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REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO REGIONAL AVIATION SERVICES

At Tamworth on Tuesday 22 July 2014

The Committee met at 2.00 p.m.

PRESENT

The Hon. R. H. Colless (Chair)

The Hon. P. Green

Mr S. MacDonald

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

The Hon. S. J. R. Whan

CHAIR: I apologise for the delay. Fog caused our flight to be held up and there was a slight technical problem with the Hansard recording equipment. Welcome to the fourth hearing of the Standing Committee on State Development inquiry into regional aviation services. The inquiry is examining the provision of aerial regular passenger transport services to regional centres in New South Wales. I acknowledge the Gomeroi and Kamilaroi people who are the traditional custodians of this land. I also pay respect to the elders past and present of the Kamilaroi nation and extend that respect to other Aboriginals present.

Today is the fourth of seven hearings the Committee plans to hold in this inquiry. We will hear today from Clarence Valley Council, Mr Robert Gordon, Armidale Dumaresq Council and Tamworth Regional Council. Before we commence, I would like to 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 also remind media representatives that you must take responsibility for what you 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. So 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 an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that a witness could only answer if they had more time or with 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. Finally, I ask everyone to turn their mobile phones off for the duration of this hearing. Owing to the late start today's revised hearing schedule will be: 1.45 p.m. to 2.30 p.m. Clarence Valley Council; 2.30 p.m. to 3.00 p.m. Mr Robert Gordon; 3.00 p.m. to 3.45 p.m. Armidale Dumaresq Council; and 3.45 p.m. to 4.30 p.m. Tamworth Regional Council. I welcome our first witness, Mr Des Schroder.

DES SCHRODER, Director, Environment, Planning and Community, Clarence Valley Council, sworn and examined:

CHAIR: Mr Schroder, would you like to make a short opening statement?

Mr SCHRODER: The Clarence Valley Council submission pretty well covers the issues that we want to raise. The council's main city is Grafton, we also have Maclean and Yamba, with a population of about 51,000 people and growing at 0.05 per cent per annum. We are sort of wedged in between Coffs Harbour Regional Airport, Ballina airport and, increasingly, Gold Coast Airport. Regional Express Airlines [Rex] still operates out of Grafton airport. You could say that we are well serviced. We are not complaining about the servicing of it but I will get to some of the issues we have got in a minute—I think a lot of witnesses will bring up some of the same issues as us.

We have got a pile of low-cost carriers coming into Ballina, Coffs Harbour and the Gold Coast. The Gold Coast is also a conduit into the Asian tourism market. We have got Scoot. For instance, I had a look yesterday and you can fly to Singapore for \$179 one way. We have got a campaign with Destination North Coast at the moment. In the last 12 months 1,500 Singaporeans have come to the Gold Coast. They drive down the Legendary Pacific Coast to Sydney and then fly out from Sydney, and vice versa. Basically the airports are okay but the main issue is with the continuing business access to Mascot airport, which is a real concern for the regions. Between us, Coffs Harbour and Ballina we have only got about 100 business seats going into Mascot airport each morning and although we have got lots of low-cost carriers coming in the middle of the day that is still a real concern. Increasingly, access to Brisbane is also an issue. I know Brindabella Airlines was flying out of Coffs Harbour but that has now obviously ceased. That continues to be an issue and it will come up consistently today.

The other issue I want to briefly raise is that the numbers have been declining with the Rex service from Grafton. Now some of that is from competition with the adjoining airports, and there is good and bad in that because it keeps the fares down, but what we are finding with the hub arrangement—and I know you will be talking about hubbing—is when you are going from Grafton to Taree you leave Grafton at 6.30 a.m. and get to Taree at, say, 7.30 a.m. Often you get to Taree with a 15 to 20 minute changeover and all of a sudden air traffic control says, "Wow, you have lost your slot" and you arrive in Sydney about 9.30 a.m. having left at 6.30 a.m. So the issue with the small planes getting into Sydney can be a real issue even when you stop. If you went straight from Grafton to Sydney you would leave at 6.30 a.m. and be in Sydney at 8.00 a.m. and probably miss any delays.

We have been working with Rex to try and get a direct flight back—there used to be 30,000 passengers going on the Rex flight from Grafton—and we are getting some pretty good feedback from them that that may be a possibility again. I do not know where they are going to get the slot from but that is their business. We have put in quite a big submission. We asked our community for feedback and 80 per cent said if there was a direct flight straight to Sydney they would not be using Coffs or Ballina anymore. That is pretty good feedback on that. So we have put that submission in. We have also got a big highway upgrade happening. We have got about \$7 billion to be invested in our area shortly, and again we expect the traffic to increase from that.

The only other thing in our submission was to say that we do need a strategic look at all the airports and how they fit together. We are a smaller airport but the highway is going to go past the Grafton airport. We have worked with Roads and Maritime Services [RMS] to make sure that we have got access to the airport for trucks etcetera and we also doing some rezoning with the Department of Planning. So we have actually been planning quite a lot around that airport. We think it has got a strategic place in freight—it might be flight training centres. I know that some of the bigger airports cost the State and you get some conflict between some of those operations. So there are opportunities and I think some sort of strategic overview would be good. I know time is short so that is probably enough.

CHAIR: In your opening you said that use of the Grafton airport is declining because of the proximity of other airports that give passengers access to cheaper fares. Has that decline been in passenger numbers, the number of scheduled flights or both?

Mr SCHRODER: Mainly passenger numbers; the flights have not changed much over the years. It has been pretty consistent. There have been different carriers at different times. Rex has been there quite a long

time. We have got a good relationship with Rex. The fact is that you can get a return flight to Coffs Harbour with one of the low-cost carriers for around \$200 sometimes. Rex finds it hard to compete with that, although we still get a return flight for \$500. I was talking to somebody here from Armidale and they were saying it can cost up to \$1,000 from up here. So the competition is good in a sense but it actually does mean that we are losing probably—people who have to get directly to Sydney first thing in the morning or at night, the business passengers, will probably choose to go from Grafton to probably Coffs and, if you are at the other end of the valley, from Yamba, Maclean to Ballina or Gold Coast. The other factor for us with the highway upgrade all of a sudden we are going to be three-quarters of an hour from Coffs, probably the same at the other end to Ballina, probably two hours from the Gold Coast and even 2½ hours from Brisbane airport. So there is a whole different context and in the context of transport you have got to look at the whole set-up. We have got lots of airports but are those airports viable even in the context of that? So that is the other context for us.

CHAIR: In your submission you say that it is obvious that a strategic airport plan is needed along the coast.

Mr SCHRODER: Yes.

CHAIR: Has the Regional Organisations of Councils (ROCs) done any work in progressing that? Do you see it as the responsibility of local government, the State Government or both? How should that happen?

Mr SCHRODER: Apparently, even though it is a bit of a delicate issue, Clarence Valley Council has pulled out of the Northern Rivers Regional Organisation of Councils (NOROC) at the moment but our economic development officer went along to a NOROC meeting the other day. They were discussing the rationalisation of airports and what role they play. So there has been a very preliminary start on that. I think it has been recognised by the different groups that we do need to have some discussion on that. I would not say there is leadership yet but discussion is starting to happen that we need to look at the roles and functions of each of those different airports.

CHAIR: In your opening you spoke about hubbing with Taree. I suggest to you that that is more a triangulated run than a true hub and spoke.

Mr SCHRODER: You are probably right.

CHAIR: Do you see an opportunity for hubbing and spoking in its true sense through those North Coast airports?

Mr SCHRODER: That is a hard one. I think the reality is that if people got the choice of having to do the hubbing they would probably just drive to those airports where we are. I think you would actually drive there. You would go to Coffs or to Ballina or whatever if you are in our situation and not even think about it. The issue for us is people saying: If we have got to do that then we will drive to the airport and fly directly to Sydney. Probably the big feedback we got is that people want direct flights straight to Sydney.

The Hon. MICK VEITCH: I would like to talk to you about the airport development that you have going on at the moment. Grafton is looking at a \$2 million redevelopment of their airport, is that right?

Mr SCHRODER: Yes, we are upgrading the runway, the terminal and the apron.

The Hon. MICK VEITCH: How is that being funded?

Mr SCHRODER: We have been lucky enough to pick up some funding in the last round of the Regional Development Australia Fund [RDAF]. We also picked up a low interest loan from the State Government. So we still have to pay back the loan, but it is a very good loan.

The Hon. MICK VEITCH: Obviously there is a master plan for the airport?

Mr SCHRODER: Yes, in a sense. We are going to do some more master planning on it but the essence of the airport plan has been to try to keep passenger aircraft going there. Also the strategic importance of the airport is that it becomes a major hub for the Rural Fire Service [RFS] and other services in bushfire season. We are going to work on a master plan. I would not say that there is a master plan per se at the moment—I guess because there has not been the pressure to do that. But we are conscious of the need for it.

The Hon. MICK VEITCH: I know that Coffs Harbour has spent a significant amount of money on its airport as well just recently. That was to do with the passenger screening. There seems to be a lot of money being spent on airport development on the north coast. Is that because of an increase in passenger numbers or is it more about trying to retain the airlines?

Mr SCHRODER: I think it is a bit of both. Everybody is definitely trying to keep the airlines flying in. From a tourism point of view I think we are right up there with Sydney. The north coast is obviously a big tourist destination—especially places like Coffs Harbour and Byron Bay. I think the Ballina Byron airport is more of a Byron airport. We rely on those tourist planes coming in. So there is an economic imperative to maintain those services. The number of tourists is going up; it is not going down. Domestic tourism is definitely growing, and international tourism is growing. We are one of the rare areas where tourism is growing. I guess the upgrades are being done to cater for that. Obviously some of the security stuff has been forced upon some of the airports. We do not meet that threshold at the moment; we are below that threshold. Obviously that investment is to do with growth.

The Hon. MICK VEITCH: Did you involve Regional Express Airlines [Rex] in the planning of your current round of infrastructure expenditure?

Mr SCHRODER: Yes, Rex has been involved. Keeping them is also one of the issues. Obviously if our tarmac is not good enough then we will not have them there. They are pretty happy about the upgrades. Of course there is no guarantee that they will stay.

The Hon. MICK VEITCH: Do you charge landing fees?

Mr SCHRODER: Yes, we have fairly generously subsidised landing fees. Those are mentioned in our submission. We have worked with Rex over the years on this. We have been very generous with our landing fees to keep Rex flying there. We have been slowly increasing those fees but I would not say they are charged on a commercial basis at the moment. The airport is one of those subsidised businesses that the council runs.

The Hon. MICK VEITCH: What is the calculation for determining those fees? Is it based on historic numbers or is it more about negotiation with Rex?

Mr SCHRODER: The number of passengers underpins it. But the other thing that underpins it is negotiation. We have a very good relationship with Rex, which has continued over a long period. It is negotiated but it is based on passenger numbers. They pay by passenger number. The rate is by no means a full commercial rate.

The Hon. MICK VEITCH: Rex indicated in their submission to this inquiry that they feel there should be an independent arbiter or an ombudsman to determine landing fees at regional airports. Do you have a view about that?

Mr SCHRODER: I think we would be happy with that. I do not think we have been over the top at all with our charges. But I think that is probably not such a bad idea.

The Hon. STEVE WHAN: In your opening statement you talked about determining whether airports are viable. What makes you think that Grafton airport is viable in the long term when you have nearby the Ballina Byron airport and the Coffs Harbour airport?

Mr SCHRODER: We talk about this in our submission. Maybe it is not from a passenger numbers point of view. But it probably has some other roles.

The Hon. STEVE WHAN: You talked about the airport being an emergency services hub. Is that just a way of trying to make it viable?

