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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO REGIONAL AVIATION SERVICES**

**CORRECTED PROOF**

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**At Wagga Wagga on Tuesday 10 June 2014**

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**The Subcommittee met at 10.30 a.m.**

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**PRESENT**

The Hon. R. H. Colless (Chair)

The Hon. P. Green

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

The Hon. S. J. R. Whan

**CHAIR:** I welcome everyone to the second hearing of the Standing Committee on State Development Inquiry into Regional Aviation Services. The inquiry is examining the provision of aerial regular passenger services to regional centres in New South Wales. Before I commence I would like to acknowledge the Wiradjuri people who are the traditional custodians of this land. I would also like to pay respect to the elders past and present of the Wiradjuri nation and extend that respect to other Aboriginals present. Today is the second of seven hearings we plan to hold for this inquiry. We will hear today from Transport for NSW, Griffith City Council, Regional Development Australia Riverina, Bland Shire Council, Narrandera Shire Council, Leeton Shire Council, the Riverina Eastern Regional Organisation of Councils and Wagga Wagga City Council.

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

There may be some questions that witnesses can only answer if they had more time or had certain documents to hand. In these circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. The audience is advised that any messages should be delivered to Committee members through the Committee staff. I ask that everyone turn off their mobile phones throughout the duration of the hearing.

**TIM REARDON**, Deputy Director General, Policy and Regulation, Transport for NSW, sworn and examined:

**CHAIR:** I welcome our first witness, Mr Reardon. Would you like to make a short opening statement?

**Mr REARDON:** Thank you, Chair, I will take the opportunity to make a short opening statement. Thank you and the Committee members for the opportunity to present here and also to present at a regional location. I would also like to pay my respects to the Wiradjuri people where we meet here today. The New South Wales Government recognises the key role that regional air services play in linking rural and regional centres across New South Wales to Sydney, in particular, Kingsford Smith airport. The Government has made it clear that the customer be put at the centre of everything we do, and that is certainly the way we go about our business in Transport for NSW.

We have developed regional transport plans to support our long-term master plan and NSW 2021, the State Government's State Plan. Those plans recognise the importance of air travel to maintaining quick and direct connections to capital cities and to this end we support the continued access to Sydney airport for regional airlines. The visitor economy supports some 150,000 jobs, almost half of which are in regional New South Wales, so intrastate air transport plays a small but significant role in supporting the visitor economy, with about 4 per cent of intrastate visitors in New South Wales using air transport in the year to September 2013. With those brief opening remarks, Chair, I am happy to take any questions.

**CHAIR:** Thank you very much, Mr Reardon. Page 22 of your submission refers to the 14 routes that were withdrawn in 2000-01 and another 11 routes that have been withdrawn since 2003-04. What have been the causal factors of the removal of those routes?

**Mr REARDON:** Just to take a step back on that, since the early 2000s there has been a relatively high degree of turnover of routes both regulated and deregulated routes within New South Wales. There were over 30 over a decade ago. We are now in the low 20s in terms of the number of intrastate air routes, both regulated and deregulated. In that time, on my simple count, close to 80 routes have either been renewed, turned over, a service withdrawn and an operator re-entering one of those markets, so the turnover has been relatively significant. The number of airlines involved in New South Wales is around 15. Going back to the early 2000s we had Ansett, Hazelton and Kendall, and you can track through the entrants who have come and gone since that time, so it has been relatively significant.

Air transport is one of those areas of government where we have a light touch regulation in place for deregulated routes. The New South Wales Government provides that deregulation where there are greater than 50,000 passengers into an area, such as Wagga Wagga. For lower than those levels we regulate through a licence system. Again it is a very light touch regulation. Ultimately the commercial decisions of an operator are for themselves as to whether they enter or exit certain areas. In answering your question, there was actually quite a strong upturn post the September 2001 events, 9/11, where there was quite a downturn at that time, but we did actually see an upswing until about 2008 and again a fairly significant downturn post the global financial crisis and further turnovers of organisations, whether they were bought and sold or whether they simply exited certain markets and new entrants emerged.

There are a range of factors. There has been a slow and steady decrease in the balance between regulated and deregulated. There used to be around 75 per cent of passenger numbers in deregulated regional centres in New South Wales to Sydney and about 25 per cent under regulated routes. That has now rebalanced to somewhere around almost 90 per cent in deregulated routes and unfortunately the regulated routes have shrunk down to almost about 10 per cent of the passenger numbers. There are just over 2 to 2.1 million customer journeys undertaken on all those services, regulated and deregulated, but as I say there is only just over 10 per cent which are now in the regulated markets. So there are a range of factors. They are global, they are national and certainly they are local in terms of the reasons for airlines making commercial decisions to enter and in less fortunate circumstances to exit certain markets.

**CHAIR:** Do you believe that the removal of the en route subsidy scheme for aircraft under a certain weight of 10 or 20 tonnes had any impact on some of those airlines dropping out?

**Mr REARDON:** Could I seek clarification on the actual instrument?

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**CHAIR:** The en route subsidy scheme was a Federal Government scheme that was introduced. I know the Saabs were eligible for it but the smaller Dash 8s were not.

**Mr REARDON:** I think anything that removes a potential whether it is seen as a stream of revenue or a subsidy for an operator is going to impact somehow. I would suggest that certain jurisdictions such as Queensland and Western Australia provide some support to regional operators at a New South Wales level. I will leave it to the Commonwealth to probably comment on the impacts of the Commonwealth level. I see from the submissions that there are a range of impacts in terms of the cost of regulation. From the perspective of Transport for NSW, we have fairly close to minimal costs of regulation in that respect. There is no fee associated with the licensing scheme there. As I said, it is coined as probably fairly light touch regulation so that the costs and the underpinnings throughout the delivery of aviation services have impacts; whether it is access charges, slots into Kingsford Smith airport or any subsidy that may have been in place and removed along that supply chain would have some level of impact no doubt.

**CHAIR:** Could you describe the relationship that CASA has with Transport for NSW and I am particularly interested in the comments on page 31 that talk about setting minimum acceptable standards for small aircraft. I presume you are talking about small aircraft used for regular passenger service?

**Mr REARDON:** I will respond to that talking about Transport for NSW's role rather than the Civil Aviation Safety Authority's role. As you would be aware on some lower volume intrastate routes Transport for NSW will grant an exclusive licence to a commercial operator to encourage route development. The routes are then operated on a commercial basis by the operator, including service levels and the type of aircraft that they use to deliver those services for customers. The decision to commence or withdraw a service is a commercial decision for the carrier itself. What types of services they will provide and the type of aircraft is a decision for the carrier.

Our regulatory framework has been in place for some time under the Passenger Transport Act and the Passenger Transport Act requires us to take into account a number of factors when deciding whether an operator is fit for purpose to undertake services in New South Wales and to deliver the licence. To be specific, the licence is providing an operator with route protection between a regional location with less than 50,000 passengers to Kingsford Smith airport; no more, no less. It does not involve itself in council's access charging arrangements or fees and it does not involve itself in the Kingsford Smith airport slots beyond the fact that the operator must have them to land. It is certainly a bridging instrument that provides for protection from any other operator entering that market while it is under 50,000 passengers.

In terms of the information to place an operator on that route and provide them with a licence so they can then go and deliver services, we require the operator to have an air operating certificate, which is delivered by the Civil Aviation Safety Authority [CASA]. It is a minimum requirement, as you would expect. There must be a valid air operating certificate and we take that into account to say at least they have reached that level of safety regulation. As you would expect, like other areas we regulate such as rail and road, they must be fit for purpose and we rely on the CASA accreditation for an air operating certificate before we can take it to the next level and provide them with an air operating licence.

More recently, in terms of the Passenger Transport Act, we have continued to further integrate our interactions with CASA in terms of how we provide information to them, and vice versa, on an operator. We are very determined to ensure that CASA provides us with timely and accurate information, which it does I would hasten to add, on an operator to ensure that it has an air operating certificate is fit for purpose to fly certain aircraft on a route. We then use that, as I said, as a key input to providing a licence for a route.

**CHAIR:** Could you expand on the issue of the licence? What is the process for providing that licence to a regular passenger transport [RPT] provider and what are the terms and conditions that are attached to that licence?

**Mr REARDON:** Certainly. A licence at this point in time can be valid for up to five years and we provide it for up to five years to provide the community with some certainty and the operator with some certainty to deliver services. I go back to the comment I made about the amount of turnover in these markets: many do not see out five years and recent examples have shown exactly that. It is there to provide them with certainty to invest in the route, whether it is leased aircraft or ones they own, in order to deliver for the community. The process we go through basically allows an expression of interest for anyone who may be interested in a route and that is for any destination within New South Wales. It does not have to be simply the

tender operating under regular routes or those that may have been recently operating, it can be for any route including many that have been withdrawn over the last 10 to 15 years.

We cover a range of different feedback on that. Some people are not necessarily interested in expressing an interest to fly a plane between two destinations—one of them being Sydney—they are simply there to give us guidance, similar to some of the submissions received by the Committee, around what type of slots are needed out of Sydney for certainty, what type of facilities are needed at council to deliver service and what input they expect from the Commonwealth. That is all good feedback for us in the expression of interest process but at the end of the day we are looking for operators who will service communities.

After we go through that expression of interest [EOI] process we go into a request for proposals [RFP] process as a second step to seek bona fide operators to front up and give us a submission to fly. As indicated under the Passenger Transport Act, there are issues that we need to take into account. We will accept submissions from those operators seeking to pick up a licence from us. Where we only have a single applicant for a licence we will work with that applicant to ensure that they meet the due diligence we talked about previously: that they have a Civil Aviation Safety Authority air operating certificate; we will seek their audited financial accounts; and we will seek input, most importantly, from the community through council. That is what we have done previously.

Most recently we have bolstered how we involve the council and community input. I will speak to that in a moment. Even if it is only a single entity operator who is seeking a licence we will then basically, under probity and confidentiality, assess that licence to see whether the person can operate aircraft between the destination and Kingsford Smith airport and ultimately we will either issue a licence to that applicant or we will not. For the most recent round in 2012-13 we had 14 applications for routes between Kingsford Smith airport and regional centres below 50,000 passenger numbers, 13 of those 14 were incumbent operators and were the only ones realistically interested in flying to those destinations. For example, four of those were serviced by Brindabella and no other operator expressed an interest in flying to Cooma, Cobar, Mudgee or Narrabri, it was simply the incumbent.

Similarly, the incumbent sought to deliver the same services in other locations and were successful. The one that changed was Moree. Under a contestable process it was given to Brindabella and not to QantasLink. The process was made quite public and there was a service frequency improvement to the community. That was contested at a later time but at the time it was an improvement for the community and that is how we reached that decision in terms of issuing licences in 2012-13. Post that time, just to finalise the question for you, we have certainly seen further turnover. As you are aware Brindabella fell into receivership late last year. Within approximately five days we actually revoked the licence so we could take it back off the receiver and place a temporary operation into Moree and basically put land transport in there as well.

We worked with any other operators who may have sought to enter into another expression of interest process and RFP process and continued that into the early months of this year. The operation that Brindabella discontinued from Moree to Sydney is certainly there with QantasLink now. The other locations were Cobar, Narrabri, Cooma and Mudgee. We could not get certainty on an operator coming forward even though we looked at several for Mudgee and Cobar. Vincent Aviation came forward for Narrabri but Cooma did not have anyone express a firm interest in servicing that area. Most recently we have sought to go through the same process with Vincent Aviation for Mudgee and for Narrabri.

For Mudgee they had certain steps they wanted to go through to get started in May but they subsequently withdrew wishing even to start and that is how it is, they are a licence applicant and they can do that. They had gotten started for Narrabri but unfortunately have recently fallen into receivership. We followed the same process again; we put in land transport and sought to work with the local council. I will turn now to working with local council. We received a fair bit of feedback, particularly from the north—Narrabri, Moree and Cobar—in terms of working with council and the community. We have a requirement to work with the council and we certainly send formal notification that we are going through a licencing process.

Notwithstanding that, council has basically said we need to do more in terms of interaction with the community. We needed to balance that action with the probity and confidentiality I described under New South Wales procurement guidelines. We certainly spent a lot of time in those communities in the last six months, in Narrabri and Moree in particular but also in Cobar, and my people have been to them all, as I have. We basically sought to bolster our interaction with council so they could get the community's voice even further. We developed community advisory groups with council, we brought a representative from council into that probity

and confidentiality arrangement as far as we could so we could allow a conduit and have information flow back and forth in a fairly controlled environment to understand the exact things they may have been after in the local communities.

Some communities are more proactive than others and those that are proactive certainly tell us very specifically the things that are important to them and it gives us a conduit for information to flow back and forth. That ultimately achieved a positive outcome for Moree. I must say, in terms of that process and the community input, it achieved a positive outcome for Narrabri. The ultimate fall into receivership by that operator clearly is not anything that anyone would want to occur. All I can say is that a Civil Aviation Safety Authority air operating certificate was provided.

We go through our own due diligence, including looking at their signed audited accounts at that point in time, and the council also has to enter into land access arrangements with them at the airport and go through their own due diligence on that operator. All three of us thought that they were an operator who could deliver a service for the Narrabri community. It is extremely unfortunate that has not proved to be the case. If I could state that I am happy to take questions as best I can on some things about Vincent and Brindabella but some of it may be difficult to respond to due to commercial in confidence. I will respond as best I can.

**CHAIR:** What is your involvement in licencing the route that Par Avion fly from Griffith to Melbourne?

**Mr REARDON:** We are interested in licencing Kingsford Smith airport to a regional centre in New South Wales and that is the sum total of our involvement.

**CHAIR:** That would be the responsibility of the Victorian authority?

**Mr REARDON:** I indicated previously the number of operators that have been involved in New South Wales intrastate services and my broad count is about 80 intrastate services that have changed hands, ceased or been taken up. That did not include a lot of routes that are fairly bespoke such as Par Avion for central New South Wales down to Melbourne, Moree to Brisbane or Tamworth to Brisbane, they are outside that regime. We are interested in intrastate services into the city of Sydney.

**The Hon. MICK VEITCH:** Mr Reardon, I take it that you have an opportunity to read all of the submissions made to the inquiry, or that someone in the department has?

**Mr REARDON:** I have had that opportunity, and I have been through a significant number of them.

**The Hon. MICK VEITCH:** I have a couple of questions on some very specific issues which were raised not only at the last hearing but also in submissions we have received. The first is to do with the submission from Regional Express [Rex] and their criticism of Orange City Council and the development process for the airport at Orange. I heard you speak earlier about how you work with councils, and you said it was important to work with councils. What was the role, if any, of your department in Orange City Council's development of their airport?

**Mr REARDON:** There will be a few questions here today that I need to take on notice because I am representing broader government, including the Ministry of Health, the Department of Education and Communities, and Destination NSW.

**The Hon. MICK VEITCH:** I appreciate that.

**Mr REARDON:** In terms of that route from a purely transport perspective, Transport for New South Wales did not have any involvement in that. As I said, we are about a fairly light touch regulation; and Orange is not even in that regime. So we did not have any specific involvement in relation to the Passenger Transport Act, but I can take that question on notice in terms of the development of Orange City Council's airport.

**The Hon. MICK VEITCH:** My second issue to discuss is the runway at Lord Howe Island. Can you update the Committee as to the role of your department or the government. Where are we at with that issue? It would appear that there is a day coming when Lord Howe Island might not actually be serviced by an airline if we are not careful.

**Mr REARDON:** There are two areas of involvement on that issue. We have an involvement with Lord Howe Island in relation to a range of maritime activity—it is separate to this inquiry's area of interest but we are certainly involved there. In terms of the airline we have a regulated route out of Lord Howe Island to Sydney. It is delivered by QantasLink. It is delivered by certain aircraft that QantasLink run. The airstrip on Lord Howe Island is of a certain length. That means certain aircraft configurations can fly there and that continues to be an issue, as you have raised. I will make a couple more comments about that. As I said, the airstrip is of a certain configuration. It is just under 900 metres.

QantasLink has been flying the Dash 8-200 aircraft to the island. The exclusive license runs until March 2018. There have been ongoing discussions about air services to Lord Howe Island. In our last licence process no-one else expressed an interest in running that service. In response to your question about what is happening with the runway, I note that the State and Federal Governments are jointly funding the resurfacing of the runway, which is an important step in helping to maintain the island's tourism industry by helping to ensure its long-term air services.

**The Hon. MICK VEITCH:** Is that work about extending the length of the runway or is it just a resurfacing of the existing runway?

**Mr REARDON:** It is a resurfacing.

**The Hon. MICK VEITCH:** So they are not extending the runway?

**Mr REARDON:** I do not believe so. I think it is simply a resurfacing.

**The Hon. MICK VEITCH:** Are you aware of any other regional airports in New South Wales that would face issues similar to those of Lord Howe Island in regard to this?

**The Hon. STEVE WHAN:** There are not many others with water on either side of them.

**The Hon. MICK VEITCH:** I am speaking about the length of the runway, Mr Whan.

**Mr REARDON:** The type of aircraft that a licence application comes to us at Transport for New South Wales with clearly is an issue that has to be considered each time. It is not simply an issue confined to Lord Howe Island and the fact that it is capacity constrained in terms of having water at the end of the runway; it is an issue that the smaller airports need to consider in terms of who will actually apply for a licence and what type of aircraft will be used. So it is something that we need to take into account. Clearly we take the advice of the Civil Aviation Safety Authority [CASA] in terms of the Air Operating Certificate about whether the airline is able to fly whatever type of aircraft it is—whether it be Dash 8 aircraft, Saab aircraft et cetera. They may wish to fly those aircraft but they need to have a very robust conversation with the local council about whether or not they can fly them to a certain destination. So it is a consideration, the unique circumstances of Lord Howe Island notwithstanding.

**The Hon. MICK VEITCH:** Yes, it is quite a unique location. So, to get the date correct, the licence for QantasLink is until March 2018?

**Mr REARDON:** Yes, it is.

**The Hon. MICK VEITCH:** What is the process then for determining an extension of that licence? Is there a competitive tendering process for the licence beyond 2018 or is there a negotiation with the existing licence holder?

**Mr REARDON:** We would seek, as we did in 2012, to determine who may wish to take up that licence in an open process. As I say, we currently have licence applications which we would be willing to accept today for any regional area that does not have a service below 50,000 if there was an air operator willing to fly there. For Lord Howe Island, and for the other routes that are currently under licence until March 2018, we would seek to put that out to expressions of interest and request for proposals processes leading into March 2018.

**The Hon. MICK VEITCH:** You spoke earlier about regulated and unregulated air transport services. In your submission, I think it is on about page 14, you talk about the impact of reversing the presumption of regulation of air transport services. What would be the impact if we did that?

**Mr REARDON:** I will just give you a bit of context first of all. The Passenger Transport Act has been around since 1990. We have been reviewing the Passenger Transport Act—for no other reason than to modernise it across a whole range of areas. The Air Transport Act is even older. It dates from 1964. It has a range of measures in it, some of which have been updated but some of which are now out of date. We simply put to the community a review and a discussion paper on it. It recommended that we change the presumption from one of regulation to one of deregulation. I think, in terms of how we may respond in terms of licence applications, it may assist with our regulatory framework a bit in terms of how air operators interact with us. What I mean is that at the moment the Government has to declare route by route if air transport services are deregulated.

So we are talking about them all being declared deregulated, except for those that need market protection. It may not seem like much but I think there is a psychology to that. It would be the other way around and those smaller communities could seek assistance to have a regulated route. It is probably close to where we are now. As I said, we have gone from a balance of 75 per cent deregulated and 25 per cent regulated down to just above 10 per cent regulated. So we may be behaving a bit like that right now anyway. But I think the presumption of deregulation may allow for some operators, more nimbly and with a bit more agility, to come forward and say they would like to service a certain community and to have a conversation with government about that. That may be the outcome.

**The Hon. MICK VEITCH:** I have a couple of questions, some about Vincent Aviation and, more particularly, some about seasonal traffic in and out of Cooma. In my mind there is a tourist value add opportunity for the New South Wales economy there. It would appear to me to be important that we have an air service in and out of Cooma. Has there been much interest from airlines in servicing that route?

**Mr REARDON:** Over the years there has been but more recently it has been serviced by Aeropelican Air Services and Brindabella Airlines. In late 2011 Brindabella Airlines sought to service that route only for the winter months.

