meeting, sit down, have a chat and "by the way this is what is happening". There was no pre-empting of that for us; there was no conversation, and I think that really makes it very difficult and very nervy for the local governments to make decisions because things could be taken out of our hands quite quickly. If we were more closely involved in those discussions we would be able to put our case forward and hopefully reaching an outcome with the service.

**Mr GREENWAY:** Anything that improves—I guess that is the purpose of the inquiry—the profitability of the routes is ultimately what is going to keep an airline operating and we would be supportive of that. If the airline thought the regulatory regime helps them then that would be a different matter, but I do not believe they think so either.

**The Hon. STEVE WHAN:** You currently have about 18,500 passengers a year. So as a standalone route it would probably be below where the airlines would say it was viable. Obviously, the fact that it is linked with Merimbula makes it a viable route at the moment, but what sorts of things can you do to build that base of people flying in and out of Moruya? I note the comment earlier that you do not really see that as being a tourism market but mainly a business market. Is that something you are looking at and studying?

**Mr GREENWAY:** If there is going to be growth then there is potential for that to come from the tourism market and part of the redevelopment of the airport would facilitate tourism growth through the nature of the development. The comment was also made about the airline does not have a leisure business model.

**The Hon. STEVE WHAN:** No. It does not have fares that are designed for tourism.

**Mr GREENWAY:** Any framework that would facilitate that, maybe as part of the licence, that might be a role where the licence arrangements could play a part, that there should be a leisure business model. No businessman is going to be booking a flight on Rex to Sydney from Moruya six months out, but going to visit granny might be the sort of thing that people would be looking at and it is opening up a new market.

**The Hon. STEVE WHAN:** Have council or the tourism bodies spoken to any other airline operators to see if there is interest in promoting the route to Moruya?

**Mr BROWN:** Rex had the route for five years. Part of this process of redevelopment we are looking at other players, but just because there is another player does not necessarily mean the prices are going to reduce. We looked at the other airports around the area, around the State, and we have the same sort of problems. I think Andrew has the figures.

**Mr GREENWAY:** Typically the regional airports are in the \$300 bracket for the cheapest fares. Ballina, where there is competition, the Rex fare was only just under \$300. It was still significantly different from the Jetstar equivalent on the same route, which was \$100.

**The Hon. CATHERINE CUSACK:** There is no competition though in the peak hours. I am from that area and Rex are the only ones that provide that service for peak hours. They charge what they like.

**Mr BROWN:** That is where I go back to that price sensitivity. You are price sensitive if you are on holidays; no offence, but if you are coming down here to do work and you fly in from your area, it is warranted. The user pays, not the person sitting in the seat.

**The Hon. STEVE WHAN:** Have you looked at any other routes which might be viable in the long term? Is there an interest in Canberra-Moruya or is the drive too easy for people?

**Mr BROWN:** I think, just to clarify, to go back to the tourism perspective, from Moruya to Sydney is quite a drive. From Batemans Bay to Sydney is about an hour and a half longer than going by train if you look at the time you have got to be there, 30 minutes early, you get in, you get out and you go where you want to be.

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We have had negotiations with Canberra airport and we are to meet with them again next week about where they are heading. We are looking at using their expertise for our airport, to liaise with them and to seek their advice.

We also said in that conversation that we are very keen to be involved in any linkages we can put in between the international flights in Canberra into here. We have noticed just in our own recent marketing and tourism operations that the South-East Asian market is quite strong. In this area there is like a discovery of the south coast with the Asian community. We have had numerous Asian couples down here for the Oyster Festival recently. They thought it was fantastic and would like to come back and fly down. We are trying to encourage people to come to the area but our focus at the moment is on trying to make the airport as profitable as it is within current compliance.

**The Hon. STEVE WHAN:** You have told us what your deficit is but what is your overall cost of operation?

**Mr BROWN:** We would have to take that on notice, I think. We raised about \$150,000 in head tax.

**Mr GREENWAY:** That the major revenue source by some distance and then leasing would be the next biggest.

**The Hon. STEVE WHAN:** So it is around \$400,000?

**Mr GREENWAY:** Yes, probably a bit more.

**The Hon. MICK VEITCH:** Do you bring the deficit to account on the council books as a community service obligation? Do you consider the airport to be a community service obligation?

**Mr BROWN:** That is a good question. I suppose we would. How it is allocated, I would need to take it on notice and advise you.

**The Hon. MICK VEITCH:** If you could take it on notice, because I spent 12 years in local government in Young and we lost our air service not long after the Monarch air disaster at Young. Once you lose the services they are very difficult to get back. But the cost of that airport, when you consider the medical requirements and the emergency services requirements, I am surprised that councils do not treat that as a community service obligation. I am happy for you to take that on notice and get back to us.

**Mr BROWN:** I will take that on board, yes. It is definitely not profit-making.

**The Hon. MICK VEITCH:** How does your council calculate the landing fees or the passenger fees?

**Mr GREENWAY:** They have not changed significantly or materially in over 10 years.

**The Hon. MICK VEITCH:** So historic development like a CPI adjustment each year?

**Mr GREENWAY:** Not even a CPI adjustment.

**Mr BROWN:** We have attempted negotiations with Rex; they have got the slots.

**The Hon. MICK VEITCH:** Rex is saying to us—you can read the transcript of the first hearing—that they feel there should be some sort of independent arbiter, IPART or someone else, involved because they are not happy about the landing fees across regional New South Wales.

**Mr BROWN:** They have to be happy with Eurobodalla's.

**The Hon. MICK VEITCH:** They have an issue with a particular part of the State. There are some variations across the State in landing fees. Yesterday in Wagga we heard from a number of councils and there seems to be some sort of mystical science around the development of these landing fees or passenger fees, but essentially the common theme is that they all seem to be historic; they commenced from a historic point. Do you have discussions with Rex before the council adopts their management plan each year and sets the landing fees?

**Mr BROWN:** No, we do not. I am not across the contract or the length of the contract or the arrangements about how long those fees are. We had put a CPI in, for the reasons I mentioned earlier on, in negotiations still with Rex. I got to council in 2008 and when they decided to take the licence from Melbourne office there was a negotiation there that you guys were under the pump about landing fees and we came to a decision to drop our landing fees because we wanted to indicate to them that we were keen to keep them.

Getting back to IPART—I am not sure whether it is IPART or some other regulatory authority—IPART gave local government 2.3 per cent to increase our rates by when electricity goes up by 2.5 and rates go up by 3.5. So I must say I do not have a great deal of confidence in IPART to come to a sound decision. On fees generally, one of the things that we have made a statement about is whether there is an opportunity for airports that have a certain amount of passengers to be subsidised by the State, for example, on airport fees. If it gets above a certain point and you get to a certain level and that subsidy falls off—if it gets to 20,000, for example, the subsidy falls off because anything above 20,000 is getting back to you again.