Mr SCHRODER: The RFS definitely uses it as a hub. The other thing to note is the importance of business flights into Sydney at 6.30 a.m. and after 6.30 p.m. They make a huge difference. If we lost those Rex services out of Grafton then I do not think Coffs Harbour would make up for it. The number of people living on the north coast is high. We have a population of 150,000 between us, Ballina and Coffs Harbour. There might be 100 seats on those morning flights. From a business passenger point of view, if we end up losing the morning

slots then that is a real worry for the whole of the north coast, particularly given our development. We are growing at an average rate of about one per cent. The real worry for us is keeping those business passenger slots. The tourism stuff is probably going to be determined by the low-cost carriers.

The Hon. STEVE WHAN: You mentioned the highway upgrade. When all those very frustrating 80-kilometre an hour zones go from the road between Coffs Harbour and Grafton then it will be easily less than an hour's drive between the two towns.

Mr SCHRODER: Absolutely.

The Hon. STEVE WHAN: Given that the airport is 15 kilometres out of town, surely you have to think that in the long term it is going to be a bit of a struggle to keep that airport.

Mr SCHRODER: We have flagged that in our submission. Obviously we are looking for other avenues to do that. We think it has a strategic role for freight and for various other issues. Already we are setting it up as a freight hub for trucks, and we have had some success with that.

The Hon. STEVE WHAN: What sort of freight hub are you planning there? What sort of facilities are there?

Mr SCHRODER: We already have an example of this in South Grafton. There is a trucking firm called Jim Pearson Transport who are now operating from Brisbane to Grafton, and then go from Grafton to Taree and then from Taree to Sydney. Their drivers all live in the town and they swap trailers. At the moment there are 175 trucks going each way every day. Woolworths have now established them as their distribution hub out of Grafton, which is really good. The reality is that there is a strategic role there. With the airport and where the highway is going to go we have worked with Roads and Maritime Services [RMS] to have our on ramps and off ramps near the airport. We think that is a very strategic piece of land for the future for that type of hubbing. If we add to that the potential for freight out of the airport itself then it could become a strategic freight point. That is the sort of work we have been doing.

The Hon. PAUL GREEN: To continue with that line of thought, you said that this is a strategic piece of land and you said something about rezoning. Did you get it rezoned?

Mr SCHRODER: No, we did have the Department of Planning and Infrastructure in what they call the mid north coast strategy recognise that it can be rezoned. That is the very first step.

The Hon. PAUL GREEN: Are there any trees on it?

Mr SCHRODER: It is a land bank area basically. If you do not get it in that plan then it will not go anywhere.

The Hon. PAUL GREEN: No, that is true.

Mr SCHRODER: So it is in the plan.

The Hon. PAUL GREEN: What is its current zoning? Is it zoned B3?

Mr SCHRODER: No, at the moment it is zoned as agricultural land. In the future it could potentially be zoned as employment land or industrial land or one of the zones in that sort of area. Whether it is zoned as light industrial or heavy industrial is another issue. Basically that is the planning side of it. Obviously we would avoid any high-conservation value vegetation work.

The Hon. PAUL GREEN: In light of that strategy, what sort of infrastructure will you need there in the future?

Mr SCHRODER: It is not serviced at the moment from the point of sewerage or water. It has electricity, because the airport has electricity. But these days with sewerage systems you can bring plants in. They are all over the place, and that is not a hard thing to do. On the question of town water supply, that is possible. Basically it can be done. It is just a matter of whether or not it is strategically important. We know that industrial land is in short supply on the north coast. We think this land is strategic and has a real future.

The Hon. PAUL GREEN: A lot of people are thinking that way. We were out at Cowra a little while ago and they are going down the same sort of route. In terms of future growth, if you are thinking that way then what is the next step in terms of rezoning that land? How far away is that?

Mr SCHRODER: We are actually working on that. We have done some preliminary work on it. We will take that forward to the State Government hopefully in the next 12 months. But obviously the rezoning itself does not matter without the highway upgrade. As far as we know the highway upgrade from Woolgoolga to Ballina has now been funded. It will cost more than \$7 billion and will be finished in the next five years, if they meet the timelines. Obviously we want to align with that.

The Hon. PAUL GREEN: In terms of that infrastructure, what are you doing around asking the Government to meet any of your needs?

Mr SCHRODER: We are not doing any work with the Government at the moment on that. It is in its early stages. The biggest piece of infrastructure the Government is providing is the highway upgrade. That is pretty fundamental. If we get the highway upgrade then we can work on the rest. A lot of private developers will do the rest of it for us. We do not think we need to go to Government on this. I should add that Roads and Maritime Services are providing us with on ramps and off ramps in strategic locations, and that has been negotiated with them. All the planning we are doing is to ensure that we do not have a step missing. If we do not have on ramps and off ramps in place then we will be missing a fundamental step. If you cannot easily get onto and off the highway then you have an issue. So we have been working with them on that.

The Hon. PAUL GREEN: How far is your airport from town?

Mr SCHRODER: The airport is about 10 kilometres out of town.

The Hon. STEVE WHAN: Google says that it is 15 kilometres.

Mr SCHRODER: Okay, I stand corrected.

The Hon. STEVE WHAN: That is probably from the post office actually.

Mr SCHRODER: It is about 10 minutes drive.

The Hon. PAUL GREEN: In Sydney there are planes, trains, buses, taxis, trains and everything available. But out in the regional areas there are not as many services available in terms of transportation. Could you explain how important this air service is for the residents of Grafton?

Mr SCHRODER: I should say, and this has been brought up already, that air services are important to regional bodies. Whether the service is run from our local airport or from an adjoining airport does not matter as long as we have the services available. I keep emphasising that those business flights into and out of Sydney, and maybe Brisbane—we are becoming more connected to Brisbane and south-east Queensland—are absolutely crucial.

Mr SCOT MacDONALD: I just want to clarify something. Are the people using the Rex flights predominately businesspeople?

Mr SCHRODER: Yes, they are predominately businesspeople.

Mr SCOT MacDONALD: So there are not many tourists using those services? Do they use the low-cost carriers?

Mr SCHRODER: I should make a comment on that issue. It is important for the inquiry, and your question just reminded me of it. Yes, you are right; those flights are mainly used by businesspeople. There are obviously some other passengers. We have the low-cost carriers coming into Coffs Harbour and Ballina. It raises the issue of the public transport component of airport links. There is a private operator from Yamba that goes to Ballina Byron airport. But those arrangements are always a bit tenuous. From a tourism point of view, we need those links. The whole transport network linkage is an absolutely crucial issue for us. How you get from the airport to other areas, even if we do not use our own airport, is a crucial issue.

Mr SCOT MacDONALD: That issue is mentioned in your submission.

Mr SCHRODER: Yes.

Mr SCOT MacDONALD: Has the community expressed a view about the Grafton airport? Has the community expressed to council the view that it wants to keep the service there and keep the airport running or is it up to the market where the services go?

Mr SCHRODER: Our councillors, who represent the community, have a firm view that they want to try to keep the airport running as a viable entity. They do recognise the realities of what is happening around us. They also want to strengthen those realities by working with those adjoining councils. Generally the community likes having local air services. It is probably not as crucial as in some other areas. But basically that has been the strong opinion of the local community. The Mayor is always putting in submissions on behalf of the community. Most people would say that if we have a direct flight back to Sydney then, regardless of the cost, they will use it. Government agencies are another issue. We have lots of Government agencies in town and they need to use the air services too.

CHAIR: You said in your submission that there are three flights per day going into Grafton. Is that correct?

Mr SCHRODER: Yes. It goes around in a circle. The 6.30 a.m. plane goes to Sydney. It comes back and theoretically arrives back at about 11.30 a.m. That 11.30 a.m. plane flies to Sydney and then comes back for the 2.00 p.m. service. The 4.00 p.m. plane flies to Sydney again. It comes back at 6.30 p.m. and stays in Grafton overnight. So it is an endless circle.

CHAIR: What is the patronage like on that midday service compared to the early morning flight?

Mr SCHRODER: It is lower. If you are from Sydney and you want to come up and go to court for the day or something like that then you are not going to use that midday service because you would get in too late. The advantage of having the direct flight at 6.30 a.m. which arrives in Sydney at 8.00 a.m. is that they could probably turn that around by 8.30 a.m. and get back into Grafton by at least 10 a.m. That would improve that service. I think that, realistically, we are never going to get a direct service straight out of Sydney at that hour of the morning. We might. A lot of people do go to Coffs Harbour, which does have a direct service which goes straight through.

CHAIR: Who is using that middle of the day flight then? Is it tourists or businesspeople or both?

Mr SCHRODER: There are a few businesspeople who use it, and some tourists do use it. You have to remember that it also goes to Taree on the way through. We have been thinking that maybe that plane in the middle of the day could shoot off to Brisbane. The Mayor had that thought. Maybe it could be a flight to Brisbane that comes back and then flies on to Sydney that afternoon. I do know whether that would work with Brisbane airport or not, but there were some thoughts about that. There is some further thinking we need to do around that midday flight.

The Hon. PAUL GREEN: In terms of the loss council is making on the airport, I see in your submission a figure of \$17,000 per annum, not including asset maintenance. What are we really talking about here? How much is the total loss per year?

Mr SCHRODER: We are spending \$2 million this year for a combination of things. The \$17,000 is the normal maintenance and yearly running costs, if you like. There is then capital expenditure on top of that. As you know, most councils are not looking after their capital properly right across the State anyway. So it is an issue.

The Hon. PAUL GREEN: That is where I was going. You talk about growth and industrial lands; will you be putting a section 94 costing in that development?

Mr SCHRODER: Possibly. It is too early yet.

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The Hon. PAUL GREEN: It is too early but, surprisingly, councils are not building within their section 94 their airport needs across the regions.

Mr SCHRODER: You are right. We have not got it in our section 94 plans, although the section 94 plans, depending where the new planning reforms go, were a tenuous piece of—

The Hon. PAUL GREEN: Someone has to pay.

Mr SCHRODER: Someone has got to pay, yes, I agree. You are right; we have not got them in our section 94 plans.

The Hon. MICK VEITCH: Just to follow on from Mr Green's question around the recurrent cost of running the airport, are you able to take on notice and get back to us about what it costs to achieve? It is about \$17,000 for maintenance and things like that but an airport must cost more than that, and we have heard around the State that it costs more than that.

The Hon. PAUL GREEN: They lose \$17,000 per annum. It is not much. I see that as an investment.

The Hon. MICK VEITCH: Compared to other councils that are telling us what they are losing.

Mr SCHRODER: Just to qualify that: If you had to put in the capital cost, the depreciation costs, that would go up a lot—like our rates.

The Hon. MICK VEITCH: Can you take that on notice?

Mr SCHRODER: Sure.

CHAIR: Thank you, Mr Schroder, for appearing today. Again, I apologise for the mix-up with the times and so on; it was something that was out of our control. You took that last question on notice. The secretariat will be in touch with you to confirm the question and once you liaise with them if you could get the answer back to us within 21 days that would be fantastic.

(The witness withdrew)

ROBERT GORDON, private citizen, sworn and examined:

CHAIR: Would you like to make a short opening statement?

Mr GORDON: I am here in the capacity of a private citizen and airline traveller of quite a few years. I have also worked with the NSW Farmers Association in putting together at least a draft policy, which is very much in line with what I have put forward here today. The Armidale Dumaresq Council, in its wisdom, has set up an airport advisory group to help them with their deliberations regarding air services to and from Armidale and I am the NSW Farmers regional representative on that group. From that perspective, from my private concerns, which have been longstanding, in relation to what is happening to regional airlines, plus the wider perspective of NSW Farmers, who are also concerned but have been unable to pursue it because of the priority of other issues, I have put forward this submission today for the Committee's consideration.