**The Hon. MICK VEITCH:** So it was seasonal?

**Mr REARDON:** Yes, it was seasonal. It was very much just for the ski season, notwithstanding the many wonderful activities that, I am sure, are available in that part of the world in the summer as well. That is what they chose to do for volume reasons. We have certainly continued to offer a licence for any operator who may wish to continue the service in the winter months. But the licence is not restricted to that; the licence is available 365 days a year. So what have we done? We have offered a licence and will continue to offer a licence for the Cooma to Sydney run. As per your comment, it would be fantastic if an operator is interested in servicing that route, particularly during the snow season. If you fly over that area at the moment, you notice it is a bit green. Hopefully there is a big snowfall soon.

**The Hon. MICK VEITCH:** Mr Whan is worried about when he will get to use his season pass.

**Mr REARDON:** Hopefully there will be a big snowfall in the next few weeks. No doubt it will all have a bearing on the commercial decisions of any operator. As I said, and to answer your question, we certainly do have a licence available there which any applicant could apply for today.

**The Hon. MICK VEITCH:** My last question is around Vincent Aviation and the processes that took place around them. As you could appreciate, the communities involved were quite excited about getting a new airline, having lost their previous airline. They then lost the new service very quickly. When was the department made aware that Vincent Aviation were about to hit the wall or that it was just not a viable option for Vincent Aviation to continue to operate those routes?

**Mr REARDON:** To start with the very last point you raised, it was the day of the appointment of their receiver. The day prior to that, probably late in the afternoon or early in the evening, we became aware that they did not wish to progress with the Mudgee route. If you are looking for the signals and the forerunners and as to what we were advised, that was it. We have made audited annual accounts signed off by directors part of our Transport for New South Wales licence process, so as to respond to any issues people may raise with us about



what due diligence we have at the starting line. We have that due diligence at the starting line. The Civil Aviation Safety Authority [CASA] have the same due diligence at the starting line. We probably take it a little further. We have basically said that, on an annual basis, we want to see the audited accounts of operators. Unfortunately we did not get to that stage in this case. We were certainly just starting to pursue them about getting an update on their financial statements when their receivership process was entered into.

As I said, CASA, Transport for New South Wales and the Narrabri Shire Council worked closely with Vincent Aviation to give them an opportunity to service the Narrabri community and to fill in for the previous operator. The only operator who had shown up for the previous round, that being Brindabella Airlines, had withdrawn services. I think the Narrabri community and council worked really hard to get that service. We were there to facilitate that licence and to try to get an operator to service that community. It is a thriving community and, like many others, it deserves a service. We did all we could to get the air operator to the starting line. They certainly got there. It has been disappointing for all parties concerned, in particular the local community, to see that service fall into receivership. As I said, I will not go into any further detail due to commercial in confidence et cetera—except to say that from a land transport point of view, and as we have done previously, we have bolstered land transport where we can. We have offered services through New South Wales TrainLink to any customers impacted so that, for the next few weeks at least, we can provide a certain level of service to customers who have been directly impacted.

**The Hon. STEVE WHAN:** Following up on that last question, is Vincent Aviation operating in receivership anywhere? Has it ceased operations everywhere?

**Mr REARDON:** Our understanding is that, as of late May, it has ceased operations everywhere.

**The Hon. STEVE WHAN:** Have you any work or evidence to show that actually being involved in regulation at all assists rural communities in keeping their air services? Is there evidence to show that any of these regulated routes would actually be worse off if the New South Wales Government was not involved in regulation at all?

**Mr REARDON:** The decision to continue to regulate is one that reflects New South Wales Government policy at the moment. I think there is an argument to be made, and some of the community consultation has feed this back to us, about providing protection for the community and protection for the operator. We certainly provide protection for the operator. The argument made to us is around how that protects the community. I would go through again what I just described there around the Narrabri case. It is a reasonable question to ask us. However, in saying that, if we ask those very same communities and councils whether or not they wish to have the protection of a regulated route and a licence then they give us some fairly strong feedback that they wish to continue with the licence process.

**The Hon. STEVE WHAN:** Do you think that is reasonable? Essentially, you are protecting an airline from predatory behaviour by another one who might come in for a short period and wipe out the other airline. You would have to say that is probably not a problem which has arisen in any of your regulated routes except potentially the Moree example, which I will come back to, where it was a smaller fish jumping in to try to take over the bigger fish's action.

**Mr REARDON:** Under the Act we are there to provide certainty to encourage an operator to grow the route over a period of time and we give them five years to do so. It is simply a balance. The current policy of 50,000 passengers being the right level to provide that protection is just a balance. At some level a community will always want the comfort of the protection of a licence. Some of those larger ones as they grow close to that 50,000 will always probably think that they may be better on the open market, that if it was deregulated there would be a lot more services that might eventuate.

Our own experience in terms of responding to your point about what evidence we go through, I suppose when you go through a straight market contest, even though it is for a licence, you see who is real and who is not in terms of coming forward to service those communities. I know it is under a licence process. Sometimes there is more than one. Whether the more than one actually materialises into a real bid for a licence application tells us something. It is a very difficult area. It is a very difficult area in terms of that balance right on the edge of commerciality of a regulated route or a deregulated route. I am not sure. I think we could do a lot of research and get findings from various jurisdictions. We certainly monitor what goes on in other jurisdictions. There is a line there somewhere and it is a difficult line to draw. That is all I know.

**The Hon. STEVE WHAN:** It is question of whether the taxpayer is getting any value for the dollars we spend on making an effort to regulate a route. That is probably a debatable point, would you say?

**Mr REARDON:** All I can say is two things. One is I noted that we are do light-touch regulation so the cost of that regulation is fairly low to minimal for the operator. Secondly, I think it is one of the issues for the Committee based on the question I was asked previously about the types of submissions you received. People want certainty about their access to Kingsford Smith airport. They want certainty that their airport with council will develop to a certain level so certain aircraft can land there. We provide them certainty between those two points. Whether you need all of those going forward—

**The Hon. STEVE WHAN:** That is slightly debatable. Somebody has the right to operate the route for five years but not the obligation to operate the route for five years.

**Mr REARDON:** That is a reasonable point. In terms of what we have to look at under the Passenger Transport Act, we give them the right to operate for five years. We can put certain licence conditions in there but at the end of the day it is not a non-commercial service contract that we have for other areas of passenger transport. These are purely commercial decisions beyond that point. As I said, the protection of the operator and the protection of the community is a fine balance.

**The Hon. STEVE WHAN:** By non-commercial service obligations for other areas you mean things such as CountryLink services?

**Mr REARDON:** Metropolitan and non-metropolitan, that is what they are.

**The Hon. STEVE WHAN:** Sorry, what do we call CountryLink now?

**Mr REARDON:** NSW Trains.

**The Hon. STEVE WHAN:** You talked about the due diligence in your process with the finances and the Civil Aviation Safety Authority [CASA] certification and so on. You cannot operate a commercial air route anywhere in Australia without CASA certification, is that right?

**Mr REARDON:** No, you cannot operate a regular passenger service without CASA accreditation and an operating certificate.

**The Hon. STEVE WHAN:** Essentially, you just tick it off. You ask CASA to advise you whether they have got that certification.

**Mr REARDON:** Yes. I think in the past it has probably been as simple as you coined it, a tick-off. I think I have indicated today though that we are a little more interactive than that. We try to keep a tight monitor because we are dealing with an area that is now 10 per cent of the intrastate market. We are dealing with an area that is seeing turnover of operators and routes. Therefore, we are fairly acutely aware and sensitive to the fact that things can change and change rapidly. The interactions with CASA are they go about their safety regulatory role without us being involved in their decision-making but we do stay fairly close and we put a positive obligation on operators that we will interact with CASA. We advise the operators that we will interact with CASA.

**The Hon. STEVE WHAN:** Is the department sort of in a halfway position at the moment? We do not do anything to promote or help to subsidise small routes, as Queensland does, but we seek to regulate them. Are we not floating between a proactive role and no real role at the moment?

**Mr REARDON:** I think the long term master plan and regional plans have set out what we wish to achieve in each area. I think it is for the Committee to decide its view on what Western Australia and Queensland does in terms of actually being involved in the space of supporting services. The New South Wales Government's position has been that we will provide that certainty for an operator so that it is not subject to competition pressures on those low-volume routes but for all intents and purposes beyond that it gets along and has to do it on a commercial basis. That is simply our position.

**The Hon. STEVE WHAN:** As part of the transport planning process or the regional transport plans has the department done any work on what sort of expenditure would be required if you were to do as Queensland and Western Australia have done and subsidise any routes? If so, which routes?

**Mr REARDON:** There are some comments in our submission around looking at the Orana region and north-western New South Wales—Bourke, Brewarrina, Walgett—at looking at that very point about what would it take for us to reintroduce services into those areas and what it would take to attract an operator. Certainly, having me or my team out there promoting license instruments alone does not seem to be enough for that part of the world. Therefore, we are working with the Department of Premier and Cabinet in terms of that part of the world to see if there is some type of arrangement we can do to get services between places such as Dubbo, Brewarrina, Walgett and Bourke and see where we can join up with what education, health and other departments are expending on land and/or air transport at the moment to see if there is some type of viability for an air service in that part of the world.

**The Hon. STEVE WHAN:** I am pleased that you mentioned linking up with the other departments. Have you explored giving seat guarantees or something like that?

**Mr REARDON:** It is early days on that. In that Orana strategy we will work with Premier and Cabinet. Clearly, we have the licence instrument and so we will have a key role to play. As to how it would form, we have looked at the other jurisdictions on how they go about things but I think it is early days on what type of form of arrangement may be sought with an operator.

**The Hon. STEVE WHAN:** How did air transport come into most of the regional transport plans? Was it identified somewhere as being a critical factor in the future transport development for some regions more so than others? Orana is probably the first one, which you have just mentioned, but are there others? Obviously, maintenance to some areas would be critical, such as Broken Hill and places like it, but are there areas that are not currently serviced where regional transport planning has identified a critical need?

**Mr REARDON:** I think the areas that are serviced right now being the strength of the regional centres—like the one we are in, being Wagga Wagga, and Tamworth, Armidale and Port Macquarie—will always remain the backbone of regional services. There is always a balance between how far you take land transport to those locations. For example, for the Parkes regulated service there is a natural catchment around Parkes where customers use that service with land transport. That is similar to what Brindabella was seeking to achieve with Moree. They saw the opportunity for an even further land transport catchment area into Moree for midday services.

To answer your questions about the regional plans, the regional plans reflect the air services that are out there. They reflect that there is a licence process and that it is available under a commercial proposition for any operator. It is one of the things that I think needs some more work because I know that previously Committees have looked at inter-regional public transport, which has focused on land transport. There is probably some more work to go into the mix of some of our services location by location.

In saying that, thinking about what we have had to do for Narrabri and Moree and Cobar in putting in land transport in a very quick space of time because an operator has taken a commercial decision to pull its airline out, we need to think about that in terms of the mix of services we provide. If we only punted for one type of service and then it was no longer there the retooling up to bring other land transport services back in there is something we need to fairly carefully consider.

**CHAIR:** Do you have any guidelines for the amount of time that is acceptable for land transport? Obviously, if someone has to drive five hours to get to an airport—

**The Hon. STEVE WHAN:** Yes, what is the time after which people will not get on?

**Mr REARDON:** There are two parts to that. We have time for a range of areas in what we do with metro travel. We do a lot of work in customer value propositions. We do that in regional areas as well. I think in regional areas that band is harder. That is what government can do in terms of setting guidelines. What we do know is what customers actually go and do. That sets the guideline. As I said, Brindabella attempted that for Moree. If you look at the passenger statistics about time, they actually went quite well. They went quite solidly for people we could see that were picking up mid-day services from locations that are a fair way away from Moree. The willingness for customer travel is probably reasonably large in certain places.

I am not sure about setting a one-size-fits-all guideline across the State. What people do in places like Parkes, we know that they will travel one hour or one hour and 20 minutes, something along those lines, because there are catchments around where they are doing exactly that. I am not saying that is a mandated guideline. As I said, I do not think there is a one-size-fits-all guideline. But customers right now are expressing their views on how far they think land transport is acceptable to reach a regional aviation hub.

**The Hon. STEVE WHAN:** I noted your comment about the resurfacing of the runway at Lord Howe Island. Has the department done any work on the viability of lengthening that runway for future air travel?

**Mr REARDON:** The Lord Howe Island Board, which includes government representation, has been fairly focused on that amongst other matters for the island. I can take it on notice.

**The Hon. STEVE WHAN:** If you could that would be good.

**Mr REARDON:** For ourselves in terms of a licensing process, beyond getting an operator there, which ends up being QantasLink until 2018, that is where we are from our point of view.

**The Hon. STEVE WHAN:** QantasLink is essentially saying to us that when they phase out the Dash-8-200s they will not have a plane that will land there and no-one else is flying planes with that capacity at the moment. It is obviously a problem. If you were going to do major capital works they would have to be embarked on reasonably soon, I would have thought.

**Mr REARDON:** The matter that you are raising in terms of the licensing process for 2012-13, clearly we were aware of it. We have got a licence holder there who is delivering services until 2018 at this point.

**The Hon. STEVE WHAN:** In terms of your department's responsibilities the licence is one thing, but where do you cross over into infrastructure issues when it is a clear challenge for this community to retain a long-term service?

**Mr REARDON:** I fully appreciate that. To answer that, we cross over where institutions like the Lord Howe Island Board take over and we would interact with them.

**The Hon. MICK VEITCH:** Surely there is a whole-of-government responsibility to provide air services for Lord Howe Island, and not for the tourism market alone. Mr Whan is right about the timing. QantasLink told us they are phasing out their Q200s, and once they are gone no-one else in Australia has the capacity at the moment to service that runway. Surely we have a responsibility.

**Mr REARDON:** I take your point. Lord Howe Island board is in place. I will take on notice your comment.

**The Hon. STEVE WHAN:** I turn to the proposed development of Badgerys Creek airport. We know there is a critical need for the regional slots to be retained at Kingsford Smith. Has your department had any input into planning for Badgerys Creek and looking at how it might service other regional centres?

**Mr REARDON:** Taking your last point first, no, it is a Commonwealth Government responsibility. We are fairly focussed on the land transport components of a second Sydney airport, particularly for our department.

**The Hon. STEVE WHAN:** A fast train to Canberra and Queanbeyan would be nice.

**Mr REARDON:** There are a few roads we have been asked to deliver first. In saying we are focussed on the land transport side, the security of the regional slots at Kingsford Smith airport is important to all councils, communities and other stakeholders. It is the same for us, in that the right to be given a licence means you need to have sorted out some regional slots. Issues will arise as the second Sydney airport starts to come online. I am sure we will have conversations with the Commonwealth, but at this point in time we have not had those discussions.

**The Hon. PAUL GREEN:** I note that Kingsford Smith currently has about 20 per cent of slots allocated to regional areas. Do you think this is adequate, or does it need increasing?

**Mr REARDON:** About mandating numbers, I think it is just above 20 per cent from the Commonwealth submission. In the peak hours it might be 25 per cent for the morning peak hour. I know that regional communities, councils and other stakeholders want them protected above most other matters. When it comes to regional aviation, it is access at reasonable times of day to undertake health, education and business like the rest of us in a metropolitan area can. The number of services, deregulated and regulated combined, over the last 10 to 15 years has shrunk, therefore there is no doubt that the balance of allocated slots to regional is a day-by-day discussion for those who have to look at those things. At this point in time we want interstate aviation services protected. We do not directly buy into that beyond the fact that we have regional services and some have shrunk. Without a doubt we would like to see them protected so people can access Kingsford Smith airport.

**The Hon. PAUL GREEN:** Do you have a view on what part Bankstown Airport could play in that capacity?

**Mr REARDON:** Not a strong view from ourselves. I keep going back to the Passenger Transport Act—we are about getting access to Sydney's current first airport and ultimately there will be discussion about Sydney's second airport. At this point in time access to Kingsford Smith is what stakeholders tell us—and, I think, this Committee in submissions—that they want access to Kingsford Smith airport. I do not have a strong view on Bankstown.

**The Hon. PAUL GREEN:** On page 30 of your submission, in the last paragraph under Regional air services and NSW Health, you say:

The main issue with private providers is there are generally no agreed service specifications or standards around clinical governance, i.e., no minimum standards for aircraft and equipment specifications, escort requirements and staff training, medications or escalation procedures if patient deteriorates.

Obviously, this would contribute to poorer health outcomes. What part is the Government playing in putting in place proposed changes to regulate these services?

**Mr REARDON:** Just after that the submission talks about CASA proposing changes to those regulations.

**The Hon. PAUL GREEN:** Are you working with CASA?

**Mr REARDON:** I will take that on notice. I will make some comments about Health. We are not directly, but I can take that question on behalf of the Department of Health. These things come into stark relief when a service is no longer available. Moree and Narrabri brought this into stark relief for us. We did a lot of work with the Department of Health leading up to the Christmas-New Year period. We worked hard around a whole range of areas we did not have expertise in, but we quickly had to get up to speed. We looked at types of health equipment and professionals out of Sydney and John Hunter Hospital, to the north-west of New South Wales. We are aware of acute and clinical needs, but in terms of regulation and what is required on charter service, I can only refer to the submission and CASA work that is underway.

**The Hon. PAUL GREEN:** It would be good if you take that on notice, because an ageing population and isolated populations will create a perfect storm for medical needs in the long term. The last thing you would want is to put those people on a plane without the necessary equipment to treat emergency cases.

**Mr REARDON:** Understood. I will take that on notice.

**The Hon. PAUL GREEN:** Your submission notes ambulances-approved airstrips in Kempsey, Casino and Brewarrina no longer provide refuelling facilities and that there are complications with planes getting away safely which could be improved by runway lighting, instrument approach navigation and bitumen surfacing. Is the department helping places without the capacity to do these sorts of things to improve access for medical needs?

**Mr REARDON:** I will have to take that on notice.

**The Hon. PAUL GREEN:** We are trying to improve aviation throughout regional New South Wales. Do you have any recommendations for what we should work towards to achieve this goal?

**Mr REARDON:** Covering some of the issues that have been raised. We are looking for more agility in how we respond to regulated services that are withdrawn and how we can quickly ensure we can test the market. We are looking at the Orana region in terms of trials of services to determine whether that approach can be considered further. In terms of how we consult with the community we cannot do enough. We will continue to receive more suggestions, criticism and ideas on how to do that and do it better. We are working on getting the right balance between procurement guidelines, probity and confidentiality against how we communicate with customers to ensure that at the ground level we know what customers want, particularly on regulated routes. We are working towards doing this better, but we would welcome the Committee's views on that.

**The Hon. PAUL GREEN:** Do you think the costs of air ambulances are unreasonable, given that they are for medical emergencies?

**Mr REARDON:** Please clarify what you mean by costs.

**The Hon. PAUL GREEN:** Airport fees. In your submission you talk about how much the Royal Flying Doctor Service is paying in airport fees. Do you think that is unreasonable?

**Mr REARDON:** I do not have a strong view on this. I know that in submissions there have been various views about getting independent regulation of certain access charges. You need to draw a balance between the type of service, whether it is for a social health policy reason, and the access charges. In saying that, those providing the airport need to provide to the airport in a fit and proper state. That costs money and therefore charges apply. Getting the balance right is beyond our remit. I cannot give you an answer about the reasonableness of the level of those charges simply for the fact that they may be for regular passenger services, health services or any other service. I do not have a view on that.

**The Hon. PAUL GREEN:** It is at the bottom of page 32.

**Mr REARDON:** I understand the amounts, but unless you have a cost-base, building-block approach it is difficult to respond.

**The Hon. PAUL GREEN:** It was said that you get charged for the air at Sydney Airport.

**The Hon. MICK VEITCH:** That seems to be a learned statement. I wonder who made that statement.

**The Hon. PAUL GREEN:** Yes, it is a very learned statement from a learned colleague. I do not think that is different from charging the ambulance fees to bring in people for much-needed emergency medical care.

**CHAIR:** On page 34 of your submission you talk about a project looking at options to improve commercial air services to some remote communities led by the Department of Premier and Cabinet [DPC] and "the feasibility of using existing and future Government travel demand as a means of attracting an airline to provide an air service to remote and regional communities". Where is that project up to? You say the outcomes are expected to be known by mid-year. Is that report available yet?

**Mr REARDON:** The work being done by the Department of Premier and Cabinet is underway. Based on a previous response, access between regional centres such as Dubbo, Walgett, Brewarrina, Burke and Lightning Ridge—although I did not mention it—is being looked at by DPC. The study is looking at how an operator may wish to service that part of the world. A fair amount of work has been undertaken to date. Our involvement will be because we have the procurement infrastructure in place to determine whether an operator may wish to fly under certain circumstances. The pooling of government resources about people taking seats on those flights is being looked at right at the moment. Due diligence is underway in some fairly large departments, such as health and education. To trial this means you need to get the design and everything right first.