**The Hon. MICK VEITCH:** I am keen to explore that a bit further with you because a number of submissions have raised the issue of the en route rebate that was in existence previously; they would like to see that reintroduced in some form or other. You are talking about maybe an airport-type subsidy. If you were given the opportunity to construct or be the architect of some sort of an en route subsidy or something similar, what would it look like?

**Mr GREENWAY:** I think the mayor would probably say it should be paid to council if it is about bringing the airfares down, which will increase the volume and also to make it viable for the council to continue maintaining the infrastructure. The danger if it goes just to an airline is that it will just go to their bottom line and not achieve any of those objectives.

**The Hon. MICK VEITCH:** Would you see the inquiry going to council for an inquiry into expenditure on the infrastructure?

**Mr BROWN:** Ties back to the airport—we would need to be told that that is where it would go. That is what we are interested in: that every piece of infrastructure has to look after itself. One of the models we talked about was if you have an airport that has got 50,000 passengers, the first 20,000 is subsidised. What that means is that you can get to a point where by having that level there you have some kind of basis to know what you are dealing with, how much money you are going to earn; you have some surety and a base for your finances.

**The Hon. MICK VEITCH:** Are you proposing a graduated progression, a sort of weaning off? Up to 20,000 and then—

**Mr BROWN:** Yes. Even after that you just wean right off because if the numbers get to 20,000, which is where we saw Rex at. For example, for us, we were at 18,000, we had a 3 per cent increase over the last 12 months, so we dipped and now we are going back again, which is good. We are pretty keen to look at giving councils and local governments some surety about income. We just feel that there needs to be some solid ground, foundations, there that we can work off with a vested income so that we can work with the players and try and increase it. It is in our interest to go above 20,000, above 25,000, to make more money. If we drop off the need for support at 20,000—

**The Hon. MICK VEITCH:** Calibrated towards passenger numbers.

**Mr BROWN:** Yes.

**Mr GREENWAY:** And it gives the airline the same surety. It is about making small-volume routes profitable so that the airline is interested and the council is interested.

**The Hon. MICK VEITCH:** The plans for growth or development of the airport, particularly in your case the terminal, do you involve the airline operators in discussions around your forward plans for infrastructure development?

**The Hon. PAUL GREEN:** We are looking around statistics.

CORRECTED

**The Hon. MICK VEITCH:** Discussions with the operators around the development of your airport facilities, essentially?

**Mr BROWN:** Because of the issue with the environmental constraints, we need to get that through my council. That is going to be problematic because there are some that do not believe it should happen. So we have not had any preliminary discussions because I want to go to Rex with some confidence that I have the ability to say, "This has been happening, this is the commitment we are making to improve the roads and infrastructure, the water and sewer and all that sort of thing." Because Rex only last year got the next five years, we wanted to wait until the biocertification process is through. As soon as that is through and we are okay, one of the first phone calls will be to Rex, to sit down and have a conversation with them saying, "This is what our intention is; how can you be a part of that?" I want to involve them in the conversation—something they have not really done with us in the past. We need to start that relationship.

**Mr GREENWAY:** We did also make an application under the Regional Development Australia Fund [RDAF] for accrediting the infrastructure for the airport which was knocked back and that included contact with all the stakeholders, including Rex and obviously they were supportive.

**Mr BROWN:** To be correct, it was actually approved under the RDAF core funding but, the usual story, the contract had not been signed.

**The Hon. STEVE WHAN:** One of those.

**Mr BROWN:** One of those—you have probably heard that too around the traps. It is unfortunate but, having said that, we are committed, whether we get the RDAF funding, we are going to move on with it.

**The Hon. STEVE WHAN:** Thank you, I might have some questions on notice, because I actually want to explore that a little more.

**Mr BROWN:** Excellent.

**CHAIR:** Thank you, we are out of time. That concludes the first session this morning. We will have a 15-minute break for morning tea. You have taken some questions on notice so the Secretariat will be in touch with you regarding those. Would you please have those answers back to us within 21 days so we can keep the process rolling along?

**Mr BROWN:** No worries.

**CHAIR:** Thank you for your attendance this morning and your submission. We will adjourn until 10.45 a.m.

**Mr BROWN:** Thank you, Mr Chair.

**(The witnesses withdrew)**

**(Short adjournment)**

**JOSEPH VESCIO**, General Manager, Snowy River Shire Council, sworn and examined:

**CHAIR:** Would you like to start by making a short opening statement?

**Mr VESCIO:** I have printed it out, if you want me to hand it in rather than read it.

**CHAIR:** Perhaps if you table it and then refer to the main points.

**Mr VESCIO:** Yes.

**Document tabled.**

**Mr VESCIO:** I have gone through some points that were in our submission about the importance of tourism for our shire and region. Also, prior to the demise of Brindabella Airlines, the merger of Brindabella and Aeropelican had an adverse impact due to the fact the service provider during the last winter season proved to be unreliable with limited access to cheap fares, resulting in a sharp decline in numbers of passengers compared to the service provided by Aeropelican in previous years and Rex a number of years ago. I am sure the operators of Snowy Mountains Airport should be able to provide those sorts of statistics.

There has been a development since our submission in that prior to that we had no regular public bus service, but TrainLink has come on for a trial. It actually has started this week, three days a week from Bombala through to Dalgety then to Jindabyne, Berridale, Cooma and on to Canberra. The issue for us will be that I do not think it links to the airport for people flying into Canberra who then come up during winter to ski. Hopefully the community will respond and use it because it is only a trial. Hopefully the patronage will be there to make it a permanent service.

**CHAIR:** Your submission notes that the inquiry should balance between supply and demand factors when considering airline services, and that within that there should be an appropriate level of funding support. There has been much discussion about the issue of funding support by government at one level or another. What sort of regional routes do you believe should be subsidised and how should that subsidy operate?

**Mr VESCIO:** Our view is that the subsidy should apply if there is a particular reason—social or economic. For a service to be provided there should be some level of support. I agree with Mayor Brown from Eurobodalla that it should be a sliding scale. You get support to a certain level. At the point where the service becomes sustainable, and I do not know what that number is—is it 15,000 passengers or 20,000, or 30,000—

**CHAIR:** That is probably a debate for another day.

**Mr VESCIO:** That is a debate for another day. Once you hit that point, the subsidy should scale back or disappear.

**CHAIR:** You note that the Snowy River Shire is a premier ski destination. I do not think anyone would argue with that. Is your council doing any work with tourism bodies to promote the ski slopes and try to re-establish the demand for an air service?

**Mr VESCIO:** Council is working with Tourism Snowy Mountains [TSM], the regional tourism organisation [RTO] for our region. Basically, the winter campaign is funded by the resorts under Destination NSW and the four member councils of TSM have contributed to the autumn-spring-summer campaign because part of our growth strategy is to grow that area of our tourism. We need to maintain winter as the backbone, but it is flatlining. In our submission to the tourism inquiry you held last year we showed charts that showed that winter tourism is flatlining and we need to grow it so that it does not fall back.

