

REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO REGIONAL AVIATION SERVICES

CORRECTED PROOF

At Sydney on Friday 23 May 2014

The Committee met at 9.30 a.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: Welcome everyone to the first 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 of New South Wales. Before we commence, I acknowledge the Gadigal people who are the traditional custodians of this land and pay respect to the Elders past and present of the Eora nation and extend that respect to other Aboriginals who may be present. Today is the first of seven hearings we plan to hold for this inquiry. Today we will hear from Qantas; Inland NSW Tourism; Airlines of Tasmania; Rex—Regional Express Airlines; Regional Aviation Association of Australia; Bankstown Airport; and Regional Development Australia, Sydney. Before commencing I shall 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 remind media representatives also that they must take responsibility for what they publish about the Committee's proceedings.

It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. I urge witnesses to be careful about any comments they may make to the media or to others after they complete giving 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 on notice that a witness could answer only if they had more time or with certain documents to hand. In those 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 they would like brought forward should be delivered to the Committee members through the Committee staff to my right. Finally, I ask everyone to turn off their mobile phones for the duration of the hearing. I now welcome our first witnesses.

VARGEESAN THILLAINATHAN, Head of Commercial, Qantas Link, affirmed and examined, and

JOHN GISSING, Chief Executive Officer, Qantas Link, sworn and examined:

CHAIR: Would one or either of you like to commence by making a short opening statement?

Mr GISSING: Thank you. We would like to commence with an opening statement. Each one of us is here today because we know the importance of regional aviation in New South Wales. I thank you for the opportunity for QantasLink to make a written submission and to appear today in response to the Standing Committee on State Development's Inquiry into Regional Aviation Services. QantasLink is the culmination of more than 65 years of regional commitment in New South Wales. We are a full service regional carrier that operates a large range of aircraft types and connects millions of travellers each year between regional centres and major domestic metropolitan centres throughout Australia. We provide services to 10 regional intrastate destinations in New South Wales, including Albury, Armidale, Coffs Harbour, Dubbo, Lord Howe Island, Newcastle, Port Macquarie, Tamworth, Moree and Wagga Wagga. Connectivity to Qantas regional, domestic and international network covers over 200 destinations in 50 countries, 63 in Australia and more than 137 in other countries, including destinations serviced by code share partner airlines.

Qantas has an ongoing commitment to regional air services in Australia. Our fleet strategy is to continue to purchase larger and faster aircraft. Recently we acquired an extra seven new 74-seat Q400 aircraft to increase the QantasLink Q400 fleet to 31 aircraft and five additional Boeing 717 jet aircraft to increase the QantasLink Boeing 717 fleet to 18. Investment in a larger and more efficient fleet has enabled QantasLink to expand its product offering to customers providing flexibility and scale. QantasLink's substantial and continued investment in the larger Q400 turboprop aircraft and the targeted retirement of Q200 and Q300 aircraft means that a number of smaller towns in New South Wales are not suitable for QantasLink's services and are better served by regional carriers with smaller aircraft. Limitations often are operational, for example, runways not permitting larger aircraft to land, or commercial, for example, insufficient passenger demand to make larger aircraft commercially viable, or both. As a general rule, QantasLink rarely operates on routes with less than 30,000 passengers per year.

QantasLink directly employs over 1,300 staff nationally, with more than 500 staff in New South Wales at locations in Sydney, Tamworth and Newcastle. We have invested strongly in our engineering and maintenance facilities based in Tamworth where we employ approximately 100 staff, including 62 skilled engineers who conduct maintenance on our national fleet of 49 turboprop aircraft. QantasLink regularly showcases regional destinations via the award-winning Qantas in-flight magazine, *The Australian Way*, as well as the on-board video presentation "Welcome Aboard". Both the magazine and the in-flight video are seen by more than three million Qantas domestic and international customers across Australia and around the world each month, which directly increases awareness and visitation to regional Australia. QantasLink carries its own in-flight magazine, *Spirit*, on aircraft nationally with a distribution of more than 5.6 million passengers per annum. Qantas works closely with Destination NSW in promoting New South Wales as a tourism business destination both domestically and internationally through a financial commitment of millions of dollars per annum.

As the national carrier, we have continued to rescue communities following the aftermath of other airlines' withdrawals from markets, including the June 2001 collapse of Flight West Airline and the September 2001 collapse of Ansett, Kendall and Hazelton airlines. Particular reference must be drawn to the immediate relief QantasLink provided recently to the Moree community when it was stranded following the collapse of Brindabella Airlines. Qantas has a history of supporting aviation in regional New South Wales and continues to invest and support the communities of New South Wales with regular on-time premium services, community support and partnerships. Qantas acknowledges the strong need for regional centres in New South Wales to have reliable, affordable and regular air services, and this is reflected in our long history of investment and our presence today in the market ensuring the viability of air services to regional New South Wales in the years to come.

CHAIR: Mr Thillainathan, would you like to make an additional comment?

Mr THILLAINATHAN: No thank you.

CHAIR: Mr Gissing, in relation to your concluding remarks that regional communities deserve and need to have regular passenger services, that is all very well for the ports that you run in and out of—Tamworth,

Dubbo, et cetera—where aviation services are not at risk, so to speak. I am sure you are aware of the history of East-West Airlines, Eastern Airlines and then QantasLink. Those companies used to fly into many other smaller ports in New South Wales. Some routes were taken over by smaller operators, such as Impulse, Brindabella and so on over the years. What sort of model would you suggest for providing those smaller ports with access to a regular passenger service to and from Sydney?

Mr GISSING: I am not sure that QantasLink would be in a position to suggest or recommend a particular model beyond that model we operate under our own business. We have a fleet of 36 50-seat and 74-seat turboprop aircraft. That is our fleet that we currently operate and it is with that fleet that we service the 10 markets we do in New South Wales and the other 46 destinations around Australia, including up into Papua New Guinea and Port Moresby. As a pilot by training and previously having flown with Hazelton Airlines in its years, I have experienced the industry when in fact 10-seat Navajo aircraft were flown in from various markets to hub-and-spoke places like Orange and Dubbo in New South Wales. I think that model has been tested over the years and for various economic market reasons has not been found to be sustainable. I do not think QantasLink is in a position to suggest or recommend a model that would work beyond the business model that we currently have operating.

CHAIR: I understand that entirely from Qantas's perspective, but from the perspective of those communities that no longer have access to an airline, that does not solve the problems they face. That is the reason for this inquiry. We want to try to look at ways of making those sorts of services more available to those communities that may have lost them over the years. In terms of your code share arrangement with Emirates, I was in Dubbo this week for another inquiry and the arrival and departure notices were flashing between QantasLink and Emirates, which I found rather bemusing.

Nonetheless, one issue that has been raised with me on many past occasions when some of those other smaller airlines were operating was that if someone booked a seat from, say, Perth to Griffith with Qantas, they cannot fly to Griffith with Qantas but can fly to Wagga Wagga. So it was more than likely that the Qantas booking would take you to Wagga Wagga and then pick up a hire car to drive to Griffith. That is a problem in itself because it takes business away from those smaller airlines that actually need those extra passengers; they are very important to them. Is there a way to overcome that in your booking offices by connecting people with other smaller airlines that may fly into ports you do not operate out of?

Mr GISSING: Can I first say that I am not familiar with that particular routing or proposition. I am happy to take it on notice and look at that specifically.

CHAIR: Rex flies into Griffith, not Qantas. I am using that as an anecdotal example.

Mr GISSING: In terms of code sharing, those are very important relationships because they allow various operators to feed capacity on to their networks in a very efficient way. As an example, we had a code share relationship with Brindabella where by using our brand and network proposition we were able to assist that business with its customers through to Moree and on the Tamworth to Brisbane leg, as an example. Where we are applying code share negotiations with other operators, they are clearly negotiated on the basis that it is a benefit for both parties in that code share relationship. Where we can, we will put our code share feed into various markets where that is beneficial for both operators. It enhances the network proposition for our customers; it enhances the proposition for people generally in regional Australia; and it improves the viability of those services.

The Hon. MICK VEITCH: Page five of your submission talks about employment in regional areas and how many communities benefit through QantasLink's presence. This week stories emanated from Coffs Harbour about changes to ground crew and their operation. I thought all of the ground crew staff were employees of QantasLink, but is that not the case? Are you moving to a new model?

Mr GISSING: Thank you for the question. As is the case for our ground-handling operations generally, as is the case for other domestic carriers in Australia and other regional carriers in Australia, we will move to provide ground-handling arrangements, usually with agents that have an efficiency or an expertise in that area and we will enter into a commercial relationship with those ground-handling agents. That is true of all 56 ports that we operate around Australia, with the exception of Newcastle where we have our own employees for what we call front-of-house customer service. The arrangements we have had with our providers in other cities are not employees of QantasLink. It is an arrangement. I am happy to take the circumstances of Coffs

Harbour on notice and provide further details, but it is a standard tendering process for that work and a standard tendering process where bids are put and we make a commercial decision on the provider.

CHAIR: Has that model been in operation for some time?

Mr GISSING: The ground-handling model has been in place for a very long time in regional areas. It makes a lot of sense. From a local operating point of view in smaller markets where there may only be two services a day, it is much more economically efficient to have a local provider who may also be the travel agent or may also have a small business in town where they can use or cross-utilise their manpower and resources to provide the ground-handling service at the airport and for multiple operators.

The Hon. MICK VEITCH: There are a number of providers flying in and out of Coffs Harbour. It is possible that the ground crew could be QantasLink. Virgin or Rex flies there.

CHAIR: Virgin does.

The Hon. MICK VEITCH: All the airlines essentially could be working for an arm's length contractor.

Mr GISSING: There are a number of ports that we operate to around our network where we share the same ground-handler with other operators in that market. It is an efficient way to conduct that activity but, at the end of the day, it turns on the commercial negotiation with that ground handler, and providing our service is not impacted upon we do not necessarily have a view about what other services they provide at that airport.

The Hon. MICK VEITCH: As long as you are safe. My next question goes to your submission where you talk about the reduction in the Dash 8-200s. In your opening remarks earlier you referred to them as the Q200s. That obviously will have an impact on Lord Howe Island if you continue to reduce—you are down to three the Dash 8-200s in 2014. What is the long-term future for a service in and out of Lord Howe Island? My understanding is that the Dash 8-200 is the only aircraft that can do that route.

Mr GISSING: Thank you for the question. Perhaps I can set the record straight on what we call these aircraft.

The Hon. MICK VEITCH: Yes.

Mr GISSING: De Havilland has been a company that has been around almost as long as the Wright brothers. They claim they kicked off in 1918. Through various machinations of mergers and acquisitions over the years, de Havilland Canada was ultimately purchased by Bombardier. When Bombardier took over the de Havilland company in Canada, they renamed the Dash 8 aircraft the Q-series fleet. You will hear the Q400 was and is still in production. That same Q-series was applied to the 200s and 300s.

The Hon. STEVE WHAN: Retrospectively.

Mr GISSING: We mix and match the two.

The Hon. MICK VEITCH: Thank you.

Mr GISSING: The marking people would insist that I use Q200 and Q300 when describing those fleets.

The Hon. MICK VEITCH: What is the long-term future for Lord Howe Island?

Mr GISSING: For the Q200 and Q300, the 36-seat aircraft and the 50-seat aircraft, they are no longer in production. They are an ageing fleet, so they will have a life limit on them at some stage. For the Lord Howe operation, we need only two aircraft. We have had five in our fleet. Those five have also serviced other markets such as Armidale and other markets in New South Wales. We have also used them on various services from Brisbane, particularly the Brisbane to Lord Howe Island service.

The sale of two aircraft is a separate decision that is tied in with the ageing of the aircraft fleet and our recognition that in order to increase utilisation and make that fleet more commercially viable, we could operate

the Lord Howe Island services and other services in New South Wales and elsewhere in our network with three aircraft. So there is no impact on Lord Howe Island services at all in that decision and we are still going through that process at the moment. We recently met with the newly appointed chief executive officer of the Lord Howe Island board and two of the board members in Sydney, in fact, this week.

Mr THILLAINATHAN: That is correct.

Mr GISSING: We will be attending a board meeting in August on Lord Howe Island to further explore with the board the future of services well beyond 2018—given the Q200 aircraft licence period expires in 2018—and ways that we can work with the island to create greater certainty and security in services into the future.

The Hon. MICK VEITCH: Such as lengthening or enhancing the runway?

Mr GISSING: At the moment, with the current runway length, the Q200 is an aircraft that can operate on a commercially viable payload. There are not too many others, if any, that can operate to Lord Howe over that sector distance with a payload that is going to be commercially viable. That is a challenge for Lord Howe Island and it is a challenge for us in continuing services beyond 2018.

CHAIR: What are the passenger numbers from Lord Howe?

Mr GISSING: My recollection is it is in the order of—

Mr THILLAINATHAN: 27,000 passengers per annum.

CHAIR: You would consider that a marginal route, anyway, from your perspective?

Mr GISSING: It is marginal in the sense that to be commercially viable it is a unique proposition, given that the air service is the only viable connection to the mainland, and the licensing arrangements. It is a unique market, absolutely.

The Hon. MICK VEITCH: I missed the year. Did you say up until 2018?

Mr GISSING: The current licence expires early in 2018.

The Hon. STEVE WHAN: Is 30,000 passengers per year a benchmark that you try to apply across all routes in Australia?

Mr GISSING: Not so much a benchmark, it is—

The Hon. STEVE WHAN: A guide?

Mr GISSING: Well, it is a recognition that for a 36-seat aircraft to operate a morning and an evening service such that regional communities can have a day in the metropolitan capital and vice versa, the metropolitan capital can attend regional services in a day. When you work that out over five working days a week over 52 weeks of the year, to get a viable payload for that service it is around the 30,000 to 50,000 mark that you create a viable and sustainable service. It is not so much a benchmark. It is a commercial reality that for a 36-seat aircraft, which is the smallest in our fleet, that is about the number you would need for a viable commercial service.

The Hon. STEVE WHAN: Are there any factors in different States that affect the viability of your runs? Do you receive seat guarantees or subsidies for any regional routes in other States?

Mr GISSING: The only other State where we have licensing applied to our network is Queensland. There is nowhere across our network anywhere in any State where we have any subsidy or support or guarantees from any State Government.

The Hon. STEVE WHAN: There has been a lot of talk in the media about the viability of Qantas's international and, to an extent, domestic routes. QantasLink is wholly owned by Qantas, as I understand it, but is it a separate body for accounting purposes and is it currently facing viability issues in the same way?

Mr GISSING: Thank you for the question. I can speak about QantasLink. We are a wholly owned subsidiary of the Qantas Group. As we say in our submission, we are a collective of wholly owned subsidiaries that come together to form the QantasLink operation, which also includes a wet lease operation with a third party provider on the Boeing 717 aircraft.

The Hon. STEVE WHAN: I have noticed that on the tickets.

Mr GISSING: On the tickets it will describe the legal entity of the operator. For the turboprop fleet it is Eastern Australia Airlines Pty Ltd and Sunstate Airlines (Qld) Pty Ltd, which are the two air operator certificates we hold for the turboprop business. In terms of viability, the public statements that we make are by the Qantas Group and I am not at liberty to make any additional public statements other than those that are in the public domain through the group's chief executive officer. From QantasLink's point of view, I can give the Committee some comfort in the fact that in New South Wales alone across our 10 markets the cumulative number of years that we have been operating in those 10 ports is 231 years. On average, for the 10 ports that I read in my opening statement, we have been there for 21 years. We are here for the long haul. We are committed to regional Australia. Our viability is the result of good commercial decisions and good fleet decisions and we will continue to behave in the same way we have done for many decades in New South Wales to ensure the availability of services in the future.

The Hon. STEVE WHAN: There are a number of public comments from Rex about pricing at regional airports and monopoly pricing, as they call it, for some regional airports. Does QantasLink have issues with pricing at regional airports and ownership by councils?

Mr GISSING: We recognise from our customers' point of view and for people in regional Australia it is very important that we price our fares at an affordable level and also to create a mix of fares that meet the requirements of various customers, from a fully flexible fare that enables choice and change and other included benefits right down to our entry level fares, which are typically in the range of \$100 to \$200. In some cases it is less than the price of a tank of fuel in cars these days. In addition, we are on sale regularly. In most markets, particularly in New South Wales, which is the focus for this Committee, we are on sale at least every two to four weeks with sale fares ranging from \$69, \$79 and \$89.

We recognise that if people get in early and travel at the non-peak times those fares are available and we would argue that they are available in sufficient numbers to make it very affordable for regional people and for city people travelling to regional areas. In terms of the markets where we operate as the sole operator, in New South Wales the only markets where we have a monopoly of those licensed under the Transport for NSW licensing regime is Lord Howe Island and Moree. The other markets where we are the sole provider, we would argue we are not the monopoly operator per se, because those markets are free to access—

The Hon. STEVE WHAN: I was not talking about it as a monopoly operator. Rex has made some comments about airport owners acting as if they are monopoly operators.

Mr GISSING: Thank you for the clarification. We have no experience across our network in Australia where that is the case. We have good relationships, if I can talk to New South Wales specifically. All of the airports that we operate to, we recognise, in partnership, that it is in all of our best interests to be aware of one another's business needs and to manage cost in the best possible way that we can together, because it is just as important for the long-term viability of the airport as it is for us to provide those services. In summary, no. The behaviours we see are in fact partner focused, open, commercial by their very nature, but open in the sense that we are always looking for opportunities to reduce cost. A recent example at one of our airports was a redesign of manpower management for security screening, for instance, where up to 10 per cent of the cost of screening has been able to be achieved and then that gets passed through to the overall cost pool of that operation. The short answer is no, we do not see any behaviours that would adversely impact our cost of operation.

The Hon. PAUL GREEN: Regarding the increase of your 74-seat Q400s, in respect of landing capacity across the regional destinations you have mentioned, how many of those destinations could accept such a plane?

Mr GISSING: If you are talking about the 10 in New South Wales—

The Hon. PAUL GREEN: Just the ones you noted in your introduction.

Mr GISSING: I would have to take on notice some of the details regarding the pavement classification number [PCN], the strength of the pavement and the other regulatory considerations for the ports. I am not sure there is any limit on any of them.

Mr THILLAINATHAN: Lord Howe would be the primary one.

Mr GISSING: Obviously Lord Howe.

Mr THILLAINATHAN: We would need to get back to you on possibly Armidale as well.

The Hon. PAUL GREEN: I am wondering how many of them cannot accept the Q400.

Mr GISSING: I think Armidale, Moree and Lord Howe are the obvious ones that spring to mind but we would need to check. As you would understand, the regulatory regime around operating is obstacle clearance, runway length, pavement strength, et cetera

The Hon. PAUL GREEN: You mentioned that in your report.

CHAIR: You have said that at Lord Howe it is runway length. Is it runway length or the pavement strength or both at Armidale and Moree?

Mr GISSING: We would have to check the details for you, Mr Chair. Then there are additional requirements that come with the larger aircraft, as has been highlighted, around security screening.

The Hon. PAUL GREEN: Given that you say the Q400 aircraft is potentially 20 per cent more efficient, quieter and has all the other benefits, is QantasLink looking to bring back the Albion Park to Melbourne route given the fact that it could not stack up because of cost?

Mr GISSING: In terms of Albion Park, that is a reasonably long time back in history that I cannot talk to specifically.

The Hon. PAUL GREEN: It was specifically upgraded to accommodate the outer Wollongong people travelling to Melbourne, which was apparently very good. It was the return trip that was a bit of an issue. If the costings can be cut with an aircraft such as the Q400 will that bring an opportunity for that service route to come back on line?

Mr GISSING: Firstly, no, there is no current intention in that regard and it is certainly not under discussion at this time. If you would like us to take that on notice and provide the Committee with some response I am more than happy to do that.

The Hon. STEVE WHAN: I would add Cooma as well.

Mr GISSING: Again, that is a little bit back in history. We have had a history there but not with the Q400. If I could add, you mentioned the 20 per cent. The Q400 aircraft is unique. It is a unique turboprop in the global market. We like to call it a jet aircraft without the jet engines. It is very quick and it climbs to altitude much quicker than our competitor turboprops in Australia. That means for regional customers it gets high and above the bumps in summer much more quickly. It takes 20 per cent off the flight time. It is a very attractive aircraft and it is significantly quieter than the normal turboprop because of very special noise attenuating systems that apply in that aircraft. The most important thing, however, is the larger seat capacity from an economics point of view allows us to operate at a lower seat cost than a smaller aircraft.

The Hon. PAUL GREEN: That was my next question. In your submission under the heading "Cost of servicing regional communities" you say:

Qantas incurs a higher cost per seat per kilometre for smaller aircraft than larger aircraft which translates into higher fares per kilometre on the smaller sectors we service. Regional destinations also incur higher fixed costs including local council fees and higher security charges. There are also labour cost inefficiencies of covering a single morning and evening flight.