The overwhelming theme in the submission is the call on the State Government to play more of a role in the provision of regional air services. It was not a specific term of reference in relation to the role of government in providing these services but my submission is a de facto attempt to address that issue because I think it is absolutely central to getting the provision of affordable, sustained and adequate air services back to a satisfactory level. I am old enough to remember the days when the Government had its own airline and delivered the air services. It has gone from that to leaving everything, basically, the lead role, to the private sector and I think the flaws in that concept and that policy are showing up quite strongly and, in my view, it is approaching a crisis point. I commend the State Government for initiating this inquiry and I thank the Committee for the opportunity to attend here today and to submit my submission. What I would like to do, if I may, is address very quickly the recommendations that I have set out here.

CHAIR: Can I suggest to you that in doing so you make it rather brief because, as you are well aware and we are all aware, there are constraints with time this afternoon and I know that you have to get away by 3 o'clock. We would still like some time to ask you some questions. Please proceed.

Mr GORDON: I would like to address the recommendations in the submission very quickly, starting with No. 1: "State and Federal Government should acknowledge the essential nature of adequate and affordable air services for country NSW by once again accepting responsibility for their provision on sustainable and equitable basis". That is basically calling, as I mentioned, for the Government to take over more of a lead role. The second recommendation is, "The NSW Government should use the National Transport Council to persuade the Federal Government to discharge its responsibilities for the National Aviation Policy, and the operation of interstate air services". That addresses the issue that we have with the Federal Government also withdrawing very substantially from involvement except for safety and security in regional air services.

The third recommendation is, "The NSW Government in collaboration with the Federal Government develop a Strategic Plan for an optimal, sustainable air services network for country New South Wales". We have already heard earlier that there needs to be a strategic approach adopted rather than the ad hoc situation that we have currently and had in the past. I have suggested that the State be divided into three regions instead of the usual ones of regional and remote, because I think it was clear when we heard the previous speaker, that coastal is very different to west of the divide and I am suggesting that three regions—coastal, regional and remote—be the regional divisions when considering everything from statistics upwards.

The only other thing I would add to that recommendation would be that there would be a need to set up considerable criteria and those criteria should include the potential for a certain centre to develop rather than just the existing situation. I think Armidale is a case in point with its lack of service to Brisbane. Brisbane is flourishing; Armidale, I am sure with the right tourism policy and business policy would be able to tap into that much more effectively if we had a sustained, affordable air service.

Recommendation 4 is that some funding assistance to smaller operators will be required. It may even be necessary to provide across-the-board assistance to all regional operators—and I think it is becoming patently obvious that cost pressure is extreme on all businesses, including airline operators for regional services. The capacity to pay from their passengers is also being squeezed downwards, so the gap is widening and it is getting very difficult. So that aspect I think should be recognised: it is getting tougher and tougher. That means if you rely only on the commercial operators then the services will become fewer and farther between.

A significant number of New South Wales regional centres are being serviced by ongoing monopoly operators—there are a considerable number of those. In this day of national competition policy it is untenable that that should be allowed to continue unmonitored. I think that the way to deal with it is where there is an ongoing monopoly there should be some government monitoring of the fares and service levels of that monopoly. If another operator comes in then competition takes over and you do not have the problem. Again, Armidale has experienced that and it is patently clear what happens to service levels and fares once the competition is there. But in many centres, including Armidale, competition was not there and the fare and service levels are left to the discretion of the operator. That should not be allowed.

The current State aviation working group is a body set up with stakeholders to advise the State Government on regional airline matters. It has no direct representation of passengers and the NSW Farmers have put in a request for representation, agriculture being the biggest industry in regional New South Wales and, therefore, the biggest stakeholder. Some of the bigger users of the airlines should have representation on that group and, like the Armidale airport advisory group, it has great potential for the Government to get good advice when pursuing future policy directions.

Existing legislated access to Sydney Airport has been dealt with and I am sure almost everywhere, as it should. It is ironic that for the purposes of access to Sydney Airport, regional airlines are designated essential services. That designation does not go beyond access to Sydney Airport. The regional services themselves should surely be designated an essential service, an essential form of public transport because that is what they are and they should be referred to as that and policies should be developed accordingly.

Regional airports, formerly owned by the Federal Government and now owned and operated by local government, are therefore monopoly operated and should be transparent and accountable for costs, charges and potential cost or profit shifting. Monitoring and regulation is again needed to see that that happens in the interests of the passengers of the community. Capital expenditure requirements, including but not confined to safety and security for regional airports, should be fully met by the Federal Government by grants—not by loans; by grants. The funding of regional air service is again ad hoc. You never know whether you have got it or whether you can get it, and if you are going to get it what terms it is going to be on. It is most uncertain and it has got to be put on a more sustainable and fairer basis and with more continuity.

Lastly—I am sorry about the typo; I have got "scare" resources but I meant "scarce" resources—scarce resources should not be spent on attempting to quantify the benefits, or conversely the losses, to communities that have or have lost air services. We know in general terms the answer to that question well enough, and you have only got to look at what happened at Moree the other day when they lost their airline. People got up, for once. They started putting a real value on air services and they came out in numbers, so I would be against the use of money and research projects that were only going to demonstrate what we already know: We need the money to get on with doing something.

Mr Chairman, I would like to table two publications, if I may. "Making Ends Meet: Regional Aviation—Island Transport Services" has been my bible—and I am sorry I have not got copies for everybody but when you look at it you can probably understand—and it is a 2003 study done under the former Deputy Prime Minister and Minister for Transport, Mr Anderson. There are 20-odd recommendations from that. It is wonderful background information for anyone in my position and your position because so much of it still applies or has got worse. I table that.

Document tabled.

Mr GORDON: I commend that to members of the Committee.

CHAIR: Thank you very much.

Mr GORDON: Finally, this is a research report done by the Australian Farm Institute, "New Thinking About Agriculture", which for the first time quantifies the disparity in monetary terms between essential services, of which of course regional airlines is one, in urban and regional Australia. To my knowledge I think it is the first time that this disparity has been quantified. I have taken the liberty of arranging for a copy of this to go to each member of the Committee and to be delivered to Parliament House. Again, I think it is well worth reading.

Document tabled.

CHAIR: Thank you very much.

Mr GORDON: In conclusion, I just want to reinforce that we are talking about an essential public transport system. The government—Federal and State—have responsibility for the provision of affordable and adequate services on a sustainable basis. I hope that this committee is the start of policies that will change the balance between the Government role and the private sector role because it is proved well and truly that the current system is unsatisfactory and untenable. Thank you, Mr Chairman and Committee.

CHAIR: Thank you, Mr Gordon. We have some time for questions. I will ask the first one. In recommendation 3 you talk about a strategic plan for optimal sustainable air services as a network. Given that the likes of the Tamworth, Dubbo, Wagga Wagga, and even Armidale basically are a monopoly-type arrangement and that the air services are not really at risk from those centres, what sort of model do you think should be provided for the Morees, Narrabris, Inverells and even down to towns the size of Walgett and Bourke and so on? What sort of model do you envisage should be applied to make sure that people in those centres have access to aerial passenger services?

Mr GORDON: One of the things I would recommend is that you look at the Queensland model and how they have arrived at it. I think Queensland is about the most similar to New South Wales in terms of having a coastal strip more densely populated and then the regional and remote sectors. They appear to me to be—not that I have studied it in detail—that that would be one resource that I would certainly be looking at. But I think that we are starting from a blank page because all the towns interconnected. I mean, roads are connecting them up all over the State so the air route should be looked at in that context as well. Certainly the criteria will need some study and some thinking about. Another parameter could be the length of time spent in a vehicle getting to an airport. I think it needs to be addressed with some imaginative minds and by drawing on what other States or even countries have done.

Mr SCOT MacDONALD: Thanks, Robert, for coming down from Guyra, which is a good spot.

The Hon. PAUL GREEN: Conflict!

Mr SCOT MacDONALD: A conflict, yes. As the Chair said, I think the challenge is the model. Wherever we go, no-one disputes that Wagga or Brewarrina or whatever suffer terribly if they do not have access to some sort of service, usually for medical reasons and things like that. Can you tell us a bit more maybe about how Queensland arrives at that? Do you see the Queensland model as being viable in the long term, or is there another mechanism by which we can do it besides a direct subsidy to the passenger or to the carrier? Is there another means by which we can look at this?

Mr GORDON: No, I cannot really comment because I am not sufficiently familiar with their model. I know that they do accept that they need to subsidise some regional and remote routes. I think I have mentioned in my submission under recommendation 4—

Mr SCOT MacDONALD: "Fuel", yes.

Mr GORDON: —that one appropriate concession could be access to fuel at prices equivalent to those enjoyed by city-based operators. But then I am told that these days they all fuel up in the capital city. I do not know if that is right or not—I am not an expert in that area—but there must be some ways that government can alleviate costs for regional air operators. Heaven knows the subsidies in cities for public transport are ginormous. Surely there can be some alleviation to provide, as an overriding goal, the services at the most cost-effective level at which those services need to be maintained for country people.

Mr SCOT MacDONALD: Can I just come back to capital expenditure? I think you and others have said that at the moment the Federal Government has stop-start programs, you depending on budgets and will. Is that a problem that you see in your mind in that from year to year airports are not sure what they are going to get from the Federal Government? Do they need a five-year or 10-year plan? Is that something we can look at? As I say, at the moment, if it is not ad hoc, there does not seem to be much rhyme or reason around it.

Mr GORDON: No. I could not agree more. I think in relation to uncertainty—you can ask any businessman—it is the worst thing to have to cope with. I think the funding methods up to this point have reflected the disjointed, reluctant—

Mr SCOT MacDONALD: Politics?

Mr GORDON: —disengagement of governments from regional air services. The funding is a very big factor that has to be grappled with. Unless it has changed fairly recently, since "Making Ends Meet: Regional Aviation—Island Transport Services", the capital expenditure in the Federal Government's report went under roads. The expenditure for airports is lumped in with roads.

Mr SCOT MacDONALD: This comes back to your idea or support for a strategic plan that would be across the State and across a period of time and brings all that together. Which airports are we going to support? It might not be Glen Innes, let us say, but it might be recognising that Armidale is the hub for that tablelands region, if you like.

Mr GORDON: Yes.

Mr SCOT MacDONALD: And do it over a five-or 10-year program.

Mr GORDON: I hesitate about the word "hub"—it is the hub and spoke, if that is what you are implying.

Mr SCOT MacDONALD: It has fans and it has detractors.

Mr GORDON: Yes. It has pros and cons that would need to be looked at very, very carefully. But if I take the area that I do know: for instance, Inverell has tried several times on their own to sustain an air service.

Mr SCOT MacDONALD: Pelican and so on, yes.

Mr GORDON: Glen Innes had won and lost it. In 14 years, 15 centres in New South Wales lost air services, Glen Inness was one of them.

Mr SCOT MacDONALD: Inverell.

Mr GORDON: Actually, it was not even in that list, so it was on top of that.

Mr SCOT MacDONALD: Gunnedah.

Mr GORDON: I would think that Inverell would be a candidate for looking at possible assistance on a sustained basis, not just a start-up basis. Give them five years to prove themselves with that certainty again that we were talking about before and see whether they can grow that market.

Mr SCOT MacDONALD: Thank you.

The Hon. PAUL GREEN: Obviously in relation to some of the funding proposals that you are coming up with, some can be embraced through ticketing and through provider discounts but are you suggesting even a greater funding proposal to assist regional and remote areas?

Mr GORDON: Yes.

The Hon. PAUL GREEN: If so, what are you suggesting in terms of the model of funding?

Mr GORDON: I have not got the expertise because I do not know the industry and I have no technical expertise.

The Hon. PAUL GREEN: No, but I just want the headline of where you think that funding should come into, that is all.

Mr GORDON: I call them subsidies because that is what they would be.

The Hon. PAUL GREEN: Yes.

