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**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PROVISION AND OPERATION OF RURAL AND**

**REGIONAL**

**AIR SERVICES IN NEW SOUTH WALES**

—

**At Sydney on Monday, 7 September, 1998**

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**The Committee met at 9.30 a.m.**

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**PRESENT**

**The Hon. A. B. Kelly (Chairman)**  
**The Hon. Dr B. P. V. Pezzutti, The Hon. I. Cohen,**  
**The Hon. J. A. Gardiner, The Hon. J. R. Johnson, The Hon. I. M. Macdonald**

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**CHRISTOPHER JOHN DOWNY**, Manager, Community and Government Relations, Sydney Airport, sworn, and

**JULIEANNE MARGARET ALROE**, Manager, Aviation Services, Sydney Airports Corporation Limited, affirmed and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

**Mr DOWNY:** Yes.

**Ms ALROE:** Yes.

**CHAIRMAN:** Are you conversant with the terms of reference of this Inquiry?

**Mr DOWNY:** Yes.

**Ms ALROE:** Yes.

**CHAIRMAN:** Have you got any written submissions?

**Mr DOWNY:** Yes, we do Mr Chairman.

**CHAIRMAN:** Anything else you want to table today?

**Mr DOWNY:** We have an opening statement to the Committee. It is an open submission.

**CHAIRMAN:** Do you want that to be taken as part of your sworn evidence?

**Mr DOWNY:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents that you may wish to present to the Committee should be seen or heard only by the Committee then the Committee would be willing to accede to your request and resolve into camera.

**Mr DOWNY:** Thank you, Mr Chairman. I will briefly address the Committee and then we are open to any questions that the Committee might wish to ask.

Sydney Airport is the premier international airport and major aviation hub in Australia. In 1997/98 over 21 million passengers used Sydney Airport and there were 280,000 aircraft movements approximately, of which just under 35% were by regional aircraft.

In line with the Government's election commitment Sydney Airport now has a movement cap of 80 movements an hour. The cap was introduced in November 1997 when the Sydney Airport Demand Management Act (1997) was passed by Parliament. This cap is administered by the demand management system or runway slot system covered by regulations under the Act.

The slot system was implemented on 29th March 1998. Slots have been allocated to all airlines currently using Sydney Airport based primarily on the services operating at the same time in 1997. The slot system at Sydney Airport includes a regional ring fence, this means that slots operated by regional airlines cannot be swapped for domestic or international flights. The ring fence ensures that regional slots are effectively quarantined and regional airline access to Sydney Airport is protected. There is also protection for new entrants in that half the unallocated slots each season are kept for new entrants.

For a short time between 07.00 and 08.00 hours each Monday to Friday Sydney Airport is currently scheduled or close to 80 movements an hour, however the peak is relatively brief and there are still slots available at other times of the day for all categories of service. Regional operators hold over 30% of the peak capacity at Sydney Airport.

The slot system is operated by a slot manager appointed by the Minister for Transport & Regional Development. The appointed slot manager is Airport Coordination Australia Pty. Ltd. The company is owned by Qantas, Ansett, Regional Airlines Association and Sydney Airport Corporation Limited. A committee has been formed to advise the slot manager and is made up of all Australian airlines with more than ten slots at Sydney Airport, the Airport operator Sydney Airport Corporation Limited, the Board of Airline Representatives Australia and IATA. Each of the representatives has one vote, this gives the regional airlines a majority representation on the Committee. The Department of Transport and Regional Development and Air Services Australia also attend but do not have a vote.

Ms Alroe represents the airport on the board of ATA and on the slot management committee. Thank you Mr Chairman. We are open for questions.

**CHAIRMAN:** Julieanne, did you want to add anything before we start?

**Ms ALROE:** No.

**CHAIRMAN:** When you gave us a very interesting tour at the time when the American plane was running up there a few weeks ago, you mentioned to us that there was a wish to continue to have regional airlines use Kingsford Smith because of the noise factor and it assisted by having that mix there of smaller planes as well as the larger jets. Could you elaborate on that for the Committee?