**The Hon. STEVE WHAN:** For the benefit of the Committee, would you inform it of the council's decision to sell the airport a few years ago and what that has meant for you?

**Mr VESCIO:** In roughly 2004 we had no regular passenger transport [RPT] and there had not been one for a number of years. Council took the decision that it should sell the airport because it was costing us anywhere between about \$130,000 and \$150,000 a year to maintain the airport to a standard that would enable an RPT to use it. A local businessman approached council. We had advertised it for sale. He made us an offer.

CORRECTED

Council accepted the offer and we estimate that in the almost 10 years since we sold it we are probably about \$2 million ahead because we have not had to pay the \$130,000 to \$150,000 a year plus. He paid us half a million dollars to buy it.

So when you add it all up it is over \$2 million that we have saved, which has gone back into services for our community that would have been spent on an airport that did not have an RPT. Since he has taken it over, we had Rex for a number of years. Then it pulled out. Then there was Aeropelican and then the merger of Aeropelican and Brindabella. I noticed the previous speakers all spoke about time slots at Sydney airport, for a regional service it is most important that you get the right time slot. With Rex the plane left Sydney about 5 o'clock and got into Snowy Mountains Airport around about 6.30-ish and then left about 7 o'clock and got to Sydney at 8 o'clock. That meant you could go up for a day, you would have a night in Sydney, do a day's business and then come back.

**CHAIR:** Was it only one flight a day?

**Mr VESCIO:** It was one flight a day. The Aeropelican-Brindabella service left at 2 o'clock in the afternoon. So you basically had to go up today, do a day's business tomorrow and come back the day after, otherwise you were basically flying up, having a meeting at 9 o'clock but having to get out of there to get to the airport at about 11.00 or 11.30. You lost three days as opposed to one day.

**The Hon. STEVE WHAN:** Do you think council no longer being involved in managing the airport has impacted negatively, positively or not at all on the airport's ability to secure an RPT service?

**Mr VESCIO:** I think it may hinder the current operators because I believe the major regional air service, Rex, is more attuned to negotiating with councils, which are more inclined to do their best to maintain the service because there is a community service obligation for them in making sure the airport has a viable operating service whereas a private operator is trying to make sure the numbers stack up. I believe councils would be more inclined to agree to Rex's demands to ensure that Rex remains, whereas I think a private operator may be a little bit more hard-nosed.

**The Hon. STEVE WHAN:** Does the private operator of the airport engage either your council or Cooma at all in assisting in negotiations with airline operators?

**Mr VESCIO:** When they have been in negotiations we have always offered. When they have felt it is beneficial we have gone along to support them. We would continue to do that.

**The Hon. STEVE WHAN:** At the moment, tourism for the area is primarily drive-yourself-tourism, partly because of service issues over the past few years. What do you believe it would take to sustain or build an air service that contributed to the visitor economy? Would it take subsidies or can other things be done to actually try to get a service started and then promote the area as a destination?

**Mr VESCIO:** One issue for a tourism destination like us is that once you have lost the service and people get used to jumping in their car on a Friday afternoon in Sydney and driving down, it becomes their habitual way of visiting us. I do not know if you have done the drive, but I have gone into Canberra for something on a Sunday and come home at 6 o'clock. The snake eyes on the other side of the road that will be heading out of our region over the next few months is quite frightening really because they are all travelling at 110 to 115 kilometres an hour even though the speed limit is 100 kilometres. People get used to that way to go to ski. We need to get a regular reliable service and then we have to promote that service and find out from those who are travelling by car what it would take to get them to fly. There is a growing thing where people will fly into Canberra and then hire a car, but you still have those cars on the road. Generally, every winter we will have a fatal car accident without fail.

**The Hon. STEVE WHAN:** The Victorian ski fields have successful air services from Melbourne to one of its ski fields.

**Mr VESCIO:** I think it is Mount Hotham.

**The Hon. STEVE WHAN:** Is there an issue with the location of the airport for the ski industry and the region?

**Mr VESCIO:** In hindsight, if the airport had been built closer to Jindabyne or maybe between Jindabyne and Thredbo or Jindabyne and Perisher somewhere, it may have been better located for the ski fields, but it is where it is. I do not think anyone is going to put the investment into building a new one closer to the ski fields.

**The Hon. STEVE WHAN:** Are you aware whether Tourism Snowy Mountains has done any work on whether the most likely viable route is actually Sydney to Cooma or whether there are other centres to Cooma that would be more likely to deliver tourists by air, for instance, Newcastle or even Brisbane?

**Mr VESCIO:** Given the number of Queenslanders who come down, based on the Queensland number plates you see, I would have thought Brisbane to Cooma would have been a viable option. I think Newcastle was tried by Brindabella. I am not sure how successful that was, but I am sure the operators of the airport could answer that question for you.

**The Hon. STEVE WHAN:** Do you feel that having Cooma as a regulated route adds anything at all to the ability to get an airline service in the area?

**Mr VESCIO:** I do not think it does add anything to get an airline to service the area. The other issue, which others have spoken about, is that if the airport was not there, when we have the big bushfires it is the major staging point. The most recent ones, I do not think they came into our shire at all, but they were based there for the ones down in Bombala and over on the Victorian side. The number of planes and helicopters that were based at the airport during that fire was amazing.

**The Hon. MICK VEITCH:** The airfare is often the issue. The Mid Western Regional Council conducted a survey of its ratepayers on their use of an air service. Everyone wants an air service, that is the answer, but the next question was: What airfare would you be prepared to pay? People were prepared to pay a couple of hundred dollars for a return flight to Sydney and the operators tell us that is not viable. Does the snow season airfare play a part in people using the flights?

**Mr VESCIO:** I think it does. There are times when the fare has been around \$129 each way but actually getting that fare the last winter season, even if you were booking a month or two months ahead, one could not find the cheap fare. Then you were talking \$250 each way. I think under \$300 return, as opposed to \$500 return, makes it more attractive.

**The Hon. PAUL GREEN:** At the time of privatisation, what did the private owner do to advertise to induce business to use the airport?

**Mr VESCIO:** I do not know what the arrangements were they had with Aeropelican but I do know that when Rex were flying in there it guaranteed a minimum number of seats, as I understand it so they made up for them I believe. But we were not privy to the commercial arrangements with Aeropelican and Brindabella.

**The Hon. PAUL GREEN:** What other hindrances are there to the airport being far more efficient or able to deliver its purpose?

**Mr VESCIO:** From my recollection when we owned the airport the paperwork that was necessary to make sure you kept your CASA requirements, and the regulatory paperwork, one had to question whether it was worth it for what I call a marginal airport. I think generally our passenger numbers year round were probably 10,000 to about 15,000. I think 15,000 would be a very, very good year. That number makes you very marginal.