We would prefer to do that than get something started without having full visibility of the level of demand. There will be lots of commentary about the level of demand, but the reality of what is there is needed. That is what DPC is working through. We will play our role when asked—and I do not think it is if asked—by doing a licence process, including any bespoke arrangement on how many seats may be taken up by government officials or others.

**CHAIR:** Is there a government policy about travel arrangements for public servants? I am referring to whether there is a guideline requiring public servants to travel by air rather than driving their cars and staying overnight.

**Mr REARDON:** There is an air transport policy and other policies are in place. There are also decision points about using videoconferencing even to provide evidence to hearings, about driving and about flying. There is some strong commentary about sitting at the back of the plane. In terms of the balance between how far you travel by road before you fly, I would need to take that on notice. I might be able to get a response about the New South Wales transport response before the end of the day. There is an air transport policy in place and, in terms of rural and remote, what is the most efficient way.

**CHAIR:** It has been brought up with me a few times that, for example, people travelling from Dubbo to Sydney could fly there and back in a day. Sometimes these people drive to Sydney and stay overnight, so receiving a financial benefit. I would appreciate it if you would have a look at that.

**Mr REARDON:** I think that is the point we were just making then, which is if the most efficient is air you fly air the most.

**CHAIR:** In your submission you refer to the issues of aircraft movements per hour and the cap on that and so on. I understand that this is a matter for CASA and we will certainly be taking that up with them later, but do you see that there is justification for removing propeller-driven aircraft from that cap, and why is the cap in place? Is it a safety issue or an aircraft noise issue?

**Mr REARDON:** Are we talking about curfew hours?

**CHAIR:** No, the cap in Sydney in particular, but it also applies to the curfew hours.

**Mr REARDON:** As much as I may have an opinion it really is beyond our stand to respond to that one, I think.

**The Hon. MICK VEITCH:** Can I just go back to something you said in response to a question from Mr Green? You said that you would require agility in how you respond to routes that, in my words, drop into some sort of crisis. What do you mean by "agility"? Are you talking about flexibility of response? Are you talking about earlier notification of a problem? Is the current process too cumbersome? What do you mean by "agility"?

**Mr REARDON:** Not necessarily the process being cumbersome but our ability to work with the operator or others involved such as the receiver and anyone else who may be involved—

**The Hon. MICK VEITCH:** The council?

**Mr REARDON:**—and, of course, the council and the community—to move fast. If I take you through very quickly late last year, the Passenger Transport Act requires the delegated person, which is me, under the Passenger Transport Act to only do a few things: they are either to grant a licence or to revoke it. There is not a lot of flexibility between them; there is no premise of a temporary licence to go and fill a gap if someone wants to—

**The Hon. MICK VEITCH:** Which could have happened in Moree, for instance.

**Mr REARDON:** It did happen in Moree, but we had to work through, to use a technical term, a clunky process. We had to revoke the licence. We had a discussion with the receiver on the Monday and we had achieved another licence application process and applications in before Friday close of business. That is because a group of people worked 24 hours a day to achieve that outcome, but there were no guarantees along that step that, for example, the revoking of the licence would be subject to a challenge in the Administrative Decisions Tribunal et cetera—so, a fairly clunky step-by-step clunky process because the Passenger Transport Act is that. But the procurement is not cumbersome in itself, I would not say that.

That is why with the Passenger Transport Act we just need to look at areas where we can move faster so the community, government and certainly customers would expect us to be able to step in—without using the term step in like a contract—and provide relief where we could without someone looking to sit back and say,

"I've got the licence" or whatever, and I am not saying anyone behaved like that; they certainly did not. It was a fairly seamless process. It was not a process that anyone wanted but it was a seamless process once we went through it and we had flights up from QantasLink on Christmas Eve, eight or nine days later. But it does not give any flexibility. Maybe it is a good way to have law but in that process it does not allow us ways and means just to get someone to step in as required.

**The Hon. MICK VEITCH:** Has the department conducted some sort of a post-mortem process after those routes were dropped, Brindabella and now Vincent? Do you go through an exercise after the event to say we could have done better or this is what needs to be remedied?

**Mr REARDON:** In the fullness of detail we certainly have in the last processes. I would add to that that I know there have been changes over the last 10, 15 years—some of them have been minor, some a little bit more than that—but these questions about viability, questions about where you are providing a regulated instrument but it still leaves the community exposed, therefore, what buy-in can we get from the community that is better. I responded to a question from Mr Green about what other things would we want. We want to ensure that we learn the lessons of how to consult with the community so we know specifically what the community want. We believe that through council we are getting the voice of the community; sometimes parts of the community tell us that is not the case. So that is a difficult thing to pull together.

In terms of the audited financial statements, doing that on an annual basis; a more interactive process with CASA to ensure that we put an obligation on the operator that we will interact as we need to between CASA and ourselves, they are some of the things we have certainly done and we will continue to bolster that process wherever we can because our ultimate goal for the people that have to jump in both with trying to get another air service up and running and put land transport in place and visiting the communities and fronting up to council et cetera very quickly leading up to Christmas, because none of us wanted discontinuity of services; we wanted to ensure that leading up to any health issues that the people of those communities need to deal with down at John Hunter Hospital or just getting home for Christmas that we have a reasonable response. We pull all that reasonable response together but I think it can be done in a more streamlined fashion. So we learnt a fair few lessons out there.

**The Hon. STEVE WHAN:** You talked earlier about moving to a system where there was a presumption of deregulation and that, effectively, you are there at the moment. What actual changes need to be made to the legislation to put that in place?

**Mr REARDON:** Two key changes. The Air Transport Act 1964 is one less instrument. We said we would bring it into the Passenger Transport Act so it is there with all the other modes of transport that we regulate. Secondly, simply do those changes to the Passenger Transport Act itself—actual amendments to the Act. We have had a discussion paper out on that; it goes through those items on what we are proposing for the presumption of deregulation, et cetera. I could furnish a copy of the discussion paper if the Committee wishes. Certainly we are seeking to take that forward. We received a fair amount of feedback from the community but certainly we can give the Committee a copy of the discussion paper.

**The Hon. STEVE WHAN:** What is your time frame for taking that forward?

**Mr REARDON:** 2014.

**The Hon. STEVE WHAN:** So you have got one session. We had evidence at our first hearing from the operator of the new Griffith to Melbourne link, Par Avion, suggesting that CASA changes to standards for maintenance meant that they were no longer able to undertake their maintenance at Griffith and they suggested that if they carried on in the way they were heading that in terms of extending maintenance standards to charter operators as well that that would take out quite a lot of charter businesses or the ability to do the maintenance in local areas. Have you had any input into that or have you had any feedback on that and is that something that you would discuss with CASA, the implications of policy changes like that on regional-based airlines?

**Mr REARDON:** We have had some experience with it in the recent past, which I will come to, but in terms of CASA undertaking a regulatory impact statement for what that change means for maintenance standards and requirements for operators I will have to leave CASA to respond to that. But in terms of our interaction, CASA saw fit under its maintenance reviews to ground the Brindabella services and several of the Brindabella services which ultimately was one of the forerunner steps to receivership. In terms of customers feeling the brunt of the requirements for maintenance—as I said, I will not comment on changes—we have



certainly had that experience of understanding how incredibly important maintenance standards are and, therefore, we rely on CASA. But CASA's interaction with the air operators themselves and what that means, as I said, I will probably leave to CASA to respond to.

**The Hon. STEVE WHAN:** Although there do seem to be some implications with Par Avion in terms of the ability for maintenance to occur in some regional centres in New South Wales and if they were to undertake changes which then impacted on charters that would be a significant impact on a number of industries in New South Wales as well.

**Mr REARDON:** I think more broadly for New South Wales. In our trade and investment department we certainly have a view on that as well. Anything that we could contribute to that discussion we would be happy to do so.

**CHAIR:** Quite a few submissions raised the issue of screening measures for aircraft with fewer than 50 seats. In those ports where more than 50-seat aircraft operate the smaller aircraft have also got to go through the screening process, which adds significantly to their costs. Do you have a view on whether there is a possibility that we could look at trying to get an exemption for aircraft with fewer than 50 seats operating out of, say, Dubbo, Wagga, et cetera?

**Mr REARDON:** The policy around safety and security—and the Commonwealth Government has its own rationale and they put that forward—it receives a lot of attention and a lot of discussion out there. Having reviewed a lot of the submissions, certainly in terms of what the right level is I think I am going to respond to it similarly: as I said, the right level of regulation and deregulation for what we do in terms of licence instruments, there is a line there somewhere where you can imagine going to a certain airport with a certain type of aircraft where your expectation is, your presumption is that there would be that security screening, and way down the other end you would expect there would not be.

There is a line to be drawn. I will sit on the fence on this one and say I do not know where that line is. The Commonwealth draw it somewhere at the moment and that seems to cause some concern for some operators about the cost of doing business in certain regional ports, and that is as much as our involvement is. We watch and monitor some of those discussions. Where they are in the larger regional centres are deregulated services; therefore, operators are wearing those costs under their own commercial decisions. If the issue was in the very small ports then it probably would have a greater bearing on us in terms of licence instruments.

**The Hon. STEVE WHAN:** It is the airport operators in most cases that are making the decisions about whether to apply for the smaller planes as well.

**CHAIR:** But the smaller operators are getting charged for it as well.

**The Hon. STEVE WHAN:** Not in all of them though.

**CHAIR:** We are almost out of time. Thank you very much for making the effort to be with us today, we really appreciate that, and we thank you for your submission and the succinct evidence you gave today. You have taken some questions on notice. If you could return the answers to those within 21 days of receiving them? The secretariat will be in touch with you to let you know the issues you took on notice. There may be some follow-up questions from committee members at that stage as well.

**Mr REARDON:** I will. Can I take the opportunity to thank you again for Transport for NSW being able to give evidence here and, in particular, to come to a regional centre to do so.

**(The witness withdrew)**

CORRECTED

**LANI HOUSTON**, Chief Executive Officer, Regional Development Australia Riverina, and

**GREGORY LAWRENCE**, Manager, Tourism and Economic Development, Griffith City Council, sworn and examined:

**CHAIR:** Would one or both of you like to start by making a short opening statement?

**Ms HOUSTON:** The only opening statement I would like to make is that access to regional airport services is critical for economic activity in the region but also for social connectivity.

**Mr LAWRENCE:** I would concur but I also believe that, whilst we cannot have airports all over the countryside, we do need to be strategic in our approach and have airports at strategic points and that governments of all persuasions need to understand that airlines are an essential service and need to be understood as an essential service. Yes, it is good for tourism but for business, with events and things like that, it is a necessary evil that we need in our country.

**CHAIR:** I might start with a couple of questions. The big question is, coming from a smaller community, although obviously Griffith is one of the larger country towns, 25,000?

**Mr LAWRENCE:** Correct—and growing.

**CHAIR:** So you are probably in a more fortunate position, compared to some of the smaller centres that have lost their air services.

**Mr LAWRENCE:** Yes.

**CHAIR:** What do you see as the model, going forward—and I guess you are going through this at the moment with the Melbourne service?

**Mr LAWRENCE:** Correct.

**CHAIR:** What do you see as the model, going forward, for providing some of those smaller centres with a regular passenger service?

**Mr LAWRENCE:** I think there are a number of issues there, if I may, Chair. One is, we can never be complacent. We did—whilst in a growth mode a number of years ago—lose our Griffith to Melbourne service with Regional Express [Rex] airlines, so we have to be mindful that things do happen. It is a business these airlines are running and it is one of the most expensive businesses in the country but it is essential for growth. It is also essential—as I said in my opening statement—that Griffith is the hub and spoke for the western Riverina. So our service to Sydney—which logs into Narrandera from time to time—provides that necessity, gives a clear example of how we can operate, so folk in Leeton and surrounding areas have a stronger cousin on the block because we are able to provide that infrastructure. So that is very important.

The other aspect is ensuring that, whilst we have secured Par Avion, which is fantastic, it is good to see private enterprise coming to the table, which is the way it should be. We need to make sure, from a council point of view and also from a business point of view, that we grow their business because, obviously, it is all very well for them to be here today but I want them to be here in five, ten, or 15 years time and I would like to think that they are providing, not just 7,000 or 8,000 people, but actually providing 10,000, 15,000 or 20,000 people. Because, as our city grows because of the growth in Australia, we know that we will need those essential services and this sort of service is just as important as having a hospital, police force and education, because that is what people are looking for when they are looking to relocate into the countryside. They want strong regions.

**CHAIR:** Ms Houston, have you got any thoughts?

**Ms HOUSTON:** Essentially, across the Riverina region, there are three centres that operate those services—Wagga, Griffith and Leeton. The challenges to some of the smaller communities, into the future the en route rebate will be critical to that fact and also the time frame probably for the allocation of that. I think it takes a considerable amount of time for communities to adjust to having a service and utilising that service and the promotion of that and I think sometimes in terms of the time frames, from a commercial perspective, people

have pressures put on them but from a government perspective, we need to allow that adjustment for that pick-up to take place, otherwise it will not occur. And I think, particularly for a lot of the smaller communities, the viability of having an actual passenger service is minimal. The opportunity is quite remote unless there are small aircrafts and the capacity for those and the regulation around actually having those provide a charter service. But having those larger centres that can offer that and supporting them for a sustained period of time to get that service up and running, is a model for the future.

**CHAIR:** Mr Lawrence, I do not think Griffith airport screens, does it?

**Mr LAWRENCE:** No. We have provision for it. Obviously, we knew it would possibly be coming, so we put provision for it in there but that is another—

**CHAIR:** So you must have looked at the cost of providing that service or that impost, whichever way you look at it. Can you give us any idea of how you would reconcile or recompense those costs? Would the airline be charged for it on a per head passenger basis? How would it operate?

**Mr LAWRENCE:** In our situation, it would depend on the circumstances that came through it and the true costs, once they were known. That is the issue at hand that we do not know. In New South Wales councils have rate-pegging. We do not have the luxury of being able to go out and secure funding, so we have to pass those costs on. I think this is one of the big issues. Unless we get a company such as Rex, QantasLink or Virgin—and that is not going to happen in our part of the world for some years to come, especially on the Griffith to Melbourne leg—the private businesses such as Par Avion, it becomes very hard for them to take on board those sorts of costs. And when you have the screening already in place in Sydney—and none of us dispute air safety, we are all about safety, that is a given—but it is the degree of that safety that we are being forced to pay for when you already know that, when you come into Sydney airport, you have got to go through security in any case.

So you are sort of double-dipping the whole thing. It is different if we are in a major centre but in a place like Griffith where you are trying to grow the business, you then add that extra impost and you have a few other imposts on top of that, to gets to the point where we cannot afford to grow because we cannot afford to get into that next bracket.

**CHAIR:** With the screening, in Wagga, here they have a split system. The larger aircraft have to go through screening that the smaller aircraft do not. Yet at a lot of other airports, everybody goes through the screening which, of course, is providing that impost across the board to the smaller operators as well. Do you think that that needs to be more widely adopted? That some of those smaller airlines and smaller aircraft that are operating out of those larger airports, that can help to reduce their costs across the board, which ultimately may make it more economical for them to run into smaller airports?

**Mr LAWRENCE:** Are you talking about adopting the Wagga model?

**CHAIR:** The Wagga model.

**Mr LAWRENCE:** As they do in Albury as well?

**CHAIR:** Across all the larger airports, as a way of reducing the costs overall to some of those smaller operators?

**Mr LAWRENCE:** It is a possibility. I think, coming from our perspective, we are all about trying to encourage business and if we are going to put too many layers on to business, I think we just have to make sure that one size does not fit all. We need to think about the total outcome. And I come back to my original thought process: If we have already got very good security at the final destination and we have got to go through that gate, why then put a second gatekeeper on and then have to incur those costs? Because it does not matter who it is, someone has to pay those costs. So I think it has got to be evaluated. If it is working in Wagga, it does not mean to say it is going to work well here in Griffith, until we grow to that level of support and the same applies to Albury. I know in Wagga that the security guys go around and clean—they provide other services to the whole region. So there are ways to get around it—as all businesses should have—but we have just got to be careful that we do not put too much of an impost on to that first level.

**CHAIR:** Ms Houston, do you want to make a comment on that?

**Ms HOUSTON:** I think the idea of a two-system screening process is a good idea and I think capacity for Griffith, it does have capacity to grow, so there could be circumstances where there are more frequent flights, larger flights, that will require security. But it will be probably still those smaller flights, so I think it is a good model to look at. Taking on the point that one size does not fit all but it is certainly a good model to start with, absolutely.

**The Hon. MICK VEITCH:** Griffith City Council is responsible for the Griffith airport, is that right?

**Mr LAWRENCE:** Correct.

**The Hon. MICK VEITCH:** And how many passengers through there in total?

**Mr LAWRENCE:** Some 69,000 to 70,000—it varies from year to year but let us say 70,000 in a round figure, yes.

**The Hon. MICK VEITCH:** Okay, so recently there was a development of the airport?

**Mr LAWRENCE:** Correct, the apron.

**The Hon. MICK VEITCH:** We have had testimony from Rex, who were extremely critical of another airport development and they spoke about their relationship with Parkes as a positive model to follow. In the development of your airport, did you involve the airlines? Was Rex involved in discussions around the apron work?

**Mr LAWRENCE:** I would have to take that on notice, I am not totally familiar with that part of it but I can certainly find out and let you know, most definitely.

**The Hon. MICK VEITCH:** Good. Who funded the work? Was it the Regional Development Australia Fund [RDAF]?

**Ms HOUSTON:** Yes, the Regional Development Australia Fund, so it was funded in round 2.

**Mr LAWRENCE:** And Griffith City Council contributed half a million dollars to that project as well.

**The Hon. MICK VEITCH:** So the development works at the airport, was there a view to conducting those works so that, at some stage in the future, you would be able to land larger aircraft at your airport? Was that the broader plan or was it more about just enhancing the existing services?

**Mr LAWRENCE:** It was a combination. We are looking to the future growth of our region and also to beautifying the existing asset that we have there, which it has done immensely.

**The Hon. MICK VEITCH:** But there was a view to larger aircraft at some stage into the future?

**Mr LAWRENCE:** At some stage, yes.

**The Hon. MICK VEITCH:** So is there a development plan or a master plan for the airport?

**Mr LAWRENCE:** Again, I would have to take that on notice.

**The Hon. MICK VEITCH:** Does the council seek any contributions then from the regular passenger transport [RPT] providers in any way to help offset the cost of the enhancement works?

**Mr LAWRENCE:** Not in that regard no, I suppose that is the issue. But we look at it as an investment in our future. We have got to be able to provide these assets, this infrastructure, otherwise we are not going to be able to attract or maintain the current operators that are there. And if we are obviously trying to grow our city, it is part of that strategy for growth.

**The Hon. MICK VEITCH:** In earlier testimony from Rex or the Aviation Association, which also is contained in its submission, the discussion was about the need for an ombudsman or IPART involvement in

establishing airport fees to take the role of council in setting those fees. An independent body would determine airport fees similar to what IPART does with council rates. What are your views about that?

**Mr LAWRENCE:** There is always good and bad in all these discussions, and it is a discussion that needs to be had. As long as we do not end up with what I keep coming back to: a one size fits all. We need to be mindful that each airport is different and has its different needs. Some airports might be more tourism focussed; our airport certainly is more business focussed. To the average businessman and woman it really is more about convenience—getting in and out—rather than looking for the \$69 airfare. We need to think about that. Anything that can improve, provide better value and, from our point of view, provide more assistance to council would be welcome.

**The Hon. MICK VEITCH:** The discussion was specifically about the fees council charges airlines, which then pass them on to customers.

**Mr LAWRENCE:** Obviously, we pass on to the airline and the airline passes on. In our case, for example, right now as part of our inducement to have Par Avion landing with us we have waived our landing fees for a fixed period. They know it is not infinitum and will resume at some stage, but this is just one way that we can actually encourage business to invest. That is what we want.

**The Hon. MICK VEITCH:** Ms Houston, do you have a view about the involvement of an independent body to determine the fees charged by councils to RPT providers?

**Ms HOUSTON:** I know there has been some feedback from some smaller councils regarding that, particularly probably some of their inequities and I guess some are trying to secure aviation services over another. In one respect I think it could be helpful to have someone independent look at those prices, but I would not like to take that accountability away from local government and its capacity because they know their communities and what they are planning to put in place. Some independence is fine, but that may override some of the localised responsibility.