**Mr DOWNY:** Sydney Airport is more than happy to continue the arrangement whereby there is a mix of airlines using Sydney Airport. We regard ourselves as not only Sydney's Airport but also New South Wales' airport. From the point of view also that our passengers who fly in from regional New South Wales need to catch interstate and international flights obviously there is a need for regional airlines to continue to use Sydney Airport, so I suppose more from the point of view that we see ourselves as being New South Wales' airport as well as Sydney's we therefore are more than happy to see that continued mix of regional, interstate and international services at Sydney Airport.

**Ms ALROE:** The mix of aircraft is a blessing in terms of noise because it does give us some respite from the continued operation of the heavier noisier aircraft, but by the same token the mix of aircraft also does limit capacity at Sydney Airport. It is half a dozen of one and six of the other really. In terms of the community apathy the lighter aircrafts certainly have some advantage.

**CHAIRMAN:** On the point that you made there Chris about the ongoing passengers, we heard evidence from around the top of New South Wales and from the various operators and the various cities that that on-carriage

percentage was about 25% to 30% usually, but in one case it got as high as two-thirds, up to about 66%, so it is a fairly important item. 25% to 30% but in one case they suggested 66%, two-thirds on-carriage to other ports. Mostly 25% to 35% but one, I think it might have been Coffs Harbour, it was one of the recent ones anyway that said 66%.

**The Hon. Dr B. P. V PEZZUTTI:** I would really like to see that as a list, not for any other reason but that I do not remember it being that high.

**CHAIRMAN:** It was Newcastle, sorry.

**The Hon. Dr B.P.V PEZZUTTI:** Chris, about 33% of the slots are allocated across the day but 35% of the peak times are allocated, that is what the summary says. How do you think we could best recommend to Government action which would protect that level, or a level like that, for regional access during peak times?

**Mr DOWNY:** Julieanne Alroe, as I said, is our representative on the slots committee and is also our representative on Airport Coordination Australia, so it would probably be best if Julieanne answered those questions.

**Ms ALROE:** Those slots are protected by the regional ring fence. Under the Act once a regional airline holds a slot it cannot be swapped out other than to another regional.

**The Hon. Dr B.P.V PEZZUTTI:** Is this under the Act or under the regulations?

**Ms ALROE:** It would be under the regulations.

**The Hon. Dr B.P.V PEZZUTTI:** We have come to the issue where the Act actually talks about interstate and national, it does not talk about regional, and yet the regulations have that in it. If we were to provide certainty do we need to move from the regulations into the Act?

**Ms ALROE:** The regulations have to be changed in the Parliament as well, they have to be tabled and provided there is no objection a regulation change can go through. The Act itself would have to go through a debate to be amended. So both can be amended; it is relatively easy to amend a regulation than a piece of legislation. But as I said the opportunity certainly is there for any Member of Parliament to object to the regulation being amended and it can be stopped.

**The Hon. Dr B.P.V PEZZUTTI:** What you are saying is there is a degree of certainty about both processes but legislation is more difficult to change than regulation.

**Ms ALROE:** It certainly cannot be done by either anybody involved in ACA or the committee and it cannot be done by the Minister. It certainly has to go through a proper regulatory amendment process.

**The Hon. Dr B.P.V PEZZUTTI:** In the executive summary of your submission you talk about in the conclusions "The corporation intends to work with all stakeholders to ensure that Sydney Airport is accessible to all users." Do those stakeholders include just your internal customers or do they include people like local government bodies and the like?

**Mr DOWNY:** They certainly include local government bodies and the State Government. I suppose what has happened with Sydney Airport is that up until 1st July it was a branch office of the Federal Airports

Corporation. As of 1st July we are now our own corporatised entity and therefore part of our strategy is to be seen to be part of Sydney and a vital part of Sydney but also part of New South Wales and part of that does mean that we want to work with local government.

Julianne and I actually attended a meeting up in Dubbo a few months ago. One of the proposals that we have been looking at is to actually have a yearly briefing of country councils and MPs, State and Federal, so that they can be briefed on what is happening at Sydney Airport and we actually do try and establish a line of connection between local government, particularly country councils, and State and Federal MPs so that they do know what is going on at the airport.

**The Hon. Dr B. P. V PEZZUTTI:** The reason I asked that question is that places like Dubbo, I think it was ten flights.