What sort of per seat costs are we talking about? Are you able to elaborate on that?

Mr GISSING: The aircraft manufacturers publish a range of different what we call unit cost figures, so that is publicly available information. The statement we have made in the submission is pointing out the economics. It is no different to the cost per seat in a four-seat taxi versus a 36-seat bus or a 70-seat bus. The economics are the more seats the lower the unit cost per seat.

The Hon. STEVE WHAN: As long as they are full.

Mr GISSING: As long as they are full. We often get asked the question how is it that it can cost sometimes the same amount to fly from Perth to Sydney than Sydney to Port Macquarie. It is the economics of the aircraft size. We understand it is difficult for our customers to understand, but the reality is those points we have mentioned in the submission are to highlight the fact that a Q400 with 74 seats has much better seat economics than the 36 seat or a 50 seat. The same is true when you compare the turboprop aircraft to regional jets and narrow-body and wide-body jets.

The Hon. PAUL GREEN: I am not too sure because you have taken the question on notice, but obviously in a lot of regional airports if we could build the capacity to accommodate the Q400 type of plane it would be in the best interests of regional people seeking to get lower-cost tickets?

Mr GISSING: Absolutely. As we have just introduced last year the Q400 aircraft into Dubbo. That not only helps grow the market but it presents the economics in peak times where we get to a point during the peak times where the frequency is at a maximum. Increasing capacity at that particular time not only keeps access at the best time of day but it introduces better economics in terms of fare proposition. Mr Thillainathan could point out the unit cost difference between our fleets.

Mr THILLAINATHAN: Just to give you a sense, if you look at our 36-seat aircraft to our 50-seat aircraft you are looking at about a 20 per cent improvement in cost. But then from the 50-seat aircraft to the newer Q400 aircraft you are actually looking at a further almost 30 per cent improvement in the cost per seat per kilometre. So it really assists us to not only improve the capacity of the peaks, as Mr Gissing mentioned, but also when you look at some of our costs like fuel, which is increasing quite dramatically, it helps us manage that cost better and not to have to increase our prices significantly over time.

The Hon. PAUL GREEN: There is great exposure in your magazine. How is that magazine put together in terms of rural advertising for tourist destinations? Are ticket prices, for instance, subsidised or is there any subsidisation because of that book and the advertising in it?

Mr GISSING: There are two magazines. There is the Qantas *Australian Way*, which is the magazine that we also carry on the regional fleet. But for the *Spirit* magazine, which is the dedicated regional publication, it is an arrangement with a provider who happens to be in Queensland. It is a publishing provider where we have a relationship where we pay for advertising and there are advertisers in that magazine that help fund the production. Then the stories are generated through our marketing sales organisations. Working with people like Destination NSW we have done recent theme stories on Dubbo Zoo and Lord Howe Island. It is really working with those tourism destinations in particular and also presenting townships like Tamworth, Albury and Wagga Wagga as great places to live and run good businesses. It is really recognising all of the benefits of regional Australia and helping the world to understand what they are through the publications.

The Hon. PAUL GREEN: You talk about mutual benefit partnerships and things like that. It seems through your submission that councils are asking more of aviation providers in fees. Do you have a comment on that?

Mr GISSING: My only comment would be that it is in the best interests of all parties in the aviation system to have the lowest possible costs. There are burdens in terms of cost that come about through regulatory requirements and, as anyone else in that system, we would always argue that the minimum burden possible is where we should be heading. In terms of the charges that we are exposed to, as I said before, we work in partnership with those suppliers to make sure that we understand the justification of those costs and we want to be comfortable that our suppliers are doing everything they possibly can to keep those costs to a minimum.

The Hon. PAUL GREEN: Are you aware if that cost increase is full cost recovery or is it a bit of a revenue-making opportunity?

Mr GISSING: Our understanding is there is necessarily a mix between the two and that for any particular given period we have got our crystal balls but we cannot tell what is going to happen in the future. But it is looking for clever initiatives such as sharing the particular passenger cost. For instance, if we are going to offer a discounted fare that is going to stimulate the market and bring additional custom to the port it is only reasonable, we believe, that that should be a time when the cost per passenger is shared between us. In other words, some of the incentive and the risk taking, if you like, in terms of future investment are shared with that airport provider. The degree to which we can create relationships that maximise that incentivisation is a very healthy part of that process.

Mr SCOT MacDONALD: Can I go back to the question of how QantasLink fits in with Qantas. Can regional consumers be confident that you are in there batting to maintain the ring fencing? If you are all under the Qantas umbrella—and there would be a lot of lucrative parts of the business, such as routes to the Gold Coast and whatnot—how do you see that playing out? Are you in there batting for that ring fence to be maintained and QantasLink services having continued access to those slots?

Mr GISSING: I am pleased to be able to be very categorical in that sense. We are absolutely in there supporting the ring fencing and the access to Kingsford Smith airport by regional Australia. That has been the case for a long time and it continues to be the case.

Mr SCOT MacDONALD: You are not going to get bashed round the ears sitting around the board table or the executive table? You are confident that will be maintained?

Mr GISSING: That is a stated group position and QantasLink obviously supports that position. But that is a stated group position. It has not changed in a long time and there is no intention to change it.

Mr SCOT MacDONALD: There have been submissions, including from Rex, that there needs to be some flexibility around the 80 cap. If we have adverse weather conditions there should perhaps be a bit of flexibility round the 15-minute slot. Is that something QantasLink would support? Even if you do not endorse going up to 85 or whatever, have you thought about a bit of flexibility around that to bring back some of the on-time figures?

Mr GISSING: We are in dialogue in a range of different forums around the possibilities there. At the end of the day that is clearly a government decision and where we have attendance or membership at various forums we are in those discussions to look at other ways that that can be managed. We do that at the group level using access to various fora so that we can submit our views as to how that might be varied in some way.

Mr SCOT MacDONALD: It is a live topic, can I take it?

Mr GISSING: It is a live topic and I think it needs to be. We use those forums in the appropriate way to have those discussions. We do not have a public view per se other than that we accept the umpire's decision, we know what the requirements are and how they are applied and in the appropriate forums we will enter into productive discussions about how that might be varied to the benefit of regional Australia in the future.

Mr SCOT MacDONALD: Can I ask you a bit about the Moree issue. I guess thanks should go to Qantas for stepping in at short notice and taking up that role. Can you give me your views on that regulated route, how that debacle happened, if you like, and are our rules, regulations and tendering for expressions of interest up to the task for that regulated route? I think Qantas did it quite successfully for years and years into Moree, then you lost it but you obviously lost it to an under-bidder either on price or service. Where did we go wrong and how can we make sure that does not happen again?

Mr GISSING: Thank you for the question. We serviced Moree for I think about 21 years and during the renewal process with Transport for NSW it was allocated to another operator. At the time of that decision we did ask for a review of that decision.

The Hon. MATTHEW MASON-COX: Can you tell me on what basis? Did you have concerns about price, viability or anything else like that?

Mr GISSING: Given the confidence that we had in our bid and our prior reliable and longevity of our reliable service prior to that, we were naturally interested to determine on what criteria we may not have met the requirement. One, for learning into the future obviously, and also just as a particular interest so that we could

understand the details of the determination. That review was conducted in accordance with the protocols and procedures required under the regulations. We reviewed that review finding and we were satisfied with the information provided by Transport NSW in that review response and felt that being satisfied with those findings there was no further action for us to take.

Mr SCOT MacDONALD: I will leave you with a question on notice. Given your experience with that Moree problem, can you make any suggestions to the Committee, on notice, on how we could avoid that problem in the future and any shortcomings and any suggestions you might be able to make around the licensing?

Mr GISSING: Thank you. I am more than happy to take that on notice.

CHAIR: That concludes this session. Thank you very much for attending the hearing. You have taken some issues on notice. The Committee has resolved that answers to questions taken on notice be returned within 21 days, and the secretariat will contact you to confirm those issues that you have taken on notice. Once you get the confirmation from them, we would ask if you could have those answers back within 21 days. Thank you for your attendance. There may be other questions on notice coming from the Committee members which we would also ask you to address in that regard. Thank you for your very worthwhile submission and presentation here today.

Mr GISSING: Thank you for the invitation today and we look forward to the Committee's report.

(The witnesses withdrew)

ANDREA PLAWUTSKY, Communications, Inland NSW Tourism, affirmed and examined, and

GRAHAM PERRY, Chief Executive Officer, Inland NSW Tourism, sworn and examined:

CHAIR: Would one or both of you like to make a brief opening statement to get things underway?

Mr PERRY: Yes, I would like to do that. First, I thank the Committee for inviting us to provide evidence. I would like to provide a bit of background to Inland to set the context. In 2011 Inland NSW, as a result of an amalgamation between what was previously 3½ different regional tourism organisations, became an amalgamation between what was formerly New England North West, Outback NSW Tourism, Capital Country and there was a segment half of the Central NSW Tourism, which also came to the amalgamation. We have a very broad region of membership. We have a membership of 37 local government areas, plus many tourism associations and operators. We cover a geography of about 40 per cent of the geography of New South Wales. So our territory covers areas such as Tamworth, Armidale, all the way through New England to Tenterfield. We then have the north west with Moree and Narrabri. We cover Bourke and out to Broken Hill, Lightning Ridge and then there is Dubbo and many of the local government areas around there.

We also represent and have membership from Bowral all the way down to the borders with Canberra, which is around Goulburn, Young and Yass. So it is a very big footprint. The amalgamation was really as a result of the ongoing partnership with the New South Wales Government and Destination NSW. It was felt that a larger organisation could provide the skills and the experience to make a difference. So there was an opportunity for Inland to draw a line in the sand and take a different approach. Our approach since inception has been to represent the consumer. While we are not a consumer brand, because in many ways our geography is very fragmented in the minds of consumers and they do not recognise borders, we are the consumer advocate. Everything we do is looking through the eyes of consumers.

With that in mind, we undertook some research in 2012, which said that of the 150 or more towns throughout our region there were really only eight hubs that resonated with consumers. Not by coincidence, they tend to be the hubs that are serviced by the airlines QantasLink and Rex and they include areas like Dubbo for the central region, Tamworth and Armidale, and north to Moree. Also Broken Hill, et cetera. So it is important that one of the key outcomes of this process, again with our partnership with Destination NSW, was to facilitate a destination management approach, which is about working collaboratively with stakeholders, for them to recognise that there is more to gain by local government areas, some of which are very small, some are medium, some are large; to work together rather than compete. As a result, this process to date is ongoing and it is all to support our initiative of supporting Destination NSW in doubling overnight visitation expenditure by 2020.

The final remark I would like to make is that our learning is that importantly visitors to the region are not just tourism. Visitors to the region are for a whole myriad of different reasons. It is for tourism, visiting friends and relatives, sport, education, potential investors in the region and even people who may become residents in the region. They all spend money in the visitor economy which helps pay for amenity in the community that can be enjoyed by the community as well as the visitor, and it helps sustain regional communities. Important segments within there, 95 per cent of all tourism to inland regions is by car but there is a small but very important segment for things such as medical services, business, delivering community services which rely heavily on regional aviation.

We must not forget that those people who travel there do not just travel to that one destination; they then disperse out and they provide economic benefit to all the local governments in the surrounding areas. It is vital for the region that we maintain the current services but also we take an incremental approach to any new services so that there can be a balance between the commercial viability for the airline but also for the economic development of a community. It has to be a measured and incremental impact.

CHAIR: Following up on your comments about the destination management approach, for destinations that currently do not have an air service, for example, Mudgee, which is quite a popular tourism destination, what could Inland NSW Tourism do to help build a hub such as Mudgee to an extent where it could support a regular passenger service?

Mr PERRY: I think the things that destination management would do, first of all I would say that Mudgee is actually not one of the members of Inland but I can certainly use that as an example.

CHAIR: I am using it as an example. I was not aware of that, sorry.

Mr PERRY: That is fine. One of the things we have to do with destination management is to get stakeholders to get together to recognise what is the unique proposition they have to customers. The reason we want to do that is because we want to drive growth in visitation. If we do that together it obviously adds real benefit. We all know, I think, that Mudgee has a wonderful food and wine experience and industry. We also know that Mudgee has a close proximity in many ways to Sydney, for example, which provides a lot of its growth; you can get to Mudgee within four hours and you can get to Orange with another two hours on top of that. I think the challenge and the opportunity is to work together to grow that economy and then if we can grow that economy, as we heard from QantasLink this morning, there must be a certain number of potential passenger numbers to provide flights, whether the flights are via Dubbo, because you can easily get to Mudgee flying from Sydney to Dubbo, and Dubbo to Mudgee is only about two hours.

Another thing we should not forget is that the low-hanging fruit of visitation and for growth in visitation for the inland regions is Australians who live in regional Australia. So as a result I think there can be a balance between people who travel from Sydney to Dubbo, for those people who want a particular segment market, and maybe what we call the pompadours, who want to stay in more luxurious accommodation. But there is also a need for access via car. What Mudgee has to do is to take the segment approach. What do we have to offer? What are the key segments that we are trying to attract? What role does aviation and car play in that? Where do the customers reside?

CHAIR: So when you are looking at your tourism figures into a particular centre, do you have any idea of how many of those people arrive by air or by car, bus or train?

Mr PERRY: Interestingly, again because we want to be the consumer advocate, two years ago we undertook significant research, which was more than \$100,000 and it was probably the biggest piece of research that has been undertaken in regional Australia. It was of Australians—a very representative sample across Australians—and it told us the key things that those Australians are looking for, their awareness of the different towns, and whether they wanted transport by car or by air, et cetera. So, yes, we have some very rich data on that.

CHAIR: The Government's submission concluded that passenger numbers between 6,000 and 30,000 a year could support a single carrier using a 19-seater aircraft. I think a lot of smaller country communities would be absolutely delighted if they could have a regular 19-seat service to and from Sydney. Do you have any data on those sorts of carriers and what sort of visitor numbers might come via air in some of those smaller centres?

Ms PLAWUTSKY: We do for a couple of towns. Based on the Transport NSW quarterly numbers, we did a survey of the towns within our area that previously had services available. For example, Cobar would be a good one that would fall into that. They had previously recorded approximately 11,500 visitors and they lost their services through the loss of Brindabella. There have not been services re-established since. Narrabri, which was just provided services through Vincent Aviation quite recently when Brindabella left, again is around 14,000. So there are a number of towns that would fall under the threshold that QantasLink was talking about before with the 30,000 that would certainly benefit from services being brought back in or reinstated. Another one that could potentially fit within the six to 30,000 would be Inverell in the north east.

CHAIR: For those towns where those services have been offered, such as Cobar and Narrabri, do you have any idea or any numbers on how many visitors came in by air as opposed to business people?

Ms PLAWUTSKY: No, we do not have a breakdown on those passengers per se as to whether they were leisure or business. With Cobar, anecdotally, most of them would have been tied in with business. I am not sure with Narrabri.

Mr PERRY: I think an important part about that is that they may come in as business but what we feel about the importance of the aviation market is repeat visitation, because they may travel in as business today but then they come back as a tourist. I think that is really important in fuelling growth in visitation.

The Hon. MICK VEITCH: Just an initial comment: Your opening statement spoke about the macro-togetherness of your region. I am from Young and I spent 12 years in local government there and I think it is quite good that there is macro-togetherness but can I just say that there will always be micro-competition in that

region. It does not matter how hard you try they will always try to take a buck off—Young will always try to get a buck off Cowra and Cowra will get a buck off someone else. That is just how it works in that part of the State.

Your hub and spoke model—I think you may have been here when Qantas Link provided their evidence and they said that in their view, and I am paraphrasing, essentially it does not work. What is your view about a hub and spoke model, particularly for weekend visitation, for instance, for some of those communities? Do you think it is something that could work?

Mr PERRY: I take it you mean, in terms of hub and spoke, them flying to one destination—

The Hon. MICK VEITCH: Flying to Orange or Dubbo—

The Hon. STEVE WHAN: A major regional centre.

The Hon. MICK VEITCH: —a major centre and then there is a smaller propeller that runs them out to, say, Young.

Mr PERRY: Our experience is—and I know some of our members, for example in Moree, would agree with that; they feel very strongly that it is really important—that if you try to link locations where there is a less viable route with a hub which is a more viable route, that puts a danger on both. There is some truth in that.

The Hon. MICK VEITCH: So you would say it does not work or it has not worked?

Mr PERRY: I think there is evidence that it has not worked in the past.

The Hon. MICK VEITCH: One of the issues we have, and I will give an example: a mid-western council, Mudgee, conducted a survey recently of their ratepayers to see about an air service and there was a disconnect. People wanted an air service, they identified all the reasons why they wanted an air service, but one of the questions asked, "What air fare would you be prepared to pay for your air service?" There is clearly a disparity between what people are prepared to pay and what the airlines can do it at. That is just pure economics, is it not?

Mr PERRY: Absolutely.

The Hon. MICK VEITCH: That is why these services are not going to country towns.

Mr PERRY: I think it is one of the challenges. At the end of the day it comes down to the viability for the carrier of travelling to a destination. Qantas have made it very clear that the borderline to margin is around 30,000 passenger movements. I think there is opportunity, and I think Vincent had demonstrated that with places like Narrabri where there is lower than that, where smaller airlines can service that. But I think it is a real challenge. The only other area is if the commercial airline cannot justify that service on their own, and if there is believed to be economic benefit for the community then obviously there is opportunity for partnerships or for subsidies from State and local government. So there are opportunities there.

Ms PLAWUTSKY: It is also about moving beyond looking only at the viability from a commercial perspective. From the medical perspective and from some of the other social services there are requirements and in terms of the hub and spoke model it goes to a sense of how far is the distance that we are leaving without a viable carrier, and whether it is once a week, several times a week or whether it is a full daily service. Some of these smaller towns require the viability of a fly in, fly out opportunity for medical practitioners, for support for the communities at a much more social services level rather than a visitation level; so it falls outside of the tourism arena but it cannot be neglected.

In many of these areas there is not a service for four or six or eight hours driving and that is where the challenges really come into it. So while we are looking at Moree and Narrabri as an hour and half away, perhaps that is one that might not need the support in the same way as, say, at Bourke or Lightning Ridge or further out where you are talking about a six-, an eight- or a 10-hour drive, and those services are essential.

Mr PERRY: There is a case in point in Moree. When Brindabella pulled out of the market there was a void for Moree before Qantas Link were able to take up the flights and there was a period there where Moree

did not have control—for example, because the slots of Sydney are not owned by council, they are owned by the airlines. So there was a void and I know that for Katrina Humphries, who is the mayor there, there was a real concern about the medical supplies and the other essential services that they could not get in. I think that is a real issue that needs to be addressed as well.

The Hon. MICK VEITCH: So government has a responsibility to ensure the provision of those sorts of services.

Mr PERRY: That there is market value there.

Ms PLAWUTSKY: But also that those slots, those Sydney airport slots are actually with the regional location and not with the carrier and that as carriers change, through whatever tendering process or commercial viability, that the region does not lose out necessarily. When another carrier particularly is quite interested in coming in—in Moree Qantas was quite happy to come back but they could not initially, it was about making the arrangements.

CHAIR: Quite a number of submissions raised that as an issue: maintaining the slot to the destination and not to the carrier.

Mr PERRY: In my opening remarks I made the comment that we feel very strongly that it is important that if, as we would like, there is increased capacity or increased support of airports around regional Australia, that it just does not happen overnight; you have got to incrementally grow it to make sure that the economy is ready, et cetera. I think the same is true in reverse, as in cases like Moree, that if there is, for whatever reason, a disaster and an airline is unable to support that, again we have to find a way to make sure that it does not have a dramatic impact on that region.

The Hon. MICK VEITCH: I am from Young and we lost our air service not long after the Monarch air crash. That run used to provide services to Cowra, Young and Cootamundra, so there are now three communities there with rather large infrastructure that is an airstrip, an airport, and other than the small in-and-out day flights from individuals there is no commercial airline. Is there anywhere you can point us to see an innovative reuse of these disused airstrips? They could become quite a fascinating—other than Temora, of course—

Mr PERRY: That is a very, very interesting and a very welcome question. If I look at Destination NSW and their vision for doubling overnight visitation expenditure by 2020, there is a big emphasis on business conferencing and even on the international market. The scheduled airlines need a consistent approach of consistent passengers. What often happens with conferences and events is you have suddenly a big surge in numbers and, as a result, it is very difficult for those scheduled airlines to support that. I think there is a really great opportunity for a charter—airline services that could provide that service.

I also believe that there are opportunities for commercial, leisure, certain segment opportunities to utilise those airports and we are looking at a paper to facilitate such a thing at the moment. So, yes we think there is an excellent opportunity because there is hardware sitting there—everyone calls it hardware—which is not being used and there have to be commercial opportunities, particularly around events, conferences, what I call the pompadour market—which is probably the higher income earners from Sydney—and an increase in the international market. I think the international market is a key issue for regional aviation and the fact that we need to become international ready. We cannot have a situation where we are becoming international ready and then the regional services are falling away; we have to maintain them and grow them.