Mr GORDON: Country Australia cannot exist without some forms of subsidy with any hope of competing. This is a public service. I would not be advocating subsidies if it was not an essential public transport system. If it was a discretionary system of transport, then I would not be in support of it. But the nature of those subsidies would need looking at. The reason I mentioned in here about "could get access to fuel at prices equivalent to those enjoyed by city-based operators", that was the case in the past; but whether they have all moved to getting their fuel from a different way I do not know. But that is one element where they could be relieved. For instance, the fuel tax—I do not know if they pay that or not. I would not imagine they do because they are not on the roads, but who knows these days what taxes they have been hit with. But I think they are going to need some financial assistance, if we want to service the centres that we think should be serviced by regional airlines.

The Hon. PAUL GREEN: In terms of your three divisions—regional, remote and coastal—are you suggesting that the definition of essential services for regional air transport should be in all those categories?

Mr GORDON: Oh, yes

The Hon. PAUL GREEN: Or just remote and regional?

Mr GORDON: No, no. They would all be licensed and they are all part of the essential services network of public transport.

The Hon. PAUL GREEN: Thank you.

The Hon. STEVE WHAN: Just further on your recommendation—that there should be subsidies—how would you actually choose which centres should be subsidised? Obviously, there is not an unlimited bucket. What criteria do you think the Government should develop to determine the areas that need to be assisted with a subsidised route?

Mr GORDON: Unless it has changed in the last few years—I am a bit out of date with what the State Government is doing—their criteria was under 50,000 bums on seats per annum was classified as regulated and could qualify for some assistance. Above that it was considered that the route was classified as deregulated and they got no assistance. But I mean this needs looking at very carefully. I can see by the way that costs are going that the likelihood of needing these subsidies is going to be greater even than in the past. But some routes get a bit of help now and the remote area ones get some help from the Federal Government as well, but that is really remote. That is why I want to classify it into three rather than just have regional and remote.

The Hon. STEVE WHAN: You are looking at almost an historic basis for decisions about what centres should get assistance. Would there be any other basis for that in terms of assessment for the centre?

Mr GORDON: I think you base it on the centre itself as to whether it has potential. As I indicated, I think Armidale has the potential with Brisbane to be given the opportunity to have a service.

The Hon. STEVE WHAN: At the moment there are more than 108,000 passengers a year from Armidale to Sydney. Surely that is a stand-alone centre that does not need assistance.

Mr GORDON: Sure. I am only talking about Armidale to Brisbane. That would be marginal. One idea was to get a five-year licence, which is common. An arbitrary decision has got to be made whether that centre deserves that service.

The Hon. STEVE WHAN: Do you think the system we have at the moment of some centres having regulated services but no subsidies is adding any value to the provision of air transport in New South Wales or is it just a halfway point?

Mr GORDON: Sorry, I am not quite understanding.

The Hon. STEVE WHAN: You are aware there are a number of centres that have regulated routes at the moment?

Mr GORDON: Yes.

CORRECTED

The Hon. STEVE WHAN: In other words, a single carrier is given access to that route. Do you think that is guaranteeing a service for those areas or do you think that is ineffective?

Mr GORDON: No, I think it should be of value. Why not? If they can retain a route and the Government feels it is justified to continue that assistance to keep an air route at that centre, in other words they are part of the State network that has been deemed to be an integral route, then it needs reasonable assistance to maintain it.

CHAIR: We are out of time. I know you have to go, Mr Gordon, so we will call it to a close. Mr Veitch has some questions, but he will put them on notice. Given that those questions will be on notice and you have taken some other issues on notice as well, we have resolved that questions on notice will be answered within 21 days, so the secretariat will be in touch with you to get those questions to you.

Mr GORDON: Thank you.

CHAIR: We would appreciate it if you could get those answers back to us within 21 days. Thank you for your submission and your time and your well thought-out recommendations. We will certainly be taking them into account when we get to the deliberative stage of this inquiry. Thank you for your attendance today.

Mr GORDON: Thank you, gentlemen.

(The witness withdrew)

MARGARET IRIS O'CONNOR, Councillor, Armidale Dumaresq Council, and

DAVID STELLER, Director, Public Infrastructure, Armidale Dumaresq Council, sworn and examined:

CHAIR: I welcome the witnesses from Armidale Dumaresq Council. Again, I apologise for the mix-up in the hearing times today. Issues that were out of our control came into play. As we all know, travelling by aircraft is always at the vagaries of the weather. Thank you for your patience and being with us today. Would one or both of you like to make a short opening statement before we proceed with questions?

Mr STELLER: Yes, I am happy to make that opening statement. I think our submission was fairly detailed and provided you with our views in relation to regional aviation services. The administrative or regional centre of the Northern Tablelands is Armidale and the Armidale regional airport is significant to our adjoining council areas of Uralla, Guyra, Glen Innes, Inverell and Walcha. Armidale has a strong and growing economy, as does the region, and reliable and efficient and cost competitive air services are essential to our region's ongoing economic growth. As a major service centre we are looking at ways of improving our economic growth. Our airport is closely linked to zoned industrial land. We actually have aviation services at our airport that are important to us. They employ well over 100 people in that small precinct around the airport.

Growing that part of our economy is important to us. The majority of our revenue is received in landing fees from regular public transport RPT services. Those fees help us to run our council-owned airport and also provide for all those other ancillary services that are needed in a community, such as emergency medical services. We also operate a regional air base for the Rural Fire Service [RFS] that operates within an hour's flying time from our airport to address bushfire issues in our region. It is important that those current fees and charges and the level of Government assistance that we currently receive continues to meet the ongoing running costs and maintenance and renewal of these facilities that are the responsibility of council. As a regional facility, it is important that Armidale Dumaresq Council [ADC] rate payers are not financially burdened by these recurrent and renewal costs and that the costs are covered by the users of the airport.

Being a deregulated route, the financial viability of the airline to operate on that route is a commercial decision by the airlines and most recently Rex has made that commercial decision to go in competition with QantasLink from Armidale, matching most of the time schedules, especially the early morning and late evening schedules, and that has increased our passenger throughput by 10 per cent. It has only been operating for the past four months. That is the type of growth we would like to see to ensure that our regional air services are sustainable into the future. I think that is basically where we are at at the moment. We rely on the RPT services supplying us with the revenue to provide general aviation, emergency medical services and firefighting capabilities from our airport. That is all we need to say at this stage.

CHAIR: Thank you. Councillor O'Connor, would you like to add anything to that?

Ms O'CONNOR: Yes, I would. During the past two years the importance of our airport as a major hub for New England has become something that is front and centre for all of our 10 elected councillors. There is clear support from the community for that. In a sense we went from hell to heaven on that date in March when we got the competitor in. Prior to that, a large part of the community was basically locked out of using those passenger services because either there were no seats or you were looking at an \$800 return trip to Sydney, which obviously is completely out of the question for not only our non-university travellers, but for small business owners, whom I am one. When I moved up here from Sydney 17 years ago there were two carriers. We were able to commute and basically transfer our business from Sydney. I am talking not only of my own story but many people up here. When it went to a monopoly situation the prices went up and stayed up. Although we are having a very good time at the moment with the second carrier—fingers crossed—we do not know how long that will last. We have had several attempts since Ansett went out of business, so we are concerned about that.

As a council, we see that it is absolutely pivotal to our economic development. We have a clear vision. One of the things that we have been discussing in recent times is our need for a regional plan for air services. In the last decade or so, maybe decade and a half, it is a matter of note that the other transport services, such as coach services, into regional cities and between Armidale and Sydney, Armidale and Brisbane, the condition of the roads for road travel and rail services have either stayed the same or in most cases declined. Without the airport our city and our region are basically marooned and we experienced this two years ago when we had

major flooding rains that took away a lot of the road surfaces, particularly on Thunderbolts Way, and with only the one service in place, we felt somewhat marooned, from a commercial point of view at least.

CHAIR: Thank you for your submission and those comments. Mr Steller, you talked about the majority of the income coming from the regular passenger service, what sort of percentages are we talking about? How significant is the non-regular passenger service income to the airport?

Mr STELLER: The regular passenger is probably closer to 90 per cent.

CHAIR: The other hundred people are employed at the airport, or is it 100 in total?

Mr STELLER: They are in private businesses that are airport-related industry.

CHAIR: Do they pay a lease fee to the council for the use of the land, that sort of thing?

Mr STELLER: Yes.

CHAIR: It still only relates to 10 per cent of the total income that the airport generates?

Mr STELLER: Yes.

CHAIR: Thank you. So far as competition goes, Councillor O'Connor you used the expression "hell to heaven" when you got the second operator. You said it was an \$800 fare prior to that. What is the fare structure now, following the competition?

Ms O'CONNOR: It varies. Both carriers are marking up each other in terms of costing, as I understand it.

CHAIR: Are they trying to outdo each other all the time?

Ms O'CONNOR: I do not fly regularly anymore for this very reason. I basically had to change my whole business because the planes stopped flying. As I understand it, Rex came in at \$104 each way and Qantas met it. I have talked to people recently who have been quite satisfied with a \$200 to \$250 offering each way. It is that price point. If it is costing you \$1,000 when you add on the on-costs to get to Sydney and back, it is not doable.

CHAIR: Do you think it is a bit of a two-edged sword in some respects? While you have a high fare structure the airline is making reasonably good money out of that route, but when there is competition they try to outdo each other and eventually one of them ends up falling over again and the other one can then charge what it likes. How do you think that should be controlled to make sure you can have two operators charging reasonable fares so they can make money out of it? Let us face it, it is a private business: they have got to operate at a profit or they go out. How do we get to the right balance in that regard?

Ms O'CONNOR: I wish I knew.

CHAIR: I was hoping you would be able to tell us.

Ms O'CONNOR: What I have been doing is telling our people to travel. I think the message that we are trying to give to our community is to get on the plane, use it or lose it. I am hoping is that soon when we start to operate regionally—as Mr Gordon was indicating, we established an airport users group or an airport adviser group which incorporates people from our surrounding towns and villages—Inverell, Guyra, Walgett, Uralla—and I think they get the message to use it or lose it. We are trying to spread that message but it takes time for people to get into their habits and practices the idea that it is okay; they can get on a plane and change their habits.

But what I am more focused on, and I think I am speaking for the council as a whole, is that that is where we are now but we have got a vision. We are moving close to setting a population growth target for Armidale, which we desperately need, and we are very keen, especially in the last two years, to attract new residents. We have a water supply, as I understand it, that is—

CHAIR: Unequalled in New South Wales.

Ms O'CONNOR: Yes. We have a population of about 25,000 people and we have an 85,000 population water supply, so we have infrastructure and we have a community that is very welcoming. Frankly, we recognise the need for a rapid increase in population but we cannot attract the kind of people that will be attracted to Armidale, which is an education, health as well as an agricultural area. With the National Broadband Network [NBN] just about being completed in our CBD area it is developing now as an intelligent city. We cannot attract that kind of migrant, if you like, without having a very reliable connection. I would support what has been said here in the room about Brisbane; that is, there is strong support for that but we have just basically got our fingers crossed about the second carrier to Sydney at the moment.

CHAIR: You mentioned in your opening address that Armidale is at risk of being marooned if you do not have a good air service. Surely that applies to every other regional centre and there are many smaller regional centres now that are marooned. They are really suffering and feeling the effects of not having an air service.

Ms O'CONNOR: Totally. I am very sympathetic to their plight. We had a meeting discussing this as recently as last night. What we as a council are trying to do is to make sure as we move forward with our airport that all our airport facilities—we have recently had a little bit of money to upgrade and we are looking at getting that security in so that we are ready for the bigger planes. We are very fortunate because we have a greenfield site absolutely contiguous, which is an industrial site. What we want to do is make our airport as hospitable, helpful and useful to all the towns and villages in our region. I would not want to deprive anybody else of an air service but while we are basically in the hands of private enterprise we have to make what we offer to our region as user friendly as possible.