**The Hon. PAUL GREEN:** How could this inquiry help?

**Mr VESCIO:** I think you have got to look at the red tape to operate an airport. I think also the security arrangements get tighter and tighter as I have seen it. Whilst there are good reasons for that there has got to be a more cost effective way to do it. Also, it would be good if we had some competition because the thing that drives prices is competition. Generally for a lot of regional New South Wales it is a monopoly situation of air services. Like we said in our submission, some sort of subsidy arrangement also to make sure that the time slots that are available in Sydney are reasonable time slots to make it viable for the services.

I also think there was a question you asked earlier about the under-utilisation of Bankstown and also when Badgerys Creek comes on stream, if you were to remove the regional carriers to Badgerys Creek for us,



you may as well drive because you are right on the outskirts of Sydney and you have to get into the city because when we go up for business that is where we are going. I think the regional services should still fly into Mascot.

**The Hon. PAUL GREEN:** We have heard a presumption about that quite a lot. I guess Sydney is moving west and there is quite a big population going west of Parramatta so I do not think the centre will be in the City of Sydney for long. Certainly strategic meetings for rural people are in Sydney at the moment. One would hope that those meetings move west to share the burden of congestion.

**Mr VESCIO:** I agree but generally, especially for councils, when we are flying to Sydney we are going to see basically your colleagues, Ministers, and unless the offices of the Ministers move west—

**CHAIR:** They might go to Dubbo.

**The Hon. PAUL GREEN:** We will get a relocation grant, I think. If they want to decentralise to the Shoalhaven I will be very happy with that.

**Mr SCOT MacDONALD:** Moving to Martin Place, actually.

**The Hon. PAUL GREEN:** How often is the airport used for medical fly outs?

**Mr VESCIO:** I could not answer that but generally in the Snowy River we lack health services. You either go into Cooma hospital or to Canberra. If you have to go to Sydney you basically drive, or you drive to Canberra and catch a plane. There would have been a number of people, but I really cannot answer.

**CHAIR:** Is it correct that when the airport was sold it was located at Cooma and then the developer built a new airport at its current location?

**Mr VESCIO:** No, the airport has always been where it is. It is about halfway between Cooma and Berridale. I believe it was originally built by the Snowy Mountains Authority and then given to council but it has always been there. Originally, and I stand to be corrected, in years gone by it was simply a hop similar to Moruya where it was Sydney, Cooma, Merimbula.

**CHAIR:** Does Cooma have an airstrip?

**Mr VESCIO:** There is a landing strip in Cooma, one in Jindabyne and one in Adaminaby.

**The Hon. CATHERINE CUSACK:** I understand they were set up for the Snowy Mountains Scheme?

**Mr VESCIO:** I understand that the arrangement for the main airport which is between Cooma and Berridale. I believe the Cooma landing strip at Polo Flat would have also been for the scheme. I think the one out at Adaminaby was possibly for the scheme as well. The one at Jindabyne is the more recent one.

**The Hon. CATHERINE CUSACK:** History states that it was built for that scheme. Obviously that strip is ideally located in terms of not only the ski fields at Mount Kosciuszko but also for a great walk of the world. The Summit Walk at Mount Kosciuszko is whispered as one of a handful from Australia and sometimes the only one, which is out of winter obviously. Has any thought been given to developing that strip at Jindabyne which I understand is owned by the New South Wales Government?

**Mr VESCIO:** No, it is owned by council.

**The Hon. CATHERINE CUSACK:** Well done.

**Mr VESCIO:** We bought it last year. Prior to that we leased it and it was costing us about \$14,000 a year. Actually it is up around \$20,000 a year now. It was basically used by the Jindabyne Aero Club and council made a decision to acquire it rather than pay \$20,000 a year lease fee to Crown Lands.

**The Hon. CATHERINE CUSACK:** That is a pity, is it not, about the \$20,000 a year I mean, but that is obviously in the past. Is it a viable option to have a better located airport which is absolutely critical to the desire of people to use it? I put it to you that with the development of the Hume Highway over time, and obviously the Barton Highway now, that to drive from Sydney to the ski fields is very comparable with a flight,

particularly given the congestion at Sydney Airport. I am amazed by the amount of gear that people arrive with, although I am not a skier. It is always going to be difficult to get people to shift into air if it is into Cooma but surely to Jindabyne it would open a whole new world of possibilities?

**Mr VESCIO:** There are, but the cost of creating a compliant airport at Jindabyne—I am not sure the numbers would stack up.

**The Hon. CATHERINE CUSACK:** Has it ever been suggested?

**Mr VESCIO:** It has never been looked at because the airport was always there. I would have to go back to the contract when council sold the airport and undertook not to develop another one.

**The Hon. CATHERINE CUSACK:** That is what I am wondering: For how long?

**Mr VESCIO:** That is the question. I would have to go back and look at the contract to see the timeframe in it. I am not sure the numbers would stack up for council to go and build an airport.

**The Hon. CATHERINE CUSACK:** No, but it might stack up for somebody else, particularly given there is the potential for all-year tourism. I know there are some great festivals at Jindabyne. Do you know the number of aircraft movements at Cooma Airport each year?

**Mr VESCIO:** The regular passenger transport [RPT] or that plus?

**The Hon. STEVE WHAN:** It is zero on RPT.

**Mr VESCIO:** It is zero on RPT at the moment. I could not tell you what other aircraft are coming in there but there are times in winter now you drive by and there might be two or three planes parked there over the weekend or during the week that have flown in to go skiing.

**The Hon. CATHERINE CUSACK:** Is it possible to get some more detailed information about the aircraft movements?

**CHAIR:** We might be able to get that information from Mr Elliott.

**The Hon. CATHERINE CUSACK:** From the Snowy Mountains Airport Corporation?

**CHAIR:** Yes.

**Mr VESCIO:** We could go back through our records but they would be more than 10 years old now from when we were the owner/operator of it.

**CHAIR:** Jindabyne airport is a gravel strip, is that correct?

**Mr VESCIO:** It is a gravel strip, yes.

**CHAIR:** The cost of redeveloping that would be enormous?

**Mr VESCIO:** It would be enormous. You would be talking multimillion dollars.

**The Hon. STEVE WHAN:** If you were to design a subsidy, how would you determine what route should be eligible for it?

**Mr VESCIO:** The criteria I would use is, is it economic? For us we would argue that it had a tourism aspect, social and by that I mean the distance, if you were a remote area with a small population over a big business. Also if there were health and social issues that you needed a service for to address to fly people in regularly to provide the services for that community, like fly-in fly-out medical services or various other social services that you provide. I think that sort of criteria you would have to use to determine which airports or which routes you would subsidise. Like I say, I believe once it gets to the point where the numbers make it viable for the operator, the airline, I think at that point the subsidy should be scaled and eventually get to a certain point and there is no more subsidy.