If you look at Young, with Canberra being opened up to international markets more and more there are tremendous opportunities for that market. Being innovative and working with entrepreneurs and innovators who can fill that opportunity I think is a great opportunity.

The Hon. PAUL GREEN: Who should underwrite this, because it is very risky to try and build that market up from scratch again?

Mr PERRY: You mean the charter market?

The Hon. PAUL GREEN: The conference and the business opportunities, the innovation. Normally local governments are the first port of call with people saying, "Why don't you do this?" Of course, it is not like you have got a bucket of money sitting there to pour into that ageing disused infrastructure.

Mr PERRY: That is a really good question. I do not have the answer for it now, but all I do know is that the new RVEF—which is the Regional Visitor Economy Fund, which is the fund for regional tourism and which has funding from \$50,000 to \$500,000—provides opportunities for local government, industry and organisations like mine to work together to find the solutions to those sorts of questions.

The Hon. STEVE WHAN: Can I boil down some of the things you have said, essentially to a chicken and egg argument: Do you put on an air service or do you develop the product? You are essentially saying you need to develop the product in an area before people will start to make an air service viable. Would that be right?

Mr PERRY: I think if it is not viable at the moment then that is the only way to do that. If it is believed that there is a viable opportunity then you can do them in unison. But I think we have to grow the product and the marketing and I do not think it is just about product, I do not think it is about marketing; I think it is about destination management, and if we take that approach then obviously regional aviation is a factor that comes into that, and whether there is potentially enough passengers now to make it viable or whether, with a bit of effort in developing certain directions towards the 2020 vision, at some point it becomes available, it needs to be planned.

The Hon. STEVE WHAN: Coming back to the discussion about hub-and-spoke models—and I acknowledge that we have not seen any of that work, fundamentally because everybody says they want a direct service to Sydney at the moment—if you are in a place like Bourke where you have not got a direct air service to Sydney, what is it that is going to help to make, say, a Bourke to Dubbo service viable in the longer term as a standalone route? Do we have to develop, essentially, more services in Dubbo that help people not to have to go to Sydney for those services or do we have to develop the tourism market in Bourke to get people to want to do a hop from Dubbo to Bourke on a second flight? What do we need to do?

Mr PERRY: I do not have an answer of what to do but I do believe that what Inland is doing provides the process to identify that, and I would like to explain that a little bit. Inland has 37 local government areas and we have probably 150 different towns. Out of this consumer research that identified there were these hubs, we have developed across the entire region of Inland four destination management plans—one for the outback region, one for central, one for southern inland and Southern Highlands, and another one. Within that we have identified, from the consumer research and working with our stakeholders, that there are eight communities, and one of those communities goes from Bourke all the way down to Cobar, and there is another one, which is Dubbo and surrounds.

Those communities have community working groups, and Inland leads the facilitation of those discussions, so that Inland leads it but we have local government and operators at the table. So it is not being driven by local government, which is really important, and we have equal representative there. Importantly, it is not just local government and tourism; we have in some of those, people from RDAs, economic development, National Parks and Wildlife, we have hotel operators—so it is the broad visitor economy. Their job and Inland's job is to manage the process but we talk about the things that we can influence—regional marketing, the digital economy, the visiting friends and relatives market—and they work at the ground in terms of product development, community engagement, et cetera, and these are the sorts of questions that need to be answered at those groups.

The important thing is that those community groups—and coming back to your question; Dubbo is one of the community groups and Bourke is in another of the community groups—we have to be fluid with this process so that we do not just deal with the issues within that community corridor; we look at synergies and opportunities between them. I do know that at the moment their focus is on product development, but I think, increasingly, aviation is becoming an issue as well, and that is where those discussions and those processes can really help to identify the opportunities.

The Hon. PAUL GREEN: Do you have a view about Badgerys Creek?

Mr PERRY: I do not think it is a matter for Inland NSW—it probably is actually.

The Hon. PAUL GREEN: You can take it on notice.

Mr PERRY: I will take it on notice. I would say I think there is an absolute need for there to be enough capacity. We do know that flights at the moment into regional areas tend to be first thing in the morning and last thing at night and that impacts people's time, particularly in business. Making sure that regional travel does not suffer and those developments do not impact time and efficiency is really important.

Ms PLAWUTSKY: I will just add that I know that a lot of our regions are concerned that their flights might be transferred to Badgerys Creek. For example, going back to the Sydney medical services, they want them coming out of Sydney first thing in the morning, up to the region for the day and back down at night. There is concern that if it is out through Badgerys Creek it will greatly impact those services. It does impact the potential for building the dispersal through the international market if we are asking them to go through Badgerys Creek. There is concern from the regions that they don't want to see that.

The Hon. MICK VEITCH: Are they being asked for their views?

The Hon. PAUL GREEN: Is anyone surveying those views?

Ms PLAWUTSKY: When we prepared for this we spoke anecdotally to a lot of the different regions. We spoke to people from Dubbo and our team in Moree. On the ground that was the feedback that we were receiving.

The Hon. MICK VEITCH: Wouldn't it be critical for those places to be involved in discussions about whether it is Badgerys Creek or Kingsford Smith? I would have thought rural and country organisations should be involved in the discussions.

Ms PLAWUTSKY: I don't know if they have been.

Mr PERRY: I am not sure they have been. I think they should be, I totally agree with that. We will take that on notice.

CHAIR: A number of submissions were strong on the view that they should be retained at KSA as opposed to Bankstown, because Badgerys Creek was not on the radar when we called for submissions for this inquiry. The people that come in from regional areas need to be close to the city because they want to get in and out of a city for a day's business and then home and vice versa if there are medical services going to the country towns.

Ms PLAWUTSKY: Yes.

Mr PERRY: It is important to say that Inland NSW is a regional tourism organisation and our major focus is with our local governments on destination management and helping them to grow the visitor economy. There are other organisations that are lobbyists and are better placed to do that. I do not think we should abdicate from that, hence why we are here today, because we think we can represent our members. I think it is a matter of Inland working with those bodies to make sure that they are heard. It is a matter of Inland NSW working with those bodies to make sure that they are heard. I will take that on notice; I think it is an excellent point.

The Hon. PAUL GREEN: My comment about Badgerys Creek concerned a factor that we see in many submissions about pricing and the ability for people to pay to get on a plane regionally to get to Sydney. One of the major factors is the price of fuel. If Badgerys Creek is a little closer you would think that would have an impact on ticket pricing and all the things that go with that such as giving you a shorter trip.

Mr PERRY: You would like to think so.

The Hon. PAUL GREEN: That will help inland tourism because in a lot of cases people will fly out where it is a cheaper ticket.

Mr PERRY: Yes.

The Hon. PAUL GREEN: In terms of building capacity, particularly in areas where there is lost opportunity: do you know if the mining or extractive industries contribute to building capacity in terms of regional airports?

Mr PERRY: Interesting. Obviously mining has a big impact on the regions. The anecdotal feedback I have is that they tend to be fly in fly out.

The Hon. PAUL GREEN: Exactly my point.

Mr PERRY: I am not sure that they are using the scheduled flights.

The Hon. STEVE WHAN: But a fly in fly out would pay the landing fees and charges at the airport.

Ms PLAWUTSKY: There is evidence that the numbers in Broken Hill have decreased. We have lost about 3,000 passengers per annum in Broken Hill. Not having had the opportunity to ask each passenger why they are flying I can only say anecdotally that does link back to decreases in the mining activity in Broken Hill. The other town is Cobar, the feeling was that the services did not reflect the needs of the mining community and one of the reasons the service may have not been viable is the fact that potentially the mines were chartering flights in and out to meet their timing needs and requirements rather than using the commercial services. It is a question of engaging with the mining industry and linking them with the commercial operators to see that the services fit more closely with their requirements.

The Hon. PAUL GREEN: Road users pay registration fees because they are on the road, not because of the timing that they are on the road; you contribute to the asset being maintained. I am talking about the maintaining of assets or building capacity in assets. Regional areas do not have a lot of money in local government so an opportunity with mining where there is a huge amount of dollars going into it is a sunny season for a lot of those areas to build capacity on those regional airports. That is my point there. A final question: in number six of your submission you talk about the importance of considering the impact of service delivery on disabled access, "certain aircraft are not amenable to servicing the disabled community leaving them potentially without adequate transport options". Will you comment on that?

Ms PLAWUTSKY: This came out of discussions with Moree. With some of the services the flights are too small and they are not able to accommodate wheelchairs. When we speak of a 19-passenger plane often they are not disabled friendly from an access point of view. There are technical requirements when embarking and disembarking, and I will have to take on notice what those technical requirements are. Technically it is very hard to actually help them embark and disembark on certain services when they are too small and you are on the tarmac and carrying the person up if they do not have the portable infrastructure to help them embark. There is a disabled advocate in Moree who is trying to push for better services for the less mobile.

Mr SCOT MacDONALD: Returning to your core business: there is big growth in international flights coming into Sydney. This Government has done a good job with China Southern Airlines. Is your organisation assisting to develop packages to move that, particularly Chinese, market inland? Are they jumping out of the plane or are they sticking to the Blue Mountains, Lane Cove National Park and Sydney? How is that going?

Mr PERRY: Ms Plawutsky is well placed to talk about the Chinese market. The international market for our region is something that is on the horizon. I do not think we are international ready yet at all and I think if we are going to be international ready there is a lot of work we have to do. We have to find the themes and linkages between the international market and inland. A good example of that is some of the gold trails.

The Hon. MICK VEITCH: Young.

Mr PERRY: And Goulburn areas are fantastic opportunities. There is a lot of work needed to ensure that there is interpretation, the product is available and all those sort of things. Talking about the international market in terms of the investment by Tourism Australia in *Restaurant Australia*, the idea of actually selling Australia as the restaurant of the world, if we are going to deliver that then we need to make sure it is Australia and not just the coastal areas. In my view regional aviation for that international market is absolutely critical. We must make sure that the regional services that exist today are available and hopefully grow them, and in terms of the experience—be it food and wine or the gold trail—a lot of work needs to be done.

Ms PLAWUTSKY: To be honest there are some shining lights and there is a lot of work being done. Dubbo is a good example with Taronga Western Plains Zoo. They are offering a service and have started very well along the path. They have a tailored website in Chinese, they are offering packages appropriate to the Chinese, so there are products that are looking to develop and leverage that market. We have started doing some training for a lot of our regions. At the recent annual general meeting I did a presentation on China and working with the regions to start becoming more China ready and developing appropriate packages. It is certainly on the radar.

Mr SCOT MacDONALD: Is there anything we can take on as a Committee or recommendations about how Inland NSW Tourism or the Government can do more to assist?

Mr PERRY: I think if we all recognise there is a lot to do for the international market to make regional Australia international ready.

Mr SCOT MacDONALD: I don't really know what you mean by "international ready"?

Mr PERRY: What I mean by that is that we have to hold the hand of the international visitors who fly in. We do that well in Sydney and other capital cities but if we want to take the international markets out to the region we have to prepare for it with appropriate packages.

Mr SCOT MacDONALD: Is it accommodation, language or food?

Mr PERRY: Yes. All of it. It is the marketing and the product together to make sure we are international ready and we have the right accommodation and we know what they want. There has to be research done so that we provide them with the right food and wine experiences and provide them with interpretation in their language. The problem is that because the international market is not in regional Australia right now there is a danger it will be put on the backburner. By having a focus from the Committee and Inland saying this is a priority and working up a project to make sure we put in place the steps to achieve it, then it will happen. If we do not focus on it it will not happen.

Mr SCOT MacDONALD: Is the demand there or is it growing?

Ms PLAWUTSKY: Yes, absolutely.

Mr SCOT MacDONALD: Is it still coaches full of people following a flag?

Ms PLAWUTSKY: I have actually been up to China several times with trade shows at Chinese outbound travel trade markets and I am heading there on Sunday again. The demand is definitely there. They are looking for more information and more packages that are ready. Distribution is one of the biggest challenges. The majority of Chinese still travel by booking through a travel agent, it is still up around 65 per cent, and the travel agents have repeatedly said to me: you do a great job within Australia of creating demand, brand awareness and aspiration but then we go to convert and we have got a Sydney package, a Brisbane package, a Cairns package and a Melbourne package and that is it.

We do not actually have: here is what we sell and here is the package we would like you to provide. We have a lot of work to do with the packaging and working with the regional operators. They are moving beyond the big bus tours but there is not the information to say how you facilitate going from Sydney to Armidale to Tamworth and back down to Sydney, this is what we suggest you see along the way and here is the accommodation that is ready—and that pays commission to travel agents and solves all of the distribution challenges.

Mr SCOT MacDONALD: Hopefully the Sydney to Armidale airfare will not be greater than the Shanghai to Sydney.

Ms PLAWUTSKY: Absolutely.

CHAIR: What is the time frame that the Chinese are looking at, is it two days, four days, 10 days or what?

Ms PLAWUTSKY: The repeat visitors are coming back to Australia for a longer period now. So we see more five, seven, 10 days. Those that have already seen the iconic east coast and are looking to do something beyond would often commit three or four days.

Mr PERRY: The pioneer destinations for these travellers are the hubs, which are identified from our research and are serviced by the regional airlines.

The Hon. STEVE WHAN: Back on the hub and spoke or intra-regional flights: in your destination planning have you engaged with locally based charter operators in terms of how their services can assist with the development of the industry in the longer term?

Mr PERRY: Not as yet. The paper we are working on we will have to do that. We are doing that, but not at the moment, no.

The Hon. PAUL GREEN: You said there have been no new routes in the last five years, would you comment if you were to have some new routes where would they be?

The Hon. MICK VEITCH: Young.

The Hon. STEVE WHAN: Cooma.

The Hon. PAUL GREEN: You are a great ambassador.

The Hon. MICK VEITCH: Lambing Flat.

Mr PERRY: Actually Young is one of the destinations.

Ms PLAWUTSKY: Young council has actually put up their hand.

The Hon. MICK VEITCH: Those Chinese visitors will want to come to Lambing Flat and learn about the Lambing Flat riots.

Ms PLAWUTSKY: Interestingly they have done a lot of work. Young is to be commended for the work they have done around Lambing Flat. They have the Chinese interpretation and they have engaged with the academics at ANU to bring out the Chinese tourists to Lambing Flat for the festival. This year was particularly well done with all of the Chinese theming around it. Young is definitely an area that is looking to put their hand up.

Mr PERRY: We will take it on notice. From the list that we have here the ones that stand out are certainly Cobar, Bourke, Inverell, Lightning Ridge—particularly the Australian opal centre if something comes of that, which is a tremendous opportunity—and Walgett. Lightning Ridge and Walgett are in the same area.

CHAIR: I thank you for your submission and for appearing today, it has been a useful discussion. We will get a lot out of it when we sit down to prepare the final report for this inquiry. Thank you for your attendance.

(The witnesses withdrew)

(Short adjournment)

SHANNON WELLS, Managing Director, Airlines of Tasmania Pty Ltd, before the Committee via teleconference, sworn and examined:

CHAIR: I call the Committee to order. I welcome our next witness Mr Shannon Wells, Managing Director of Airlines of Tasmania. He is appearing before the Committee via teleconference. Mr Wells, would you like to start by making a short opening statement?

Mr WELLS: Yes, thank you. Airlines of Tasmania, trading as Par Avion, is a small airline headquartered in Hobart, Tasmania. We have a fleet of about 20 aircraft, all piston-engine and fixed-wing single-engine aircraft. We own and operate Cambridge airport. We have been in operation since 1978. We have a variety of operations, ranging from regular public transport [RPT]; flying training, which is associated with the University of Tasmania through the FEE HELP scheme; to a successful tourism business. We have about 25 years of experience in aerial work, which was started by my father Mr Don Wells, ranging from aerial photography through South East Asia and the Pacific to cloud seeding and things like that.

CHAIR: Thank you. I will ask the first couple of questions. Following your comment there that you are operating piston-engine aircraft, and also the comment in your submission that small aircraft are ageing in Australia and there is not a lot on the market to substitute for those eight-seat to 35-seat aircraft, what is your view on the sorts of aircraft that are available? In the research I have done the Pilatus PC12 was raised. I think it is up to a 10-seat single-engine turboprop aircraft. I understand it is a lot more economical to run on those short flights than the older twin-engine piston aircraft. Do you have any comments in relation to those issues?

Mr WELLS: I guess there are two things to say on that. Yes, economics wise it is a little cheaper to run, for example, a Cessna Caravan or something like that. It is certainly a bit cheaper to operate. But you still have to overcome that capital expense up-front, and you need to have certainty of income in order to justify that expense. For many organisations, financing aviation assets is not the cheapest thing to do. The second issue with this is that there is a public perception issue—regardless of the statistics you can put out to say that a single-engine aeroplane is as safe as a twin-engine aeroplane. If you tell a passenger that they are about to board a single-engine aeroplane, they do not like it. They have enough trouble with boarding a twin-engine 10-seater aeroplane as it is, let alone an aircraft with only one engine at the front. It is a perception issue—the perception is that there is a safety issue.

Quite frankly, it is a big obstacle to overcome on something other than, say, a tourism flight or an island hop or something like that. If you are somewhere on holidays then it may be a case of "fair enough". But as a regular scheduled service it is more difficult. There is a perception issue to overcome in getting customers into a small aeroplane, let alone a single-engine plane. It is a difficult perception issue to overcome.

CHAIR: Is it fair to say though that a lot of those newer single-engine turboprop aircraft have a very good safety record—certainly it is equally as good if not better than some of the older twin-engine piston aircraft?

Mr WELLS: Yes, I think statistics wise they are pretty comparable on safety. I do not think there are any issues there. In some ways they are easier to fly and have a bit more modern equipment. You could say that the "pilotability" has been improved, which would help to overcome, and give potential options for landing, the failure of an engine on the turboprop.

CHAIR: I am going to hand over now to Mr Veitch. I ask other members of the Committee to identify themselves if they ask a question.

The Hon. MICK VEITCH: Thank you, Mr Wells, for being a part of the inquiry. Your submission, along with others, talked about the profitability of the smaller routes. We have had some evidence today from Qantas Link that the hub and spoke model of delivering air services to regional New South Wales just does not work. Do you have a view about the hub and spoke model?

Mr WELLS: Are you talking about point to point services? So it may be, say, a route from Dubbo to Griffith to Sydney. Is that what you are talking about?

The Hon. MICK VEITCH: I am talking about smaller communities—for example, a smaller community outside of Dubbo such as Cobar. So the route may fly from Cobar to Dubbo and then on.

Mr WELLS: So you are talking about a fare route. We get asked this question a lot. A couple of communities up north have talked to me about this. We operate Griffith to Essendon as an RPT route. We are getting some people asking if we can go via Deniliquin or if we can fly from Dubbo to Griffith or from Swan Hill to Essendon. We have had those sort of approaches. We have experience operating in Tasmania. Many years ago we used to operate a Hobart to Devonport to Wynyard route and a Hobart to Queenstown to Strahan route. The problem is that, while it does potentially provide more customers, you are increasing the amount of flying you are doing at a greater proportion compared to what your revenue is increasing by.

So let us say that you are flying from Griffith to Essendon and, just using round numbers, it costs \$1,000 per hour of flying. If you were to add Dubbo to that route then you are probably doubling your flying time but you are not necessarily doubling your revenue. You may have the plane half full with passengers flying from Griffith to Melbourne. If you are doubling the flying time but the plane is half full with passengers going half the way then in theory you would need to double the airfare and increase passenger numbers by 50 per cent to make up that shortfall. So you would basically have passengers paying double the amount to do that, and they are just not going to pay that airfare.

I did some rough numbers. If the plane is half full flying out of Griffith then we should break even. If we were to double the route distance and increase the airfares by 50 per cent then the only way we could break-even would be for the plane to be full. That is very difficult for margins, let alone the extra operating costs for starting up engines, shutting them down, landing fees and all the other fees you have added every time you start and stop the engine. It makes it very tough on margins.

The Hon. MICK VEITCH: I am interested in your Griffith to Essendon service. Is it proving viable? And what sort of aircraft are you using to operate that service?

Mr WELLS: We are using a Cessna Titan, which is a 12-seater but configured as a 10-seater twin-engine piston aircraft. It is a transport category aircraft so it is one of those aircraft which is able to climb using one engine, like a Piper Chieftain. I guess we would say it the smallest type of what we consider to be an RPT style aircraft, because it has that ability to climb on one engine. It is different to a charter aeroplane in that regard. It has fire extinguishers and all of those things.