One of things that I would like to say is that we have discussed very recently the need for a long-term airport and regional air services plan and the need to develop that. As you know, local government does not have a cent extra but I think we need to look at big data to look at what the regional need is and how we can best provide that. We need to look at things like developing additionality, which we have started, in our airport precinct. We need things like a hotel and a better freight hub for delicate freight. We are now growing soft fruits in our region as well as flowers and things like that. We need really to have that kind of agricultural value-add freight hub. I know we are not the only people that have that view, but if we are going to be in a position to service Asia in the future we need to be able to have part of our airport dedicated to freight and high-value freight connections. We need to plan all that. At the moment we do not have the resources for that kind of planning.

CHAIR: You mentioned that you have been discussing the issue of security to allow larger aircraft to come in. Do you have any preconceived ideas as to what form that would take? Would the security system only apply to the larger aircraft or would all passengers be required to go through it?

Mr STELLER: We are currently in a situation where in order to get Rex on board they were fairly adamant that they were not going to be part of any future passenger or baggage security screening operation at our airport and that we would have to ensure that there was a separate screening area from their area so that they could maintain their operations out of Armidale. Council was of the view that QantasLink have not proposed to bring the larger 74-seater aeroplane into Armidale in the near future. It could. Obviously, as to the type of planes that are available you can usually see by forward orders who is planning to do what. The Q400s in the Dash 8 fleet are probably the ones they will look to in future.

CHAIR: QantasLink have told us that during the course of this inquiry.

Mr STELLER: That is right. We have probably got a five-year period of thinking about what we are going to do and so council has decided to look at expanding the terminal building to accommodate baggage screening in the future. We are doing the concept plans for those now and planning that something will happen in the future unless the Federal Government looks at changing the regulations to allow up to 80-seater planes to enter into the major capital city airports without screening from regional areas. Again, a regulatory decision by the Federal Government may change our plan.

CHAIR: That happens already. You may be aware that Wagga Wagga has a split system.

Mr STELLER: That is right. We have looked at their system. We know that Albury has problems. We know that Dubbo had major problems and had a court case involved.

Mr SCOT MacDONALD: And Tamworth.

Mr STELLER: Tamworth is much the same. Tamworth has taken the stance that everyone will be screened. They are the decisions. At the moment to get a second carrier on board we had to make a decision and that was the decision we have gone with.

Ms O'CONNOR: As a councillor—I am sure you know when you are dealing with an unregulated situation and trying to get a second carrier in you basically take what you are offered. That is a problem if you are an elected representative.

CHAIR: You have got to do the deal.

Ms O'CONNOR: Yes.

The Hon. STEVE WHAN: In your submission you made some comments about the noise controls at Sydney Airport and greater access. Are you suggesting there should be separate provision for regional planes or turboprops or something like that?

Mr STELLER: Yes, along those lines and also some evaluation of the actual noise impact of those types of aircraft to see whether they can expand the envelope or access to Sydney Airport.

The Hon. STEVE WHAN: Number of flights per hour or hours of operation or both?

Mr STELLER: Both, really. If we can get more flights per hour then that would be an advantage opening up slots for these other regional airports and ourselves to access, yes.

The Hon. STEVE WHAN: You mentioned the income you get from non-regular passenger services at the airport. I think from memory Armidale has a fairly healthy charter businesses operating out of there. Is that right?

Mr STELLER: No.

The Hon. STEVE WHAN: Did it at some stage? I thought it had a charter operation.

Mr STELLER: We have fleet helicopters that operate helicopter training. They do flights over the gorge country and scenic flights and that sort of thing. Superair operates superphosphate air delivery of their product.

The Hon. STEVE WHAN: What is the basis for the charges for those operators? They are providing nowhere near the passenger base charges but what is the basis for your charging of those people for use?

Mr STELLER: Those charges are based on the weight of the plane. There is an \$8.80 per tonne landing fee charge for general aviation. Obviously, we have exemptions such as the Angel Flight and CareFlight. They are all exempt. That is a decision that council has made to provide those services. The tenants who have registered planes have an agreement in their lease for reduced landing fees; however, the general aviation fee is \$8.80 a tonne.

The Hon. STEVE WHAN: You and the previous witness mentioned the desire for flights to Brisbane. Has there been a discussion with any airlines about that or have any proposals been put out there?

Mr STELLER: Yes. We have sent submissions to a number of airlines. Interestingly, a discussion with Rex about Brisbane led to them coming to Sydney. We are still hoping that Rex is still interested in the Brisbane route.

The Hon. STEVE WHAN: Is there an estimate of the patronage of the Brisbane route?

Mr STELLER: Historically it has been about a 92 per cent to Sydney to 8 per cent to Brisbane split in total passenger numbers.

The Hon. STEVE WHAN: You are only looking at about 10,000?

Mr STELLER: Yes, 10,000 a year. But the problem with the Brisbane route is that it has always been part of either a triangular route or a mid-day scheduled flight as opposed to an early morning and late evening flight. It really has not been tested with that type of schedule and that is what we are encouraging some airline competitors to have a look at.

The Hon. STEVE WHAN: Do you know if Qantas or Rex has done any work to find out the ultimate decision of their passengers, whether it is Sydney or further afield?

Mr STELLER: I am sure they have. They do not share it with us, although we do ask. Again, that is their commercial operation and they keep that fairly close to themselves. But they do those surveys, yes.

The Hon. MICK VEITCH: Do you have a master plan for the airport?

Mr STELLER: I certainly do.

The Hon. MICK VEITCH: Is it possible to provide that to the Committee?

Mr STELLER: I can provide one to the Committee, yes.

The Hon. MICK VEITCH: My question relates to the development of the airport. For example, you say in a five-year period you are looking towards possible screening. How involved do you get with the airlines themselves about your developments and expansions?

Mr STELLER: We have open and frank discussions with them. Of course, we talk to their chief operations people as well as their sales and marketing people in relation to our plans for the airport. Our current capital works program included renewal of the runway lighting at the airport. We had close liaison with the two operators in relation to what we are doing with that because we are introducing LED lighting for the runway lighting. It is something different and so we have had those technical discussions. We have upgraded that lighting to medium intensity because of the weather conditions we experience in Armidale with fog and clouds. Hopefully it will improve the operation ability of the airport for our regular passenger transport [RPT] services.

The Hon. MICK VEITCH: In their submission to the inquiry, Rex made it clear they had issues with some airport operators across the State—not all—in relation to the setting of landing fees. They were calling for some sort of independent arbiter for the setting of those fees. What are your views about that?

Mr STELLER: It goes both ways. As an infrastructure manager I have to ensure that we can forecast what renewals we will need in the future. To that end, I can set a dollar figure. It may be more than Rex is now paying if we go down the path of submitting our documentation supporting a fee or price structure at the airport to an independent tribunal. We would be happy to do that.

The Hon. MICK VEITCH: I think the model they were looking at was something to similar to the Independent Pricing and Regulatory Tribunal.

Ms O'CONNOR I support what Mr Steller has said in that respect. It is very much a question of our being on the receiving end of an offer that we cannot refuse because we need those lower fares to open up our region—not only our city but also our region—to commerce. To be honest, the question of our renewal indebtedness as time goes on is worrying all of us. They also know how to bargain.

The Hon. MICK VEITCH: I refer to the methodology behind the development of the landing fee structure. Can you provide the Committee with the calculations or the things you look at to determine the landing fee?

Mr STELLER: Yes.

The Hon. MICK VEITCH: I will explain why I have asked that question. I have been asking it around the State—

Mr STELLER: I gathered that.

The Hon. MICK VEITCH: —of all local government bodies. As someone who spent 12 years in local government I am a tad surprised at the variation in responses I have received. Some people make it up, others have a very detailed process, and others just copy their neighbours. I am interested in your methodologies.

Mr SCOT MacDONALD: Some have not changed for 15 years.

The Hon. MICK VEITCH: Some have not change for 20 years.

Mr STELLER: That is something I was going to raise. We tended to keep our charges as low as possible for the airlines because we knew there were always pressures on them. Obviously we have been dealing with them for more than 60 years. We have not increased our charges since 2008. The reason for that is that we regularly get requests about what we can do as a council-owned airport to assist regional airline services to be competitive. We have said that while ever we can balance our ring-fenced airport budgets we can sustain the level of fees that we are currently charging. Once again, it is a balancing act between keeping services at the airport and not having a reduced schedule of services by imposing—

The Hon. MICK VEITCH: If you take the question on notice you can probably provide a more detailed response.

Mr STELLER: Okay.

The Hon. MICK VEITCH: I refer to regional airport plans or strategies for regional airports. I am interested in that concept. I come from Young and when we lost our air service after the Monarch Airlines disaster 15 or more years ago it was thought that people from Young would travel to Wagga to catch planes. They do not. There was a historic travel path for people from Young; they actually go to Canberra. Regions for aviation services are different from other regions for other services and activities in New South Wales. I am interested in your views.

Mr STELLER: Interestingly, Adam Marshall, our local member, convened a meeting last week involving, I think, nine councils from the Northern Tablelands. It was clear that the councils we identified earlier—Uralla, Inverell, Walcha, Glen Innes and Guyra—see Armidale as their regional service centre. Obviously people from Inverell can go to Tamworth.

Ms O'CONNOR But they do come to us and we want them.

Mr STELLER: At the moment we have competitive pricing. It is probably a little bit closer to Armidale than to Tamworth. People at Glen Innes do not really have a choice. People from Tenterfield probably do in that they can go through Lismore to Ballina, or they can drive to Brisbane and pick up a commercial flight. Our regional airport service is fairly well defined and established. One of the things that our airport users group has looked at and worked on with Transport for NSW is bus routes that might be able to link to flights out of Armidale. That was very difficult. It is very hard to arrange that sort of thing, especially if there are delays in scheduled flight times. A public bus transport system that links some of these smaller towns to a regional hub is an option as opposed to looking at flights and regular bus routes that meet the flights out of an airport hub. We tried to find out how we could instigate that model and it was very difficult.

CHAIR: Do you have any figures on where the people flying from Armidale come from? How many come from Inverell and Tenterfield?

Mr STELLER: We have had to do our own survey because once again it is very difficult to get the information out of the carriers. It would be great if the carriers allowed us to use that information for these sorts of purposes. We have had to do our own survey of people and we have only been able to do it for a week or two at a particular time. We have the full range of them coming from those areas. If I take the question on notice I can provide the break-up that we got when we did that work.

The Hon. MICK VEITCH: Are those surveys available, or summaries?

Mr STELLER: I am sure we could make them available.

CHAIR: That would be good.

Mr STELLER: The types of questions we asked and the responses we received?

CHAIR: Yes, thank you.

Mr SCOT MacDONALD: Thank you for appearing before the Committee and for your submission. Mr Veitch stole one of my questions about the passenger fee. It is interesting to see the layout. I do not think we have seen that elsewhere. You have a \$9.70 fee and a \$14.90 fee.

The Hon. MICK VEITCH: It is more sophisticated compared to what we have seen elsewhere.

Mr SCOT MacDONALD: Does that work? Is it accepted by the carriers? Does it still do the job in terms of being profitable or at least cost neutral but providing for asset maintenance? You can take that as a supplementary question.

Mr STELLER: That is the balance I was talking about. A baseload of 70,000 passengers will cover our costs for the year. We set the 70,000 figure as a benchmark. After that we can reduce the fee because we have covered our major operating costs and we will not end up going back to our ratepayers to say we are running short of income at the airport. We will be generating enough income to support our services. We were able to put together a \$2 million reserve over the past six years, which we are now investing back into capital works at the airport. That has also been matched by a \$3.5 million offer from the Federal Government. We have not signed the agreement yet, but we hope to use that money to upgrade the taxiway so we do not have as much congestion in our apron area and on the runway when we are operating two carriers.