**The Hon. STEVE WHAN:** You see it as an overall assessment across the State?

**Mr VESCIO:** I would say you would have to do an assessment over the State. You would have to define the criteria and have a consultation process to agree the criteria and then assess all the various parts of the State. There may be mining areas in remote locations that are good for the State economy. We would argue the importance of the ski fields to the State economy, given that we are the most tourism-dependent economy in the State. It would go in our favour, but there would be other areas that would have other issues of an economic nature or those others that I mentioned that would justify a subsidy in my mind.

**The Hon. STEVE WHAN:** Have you had feedback from the business community or from people seeking to relocate from the area due to a lack of services dissuading people from establishing businesses or moving to your region?

**Mr VESCIO:** We have had some feedback from people who have said that a regular service would help them expand their businesses, but countering that there are parts of our shire where getting to Canberra airport is not a large drive, whereas once you get to Jindabyne or south it is starting to become a two-hour trip to the airport, or more. Then it becomes questionable.

**CHAIR:** Do you think people would use the service if there was a hub-and-spoke type arrangement of flying a small aircraft into either Canberra or Moree or somewhere like that?

**Mr VESCIO:** That is a possibility. As I said earlier, originally there was a service that was Sydney-Cooma-Merimbula. So a service that was linked may be an alternative to consider.

**CHAIR:** We would call that a triangulated route rather than hub and spoke. A hub and spoke more or less means you fly a smaller aircraft or a larger aircraft which then takes you to Sydney.

**Mr VESCIO:** We are well aware of hub and spoke. That is how most services are delivered in our shire. They are based in Cooma and they come out to the shire. Generally our people drive into Cooma to receive the service.

**CHAIR:** Going back to your comments on competition in the area and the aviation industry, you said that we need to have competition to drive fare prices down. Is it not a chicken-and-egg situation: the numbers will not grow while the fares are high and the competition will not come in until the numbers are high? How do you think we should overcome that dilemma?

**Mr VESCIO:** If I had the answer to that I would go into consulting and make a fortune. I get the point; that is the issue. Until the regional air services are viable and profit making and the numbers are there, you are not going to attract a competitor. How do you grow it—

**CHAIR:** While fares are high.

**Mr VESCIO:** —while fares are high. That is the \$6 million question.

**CHAIR:** If nobody else has any further questions, we will draw to a close. Mr Vescio, thank you very much for coming in today. We understand the dilemma. There are a lot of country towns around New South Wales that have gone through what you have gone through in terms of having their service and then losing it, and they are all feeling the same pain. Thank you very much for coming in and sharing your situation with us.

**Mr VESCIO:** Thank you.

**(The witness withdrew)**

CORRECTED

**JOSHUA ELLIOTT**, Assistant to Managing Director, Snowy Mountains Airport Corporation, sworn and examined via teleconference:

**CHAIR:** Good morning, Mr Elliott. Can you hear me?

**Mr ELLIOTT:** I can.

**CHAIR:** Thank you very much for giving evidence today. The normal procedure is that we ask if would you like to make a short opening statement, but that is up to you.

**Mr ELLIOTT:** I do not have an opening statement at this time. Kevin Blyton, our managing director, asked me to pass on his apologies. He was intending to attend himself but unfortunately there was a scheduling conflict.

**CHAIR:** Thank you. The way that we will manage this is I will ask a couple of questions initially and then the phone will be passed around to other members. I will introduce each member to you as it is passed around. Please give us an overview about the capacity and the size of the Snowy Mountains Airport, who is currently using it and what your regular passenger service numbers were prior to the cessation of services?

**Mr ELLIOTT:** Certainly. Probably the best way is to give you a brief overview of the operations during the time that Snowy Mountains Airport Corporation has owned the airport. It was purchased from Snowy River Shire Council at the beginning of 2005. At that point we secured Regional Express Airlines to operate a year-round service with services of up to 15 flights a week throughout the winter months. That service commenced in June 2005 and continued until the service was suspended by Regional Express in November 2007 due to a pilot shortage and they withdrew from the round in May 2008. During that period, we certainly experienced year-on-year growth of approximately 20 to 25 per cent and I am happy to send you the specific patterns after this session.

**CHAIR:** Thank you. That would be excellent.

**Mr ELLIOTT:** Following Regional Express's withdrawal from the service in 2008, we approached a number of airlines to discuss the range of possibilities for services, including winter only, obviously year round. In 2010 we were able to secure Aeropelican Air Services, which provided a year-round service commencing winter 2010, and from 2011 to 2013 it provided a winter-only service to the airport. The first two years of that being under the Aeropelican brand and 2012-2013 under the merged Aeropelican-Brindabella banner up until December 2013 when Brindabella went into administration. Currently the airport is not used by a regular passenger transport [RPT] operator but is maintained and open as a year round aviation facility. It is used mainly by emergency services at the moment, Flying Doctor, and also used on a regular basis for any firefighting services that may be required in the region.

**CHAIR:** Thank you. With the winter-only service, how many flights per week were operating and do you have any idea of what your passenger numbers were during that phase?

**Mr ELLIOTT:** Unfortunately I do not have the exact passenger numbers with me but, as I mentioned, I can forward it to you. In terms of the flight service with Regional Express, we initially started with 10 services a week with the peak days being Fridays and Sundays, and then a daily service Monday, Wednesday, Thursday and Saturday. With Aeropelican-Brindabella it was a daily service Monday, Wednesday, Thursday, with up to three peak services on a Friday and a Sunday, and that obviously was scaled up and down depending on seasonal demand during the year.

**CHAIR:** I will pass over to Mr Veitch, who is the Deputy Chair of the Committee. He will ask the next few questions.

**The Hon. MICK VEITCH:** Mr Elliott, when you had a regular passenger service, did you charge them landing fees or passenger fees?

**Mr ELLIOTT:** In terms of the year round service, the way that it essentially worked was that there was a landing fee that was applicable for winter services and as an incentive to the airline to operate out of winter months we did not charge a passenger landing fee.

**The Hon. MICK VEITCH:** Was there a discussion or negotiation with the regular passenger transport [RPT] operator around the landing fees?

**Mr ELLIOTT:** Yes, there was. Our company, obviously being a private organisation and having other assets was able to put a package together that included promotional services for the year round in the Snowy Mountains region, but it was around a negotiated subsidised rate effectively where a passenger fee was paid for winter services. Out of winter we effectively completely subsidised with no fees charged to the airline operator.

**The Hon. MICK VEITCH:** What components or inputs went into the development of the landing fees?

**Mr ELLIOTT:** They were calculated based on a number of metrics, one obviously being the operating cost of the airport and, for us, at least trying to work on a cost recovery basis. I can say that at no time in recent years has the airport been close to profitable. It was also based on us looking at a number of other airport operators in regional services, so comparative fees and also looking at fees that were charged by larger private operators such as Canberra, Sydney airport.

**The Hon. MICK VEITCH:** With regard to revenue streams from the airport, what other activities do you undertake at the airport other than RPT?