**The Hon. MICK VEITCH:** Earlier you mentioned an en route subsidy. Can you expand your views on that: is there such a need and how would it take place?

**Ms HOUSTON:** Essentially, without offering that, some airlines will not establish in some regional areas. Depending on the nature of the airline, often they will use other major profitable routes to support their venture into some new areas. I think an en route subsidy initially gives them capacity to test the market when they otherwise would not look at that. I look at it in regard to the infrastructure. If you look at, say, access to mobile phone broadband coverage, without incentives regarding Telstra, whether or not you agree, we certainly would not have services and the period of time that we would have had those services would have been much longer than it is. It may still happen without those, but I think the time frame will be long. I think this situation is a similar area: without having it to start with to encourage some of those airlines to look at some of those routes. They are probably marginal—or definitely are—and that is a way to try to create that opportunity. Then there needs to be a time frame for that.

**The Hon. MICK VEITCH:** You are saying that government has almost a community service obligation to some of these routes?

**Ms HOUSTON:** That is right. If you rely totally on the competitive market, we would not get access to those. I guess you have to show some leadership and create some opportunity for that to happen. In time if that is not taken up, so be it. Without that you will not see those opportunities. Those regional and smaller communities population base is a lot of what our government activity is based around and why a lot of people will relocate and move to those areas is based on those services they can provide. It is a flow-on effect with regard to that. They are critical in that initial time frame. Determining what that is, I am not sure. There needs to be some further investigation into that.

**The Hon. STEVE WHAN:** When did the en route subsidy operate? When did it cease operating? Was it based on per seat? I do not know much about it.

**CHAIR:** Weight based.

**The Hon. STEVE WHAN:** Was it weight based?

**Mr LAWRENCE:** Yes.

**The Hon. STEVE WHAN:** When did the en route subsidy scheme you are asking to be reintroduced cease operating?

**Ms HOUSTON:** I do not know the exact time frame, but I know from our stakeholders that it has been quite a strong point. As I understand, it was a couple of years ago. I know it is on the agenda to be re-looked at.

**The Hon. STEVE WHAN:** How long ago was it operating?

**Ms HOUSTON:** I am sorry; I will have to take that on notice. I do not know.

**The Hon. STEVE WHAN:** How would a government make decisions about how a subsidy scheme should operate and what airports should be involved? What are the criteria for where it should operate?

**Mr LAWRENCE:** As I said earlier in my opening statements, I think we have to be strategic about where these airports are, the ability for these airports to be sustainable and, also, the long-term view of local government thinking how these cities or towns have the chance to grow. I think it has to be looked upon in that regard. As Lani said earlier, these are not handouts; these are investments in the future. They are encouragements; an inducement.

**The Hon. STEVE WHAN:** I understand that. My question is that you cannot just say, "We will subsidise anywhere and where do you want us to go?"

**Mr LAWRENCE:** No.

**The Hon. STEVE WHAN:** How would you determine the target areas if you were to operate a subsidised system?

**The Hon. MICK VEITCH:** Do you want an en route subsidy to Young as opposed to Coffs Harbour?

**Mr LAWRENCE:** Yes.

**The Hon. STEVE WHAN:** For instance, in your RDA at the moment you have two airports that have regular passenger routes, Wagga Wagga and Griffith. Where else in your RDA area is there a community that justifies having a passenger route? Does the one to Griffith still go through Leeton?

**Mr LAWRENCE:** Narrandera.

**The Hon. STEVE WHAN:** What other communities do you think should have a passenger route that might need to be subsidised, given that both the current ones are open to competition, as far as I know?

**Ms HOUSTON:** You would need to have criteria around that. It would be around those that have an airport where that service for whatever reason has pulled out of that particular airport. For us in this region there are three airports that have the capacity at this point in time to actually have passenger services.

**The Hon. STEVE WHAN:** That is Wagga Wagga, Griffith and?

**Ms HOUSTON:** Wagga Wagga, Griffith and Leeton-Narrandera—those three at this point in time. Looking at those, it would be the Leeton-Narrandera with the Griffith service currently that have only one airline that services Sydney. So looking at that as an additional option, or if they were to go, a new airline that we are looking at coming into that.

**The Hon. STEVE WHAN:** At the moment Wagga Wagga and Griffith certainly look viable on the figures. What are the current numbers that travel to Narrandera-Leeton, do you know?

**Ms HOUSTON:** I do not know the percentage breakdown, sorry.

**Mr LAWRENCE:** Griffith and Narrandera is a good example of the hub and spoke. It is because of the Griffith connection that you have the Narrandera flowing through to that.

**The Hon. STEVE WHAN:** Yes, it is the attractor.

**Mr LAWRENCE:** It is the attractor. No Griffith, unless Narrandera has it, it would not be happening in Narrandera now. I guess that is the essential ingredient. In going forward just thinking about your question, the way I would be looking at it is in relation to, for example, Par Avion that comes to Griffith. We put out an expression of interest trying to get an airline. Where we know we have an operator who is prepared to stump up and put up their hard cash could be part of the determination because there is a need. Private enterprise is very good at looking at where it can make money and it will not go into an area and say, "I'm going to put an aircraft in this part of the world because it's not going to work." I think that could be part of the determination in relation to how. Also, part of council's policy is in relation to how we are going to grow the market.

**The Hon. STEVE WHAN:** We heard from Par Avion and it is good that it is starting that service. How has its service been going so far? Has it got good patronage?

**Mr LAWRENCE:** We are in daily contact because, as I said earlier, the last thing I wanted is an airline to come and an airline to go because that would just be egg on our face. The CEO is very happy at this stage. He went in with his eyes open. He was not going to expect thousands of people to come out of the woodwork, but it is in a growth mode. We also are going now into our winter period, which is a little bit on the slower side. But the one key asset we have going for us is that Griffith is very much business orientated and this is aimed at the businessman and woman. In fact, flying into Essendon, it is a nice easy hop into downtown Melbourne. So it is working in that regard. He wants to grow his business and, therefore, he will be able to do that by investing. If we can provide some opportunity for him to grow through the en route subsidy, that will be fantastic.

**The Hon. STEVE WHAN:** Do you have any research about the potential for that link? How many people do business in Melbourne from Griffith, for example? How many people go to Melbourne to watch that funny code of football they play and those sorts of things?

**Mr LAWRENCE:** Being a union man myself, I hear you, but I do barrack for Geelong. When Rex was flying, it had a seven-day operation. There were two things. One, they ran a seven-day operation and, two, some of their hours were not conducive to the business traveller. There were around about 9,000 people travelling, going back to those days. So the opportunity is there to get that. We would like to see that get to 15,000 or 20,000. I could not say exactly how many businessmen and women come in and out of Melbourne, but we know that the demand is there.

**The Hon. STEVE WHAN:** There are regular commercial flights from Melbourne to the Sunraysia area on the Victorian side of the border, is there not?

**Mr LAWRENCE:** Yes.

**The Hon. STEVE WHAN:** Have you looked at the patronage on those flights?

**Mr LAWRENCE:** No, I have not looked at it.

**The Hon. STEVE WHAN:** Presumably, it offers a similar product to what you might be offering?

**Mr LAWRENCE:** Yes.

**The Hon. STEVE WHAN:** I noticed in the RDA submission that you were arguing that other governments should lower their costs but regional airports should get paid in full quickly. Is it not a contradiction to suggest that the group of bodies of which you are a member should get its full payment but that other government levels should cut some of their costs?

**Ms HOUSTON:** My reference was in regard to the airlines with licensing et cetera. Some of them were left short if those payments were not made initially, say, with instances where Brindabella and some of those airlines went under. That was feedback from stakeholders across the region. I do not have that. I think it is

just a matter of a way of recuperating those costs and their onset. In regard to the en route subsidy, can I take that on notice?

**The Hon. STEVE WHAN:** Yes.

**Ms HOUSTON:** I would like to provide some feedback with regard to suitable structures.

**The Hon. STEVE WHAN:** Yes.

**The Hon. PAUL GREEN:** You concluded your submission simply by five points. I am curious about the carbon tax. You say that \$2.4 million was paid in carbon tax in 2012-13. If the carbon tax is abolished, have you an indication of the impact of that?

**The Hon. MICK VEITCH:** It is going to be replaced with a fuel excise. So it is not being abolished at all. They changed the name.

**The Hon. PAUL GREEN:** In the next line they note the fuel excise, which is another question.

**The Hon. MICK VEITCH:** They just changed the name; that is all they are doing.

**Mr LAWRENCE:** The thought process was really trying to remove any impost in relation to growing a business. We use Rex, obviously. Ultimately, we were coming from a council point of view, not from any political point of view, but when we were doing our research, and I must admit I did give Rex a call, it is in their annual report in relation to their costs. We can control some things to a point and then other things we have no control. They were able to reduce their costs of their fuel by efficiencies, we hope, but the carbon tax had an impost on them. We are just trying to get an honest debate happening in relation to that without getting into any political discussion about it.

The biggest thing we have to remember with us living in the bush is that it is very easy to jump in your car. Of course, we get so used to it, we think, "Blow it, I'll just jump in my car." I did it not so long ago for a fiftieth wedding anniversary. I was in Sydney within five hours and I had the convenience of the whole nine yards. It is just about really trying to make sure that we get a good hard look and get a good overall balance in relation to what is good for the country going forward.

**The Hon. PAUL GREEN:** Did they share what they would do if that tax were abolished? Would it go back in profits?

**Mr LAWRENCE:** No. I did not ask that question because I did not want to get into the politics.

**The Hon. PAUL GREEN:** I note on page four of your submission you refer to people who are seeking a tree change for whom the Government has a relocation grant. You have noted very well that it is not just about schools, employment and other things but it is also about medical facilities and a reliable regional air service. Have you got any evidence that people are rejecting relocation opportunities based on regional air services?

**Mr LAWRENCE:** To answer your question, no. It is a factor that is included and we know we read every day of the week that we are living in an ageing population so if someone has a heart attack and has to go somewhere or has to go to see mum or mum has to come and see them you want those facilities. Does that create a better opportunity by living in Griffith versus living 100 miles away from somewhere, I do not know, but it is an added opportunity for us when we are out there at the coalface saying "We would like you to come and relocate because we have this, this and this." If we only have one or two things they might think "may be not". The biggest thing, of course, is employment which we all know.

**The Hon. PAUL GREEN:** Are you part of evocities?

**Mr LAWRENCE:** No.

**The Hon. PAUL GREEN:** Do you have any comments on whether aerial health services are good or bad?

**Mr LAWRENCE:** From Griffith they are very good.



**The Hon. PAUL GREEN:** Do they have helicopters or fixed wings?

**Mr LAWRENCE:** They have both. Also, the other thing is we are now in the process of building our own private community hospital which will have St Vincent's on board and that again will provide opportunities for doctors et cetera, because we cannot have them here 24:7, for them to fly in, do their three or four days and they fly out again. It is the same with the legal profession, and that is the overall mix of what we are talking about really at the end of the day.

**The Hon. PAUL GREEN:** That is interesting on its own but that is not part of this inquiry. I note you both have different views in relation to your comments on page 4.7. Mr Lawrence talks about spots must not be taken from regional airlines, or regional airlines in major regional centres must not be redirected to a second airport. Ms Houston mentions in her submission that the Regional Development Australia, Riverina, supports the further development of Bankstown airport for regional services. Do you want to make a comment?

**Ms HOUSTON:** Yes, I will clarify that comment. We certainly support continuing regional spots at Kingsford Smith airport. I think the priority is we need slots into there and access for all those workforce reasons, really, and access for meetings but we also support, I guess, an additional airport into the future. I think we really need to be strategic and look longer term with regard to transport activity across the State and an additional airport will be required. There may be capacity that that will alleviate some of the congestion at Kingsford Smith as well. We are supportive of there still being regional slots at Kingsford Smith absolutely but just because we are supportive of that does not mean that we are not supportive of the other. That is just to clarify that. I imagine that there will be some business enterprises that may actually want to have priority slots at Bankstown with the number of, I guess, further manufacturing businesses that may be relocated out to the Western Sydney and they may actually have connections and linkages with a number of regional areas.

**Mr LAWRENCE:** From our point of view obviously from living in the bush we do not want to put, as I said earlier—and I will bang on about it until I die—further impediment in relation to those of us who choose to live in the bush. We do need the Government—and it has now obviously been done—from a tourism point of view and even from an economic development point of view—to get that second airport done and dusted so we can move forward but certainly not at the detriment of saying "Okay, now all you guys from the bush you are now going to have to spend another two hours getting into town." I want to jump in my car, I am going to drive or get in a car pool or I might even charter a plane possibly but more likely not I will jump in a car and drive with three or four friends.

**The Hon. PAUL GREEN:** I note China's very fast train now has different destinations and they are starting to build their conference centres around those destinations. I am surprised that so many people are holding out and saying, "We don't want to lose our spots in Kingsford Smith" yet we very well know that Parramatta is nearly the centre of Sydney now and it will grow with two or three million people in the future. But people are still saying they want to go to Kingsford Smith to perhaps go to meetings out in Parramatta. I would have thought because of the established airport at Bankstown, or Badgerys Creek in the future, with prime areas of land, will be where those meetings are in the future.

**Mr LAWRENCE:** If I could come back on that comment, I think the sooner we build a fast train the better. You are quite right, it is like everything in life, when we do not know about something it takes a while but the problem is all too often we see these things being built but not enough infrastructure is put in place. I went to a conference at Newcastle and I came out of Albury, flew to Sydney, jumped on the train and two hours later—I managed my emails on my iPad because the facilities were there rather than hiring a car and driving. If we can put in the facilities people will slowly think, "Hang on, that is a quick way to do it" and away we go. But we need to put the infrastructure in place I am afraid.

**The Hon. PAUL GREEN:** I wholeheartedly agree with you that the very fast train should have been built yesterday and a second airport would complement that and if we were wise we would put our money into that sort of infrastructure.

**CHAIR:** Mr Lawrence, when Rex flew into Melbourne did it go to Essendon or Tullamarine?

**Mr LAWRENCE:** Tullamarine.

CORRECTED

**CHAIR:** When Par Avion started to use Essendon did potential passengers object to going to Essendon rather Tullamarine?

**Mr LAWRENCE:** I believe, no. It might have been subconscious but I think once it was explained to them how quick—

**CHAIR:** Essendon is actually closer.

**Mr LAWRENCE:** Yes, it is right there. You have less time in and out. Just to come back to that earlier comment, it is just that mindset "We are not in a regular—" but now people are realising. Of course, like any new business or new airline coming on line, we are now having people coming back and saying, "Wow, it has been so quick, efficient. I am in town. I don't have to worry about catching a cab or whatever, I can be there within 20 minutes" type of thing.

**The Hon. MICK VEITCH:** How does Griffith council calculate its landing fees? What formula is used? Does it have a model to come up with the numbers?

**Mr LAWRENCE:** I could not answer that question directly.

**The Hon. MICK VEITCH:** Will you take it on notice?

**Mr LAWRENCE:** Yes. It has been built up over years. Because we are about to renegotiate our landing fees next year, I believe, when they come out of contract they have been held significantly lower than a number of larger centres for the obvious reason, we are trying to maintain the viability of the airport.

**The Hon. MICK VEITCH:** It is a business decision of the council?

**Mr LAWRENCE:** Yes.

**The Hon. MICK VEITCH:** Will you take that question on notice and get back to the Subcommittee?

**Mr LAWRENCE:** Yes.

**The Hon. MICK VEITCH:** I am interested in how various councils calculate their landing fees and how the landing fees are then used? Are they all utilised at that airport?

**Mr LAWRENCE:** Certainly.

**The Hon. MICK VEITCH:** With regards to the second airport proposed for Badgerys Creek has either of your organisations been involved in discussions about Badgerys Creek and regional access to either KSA or Badgerys Creek?

**Ms HOUSTON:** We have liaised a little bit with RDA, Sydney, recently with regard to that so they have been part of that working group that have worked on that particular airport. Recently we coordinated an additional seminar that took in some of the services around that. So we have not directly but we are certainly in discussions with RDA, Sydney, in regard to that. The critical factor with that will be that connectivity with Sydney for that supporting road and rail infrastructure in regard to that. I think currently at this point of time the feedback is, and this is only anecdotal, that predominantly the number of people who actually go through seem to go into a lot of the meetings and activities in the centre of Sydney at this point of time. That is not to say it is not going to move further out.

**The Hon. MICK VEITCH:** Have you been involved at the table at this stage?

**Ms HOUSTON:** No.

**Mr LAWRENCE:** Not at this stage, no.

**The Hon. MICK VEITCH:** My view has been made quite public. I think regional and rural New South Wales should be at the table from the start, not too late.

**The Hon. STEVE WHAN:** Has the RDA done any work in your forward planning about export development from the region? Has the prospect of time sensitive agricultural product being air freighted out of the region come into any of your planning for regional airports et cetera?

**Ms HOUSTON:** Certainly value adding to agriculture, but the large volumes of that sort of product at this point in time has not been the major infrastructure that has been a priority for that. It has been road and rail, and freight, internet and interconnectivity to ports because of the larger volumes predominantly it is for that. That is not to say there has been some discussions through Griffith and Leeton but at this point in time the capacity or the nature of the product that would utilise air freight services is minimal at this point in time and the most efficient and effective way at looking at it is road and rail. That is not to say into the future, that is just the feedback we have received.

**CHAIR:** What about smaller freight? Obviously from regional centres a lot of very heavy freight has to go on road or rail but there are also a lot of medium-size parcel traffic that could realistically be taken by air. For example, smaller airports might have 34-seaters such as a SAAB that might be fitted out with 20 seats but an enhanced freight compartment to account for that smaller freight. Is that a possibility? If so, how can it be put in place?

**Ms HOUSTON:** I certainly think it is a possibility. My understanding with regard to moving freight is there are other requirements from an airport's perspective about managing that freight too in relation to weight-load so supporting infrastructure may be required for that. I think it is certainly a possibility and an opportunity and probably needs to be looked at. At this point in time the priority has been around that larger volume but it is definitely an option.

**The Hon. PAUL GREEN:** This Subcommittee has met all the way out here.

**Mr LAWRENCE:** "Way out here", get away. This is not the Shoalhaven.

**The Hon. PAUL GREEN:** Seventy-five per cent of people live on the coast. What do you want to come out of this inquiry? I know you have included five items in your submission but it would be helpful if you have anything specific to put to the Subcommittee for it to include in its recommendations?

**Mr LAWRENCE:** I think primarily the most important one would be the understanding that air services are essential services and recognising that fact and cementing it in stone so it is a bipartisan approach. I personally do not believe in governments giving out money, the same with council. We have limited funds, limited resources but I certainly see an opportunity where funding can be given in relation to encouraging business but on the premise that it does actually encourage business. They are the two things I would like to see come out of this inquiry. I thank you for coming out to the bush because I think the only way you ever understand what is going on—and I say the same to my councillors that as an officer of council the only way we can make a decision is based on good or bad information in front of them and you can make a concentrated effort on that. Thank you very much for coming to see us.

**Ms HOUSTON:** I want to add that the value adding opportunities may be around that smaller freight businesses that may set up around regional airports and also the value adding industries, particularly in this region around agricultural activity whether it is crop-dusting or some of those others that require that connectivity with the airport or that maintenance capacity because we do have large open spaces and plenty of storage area or land area. The other thing around that—and this probably links in with the State Government's decentralisation policy—is the capacity for work movement. Now we are able to work from anywhere, any time so that capacity from a Government's perspective and even businesses and enterprises to be located anywhere. But that is certainly a real opportunity. There still will always need to be that face-to-face contact at some point in time so without those airport services that will hinder that. If they are there then it makes that sort of change or movement of people out to regional areas much more likely.

**The Hon. PAUL GREEN:** In relation to face-to-face contact I want to put on the record that the Shoalhaven City Council has a friendship council with Coolamon Shire Council. Sir Robert Menzies was out there and we have a great relationship so we are very in touch with rural Australia.

**CHAIR:** I thank you for your attendance and your submissions. You have taken some questions on notice about which the Secretariat will engage with you in the next few days. There may be some follow-up questions from Committee members, which I will also forward to you.