Mr SCOT MacDONALD: I was there for the Barnaby announcement. Councillor O'Connor, I refer to the precinct and what you are trying to do. Can you offer any suggestions about what the State Government could or should be doing better to support you? At the end of the day, the Committee must make recommendations. We can talk about many of these issues and many are similar. However, in terms of recommendations, what can the Committee do to make regional aviation, including precincts, sustainable and to help them to grow?

Ms O'CONNOR I will take that question on notice. I did not have much notice of this meeting and I am not the official airport councillor, although I have always maintained a very strong interest in it. I have not had time to discuss with Mr Steller what can be done, but a lot could be done to help us. One of the things that comes to mind, and it has been discussed by council, is the need for a sophisticated plan for our airport precinct linked in with our industrial complex, which is basically a green field at the moment. As Mr Steller was saying, part of that would be trying to work with the carriers and with other mayors and councillors in the region. It is about getting data from the carriers and conducting a more sophisticated survey. Mr Steller and I do not always agree on these things, but we must look at future needs. The vision we have is quite different from the vision for an ordinary little airport.

Mr SCOT MacDONALD: You can take that question on notice. I am interested in what the State Government can do, not only in terms of money but also in terms of policy and regulation.

Mr STELLER: One of the things we are looking at is avionics. Bankstown is starting to downgrade its avionics. The TAFE at Tamworth could probably take on tradespeople in the avionics industry so that we have jobs that can be filled by people from the local region. That is one issue that we are looking at. We have serviced our industrial subdivision with water and sewerage systems and that land is now available. There is a roundabout on the New England Highway that is probably a \$3 million investment. Roads and Maritime Services has said we can build the roundabout but it will not make a contribution. That will open up two sections of highway-located industrial land. It will have synergies for regional development and airport expansion.

The Hon. PAUL GREEN: Why would Roads and Maritime Services not invest in a roundabout? Is it a Roads and Maritime Services road?

Mr STELLER: It is a federal highway—it is the New England Highway.

CHAIR: Has the Federal Government made any contribution?

Mr STELLER: No.

The Hon. PAUL GREEN: It is strictly a council issue?

Mr STELLER: Yes.

The Hon. PAUL GREEN: How much was the roundabout?

Mr STELLER: We have not done it. We have to work out how we can fund it.

CHAIR: Is that at the entrance to the airport?

Mr STELLER: Yes, but it does not impact on the airport entrance. We can still keep that access, but we are restricted to one other access point for the industrial land.

CHAIR: Is the industrial land on the other side of the road from the airport?

Mr STELLER: No, it is on the same side, but it is a private landholding and rezoning is currently being—

The Hon. PAUL GREEN: Rezoning as what?

Mr STELLER: Industrial land. It is on the other side of the airport.

The Hon. PAUL GREEN: So the infrastructure is there for that to happen?

Mr STELLER: Yes.

The Hon. PAUL GREEN: Is there high voltage power?

Mr STELLER: Yes.

The Hon. PAUL GREEN: Water, sewerage, roads?

Mr STELLER: Yes. That is why we have just invested—

Ms O'CONNOR: There is even NBN.

The Hon. PAUL GREEN: I imagine that that is all in your strategy.

Mr STELLER: You can see that it is mentioned in the master plan.

The Hon. PAUL GREEN: That is good to hear. Your comments about avionics are good. There is a university here and there is an opportunity in education and servicing.

Ms O'CONNOR: One of our business tenants runs an aircraft repair shop. It has just acquired an avionics expert, and they are extremely hard to get.

The Hon. PAUL GREEN: Yes, they are.

Ms O'CONNOR: We are thrilled that we finally have one avionics person. That could lead to a major expansion of what that business can offer in terms of a complete aircraft servicing and maintenance.

CHAIR: Did that business relocate there from somewhere else?

Ms O'CONNOR Yes, we managed to pinch it from somewhere else.

The Hon. PAUL GREEN: A Regional Relocation Grant got them up here.

Ms O'CONNOR I do not think so.

The Hon. PAUL GREEN: Has council dabbled in attracting defence-related industry here?

Mr STELLER: We might leave that to Tamworth.

The Hon. PAUL GREEN: They might have something to say about that.

Ms O'CONNOR We are open to all offers.

The Hon. PAUL GREEN: It is a free-for-all if you have industrial land. The opportunity is there.

Ms O'CONNOR We have paid for a study of cloud cover, fog and things like that. The training school we were hoping to get eventually moved to Glen Innes.

The Hon. PAUL GREEN: You want the second Sydney airport.

Ms O'CONNOR Something like that would be great.

Mr STELLER: And a fast train back to Sydney.

Ms O'CONNOR Basically, we see ourselves as properly placed to be a transport hub for the high country.

The Hon. PAUL GREEN: So what about freight? I mean obviously that industrial area you are probably aiming at freight, are you?

Mr STELLER: Yes. Well, mainly road transport freight at this stage and see what synergies might come out for air freight, yes.

The Hon. PAUL GREEN: A final question, in the light of time. Tourism, what are the opportunities for tourism?

Mr STELLER: Huge.

Ms O'CONNOR: Huge, absolutely huge. We are New Zealand, but right here. That is our view and we see ourselves, if I can jump in here.

The Hon. PAUL GREEN: This is your forte?

Ms O'CONNOR: Well, it is my concern. One thing I was warned of when I attended the recent Local Government and Destination NSW Tourism Conference is that we cannot afford to build a tourism product on the availability of certain airfares. I am sure you have heard it everywhere, that is the dilemma we live in at the moment. As I said, we are in heaven with pretty reasonable airfares but the nature of the relationship with the carriers is such that we could not build a product based on those prices. It would be foolish to do that. But if we could establish that traffic, and we know what the benchmarks are, and that lowering is lowered even more with the new carrier.

Mr SCOT MacDONALD: Is that about \$200, it starts to fall over about there, does it?

Ms O'CONNOR: Are you talking one or two ways?

Mr SCOT MacDONALD: Each way.

Ms O'CONNOR: Each way—yes, I think about \$200 each way is kind of the ceiling. But what I see as a big opportunity for us is that Destination NSW is putting a lot of money into inbound tourism but it seems to

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end at the Sydney Basin. We have a potential product and an existing one that would just blow the Sydney Basin competition to pieces but we need to get that inbound custom coming up to us and then we can distribute it to the outback. We are currently the thin strip called "inland" but we could be the hub to actually distribute that tourism to Queensland, to outback and to the coast. And there are so many synergies for us to be that receiving point but we need more money to build up our air service security before we can start to look at air as the way. And if you look at anything but air, it is not doable because those inbound tourists will not trawl up the highway that they do not know for six hours, whether it is by coach or car—they just do not have that time.

CHAIR: Thank you for attending today, Councillor O'Connor and Mr Steller and thank you for your submission. You have given us good food for thought in that. You have taken some issues on notice. The Committee has resolved that it requires those answers within 21 days of when the Secretariat contacts you. So they will contact you with the issues you have agreed to take and if you would like to get those answers back to us within 21 days we would very much appreciate that.

Thank you once again for your submission and for your evidence today. It has been most worthwhile.

(The witnesses withdrew)

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JULIE STEWART, Airport Manager, Business and Events Directorate, Tamworth Regional Airport,

RUSSELL WEBB, Acting Mayor, Tamworth Regional Council, and

JOHN SOMMERLAD, Director, Business and Events, Tamworth Regional Council, sworn and examined:

CHAIR: Would one or all of you like to make a short opening statement? I suggest if you all would, then we keep it short.

Mr WEBB: Mr Chair, and Committee, I am grateful for the opportunity to be here today. Our Airport Manager, Julie, will be presenting our submission along with John Sommerlad, our Director of Business and Events. So I am only here as a support person, so to speak. I am happy to answer your questions but I am here to support those in front of you.

Ms STEWART: My sincere regret that the Committee could not attend the airport tour this morning.

CHAIR: Ours too, I can assure you.

Ms STEWART: I was looking forward to showing you our facility and to showing you what our plans for the future hold. It is an exciting time at Tamworth Regional Airport at the moment so it is a shame that you did not get an opportunity, although you got to see our runway, and you will see it again this afternoon. Tamworth Regional Airport, we did an assessment on the Air Services Australia site and so far Tamworth airport is ranking at about 14th in Australia, as far as aerodromes that are monitored by Air Services Australia and that is directly behind—that is if you remove the five major city airports of Sydney, Brisbane, Melbourne, Adelaide and Perth. In fact, our movement numbers equate closely with Townsville, but we are ahead of Canberra. So it is interesting to know that we factor that high.

We are looking at reasonable growth. We have had a 2.6 per cent growth over the last 12 months in our passenger figures and that is even with the loss of Brindabella Airlines—a very sad time for us, but still positive in the fact that we are still getting a lot of passengers moving through Tamworth airport and there are a lot of reasons that those numbers would still be increasing. With Narrabri airport losing Vincent Aviation, we find a number of people moving to Tamworth and also Moree but probably more so Tamworth, because of our availability of flights. We have 36 flights in and 36 flights out a week and that is being serviced by QantasLink Airlines. We welcome competition on our Sydney route. There has been a lot of press recently with Regional Express Airlines and we welcome Regional Express Airlines to continue their investigation into Tamworth and the opportunity of opening a service there.

We have investigated our airport becoming screened and unscreened. We presented a report to council indicating the cost of dividing the aerodrome or the airport and terminal into two parts, to see whether or not we could make that service and we have presented the results to Regional Express with a firm interest in providing a service to Sydney, then the investment in the infrastructure that would be required—and it is a little more than a door that is required. There is definitely an opportunity there but, under the current infrastructure, there is only the apron and capability for screened services at the moment. But we definitely would be interested in somebody that is looking at a long-term business partnership with council. We also have a flying college which has the Defence contract for the Australian Defence and Singapore Defence. We have students from Brunei and Papua New Guinea doing their basic flight training and this is what keeps our movement numbers up and keeps our tower in operation at Tamworth airport. We are happy and proud to have that there. There are a number of navigational instruments provided at the airport as well with that arrangement in place.

The State Government has, in the last six months, agreed to assist Tamworth Regional Council with the upgrade of one of our runways, to help facilitate the retention of that defence contract and we are very grateful to the State Government for that. The aerodrome itself was built in 1955, although Tamworth has had an airport since 1919, but not in the existing location. But even since 1955 it means that a lot of the facilities and the infrastructure that we have on the aerodrome is aging and it does require regular and routine maintenance and renewal. The calculation of our fees takes that into account. We are very fortunate that Tamworth is a growing district. We have a lot of new industries coming to town and part of that attraction is the ability for people to make flights to major capital cities. At the moment that has been hindered because we do not have a service into Brisbane. If we open that up it will help the district grow and it is important for business to have that ability. At the moment we have a population of around 58,000. That is set to grow. Our forecast figures are showing that

we are growing—I do not have the figures on hand at the moment but there are forecasts for major growth in the area.

We have a long history with airlines. I did a quick survey last night. I have only been with Tamworth airport for 18 months and even though I am originally from the district, I have been away for around 30 years but I have travelled on a lot of these airlines back to and from. I do not have data which dates back to 1955 though. East-West Airlines is probably one of the major airlines. We have had Tamair Airlines; Impulse Airlines operated for a little while; Hazelton Airlines; Sunshine Express; MacAir Airlines; and Eastern Airlines, which became Qantas Eastern Airlines and now, since 2002, branded as QantasLink. We have had maintenance facilities there, as part of Eastern Airlines and we have had QantasLink operate maintenance facilities at the aerodrome as well. We are proud to have them and we are working with them towards a possible expansion for their maintenance facilities at Tamworth at the moment. We have had the expansion of the rescue helicopter service, which was originally based out of the BAE college. They moved down near the terminal and a new facility was built in 2009. We are very proud of having that service in Tamworth as well.