**Mr ELLIOTT:** There are various other services. As I mentioned, there is a small amount of income that comes via landing fees related to charters or when the vehicle may be used for emergency services. There is a small income stream of rental relating to some buildings on the property that are leased down and a very small income stream that comes from cafe operations that we have operated when there has been a regular passenger transport service, but in the past the primary revenue stream has been passenger landing fees.

**The Hon. MICK VEITCH:** Is your airport used a lot by charters during the winter months?

**Mr ELLIOTT:** It is. Obviously it varies season to season, but it is used probably peak times, say July and August, for larger organisations that are looking to charter to bring groups down. Charter is something that we have looked at in the past and have obviously tried to encourage, but it is not necessarily widely used.

**The Hon. MICK VEITCH:** My next question relates to the maintenance regime, particularly of the tarmac. When is the tarmac due for replacement?

**Mr ELLIOTT:** I think it is on a specific date. We employ a full-time year round aviation manager that is responsible for the maintenance of the airport. Even at the moment when there is not an RPT operator, we obviously maintain the airfield in line with CASA requirements so there is regular maintenance done in terms of mowing. Obviously multiple inspections are done on a weekly basis of the airstrip itself to ensure that it is safe for anybody that lands. The last major upgrade would have been done for the strip in 2008. That involved a sealing agent that went over the top and then basically the maintenance program, the mowing and regular sweeping, that happens probably every three to four months. Obviously if there are any issues that arise they are dealt with as soon as possible.

**The Hon. MICK VEITCH:** Can you advise the Committee on what sort of efforts you have made to attract an RPT since Brindabella's demise and what are the difficulties in trying to get an RPT?

**Mr ELLIOTT:** Certainly. We have obviously spoken to almost every airline that is out there in recent years after the Rex withdrawal and obviously after Brindabella's withdrawal. I guess it comes down to a number of factors. It is obviously a more difficult economic climate for airlines now than it was five or 10 years ago. We put together what we think is quite an attractive package to attract somebody back but essentially in terms of a year-round service, the feedback has been that that is not something that an airline is in a position to provide at the moment unless there was something available from the Government similar to the Queensland QConnect service, with a multi-port subsidised service.

In terms of a winter-only service, we have had a number of discussions. Unfortunately the time frame was too tight between Brindabella's going into administration prior to Christmas and putting a service together for winter 2014. But certainly we are in discussions at the moment with a number of operators for the 2015 season. One of the challenges that we have encountered in terms of talking about a winter-only service is that for a peak service you are obviously talking about ideally a larger sized aircraft. The issue that has been associated with that is, as I am sure you are all aware, that aircraft of a certain size then attracts security screening requirements. That is something that we have looked into in the past and the costs have been in the vicinity of a few hundred thousand dollars. With there being no subsidies available from the State or Federal governments that we have been aware of to help subsidise that, it does not make it viable. To then try to arrange a winter-only, short-term service on a smaller sized aircraft presents challenges for an airline operator to be able to make a significant profit to justify the allocation of their equipment.

**The Hon. STEVE WHAN:** I wanted to follow up on the question Mr Veitch was asking about negotiations with new airlines. How confident are you about a 2015 service? What sort of progress are you making towards that?

**Mr ELLIOTT:** At this point I would not say that we were confident. We have had a number of initial discussions and they were obviously on the basis of initially trying to secure something for 2014 and now the discussions have obviously moved on to next year. None of those discussions would be at a point where I could say we are confident of securing something. In a number of those scenarios it has involved airlines asking either us as the airport operator or the regions via predominantly the resorts to look at guaranteeing passenger numbers and obviously subsidising a minimum number of seats. For us to pull something like that together it is obviously a wider discussion and something where we need to get a number of industry bodies and private organisations on board.

**The Hon. STEVE WHAN:** Is there an approximate level of patronage that they want to be guaranteed to actually start a service?

**Mr ELLIOTT:** Not in terms of overall passenger numbers but more specifically around if a flight was to operate a minimum number of passengers or a certain percentage of the flight being full.

**The Hon. STEVE WHAN:** So it depends on the operator and the aircraft?

**Mr ELLIOTT:** Absolutely, and again the smaller the aircraft the higher the level of guarantee that they are looking for because of the margins being so much smaller.

**The Hon. STEVE WHAN:** What is the maximum size of the aircraft the runway can take at the moment?

**Mr ELLIOTT:** We are capable of taking the Qantas I think it is the Dash 8s. It is capable of an aircraft of approximately 80 seats. I believe Virgin is now also operating a two-way prop aircraft of about 65, 70 seats.

**The Hon. STEVE WHAN:** So it is around the Q400 sort of size?

**Mr ELLIOTT:** Correct. Again the only issue we have run into there is my understanding is that both those aircraft are now captured under the security screening requirements.

**The Hon. STEVE WHAN:** Yes, they are.

**Mr ELLIOTT:** It is the investment there, and without any subsidies the investment of \$200,000 to \$300,000 in security equipment for a 12-week service unfortunately does not stack up from an economic point of view.

**The Hon. STEVE WHAN:** What are your current relations like with Rex? Are they willing to look again at a service?

**Mr ELLIOTT:** Yes, we have had discussions with them certainly around a winter-only service. There has not been interest in a year-round service. There are one-off parties that we are having an ongoing discussion with but, as I mentioned, all operators that we have spoken to at this point would be looking at some sort of subsidy or minimum guarantee to operate a winter-only service.

**The Hon. STEVE WHAN:** There used to be an en route subsidy for airlines for small aircraft in Australia and I think you mentioned the Queensland model. If the Government was actively involved in assisting routes to get established, what would be the best way to go about that? Would it be a seat guarantee?

**Mr ELLIOTT:** From our point of view the Queensland model is something to look at. My understanding is that the subsidy across Queensland is somewhere in the range of \$8 million to \$8.5 million and we have had discussions with airlines where it may not necessarily be a direct Snowy Mountains to Sydney service but one or two helped by other regional air agencies is certainly something that we think could be quite viable, particularly on a year-round basis.

**The Hon. STEVE WHAN:** What sort of modelling or work have you done looking at other ports? There was talk of Newcastle to the Snowy Mountains and also Brisbane to the Snowy Mountains and those sorts of things? Has there been any interest at all in those routes?

**Mr ELLIOTT:** In Newcastle, yes, there was interest with Brindabella and we have been having discussions with them in recent years. Had they continued to operate, I think that was something we realistically probably would have gotten to within the next two years. In terms of a Brisbane-Snowy Mountains link service, we had a discussion with them. There was an issue in terms of the size of the aircraft and its operating parameters. It would have required a stopover, and it would have taken up to 30 per cent longer, I think, in terms of flight time, so the thought was that it was not the most suitable type of aircraft. Again in terms of Brisbane, where it is viable is when you are looking at a 60- to 80-seater aircraft. It is certainly capable of operating the route and we would be confident of working with wholesalers in the resorts to achieve the minimum passenger numbers they would be looking for, but again we come back to the issue of being caught under the security screening requirements.