We have only been running that service for about 10 weeks. I believe it is going to be sustainable. The mayor and the Griffith City Council have been 100 per cent supportive. I would like to put on the record that they have really welcomed us to their community. It has been a breath of fresh air to have the community welcome us so warmly to the area. I think we are going to make it work. The issue is how our business model works. We have two aircraft based up there so that if there is a mechanical issue then we can jump into our other aeroplane. We do not want our brand reputation damaged. The fact that there is no maintenance facility at Griffith airport, because of the new Civil Aviation Safety Authority [CASA] regulations, means that we have to have two planes based up there. If a plane breaks down, the engineer up there—who has been fixing planes like ours for 20 years and who has a very nice, clean facility—cannot touch our planes. So we pretty much have to have two planes based up there. We could base the planes at Essendon, but then we would have to pay through the nose to have them sitting there parked.

I think we can make it work, but we have to change our business model somehow and we are looking at some options there. I guess, if you do the numbers, having one pilot and two planes up there is not really a financially viable option. In order to get the route established and to build a good relationship with the community that is what we have decided to do. But it is a lot of money to have invested in a plane which is sitting there and only flying a few times a week.

The Hon. MICK VEITCH: What attracted you to that route?

Mr WELLS: Historically it has about 10,000 passengers per year. Regional Express Airlines [Rex] gave us some information. That was based on using 35-seat SAAB aeroplanes from Tullamarine. Not everyone is going to want to jump into a smaller aircraft. We accept that. That is part of the nature of the industry. We are trying to make up for that by offering an early-morning service. So we are doing a return service twice a day out of Griffith. So we are trying to make it more convenient for passengers. Unfortunately, we will lose some people who do not want to fly without a flight attendant. That is fine. We try to make up for it by having a bit more flexibility on the route.

The Hon. MICK VEITCH: Do you think the community accept the price of the airfare? You may be aware that Mid-Western Regional Council, which is based around Mudgee, conducted a survey about their air services. The people up there said they wanted an air service. But when it came to the question about how much they were prepared to pay there was quite a disparity between what people were prepared to pay for an airfare and what it actually would cost for an airfare.

Mr WELLS: I have seen those surveys. If I was asked in a survey how much I wanted to pay to fly to Sydney then I would say "I want to pay \$100, please". We are all going to go for the lowest price. We all have self-interest at play there. We are after the business customer. I do not know what you are like but for most people if they need to get somewhere and their employer is paying for the ticket then, providing it is not exorbitant, they will pay it. If you are going on holiday then you might shop around a bit more.

We have two main airfares: a flexi fare and a non-flexi fare. The non-flexi fare is about \$169 and the flexi fare is about \$280. People mumble and grumble about airfares costing over \$200 but business customers do not mind paying that. Not too many people grumble about the non-flexi fares. Every now and again we put on \$99 special airfares and they get snapped up within minutes. I was given a survey by the Griffith City Council but the highest price it went up to was \$200 so it was pretty irrelevant. I guess if you have an option between fares then you will pick the lowest one available.

The Hon. MICK VEITCH: You mentioned the Griffith City Council. I think the airport at Griffith received funding recently from the Federal Government for an upgrade. Who do you think should run the regional airports? Should it be the council or others? For instance, should the State Government have a responsibility for regional airports?

Mr WELLS: The Australian Airports Association talked about that. We do not mind who runs the airports so long as we do not get gouged with fees. I have dealt with King Island Council and Flinders Council. They are both small population centres—much smaller than Griffith—battling to try to manage their airports. I have also dealt with bigger ones: Launceston airport, Hobart airport and Essendon airport. So I have seen a variety of airports. It costs more to land at Flinders Island airport than it does to land at Hobart airport. That is saying something. I know they were all handed to the councils by the Federal Government many years ago. But at the end of the day an airport costs a lot of money to operate, especially with the increase in regulations. You have to be certified and things like that. We will not even discuss security because that is a whole different ballgame.

I understand that councils face big expenses in managing an airport. I am not sure that that would change for a private consortium. The Burnie airport is half owned by Burnie City Council and half owned by a professional airport operator and the fees are pretty similar. I have not seen much of a change there. Devonport airport is owned by the Tasmanian Ports Corporation Pty Ltd [Tasports], which is a government business enterprise. It is a similar sort of deal there—the price is about the same. I do not really have an opinion on that. I guess with airports that make revenue the council takes some of the revenue and puts it into consolidated revenue. But with a small airport, which might only get one or two movements a day and does not even have an RPT service, there is no possible way that the council can maintain that facility through landing fees.

The Hon. STEVE WHAN: Can you explain more about the changes to the CASA regulations that stop you from using the maintenance provider in Griffith?

Mr WELLS: CASA mandated a change in June last year to something called part 42 and part 145. Part 42 is for any AOC—Air Operator Certificates—or any person who operates aeroplanes. To operate RPTs on airline routes or schedule services from A to B you have to receive a part 42 approval. Basically, this means that we can administer the maintenance of our aircraft. It does not mean we actually maintain it; it means we administer the maintenance. We keep awareness of when things are due and when things have to come out. There is a bulletin to say, "Oh, this plane needs a repair on" this and that. We are in charge of doing it. That was mandated and we have to have a quality manager, and an auditor and a safety assistant and all things there. That is by the by. We have been sort of doing it like that anyway. We had an in-house maintenance team itself. The thing that came out as well as part 145 is the ability to actually maintain an aeroplane. So these guys do not necessarily operate aeroplanes but they fix them and they also fix components. So they fix engines or they make engines, they make seat belts or they make anything that goes into an RPT aeroplane.

The issue of that is because RPT aeroplanes in general aviation are a relatively smaller part of the industry. I suppose you could say there are 100 aeroplanes that have less than 10 seats. Maybe only 10 per cent

or 15 per cent of them are used for RPT. The rest are used for charter, flying training, Airwork or photography or things like that. Many maintenance providers or component makers have decided, "It's not worth my while to go and meet these new regulations" because charter operators and Airwork are not required to meet them. So for example, including the airlines, there is only one part 145 maintenance operator in the entire Melbourne basin area. There is no-one at Essendon, there is no-one at Moorabbin airport. There is no-one at Tullamarine apart from just one person at Essendon that meets that requirement. That means that every other operator that flies into Melbourne who is not an airline has to use that one company.

The Hon. STEVE WHAN: Have you got your own?

Mr WELLS: We have our own operator. It took us about six months. I had the majority of my staff writing manuals for about four months. We had to use one of our hangars at the airport solely for part 145 testing. We had to kick out all the private owners and take that over for our own maintenance. I had to employ another staff member just for audits. As I said before, the operator who is in Griffith, as good as he is—and I am not saying he does not do good maintenance at all—he thought, "Well, why would I bother getting approval? It's going to cost me tens of thousands of dollars to get", when there is no other job at the time. There are no other operators at Griffith. Frankly, I would not blame him for not doing it either. Basically, if we have a problem with our planes, we cannot use him to fix it. If it is a charter plane or an Airwork plane or exactly the same aeroplane but not an RPT he can fix it.

The Hon. STEVE WHAN: Do you have to fly them back to Tasmania?

Mr WELLS: Yes. We have a flight engineer up there or get permission to fly or some arrangement to get us there and then we fly it back to our base in Hobart.

The Hon. STEVE WHAN: As you have described those requirements, it sounds like it would be a pretty significant barrier to a local charter company moving into an RPT operation?

Mr WELLS: It would be, but the issue is that CASA has this regulatory reform going about. It is an unlevel playing field. We are competing not on airline but if we are looking at charter businesses and flying businesses, they do not have this cost. That is one thing I have on top of me. An engine replacement, we have quotes pre and post part 145. There is a 20 per cent increase in the cost of the engine. I have a \$100 compliance fee on maintenance only for four hours of work. It was just an oil change but there was a \$100 compliance fee put on top of the normal bill. Again, that is their right to pass it on. We are on an unlevel playing field. Then the real question is when CASA finally releases its requirements for part 135—which the ambition is to have no distinctions between RPT and charter—it has got to be passenger carrying. I do not see how they cannot mandate these maintenance rules on every passenger carrying aircraft. If they do not, first, that is completely unfair; and if they do, it would shut down the industry because you would have little charter operators and things around the country who would just throw their hands up in the air and go, "We can't meet these requirements."

I am not saying the requirements are right or wrong but, for example, we are about to put our engineers through human factors training. I have to ask my engineer who has been in this industry for 40 years, so you can imagine his age—we are only doing day shift, so we are not doing shift work or night work handovers—to keep a sleep diary for two weeks. It is just stuff that is crazy. It all sounds good in theory having tooling where you have tool controls and you know exactly where each is when you are working. "Where is every spanner, where is everything?" and they have to say, "This spanner is on that part of the aeroplane." That is all fine for Boeing when you get a tool kit for the 737 that rolls up and they come from the manufacturer, but we are dealing with planes that have been around for a long time. It is difficult for us but we do it. It just shows the extra bit of work we have to do to meet this compliance thing. But again, go to a charter aeroplane and they do not have to do that. They just pull up to any old hangar and they just sign off and they keep flying.

The Hon. STEVE WHAN: Have you investigated any other routes in New South Wales for their viability other than the one you do at the moment?

Mr WELLS: I have had a couple of discussions, but I am letting the dust settle a bit with the Griffith service. We want to make that sustainable before we start looking elsewhere. But as I said in my earlier comments, we have to increase the service to Griffith because we cannot just have two planes flying three times a week. We are looking at some other options there and that would potentially mean larger aircraft down the track. I am not really a fan of the hub-and-spokes style. It has been discussed we can go Dubbo, Griffith,

Essendon or go Griffith to Sydney, Griffith to somewhere else. I am not going to go up against Rex or anything like that, but say Griffith, Canberra or somewhere like that. Maybe, but the routes are very thin and it is an expensive operation to fly a plane when you have got only two or three people on board.

The Hon. PAUL GREEN: Your information is very helpful.

Mr WELLS: No problem.

The Hon. PAUL GREEN: On page two of your submission you talk about landing fees and the charges of many local councils.

Mr WELLS: Yes.

The Hon. PAUL GREEN: Is your view that councils charge those fees based on compliance, revenue raising or full cost recovery?

Mr WELLS: I personally think it is cost recovery. I am not accusing anyone of revenue raising, but I think it is a cost recovery. Maybe for metropolitan airports it is probably a bit of a go-away factor, sort of, in some of their fees. When you have jumbo jets and 737s landing, they get plenty of money from them. A Navajo or a small plane comes in and we get charged. I guess the airport that sets a minimum fee of such and such is potentially looking at some form of revenue raising. For an RPT operator a lot of the fees that get charged are a per-head basis, which I guess you could argue is fairer. But, security, for example, I know that some airports charge on the basis of the capacity of the aeroplane. If you fly an 18-seater in there, you are charged \$10 per person who could potentially be on the aeroplane. I think that is absolutely ludicrous and completely unfair. We are not charged that on any of our routes, but I know that was an option at Mildura, which is part of the reason why Sharp Airlines pulled out of that route from Adelaide.

The Hon. PAUL GREEN: In that same point you mentioned the non-flexibility of security screening at some regional airports. We certainly have experienced that in the past couple of days. There seems to be different standards in rural airports. What are your comments?

Mr WELLS: It would be a reason for us—I am not discussing doing it—not to fly to Dubbo, for example. Our planes are not anywhere near the stage of requiring security screening. We have plenty of customers relying on transit security compliance as it is. I have to maintain a manual and all our training and things like that, let alone go through a scanning check.

The Hon. PAUL GREEN: In the last point on page one of your submission you talk about new aircrafts. Of course, the new regulation makes parts more difficult to obtain or repair. Do you want to comment on that?

Mr WELLS: About the parts being more difficult with the new regs?

The Hon. PAUL GREEN: Yes?

Mr WELLS: Yes. The people who repair components have just simply said, "We're not going to provide that service anymore to you." For example, Suncoast Aero Engines, who we get engines from for our Piper Chieftains and Navajos, simply said, "We're not meeting the compliance. You're our only operator who operates RPT on those services." It went up about a 20 per cent increase in cost to go to an alternate supplier.

Mr SCOT MacDONALD: How many seats per annum do you carry with Par Avion and Airlines of Tasmania?

Mr WELLS: I guess we are diverse. We are tourism as well, which operates from four seats to 10 seats. We operate down to the south-west national park. I guess you could say our turnover is about \$6 million is how I would word it, but we operate down to the south-west national park, which is a tourism venture. That is very seasonal, so Sundays we are flying 50 to 60 people a day down there. Then, for example, you cannot see out my window at the moment. We are not flying anywhere in Hobart at the moment. At this time of year we are flying no-one down there. It is a bit like a free-flow service; it is very seasonal, but the opposite to what Thredbo is. Passenger numbers are a little bit vague, but we take about 3,000 passengers over a sort of four-five month period down to south-west Tasmania.

The Griffith service is brand new. We have been operating there for about two months. That is a nine-seat aeroplane, so 36 seats a day, three times a week. That is potentially up to about 5,000 to 6,000 passengers a year on the Griffith service. We also operate a service to Cape Barren Island, which is a remote air subsidy scheme to help service an Aboriginal community. That is a twice a week service as well. We are also licensed to fly and support Sharp Airlines on to Flinders Island, King Island, Wynyard airports, Launceston and Essendon as well. We do provide some services to assist Sharp Airlines when they have mechanical breakdowns or overcapacity and things like that.

Mr SCOT MacDONALD: Could you just give me a ballpark figure of the number of seats per annum?

Mr WELLS: We can offer 6,000 seats per annum at this stage down at Griffith.

Mr SCOT MacDONALD: No, I mean for the company.

Mr WELLS: Turnover is about \$6 million so we are doing around about 10,000 seats a year.

Mr SCOT MacDONALD: For both companies?

Mr WELLS: That is one company. It is one company. Our tourism name is Par Avion.

Mr SCOT MacDONALD: That is 10,000 seats all up?

Mr WELLS: Yes.

Mr SCOT MacDONALD: Can you tell me what your carbon tax bill is for the year, roughly?

Mr WELLS: Last year it was about \$15,000.

Mr SCOT MacDONALD: It is costing about \$1.50—

Mr WELLS: We spent about \$250,000 on fuel. Sorry, we spent about \$600,000 on fuel last year. So about six cents a litre—about \$15,000 a year.

Mr SCOT MacDONALD: So it is about \$1.50 a seat, roughly?

Mr WELLS: We pay \$2.50 a litre down here.

Mr SCOT MacDONALD: No, carbon tax per seat. I was just working out an average?

Mr WELLS: I do not have that exactly in front of me.

Mr SCOT MacDONALD: Obviously, it is a little bit of an imposition to your troubles?

Mr WELLS: It is, yes. I guess our Tasmanian operation, the same time we have carbon tax. It does not affect you, but for the context and purpose, the distribution requirements, Avgas into Tasmania changed. For whatever reason it was, our fuel supplier decided to no longer bring fuel from Sydney as every other fuel into Tasmania was bringing it from Melbourne as the only fuel. So our fuel price went up 15 cents a litre just on transport cost. We got a 22 cent increase in one hit last year. The carbon tax, certainly it would help if and when that is abolished. I certainly would not say no to that.

Mr SCOT MacDONALD: I asked Inland NSW Tourism how Wilderness Tours is developing. Is that a domestic market for you or is it international travellers?

Mr WELLS: I was at the Australian Tourism Exchange in Cairns last week. I met 80 inbound, two operators and wholesalers from all around the world. This is out of context a bit, but Tasmania is seen as an up-and-coming destination for visitors to Australia. We will never get past your beautiful city, your wonderful Opera House and stuff like that but Tasmania is seen as a secondary destination for people returning on a second trip. We fly them to the Southwest National Park, which is part of the Tasmanian wilderness world heritage

area. It is only one of two places in the world heritage that has seven out of 10 criteria for world heritage. Tasmania is seen as a clean and green place where people who want to experience clean and green come anyway. This is a developing market. We have just bought a wilderness camp down there and will be operating an eco lodge-style retreat. It is an increasing market for us. We have doubled our traffic across certain months last year. Tourism-wise it is great, but unfortunately it is quite fickle. We are really busy from November—October through to March—and then it die off. You have got five aeroplanes going gang busters for four or five months of the year and then they sit idle for the rest of the year, which is part of the problem.

Mr SCOT MacDONALD: Are they price sensitive? I imagine it would not be cheap.

Mr WELLS: Our full day tour is \$400. That is two hours of flying, four hours on a boat, lunch with wine and trips around the south-west. I believe we have some flexibility in price, which is the fare backer of fares in international markets, but the Hobart domestic market is more price sensitive. The international market is much more recessive. Then again, they are taking up the 25 per cent commission. You have to offset that as well. To answer your question, international travel is about 10 per cent of what we do but that will increase as Hobart becomes more known as a destination.

CHAIR: Mr Wells in your submission you talk about the Caper decision. Can you explain to the Committee what the outcome of that was?

Mr GISSING: Caper was a decision—I assume the Regional Aviation Association will talk about this as well, but when CASA prosecuted a charter operator for using regular public transport [RPT], or what they believed was RPT, it lead to vagueness after the Federal Court's decision as to what constitutes RPT versus what constitutes charter. In my opinion, CASA are not responding properly and is saying Part 135 will fix that problem and, as I said earlier, the new passenger carrying regulations will come soon. I do not have a definite time frame but it has been saying that for the last three years.

While this outstanding decision from the Federal Court remains, which was not appealed, it is a little bit vague as to what constitutes a charter flight versus what constitutes a RPT service and the rules and regulations associated with that. The Caper decision involved an air tour, so they were flying from point to point and I am not quoting from it but I believe CASA prosecuted and the Federal Court upheld the decision that, yes, it was operating as a pseudo RPT service and, therefore, they should not have done that. It has led to a lot of confusion. There are a lot of air tour companies around. I know a few operators have completely stopped doing air tours as a consequence and it has made us rethink the operations we are doing, even though we are an RPT service. Everything we do is RPT.

CHAIR: The four-day tours that you operate are—

Mr WELLS: We operate as a charter.

CHAIR: That is operated as a charter?

Mr WELLS: Yes, it is not a RPT service. In the south-west of Tasmania we operate as a charter.

CHAIR: In relation to the Caper decision, a lot of the mining centres across Australia use fly-in, fly-out charters on a regular basis. Are they at risk too?

Mr WELLS: I believe, yes, while this is outstanding. John McCormack raised this question at the Regional Aviation Association convention last year, which I was at. I think I asked him the question. They put in an interim RPT licence, I think they call it, or something like that, where they invited people from industries to submit if they believe they are doing the pseudo RPT. I asked him how many people have submitted it. After a long five-minute answer he eventually said no-one has. When you are supplying, you are basically admitting to CASA that you are performing RPT. Based on track history I would not be comfortable putting that in writing to CASA.

CHAIR: The other question I have, and I will understand if you choose not to answer it, is in respect of the contractual arrangements you may have with your service from Griffith to Essendon. What is your average fare structure for that air service?

Mr WELLS: It is \$169 for a fixed fare, \$279—sort of high to mid hundreds for a fixed/non-flexible fare and high to mid \$200 for a flexi fare, and we do very limited \$99 air fares, just for a bit of community discussion, on advanced seats.

CHAIR: It is 12-seater?

Mr WELLS: No, it is 10-seater. We only operate single pilot aircraft.

CHAIR: What have been the average numbers since you have been operating?

Mr WELLS: They are increasing. Our issue is consistency. For example, the Wednesday flights were full on two services. There were only two or three passengers on the flight out of Griffith this morning, but they are trending upwards. I am aiming for 66 per cent, 70 per cent load factor to make a small profit. We certainly do not make money unless there are five or six passengers on board.

CHAIR: Mr Green would like to ask another question.

The Hon. PAUL GREEN: Mr Wells, being outside of the State, do you have a view about the proposed Badgerys Creek Airport?

Mr WELLS: Mandatory screened airports? I have not heard information about that.

Mr SCOT MacDONALD: Badgerys Creek.

Mr WELLS: Only as far as—I will put it another way. I would be happy to operate into Bankstown. If I was to operate a RPT service into Sydney with our planes, I think Bankstown is fine for the planes we use. I would be lobbying for a better transport link or something like that to operate into Bankstown. Sydney, Kingsford Smith, from my experience, obviously the issue is capacity at certain times, so unless the Government is prepared to change the movement caps, the only other option is Badgerys Creek. For the aircraft size we operate, I would be happy with Bankstown.

CHAIR: Mr Wells, that has exhausted our questions. I thank you very much for appearing before us today.

Mr WELLS: No problem at all.

CHAIR: It was good to hear from one of the smaller operators to get your perspective on the profitability and logistics of running a smaller airline. Congratulations on your business. I hope the Essendon-Griffith route goes well for you.

Mr WELLS: Thank you very much.

CHAIR: We will be watching with interest.

Mr WELLS: We hope to get there. We enjoy operating in New South Wales. As I said before, Griffith City Council has been tremendous with their assistance. Who knows what will happen in the future. We might expand elsewhere.

CHAIR: Indeed. Thank you for your time.

Mr WELLS: Thank you.