The issue with regional aviation is something that we are very passionate and concerned about because the viability of a regional airline means the viability of an airport. If we do not have regional airlines servicing the district the airport will die and hence the district will die. So it is critical to that. One of the concerns that we have is the protection of slots into Sydney airport. It is important for business and it is important for legal, medical and educational purposes as well. We need to ensure that our businesses and the citizens of Tamworth can have regular and timely services into Sydney. One of the items that most business cases are built on is accessibility into the proposed destination. The second thing they will look at is the size of the aircraft, the number of people who can possibly utilise it, and then the fare structures associated with that.

There has been a lot of conjecture over the fares to Tamworth. Yes, there are expensive fares but there are cheap fares as well. If you plan in advance you can get a cheap fare. There are currently \$95 fares. I looked for Tuesday next week and I can pick up a \$95 fare to Sydney. So there are cheaper fares available. However, if you were looking at the next day—I actually had a look for today—you are looking at \$275. That is the variation between the fares for heading to Sydney. We are fortunate in that we get six flights per day and that makes it a little more accessible as well.

The other concern was the collection of fees on behalf of regional airports with the demise of Brindabella. We had some fees that were outstanding at the time that Brindabella fell over so it made it very difficult to actually retrieve those fees. A lot of people probably do not recognise the fact that if you bought a ticket, for example, on 1 March for an airfare in the beginning of April, those fee calculations are not calculated until the end of the month. Bills are handed out and then you have got a 30-day period in which to pay that back. So all-up you are looking at around 12 weeks before the aerodrome receives their fees even though the passenger has actually paid their fee at the beginning of that time. Protection of fees for the aerodromes would minimise the risk of aerodromes not actually receiving their fees should something occur to an airline or the funds are misappropriated in some form. That is a concern that we have.

I know there will be a question on the airport fees and charges at Tamworth Regional Airport and I can address that to a certain degree now. It is not a simple process. It is not a back-of-the-envelope calculation—I am seeing lots of smiles. Aerodromes are not a simple item to calculate fees and charges. As I mentioned, Tamworth Regional Airport is an ageing airport and the infrastructure must be maintained and renewed on a regular basis. There is compliance. There are regulatory and legislative reasons that the infrastructure must be maintained. Just to give the Committee an example, in the next 12 months I have to spend \$2.5 million on an instrument landing system [ILS] system. That ILS system is one of the very few privately owned ILS systems in Australia. Unfortunately, our ILS system is ageing. Fortunately, Air Services Australia that own the majority of the other ILS systems around Australia have just recently upgraded so I actually have access to spare parts.

However, Air Services Australia is the only provider of the ILS system and the only people to maintain that system so I cannot go out and even get competitive quotes or competitive prices for installation and maintenance. They are the only people that I can use. They have now instructed me that I must get a new ILS because its staff is ageing. I have just had an audit done by the Civil Aviation Safety Authority [CASA] on part of our apron, our general aviation area. I got a non-compliance because I had keyhole markings on part of our apron—they indicate to an aircraft where to park. Because I got the non-compliance I actually repainted the apron and now I have aircraft facing every which way. So the rules are not necessarily the common sense approach. I understand why we have rules and why we need to make those rules compliant but sometimes the

rules—the cost of doing that upgrade and maintenance on that apron has done exactly the opposite of what it needed to do. That is just to give the Committee an indication.

We have actually got a runway overlay that is due in the next couple of years and we are looking at \$4 million for that. Our airport reserve is slowly building but it will be depleted very quickly with two major projects like that just in the scope of things. Yes, we do have revenue from other items like other tenants that we have on the aerodrome but we are also looking at ways of cost cutting as well. We have just invested \$330,000 in our precision approach path indicator [PAPI] and pilot activated lighting control [PALC] systems. The pilots use the PAPI system to visually ensure that they are approaching at the correct height and angle to the aerodrome. We turn our runway lights off at night-time now—as of 1 April I think it was, which was rather convenient—and the pilots then use a radio frequency to activate the lights. The lights remain on for 30 minutes and then they turn off. Our saving in power consumption, and also because of the quality of globes and upgrade that we have done, should be around \$20,000 a year just on the lighting alone.

We are trying to do our bit to ensure that we are keeping our costs down. We did have to make an investment but I think the outcome is quite positive. That is just in relation to fees and charges. I know that I went into a lot more detail in the report. Losing a regular passenger transport [RPT] service, which we have experienced in the last 12 months, has been quite significant to the community. Our phone rings every day asking for a Brisbane service. We have recently done surveys on passengers asking them where they would like to go to and more than 50 per cent of them are asking for services direct to Brisbane—somebody did actually ask for one to Tahiti.

The Hon. PAUL GREEN: Via Brisbane.

Ms STEWART: Yes.

Mr SCOT MacDONALD: Was that Brindabella?

Ms STEWART: Brindabella was the service that we lost to Brisbane, yes. The majority of our passengers have looked at that. We have also looked at where they are actually travelling to that day as well—their final destination. Sure we get the odd Melbourne passenger as well but the majority of passengers seem to be heading to Sydney. There is a request for a Melbourne service but that is something that we would probably look at down the line. Our priority at the moment is replacing the Brisbane service, then getting some competition on the Sydney service and then possibly looking at a Melbourne service. That is the priority at the moment.

The introduction of new RPT operators is very exciting and a very positive thing for the airport. It is something that we are definitely looking to encourage. We have to look at our infrastructure at the same time. The way our baggage system is configured at the moment is mainly for a single operator. If we were to have a second operator, depending on their scheduling, if it was around the same time as our existing operator, it would be very difficult to manage any baggage-handling system with our existing three check-in counters. Outside that, depending on the type of aircraft they are utilising, our apron area, which is immediately out the front of the terminal, has restrictions on movement around the existing positions that we have. If we were to have another operator in there it would be very hard for them to taxi around an aircraft that is actually boarding or disembarking. So we would need to make some significant upgrades to the apron area.

At the moment we can accommodate three RPT Dash 8 operations—Dash 8-200, 8-300 or 8-400—but to operate an unscreened service, which would be below the 400, would be very difficult with those aircraft on the bay. So the introduction of an RPT service would be great. It would be wonderful to put some competition on the service but we would have to be very careful about how that would be managed. Our concern, which was raised previously, would be if we have a flurry of sale fares and then we see an operator lose its service. You could possibly lose part of your service that you actually currently have with the existing operator as well because they would reduce the amount of services they have coming in. Then the new operator decides to stay or not stay. Should they go, then the net effect is a minus one service every day. We have to be very careful about how we approach the competition on the route.

We are in the fortunate position that we actually have four airport reporting officers. They have duties from prior to the landing of the first RPT or the departure of the first RPT aircraft service until the last aircraft arrives as well, which is around 8.15 p.m. So we have over a 12-hour period to cover that. The four staff work split shifts and they are also required to work weekends as well. If I have one staff member who becomes ill or

requires training, that puts extra stress on the others. I have got a lot of ageing staff members who have been on council for quite a number of years and I am looking at long service liability at the moment. So losing experience and staff it is very hard to find replacements locally.

I cannot just employ somebody from the local labour force so I have difficulty in getting staff. But even getting the young recruits on board and getting them trained up to the services—the big city lights are obviously more attractive to the younger people—getting them to stay at Tamworth and maintain their employment here is another difficulty we face. It is interesting that freight has been brought up. We are looking at freight services here at Tamworth at the moment as a possibility. Currently QantasLink actually do Australian airExpress air freight at the moment. It is interesting that that aircraft is actually screened; however, freight is not required to be screened. So there is a contradiction in the freight security requirements. That is something that will probably become an issue going forward if freight becomes combined with RPT services. I think I have covered most of the things that are in my report. I welcome any questions that you may have.

CHAIR: Thank you. Mr Sommerlad, did you want to add anything?

Mr SOMMERLAD: Briefly. I would like to tell the Committee that Tamworth Regional Council operates its airport as a standalone entity and it is funded by the revenue that the airport generates. We run the airport at a profit and the profit is held in reserve, which enables us to replace lighting systems, reseal runways, etcetera. The advantage obviously to the city of Tamworth, the region and the ratepayers is that we have a high-class facility. It is not broken, it is in good condition. It is not an impost on the ratepayers, which enables council to invest its money in the other services that it is required to provide: roads, sewerage, water and the list goes on.

The other point I would like to make is that we do have a significant aviation business attached to the airport. The council also owns significant land around the airport, which gives it scope to expand and develop. Because of that business enterprise that we have at the airport we do have a long list of skills: instrument fitters and all those things that are important to the aviation industry. We do have AviSkills at the airport, which is a training facility that teaches apprentices the aviation trades, and the extensive QantasLink maintenance facility and Sigma Aerospace facility represent major maintenance facilities. I guess one of our great strengths is that the airport has the capacity to accommodate these businesses. The other thing is that we see great opportunity moving forward for the airport in its provision of maintenance services. A particular focus for the council through its economic development plan, is the expansion of the aviation industry and freight and logistics, which the airport has the capacity of coping with.

CHAIR: I would like to seek a little more information about the economic side of things. Can you give us some idea of what proportion of your income is from regular passenger transport [RPT] services, the flying school and the other aviation businesses attached to the airport?

Mr SOMMERLAD: I will ask Julie to answer that question, if I may. She is the guru on the numbers.

Ms STEWART: Our passenger fees make up roughly half of the revenue that we actually make from the airport. Another quarter is made up of what we call the security fees, because of the screening; and that is done on a cost recovery basis. The revenue created by that does not go back into the airport reserve; it actually goes back to—

CHAIR: So that 50 per cent does not include the screening fees, is that what you are saying?

Ms STEWART: No, it does not. The remainder is associated with lease fees and landing fees.

CHAIR: Is the flight school actually part of the airport business?

Ms STEWART: Yes.

CHAIR: What percentage of your income does that represent?

Ms STEWART: That would make up part of that 50 per cent. It does not make up the whole 50 per cent but it makes up part of it.

CHAIR: And the other aviation businesses that you referred to make up a much smaller percentage, is that correct?

Ms STEWART: Yes, they would make up a smaller percentage.

Mr SOMMERLAD: We derive lease revenue from those facilities. We own the hangars that are occupied by the airlines.

CHAIR: And QantasLink pays you a lease fee to use those hangars?

Mr SOMMERLAD: Yes, that is right.

Ms STEWART: Yes, that is correct.

CHAIR: There has been some discussion of the potential viability of a Tamworth to Brisbane service. We heard a similar story from Armidale Dumaresq Council. Do you think it is feasible for there to be a viable service from both Tamworth and Armidale into Brisbane or would it be better if it were combined?

Ms STEWART: It is really hard to say. It depends on the operator. If they had an operator which could actually service 10,000 passengers then that would possibly work in their favour. Our figures show that we could service up to 20,000 passengers on that service. The draw of passengers for that Brisbane service is a little larger—it is a large audience—than that of the Sydney service. So we would be drawing passengers from basically the whole north-west region. If Armidale came into play then that would be a different figure again. For example, I know that the mining industry are actually running charter flights into Narrabri. That is a charter situation.

CHAIR: Do you know where they are coming from?

Ms STEWART: Do you mean the passengers?

CHAIR: No, the charter flights that are going in. We will also Narrabri this question tomorrow.

Ms STEWART: There are a couple of destinations. I am assuming that they are coming from Brisbane. We have a number of miners who fly in on the Sydney service to Tamworth, and then there is a charter aircraft that actually takes them from Tamworth to Narrabri. That is something that happens on a daily basis. I know that when Brindabella Airlines was flying in a large number of passengers alighting from or boarding the aircraft were wearing fluorescent shirts. It gave me a fair indication of what kind of passengers they had. Brisbane and the Sunshine Coast are probably two of the key areas that those people would come from. I think the mining industry have workers based all over Australia. You cannot identify a single region they would be located in.