**(The witnesses withdrew)**

**(Luncheon adjournment)**

**RAYMOND JOHN SMITH**, General Manager, Bland Shire Council, and

**JEFFERY ALAN STIEN**, Senior Economic Development and Tourism Advisor, Bland Shire Council, sworn and examined:

**CHAIR:** Welcome. Would one or both of you like to make a short opening statement before we commence with questions?

**Mr SMITH:** I wish to commence by saying that our purpose here is to emphasise the economic implications of regional air services to small rural and remote towns such as West Wylong. During the afternoon we will certainly emphasise and provide some examples of losses to our town through the lack of air services, but mainly it is that economic development and social fabric of being able to access larger centres more easily through air travel rather than by road.

**CHAIR:** Mr Stien, would you like to add anything to that?

**Mr STIEN:** I will echo Ray's comments. Also, to access air services from West Wylong means a fairly big impost so far as having to come down to catch air services out, and also for businesses coming into the Bland shire to establish facilities in the Bland shire. To give you an example, when they say, "How do we get to West Wylong?" you have to say, "You have to fly to Wagga and then it is a two-hour drive from Wagga to West Wylong." It is a disincentive straightaway. There is more to follow later on.

**CHAIR:** Thank you. West Wylong lost its regular passenger service in 2007. Is that correct?

**Mr STIEN:** About then, yes.

**CHAIR:** The Transport for NSW submission stated that West Wylong's passenger numbers were approximately 2,500 at that point in time. Their submission also states that for under 6,000 passengers per annum, a 9- to 12-seat aircraft would be a viable regular passenger service, particularly if it was feeding into a larger centre. What is your view of the hub and spoke system and flying a smaller aircraft into one of the larger centres, given that it is unlikely that a SAAB 340 would run from West Wylong with 2,500 passengers per year?

**Mr SMITH:** I believe it certainly would be welcomed. I have had that experience from living and working in Cobar for five years and having to fly from Cobar to Dubbo and then on to Sydney. I believe the same arrangement via West Wylong, whether it was West Wylong to Wagga or to Griffith and then on to Sydney, would certainly add value to the economic future of West Wylong.

**Mr STIEN:** We have had SAABs flying in and out of West Wylong before. As they do sometimes on the Griffith run, they will fly from Sydney, stop in at Narrandera, pick up or drop off and then fly on to Griffith and vice versa. I envisage it would be really great if that could happen, not every day but two or three or four times a week, and do the same thing at West Wylong and then you are not having that extra, extra leg of getting baggage on and off and making connecting flights and everything. We realise, as we mentioned before, for a commercial airline to be viable, there has to be certain numbers. Can I hand out this information now?

**CHAIR:** Certainly.

**Mr STIEN:** Rex airline, in January 2014, put out expressions of interest for air services. They stated, "Only cities that can sustain above 30,000 annual passengers will be considered". I then sent an email saying if you are considering, why not drop into West Wylong, to and from, whatever you are going to do, or if you have any other legs. I think that would work. As Ray said before, it is not just the economic impact, it is also the social impact, like connecting families. Destination NSW have got a big push on at the moment to get international tourists coming into regional New South Wales from the Asian countries and everything, so without an airport, we have got Buckley's. They will fly to Wagga, Griffith or Parkes where they have got air services and everything.

If you read over the next page, "Rex named world's best" airline, I agree with that. I did quite a bit of work with Rex when I was employed by State and Regional Development where we managed to get the training sorties here in Wagga, so I am well aware that Rex is a well-respected airline in working with Warwick Lodge. They have to be viable. It is a competitive market out there. Yes, hub and spoke will work, but if we can get it

on a leg flying in and out of Sydney would be even better because the other factor is that Kingsford Smith is pretty important to us. If we are flying down to Sydney for a meeting, we want to get in and out, get our meetings over and done with and get as meetings in as we can before we come back. If it is out at Badgerys Creek or something, we will lose an hour or something each way getting to and from and the number of meetings will be cut down and so forth.

**Mr SMITH:** We are already looking at an 18-hour day to travel from West Wylong to Sydney and back via Wagga. As Jeff said, Badgerys Creek or in the early days they even talked about putting all the regional flights into Bankstown. It turns into a 20-hour day. It is just not viable.

**Mr STIEN:** We have had conversations with National Rugby League [NRL] about getting rugby league games at the famous Ron Crowe rugby league oval up there. We have held rugby league knockouts for 43 years. It is the longest running rugby league club; a lot of famous players come out of there. So we put our hand up for the City versus Country game and we had Todd Greenberg up there the other week. The issue is how do we get the teams in and out of there. One of the things is that we fly one team into upper West Wylong, do a skills camp there and then a three-hour bus ride up to Wagga and fly one team into Griffith and vice versa, but the cost of chartering a plane to fly a team directly into West Wylong is \$24,000 per team. I have had conversations about the cricket World Cup, which is coming out. The first question that was asked was, "Has West Wylong got an airport and regular passenger services?" As soon as you say no then we are just not in the running, even though we have great facilities, great ovals and everything.

**CHAIR:** What has the Bland Shire Council done to try to encourage the reintroduction of that air service?

**Mr SMITH:** We have certainly maintained the airport. It is still under Civil Aviation Safety Authority [CASA] requirements, which is a cost to council to maintain it in the hope that a regular passenger service might be reintroduced. Certainly, as Jeff said, we have lobbied Rex, we have lobbied Qantas, looking at that hub and spoke concept because we understand—Jeff and I and council—that it is not viable to bring in a direct route and, as you have mentioned, passenger numbers just would not substantiate Qantas or Rex or anyone else flying direct from West Wylong to Sydney, but certainly the hub and spoke concept, we believe, could be viable. Again, talking about that viability, it comes back to the funding that State Government provides to local government.

It is always a competitive process. The Federal Government Regional Development Australia Fund [RDAF] round 5, which unfortunately was scrapped just prior to the election, was one of the first times that specific funding was being allocated to local government areas so that the council could do what it felt was necessary in its own area. We did not have to compete for the funding. We have to compete against the Waggas and the Griffiths and the Dubbos for funding. Resource-wise in Bland Shire Council, I do not have the staff that I can allocate to put in a really good submission that might take days, if not weeks, to put together. That competitiveness disadvantages the smaller rural councils, whereas if you had specific funding allocated to the local government area, it would be much more beneficial.

If the State and Federal governments are true in wanting to promote and develop regional New South Wales, the old en route rebate scheme could be looked at again, I believe. Rather than taking funding away from tourism or projects or the community building programs that you have, put some funding into subsidising regular airport services to regional and rural towns. I think that would be money much better spent than us trying to compete for the odd dollar to build a community centre for something that we say, "Is funding available?" We try to identify a project and yet no-one is going to come to West Wylong for a major event, as Jeff said, if you cannot get easy access. Speaking from personal experience, in the last two weeks I have been to Sydney twice and you have to leave West Wylong about 3.30 a.m. to get down here prior to your flight to Wagga.

The flight gets back in at 7.30 p.m. so I am home about 9.30 p.m. As Jeff said, for visitors, no-one is going to look at that time span to visit West Wylong, and we do not expect it would be seven days a week, either. The hub and spoke system, if it was two or three days a week where you could plan your trips to Sydney, you could plan your holidays to have that air transport back into Sydney, you could work around the days that the plane was going to be available.

**CHAIR:** We have taken quite a bit of evidence about the en route charges and a lot of people mentioned in their submissions that they would like to see that scheme reintroduced. If it was reintroduced, have

you got any idea of what sort of passenger numbers you may be able to generate? Do you think 2,500 would pick up straightaway or could you build on that number?

**Mr SMITH:** As long as the Barrick gold mine is in West Wylong, certainly I think we could provide 2,500 minimum per annum. That mine now looks like having an extension of 10 years, so it would certainly make it viable for the mine. At the moment they charter flights or they fly into Wagga, hire cars and, again, it is another two-hour trip from Wagga out to West Wylong. The best part of the day is gone before they get there. I know the mine would certainly utilise an air transport service.

**Mr STIEN:** We are in the process of undertaking a business survey of all the businesses in the Bland Shire Council and one of the questions that, in hindsight, I should have put on there, which I will follow up, is, "How many times do you fly to Sydney or elsewhere from West Wylong and how do you get there?" That will be a follow-up question so then we will have a better idea in answer to that. Getting back to your previous question about have we approached smaller airlines, we have not approached smaller airlines as yet because we are waiting on feedback from Rex and Qantas. For example, Griffith have just started a small airline, flying a smaller plane to Melbourne. That is next on the radar.

The other thing we are doing with our airport, we have had gliders from the Bathurst Soaring Club out there for the third year running and they have expanded their times out there. Slightly off the track, but we have just got the national free flight club setting up their national centre at West Wylong. They will not use the airport; they will be setting up their own facilities. I went down to Avalon last year to promote the airport at West Wylong for potential users, for example, flight training centres and so forth, and other air users. It is definitely on our radar because we are maintaining it and it is a great location.

**The Hon. MICK VEITCH:** Was Rex the previous service into West Wyalong?

**Mr SMITH:** Yes.

**Mr STIEN:** Yes.

**The Hon. MICK VEITCH:** How long did it operate before the service was terminated?

**Mr STIEN:** I am not too sure of the history.

**Mr SMITH:** I think as soon as Rex took over it, it was running from day one.

**The Hon. MICK VEITCH:** Did council make any contribution towards the flights? Did you charge for landing fees at the airport?

**Mr SMITH:** They waived the landing fees. The income from landing fees for Bland Shire Council is minimal. It says it will waive them as a gesture of goodwill. We are not losing much money at all.

**The Hon. MICK VEITCH:** What sort of assistance or inducement did council provide to the airline to maintain the service?

**Mr SMITH:** As far as I know it was simply waiving the landing fees. I do not think they had the funds to offer more.

**The Hon. MICK VEITCH:** Can you take that question on notice and check to make sure there was nothing else?

**Mr SMITH:** Yes.

**The Hon. MICK VEITCH:** You spoke about Barrick goldmine. Did they make any contribution to the service as well? Did they reserve a number of seats on each flight or anything like that?

**Mr SMITH:** Again I will take that question on notice and find out.

**The Hon. MICK VEITCH:** You discussed other uses of the airstrip and facilities. How hard is it to maintain that infrastructure without looking at other uses?

**Mr SMITH:** Extremely difficult. In our long-term financial plan we have plans to reseal the runway but I would suggest that if there is no future for a regional transport service then council probably will not go ahead with that infrastructure upgrade. You are looking at somewhere between \$1 million and \$1.5 million to resurface the strip. It is a big investment if we cannot see anything on the horizon.

**The Hon. MICK VEITCH:** What size plane is licensed to land there? What sort of commercial flight?

**Mr SMITH:** We could get a Dash 8 in.

**The Hon. MICK VEITCH:** A Dash 8 Q200 or Q400?

**Mr SMITH:** I am not sure of the technical term.

**Mr STIEN:** The Q400. It looks a fairly long runway.

**Mr SMITH:** It is pretty big. That is the big one.

**Mr STIEN:** We have had Hercules land there but I know they can land on a sixpence if they have to.

**Mr SMITH:** They are pretty good, yes.

**Mr STIEN:** Also the Barrick goldmine flies their own charter jets in and out as well. The other infrastructure we are looking at doing is, because of the gliding clubs and everything, they need to refuel and everything, so we have looked at putting fuel back in there and that is a \$120,000 investment just to put in fuel tanks for these other aviation activities.

**The Hon. MICK VEITCH:** Mr Smith, you said council would have to have a very critical look at the ongoing maintenance and upkeep of the airport and facilities if there is nothing on the horizon. How would the health and legal professions service the community if there is no airstrip. Would they come to Wagga Wagga and then travel across?

**Mr SMITH:** Yes, they would fly into Wagga Wagga and then drive. We have had specialists come to West Wyalong via road. That is their only way in.

**The Hon. MICK VEITCH:** You do not charge any landing fees at all?

**Mr SMITH:** We have them in our revenue policy but if the opportunity was there to get a fly in fly out I guarantee that I could convince council to waive them. I think it is about \$1.20 per head, per passenger. As I said, it is not a major source of income for us.

**The Hon. MICK VEITCH:** Is that an historic model that you use?

**Mr SMITH:** Basically, yes.

**The Hon. MICK VEITCH:** There is no science to it really; it is just something that has been in place?

**Mr SMITH:** No, just per head passenger, yes. We look around at other councils that have similar services and compare their costs.

**The Hon. MICK VEITCH:** The Chair asked you some questions about the en route subsidy. How do you see that working in a hub and spoke model? Does it have a future in a hub and spoke model where there would be some sort of passenger subsidy?

**Mr SMITH:** I believe so. Again with the hub and spoke, you always look at the added time for flying compared to a five-hour drive to Sydney. I do not think the added time is an issue but with the en route subsidy I still believe it would be viable.

**The Hon. MICK VEITCH:** The spoke leg would be eligible for the subsidy but the hub—



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**Mr SMITH:** Yes, from West Wyalong; if it was to Wagga Wagga or to Griffith, I think that is where the subsidy would come in, and then from the major centres, I think it would then be more viable for the airline itself with the number of passengers.

**The Hon. MICK VEITCH:** The airfare was an issue.

**Mr SMITH:** Yes.

**The Hon. MICK VEITCH:** The Mid-Western Regional Council conducted a survey and everyone wanted an air service but all they want to pay is about \$250 return?

**Mr SMITH:** Yes.

**The Hon. MICK VEITCH:** The airlines just shake their heads and say, "That is just not going to happen." Price is really the issue here, is it not?

**Mr SMITH:** Yes.

**The Hon. MICK VEITCH:** You could have a service but people are not prepared to pay for it?

**Mr SMITH:** That is true.

**Mr STIEN:** That is correct. I can fly to from Sydney to Perth and back cheaper than I can fly from Wagga Wagga to Sydney and back.

**The Hon. STEVE WHAN:** I want to ask you a bit more about mine start employment. How many people are actually employed in the mine?

**Mr SMITH:** Approximately 300.

**The Hon. STEVE WHAN:** You mentioned that the mine uses charter flights in and out. How many people live in the area, how many fly in and out and how many come in for other businesses?

**Mr STIEN:** The flights are mainly for the Barrick executives that use the airport, so the mines are normally drive in drive out if they do bring skilled people in. There are about 300 permanent people and about 100 other contractors. When there is a mine shutdown, which probably averages about once a month, another 300 engineers come in for that and they drive in or fly in to Wagga Wagga and then drive up. We are making also making representation to Minister Stoner about the Resources for Regions program. We were in tier two and we are now down to tier three.

**The Hon. MICK VEITCH:** Did you miss out on that?

**Mr SMITH:** Yes.

**The Hon. MICK VEITCH:** Again?

**Mr STIEN:** Yes. So back to Barrick, they also run bus services from Forbes and Condobolin for the labour force as well because they work 12-hour shifts.

**The Hon. STEVE WHAN:** Where do the majority of the workers live?

**Mr STIEN:** In West Wyalong, Condobolin and Forbes.

**The Hon. STEVE WHAN:** So your charter flights for executives are not something that happen every five days or every few days?

**Mr STIEN:** No.

**The Hon. STEVE WHAN:** They are a much rarer event, is that right?

**Mr STIEN:** Yes. The airport is also used for Rural Fire Service activities and there is some airborne geographic survey going on at the moment where they are using the airport. We like that because we would like to have another mine set up out there.

**The Hon. STEVE WHAN:** I thought the airborne geographic survey was looking for gas resources and things. What was the airborne survey looking for?

**Mr STIEN:** Looking for more mineral deposits.

**Mr SMITH:** Gold.

**The Hon. STEVE WHAN:** Gold, okay.

**Mr STIEN:** Well, we will not restrict it to gold—silver, copper.

**The Hon. STEVE WHAN:** What I am getting at there is: Is there a prospect that by working with industry in the area you could actually develop a base load that would sustain a service or is that something that is just not going to happen on its own?

**Mr SMITH:** I believe the opportunity is there. I guess it is habit, is it not? At the moment we will drive to Wagga Wagga to catch the plane and it is just ingrained. It has been seven years since people in West Wyalong have been doing that. I think if there was a flight in and out at West Wyalong habits would change.

**The Hon. STEVE WHAN:** Does the mining company have a view on whether or not as part of a negotiation with an airline they would actually say, "Look, we would like to use X number of seats"? Have they been approached?

**Mr SMITH:** Only in an informal manner but certainly they would put their weight behind any submission if that came to fruition.

**The Hon. STEVE WHAN:** But would they put their money behind the submission?

**Mr STIEN:** I think they would, and this is why we will take that question on notice. I think they guaranteed, and I have heard a figure of six seats.

**The Hon. STEVE WHAN:** And are there many State Government people who come in, medical people, judges and so on?

**Mr STIEN:** Have you heard a rumour that we are getting the relocation of government departments, is that what you are saying?

**The Hon. STEVE WHAN:** No, I am asking what is coming in at the moment. You do not have a major hospital that brings in specialists as some areas do, do you?

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

**The Hon. STEVE WHAN:** You have a base essentially that is the mine, which sustains the argument that it is a smaller plane, if anything?

**Mr SMITH:** Yes.

**The Hon. STEVE WHAN:** In your consideration of hub and spoke models you talked about Wagga Wagga. Is Sydney generally the direction people go or would there be a call for Canberra if they were to use that as the hub?

**Mr SMITH:** Canberra as the hub?

**The Hon. STEVE WHAN:** Yes?

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**Mr SMITH:** It would only be anecdotal but I would say that the majority would go to Sydney—Sydney or Melbourne, but basically Sydney.

**The Hon. STEVE WHAN:** And the milk run sort of thing where you do the stopovers in between places—Rex flies to Parkes, I think?

**Mr STIEN:** Yes, they do—Narrandera.

**The Hon. STEVE WHAN:** Have you spoken to Rex about whether or not that is something they have looked at?

**Mr STIEN:** I have mentioned it to them. I just have to follow it up, but I think it would be unlikely based on the fact it adds extra costs to their services.

**The Hon. STEVE WHAN:** When you talk about wanting some sort of subsidy or the reintroduction of the en route rebate, what would you suggest would be the basis for a government deciding what destinations deserve to be the beneficiaries of that en route rebate? What criteria should be put in place?

**Mr SMITH:** That is a very good question. I guess you would have to look at employment and the social economic situation of the town involved. Again it goes back to what the Government looks at when it is considering submissions for grant funding. Sometimes the criteria changes from program to program, which makes it difficult for a council the size of Bland to really be competitive when the criteria keeps changing. We were only advised today that there is another Federal Government program coming out in 2015 where preference will be given to areas with high unemployment and yet we do our best to provide employment in our own town and now we could be penalised for providing employment because we do not have high unemployment so we will not meet the criteria for the Federal Government.

**The Hon. STEVE WHAN:** I take it that is a coastal program?

**Mr SMITH:** Yes.

**Mr STIEN:** The other figure they are using at the moment is the Socio-Economic Indexes for Areas [SEIFA], which is from the Australian Bureau of Statistics, and having a goldmine is not beneficial to those applications either because if you look at our SEIFA ranking we are 82 whereas the surrounding councils are around 42.

**The Hon. STEVE WHAN:** Because of the incomes from the goldmine?

**Mr STIEN:** Incomes, education, number of vehicles per household and so forth. Having a goldmine is great but it is also not great.

**Mr SMITH:** I suppose some of hub of the criteria would be some guarantee of the number of passengers and if a local council and a major industry like the goldmine in West Wyalong were able to guarantee a certain number of passengers per year or seats to meet the shortfall financially, it could be some form of criteria, otherwise I am just not certain.

**The Hon. STEVE WHAN:** Do you currently have any businesses running any sort of air or charter operations or anything like that?

**Mr SMITH:** No.

**The Hon. STEVE WHAN:** You mentioned the Rural Fire Service. Presumably it is only using it when necessary?

**Mr STIEN:** Yes.

**Mr SMITH:** Yes, the same with the surveying as well.

**The Hon. STEVE WHAN:** So you basically have no other ongoing revenue to assist with the cost of that airport?

**Mr SMITH:** No.

**The Hon. MICK VEITCH:** Other than the special events that the council create?

**Mr SMITH:** Yes.

**Mr STIEN:** Yes.

**Mr SMITH:** We also use the airport for car clubs. We had the Cobra car club up.

**Mr STIEN:** Cooma uses theirs for that too, to try and get some income. They have a drag up the tarmac.

**The Hon. MICK VEITCH:** You mentioned that at some stage you would be required to resurface the tarmac, can you give me an estimated cost?

**Mr SMITH:** Approximately \$1.5 million.

**CHAIR:** How are you going to fund that?

**Mr SMITH:** Through financial planning, it is in our long-term financial plan.

**CHAIR:** Council's?

**Mr SMITH:** Yes, council will fund it, unless there are any grants available, but we would be planning to fund that ourselves.