(The witness withdrew)

WARRICK LODGE, General Manager, Network Strategy and Sales, Rex Regional Express Airlines, and

JAMES DAVIS, Chair, Regional Aviation Association of Australia, sworn and examined:

CHAIR: Welcome, gentlemen. Thank you for appearing before us today and for your submissions.

Mr DAVIS: I have a second hat in that I am a former managing director of Rex airlines and I am a current non-executive director with Rex, but I have my Regional Aviation Association of Australia [RAAA] hat on today. Mr Lodge will represent Rex.

CHAIR: As you are representing different organisations, I will ask if both of you would like to make a short opening statement before we start the questions.

Mr DAVIS: Yes, a very short statement. There are four major concerns we would like to raise before the inquiry. The first one, as is in our submission, is continued access by regional operators to Sydney airport. Obviously with Badgerys Creek coming up there could be again pressure to move the regional airlines out of Badgerys Creek. We are very concerned about that. We need to stay in Sydney for a variety of reasons. One aspect of this is that one of the protections we have that keeps regional airlines flying into Sydney is the direction under the Competition and Consumer Act, which is only renewed every three years. Every three years we are faced with a situation where this protection could be removed, which would allow the airport to charge us whatever they like. The history is not good in this respect. They could price us out very easily from Sydney airport. I know it is a Federal Government matter, but one thing we are pushing for is to see the three-year cycle eliminated and the protection become more permanent.

A second concern that we have is some of the charging regimes that are adopted by regional airports. The larger airports or the larger councils as owners of airports tend to look at the airports as revenue sources. That is fine, but from the operator's point of view there is no avenue of appeal. If they want to hit us with a big charge we generally have to cop it. The smaller regional operators are not in a position to negotiate their way out of such a charge, unlike the major airlines that successfully negotiate good deals. We would like to see some method of appeal, maybe through the Ombudsman or something, where the smaller guys would have somewhere to go if they feel they have been hit with an unfair charge.

The third issue relates to the new security regulations that have come in through the Federal Government. Again, some of the regional airports have chosen to hit all operators with the new security charges. I heard Mr Wells testifying earlier. Operators such as him, and he is one of our members, do not require security yet he could well go to an airport one day and be charged. In effect, he is subsidising the big guys with the 70-seat aircraft that do require security. We would like to see some mechanism where councils are prevented from levying this charge across the board. It adds to the cost of the small operators and security costs are quite large. Mr Lodge can talk in detail about the case of Rex, but it can make or break a particular route. We see that as a third issue.

The fourth issue in general is the decline of regional services, not just in New South Wales in most of regional Australia. I see lots of statistics. I see the Bureau of Infrastructure, Transport and Regional Economics [BITRE] figures come out and they say regional aviation is booming, passengers numbers are up and so on, but they do not distinguish between the major ports, which is usually mining activity or tourist activity. It is very true that places such as Coffs Harbour and Ballina are booming. They have jets going in there and the low cost carriers have come in in the last 10 years and it has pushed it up. That is a good news story. On the other side of the coin, if you dig deeper into those statistics you will see that the number of air services to small country towns has declined. New South Wales has lost a heap of air services. The number of air operators has declined. There are various reasons for this, which I will not go into here, but it gets back to cost. The cost of running a small airline in today's world is very high. It has driven the smaller guys out. I am pleased to see people such as Mr Wells who seem to be doing okay, but he is a rarity in today's world. That is it for my statement.

CHAIR: Mr Lodge, would you like to make a short opening statement on behalf of Rex?

Mr LODGE: I think most of the comments and topics that Mr Davis has covered covers a lot of the things in the Rex submission. I am happy to not make an opening statement and take on board any questions on Rex's submission.

CHAIR: In your submission you talk about the cap on the movements per hour. I will ask you both to make a comment on this if you have differing views. We have received a lot of submissions that suggest it should be raised from 80 to at least 85. Some people are suggesting 90 movements per hour. We also heard that regional propeller-driven aircraft should be excluded from the cap. Do you think that is a workable resolution, particularly in relation to noise? I guess the Civil Aviation Safety Authority [CASA] would have some comments to make in relation to the total number from a safety perspective. What are your respective views on that issue?

Mr LODGE: I certainly think that that is a realistic option to consider. We know that Sydney Airport can handle more than the 80 movement cap, I guess as evidenced by government measures to make sure that breaches are not incurred at Sydney Airport. We know that in a lot of the peak periods that on average there can be around six regional movements. When you take a look at the 80 movement cap, even moving up to somewhere in the vicinity of 86 would cover most of the regional operations. The arbitrary 80 movement cap was designed to minimise noise, particularly in the peak periods. By operating the quieter turboprop aircraft we do not believe that we would be hindering any noise at Sydney Airport. That would be a major catalyst to release some bottleneck pressure at Sydney Airport.

Mr DAVIS: We certainly agree with that point of view. We would like to see the cap raised up to 96. The cap was 85 movements an hour, so it has been done before and it was done with noisier aircraft. Even in that small period of time aircraft have got a lot quieter.

CHAIR: Even the large aircraft have got quieter, have they not?

Mr DAVIS: Correct. The propeller ones have not changed a lot but they operate now in the curfew hours, so they are considered to be fairly quiet. We do not see any reason why that could not be taken into account and the movement cap raised. There is absolutely no scientific basis for the current cap of 80; it is purely a political decision. It is not based on noise generated. It was done as a short-term political fix and it has stayed with us.

CHAIR: In relation to security at regional airports some of the submissions have suggested that smaller operators should be allowed to operate outside the security system so they can have their check-in and go airside without having to go through security. Do you think that is a reasonable option for some of those smaller aircraft?

Mr DAVIS: Absolutely, and it actually happens now. It has been approved by the Office of Transport Security as part of the particular airports' transport security program. They have to go through very rigorous checks before they can institute this type of system.

CHAIR: That is happening even at airports that have security screening installed?

Mr DAVIS: It happens, for instance, at Wagga Wagga.

Mr LODGE: There is Wagga Wagga, Albury and ports in other States as well where Regional Express, for example, operating the Saab 340, which is under the 20-tonne threshold, is operating unscreened departures. That is done through an approved transport security program, which was endorsed by the Office of Transport Security.

CHAIR: At Dubbo you are still required to go through the screening process?

Mr LODGE: That is right. It was a council decision that required all departures going through Dubbo airport to have all passengers screened because of the introduction of the QantasLink Q400 services in March 2013.

CHAIR: Correct me if I am wrong but Q400s fly from Wagga Wagga as well, do they not?

Mr LODGE: Yes, we operate parallel schedules with the Q400 in Wagga Wagga and Albury and quite a number of ports such as Port Lincoln in South Australia. Those airports have made arrangements for having parallel unscreened and screened departures. Really the transport security program focuses on making sure that the security arrangements are not compromised with the segregation of both screened and unscreened

passengers. For example, at Wagga airport it was really quite a simple change in the way that Wagga airport operated in that they converted the existing arrivals gate into a departure gate.

What used to be departures is now Qantas departures; what used to be designated for arrivals is now Rex departures. Both airlines effectively have passengers departing from either side of the terminal. Those passengers are segregated with approved processes. It means that the airline that is not legally required to be screened is not going through that process and is also not enduring the cost recovery of that process. The other important point is that when you are operating a smaller aircraft, whether that be a 34-seat aircraft or a nine-seat aircraft like Mr Wells operates, the imposition of those security costs gets larger and larger as the aircraft gets smaller because they do not have the efficiencies to spread those costs over more passengers.

CHAIR: Mr Davis, can I get your views in your role at the Regional Aviation Association of Australia [RAAA] about the potential future for more modern single-engine small aircraft such as the Pilatus that we were talking about earlier? Do you think there is an opportunity for aircraft like that particularly to run a hub-and-spoke type system into a larger airport?

Mr DAVIS: Of course they can do it; there is nothing wrong with those aircraft. Single engine regular public transport [RPT] services are established around the world now, so that is not an issue. The main problem is the capital cost of these aircraft. They are extremely expensive when you compare them to what has traditionally been done in a hub-and-spoke arrangement where you might have a Chieftain or the aircraft that Mr Wells operates which you can pick up for \$350,000. I believe you are looking in the order of \$12 million for a new Pilatus. As these become available on the second-hand market it will improve, but you are still looking at \$2 million or \$3 million. For a Beech 1900 you are going to pay up to \$3 million for a reasonable aircraft.

The problem the operators will face is recovering their capital cost or servicing that cost. It does make it very problematic as to whether you could ever reinstitute the sort of hub-and-spoke system that Air Link, for instance, used to operate. In fact, you could not do it on those routes anymore. They would not support it. If you had the right network—I am trying to think of what places would be appropriate—you could possibly do it but, in general, no.

CHAIR: What happens in other parts of Australia with some of these remote communities with airlines that must be members of yours? Is there a better model being operated anywhere that you are aware of that would be applicable to what is happening in New South Wales?

Mr DAVIS: There is a model in Queensland but it does involve a government subsidy. The Queensland Government has made available air transport to their remote communities. Regional Express operates some; Skytrans, who is also one of our members, operates others; and QantasLink is involved in the program. That does work, albeit at a cost to the taxpayer but you get small communities out there that are getting a first-class air service. That is really the only State that has a meaningful subsidies system set up.

The Hon. STEVE WHAN: Is it a seat-based subsidy or a seat guarantee subsidy?

Mr DAVIS: I might pass that to Mr Lodge. He is more familiar with that than I am.

Mr LODGE: Essentially there is a revenue component that is derived from the passengers travelling on those remote routes and then the subsidy tops up that revenue to a requirement that delivers an agreed profit margin.

The Hon. STEVE WHAN: It is basically a floor?

CHAIR: It basically underpins the total revenue that you receive for that route?

Mr LODGE: That is right. It broadly works out on a 5 per cent profit margin.

The Hon. MICK VEITCH: Mr Davis, in your opening comments you mentioned the need for an Ombudsman or a similar arrangement around the pricing that has been set at regional airports. I want to go into more detail on the Rex submission, which is very critical of the Orange Airport expansion and the process that Orange City Council followed in establishing the fee. From reading your submission it would appear to me essentially what you are saying is that if they go ahead with that expansion of the airport at Orange eventually they will lose services because it is grandiose and far above what the community needs.

Mr LODGE: Yes.

The Hon. MICK VEITCH: Can you explain further why Rex is critical of the expansion of Orange Airport? When I was there on Wednesday I drove through and looked at some of the works. They have had some financial issues with the bloke doing the work, apparently. I want to drill down into why you are highly critical of Orange City Council and its airport plan?

Mr LODGE: Further to our submission, Rex supports the rational development of regional airports and maintaining the airport for future needs. The real risk comes at funding all of that excess development in terms of the "build it and they will come" approach. We are already paying around \$16 per arriving and departing passenger. It is the highest charge right across the Regional Express network.

The Hon. MICK VEITCH: The Orange Airport charge is the highest?

Mr LODGE: That is right. Regional airports levy their charges in different ways. The majority of them levy it on a per arriving and departing passenger basis. Some charge a rate per tonne for each landing. At the end of the day that is the methodology for charging the airline to use the airport. We are paying Orange Airport around \$900,000 in airport head taxes at the moment and effectively that is our cost of doing business in Orange. We cannot isolate passenger head taxes levied by the council any more than we can isolate our fuel charges and our maintenance charges and our aeronautical charges.

There seems to be a mindset from some councils that the airport head tax seems to sit separately and we are just simply passing that on to the consumer, collecting it on behalf of the council and passing it on. It essentially makes up part of our ticket price that we have to cover like all of our costs. We are carrying around 55,000 passengers a year between Sydney and Orange with four return services. We fly into Parkes just down the road from Orange and we are flying three return services into Parkes. It is costing us around \$300,000 per year to fly into Parkes. It is costing us around \$900,000 a year to fly into Orange.

We think that the developments at Orange outstrip the future and forecast demand that is there for Orange. We have demonstrated on various routes across our network where we have been able to carry 150,000 passengers as the sole operator. We are operating four return Saab services carrying 55,000 passengers. If the demand was there we could very easily ramp up frequency between Sydney and Orange to support that demand.

I think that building a terminal with a capacity of some 240 seats, building a runway that is capable of A320 and 737 aircraft is threatening the viability of the Orange services because there is no doubt going to be more and more pressure on the airport charges to recover some of those costs. That really threatens the existence of the existing services, so rather than ending up with 737s or A320s you end up with a deterioration of the service that you have already got. I think that regional councils really need to understand the impact of those head taxes on the cost and the viability of the services because they far outstrip many of the other costs when you divide that into a per seat cost or a per passenger cost.

The Hon. MICK VEITCH: It is my understanding that Griffith council undertook a refurbishment of its terminal. Did it undertake a different process to Orange? In your submission you are very critical of Orange City Council.

Mr LODGE: Griffith City Council did undertake a very different process and we have had, I guess, collaborative partnership arrangements in place with Griffith for many years. As you may know, we tried to establish the Griffith-Melbourne service. Over a period of four to five years we started a service, stopped a service, resumed the service and then finally withdrew the services on that route due to not enough patronage. But Griffith City Council has always worked in close collaboration with Rex.

Rex actually supported Griffith City Council in their Federal government funding application for the development of the new terminal. That was largely funded by the Federal government funding. Our support of Griffith Airport's terminal upgrade was based on that council working in close collaboration with the airline over many years to build up the passenger numbers to where we are today. They have taken a very different approach to Orange City Council.

The Hon. MICK VEITCH: Did you have any involvement in the Orange City Council proposal for the airport expansion or did you find out after the event?

Mr LODGE: We have voiced our opinion in relation to various things that have been sent to Rex in terms of what we think about the proposal. At each step along the way we have always communicated that we felt that the plans were over and above what is required now and what is required for quite a distant time into the future.

The Hon. MICK VEITCH: Can you talk through the process with regard to an Ombudsman or a body similar to an Ombudsman in setting fees for regional airports? Does it have to be an Ombudsman? Could the Independent Pricing and Regulatory Tribunal [IPART], for instance, be another mechanism to establish, monitor or intervene on fees?

Mr LODGE: As a regional airline that is operating into more than 30 regional airports and obviously then dealing with more than 30 regional councils and local governments we would support anything that enables a very transparent process. We spend far too much time in discussions with councils in disagreements in relation to airport charges. We can see that through the airline's investment that we have been able to grow passenger numbers and airport revenue yet we are constantly battling with many regional councils that apply the standard council consumer price index [CPI] approach to their fees and charges without really having a full understanding of how their revenue has been tracking historically and where their revenue is expected to be tracking.

From a commercial perspective, similar to what Rex went through with the ACCC and Sydney airport in 2010, where the ACCC knocked back a 2.9 per cent increase to the regional charges based on it not being justified, we would very much welcome the ability to be able to work with a third party to be able to come up with arrangements with the regional airports.

The Hon. MICK VEITCH: The conundrum here—I know my colleague the Hon. Paul Green will say something similar, being a local government practitioner—for local government is that it is being made by governments of all persuasions to go to a fee-for-service arrangement. It does not matter whether it is landfill or what it is, it is going to fee-for-service. Therefore, I have no doubt it would argue—

The Hon. PAUL GREEN: Cost recovery.

The Hon. MICK VEITCH: It is cost recovery for them. You are saying that that is not what is happening and you would like a third-party intermediary?

Mr LODGE: Obviously we have discussions and negotiations with many, many regional councils and we can see from those discussions what it costs to operate a regional airport. There are many regional airports that are earning surplus revenues through their airport charges; on the flip side there are many regional airports that are doing it tough. Having a centralised party could also address that imbalance. There are regional airports that deserve some funding to help upkeep aprons, taxiways and runways, whereas airports that are already generating in excess of \$1 million a year in airport head taxes seem to be able to access either State or Federal government funding and to inject that into their airport.

When you look at an amount of say \$1.4 million that Griffith may have received to do their terminal upgrade, that is a lot of money and that could go a long way in terms of assisting many regional airports. I am not disagreeing with that funding for Griffith but there are many decisions in terms of funding where the funding amounts are quite significant. There was about \$4.5 million worth of Federal government funding into Orange airport. That could give nine struggling regional airports \$500,000 to inject into necessary runway works that need to happen which they are struggling to achieve.

The Hon. STEVE WHAN: Are you able to provide us with a list of those Queensland contracted air services and the communities they go to?

Mr DAVIS: Yes. It is all on public record. We can certainly provide that.

The Hon. STEVE WHAN: Thank you. In the Rex submission you comment on the model in New South Wales of having regulated air routes. You also mentioned that Rex was a strong monopoly provider in a number of areas. Can you comment on whether you think the current system of allocation of some air routes in New South Wales is exclusive and some being open for competition? Do you think that system could be improved to encourage better services?

Mr LODGE: Rex has put in two separate submissions, one in 2007 and one in 2012, in terms of their views in relation to the route licensing arrangements. I was personally involved in the transport working group back in 2007. Rex's view has been quite consistent in that we believe that the route licensing arrangements with the 50,000-passenger threshold should be abandoned. We believe that it is not conducive to establishing good working relationships between the airline and the regional councils. When you are entering into a route licence with a five-year term, from Rex's perspective we want to ensure that the arrangement—the commercial arrangements, the relationship between the airline and the local council—is a good one and that both parties are on the same page in terms of what they want to deliver to regional air services.

The Hon. STEVE WHAN: So you essentially feel that the council feels that it has you locked in and has too much power. Is that what you are telling us?

Mr LODGE: No. If we are going to embark on a route that, by definition, is marginal in nature—fewer than 50,000 passengers per year—we want to ensure that we do that collaboratively with the local council and the local airport owner. We believe that the route licensing process does not foster those type of arrangements in that everything is channelled through the bureaucratic process that comes with route licensing.

The Hon. STEVE WHAN: Do you think the State Government should be involved in that at all?

Mr LODGE: I do not believe so.

CHAIR: What is the alternative—just have a completely deregulated system?

Mr LODGE: We operate in five different States and we do not operate with any regulated markets, with the exception of Queensland, and where we do operate with those regulated markets in Queensland it comes with a subsidy. I think that by nature of the routes being fewer than 50,000 passengers per year, they are our most marginal routes in our network. The route licensing arrangement is designed to protect those routes from competition, to make sure that there is not any volatility with airlines coming and going, but the reality is that we can barely service those routes with one airline, let alone having two airlines competing for passenger numbers that thin.

The Hon. STEVE WHAN: A number of routes have ceased to have services over the past number of years—Cobar, Cooma—most recently as a result of the collapse of Brindabella. A number of those routes used to be serviced by Rex as well. What is the key thing that is stopping you from expanding back into or going into new routes in New South Wales? Is there a particular traffic level that you require? Is it a shortage of pilots, as was quoted for a while? Or is it just your capacity to expand the business?

Mr LODGE: I will answer the question in two parts. Since Rex was formed in August 2002 it has maintained its traditional network, which was previously serviced by both Kendall Airlines and Hazelton Airlines. The only routes that we have exited from are routes that we have gone into from the start. With regard to Cooma, Griffith to Melbourne, Brisbane to Maryborough, they are all routes that Rex has attempted to go into and build, and that has not been successful in terms of patronage. Generally, we require about 30,000 passengers per annum to make a viable regional air service. That is based on being able to service that regional community with three return services with a Saab 340 aircraft, being able to provide a consistent schedule.

The Hon. STEVE WHAN: That 30,000 is also the number that QantasLink gave us, yet it operates substantially bigger aircraft. Would the Saab be able to operate on a smaller level of service?

Mr LODGE: Again, with the Saab, we need to be able to operate a required level of frequency. We also need to be able to spread our costs over that activity to make it efficient and to keep our seat costs down. We have a number of routes where we might service a route with only one flight a day. One flight a day broadly equates to about 20,000 seats, so we are servicing some markets with only 10,000 passengers. Adelaide to Coober Pedy, for example, is a 10,000 passengers a year route. We service that with one flight a day, but being able to leverage also from our base in Adelaide, where we have 10 aircraft and down time in the middle of the day.

In New South Wales it is a little different in that you need to be able to provide frequency, a day return type schedule. For us to allocate an aircraft and crew to a route, we believe that we need to be able to provide those three return trips. I think with QantasLink, for example, they are providing two return trips to Moree.

I think Moree is probably around that 30,000 passengers. QantasLink has also said that it is making a move to the 74-seat Q400 aircraft. That is making it even more difficult to service those 30,000 passengers a year routes. We embarked on Armidale from the end of March this year with three round trips, 60,000 seats, a target of about 30,000 passengers to get that service up and running. Operating lower levels of frequency is quite problematic in terms of providing a consistent, regular frequent schedule that will be conducive to supporting passenger numbers.

The Hon. PAUL GREEN: In terms of increasing capacity on these routes, councils doing some strategic planning and airlines moving towards something like the Q499, would that be good strategic planning in terms of increasing capacity?

Mr LODGE: Was the question about Rex moving to the Q400?