Mr SOMMERLAD: I think the other point to note here as well is the quality of the service that might be provided. Passengers are particular about who they fly with, particularly in relation to safety, maintenance, connections, services at terminals et cetera. While we appreciated having the Brindabella Airlines service, it only operated a 19-seat aircraft. If we were able to get another operator on that route, and we are in talks with an operator at the moment, there is the potential for a better aircraft with better services which would, we believe, attract more passengers.

CHAIR: The runway at Tamworth airport is suitable for jets up to what size?

Mr SOMMERLAD: It is suitable for Boeing 737s and Airbus A320s. We can also take A320 freighters and 737 freighters as well.

The Hon. PAUL GREEN: I have a few questions on tourism. You have an opportunity here. What is your potential tourism growth like with the growth of the airport?

Mr SOMMERLAD: Our tourism statistics provided by Destination NSW show that we have an increase in overnight stays. We have a little thing called the Tamworth Country Music Festival each January.

Mr WEBB: You should all come back and visit.

Mr SOMMERLAD: During the festival Tamworth is bursting at the seams. Tamworth enjoys a reputation because of its country music heritage. It does make us a tourism destination. We are also the major regional centre for the New England north-west and we are on two national highways. There is a large number of people coming to Tamworth by air not only to enjoy what we have to offer but also for conferences and major sporting events. Of course we have a similar number of people leaving the city by air to travel interstate and overseas.

The Hon. PAUL GREEN: Do you have a lot of medical flights?

Ms STEWART: Yes, we do. We have medical transfers. Apart from the Westpac Rescue Helicopter, we have the air ambulance, Little Wings and Angel Flight. They all fly into Tamworth, and obviously we have the district hospital here as well as access to some of the Sydney hospitals and Newcastle hospital.

The Hon. PAUL GREEN: There was a comment made earlier about surveying people about flights to Brisbane. What are the numbers? Why would one of the other carriers not be interested if there was such interest in flying to Brisbane?

Ms STEWART: I think there is a restriction on the type of aircraft available for such a service. John mentioned the 19-seat aircraft. The Jetstream and the Metroliners have been doing that service. You need a 36-seat aircraft. Anything larger actually increases the cost of operation for that aircraft. The number of airlines that have those smaller aircraft is a bit restricted. Even QantasLink are looking at moving into the 74-seat market and away from the Q200 and Q300 aircraft, which are the 36-seat and 50-seat aircraft. So that is probably not a route that they would look at immediately.

The Hon. PAUL GREEN: How are you going in terms of winning defence contracts and things like that?

Mr SOMMERLAD: We have our fingers crossed. Currently the Australian Defence Force [ADF] is reviewing the two tenders it received for contract Air 5428. Tamworth is aligned with British Aerospace [BAe]. With a significant track record already established here at Tamworth, we are hopeful. But we will obviously have to be patient and wait until the ADF and the Federal Government make their decision.

The Hon. PAUL GREEN: Do you have TAFE training happening in avionics and that sort of industry?

Mr SOMMERLAD: We have AviSkills, which is based at the airport.

The Hon. PAUL GREEN: You mentioned students coming from Papua New Guinea and Brunei. Was that for pilot training?

Ms STEWART: Yes, that is for pilot training.

Mr SOMMERLAD: Yes.

The Hon. PAUL GREEN: So you have extra training on top of that?

Mr SOMMERLAD: Yes.

Ms STEWART: Yes.

CHAIR: It is a great facility.

Mr SCOT MacDONALD: I would like to leave you with two questions on notice. They are both around the fees and the problems around them. Could council do a quick opportunity cost calculation of those fees taking 12 weeks to get to you? So for anything beyond, say, 30 days what is the cost of that to council? That might help to inform our deliberations. Another issue is the debt that Brindabella Airlines left. I think they left a debt of around half a million dollars around all the councils not just for you here. That is the figure I recall.

Would council support scheme a bit like the General Employee Entitlements and Redundancy Scheme where, say, 5¢ or 10¢ per ticket is put into a scheme or a bond? So if we do have a collapse along the lines of

Brindabella Airlines or Vincent Aviation then there could be some recourse to a fund like that. I will leave you with those two questions on notice. So it would be funded by those travelling at whatever rate you think appropriate. If you have 100,000 seats per year then a levy of 10¢ per seat would raise \$10,000.

Ms STEWART: Is this similar to the \$10 fee levied when Ansett collapsed?

Mr SCOT MacDONALD: Yes, it would be an Ansett levy type thing. Hopefully it would never be needed, but over time it would build up some sort of reserve.

The Hon. MICK VEITCH: I am quite interested in the business unit model that you spoke about in your opening statement, Mr Sommerlad. The reason I am interested is that previously we have heard evidence from another large regional airport operator where someone mentioned that there may come a point where they would get out of the airport and walk away from it more or less. You have taken the complete opposite view economically speaking. When did council make the decision to create the business unit and what is the corporate structure around that business unit for the airport?

Mr SOMMERLAD: The directorate I am responsible for is quite unique in terms of local government areas. It has only been in existence for a little over three years. It features all of council's business assets—the assets that have the potential to make money. In relation to the airport, our council certainly would not want to get out of the airport business because we see it as one of our great strengths. In fact we refer to it as the jewel in our crown—the fact that we have such a significant airport with growth potential. On the other side of the scale, Tamworth is also a major food processing centre. With increasing demand in Asia, there is every chance that we may be able to utilise our airport for opportunities to export chicken meat and other products that have a significant footprint in Tamworth.

CHAIR: Would you be looking at exporting those products directly from Tamworth itself or via an international hub in Sydney or Brisbane?

Mr SOMMERLAD: We would argue that, in the long-term, Tamworth, given its scope for expansion, could become a centre for export. Only a few weeks ago, I, along with the acting mayor, had a discussion with some business interests from China who are exporting milk from Avalon to Beijing. They are flying over Tamworth to get there. We see that there is great scope in view of the fact that, according to the Australian Bureau of Agricultural and Resource Economics, by the year 2050 the world will need 70 per cent more food than it has now and growth in China will double.

The Hon. MICK VEITCH: With regard to the business unit and the business model, is there any cross subsidisation by council of the business unit?

Mr SOMMERLAD: No.

The Hon. MICK VEITCH: So it is completely separate and stand-alone.

Mr SOMMERLAD: Yes.

The Hon. MICK VEITCH: Is there a master plan for the airport?

Mr SOMMERLAD: Yes.

Ms STEWART: Yes, there is.

The Hon. MICK VEITCH: How long has that been in place?

Ms STEWART: There was a review done in 2006 and we are looking at a second review now.

The Hon. MICK VEITCH: Does that include a strategic direction statement?

Ms STEWART: Yes.

Mr SOMMERLAD: Yes, and that will include the potential expansion of our runway and all of those other aspects.

The Hon. MICK VEITCH: So there is also a funding regime around your asset enhancement and maintenance programs?

Mr SOMMERLAD: Yes, we are self-funding and we are looking at other areas of expanding our business to increase revenue lines.

The Hon. MICK VEITCH: You were here when Armidale Dumaresq Council were giving their evidence. I asked them a question around what is a region for aviation? I think the catchments have a different definition to those normally used. What are your views around the need for a regional airport strategy?

Mr WEBB: Can I make a comment about that? We did think about this some time ago. When our past Premier, Barry O'Farrell, was in the seat we went down to him with a couple of maps and a couple of plans on how this could work across New South Wales and I have to say Wagga formed part of that; it was a hub and spoke mechanism that we put in place and we overlaid that across the maps. He thought that was a great idea but he said to us, "You guys have got to go out and make that work". So I guess the opportunity is for you guys to make that work, and I would be happy to present those maps to you for consideration. We do not have them here today but we could get to them to you.

The Hon. MICK VEITCH: Take it on notice.

Mr WEBB: Could I just add to what Mr Sommerlad said and that is in relation to food products that are coming out of this region? For some years we have been working very hard with the agricultural sector to try and build a business around Tamworth where there are value-added products coming out of our region. I believe that what I am talking about now is State-significant: there are some threats out there and there are some opportunities. The threats are from other States; the opportunities are all around us. If we can make it here and get across some of the issues that John is talking about, and that is getting these value-added products, such as chicken meat, lamb, beef and grain products that have been value-added, out of our city into perhaps Sydney or straight from here into Asia, then the opportunity is there for the State to really make this northern part of the State hum. But there are threats from other States, and I do know that is happening now; those threats are out there.

The Hon. STEVE WHAN: I will focus on the issue I am most interested in. On that direct export to Asia area, have you had any discussions with Federal authorities about what sort of staffing and infrastructure would be required before you undertake that sort of work? I know that is probably a way down the track, but is that something that you have had any preliminary work on?

Mr SOMMERLAD: We have only had discussions at a local level with our Federal member but we have not taken it to that level yet because we believe there is work that we have to do on the ground here, such as update our master plan and to cater for that potential.

The Hon. STEVE WHAN: And, presumably, work out which products you can market?

Mr SOMMERLAD: Yes. Tamworth is home to three abattoirs, it has a large chicken industry, eggs, and significant grain-related products as well.

The Hon. STEVE WHAN: What would you like to see from the State Government to help you with that?

Mr SOMMERLAD: I think we would need to sit down together and look at the viability of those opportunities in the long term and maybe some seed funding for us to do those studies.

The Hon. MICK VEITCH: Have you spoken to Parkes about their experience with their proposals from about 10 years ago?

Mr WEBB: Could I suggest to you that Parkes is in a very different situation, an extremely different situation to Tamworth. Tamworth has got the base here to have products that are at their doorstep that can be provided to Asia.

The Hon. MICK VEITCH: Export ready.

Mr WEBB: Parkes does not have that yet. Behind us we have the products that need—

The Hon. MICK VEITCH: I disagree, with all due respect, having spent 12 years in Young when we were part of the process with export-quality cherries ready to take to the Parkes proposal. It fell over because they could not get backloads out; the freight liners would not take it because they could not make it feasible.

The Hon. STEVE WHAN: There was nothing to bring back.

The Hon. MICK VEITCH: Nothing to bring back.

Mr WEBB: Can I just say that John mentioned here that we have been talking to some of our Asian counterparts only just recently and one of the things that they are looking at is what I am talking about now; they are looking at backloading and they are talking to people in this country about backloading.

The Hon. MICK VEITCH: It would be great if they could do it.

Mr WEBB: They are looking at us. So there are some great opportunities there, but I cannot stress enough that there are threats from interstate.

Mr SOMMERLAD: This company that we have been discussing with is in logistics in a significant way and has the ability to backload aircraft back into Australia.

The Hon. MICK VEITCH: That is why Parkes fell over. If you could do that it would be outstanding.

Mr SOMMERLAD: The other advantage too that we have is that Tamworth does have a significant amount of existing infrastructure.

CHAIR: We are out of time. Thank you very much for your submission and your evidence today. It has been very, very useful to us. Some issues were taken on notice and the Committee has resolved that answers come back to us within 21 days of the secretariat contacting you with the issues that you took on notice. I once again apologise for the disjointed day that we have ended up having, but I think it has been useful anyway, so thank you very much for coming along. I am sorry that we missed out on the airport inspection but maybe there will be an opportunity some time in the future when we can do it not in a formal role.

Mr WEBB: Thank you, Mr Chair, and thanks to the Committee. We greatly appreciate the opportunity to come here and talk to you about what we see is a great future for our industry here and across the nation. We think we have got some great opportunities here.

(The witnesses withdrew)

(The Committee adjourned at 4.35 p.m.)