**CHAIRMAN:** Twelve for one operator and five for another, return ones.

**The Hon. Dr B. P. V PEZZUTTI:** Twelve, whereas add in places like Ballina plus Lismore, which is vastly bigger in terms of passengers, it is seven. If push comes to shove and Lismore or Ballina wanted another slot time and you are already sitting there at 78 slots, how do you ensure that places like Lismore and Ballina get the same equity of access as Dubbo would get?

**Ms ALROE:** We have no say in how the slots are actually allocated. Airlines will bid for the slots, so, it is really up to the airline industry themselves to determine what routes they wish to bid for slots off.

**The Hon. Dr B. P. V PEZZUTTI:** You are totally hands off, you say we have 80 slots you fellows work it all out.

**Ms ALROE:** We have no choice but to do that, that is the way the system has been set up.

**The Hon. Dr B. P. V PEZZUTTI:** That is the way the system has been set up to date but you are intending to work with the shareholders to ensure that Sydney airport is accessible to all users in an equitable and efficient manner and you cannot be hands off if you say that, can you?

**Ms ALROE:** We cannot actually change who owns what slots and, the airline industry can do that within the guidelines of the regulations.

**The Hon. Dr B. P. V PEZZUTTI:** But surely if you are saying accessible to all users on an equitable and efficient basis, surely it would be more efficient to have a 36 seater rather than a 19 seater, that is more efficient and more equitable if you have got 120-150,000 passengers versus 80-90,000 from Dubbo. I am putting this up to you, you cannot be totally hands off: What plans does the corporation have apart from saying you fellows work that out?

**Ms ALROE:** In terms of the 78 slots, let me make that point clear, that lasts for a very short period of time. In the next season it is much the same. It is only for a period about seven to eight. Throughout the day there are lots of slots available.

**The Hon. Dr B. P. V PEZZUTTI:** I am talking about peak time only.

**CHAIRMAN:** Whilst some get a lot in the day, a lot of them might be in dull times, there is probably only

one flight in the peak slot times for each of those services.

**Ms ALROE:** I must admit I have never broken it down.

**Mr DOWNY:** We can get that information for you.

**The Hon. Dr B. P. V PEZZUTTI:** I am aware of the difficulty but I am talking another peak time, say out of Lismore or Ballina or Dubbo, how do you equitably associate it? That question goes with the other question.

**CHAIRMAN:** I should have mentioned too that if any of these questions you want to take on notice.

**Mr DOWNY:** We can provide that information for you, if it is available.

**The Hon. Dr B. P. V PEZZUTTI:** What I am trying to point out is surely the FAC can see --

**Mr DOWNY:** Sydney Airports Corporation.

**The Hon. Dr B. P. V PEZZUTTI:** -- Sydney Airports Corporation can see that at some time in the future there will have to be some method other than fellows sitting in a smoke filled room, or un-smoke filled room, coming to an amicable gentleman's agreement to sort out, in equity terms and in efficiency terms, those 80 slots.

**Ms ALROE:** The fact that the Government, when they put the slots legislation in, or the Demand Management Act in, have adopted the concept of historic precedents basically means that while an airline wants to hang on to a slot they have every right to do so. We can work with individual airlines to maybe find them a more attractive way of bringing in a better type aircraft or a more efficient aircraft; at the end of the day the industry owns those slots while they want to own them and we will never have the right to take them off people.

**The Hon. Dr B. P. V PEZZUTTI:** Say we have deregulation and Qantas enters the market out of Lismore or Ballina, they do not have the number of slot times to play with that Ansett, Hazleton, Kendell have to play with, how do you deal with that one? They only get one vote, do they not, Qantas, like everybody else?

**Ms ALROE:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** They have a limited number, they have a couple of country airlines through Eastern.

**Ms ALROE:** I must explain though, the committee does not allocate slots. The committee just advises the slot manager and the slot manager company is the one that allocates the slots. So the committee itself has no say in how an individual slot is divided up.

**The Hon. Dr B. P. V PEZZUTTI:** No. The slot company is owned by who?

**Ms ALROE:** It is owned by a group of companies as we listed there; Qantas, Ansett, us and the Regional Airline Association.