**The Hon. STEVE WHAN:** If you had a commitment that involved bigger aircraft in the winter season plus a smaller service year round and you had a longer term commitment, presumably that investment would be worthwhile then, would it not, better than earning zero money?

**Mr ELLIOTT:** Absolutely, in that sort of scenario, yes. That is something we would be able to look at as a business model and most likely be able to justify the expenditure.

**The Hon. STEVE WHAN:** Has an assessment been done of how many people fly, for instance, from Brisbane to the New Zealand ski fields? Do you have any figures on that and what sort of market is getting away from us?

**Mr ELLIOTT:** There is. Quite a bit of work has been done by the resorts industry body, Australian Ski Areas Association, and their marketing body Snow Australia. I would be more than happy to send through the data that they have gathered in previous years, if that would be of assistance.

**The Hon. STEVE WHAN:** Yes, that would be useful. What sort of engagement do you have with Tourism Snowy Mountains about air travel being a part of the bigger picture for tourism in the region in the longer term?

**Mr ELLIOTT:** Tourism Snowy Mountains are an organisation that we have obviously had quite a bit to do with over the years both through our ownership of the airport but also the other assets. Tourism Snowy Mountains have always been very supportive in enabling us to engage with the community and also with government and airline representatives, but due to their structure they are not available to necessarily assist from a funding perspective. The reality has been that the major organisations that you would be aware of are obviously Perisher, Thredbo, Selwyn snowfields and then Snowy Hydro and Connect. They are the organisations that we have spoken to when it comes down to try to work out the viability of subsidising seats, working with the resorts for snow packages that they provide and working through their third party wholesalers to try to create packages there as well.

**The Hon. STEVE WHAN:** Have you also spoken to the Department of Premier and Cabinet about the level of State government travel to the area?

**Mr ELLIOTT:** We have not in recent times. We have had a number of discussions in the past and obviously when you were the local member for the area we were always very appreciative of the support that you provided and the conversations we had with you and the wider New South Wales government service.

**The Hon. STEVE WHAN:** My colleagues think I might have asked for that answer but I did not.

**The Hon. PAUL GREEN:** I would not mind a plug like that. Do you have medical health flights coming in or out?

**Mr ELLIOTT:** Yes we do, depending on the circumstance. I know recently the Flying Doctor used services to the airport in the last month so it is a facility that is obviously there and is accessible 24/7. In terms of emergency services, it is probably being used mainly for firefighting in recent years; its location has worked out quite well in firefighting, both in the Snowy Mountains and Kosciuszko National Park, and I believe locations down the coast as well.

**The Hon. PAUL GREEN:** Do you think there is any unreasonable red tape?

**Mr ELLIOTT:** No. Obviously we have an aviation manager that is there year round to ensure that we comply with CASA requirements. That does result in us subsidising the operation of the airport to a significant amount, particularly when there is not enough RPT service but I would not say that we encounter issues with red tape as such.

**The Hon. PAUL GREEN:** We have been talking about other airports, particularly the capacity to fly out or land at Bankstown or the future Badgerys Creek airport. Do you have a view on that?

**Mr ELLIOTT:** Look, we have certainly been open to having discussions. When we have had previous discussions with airlines about year-round services, obviously, they seem to indicate issues with landing rights at Sydney at particularly peak periods: the first thing of a morning and around dusk, the 4-to-6 o'clock period. Certainly from our view, if there were other options, we think that would be beneficial to regional travel. I think it comes down to a case of where there are only so many landing spots, the airlines are looking at the services that can produce the largest revenue and profit during that period. The unfortunate reality is that Cooma-Snowy Mountains, Merimbula or another regional service is going to lose out to a Melbourne or a Brisbane service.

**The Hon. PAUL GREEN:** Finally, are there recommendations you would particularly like to see come out of this inquiry?

**Mr ELLIOTT:** Certainly we would like to see the New South Wales Government give some consideration to subsidising a regular passenger service in regional New South Wales. We have seen the Queensland model with QConnect. I believe Regional Express and Skytrans are the two airlines up there that are being subsidised. It is effectively ensuring that smaller regional areas are not missing out and they have access to the same level of public transportation that those who live in inland and cities have access to. We would certainly like to see consideration given to that sort of model.

**The Hon. CATHERINE CUSACK:** Can I clarify, as a layperson, the definition of a service? Is a plane landing one service or a plane landing and taking off one service or is it two services?

**Mr ELLIOTT:** In terms of a regular passenger service?

**The Hon. CATHERINE CUSACK:** Yes?

**Mr ELLIOTT:** We would class that as two flights. We view it as sectors, so a plane landing is one sector and flying back is a separate one.

**The Hon. CATHERINE CUSACK:** What has happened to those rights now? Have they evaporated?

**Mr ELLIOTT:** I would not be able to give you the exact answer in terms of the slots but my understanding is that there are a certain number of slots that are kept for regional services. Whether they are specifically aligned to particular air services I am not aware.



**The Hon. CATHERINE CUSACK:** I am wondering when Rex withdrew its service whether it had any landing slots that it could allocate to other services?

**Mr ELLIOTT:** My understanding is, yes, they would have used them.

**The Hon. CATHERINE CUSACK:** Rex won the right—I do not know if it was competitive or not—to service the controlled route, is that accurate?

**Mr ELLIOTT:** Yes, they did, in 2005.

**The Hon. CATHERINE CUSACK:** And landing slots came with that?

**Mr ELLIOTT:** I do not believe that the landing slots come with that. The licence is to operate the service. My understanding is it is for passenger numbers under 50,000 per year and that is to guarantee an airline operator has exclusive access to the route.

**The Hon. CATHERINE CUSACK:** It is really up to the airline to find the slots at Sydney, is that the situation?

**Mr ELLIOTT:** Yes, that is my understanding of it.

**The Hon. CATHERINE CUSACK:** When it went to Brindabella there was some sense that there was an obligation on Sydney Airport to provide some slots?

**Mr ELLIOTT:** My understanding is the obligation relates to providing a minimum number of slots for regional services.

**The Hon. CATHERINE CUSACK:** Can I ask about ground connections from the airport? How do you get from Cooma airport to the ski fields with all of your gear?

**Mr ELLIOTT:** There are a number of transport options available. We operated an airport shuttle that connected with every flight both in winter and summer ensuring that if you chose to there was that option. There was the ability to use a local taxi company or, obviously, if you have somebody to pick you up that is available.

**The Hon. CATHERINE CUSACK:** That is good, because often they are not connected locally. When you did have a passenger service how many of the passengers were going to Cooma and how many were going in the Jindabyne direction?

**Mr ELLIOTT:** In winter I would say the majority were heading towards Jindabyne and the snowfields. In the summer months when we are talking about the year-round service, it was a mixture across the whole region. We did provide that bus service during the summer months as well. That was something we committed to as part of the negotiations with the airlines to ensure that anybody that chose to fly had a good experience from go to whoa. We were very mindful of not ending up in a situation where somebody flew to Cooma and then was unable or unsure how to get on from there.