The Hon. PAUL GREEN: No. It is basically in terms of some of these regional airports building up capacity. We heard that the Q400 gives an increased capacity of about 74 seats. Obviously you want to increase your infrastructure locally in those regional airports to be able to accommodate that sort of capacity. Would you think that was a good thing? For instance, the tourism growth that we are trying to achieve is a 7 per cent increase by 2010. You will not be able to grow that capacity in regional areas unless you have the ability to increase that seat capacity and the plane capacity, never mind the pricing being very achievable and attractive.

Mr LODGE: In 2007-08 Rex carried about 1.4 million passengers on effectively the same network that we are operating today. We are carrying about 1.1 million passengers today, which is about 300,000 fewer than at our peak. We were previously operating with load factors of between 65 per cent and 70 per cent. We are currently operating with load factors of about 55 per cent. I think there is a lot of room for passenger growth across the Rex network, including the New South Wales network. We have been managing our capacity very sensibly. We have had slight reductions in capacity in the most recent few financial years, and we have the ability on many of our New South Wales routes, as economic conditions improve and we get passenger growth back into the market, to increase frequency, particularly in the middle of the day. We have lots of ports where we do operate those three return services with 60,000 seats.

One additional return flight in the middle of the day takes that from 60,000 to 80,000. An additional 20,000 seats into a regional port is a significant catalyst for double digit passenger growth. We believe that frequency with the Saab 340 is something that does not require onerous expense at the regional airports to accommodate larger aircraft. At the end of the day as well, the Saab 340 aircraft and QantasLink's Q400 aircraft do not have vastly different operating requirements in terms of runway lengths and pavement strengths in terms of aprons and taxiways, et cetera. So I think there is a lot of potential for growth in New South Wales through improved frequency. Obviously QantasLink is transitioning from smaller aircraft to larger aircraft, but I think one of the reasons for Rex's success is the fact that we have adopted a single fleet type. The Saab 340 is a very efficient aircraft to operate. In the regional airline context, we operate with very good economies of scale as a result, and I think we can continue to grow passenger numbers in New South Wales through improved frequency.

CHAIR: What about the future for the Saab 340? Is it still under construction or are they no longer being made? What is the future for continuation with that aircraft?

Mr LODGE: The Saab 340 is no longer in production. We are operating a mixed fleet of Saab 340B and Saab 340B+ aircraft which are the latest generation of the Saab 340 aircraft. They ceased production in the late 1990s. Rex is operating most of the newer of the Saab 340 aircraft but they are no longer in production. We believe that we can operate the Saab 340 aircraft for the next 15 to 20 years ahead. They are extremely well supported by Saab aircraft and there are still a lot of operators worldwide operating the aircraft.

CHAIR: Following on from that, are there any potential aircraft in the pipeline or being made now that are replacement aircraft for the 35-seat capacity?

Mr LODGE: There is not. It is a real void in the aircraft manufacturing area. I guess 10 to 15 years ago we saw Qantas operating the 36-seat Dash 8 and both Kendall and Hazelton operating 34-seat Saabs. We are now in the situation where we have the Saab operators that are still operating the Saab 340 aircraft, but aircraft manufacturing worldwide has essentially moved into the 70-seat category, with the 74-seat Q400 operated by QantasLink and also the 68-seat ATR operated by Virgin. It is a very big step-up in terms of not

only seat capacity but also the capital costs to the aircraft when you are looking at aircraft in the vicinity of \$20 million to \$30 million in capital cost.

The Hon. PAUL GREEN: We have just spoken about loss of seats, the decline of seats, yet we just had Inland NSW Tourism saying that there had been no new routes in the last five years and they rattled off a whole bunch of different sites such as Walgett, Lightning Ridge, Bourke, Cobar—

The Hon. MICK VEITCH: Young.

The Hon. PAUL GREEN: —Young. Is there some sort of thought that you should be able to get into that to increase the market share of Rex?

Mr LODGE: I think because of the economics as well, we are now operating in the single fleet-type thing, the 34-seat Saab, and I guess, similar to Qantas Link, we are finding it difficult to get down and service 25,000 to 35,000 passengers a year. It is difficult for a 34-seat operator to get down and service routes with potentially less than 5,000 passengers per year. A lot of those routes that you mentioned were previously operated by Chieftains—five or six passengers on board the flight—and really what was a catalyst for Airlink to withdraw from some of those was not only to do with the marginal nature of the route and the inability to even break even on the route but it was also resourcing that type of operation.

What really triggered Airlink withdrawing from a number of those routes was the pilot shortage. Rex incurred 50 per cent pilot attrition in 2007-08 where we lost 130 pilots of our 260-odd pilot workforce in one financial year. So when we were dealing with that, Airlink were also dealing with how do we keep our pilots? Predominantly single-engine operations, how do we stop them from going into carriers—even the regional carriers, because the regional carriers' pilots were moving on to Jetstar and Virgin and Qantas, et cetera. Not only is it difficult commercially to service some of those smaller routes but it is also extremely difficult finding the skilled workforce. When you are operating, for example, a hub and spoke operation to and from Dubbo you have got to resource that with engineering, line maintenance and schedule maintenance, and having pilots based out in the bush, and that is extremely difficult.

The Hon. PAUL GREEN: One of the concerns we have seen in the submission is that Rex may cease its operations in Lismore due to its lack of ability to increase its freight service. Do you have a comment on that?

Mr LODGE: I am not sure about that question.

The Hon. PAUL GREEN: It is just a submission.

Mr LODGE: Rex operates regular passenger transport services between Sydney and Lismore and also Sydney to Ballina. The Sydney to Lismore RPT market has been in decline for quite a number of years as it grapples with dealing with jet activity flying to and from Ballina. It is almost impossible for Rex to compete with the price war between Virgin and Jetstar operating \$59 and \$69 fares out of Ballina. We have seen a significant reduction in passenger numbers on our Sydney to Lismore service. We have been working extremely hard to try and maintain that service and it is probably one of the more marginal services in our network both because of the commercial dynamics with what is imposed upon it with Ballina, and it is also one of our longest sectors in the network where you have got an environment where it is an hour and fifty minute flight on a turboprop aircraft where the costs are extraordinary, but you are also dealing with extremely cheap fares as an alternative in and out of Ballina. Those two things compound to make a very difficult situation. From a Rex RPT perspective, we do not rely heavily on the carriage of freight, particularly like in and out of Lismore, we carry modest amounts of freight and our focus is really on carrying passengers and their baggage.

The Hon. PAUL GREEN: Both of you have spoken about the cap on Sydney Airport. Can you tell us what you have done to inquire about how that can be moved or what actions you have taken to appeal to the authorities to move that up to 90 or 95?

Mr DAVIS: We have certainly lobbied successive Ministers to have the cap raised—a bit of a lost cause in the last six years prior to the last Federal election with the Minister that was very dedicated to the 80 movements per hour. We are now lobbying the current Minister and I guess that is all we can do; it is in his hands. One of the issues that the Deputy Prime Minister has raised with us is that the cap is enshrined in so much legislation it is not just a matter of him waving a wand and changing it, he has got to change an Act of

Parliament. So he has got to get it through the Senate and, again, you can have problems with the current Senate and possibly even a future one in that they are reluctant to change anything to do with Sydney Airport. To answer your question: Yes, we have been lobbying quite hard behind the scenes but with no success so far.

The Hon. PAUL GREEN: Mr Lodge, do you have any comment?

Mr LODGE: I think from a Regional Express perspective we have been falling under the umbrella of the RAAA with the lobbying at the government level. But, as I identified in my submission, I think that it is quite absurd that we have to have arrangements in place where movements at Sydney Airport are even manually counted during some of the peak hours to ensure that we do not exceed the 80 movement cap. To avoid having 81 or 82 movements in a certain hour while we have got aircraft sitting on the side of the tarmac with engines running waiting to take off where they actually could but Airservices are holding up those movements so that we do not exceed the 80 movement cap, that is ridiculous in so many ways.

The Hon. PAUL GREEN: I noted your earlier comments about Badgerys Creek from your point of view, but do you have a general view about whether that is good for aviation over and above Regional Aviation?

Mr DAVIS: I think Badgerys Creek has to come at some stage. I agree with some of the comments from Sydney Airport that if you alter the movement cap and some of the curfew rules, Sydney Airport could cater for Sydney's demand for a few decades to come. But eventually, one day—whether it is the middle of this century or whenever—we will need a second airport. So I think it is prudent that a second airport has been planned. As to who operates it, to me it could initially be an ideal base for low-cost carriers, point-to-point carriers—a bit like the Avalon model in Melbourne. I would imagine people like Jetstar and Tiger could be attracted to Badgerys Creek if the owners of the airport could make the fees attractive to them so that it would be an economic incentive to go there.

I believe the freight operations will go there if it is a curfew-free airport, which it really must be otherwise there is no point in having it. Some of the larger freight organisations are prohibited from having a big hub in Sydney at the moment because during the night they can only bring the turboprop aircraft or some of the exempt jets in, they cannot bring in their 737s, which people like Qantas Freight and Toll Aviation now have as their mainstay. I believe that some of those operators would create a hub out at Badgerys Creek. The other avenue I see is some of the international operators that are now constricted by the curfew who would love to arrive here in the middle of the night because it just suits them instead of having to jiggle their schedules to get here at 6 o'clock; some of them might also go to Badgerys Creek. So I do see a place for it, yes.

Mr LODGE: I guess the only thing to add from Jim's answer is that from a regional airline perspective we see advantage in Badgerys Creek in terms of simply taking pressure off the existing Sydney Airport. But we believe that it is essential that we continue to have access to Kingsford Smith Airport. Regional markets are travelling for essential reasons—it is not discretionary. We can put cheaper fares into regional markets and it will not necessarily make someone travel to that regional market or from that regional market. We understand that they are price sensitive but they are also very sensitive when it comes to flight times and, in effect, the on-time performance and reliability. In some cases even changing our schedule time by 20 or 30 minutes can have a big impact on passenger numbers when really the requirement is flying out of the bush into the city, do a day's business in the city and being able to return home at the end of the day.

Not only for business needs but also for medical needs where we are accommodating a significant need for the health services in New South Wales where we are almost an air ambulance in many cases carrying people in and out of Sydney. When you look at the Rex network, we are operating to places like Parkes and Bathurst and Orange, et cetera, and even driveable destinations such as Wagga. It is not going to be acceptable to regional customers to be arriving so far away from the city and I think that people will choose alternative modes of transport over the air service and the air service has got low margins already—in the first half of this financial year Rex returned a 3 per cent return on revenue; it does not take too many passengers lost to put that into a loss-making situation.

CHAIR: Part of the deal that is being done with Badgerys Creek, as I understand it, is the transport links to and from the city. Given that Badgerys Creek, Bankstown Airport and Kingsford Smith Airport are virtually in a straight line and obviously then swing round to the north to link with the CBD, do you think that will open up opportunities for Bankstown? I am asking that question because we did get a submission from Bankstown Airport which identified that as a possibility.

Mr LODGE: There are two issues for Rex in regard to Bankstown. The first is the operational capability of our aircraft to operate to and from Bankstown, particularly with a full payload, due to the runway length and surrounding residential area. But for us also we have considerable connectivity from Rex on to both other regional services, other domestic services and also, to a lesser extent, international services. Some of our regional markets that we have surveyed have anywhere between 20 and 30 per cent on-carriage.

What is difficult to measure is that we as an independent regional airline that does not have affiliations with either Qantas or Virgin from a commercial sense sometimes find it difficult to accurately determine how many passengers are connecting. But with the advent of more people booking online, some 70 per cent of Rex's customers just book on the Rex website. People are pretty savvy these days; they are just booking a Rex sector on the website, they will go away and then they will book another sector on the Jetstar website or the Virgin website. They will even be using the likes of Webjet to combine itineraries.

It is amazing that with Rex operating to so many destinations in and out of Sydney, all those connectivity options are quite complex. It is often taken for granted that we have got people sometimes leaving Wagga at 6.30 in the morning who can be in Townsville or Mount Isa by lunchtime that day, and taking away all those sorts of connections is a real threat to the regional aviation services.

Mr SCOT MacDONALD: Can I just ask you what your members would think about some of the other submissions and evidence we heard this morning about slots being allocated to a destination rather than an airline? It was brought up in the context of Moree and other places like that. I was wondering what the airlines would think of that.

Mr DAVIS: I am not sure how workable that would be. Obviously the airlines value their slots and they would not like to give them up. The model has worked quite well so far. I would have to think about that question, to be honest. We have members that are airports as well as airlines but, overall, our members want to see the current system maintained.

Mr SCOT MacDONALD: Could I ask you to take that on notice because, as I say, it pops up in the submissions pretty regularly and we talked about it a little bit this morning. You can see pros and cons for it, can you not? Moree, which temporarily lost service, got very anxious about not having any connection. Maybe you could come back to us with what you think that might do for your members in terms of their investment and their security and things like that.

I know it has been asked about and you did talk about the cap and you just expressed how difficult it would be to change. However, as I mentioned before, what about an interim step where it is fixed at 80 but if you have these weather events where you are sitting around 76 or 77, what about as an interim step maybe taking that two or three for a short term to get you back on time and things like that? Would the members support that as an interim recommendation?

Mr DAVIS: Yes, that makes eminent sense.

Mr SCOT MacDONALD: Would it have a material impact on time?

Mr DAVIS: It would help. It would certainly help to recover when we have had a weather event. At the moment we are constrained by this artificial constraint where you are holding back your aircraft that are sitting there waiting to go because of some artificial number and it chokes the whole system. So, for sure we would support that.

Mr SCOT MacDONALD: Your point 4, "NSW Government Policy—abandon the NSW Regulated Routes system", we are only talking about two, are we not: Lord Howe and Moree? Is that correct?

CHAIR: No, they are the only ones that Qantas operate.

Mr SCOT MacDONALD: Sorry, that was Qantas only. Why do your members want that? How do they think they could improve air services for regional communities?

Mr DAVIS: We think it probably had some merit in the early days when you did have a lot of small airlines, some of them operating Chieftains and that sort of thing, and they were struggling and there was a need seen to protect those airlines by giving them exclusive rights to a route. By and large they are all gone. You have

now got Rex, Qantas and, I think, Vincent operating a couple of regulated routes. So I do not think the need is there to protect those small airlines anymore and this system simply complicates the whole issue. The other thing is it does not protect the community because under the system an airline can be given a regulated route but they could still withdraw from it, as indeed Rex has done in the past.

The Hon. STEVE WHAN: It is not a guarantee.

Mr DAVIS: There is no guarantee. We do not see it is protecting the operators to guarantee the service, we do not see it is protecting the community, and we feel that it gets in the way of an airline being able to go to a community and offer an air service. We now have to go through the government, which ties things up a bit.

CHAIR: I guess the next question from that then is: Is there a better model for route regulation than what is currently in place, or do we not need it all, as you have suggested?

Mr DAVIS: I think no model at all. I think a free market system is what our members are happy with.

Mr SCOT MacDONALD: Could I just make a suggestion? To me it is a fairly important point and if you want to flesh that out with a bit more response on notice I would appreciate it.

Mr DAVIS: Sure.

CHAIR: We are out of time. I thank you both very much for your respective submissions. Obviously Rex is one of the major players in regional airlines in New South Wales and your submission was very important, as was Qantas Link's. The submission of the Regional Aviation Association of Australia was also very welcome given the fact that you represent all these small airlines. Thank you for appearing before us today. There were some issues taken on notice. The Committee has resolved that if answers to questions taken on notice, which the secretariat will liaise with you about, are able to be returned within 21 days we would appreciate that very much.

(The witnesses withdrew)

(Luncheon adjournment)

MARIO BAYNDRIAN, General Manager Aviation, Bankstown Airport Limited, affirmed and examined:

CHAIR: We will reconvene for the afternoon and welcome the next witness. Would you like to make a short opening statement?

Mr BAYNDRIAN: It will be a brief statement. Bankstown Airport Limited thanks the Committee for the opportunity to attend. The message that Bankstown Airport Limited would like to get to the Committee is that Bankstown airport should be seen as part of the solution, not the total solution, for matters and issues that face regional airlines currently: Basically, due to its central location, its simplified processes and low cost environment. It is from that point of view we come to this Committee and made a submission for your consideration.

CHAIR: I guess one of the issues surrounding Bankstown, which you are no doubt aware of, is that a lot of regional people that come into the city need to come for business or medical purposes and the majority of them want to get into the central business district as quickly as they can. I have flown from Bankstown on charter flights many times and there is always an issue getting back into the city, particularly in the afternoon. How do you propose, if regional airlines were to go in there, that would be addressed?

Mr BAYNDRIAN: We see Bankstown more as a point to point, not interconnected with aircraft coming in and out of Mascot airport, the main airport. We have sufficient market for Western Sydney that airlines need to explore their market capacity for people wishing to travel to Bankstown as a destination to really carry out business anywhere from Strathfield to the Blue Mountains, from Richmond down to Picton. You will be better placed to be in Bankstown airport than Sydney airport for that to occur. To answer your question, obviously the M5 is within close vicinity to the airport and the widening that is occurring now will no doubt assist with the transfer of people and goods from Bankstown airport to the central business district [CBD] or North Shore or eastern suburbs or even Mascot airport. That is not the basis of our consideration. We believe there is sufficient market point to point.

CHAIR: With the issue of the cap at Sydney Airport being 80 movements per hour, what is Bankstown's airspace relationship with Kingsford Smith Airport's [KSA] air space, are you affected by the 80 movements per hour?

Mr BAYNDRIAN: No, we are separate. There is no movement cap, there is no curfew; Bankstown airport operates without any of those restrictions. We do obviously have our air space adjacent to Sydney's air space on our east, their west, end and obviously Sydney Airport has priority over Bankstown Airport by the nature of their traffic compared to ours. We have as many movements but a different quality of aircraft.

CHAIR: In relation to the aircraft size are you able to handle aircraft the size of the Q400s that Qantas is operating?

Mr BAYNDRIAN: The Q400s are what they call a code 3D and we are a code 3C. Most regional airports are not code 4, that is normally a 737 and an A320. The Civil Aviation Safety Authority [CASA] is normally of the opinion that they can give a dispensation to those airports. The issue is not so much the size of the aircraft or the width of the wings, it is the outer main gear on that aircraft, it is very far apart and therefore when it goes off a runway on to a taxi way if it is not right on the centre line it may drift on to the edge of the taxi way. What normally happens is CASA gives a dispensation to regional operators for that aircraft to operate. There may be some fillet work to be done on the corners that the aircraft would be operating on and then they can give a dispensation.

The Hon. MICK VEITCH: Did you say fillet?

Mr BAYNDRIAN: It is a technical term for a bit of extra asphalt on the corner. Not fillet mignon.

The Hon. MICK VEITCH: That would be me.

CHAIR: You have been watching with interest the development further west in terms of Badgerys Creek?

Mr BAYNDRIAN: For the last 35 years, yes.

CHAIR: What do you see is going to be the end result in the relationships between Badgerys Creek, Bankstown and KSA once Badgerys Creek is operating?

Mr BAYNDRIAN: It is really hard to tell. There has been limited information as to the form and shape of that airport, which way the runway directions are, whether it will be a single runway, parallel runways, four kilometres, two kilometres or staged increase. To be perfectly honest it is too early to say. You must consider that airports in New York are the size of Sydney Airport and there are four of them, and a Bankstown thrown in for good measure. London is the same. You have Gatwick, Luton, Heathrow, and London City is like having an airport at Pymont basically. They manage their air space. There are solutions to it but obviously it is something that the Civil Aviation Safety Authority and Airservices Australia will need to look at.

CHAIR: What about the associated land transport development that must occur when Badgerys Creek goes ahead? Would you be anticipating there will be a connection there with Bankstown, given that Badgerys Creek, Bankstown and Kingsford Smith airport [KSA] are virtually in a straight line?

Mr BAYNDRIAN: I am not a subject matter expert on Badgerys Creek. I imagine there would be an extension of the M5-M7 from around Cow Pasture Road area, but I am not that close to that subject matter.

The Hon. MICK VEITCH: If a code 3D aircraft is a Q400?

Mr BAYNDRIAN: It is 3D, that is correct.

The Hon. MICK VEITCH: So what is a 3C?

Mr BAYNDRIAN: A 3C would be your Dash 8s, 100, 300 series, the QantasLink ones. Saabs are a code 3C, the 35-seater. With regard to jets it would be an Embraer 135 and an Embraer 145, so a 35- or 45-seater aircraft. We have the ATR 42, which is equivalent to a 45-seater aircraft. We operate two a night cargo-configured, they come from Brisbane four nights a week and they take off four nights a week.

The Hon. MICK VEITCH: They can land at Bankstown now?

Mr BAYNDRIAN: Without any problems.

The Hon. MICK VEITCH: Without any further enhancements?