**The Hon. PAUL GREEN:** Have you some sort of modelling now to obtain the money for that?

**Mr SMITH:** Yes, we do.

**The Hon. PAUL GREEN:** How do you do that, section 94s?

**Mr SMITH:** There are very few section 94s in Bland shire. It will basically be from general funds.

**The Hon. PAUL GREEN:** Really?

**Mr SMITH:** It is just planning ahead for the peak.

**The Hon. PAUL GREEN:** On page four of your submission you talk about the access cost of Sydney airport, regional New South Wales airports and other landing fields, the peak times for regional services and that investigation of the slot allocation rules should occur to determine if there is a more efficient way to coordinate airline movements, take-off and landing, within the defined hour period: Are you suggesting that they are inefficient?

**Mr STIEN:** It is out of our control. There have been suggestions from airlines that it could be made more efficient.

**The Hon. PAUL GREEN:** How is that?

**Mr STIEN:** I am not an expert. That comment was made to me, hence I placed it in the submission. Airlines say that if it was run more efficiently you might be able to get more slots in and out. I am not an expert.

**The Hon. PAUL GREEN:** It was in your submission, I was wondering whether it was from your point of view?

**Mr STIEN:** No, from aviation.

**The Hon. PAUL GREEN:** That would be consistent with what the Committee is hearing. On page six, the third point about safety and security, you state that costs are escalating and local government airport costs are increasing in a rate-capped environment. Would you explain that comment?

**Mr SMITH:** Again, it is some of the CASA requirements: They have the airport strip inspected on a regular basis and there are staff costs. Those costs are increasing faster than the 2.6 per cent rate capping that is in place this year. Those costs are going up about 4 to 5 per cent each year.

**The Hon. PAUL GREEN:** What are your actual costs as a council in real terms? We know the rate cap is 2.5 per cent, but what is the real rate increase that you would need to deal with council's infrastructure and assets?

**Mr SMITH:** I would suggest it is probably closer to 5 or 6 per cent per annum.

**CHAIR:** You mentioned that most people drive from West Wyalong to Wagga Wagga and fly to Sydney, why would you not drive to Parkes and fly to Sydney?

**Mr SMITH:** Wagga Wagga offers us a better range of flights and times that get you into Sydney in time to make a nine o'clock meeting and gets you home to Wagga Wagga at a reasonable hour. The flights leave about six or 6.30 out of Sydney. With Parkes the time is either too late to get to an early morning meeting or the flights leave around four or 4.30, which is too early if you are there until five.

**The Hon. MICK VEITCH:** Is there a difference in the price of the ticket out of Wagga Wagga as opposed to Parkes?

**Mr SMITH:** No, I have not noticed a significant difference, no. Mainly we are out of Wagga Wagga. I think I have only flown out of Parkes once.

**CHAIR:** You are aware of the service that Par Avion operates from Griffith to Melbourne?

**Mr SMITH:** That is the new service, yes.

**CHAIR:** A Cessna 12-seater Citation, I think it is. Do you think people from your part of the world would be amenable to flying in an aircraft of that size if it was to go to Parkes or Wagga Wagga or one of the other Rex ports?

**Mr SMITH:** I think the majority would. Certainly some of the planes I have flown out of Cobar in were six-seaters. At least it gets you where you want to go. There will always be people that are not going to fly in small aircraft. Again I go back to my experience when I was at Grafton and we used to be able to fly direct from Grafton to Sydney and then they brought in the spoke where we would stop at Coffs Harbour. People up there would prefer to drive an hour to Coffs Harbour airport to catch a bigger plane than catch the smaller plane out of Grafton. Again, the regular flyers would be happy in a smaller plane, it is the ones that do not fly that often that would prefer the larger plane.

**CHAIR:** Unfortunately, the people making that decision have an impact on regional air services, particularly when your numbers are low anyway.

**Mr SMITH:** Yes, certainly.

**The Hon. PAUL GREEN:** Come the end of the inquiry, what would you like to see in the recommendations?

**Mr SMITH:** At least further investigation into the enroute rebate and spoke and hub concept for the smaller rural-regional towns.

**CHAIR:** If there is no further questions that will bring this session to a close. Thank you, gentlemen, for taking the time to prepare a submission. I have to say that we were pleased to get submissions from towns such as yours that had lost area services because you are the people that can really explore the impact that it has on your community. It is all very well for the larger centres to say they would not want to lose the service but it has actually happened in your community. Thank you for taking the time to come down here today to give

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evidence. You did take some issues on notice and there may be some other questions on notice from the members of the Committee after we have read the transcript. Do you undertake to answer those within 21 days after the secretariat has been in touch with you?

**Mr SMITH:** Yes.

**Mr STIEN:** Yes.

**(The witnesses withdrew)**

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**PAUL MAYTOM**, Mayor, Leeton Shire Council,

**DUNCAN MCWHIRTER**, Director, Corporate Services, Leeton Shire Council,

**ANDREW PEARSON**, Traffic and Airport Officer, Narrandera Shire Council,

**BARRY MAYNE**, Councillor, Narrandera Shire Council, and

**FRANK DYRSSEN**, Director, Technical Services, Narrandera Shire Council, sworn and examined:

**CHAIR:** I welcome witnesses from Leeton Shire Council and Narrandera Shire Council. Thank you for your submissions and for agreeing to appear before us today. It is important that smaller centres have a loud voice in this inquiry because they are the ones most impacted upon by the loss of aviation services. We thank you very much for your submissions and for taking the time to come to speak to us today. Invite one or more of you like to make a short opening statement before we go to questions.

**Mr McWHIRTER:** The Narrandera-Leeton airport is actually situated in the Narrandera shire but the Leeton Shire Council makes a contribution each year to its operating costs. It is based on about one third of the operating costs less depreciation. They contribute also to relevant capital jobs that pertain to the regular passenger transport service—for example, resurfacing the runway or something along those lines—in a 50:50 way. The airport is serviced by Regional Express airlines. The service is invaluable for our local community. It is something that we certainly hold dear.

There are three services per week day to the Leeton-Narrandera airport, and it drops back to about one service per day on weekends. It primarily services the business and social needs of the town—including educational needs such as kids going to boarding schools down in Sydney. It also helps those travelling for health services as local residents go up to Sydney for treatment et cetera. Frank will correct me if I am wrong, but the services are linked with Griffith Airport. Services either go from Sydney via Leeton-Narrandera and then on to Griffith or from Griffith to Leeton-Narrandera and then onto Sydney. Not all the services to and from Griffith do that. A number of services go directly from Griffith to Sydney. I think passenger numbers for those services are around 60,000 per annum. Passenger numbers for services to Leeton-Narrandera are about 12,000 per annum.

**Mr PEARSON:** Yes, it is 12,000 per annum.

**Mr McWHIRTER:** Our nearest airports are at Griffith and Wagga. Griffith is about 60 kilometres away so it is a drive of about 45 to 50 minutes I guess, because the airport is on the other side of Griffith. Wagga would be 140 kilometres from Leeton and you would be looking at a good 1½ hour drive from Leeton to Wagga airport at a minimum. So the Narrandera-Leeton Airport is pretty important. Its physical location is five- to 10-minutes drive from Narrandera and about 15 minutes from Leeton.

**CHAIR:** Would anybody from Narrandera Shire Council like to make a short opening statement?

**Mr MAYNE:** I would just add that one of the services, the one late in the afternoon, actually stays in Griffith overnight. It begins in Griffith and comes back to Sydney via Leeton-Narrandera.

**CHAIR:** You mentioned the 12,000 passengers per annum. What is the combined population of Narrandera and Leeton?

**Mr McWHIRTER:** The population of Leeton shire is 11,500.

**Mr DYRSSEN:** The population of Narrandera shire is 6,000.

**CHAIR:** So you must have some pretty good travellers in your part of the world given your annual passenger figures. I guess that comes as a result of having that air service. Obviously a lot of towns with that sort of population density are having difficulty maintaining an air service.

**Mr McWHIRTER:** I guess our distance from Sydney in terms of where we are physically located makes the use of air services inviting for people. We are a good six-hour drive from Sydney and a good five-hour drive from Melbourne. So it is probably that vast distance which makes air services attractive.

**CHAIR:** There are plenty of other towns, though, that far from Sydney that have lost their air services, just the same. In the submission from Leeton Shire Council it states that the licensing systems need overhauling. Could you expand on that comment for us?

**Mr McWHIRTER:** My understanding of the licensing system is that the Leeton-Narrandera route is a regulated route—as opposed to the Griffith air service, which now has passenger numbers which have made it deregulated. Our view is that the protection of the current airline that services Leeton-Narrandera is pretty important. My experience is that, in the aviation industry, there are not a lot of other participants knocking on the door. So, whilst it sounds like a good idea, creating an environment that might increase the competition faced by the one player actually may not be a good idea. If it resulted in Regional Express having to make some hard decisions and pulling out of the route then that would be disastrous for our towns. Our view is that, while lack of competition or whatever you want to call it might cause the airline ticket price to be a bit higher than average, the flow-on effect of having that service for the region is critical.

**CHAIR:** The submission from the Narrandera Shire Council stated that small-scale operators have been resisted by the community. This issue came up in discussions with previous witnesses. Do you think that if some of those smaller operators or smaller aircraft, in particular, were to operate out of your airport then people would prefer to drive to Griffith or Wagga in order to catch a flight?

**Mr MAYNE:** Personally, I would say no. The people flying out of Narrandera-Leeton Airport want to go to Sydney for the day. The last thing they want to do is to get in the car and drive to Griffith first, and then have to drive back home at the other end. They would not come back on the same day. It would be a non-event. Years ago a small operator did try a charter operation from Narrandera-Leeton Airport to Melbourne. It failed due to lack of numbers. It was a Piper twin engine. Having a small aircraft really did not make any difference. Rex came up with the Saab 340 aircraft. It is a very economical aircraft, and that is one of the reasons why the route is so viable.

**CHAIR:** The submission from the Narrandera Shire Council talked about baggage screening being too expensive. Could you just expand on those comments and explain that a bit more?

**Mr DYRSSEN:** One of the concerns was that, due to passenger numbers, baggage screening might be mandated. That would be an additional cost for the Narrandera and Leeton councils to bear in operating the airport. At this point in time it is not a requirement but should it become a requirement there would be a concern as to who would pay for it.

**Mr MAYNE:** It would require more staff at the airport as well.

**CHAIR:** It is an issue that a lot of people have raised, particularly in relation to the smaller operators operating out of bigger airports such as Wagga. Wagga has a very good system here where they bypasses screening requirements for the smaller operators but the large operators have to go through the screening system.

**The Hon. MICK VEITCH:** How many staff work at the airport?

**Mr MAYNE:** When aircraft come in, there are two staff members behind the counter and one baggage handler.

**The Hon. MICK VEITCH:** Are they council employees, are they contracted out or are they the responsibility of the airline?

**Mr MAYNE:** I believe one is internal and one is a Rex employee.

**Mr DYRSSEN:** They are the responsibility of the airline. Council has one air side reporting officer who runs the airport and we have shift coverage for weekends.



**The Hon. MICK VEITCH:** When it comes to the landing fees, what is the formula for developing the landing fees? Do you review those annually as part of the management plan?

**Mr MAYNE:** It is hard to know where it all began. Currently we do not actually charge a landing fee as such; we charge a passenger fee.

**The Hon. MICK VEITCH:** So that is per passenger?

**Mr MAYNE:** Yes, it is per passenger. For 2014-15, I believe it is about \$9.30 per passenger.

**The Hon. MICK VEITCH:** How did you come up with that number? Is there some sort of calculation that takes place for all of the costs of the operation of the airport and maintenance?

**Mr MAYNE:** That is not my area of expertise. I will ask somebody else to answer.

**The Hon. MICK VEITCH:** I will explain my question. We are having a degree of difficulty coming to a landing, no pun intended, on how these landing fees are actually developed. We have received testimony, from one of the airlines in particular, that the airlines want an independent body to step in to arbitrate and to establish what these fees are. They think the councils are not being upfront about it. We are trying to find out more. Today we have had three different responses. If you could help us out, that would be helpful.

**Mr McWHIRTER:** I think historically they have been driven by whatever figure has got to whatever. When we sit around the table and make our submission to Narrandera about what we believe the regular passenger transport [RPT] fee should be per annum we are very alert to the fact that Rex are putting pressure on us at all times not to raise that landing fee or the passenger fee. As such a small player in the market we do not want to put anything in place that potentially could jeopardise it.

Narrandera is really weighing up what the total cost of operating that airport is but really keeping it at bare bones. Our philosophy is not to spend large amounts of money on capital works that would drive up the price theoretically and what we need to return on that airport. The only method of really getting that return is by the landing or the passenger tax. Since I have been involved with Narrandera Airport it has certainly been that sort of philosophy. We really go for a minimalistic rise each year. It is basically consumer price index [CPI] rises.

**The Hon. MICK VEITCH:** I appreciate the risk of putting in place an impediment that would deter the operation. You just do not want that to happen. What you could do is look at setting your inputs into the calculation, that is the fee, and then whatever you charge below what you should be charging for the landing fee could be a community service obligation [CSO]. Could you use it as a CSO?

**Mr McWHIRTER:** There would certainly be that sort of calculation that could be done, that it is being subsidised by the council to ensure that the service is still there.

**The Hon. MICK VEITCH:** Do you bring that to account anywhere?

**Mr McWHIRTER:** No, we do not at this stage.

**The Hon. MICK VEITCH:** I would have thought it would add weight to the argument for councils if you are applying CSO.

**Mr McWHIRTER:** In our books it is just a straight loss, a cost, because we are making a payment toward Narrandera.

**The Hon. MICK VEITCH:** It has been put to us that the Independent Pricing and Regulatory Tribunal [IPART] may be able to look at it, much like the council rates scenario. The councils say that each individual airport is different and has its own nuances. You would put forward an argument to set your fee and then there could be the argy-bargy at the table with the operators. Is there a need for an independent arbiter, and if you think there is who should it be?

**Mr DYRSSEN:** I think it would be useful in setting the passenger fee. Currently, council makes a loss so council provides the airport as a service, although some services are charged for including hangar fees and

that sort of thing. I am not sure which body would be best to govern the setting of the passenger fees for all the airports. It could be IPART.

**The Hon. MICK VEITCH:** But you see that there may be a role?

**Mr DYRSSEN:** Absolutely.

**The Hon. MICK VEITCH:** What is the loss this year on the operation of the airport?

**Mr MAYNE:** It is \$163,966.

**The Hon. MICK VEITCH:** That is a fair bit of money to accommodate within the budget, is it not?

**Mr MAYNE:** It is two-thirds.

**Mr MAYTOM:** However, in saying that, I do not see that is a lot of money. Yes, we are from Narrandera but if you look at other services that we provide in our community as a public convenience and business incentives effectively it is miniscule to have something like that as that loss. We have a budget that we have to work with, but to me as a councillor and mayor that loss is sustainable and acceptable to our community for a service that we provide that allows us to develop industries and offer opportunities for people to travel to and from our region.

**The Hon. MICK VEITCH:** I am not disputing that but I think it should be brought to account as a community service obligation. That is a contribution that the council makes to its local community and it should be brought to account that way.

**The Hon. STEVE WHAN:** In one of your submissions there is the strong implication that you feel that your route is in some long-term danger. What is your reason for feeling that or are you just being careful? Is there any indication that the route is in danger?

**Mr MAYTOM:** We do not have anything on the table as such. I think it is just an impression that is out there that commercial decisions are made by the owners to determine the profitability of a particular route. All we want to try to do is make sure that we are playing our part to ensure that we try to maintain the service. There is no threat that I know of; however, there is no certainty in anything going forward. Where we sit, we do the best we can to maintain a service to our community the best way we can. But, no, we do not have any indication that I know of.

**The Hon. STEVE WHAN:** Do you get any information from Rex as to whether the route is profitable and how it compares to other routes?

**Mr MAYTOM:** We do but, in saying that, it is some years back since we had the presentation at Narrandera that I attended. There was no thought or no impression given to us that there would be any threat to the service based on the numbers and the calculations that they had worked out. The only threat that was really spoken about at the time was the carbon tax and the costs associated with that carbon tax. They did make mention of that. To some degree we felt that could be some issue going forward. They did do some calculations at the time in relation to what that cost would be. I am not sure how that has panned out because we have not had an update in the last few years. Those types of things do create a little bit of uncertainty with us when we see that a cost that was not normally calculated within their business plan is suddenly in there. I do not think we have had any other indication, have we?

**Mr DYRSSEN:** No. The mayor and general manager visited Rex's headquarters a couple of weeks ago and they discussed these things. There was not any indication that there were any immediate concerns about the viability of the route.

**The Hon. STEVE WHAN:** That is good. It was just the impression I got from reading your submission. In your submission you have talked about the fact that yours is one of the contracted routes from New South Wales but Griffith is not. Do you feel that having regulated routes helps you to keep it, or does it make a difference at all as to whether you keep a route in the long term?

**Mr McWHIRTER:** My view is that it does help, in this case, Regional Express commit longer term to that service. I think the licence is for a five-year licence off the top of my head. There is a fair bit of outlay that Regional Express—it sounds like I am working for Regional Express—must commit in establishing one of these routes. To force that onto an open market may mean that you have two competing bodies at each other, but I do not think long term there would be two airlines servicing an airport of Narrandera's size. I think that protectionism is warranted in such a critical—

**The Hon. STEVE WHAN:** Griffith is not a protected route, is it?

**Mr McWHIRTER:** Correct.

**The Hon. STEVE WHAN:** Given that the two of them link together, if another operator was to enter into Griffith and for some reason knock Rex out it would be difficult to see how they would sustain your route. Is it not an inconsistent policy to have one part of the route protected and one part not?

**Mr McWHIRTER:** That fear would always lie with us. If there was a second competing airline coming into Griffith and they went into a price war to scratch their feet in the sand and see which one comes out on top that if Rex, who have had some allegiance to country New South Wales and especially being a Wagga airline, were knocked out of that scenario then the alternate airline might not have that allegiance and so we could lose out down the track. My understanding, not that I am totally au fait with it, is that even though Griffith is deregulated I do not believe there are airlines banging on the door trying to establish themselves there.

**The Hon. STEVE WHAN:** I think it is a hypothetical question. There is a theme in your submission that the government probably should be more engaged in ensuring that regulated routes are sustained. Witnesses from the department were here earlier today. They said that at the moment they sign a five-year agreement with an airline to say they will have exclusive rights but there is no guarantee the airline will deliver those services in the long term. What else do you think the government should be doing to encourage those services?

**Mr McWHIRTER:** I think the criticality of it—and we touched on it in our submission—is accessing Mascot airport at this stage. If government can intervene there and ensure that that is still maintained for regional players that is the probably the most critical aspect. I guess the fear for regional New South Wales is if we got moved to Bankstown to free up slots at Sydney Airport for international players suddenly the attractiveness of flying from our region starts to diminish because you have got other time add-ons at the other end.

With every diminishing passenger number that occurs because of a decision like that the viability of that service goes backwards. Then, as the mayor spoke about, the commercial decisions are then made by the airline holders to determine whether or not to go on. There has been talk about that and certainly we have written letters to support Regional Express saying we really need to maintain the access to Sydney Airport, to Mascot. I do not know what legislative—

**The Hon. STEVE WHAN:** That is Federal. Have you done an assessment of who is flying on this route in general terms? Are they private business employees or government employees?

**Mr MAYTOM:** I do not know if we have got the numbers. We have spoken about this over the years. If you look at our industry, we have sent it out to SunRice and the citrus industry, the Warren Grapes people and the Riverina Beef abattoirs and feedlot that we have. We have contacted them to try to get an indication of the service needs for their industries. I do not have that before me here today but, effectively, we have done it in the past. That is why it has been important for us to ensure that we try to maintain the industries we have in our community plus on top of that build new industries, which we are doing.

The importance of this service really is based on the information that we have got back from those industries. However, there are a lot of educational people that use the service. There are also a lot of health people that use the service. There is a whole range of it. If you need, we probably would have the numbers from a few years ago. Mr Dryssen, do you know of any recent numbers we have on that?

**Mr DYRSSEN:** No, we have not carried out a survey.

**Mr MAYTOM:** But it is a good question because it is something that we are talking about right now to understand the impact if we did not have that service, as an example.