**The Hon. CATHERINE CUSACK:** Roughly what percentage of flights would you say were being utilised by locals?

**Mr ELLIOTT:** From the year-round service it was the majority. I would say that the tourism portion was quite small. The service was tailored with Regional Express to an evening flight which worked well for somebody that conducted a full day in Sydney or the Snowy Mountains with only a one night stopover.

**The Hon. CATHERINE CUSACK:** Tourism is about growth and growth is about making the airport viable, would that be a fair summary?

**Mr ELLIOTT:** Yes, absolutely. In terms of the winter services we saw consistent growth in excess of 20 per cent year on year with Regional Express and certainly Aeropelican's experience had been a year-on-year growth when they operated the service.

**The Hon. CATHERINE CUSACK:** I am sorry if I misheard you but did you say you waived the landing fees in winter?

**Mr ELLIOTT:** We did in summer.

**The Hon. CATHERINE CUSACK:** Winter is the high demand and the summer was much lower demand?

**Mr ELLIOTT:** Yes.

**The Hon. CATHERINE CUSACK:** I am curious because the Kosciuszko summit walk is part of the growing market for nature tourism. That summit walk is one of the great walks in the world, it is internationally famous. Is there promotion of that type of tourism opportunity, which would be perfectly tailored to the summer months when demand is lower? Is that something that is happening through the council, national parks and your airport? How does that work?

**Mr ELLIOTT:** I can only speak from the airport's point of view. Our belief had always been that summer was an area of huge potential to grow the service, particularly for tourism. It was something we have been very supportive of and our initial discussions with Regional Express had been around growing the service in future years to include additional flights in the summer months, particularly during the bushwalking Christmas period. In terms of the effort of the council and national parks promoting both services, I am probably not in a position to comment other than I know Tourism Snowy Mountains, the regional body, has been very active in making year-round tourism a real priority for the region. My understanding is that they are putting together a campaign at the moment to push the region outside of the winter months.

**The Hon. CATHERINE CUSACK:** I am conscious that you are in negotiation with Rex, but it does strike me that their business model is about the highly profitable commuter travellers, hence the operating times where the market is less flexible, if I can put it like that, as opposed to the low-cost low-value tourism market. Would that be your experience?

**Mr ELLIOTT:** Yes. Certainly their business model is not necessarily tailored towards the tourist type of routes. When they did operate the Snowy Mountains winter service it was what I would describe as one of the unique aspects of their operation. They are certainly tailored to a year-round very steady commuter base.

**The Hon. CATHERINE CUSACK:** Reading their magazine on the flight down it is full of mining industry information and advertising. These are trips that are expensive full fares. I wonder if there is a smaller airline providing for that tourism space apart from the major airlines such as Jetstar. Would there be room for that in the New South Wales market?

**Mr ELLIOTT:** Certainly there would be room. As part of our discussion with airlines in previous years we obviously spoke to the airlines that were tailored to that more low cost tourist based model. Unfortunately, the aircraft model they used was of a size that was not viable because it triggered the security screening requirements. My understanding is as part of regional aviation, with their turboprop aircraft, the intention was to move into some of those areas with potential for growth from a tourist point of view, but as to how many routes they are moving to I am not sure.

**The Hon. CATHERINE CUSACK:** If there was flexibility around that. Can you tell me what the number is that trips the security screening? I understand it is horrifically expensive, over the top.

**Mr ELLIOTT:** Yes, the costing that we did to purchase the equipment was in the vicinity of \$250,000 to \$350,000 for equipment and training. That was based on the bare minimum requirement. My understanding is that in terms of the aircraft that trips it, it is now based on the weight of the aircraft. I could not be exactly sure but I think it is about the 60,000 kilograms mark. In previous years it used to be based on a model that was jet aircraft and turboprops were exempt but the Federal Government changed that legislation about three or four years ago.

**The Hon. CATHERINE CUSACK:** Which I think was very wrong. All the passengers pay fees for security and the cost, nevertheless, is imposed on airports at the expense of their viability.

CORRECTED

**Mr ELLIOTT:** It is a very difficult situation. With there being no support at all from the Federal Government to subsidise it, those new regulations that were brought in have made a number of air services that were previously viable no longer so.

**The Hon. CATHERINE CUSACK:** Is the airport running at a profit at the moment?

**Mr ELLIOTT:** No, it is running at a loss.

**The Hon. CATHERINE CUSACK:** How long has it been running at a loss?

**Mr ELLIOTT:** It would be a number of years now, a significant number of years. That is just the costs that are associated with operating the airport because nobody lands there. Obviously there are no subsidies or incentives that we provided airlines in the past to operate at the airport.

**The Hon. CATHERINE CUSACK:** How are you managing to run at a loss?

**Mr ELLIOTT:** The airport is one aspect of a wider group. The airport is effectively subsidised by other business units in our group.

**The Hon. CATHERINE CUSACK:** Is there scope for increasing fees to the State Emergency Service [SES]? I do not want to be too controversial, but having the airport on standby to land is a big infrastructure plus for New South Wales?

**Mr ELLIOTT:** It is, and that is part of our commitment. The CASA regulations do not allow an option to be an airfield part-time; it is an all or nothing scenario. We are committed to gaining another air service to the region in whatever form we can, which is why we made the commitment to keep operating it. As to the current fees that are paid by emergency services, I am probably not the best person to comment there.

**The Hon. CATHERINE CUSACK:** Can you tell us what those fees are?

**Mr ELLIOTT:** I do not have exact figures in front of me. I would be able to get those to you.

**The Hon. CATHERINE CUSACK:** Thank you. Can you tell us what the number of movements are or were over the past year and the type of movements?

**Mr ELLIOTT:** Again, unfortunately, I do not have the passenger numbers but I am happy to provide those.

**The Hon. CATHERINE CUSACK:** It is aircraft movements. I am interested to know how many times the Flying Doctor or a medical plane, an SES plane, charter or private plane landed?

**Mr ELLIOTT:** Absolutely. That will take us just a little bit of time but we would be more than happy to provide a copy of that.

**The Hon. CATHERINE CUSACK:** We would appreciate more insight into the nature of who is using that facility.

**Mr ELLIOTT:** No problem.

**CHAIR:** Mr Elliott, thank you very much for your evidence under somewhat difficult circumstances but I think we got through it reasonably well.

**Mr ELLIOTT:** Thank you for your patience with the phone.

**CHAIR:** You did take some questions on notice. The secretariat will be in touch with you in due course to remind you of those and if you would not mind getting those answers back to us within 21 days?

**Mr ELLIOTT:** There should be no issue with that at all.

CORRECTED

**CHAIR:** That draws today's proceedings to a close. I thank all members and participants today for their submissions and their evidence. It has been extremely useful and we have gained some very useful information from all of you.

**(The witness withdrew)**

**(The Committee adjourned at 12.03 p.m.)**