Mr BAYNDRIAN: As the airport operates now it is capable of handling those aircraft as long as the weather is not 45.8 degrees, or something of this nature, where as it gets hotter and hotter performance of aircraft with regard to runway length required for take-off does suffer. If it is going to be 35 in Sydney and it is heading to Dubbo the chances are it would be at least 45 and a half.

The Hon. MICK VEITCH: Bankstown Airport has a master plan?

Mr BAYNDRIAN: It certainly does.

The Hon. MICK VEITCH: When was it last reviewed?

Mr BAYNDRIAN: The 2005 master plan is the one that is currently operational. We are going to public consultation with a 2014 master plan in the middle of next month.

The Hon. MICK VEITCH: Does that master plan look at the precinct of Bankstown and transportation requirements? Like the Chair and most of Committee members I fly out of there on charters on a pretty regular basis and getting out there or back can be quite a job sometimes.

Mr BAYNDRIAN: It is quite interesting you say that. Obviously I have been travelling to and from the area on a regular basis so I am pretty comfortable to get there and I know the quickest routes from different parts of the city. The ground transport is part of the master plan. We have allowed for passenger services in our master plan. It is only forecast as 12 movements a day so it is not over the top. It is forecast with code 3C aircraft. We have allowed for that and for the current capacity for runways, taxi ways, aircraft apron, we have a terminal and car parking. It is all there and it can be switched on. It would be not dissimilar to a regional airport.

The Hon. MICK VEITCH: Have you had discussions with some of the airline providers?

Mr BAYNDRIAN: We have had discussions with some of the airline providers. They come and go. We get a lot of people who have visions of starting an airline but they disappear as quickly as they come; it is a fact of life. Rex, QantasLink and Brindabella, when they were operating, used Bankstown as an alternate to Sydney and have landed there due to curfew issues or something that stopped them landing at Sydney for whatever reason. It is not that they do not land there. How many? It would be a handful a year.

The Hon. MICK VEITCH: What about the baggage handling and security issues?

Mr BAYNDRIAN: As stipulated in my submission, or the airport submission, the baggage security system used to be required by form of propulsion. It used to be jet and no matter whether it was a six-seater or 500-seater because it was jet it had to be screened. Now it is based on maximum take-off weight of an aircraft and 20,000 kilos is the kick-over weight before it becomes mandatory. The Saab is 12,500 kilos and not an issue, the 200 and 300 series Dash 8s are also less than 20 tonnes and would not be an issue, let alone a metro or J31 or 32 that Brindabella used to run, they are well under 20 tonnes.

The Hon. MICK VEITCH: In the proposed master plan are there significant enhancements for Bankstown? Are you looking at dollar investments in that infrastructure?

Mr BAYNDRIAN: The only enhancement we are planning for in the mid to long-term is a runway extension when it is commercially justifiable. It is already in the currently approved one—so we are maintaining it in the next one—to take it another 220 metres further down. The only other major safety impact is that we would include what they call a runway end safety area because once you do an improvement of the runway, either lengthening it or strengthening it, you have to have a runway end safety area. That is mandated so that would occur as well. The other thing we have committed to in financial year 2017-18 is a spend on the airport lighting. It is the best part of 35 years old so a complete replacement of the airport lighting which improves the land minima for aircraft compared to what it is now because the spacing on the runway would not be 90 metres but 60 metres. We will have a brand new airport lighting room with improved logical systems and that would be a safety enhancement.

The Hon. MICK VEITCH: So my last question is then: what can Bankstown airport offer to regional aviation services in New South Wales?

Mr BAYNDRIAN: We can offer convenience to all users—convenience for the operator, convenience for the passengers and convenience for the staff who need to get there for work. I would suggest, and I am surmising here, that many staff who work for either a regional airline or a service provider for a regional airline live not necessarily at Newport or Vaucluse but rather somewhere closer to Parramatta or Campbelltown. If they were only travelling to Bankstown, as opposed to driving down the M5, it would probably save them six hours a week in travel time, let alone the cost of travel et cetera. It would be attractive.

The Hon. STEVE WHAN: I am sorry I missed your opening statement and some of the questions from the Chair. Like Hon. Mick Veitch and everybody else here I have been out to Bankstown airport a few times and seen the activity there. What sort of capacity do you have at Bankstown airport for more traffic movements per year?

Mr BAYNDRIAN: As an example, last financial year we had 220,000 movements, of which 35,000 were helicopter movements. So we are talking about 175,000 to 185,000 fixed-wing movements. Our capacity is in the vicinity of 450,000 movements. We have three parallel runways. The main, centre runway is our least used runway but it is the one that operates 24 hours a day. It is used by the larger aircraft. We have quite a few business jets that operate out of the airport as well.

CHAIR: What percentage of those total movements would be training flights where they are flying in and out?

Mr BAYNDRIAN: It has decreased significantly. It was much higher five or six years ago. It would be around the 45 per cent to 50 per cent mark. The bulk of those are circuits. Every circuit has a touch and a go, and that is classified as two movements—a touch and a go. If you take those out, what we call full-stop landings and originating take-offs would make up the rest of those.

The Hon. STEVE WHAN: Why do you think it is that, despite Bankstown airport being around for so long, we have not seen regular passenger flights wanting to take up slots there? Is it simply due to transport links?

Mr BAYNDRIAN: I do not think it is simply about transport links. I think it is part of the reason but it is not the sole reason. I do not think there has been a commercial or a desperate need to find alternatives to the big end of town.

The Hon. STEVE WHAN: And yet Jetstar uses Avalon airport in Victoria.

CHAIR: That is even further out than Bankstown.

The Hon. STEVE WHAN: Yes, it is even more remote. So no-one has gone looking for that sort of option in Sydney?

Mr BAYNDRIAN: We are not capable of looking at a Jetstar type operation.

The Hon. STEVE WHAN: No, they use A320 aircraft.

Mr BAYNDRIAN: Our runway capacity and our physical infrastructure is not large enough for that. So that kind of high-level activity would never be part of our services. That is why we say we are forecasting 12 movements a day—but if it is 14, 16 or 18 movements today then that would be well within our capacity. We could handle that without straining at all.

The Hon. STEVE WHAN: Does that mean also that you do not have the capacity to take some of the freight away from Sydney airport?

Mr BAYNDRIAN: We have freight services running 24 hours a day.

The Hon. STEVE WHAN: Is that small freight?

Mr BAYNDRIAN: It is parcels. We could do anywhere between 25 and 40 tonnes per night of parcel freight. Toll Priority has extensive infrastructure at Bankstown airport on a large four-hectare site airside.

The Hon. STEVE WHAN: I understand the point you are making about people in the western suburbs being able to get on a plane and go somewhere more quickly from Bankstown airport. The airport has been there for a long time and as yet no-one has voted with their feet and said that they want to do it. What is holding them up, do you think?

Mr BAYNDRIAN: Maybe it is Sydney-centric issue. We have trouble getting some of the government services to consider Bankstown. We do have the New South Wales Police Force Airwing, the Ambulance Service of New South Wales air ambulance service and the National Parks and Wildlife Service based at Bankstown airport. I think slowly but surely the penny is dropping that there is actually a Western Sydney, there is a large population there and there are two successful football teams there. There are Government departments moving west.

A friend of mine who I have known for 35 years works for the water board, now Sydney Water. It used to have its offices in Bathurst Street in the city. He lives in the eastern suburbs. He now catches a train and a bus every morning to Parramatta, and he has been doing that for the last three years since Sydney Water relocated there. He said that is just the way it is, and he is comfortable with it. If Badgerys Creek airport is operational in 2022 or 2025 then you may want to ask the question: why would you want to go to Badgerys Creek airport when Bankstown airport is available?

The Hon. STEVE WHAN: The Chair was talking before about transport links. At the moment the plan seems to be to link Badgerys Creek airport to the South West Rail Link and then link it into the trains that go across Parramatta, which would basically leave you guys out of the picture.

Mr BAYNDRIAN: We are closer to the East Hills line or the Birrong line.

The Hon. STEVE WHAN: How far are you from the East Hills line?

Mr BAYNDRIAN: East Hills station is about four kilometres away.

The Hon. STEVE WHAN: I have only ever driven to the airport, as you can probably tell.

Mr BAYNDRIAN: That is fine. I have not caught that train but I have been to the station.

The Hon. STEVE WHAN: You may have already covered this but if Badgerys Creek airport is built then what future do you see for Bankstown airport?

Mr BAYNDRIAN: We have a head lease with the Commonwealth Government for 99 years, and I think we are in year 11 or 12. The No. 1 requirement of the head lease is that the site remains as an operating airport. So the answer is that it stays open as an operating airport.

The Hon. STEVE WHAN: In terms of your commercial planning for the future, what are you planning? It is early days on Badgerys Creek airport at the moment but where do you see yourselves positioning if that airport is built in terms of the market you are going for?

Mr BAYNDRIAN: As I stated earlier, we need some more information as to what Badgerys Creek airport will be like, how it will be orientated and clarification of the airspace matters before we can actually make any sort of decision. It is early days.

The Hon. STEVE WHAN: I heard you say that the orientation of the runways is important.

Mr BAYNDRIAN: Badgerys Creek airport is a long way away. No-one has even signed on the dotted line to say that they will build it. I am slightly cynical but I have been involved in the airport industry for 35 years.

The Hon. PAUL GREEN: Are the local councils involved?

Mr BAYNDRIAN: Yes.

The Hon. PAUL GREEN: Can you give us some indication of what the local council involvement is?

Mr BAYNDRIAN: We lie wholly within the area of Bankstown City Council. Liverpool City Council is on the other side of the river from us. We interact with Fairfield City Council to a lesser extent. Our master plan contains forecasts for regular public transport [RPT]. We have briefed the Bankstown City Council and we will be briefing them again in the middle of June. Council has a sub group on airports, for want of a better word, and they are comfortable with the contents of our master plan as it stands at the moment.

The Hon. PAUL GREEN: Do they charge you in any shape or form? And are they reasonable?

Mr BAYNDRIAN: We pay council a reasonable amount of money every year.

The Hon. PAUL GREEN: For what in particular?

Mr BAYNDRIAN: Nothing.

The Hon. PAUL GREEN: Would you care to elaborate on what that nothing is?

Mr BAYNDRIAN: As I have stated.

The Hon. STEVE WHAN: So there are no municipal services, in other words?

Mr BAYNDRIAN: That is exactly correct.

The Hon. PAUL GREEN: Disability access was mentioned this morning. Some planes, particularly on regional services, lack disabled access. What do you do by way of addressing issues of disabled access?

Mr BAYNDRIAN: This is an issue that affects regional airports as much as any other airports. I remember back to my days working at Ayers Rock airport and other places. It was pretty crude—you basically had to lift the wheelchair to the sill height of the door. People had to go into dedicated, slightly skinnier wheelchairs to get through the door. Regional airports do not have aerobridges. They just cannot afford them.

CHAIR: A lot of them do have elevators to lift wheelchairs.

Mr BAYNDRIAN: Yes, they may have scissor lifts and things of that nature. As I said, I am going back to the bad old days about 10 years ago when I was in remote Australia running the airport at Ayers Rock. That airport serviced bigger aeroplanes, mind you. The airlines operate using whatever is available at the airport. In terms of Bankstown airport itself the terminal is a single-level terminal. It is ground level only so there are no stairs, escalators, lifts or anything of that nature. It is very simple and convenient.

The Hon. PAUL GREEN: Do think the community, along with the council, would be supportive if you try to expand or if the opportunity to expand comes your way?

Mr BAYNDRIAN: I think you would get mixed views on it. If there were to be jobs for locals, and one would think that there would be, then we may get a balanced review. Some people want all airports all around Australia to be closed, and that is just the way they are. We work very hard to engage with the community. The Bankstown Airport Community Aviation Consultation Group meets every three or four months. The Lord Mayor attends those meetings. The member for Bankstown Tanya Mihailuk or her representative attends those meetings. Tanya obviously was a Mayor of Bankstown City Council at one stage so she knows the airport. We work very hard to engage with the community and we try to be as transparent as possible with them.

Mr SCOT MacDONALD: I keep hearing you talk about 24-hour freight services. So you do not have a curfew on any of your services?

Mr BAYNDRIAN: That is correct.

Mr SCOT MacDONALD: So that covers rotary-wing aircraft as well, day and night?

Mr BAYNDRIAN: By all means. We have both the police and ambulance air services. They must operate 24 hours a day.

Mr SCOT MacDONALD: So there are no caps and there is no curfew?

Mr BAYNDRIAN: No, none. I should state that 98 per cent of our activity happens during daylight hours. Only a minimal amount of traffic, both freight and other, happens outside of that compared to the rest of the day's activity.

Mr SCOT MacDONALD: Do you get any push back from the community on any of the night-time activities?

Mr BAYNDRIAN: Sometimes. Sometimes, when we have inversions and the noise seems to bounce off the clouds, we will get a couple more complaints. Most airports have serial complainants who will complain 29 times in the space of half an hour. It is very simple for people to do—they just get on the Internet and keep clicking on the button. That is registered as a complaint. All of our complaints are tabled at the community meetings. We are quite transparent. We have more complaints from residents on the North Shore than we do from local residents.

Mr SCOT MacDONALD: Why?

Mr BAYNDRIAN: Because all the aircraft that do the harbour run or the northern beaches run start at Bankstown airport. Therefore if somebody at Newport does not like that aircraft then the complaint is registered at Bankstown airport.

Mr SCOT MacDONALD: I will have to get my head around that one. A lot of your work seems to be in freight.

Mr BAYNDRIAN: No, it is not a lot of our work; that only makes up about three per cent of all of our activity, if that.

Mr SCOT MacDONALD: And the rest is training and charter?

Mr BAYNDRIAN: Yes, training flights, private flights, business flights, and charter and aerial work. It is the normal mix that you would get in any regional airport although obviously with less agricultural type work.

Mr SCOT MacDONALD: Is there any push or incentive to move some of the more general work out of Sydney (Kingsford Smith) Airport and over to your airport?

Mr BAYNDRIAN: I think the biggest issue that general aviation has at Sydney (Kingsford Smith) Airport is getting access to hangars. You would need to speak to Sydney (Kingsford Smith) Airport about this, but I believe that space is at a premium there. I think they are reluctant to build hangars.

The Hon. STEVE WHAN: Is there any general aviation at Sydney (Kingsford Smith) Airport?

Mr BAYNDRIAN: Yes, there is—general aviation meaning business jets. That is classified as general aviation. If you are not passenger services then you are basically freight or general aviation services.

Mr SCOT MacDONALD: Do you see yourself picking up more of that sort of work?

Mr BAYNDRIAN: We are doing it now. Hawker Pacific have transferred their maintenance from Sydney (Kingsford Smith) Airport to Bankstown airport. Therefore Hawker Pacific services which used to land at Sydney (Kingsford Smith) Airport now come into Bankstown airport. So we are talking about jets worth \$8 million, \$10 million or \$20 million.

Mr SCOT MacDONALD: I am asking because obviously there is more pressure on that figure of 80 movements per hour, or whatever it might move to. You would think that, as slots become more valuable and harder to get hold of, there would be an incentive to move out, whether it be to Bankstown airport or elsewhere. Are you doing anything as part of your master plan to attract more of those services?

Mr BAYNDRIAN: The action we are taking is that we are prepared and have the capacity to accept aircraft which can operate from our facility.

Mr SCOT MacDONALD: Do you do much medical transport work to Westmead Hospital or anything like that?

Mr BAYNDRIAN: Westmead Hospital has its own heliport so it goes there. Obviously the air ambulance service and rescue services take off from Bankstown airport. They will go to Royal North Shore Hospital, Westmead Hospital, Liverpool Hospital or wherever it is to drop off the patients and then come back to base.

CHAIR: One of the other submissions we received compared the landing fees per 1,000 kilograms of take-off weight. What are your charges in that respect?

Mr BAYNDRIAN: The charges for general aviation for aircraft under 10 tonnes is approximately \$16 per thousand pro rata, and under 10 tonnes I think it is about \$13.50, but our conditions of use stipulate this does not include RPT. That is a separate kettle of fish because it is a different structure. It may have landing charges. It may have a passenger charge et cetera.

CHAIR: If regional airlines were to fly into Bankstown, have you any idea or estimation of what your charges would be?

Mr BAYNDRIAN: Depending on the volume that comes through, the area that is required, et cetera, I cannot commit to a figure but I would suggest to you it would be most competitive.

The Hon. STEVE WHAN: At a guesstimate, how much cheaper than Kingsford Smith?

Mr BAYNDRIAN: Highly competitive.

CHAIR: I have a hypothetical question for you. Given that the Badgerys Creek airport has been announced in principle, what do you think would be an appropriate name for it?

The Hon. MICK VEITCH: Declare your interest!

Mr BAYNDRIAN: I do not know, the Rick Colless?

CHAIR: Certainly not that.

The Hon. MICK VEITCH: I would vote against that for sure.

Mr BAYNDRIAN: I have not given it much thought, I will be perfectly honest, because I do not want to pre-empt something that may not happen.

The Hon. MICK VEITCH: He has a family member after whom he wants it named.

CHAIR: I will declare the interest. One of my ancestors is Lawrence Hargrave, who, of course, is a famous aeronautical pioneer and designed the wing shape that all aircraft still use today. I am pushing for it to be named the Lawrence Hargrave International Airport.

Mr BAYNDRIAN: It seems to be a worthy suggestion.

CHAIR: Thank you very much for your submission and for coming and speaking to us today.

Mr BAYNDRIAN: You are welcome.

CHAIR: There has been a lot of talk over the years about regional aircraft going into Bankstown and, as I am sure you are aware, it has not happened mainly because of the pressure brought to bear by regional communities.

Mr BAYNDRIAN: And I reaffirm that if you want to come into Sydney at 8.30 in the morning or depart, you will not get a slot in Sydney.

CHAIR: That is true. We understand that.

Mr BAYNDRIAN: You really need to think, 30 years ago if you wanted to go shopping at a department store you had to go to Sydney. Now you do not.

CHAIR: Now you go to Parramatta.

Mr BAYNDRIAN: Or any other place.

CHAIR: Thank you very much for your submission and your presentation today.

Mr BAYNDRIAN: You are welcome.

CHAIR: If there are any other matters or if Committee members have further questions they want to ask, we will submit them to you and ask you to answer them within 21 days.

Mr BAYNDRIAN: By all means.

(The witness withdrew)

ROBERT WENTWORTH GERMAINE, Executive Officer, Regional Development Australia, Sydney, sworn and examined:

CHAIR: Welcome Mr Germaine. Would you like to make a short opening statement before we proceed to questions?

Mr GERMAINE: Yes. I believe there have been four submissions by Regional Development Australia and I just want to say that we are one of 55 advisory groups funded by the Federal and State governments about regions. We happen to be the one for greater Sydney, which includes 41 LGAs. So we are all of Sydney. Because I believe there are 14 other RDAs in New South Wales and because we see ourselves as a critical hub, the context of our submission has been both looking at it from a Sydney perspective but also looking at a whole-of-New South Wales effect in terms of the implications for both regional New South Wales and how we can best get a fit with metropolitan Sydney.

The other thing I would like to say in terms of where we are at, one of the things that we at RDA Sydney have said to government is the need to have a long-term vision of our city of Sydney. So in everything we do, now we are talking 40 years and we have put that to all governments. The second thing is the fact that it is one thing to have a vision, but ours is a whole-of-Sydney vision. So we take into account the implications of all areas. It is on public record, a lot of our information about statistics we have created for all of Sydney. In fact, the NSW Parliamentary Research Service Western Sydney: An Economic Profile a year or so ago took our work as a reference work for the future economy.

I just wanted to say that in terms of some of the work we have done, we have looked at freight, we looked at passengers, and we looked at the economy of Sydney. We are a member of the Western Sydney Badgerys Creek Airport Alliance. We also have founded a group called the Sydney Aerospace and Defence Interest Group—SADIG. That has pulled together all the various players in aerospace defence to work together to get a major industry group going in Sydney. So we had that launched by Deputy Premier Stoner in 2012. We are very focussed on how we can capture aerospace defence as a major industry not only in New South Wales but particularly for Sydney as a major hub. So in looking at this review we are looking at it from a point of view of an economic basis. We are not putting out that we are into the aircraft business but, certainly, in terms of the impact it has on the economy. That is probably where we might stop.

CHAIR: Your submission talks about a need for a regional aviation manufacturing, maintenance and training strategy that should be developed and implemented by the State. Do you have any thoughts on how that could be encouraged and implemented in some of the regional areas we are talking about?