**Mr McWHIRTER:** I know at Griffith there was some attempt a few years ago, say a five-year horizon, to establish Rex flying to Melbourne. It did take it on and then pilot shortages led to it dropping its service and it is now out of the market and there is a smaller airline involved. But during that process I know Griffith City Council did do a survey to try to put some figures before Rex. I do not know off the top of my head but I could probably access that survey. I think that was Griffith to Melbourne but I am sure it would reflect exactly what was going on in the Griffith to Sydney market. From memory I would say it was around 70 per cent business travel or around that level.

**The Hon. STEVE WHAN:** If you could put your hands on that survey, it would be interesting for us to see it.

**Mr McWHIRTER:** Okay, yes.

**The Hon. STEVE WHAN:** What efforts have you made to develop alternative uses of the airport? Is there any prospect of freight or general aviation to help make it viable?

**Mr DYRSSEN:** We have seen some private hangar development for local companies. We have developed a master plan to further utilise the airport or developments in creating further hangar sites. We have not carried out any work in regards to providing those. We are waiting for the developers to come to us. We have recently decided to develop a website to promote the outcomes of the master plan and make it known to private industry that we have hangar sites available and would assist in apron extensions to make those sites accessible should someone want to develop a new hangar.

**Mr MAYNE:** With pressure being put on Bankstown, Moorabbin and Essendon from closure of development, there are a lot of companies looking for somewhere else to set up airside-type businesses. We have the room and the land. We have high-voltage power and high-pressure water. We have everything that could be required and we are looking to develop. This will happen over time.

**The Hon. STEVE WHAN:** General aviation has been squeezed out of airports like Canberra. I turn to the use of the airport by emergency services. When you had floods, did the State Emergency Service [SES] make much use of the airport or did they use other venues for their helicopter operations?

**Mr DYRSSEN:** The airport was used for helicopter operations to do flood monitoring. I am not sure whether there was air ambulance use, but certainly SES and Rural Fire Service helicopters were there.

**The Hon. STEVE WHAN:** Did they make a contribution towards the airport upkeep or usage fees?

**Mr PEARSON:** Yes, they did.

**The Hon. PAUL GREEN:** Does your master plan strictly cover aviation or does it cover an industrial area around the airport?

**Mr DYRSSEN:** It is strictly aviation.

**The Hon. PAUL GREEN:** Is there any reason not to have an industrial area around the airport?

**Mr DYRSSEN:** We have another industrial estate in town for general industrial use. A lot of the land around the airport is flood prone. There is a levee bank protecting the airside area. There is room within that to develop hangar sites. In regards to opening up a wider industrial zone around the airport, it could have some challenges.

**The Hon. PAUL GREEN:** I thought since you have high voltage and water it would be a good place to put an industrial area. Do you have a fly-in, fly-out mining services?

**Mr MAYTOM:** Not at this stage. There is a bit of talk about it.

**The Hon. PAUL GREEN:** I see \$163,000 not as a loss but as an investment, because of the social capital. What tourism numbers do you get through the airport?

**Mr MAYTOM:** We would need to look at the most recent survey information. I am reasonably sure that our tourism information centre has some information on that. Rather than guess at it, we will look at that. Over the years I have been involved in the council, there has been a lot of tourism but I am not sure where it is up to now.

**The Hon. PAUL GREEN:** Is the \$163,000 a paper loss or will you have to find money to cover it?

**Mr DYRSSEN:** Yes, that is a cash loss.

**The Hon. PAUL GREEN:** How will you absorb it?

**Mr DYRSSEN:** We fund operations from the council's general fund. Some of that would come through council revenues and some through the Federal Assistance Grant Scheme.

**The Hon. PAUL GREEN:** We have asked others about the 2.5 per cent rate cap. What is the actual cost if you were to put up your rates in real terms? Others said they would need to cover their assets and infrastructure by putting up rates about five per cent. What would yours be a part of the rate cap?

**Mr McWHIRTER:** We are still going through the development of our asset management plans, which will give us a greater indication of how far behind we are in bringing our assets up to a satisfactory standard. For the capital works programs we are doing at the moment, we do about \$8 million per annum. We could comfortably double that. In a perfect world, if the community could pay for it, we would probably need another 5 per cent on top. We would be looking for a 7 per cent adjustment.

**Mr MAYTOM:** Ultimately, without getting into that argument, we work within a budget and we calculate losses. It is a paper loss but a community benefit. The community benefit for me will always be paramount. There have been big losses, but I would hate to think that if we did away with rate pegging then suddenly all the people would have to pay when we can build it within our existing system and come out financially sound on a year-to-year basis.

**The Hon. PAUL GREEN:** You made a comment about not supporting Bankstown. What are your views on Badgerys Creek?

**Mr MAYNE:** Same deal. If it is going to take too long to get from Badgerys Creek to Sydney, regional airlines will lose a lot of passengers. It is only a five-hour drive from Narrandera to Sydney. If there was a fast rail track from there then that would be fine, but if there is not they might as well drive. The same deal with the hub. If the hub was in Canberra, you would have the same problem. The distance is not far enough between Narrandera or Leeton and Sydney to warrant having the breaks to get on planes. By the time you do that you could have driven halfway there.

**The Hon. PAUL GREEN:** The future view is that west of Parramatta is going to be the new central. I am amazed that the rural sector talks about flying to Kingsford Smith rather than somewhere closer to where the city is moving to accommodate the population in the long term, and certainly by the time Badgerys Creek is open for business.

**The Hon. MICK VEITCH:** Here is the deal: those of us who live west of the Dividing Range will land at Kingsford Smith and the guys at the coast, at Shoalhaven, can go to Badgerys.

**The Hon. PAUL GREEN:** We can go anywhere because we have to drive. We have heard from the rural sector that they want to fly, but I would think with the way things are moving Badgerys Creek would be better placed than Kingsford Smith.

**Mr McWHIRTER:** If that does eventuate, the discussion would be on the table but primarily our business is in the Sydney central business district. It depends on the time frame.

**Mr MAYNE:** It also depends where other flights are going to go to—flights to Adelaide, Queensland, international flights. Will they go from Badgerys Creek or Sydney airport? If they are going from Sydney nobody will go to Badgerys Creek and cart their luggage to Sydney.

**The Hon. PAUL GREEN:** Distance and efficiency seem to be the issues. Leeton Shire Council mentioned price control and airport charges imposed on regular passenger transport providers. Do you have suggestions on how to regulate this or who would oversee it?

**Mr McWHIRTER:** That was in the question about IPART's involvement. It is complicated for IPART because each airport has its own capital needs or replacement situations. Narrandera-Leeton Airport is pretty low key, with a simple terminal and a non-hot mix runway. It is not extravagant to fix that on an asset management plan compared to a bigger airport with substantial terminal capacity, duplicate runways and a number of large capital items it needs to replace. There would have to be some pricing model based on the capital costs of the airport and the entitlement to some sort of landing fee. That sort of model could work. Once the approach is standardised, IPART could determine a satisfactory increase each year. That would take a lot of heat out of the argument. From our perspective it is hard to debate with Rex about increasing our landing fees to cover of that \$160,000 subsidy/loss. Whenever I have dealt with Regional Express about negotiating landing fees, it has felt like they have the upper hand. They have obviously submitted something else, but an independent arbitrator in that regard would not be out of line.

**The Hon. PAUL GREEN:** If you were writing the recommendations, what would you like to see in this report?

**Mr McWHIRTER:** I would like to see some surety about Kingsford Smith access, primarily, at this stage and the regional airlines still utilising Kingsford Smith. That would be our number one. There has to be some sensitivity given to the regulation of small routes. That would go against most ways of dealings within the commercial world, but there needs to be some protection and that would be critical for our airport at this stage.

**Mr MAYTOM:** We talk about regional development and getting growth in rural sectors, yet it is difficult to attract business and development to our region. Every businessperson I speak to looks at services we offer. We cannot control regional development, but the aspect of service is a big part of the opportunities businesses see when they look at different locations. They factor in a whole host of things offered in our region, and one of them is an air service. It would be interesting to look at the surveys and get an indication of where they are placed today and where they see the future. We have a lot of value-adding industries in our region. In our submission you will see the manufacturing jobs we have. We are trying to build on that and are doing a pretty good job of doing so, but we have a reliance on the commercial decisions made by big companies in looking at services offered in our region. It is vital we continue to maintain our air service.

**CHAIR:** Can I go back to the \$163,000? It is interesting when you work that out per head of population; it is only about \$10 per head of population per year that are making a contribution to sustaining your airport. I do not know how many rateable properties you have but it is probably in the order of \$20 or \$30 per rate notice that is the cost to the ratepayers. Are ratepayers aware that they are paying that and, as a community, do you think that they would actively support it if it was questioned?

**Mr MAYTOM:** I think if we went down the line of the abolition of rate pegging we have to then look at a whole host of things that would give information on what we need to service what in our region. At the present time there are many people in our region that are not using that service; the average person does not; it is more business people, health purposes and education people who use it. I just do not know the answer. If we put that out to the public to say should they be paying \$20 or \$30 or what is it going to be, I am not sure if we would do that.

**CHAIR:** Anybody who could read the financial statements—

**Mr MAYTOM:** You are right; there is no doubt about that, and I argue the case all the time. It is very difficult for the average person to fully understand what they are contributing to. I think we need to be clear and concise if we are going down this path to see if there is any real threat or a real opportunity up there. It probably would be in our best interests to get a feel from the community to understand maybe what is acceptable and what is sensible. It could be a way to look at something.

**CHAIR:** It is a funny thing to note people's demand that governments of all levels provide services for this and services for that but when you turn around and say it is going to cost this much money, how are we going to pay for it, they tend not to acknowledge that the money that councils and governments have is, in fact, their money and the elected members are charged with pointing it in the right direction.

**Mr MAYTOM:** I think you probably have a good point there. We probably put it out to the public in relation to our Roxy Theatre, our swimming pools and our sporting ovals and all that as, effectively, what that income, the revenue, and what the losses and the costs are—we do that now. What you are saying is probably we need to look at this more realistically down the track and possibly we should be just getting a better understanding of what the community sees is a real need and, effectively, what they may be interested in putting in as a dollar value to it. It could be something that we look at.

**Mr MAYNE:** If you pose the question the other way around and ask the people in your area, "Do you want us to close the airport?" you would get 100 per cent saying no, they want to keep it open.

**Mr MAYTOM:** They were going to close the Roxy Theatre. We had a public meeting and we had a Roxy Theatre Committee. That cost us about \$280,000 a year or something like that for a loss, if you like, of a community benefit. There is an example of the path we went down there.

**CHAIR:** Is the airport based on the old military base?

**Mr MAYNE:** Yes.

**CHAIR:** My father trained there during the war. He went back there a few years ago; they had a reunion in Narrandera. I guess that is a source of tourism income area when those sorts of things happen.

**Mr MAYNE:** Yes, it is.

**The Hon. MICK VEITCH:** You are right: if you lose an air service—when I was at Young Shire Council just after the Monarch air disaster, we lost ours and never got it back—it is very difficult to get them back, but then you have maintenance of infrastructure that is rarely used, so you have got to pay for it anyway. The en route subsidy that were talking about, the rebate, people keep saying they want it and we are talking about how it would work, what sort of criteria you would put around it if you were to recommend the reintroduction of some sort of a subsidy. Your scenario is quite unique in that because of the loop arrangement with Griffith there is the possibility, for instance, that your communities would meet the eligibility so passengers out of your airport would be eligible for an en route subsidy and those that catch it from Griffith would not. Do you have any views about what criteria should be put around an en route subsidy rebate if it was to be reintroduced?

**Mr McWHIRTER:** We like that philosophy.

**The Hon. MICK VEITCH:** I am not saying that is what we are recommending. I am trying to get an idea of what people think it should look like.

**Mr McWHIRTER:** What is it based on distance from—from metropolitan centres or something like that?

**CHAIR:** Aircraft weight it was based on. The SAAB 340s attracted it and the Dash 8 Q200s did not.

**Mr MAYTOM:** So you have got no answer?

**The Hon. MICK VEITCH:** If you could take that on notice and go away and have a think about it. We need to get some ideas about what people think it should look like: one, if it should come back; two, if it does, what it looks like and what sort of ceilings and arrangements are around it so that it does not explode. The issue with your particular flight circuit is that it could well be your communities would be eligible and Griffith would not, so you would have passengers on a plane maybe attracting the subsidy or the rebate and some not.

**Mr McWHIRTER:** Yes. The en route subsidy was going directly to the airline, to Regional Express.

**The Hon. MICK VEITCH:** If you could take that on notice? The last question is on the tarmac. The last time it was resealed how much did it cost?

**Mr PEARSON:** Just on \$200,000.

**The Hon. MICK VEITCH:** And that is because it is not hot mix?

CORRECTED

**Mr PEARSON:** That is correct.

**Mr DYRSSEN:** It is spray-sealed.

**The Hon. MICK VEITCH:** On really hot days in the middle of summer are there any issues around the tarmac? Is there any bleeding or stuff like that that occurs?

**Mr PEARSON:** A small amount but not a great deal. We are fairly lucky that way.

**The Hon. MICK VEITCH:** How regularly do you have to undergo that sort of maintenance on the tarmac?

**Mr PEARSON:** I guess every 10 or 12 years.

**CHAIR:** We are out of time. Thank you very much, gentlemen, for your very valuable submissions and evidence today. You did take a few things on notice. The secretariat will be in touch with you to advise you of that. There may be other questions from committee members that we will put on notice too. If you could respond to those within 21 days after you have heard from the secretariat.

**(The witnesses withdrew)**



**JULIE MARIA BRIGGS**, Executive Officer, Riverina Eastern Regional Organisation of Councils, and

**STEPHEN PROWSE**, Manager, Commercial Business, Wagga Wagga City Council, sworn and examined:

**CHAIR:** Would one or both of you like to make an opening statement before we start the questions?

**Mrs BRIGGS:** I have been before similar committees but to refresh the Subcommittee: The Riverina Eastern Regional Organisation of Councils is a voluntary strategic alliance of 13 councils located in the eastern Riverina. We cover an area of something like 45,000 square kilometres and a population of 140,000 people. In our region there are two regional airports, one at Wagga—which is the one I am most familiar with because it serves the bulk of our region—and one at Albury, which serves the southern part of our region. We are appearing before the Subcommittee today because regional aviation is incredibly important to the member councils and the communities that they represent in our region. With only two airports servicing 45,000 square kilometres, it is fairly significant that we continue to retain those services. We believe that it is important—not just to the economic growth of our region but also to the social viability of our region—that people be able to get to our capital city easily. We are fortunate in Wagga in having a number of flights a day and being serviced by two airlines to get to Sydney and that we also have a service to Melbourne, which is vitally important as well.

So first of all, the economic and social significance is very high. We have also had an added spin-off in the region around the growth of aviation industries. It is somewhat surprising to find that in a regional area we have so much aviation happening, not just in Wagga but in Temora where we have the aviation museum. Temora has built a housing subdivision there that includes facilities for hangars for planes, which has sold out. There are people using the regional airport there for that and that has caused a growth in aviation. They also undertake small aviation repairs there, which supports, we would suggest, further passenger transport in the region. So that has been fabulous. Until recently, I think Cootamundra was the only place in the southern hemisphere where you could get your Bell helicopter fixed. So we have had quite a strong economic imperative around aviation in our region and one we would like to see continue.

For all of our communities we want to make sure that we continue to have access to Kingsford Smith Airport. I have no doubt you have heard this over and over again today. It is the great fear of regional communities that we will be bumped out to Bankstown or somewhere else. It is a fear that grows, in part, because Kingsford Smith Airport these days is more like a shopping mall with planes. As a consequence, it seems to be going towards a question of: What kind of return are you getting per square foot or square metre? Let us be honest, in a regional airline the return on a per square metre basis is nothing like it is for a national or international flight. I think that always puts us at risk. It is also not only important that we get access to Kingsford Smith Airport but that we get access to Kingsford Smith Airport at peak times.

There has been a protocol in place where regional slots have been ring-fenced, to ensure that we get access to Kingsford Smith during peak hours. For instance, if I have a meeting in Sydney at 9 o'clock, I can get on a 6.30 a.m. plane here and I can be in the middle of Sydney by 8.15 a.m. So that kind of accessibility is really important, if you want to live and work in a regional area. So high on our agenda is, not just access to Kingsford Smith but access to Kingsford Smith in a timely fashion that allows us to do business that is affordable.

**CHAIR:** Mr Prowse, would you like to make a short opening statement as well?

**Mr PROWSE:** Yes, I will make a brief statement. It is important to state at the outset that Wagga Wagga City Council very much understands the importance of regional aviation. We understand what is involved in operating a regional airport; we also understand some of the pressures that regional airlines face. And we take a very conciliatory approach to our discussions with regional airlines, including QantasLink and Rex in particular, not just in terms of setting passenger charges and other charges that may at times need to be negotiated or discussed but also in terms of the ongoing operation of the airport, from a safety and security perspective and additionally, in terms of the airport's importance as an economic enabler to our region. Our airport—going back 10 years—was predominantly about transporting passengers, as most regional airports are. It probably remains the primary objective and primary importance of our airport.

However, we have also taken our airport from the perspective of an economic enabler and Council has invested in excess of \$20 million into the development of the airport over the last five to seven years. That development has provided significant benefit to both those regional airline operators. It has also provided a mechanism and the infrastructure to enable additional revenue sources to be generated from the airport. It

creates employment, it creates economic development and we have provided a foundation now to take aviation from where it is currently at in Wagga—and it is significant—to another phase of growth over the next ten to 20 years. Just to quickly review that: Employment through aviation in our region—aviation contributes about 4.6 per cent to jobs, so almost five out of every hundred jobs in our region are through aviation, either directly or indirectly. Aviation contributes about 4.8 per cent of our gross regional product, so it is a significant sector for us and we are very much focused on that importance. We take a partnership approach with both airlines, so nothing that we do is done in isolation. We engage with airlines and with other stakeholders, including the Department of Defence and Government departments in our decision-making processes.

I will paraphrase the four key messages from our submission, and I will mention a couple of other things that I wanted to get across, in case they do not come up in questioning: The first was that the New South Wales Government works collaboratively with the Commonwealth Government to reintroduce the en route rebate scheme and I am sure you will have some questions on that. That needs to be done as a matter of urgency. Secondly, that the New South Wales Government commissions the development of a New South Wales aviation strategy and that that strategy leads to airport-specific funding. Thirdly, that the New South Wales Government and the Federal Government work collaboratively to reduce the cost of regulatory compliance. We have heard it before, that a one-size-fits-all approach to aviation security or aviation safety is not the right mechanism for growing regional aviation. Fourthly, that the New South Wales Government works to ensure continued access, as Julie said earlier, to Kingsford Smith Airport. And fifthly, that regional airports do not hold monopoly power, particularly in setting airport charges. I wanted to make that statement.

Elasticity of demand for airline travel is one thing that is discussed in great detail and comes across in media releases by the airlines. I can tell you, regional airports do not hold monopoly power. If an airline decides to stop operating at Wagga airport tomorrow they can fly their aircraft out of here and we are left with an airport with no operations. That is not a reality for us, but for a small regional airport it certainly is. So, the monopoly power or the market power, is held by the airlines so that, if passenger charges are set at a level that they consider too high, then the approach that is taken is to say: Well, why shouldn't we start operating at another route that is more lucrative than yours where the charges are not so high? In a nutshell, that is my introduction. Thank you.

**CHAIR:** Thank you for those submissions and for your opening statements. Ms Briggs, you mentioned in your submission about the hub and spoke models. Do you see that they are an effective method of expanding the aviation services in the Riverina?

**Mrs BRIGGS:** I think the dilemma always with aviation is the cost of operation, and the operating airport and the cost of running the service itself. So we are always looking to find ways to make it more cost effective and looking to explore ways that we might be able to do that. We have got communities now that are traveling. Bland shire would access the Wagga city airport and it is an hour and a half's drive for them. I regularly have people traveling from Cootamundra. So it is quite an impost to them in doing that. I am not quite sure about the hub and spoke. I think it is vitally important that regional airports such as Wagga Wagga, Albury, Narrandera and Griffith remain accessible for all our communities. Also, in defence of those councils that have them, this is a regional resource, which effectively is being supported by a single local government entity. To that end, I think there is an argument to be had around whether the State should be putting a little bit more of the cost of running these regional resources in the interests of achieving balanced State development. I think all of us recognise that without access to regional airports the opportunity for any kind of economic social development would be extraordinarily difficult.