Mr GERMAINE: If we start off with Sydney, Wagga Wagga and Tamworth where we have defence and TAFE facilities—obviously, we have a TAFE facility at Padstow, but I believe there is one in Tamworth—we actually have aerospace industries already there at those particular places. One of the activities we are heavily involved with is STEM training—a science, technology, engineering and maths discipline. We have been heavily involved with particularly getting children involved in wanting to study those subjects and enter those industries. In terms of the starting point, we are involved with the F1 in Schools project. I do not know if you are familiar with that. It is run by Re-Engineering Australia. I have had an association with that for nearly nine years. I actually helped get that into Sydney, the Hunter, Western Sydney and Wagga Wagga back in 2006. It is projects like that that, one, get people interested to get into that field but, two, coming back to your question with regards to regional, you do not have to have everything in one place.

You can design, you can develop product and then you can maintain in three separate places. That project demonstrates the ability to do a design in one place, collaborate in the maintaining of a particular product, and then the maintenance. One of the visions we have in SADIG is the opportunity to develop a solid training base in Sydney. We actually are working with all the universities—Sydney, New South Wales, Macquarie and UTS are all part of SADIG in terms of the design. In terms of training, Padstow TAFE is heavily involved with activities. All of those have a centre base in Sydney. Obviously, we would see that in regional the opportunity for courses need to be places where you can do remote training from online courses in regional centres. But then you need to be able to have a combination of local places to work but perhaps go away for specialised training modules. So it is a combination of both.

Coming back to the point we said about having a strategy, at the moment I think it is a bit haphazard. Sadly, we have to centralise where that activity is so we get a better result in an established few than have a

whole lot and do nothing. One of the things even in reviewing the work we did is that the traffic to regional centres is two way. The comment I would like to make is that there will be just as many people who need to go to the regions to do work as there are people who want to come from the regions to Sydney to do work. What we need to do is to get those goods and services going and work on both. I think the volumes that will come up in regards to Bankstown and other places would pick up if we were to look at that as a strategy.

CHAIR: In your submission you noted that the RDAs involved some regional flights going into Bankstown?

Mr GERMAINE: Yes.

CHAIR: Do you have any thoughts about which regional routes would be better suited to go in and out of Bankstown?

Mr GERMAINE: I pick up because I do know a little about Bankstown and particularly the opportunities for freight and passengers. I would also like to see two things: one, the opportunities for a combination of freight and passengers moving in the one direction and, second, the size of the aircraft. I do know Mario who was speaking just a moment ago. Bankstown can only take up to those 50 passenger-type planes, but I believe any of those smaller ones, which fit the curfew and the hours, could be a relevant size. I do not know whether I have a definitive base on which particular airports, but I think the one thing that I would like to say, and this has been the discussions we have had with regards to getting to and from Bankstown, at the moment anyone who is going international is going to go to Kingsford Smith. So from any regional airport if they want to go to an international flight, they are going to want to go there. But if you want to go to Sydney and back and the facilities are there, I do not quite understand why Bankstown is not a very viable place to go, particularly if we can improve the infrastructure getting from the airport down the M5 and to train stations and local regional centres, Parramatta in particular.

That is why I say "the connect". At the moment I believe it takes longer to get to the airport than it does sometimes to fly from the regional centre to Sydney. When people say, "Oh, it takes too long" that is at certain times of the day, I must admit. It takes me 35 minutes to get from Parramatta to the city on the M2. So it is very good. But if I was on the other side of the city, it would take me an hour and a quarter, hour and a half. That is what I am coming back to. At the moment there is an issue with Bankstown about perception, but the point I would make is that right now we have two million people in Western Sydney and 2.3 million in eastern Sydney. When we get four million in Western Sydney and three million in the east in 2051 we are going to have to move all those who want to go out to the country or come back. So we should be looking right now to get a balance. That is why I believe now is the time we should be looking at Bankstown as an alternative.

The Hon. MICK VEITCH: Mr Germaine, as you know, I am from regional New South Wales. One of my questions is about the visitor economy and the sophisticated tourism strategy of regional councils to encourage international visitors to come to Sydney to then hop on a plane and fly to, heaven forbid, this fantastic new airport at Orange. Has your RDA been working with other RDAs around strategies to encourage international visitors to our regions via charter or commercially operated flights?

Mr GERMAINE: To be honest, we have not. Certainly other RDAs have looked at their own individual strategies. As a central RDA, we have not been working with Destination NSW. We certainly have been looking at getting more tourists into Western Sydney, but not necessarily beyond the mountains.

The Hon. MICK VEITCH: Which of the airports in Sydney, Bankstown or Kingsford Smith do you think is better suited for international visitors flying into Dubbo or Lismore? Are they better off flying out of Kingsford Smith or are they better off using a charter out of Bankstown?

Mr GERMAINE: At the moment I would have to say they are better off going out of Kingsford Smith. I am more optimistic about Badgerys Creek, but when the WestConnex is finished we will have the infrastructure services to get people to the East Hills line, which then continues on to the airport anyhow. That is why I am saying that the organisation is not there. If you get the East Hills line working and have that running to Bankstown, you can get to and from.

The Hon. MICK VEITCH: What I am hearing you say, Mr Germaine, is that you think Bankstown is under-utilised and has a significant role to play in our regional air services?

Mr GERMAINE: I do, but I was probably diverting. It is not impossible to get an international flight to Bankstown is what I am saying. We have not got it organised. To answer your precise question about Dubbo, at the moment I would have to say it is not there and it needs a lot of work in order to present a package that I would be recommending to international passengers.

The Hon. MICK VEITCH: Do you think regional passengers have a perception that it is much better to go to Kingsford Smith than it is to go to Bankstown?

Mr GERMAINE: Absolutely. I totally agree.

The Hon. MICK VEITCH: Mr Whan is busting to catch a plane to Canberra this afternoon. I know he will hop on the train and go to Kingsford Smith as opposed to Bankstown.

Mr GERMAINE: He would, but from Parramatta I would not bother to go to the airport, I would drive. When we go to Canberra, we drive. It takes me two hours all up to get on a plane, so why would I bother? Sorry, but when you are in Western Sydney, anyone who is doing business in Parramatta has to allow two hours to say, "That is it. You better start packing your bags", otherwise you cannot guarantee you will get there.

The Hon. MICK VEITCH: I have a couple of questions about charter flights. We heard some testimony this morning in answer to some of the questions from Mr MacDonald about using charter flights to get people in. A much more sophisticated tourism package is where people get the whole package: the charter flight, accommodation and the weekend experience in regional New South Wales. It would appear to me that there is an opportunity for Bankstown to be a part of that process.

Mr GERMAINE: I would agree. I totally agree with your concept of packages, because we do it excellently for the eastern part of Sydney but we do it very badly for the western part of Sydney. The magic word is "packages". If we take Western Australia, for example, they have packages for everything. You say, "I want a package", and it is all organised. Here you say, "How do I get there? What route do I take? What information do I have?" It is not there. I totally agree with you.

The Hon. MICK VEITCH: My last question before I hand over to "soon-to-be-on-a-plane Mr Whan" is that a lot of business people from the bush will fly to Sydney on a morning flight, do their business and stay overnight before hopping on an early morning flight to their home town the next day. That tends to be the arrangement. They do not hop on an evening flight because there is a rule that they need to stay here and do business in the evening. Your comments about it not being all one-way traffic resonates with me because I have done a lot of air travel. Those morning flights that go to Dubbo, Grafton, wherever, will have people on them who are going home, having done business the previous day. Does that support your statement?

Mr GERMAINE: I think it does. I come back to the question of a package. People say, "Why doesn't Eastern Creek work?" One of the problems was that it was not a package. We had the A1 people coming to Sydney for the races and we had them staying in Sydney. They took nearly 2½ hours to get out to the race track. That is why I come back to your point that if you are in Bankstown, the facilities overnight to get back to somewhere nice and have a nice meal that night, you are already there at Bankstown and you are off on the plane straightaway. It is a package.

The Hon. STEVE WHAN: I have always been a big supporter of Badgerys Creek airport, but for the next 10, 15 or 20 years, the key for the link between tourists travelling by air to regional New South Wales is Kingsford Smith. Does the RDA have opinions on how we can make the process more efficient such as enhancing Kingsford Smith with transport links, fixing road congestion and the airport operation? Is that something that the RDAs have taken a view on?

Mr GERMAINE: If you are talking about Kingsford Smith itself, the answer is probably not precisely, but in the broader context the idea would be to get people to go by train. I live near Hornsby and we train it to the airport. When it first came out, I said, "There is no way I will ever catch a train", but I do because it is a hell of a lot easier and it is \$120. I think Blacktown is about \$140.

The Hon. STEVE WHAN: In a taxi.

Mr GERMAINE: By taxi. Coming back to the question about congestion around Kingsford Smith, it is getting people to go by train, but I think the key is that everyone says that the rail goes from the central

business district to Kingsford Smith and the international and then visibly, hello, the train stops, but it does not stop. It keeps going past Wolli Creek. The point is that we need to continue that line and make that the attraction line out to the west. We can do that straightaway.

The Hon. STEVE WHAN: Linking to where?

Mr GERMAINE: Taking the link past Bankstown but all the way out towards Liverpool. But if you want to change trains, and I am not sure how you change to get to Parramatta because that is not my part of town, but certainly we need—

The Hon. STEVE WHAN: I think you have to go to Central.

Mr GERMAINE: I think you have to go to Central, so you cannot do it that way. But, again, if you come the other way through Central, the whole issue of having lifts at railway stations has made a huge difference. In the past people said, "No way. I am not carrying my bags up and down". So getting rail is very important. The other thing that we are heavily involved with is freight. Again, I know this is about passengers, but from the point of view of air freight and a combination of air freight and regions, I believe that the opportunity from Enfield to Bankstown—sorry to raise it—is not that far and when de-containerisation at Enfield gets up, we will be able to send de-containerised freight directly to toll and to DHL at Bankstown and then send it straight off to regional airports. That is why I say there is a connection there of opportunities for things that could be done.

The Hon. STEVE WHAN: You have probably heard that most people flying from regional New South Wales, as everybody says loud and clear, want to go to Kingsford Smith Airport.

Mr GERMAINE: Yes.

The Hon. STEVE WHAN: What sort of transport links do you think are necessary from the proposed Badgerys Creek airport to make it attractive to people who are doing day trips to Sydney or Parramatta or to other centres in Western Sydney?

Mr GERMAINE: Putting a major roadway on Elizabeth Drive to the M7 is a very good start. If you have studied the broader Western Sydney Employment Area structure plan where a lot of transport studies were done and the what-if scenarios of Badgerys Creek, from a starting point, initially it will be a road from the M7 to the M5. Certainly it puts additional importance on getting the WestConnex up and running very soon. Unless it is running efficiently from a starting point, I believe it will be bus to rail as against rail initially. Certainly the link to the railway from South West Rail, once it is connected, will be good. We will need to make sure we put a fast direct route alongside the normal route in order to make it work.

The Hon. STEVE WHAN: Alongside or on a different route, a different corridor?

Mr GERMAINE: It may be a different corridor, but I would suspect that would be super expensive rather than the corridors we have. At the moment we have passed comment on the corridors that are out for public scrutiny. Our view would be that we should be taking the opportunity to get a fast train. If we can get from Badgerys Creek to the city in 45 minutes, that is probably about it. I am trying to think of the station in London, but years ago I used to catch the train from Heathrow and it used to take about 45 minutes. That is the magical number. If it is an hour and a half, it is far too long. That would be my suggestion.

The Hon. PAUL GREEN: It depends how many stops there are.

Mr GERMAINE: That is true.

The Hon. PAUL GREEN: People do not mind if the train does not stop.

Mr GERMAINE: You are absolutely right.

The Hon. PAUL GREEN: They will travel 45 minutes if it is two or three stops, but not if it is 15 stops. I have travelled that route recently. It did not stop more than three times.

The Hon. MICK VEITCH: Mr Germaine, did your RDA have any involvement in the preparation of the new Bankstown Airport master plan?

Mr GERMAINE: The master plan as prepared—I was on the Bankstown economic task force with Kim Ellis, when it was around. In those days when it was prepared, which was just before we formed RDA, I was General Manager of the Greater Western Sydney Economic Development Board at the time, so the answer is yes.

The Hon. MICK VEITCH: We have been told today there is a new one about to go to public consultation. I was wondering if your RDA was involved in that.

Mr GERMAINE: To date, no, but certainly we will be. The point around Bankstown is despite the fact that Boeing has moved out and Quickstep has moved in, we are resurrecting a composites cluster and a lot of maintenance around Bankstown Airport. So part of Bankstown and its supporting infrastructure in the industry is an important part of what we are on about.

The Hon. PAUL GREEN: In terms of defence industries, what true capacity is there for that part that you talk about in Bankstown in particular compared to the rest of the State, particularly regional areas that are all bartering for the same contracts?

Mr GERMAINE: I think the important thing is that in most cases they are complementary rather than competition. The tradition with Hawker, de Havilland and Boeing is that they are large organisations doing their thing at Bankstown. Much of that work has gone to Melbourne and Brisbane, but in defence there is a thing called the JSF project.

The Hon. PAUL GREEN: Joint strike fighter.

Mr GERMAINE: Quickstep is doing work on the JSF project and at Bankstown some of the new work is in composites. Sydney's main competitive strength has been the sustainment of maintenance and overhaul and critical component parts. The one thing about Sydney as an aerospace defence has been what we might call the smart end of major projects. We do not build the big ship, we do not build the submarine but all the smarts and intelligence and software and engineering that goes inside all that and makes it all work, most of it is in Sydney.

The Hon. PAUL GREEN: And the Shoalhaven.

Mr GERMAINE: I am not knocking the Shoalhaven because you are the guys that fly the planes.

The Hon. PAUL GREEN: My point is that there needs to be complementary bartering for these services in New South Wales so that New South Wales wins and bits of the State do not lose out against each other. Shoalhaven should be complementary to some of the training concepts you mentioned earlier.

Mr GERMAINE: I totally agree.

The Hon. PAUL GREEN: For 30 years down there we have been building up an opportunity in the defence industry and it is just starting to pay off. The last thing we would want to see is for it to be suddenly centralised back to Sydney. We were talking about an era of decentralisation. It is working fantastically by getting it out of Sydney and creating opportunities for regional jobs. As you say, it can be complementary with different parts of the needs of the defence industry. From what I understand we need to work even harder as a State to get those contracts.

Mr GERMAINE: We do. I totally agree with you. Can I just say we are putting together a defence white paper workshop where we have invited people from Wagga, Tamworth, Shoalhaven—we work closely with the Shoalhaven anyhow—the Hunter and Tamworth. They are all coming. They have all been invited to participate as a State. I always emphasise it to my Regional Development Australia [RDA] colleagues because they are all hammering me that you "need to do something for us". I say "No, we are the hub and you guys feed into us and we need to reciprocate". We agree.

The Hon. PAUL GREEN: Have you had any wins for Bankstown or Sydney directly in terms of defence industries?

Mr GERMAINE: This year we have just had the Polish aviation industry, Aviation Valley, come to see us about a month ago. Two days ago we had the Belgian aerospace group that want to work out how to do business with our team in Sydney.

CHAIR: What are their proposals centred on? Is it aircraft construction, maintenance, componentry or what?

Mr GERMAINE: It is working to position yourself in the supply chain in sufficient size as a collaborative group to win work. The Boeing and Airbus contracts are a massive organisation. They then divide it up in the big end of town and then you need to be a collaborative group to get into that supply chain. To give you an example, in Poland, which is doing exceptionally well in the European Union, they are saying to us that they have got a supply opportunity and do we want to come and join them to position ourselves to provide parts in the original equipment manufacturer [OEM]. What we are positioning at the moment is how we can capture as a group a sense of collaborative competence that we can then sell to the Airbuses. I mean, in the last two years we did not start off to talk to the primes. We decided we would have to earn our stripes. Now they are members of SADIG. Airbus and Boeing have both joined in to be part of SADIG in the sense of understanding where we are coming from.

The Hon. MICK VEITCH: What was SADIG again?

Mr GERMAINE: It is the Sydney Aerospace Defence Interest Group. You can go to www.sadig.org.au for information about our members.

The Hon. PAUL GREEN: It is good that you noted that. It is all about symbiotic relationships in the defence industry. We have the smarts to deal with that across New South Wales and share the jobs and the spoils.

Mr GERMAINE: We do.

Mr SCOT MacDONALD: At page 4 of your submission you say, "On the other hand, restrictions on the growth of air travel in Sydney through less available time slots ..." Have you expressed a view to the Federal Government about caps on air movements and curfews or anything like that?

Mr GERMAINE: No, we have not.

Mr SCOT MacDONALD: Also on that page you talk about, if I read it right, Grafton and Lismore airports being involved in these cluster-type industries around the air industry. How do you work with the other RDAs to help promote that? I am aware that Armidale is starting to go down that track and Tamworth does a good job down that track. Do you provide a sort of leadership role there?

Mr GERMAINE: No, we all do our own thing in a way but one of the reasons why we are running this workshop is to hear from the others what they are doing so that we can do that collaboration. Coming back to your first point around economic development around airports, having a magnet attractor means you have got something to build on and build around. Certainly the overseas experience would say that where you have got an airport and you have got just-in-time requirements that fit to that—be it professional services, business offices—where you can get off a plane and do whatever you do, or if there is a parts and service supply or a specialist service in a region that requires an air service to deliver in and out and the expertise thereof, you have an opportunity to build an industry that could then be a hub to the outer region of that region.

Mr SCOT MacDONALD: You nominated Dubbo and other airports. For us as a State Committee, what do you see as a role for the State government to facilitate that or invest in it? Do you see a good use of our State government in terms of investment there?

Mr GERMAINE: I think one of the things we said elsewhere in the document is that what we have done is have a regional aviation inquiry. We think that the economic development around regional airports needs to be a study as an outcome of this study in the sense of the opportunities thereof. At the moment we will be participating in a Greater Western Sydney economic development strategy, which in many cases has got implicit economic developments around Badgerys Creek or Western Sydney and the benefits. I see it is no different in saying how and in what way through best practice can we maximise the economic benefits around regional airports. Looking at some of the other submissions, a lot of people have raised the question that this is

specifics for us but there are a lot of international lessons about how to maximise the economy around an airport.

Mr SCOT MacDONALD: That was going to be my next question. It is hard to compare apples with apples in Australia's experience but can you point to economic development in other areas such as North America?

Mr GERMAINE: Absolutely. In fact, our Western Sydney Airport Alliance had a guy called Matt Coetzee; he works for Aurecon. They are doing a lot of work for the State Government around the transport and design requirements about the potential for Badgerys Creek. But he gave us a talk about this question of economic development. In fact, I have got a file about an inch thick that we have uncovered looking at the Badgerys Creek and the Western Sydney point of view and the big end of town. When you look at the airport and the opportunities that airports provide and how people have actually made them work, there are lots of different formulas. This man said that in Amsterdam there is an airport—do not ask me the name—that employs 60,000 people at the flower market of the world. They are all right next door to the airport and people live and work there. That was an example.

Mr SCOT MacDONALD: One is fed off the other. That industry is predicated on that airport.

Mr GERMAINE: Absolutely. When you look at it from a regional perspective, we were really interested two days ago, and I am not sure you are aware of it, when Wagners opened the airport in Toowoomba. They built that to get goods directly out of that area. That is the point about it coming back to the opportunity—

Mr SCOT MacDONALD: Sorry to interrupt, but that airport was privately built.

Mr GERMAINE: It was privately built, yes. It is a very interesting model because when you look at the opportunities for trade where we can get aircraft that basically take fresh fruit or all those sorts of things where the supply chain demands rapid movement and whatever we can facilitate—that is the reason why in terms of supply chain when we did the freight strategy for New South Wales the comment was made that we did a lot of work on road, rail and shipping but we did very little on air. That is the reason why I think the linkage there is regional development around airfreight and opportunities around that airfreight.

CHAIR: The model that you talked about, Parkes airport has been pursuing that for a long time to provide fresh food to Asia.

Mr GERMAINE: Yes, they have.

CHAIR: What have been the constraints there?

Mr GERMAINE: I cannot say I am an expert on Parkes but a friend of mine who is an agricultural consultant did a lot of work with people sending zucchinis to Japan. A lot of it was predicated on the freshness and time to market, et cetera.

The Hon. MICK VEITCH: I supported the concept initially but one of the many issues with the Parkes process was that we can fill the plane with cherries and whatever else to send to Asia but then the plane comes back empty. It is the backfill that is the expense. That is a part of the economic issue around the Parkes airport.

Mr GERMAINE: It is, but let me put that to you another way. This is the question of the connect with international carriers. To get something that is fresh, it is taken in a form and it gets to an international airport. At this stage it is Kingsford Smith but it could be Badgerys Creek. It would not be Bankstown. But if we get to that international—in the case of Toowoomba they will be direct flights, I am sure, because they are talking about 747s.

CHAIR: Thank you for your submission and for attending the hearing. If members have further questions as we go through the transcript we will send you those questions on notice and you will have 21 days to respond. The secretariat will be in touch with you if there are further questions. Thank you again.

(The witness withdrew)

The Committee adjourned at 2.57 p.m.