At the moment we rely on council—the Wagga Wagga, Leeton-Narrandera and Griffith arrangement—continuing to invest in their regional airports to provide a benefit for the entire region. I question whether there is not a role, given there is virtually no public transport at all in regional New South Wales, for the State to play in providing financial assistance to those councils to continue to offer regional services the way they are. In my experience, what happens is that each of those councils is then lobbied fairly hard, and I can understand why, by the airlines themselves to lower landing charges—what are you doing for your community and all those kinds of things. But, again, it is very expensive to run an airport and the question is, Should a single council bear the cost of providing what is a regional facility in areas of the State that are so remote from the capital city that without it we would be set adrift?

**CHAIR:** You mentioned financial assistance. Have you any thoughts on what sort of format that should take?

**Mrs BRIGGS:** To be honest, no I do not. But I would have to say that the landing charges issue seems to come up over and over. Finding an equitable place where the council that is funding the service can fund it appropriately without dipping into ratepayer funds constantly to make it work and what the airline can bear, there must be something, I think, in that space that needs to be done. Also, there is the issue of lumping infrastructure that has to go into airports. When you are resurfacing the tarmacs, the hard stand areas, those kinds of responsibilities are very resource intensive. There should be a role there for the State to play in providing some kind of financing for that. I would suggest grant financing, but some kind of finance towards that, or partial finance. Expecting councils to find that kind of money in the current environment with so many competing demands is very difficult. What if tomorrow Wagga Wagga decided it was just too expensive to run the airport? I am not suggesting it would. What would we do then?

**CHAIR:** What are the funding arrangements for the airport here? Obviously, landing fees are a component, but there also is a lot of business interest for which I presume you charge rent or some sort of lease fee to gain income from as well as from the Air Force. Can you give us an idea of the sort of percentage of your airport income is derived from those different sources?

**Mr PROWSE:** In terms of the different categories of revenue, certainly our passenger charges are well and truly our highest revenue source. As you pointed out, we derive revenue from businesses through rentals and other means. We have landing charges. We do not apply landing charges to RPT operators. Just to clarify our position in regards to landing charges, we charge per passenger departing or arriving. There is no landing charge for RPT as I said and we do not charge any additional rentals or any other charges to RPT. One charge covers everything. That includes all the space they have in the terminal, the baggage space, offices, so on and so forth. This year we will derive around \$250,000 from our public car parking, which supplements the passenger charges. The approach we take is to try to grow additional revenue streams to take the pressure off the passenger charges.

So using a user-pays model, we can try to reduce the need—it is a bit of an oxymoron—to increase passenger charges wherever we can. Our passenger charges—to go off on a bit of a tangent—for a number of years were locked into an agreement. Effectively, our passenger charge was set at \$9.23 and we had in place a growth arrangement with both QantasLink and Rex, which was a mutually agreed arrangement whereby the passenger charge was reduced initially by 75 per cent once they reached a certain number of passengers per airline and reduced by another 15 per cent to 90 per cent reduction once they reached the second threshold. That was to try to grow the market.

Over the last five to six years incrementally those thresholds have been adjusted to increase our total revenue. Nevertheless, that is a mechanism that we certainly would be interested in discussing with the airlines, if we could put in place a push target that was difficult to achieve but once achieved they got a substantial benefit from it. In terms of our total revenue, our passenger charges are in excess of 80 per cent of our total revenue. Our charges for security screening are not included in that calculation. As you probably are aware, we screen QantasLink passengers and baggage at Wagga Wagga, we do not screen Rex passengers. We do screen Rex baggage. All baggage that is going through the operational periods is screened. We pass on the cost of screening to QantasLink on a dollar-for-dollar basis.

As we are invoiced by our security screening provider, we pass that invoice cost on to QantasLink. We absorb a significant amount of cost in providing security screening, and that is an additional cost for which, to date, we have not increased our passenger charges to recover. I guess in summing that up, passenger charges due to the broad base that we have is always going to be our greatest—always is a long time, but into the foreseeable future—revenue stream. We certainly take an approach of trying to grow other revenue streams wherever we can, as do a number of other regional airports I can quote.

**CHAIR:** Does the Air Force pay a lease or some sort of arrangement fee?

**Mr PROWSE:** No. That is a good question. We lease the airport from the Department of Defence. We operate under a head lease. We pay a base rental and then we pay a turnover rent, once either expenditure or revenue exceeds \$1 million, which it did several years ago. We paid an additional 4 per cent of total revenue or total expenditure once that threshold was reached. That is a significant operating cost for us in itself. I guess we are a little different to the majority of regional airports in that regard. Most regional airports, as you would be aware, were handed over to the local government authority under the ALOP scheme. We took on all these instead. I can think of one time in the last seven years where Defence has contributed to operational costs. That was a road they used and had caused damage to. Over and above that, we maintain all the infrastructure and,

indeed, if we had operated at a loss in any particular year, not only do we pay for that maintenance, we also pay an additional 4 per cent of rental for the cost of it. Just on the question of Defence, we do get revenue from Defence landings. That is under the AAA agreement, which is a weight-based landing scheme.

**The Hon. MICK VEITCH:** Was an opportunity cost built into that lease? Was it an as-is condition or did Defence have to provide infrastructure for the council to take on the leasing of the facility? How did you start the process?

**Mr PROWSE:** I think \$2.5 million was put into resurfacing some of the pavements at the time we took over the lease or just prior to. Since then there has been no contribution to any capital expenditure.

**The Hon. MICK VEITCH:** I presume you heard earlier testimony as I noticed you were in the visitors' gallery. I am keen to get your views particularly about the suggestion of the need for an independent arbiter to establish the landing fees and passenger-fee arrangement at council-operated airports. What are your views on that?

**Mr PROWSE:** Again, just to make a general statement, a one-size-fits-all approach to any situation like this is never going to be ideal. Having said that, I think there are some very good models out there for determining charging. We in fact use a model that is based on the regulated asset pricing model. I know Qantas actually uses a similar model known as the building block model. We began using that model three years ago now to determine what our passenger charges should be set at. There is a high, medium and low scenario. Based on those calculations, which we do each year, our passenger charges should be significantly higher than they are. Nevertheless, we take a different approach. We know what that model says. Perhaps one day we will achieve it. At the moment it is just not viable to expect the airlines to contribute such a significant amount.

What we have done in the past, and I think most local government-operated airports are going to be in a similar situation, when they first took over operation of the airport a landing charge would have been negotiated or determined at that point, and then each year through setting fees and charges there would have been an incremental increase, whether it is CPI or at times a step change. We have taken a very similar approach. Our fees and charges, despite the fact that in terms of operations, passenger numbers and flight movements, and the level of business activity that we have at Wagga Wagga airport, we are one of the largest regional airports in New South Wales, remain amongst the lowest. That is not a sustainable situation.

Over the last few years we have been working to increase our passenger charges to make up that shortfall. Getting back to your question, I think a consistent approach taking into consideration the specifics of each individual airport. What works for Wagga Wagga may not work for Griffith, for example, or Albury. However, the model itself should be able to be adapted. I am not saying necessarily that that is the approach to take, but having been through that process myself for Wagga Wagga, I can see some benefits in it, absolutely.

**The Hon. MICK VEITCH:** It appears that the model used by Wagga Wagga City Council is more sophisticated than others. Do you have some detailed data that you can provide the Committee as to how you go through that building-block process?

**Mr PROWSE:** Certainly.

**The Hon. MICK VEITCH:** I am keen to see how you do that because, clearly, it is more sophisticated than what we have heard from others.

**Mr PROWSE:** Absolutely.

**The Hon. MICK VEITCH:** Mrs Briggs floated an idea that the Subcommittee has not heard before that maybe somebody else should operate airports rather than councils.

**Mrs BRIGGS:** Did I say that?

**The Hon. MICK VEITCH:** I thought you floated a suggestion that maybe Wagga Wagga City Council might one day—

**Mrs BRIGGS:** One day walk away—what will we do then? Yes, okay.

**The Hon. MICK VEITCH:** Can I draw on your comment and ask what the view is of Wagga Wagga City Council? Do you think councils have a role in operating regional airports or should someone else operate them?

**Mr PROWSE:** I think local government authorities, having now operated their airport for a significant period of time, the majority of those particularly at the larger centres, have the necessary expertise. I guess based on safe operation and sustainable operation they have shown that they can do that. I think Julie may have picked up on this statement, and we have made a similar statement, that local governments really need to be in charge of their own destiny when it comes to something as important as an airport. It really is a critical piece of infrastructure, there is absolutely no doubt about that. My view is that airports should definitely remain in the operation of local government authorities.

**Mrs BRIGGS:** Given that there is no public transport really in regional areas I think it is important that airports stay in public hands. My question is if Wagga Wagga finds it is not sustainable nobody else will find it sustainable to run either and that is the issue. The concern always with regional operations is how you make it stack up so any council is not bleeding money providing a service that is an essential service because without it, it would be so difficult to do business. What is the role of State ensuring that we retain an essential service so that does not become a burden on local government to make sure that its communities can continue to connect with capital cities?

**The Hon. MICK VEITCH:** That is assuming that every community has an aerial service?

**Mrs BRIGGS:** They do not.

**The Hon. MICK VEITCH:** Therefore, is an airport a burden? Earlier the Subcommittee has heard testimony from councils—they may actually be a part of REROC—who said their contribution is not so much a loss but it is more a community service obligation to provide it. They see it as a service to their community. I think that is a different approach. What is the view of Wagga Wagga City Council that operates the airport about whether the en route rebate should be reintroduced? If it is reintroduced what should this animal look like?

**Mr PROWSE:** I think quite strongly the en route rebate scheme or a similar scheme needs to be introduced sooner rather than later. We are aware of the number of regional airlines that have failed recently and those airlines, or airlines that are looking to grow in regional Australia, and particularly to introduce new routes, in the start-up stages of those operations particularly are going to need some assistance to get those operations off the ground and to keep them operational in that critical period of say, three to five years when they first start operating. The reality is local government does not have the financial capacity to provide that on a community service basis.

You can look at the operations or you can consider grant funding for capital expansion, for example, whatever is the situation, airports are always competing with other council facilities whether they be roads, new bridges, bridge replacements or whatever. When a grant funding package becomes available airports are often the last asset considered for that funding because they are viewed as a business, as they should be. They generate significant income. They often house businesses and provide essential community services but they also generate income. They are capital intensive businesses but community, through rate funding, local government authorities simply do not have the capacity to operate.

Five or six years ago Wagga Wagga Airport had a reserve of about \$5 million. That reserve had been built up over time and at that point in time it was viewed as being enough to provide for future maintenance and capital expansion. We are now in a situation where we have borrowed several million dollars and this financial year we will pay about \$650,000 in interest expense. Our reserve at the end of this year will have a balance of about \$50,000. It will probably return a small loss on operations.

**The Hon. MICK VEITCH:** Are those details available to the Subcommittee?

**Mr PROWSE:** I cannot give you the details on the final position for this financial year until we get there. I can give you some interim figures most certainly and the reserve balances. If you interested I also can give you a 10-year financial plan for the airport.

**The Hon. MICK VEITCH:** Yes, thank you.

**The Hon. STEVE WHAN:** Why would any government put in funding for an en route rebate for airports like Albury and Wagga Wagga? Albury has the third biggest patronage of a deregulated route in New South Wales and Wagga Wagga is the fifth. Surely if they cannot stand on their own two feet then there is not much point in being involved in the process.

**Mr PROWSE:** It is a fair comment. The en route rebate scheme is paid to the airlines. Previously Regional Express, for example, I think got somewhere around \$6 million from the en route rebate scheme. Whilst that was not attributed directly to Wagga Wagga it certainly helped that company's viability and in doing so the benefits spread across its entire network in some way, shape or form.

**The Hon. STEVE WHAN:** Regional Express told the Subcommittee that for a route to be viable it needed 30,000, was it?

**The Hon. MICK VEITCH:** Thirty thousand.

**The Hon. STEVE WHAN:** You have 179,000 coming in service by two airlines and that is not an indication of a route which is in danger of losing its service, is it?

**Mr PROWSE:** We are not in danger of losing our services, no. We have got that critical mass to sustain those operations as long as there is an airline there to support it.

**The Hon. STEVE WHAN:** Albury as well, from the point of view of the REROC, nearly a 240,000 annual patronage with three airlines servicing, is hardly a route that needs to be propped up by government, is it?

**Mrs BRIGGS:** No, but a couple of things. My understanding of the en route rebate is it is about growing new services and supporting those and we would support any kind of expansion. There has been a lot of talk over the years about a route between Wagga Wagga and Canberra, for instance. That would never happen without some kind of—

**CHAIR:** I want to clarify that comment the en route charges were not for specific routes. It was made for the smaller airlines to underpin their viability.

**The Hon. STEVE WHAN:** The point is if you were designing something from scratch which would help new routes then that is not a particularly targeted way to do it, is it? Surely if you were to design a system which helped you to go into smaller centres which may be in need of a service then you would be better off doing something which targets the route, I would have thought.

**Mr PROWSE:** It is a fair comment. I think it needs to be considered on a case-by-case basis. As Ms Briggs pointed out for a new route, for example, as I discussed previously starting up a new route for an airline is a risky situation. They do not know what the patronage will be, it is costly to get that established and in those first few years I think it is critical that those routes are subsidised. Once they start to generate additional growth in passenger numbers, and it is a proven model for the airlines, perhaps then the subsidy can be considered to be withdrawn from that particular route, if you are looking at that model.

**The Hon. STEVE WHAN:** You and other people before this Subcommittee today have advocated the reintroduction of the en route rebate, which I took to mean in the same form as it was.

**Mr PROWSE:** Potentially the same form or some derivation of it. I think given that we are starting without any scheme it is a prime opportunity to reconsider that. Having said that, when I said it needs to be considered on a case-by-case basis, if you look at one regional airport like Wagga Wagga that last year had about 207,000 passengers in total, including Sydney and Melbourne, compared with an airport, say, on the east coast which has significantly more passengers, look at the bottom line. Where is the revenue going? What is the total cost base? Is that a sustainable operation for that local government authority?

**The Hon. STEVE WHAN:** I have taken your points about the profitability of the airport. You are saying you may make a small loss on operations this year and you have run down your fund. I also understand you have invested in a runway upgrade in the past few years which is a pretty significant long-term investment, I would have thought, and quite appropriate to run down your reserves to undertake that.

**Mr PROWSE:** I absolutely agree. We resurfaced and strengthened our runway. In 2010 we widened the main taxiway to accommodate the Q400. At that point in time we had to widen it to 18 metres due to the regulations in place at the time and the categorisation of the Q400 aircraft which has now been categorised at a slightly lower categorisation. We invested about \$7 million into that upgrade. The reserve simply was not enough for it. The runway at the time was starting to deteriorate rapidly so it was a situation where we had to do that.

**The Hon. STEVE WHAN:** But it is a reasonable investment in the business?

**Mr PROWSE:** Definitely a reasonable investment and without it the airport stops operating.

**The Hon. STEVE WHAN:** Albury council has made a very substantial investment in new terminal facilities which I assume it has done on a basis of recouping through the operation over the long-term as well. If we are looking at regional air services in need, and the call for government to be more involved in supporting them, you would be hard pressed to say that existing services which are in the top five or six regional airports in New South Wales should get a share of that money ahead of, say, Lightning Ridge where there is no service?

**Mrs BRIGGS:** Can I say I argue quite differently. This goes to what Steve says, I do not think you can treat everybody the same. I think there is a case—maybe not for the old en route rebate—to be made for supporting airlines to deliver new services. I look at the service that was running out of West Wyalong for a period of time and then it was not stable, and then it was fine. It was a very important service for those people in West Wyalong. I do not know the numbers but I wonder whether a commitment to support it for a period of time would have allowed the numbers to build up. If you start a new airline service the first thing you have to do is to get people to stop doing what they were doing before there was an airline service. Obviously they were making those trips already so you have to get them to change their patterns of behaviour to accommodate it. I think that there is room somewhere for support for that. I wonder whether Wagga Wagga City Council should be forking out the entire \$7 million for its runway upgrade that services a region—

**The Hon. MICK VEITCH:** So that an airline can make a commercial return?

**Mrs BRIGGS:** And so that we have access to what is essentially a community service for an entire area of regional New South Wales. I see that the State Government puts a lot of money into public transport in New South Wales in Sydney. There is a lot of money sunk into State Rail, CityRail and stations and all of the periphery that goes with moving people who live in the city around the city. I am saying, "Should Wagga Wagga have to spend \$7 million to move people from my region around to get to the city?" I think that there is a role for the State to play. If there is a role for the State to play in public transport in the city to move people about the city there is a role for the State to play in moving country people to the city.

**The Hon. STEVE WHAN:** We do not want to defend this Government but it also spends a fair bit on bus services around the State as well. Getting a service to a place like West Wyalong is important but if you put the money into Wagga Wagga airport you might not have any money left for that so choices have also to be made.

**The Hon. PAUL GREEN:** I totally agree with Labor, it is Sydney centric and it is just not fair. We have to get a fair go in rural areas and it is not one size fits all. We have different needs. Aviation services is one of those things that we need, so I thought it was a very good point that was well put. Do you collect section 94 in any way to cover anything in the airport?

**Mr PROWSE:** Council certainly collects section 94, section 94A. That revenue does not necessarily contribute to airport infrastructure, although we have had discussions along those lines, given the current financial situation.

**The Hon. PAUL GREEN:** So none of that is apportioned to the airport and its growth, given the fact that it does have an impact in terms of infrastructure on the city?

**Mr PROWSE:** Not specifically at the moment, no.

**The Hon. PAUL GREEN:** But you will be?

**Mr PROWSE:** We are considering that this week.

**The Hon. PAUL GREEN:** Very good consideration.

**Mr PROWSE:** Yes.

**The Hon. PAUL GREEN:** Secondly, are there any other recommendations that you would like this inquiry to come up with other than the ones you have suggested about en route rebates and the one-size-fits-all models?

**Mr PROWSE:** Picking up on Julie's comments and the \$7 million figure that was quoted for us, you could increase that to \$20 million. That money has been invested into the airport not necessarily just to create infrastructure, to create more revenue for the airport. If I was considering our airport purely on a cost benefit basis, I would not have recommended that some of those investments were made. What they are about is growing their regional economy and they are about growing jobs in the region. I quoted some statistics earlier about what aviation contributes to our growth regional product and employment. It is outside the airport fence and it is outside the boundaries of Wagga. It is a regional focus that we take. As such, I think that consideration should be given to providing funding to those airports that are contributing in such a great way to the regional product and employment. I think there has been a lot of discussion about the en route rebate scheme, and perhaps that could have been worded better in my submission, in Wagga Wagga City Council's submission.

**The Hon. STEVE WHAN:** It was not only yours, do not worry.

**Mr PROWSE:** Sure. I guess that was there, it was known, and the benefits were known, some sort of a scheme like that that provides some relief to regional aviation. I do not consider regional aviation to be airlines or airports. It is both. They cannot exist without each other, so it needs to be a symbiotic relationship and airlines and airports are working more and more collegiately than they ever have in the past. The bottom line is that regional aviation is not sustainable. I talked a bit about the elasticity of demand earlier, and the point I would like to make is that the greatest competitor for regional aviation is roads and possibly rail in some areas. If there are four people travelling from Wagga to Sydney, they look at the cost of flying with Rex or QantasLink, and it is quicker to jump in a car, drive to Sydney, book your accommodation, have your meeting the following day and drive home. That is what we are competing with.

If airlines increase their prices too much to the point where they are generating reasonable profits that they can be expected to, based on their investment in the assets, then they are going to price themselves out of the market. I am not saying that a dollar or \$2 here is going to make any impact, but if they are starting to add \$50 or \$60 to the price of an air ticket, then it will have an impact. It will drive down demand and that will drive down total revenue. The reality is that regional aviation needs support from State and Federal governments. Now, do not look to us to give you all the answers at this point in time because that level of thinking possibly has not happened at this stage, but we will work with the airlines and we will work with government and through the Australian Airports Association to show that with that thinking and that approach to regional aviation, the benefits to the communities, the benefits to the State Government and the Federal Government will come. Regional aviation is absolutely critical and I think it is undervalued, totally undervalued.

**CHAIR:** Thank you very much. We are out of time. If you have other questions, you can put them on notice, Mr Whan. Mrs Briggs and Mr Prowse, there may be some other questions put on notice. If there are further questions the secretariat will be in touch with you. If you can get answers those questions and anything that you took on notice back to us within 21 days that would be very much appreciated. Thank you again for your submissions and your forthright presentation today.

**The Hon. MICK VEITCH:** It was excellent.

**CHAIR:** You have provided some very good information. Thank you very much. That concludes today's hearing.

(The witnesses withdrew)

**The Committee adjourned at 4.05 p.m.**