**The Hon. Dr B. P. V PEZZUTTI:** Who gets the votes on that?

**Ms ALROE:** The board does not make the vote. We employ --

**The Hon. Dr B. P. V PEZZUTTI:** The company.

**Ms ALROE:** -- The company employs a team of people who do the slot allocation. The individual is called the slot coordinator and it is that particular chap who works out the slots. He has a very clear set of guidelines on how slots are allocated. The first being historic precedents. The second one being, if there is two people competing for the same slot, the service that would be offering the most consistent access to the airport. Say, if someone was saying I want to come on Mondays as compared to someone who wants to come seven days a week in that slot, the seven day a week would be given it. If there was two competing aircraft, the bigger aircraft would always get the precedents. There is a value drop down in the way they divide up how slots are going.

**The Hon. J. R. JOHNSON:** Any appeal from that decision.

**Ms ALROE:** No, not that we have ever had to worry about.

**The Hon. Dr B. P. V PEZZUTTI:** That is the problem , the slot managers, as previously advised, management of the slot is in the hands of the airport coordination's trader, Qantas, Ansett and the regional airlines own this company.

**Ms ALROE:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** It is owned by the companies, it does not mention Sydney Airports Corporation at all.

**Mr DOWNY:** We are one of the owners.

**The Hon. Dr B. P. V PEZZUTTI:** It does not say so.

**Mr DOWNY:** It does.

**The Hon. Dr B. P. V PEZZUTTI:** You are quite right. I presume each of the regional airlines have one vote, they are equal shareholders?

**Ms ALROE:** The Regional Airline Association is the board member on ACA, they get one vote.

**CHAIRMAN:** They get one vote, Qantas gets one vote, Ansett gets one vote.

**Ms ALROE:** And we get one vote, yes.

**Mr PEZZUTTI:** On this particular issue, if Qantas entered the Ballina-Sydney route under deregulation.

**The Hon. I. M. MACDONALD:** Or Wagga Wagga.

**The Hon. Dr B. P. V PEZZUTTI:** I am taking Ballina as an example for Heaven's sake, it happens to be the largest regional service centre for Sydney and Qantas entered it, and they wanted a peak time, and you are already up to 78, who misses out?

**Ms ALROE:** Depends if anybody else has asked for the same slot.

**The Hon. Dr B. P. V PEZZUTTI:** Peak hour, you have got 78.

**Ms ALROE:** You would also have to give me the hypothetical.

**The Hon. Dr B. P. V PEZZUTTI:** Qantas could say we will drop Armidale off. They have got very few. The regionals are all on the side of Ansett because Ansett has the association with all the regionals. Qantas sits there by itself. Eastern have complained to us that their reach and their access to regionals is very limited and, therefore, their position on this slot management board system is a little bit under powered. So, at the end of the day somebody, you say that slot management company, makes the decision, as Mr Johnson says, what is at appeal mechanism for Qantas if they get out voted all the time.

**Ms ALROE:** The company does not get involved in allocating the slots. The airlines are advised on a certain date that we are coordinating the Sydney airport schedules to be coordinated and they are asked to make their bids for that particular season. All those bids are received. The slot coordinator, the employee of the ACA will then look at all those slots and he will start to allocate those particular slots for the next season. The first thing he will look at is historic precedents. The people who have reapplied for their slots will be able to use them again. Basically have the quiet enjoyment of their scheduled privilege because they have built and invested into it over a period of years.

They will then come to the new slots that have been asked for. If you have two slots bid for the same time, if there are only two slots available there will be a series of priorities that he will look at. He will look at first how often that service will be operated into Sydney. Whoever is operating the most services will get the slot. If they both offer to come every day, daily service every day, if one is operating an F28 and the other one is operating a Dash 8.

**The Hon. Dr B. P. V PEZZUTTI:** There are no F28s.

**Ms ALROE:** Whatever the aircraft size, the bigger aircraft will get it. They will keep on dropping down until there is almost nothing left between them at which point it will be a lottery. Literally two names in a hat and who ever gets pulled out will be the one who wins. It is very rare though that you will get two such complete equal things all the way down. At some point there will be some judgment where there is more value being offered by a flight than another flight.

**The Hon. Dr B. P. V PEZZUTTI:** The constant problem we have had from the country people being that the companies, meeting in this way, decide who gets to fly in peak time.

**Ms ALROE:** That may well have been the case before the slot system came into play.

**The Hon. Dr B. P. V PEZZUTTI:** With the slot system in place they can reallocated within their slots where the plane comes from. Say Hazleton can decide to swap a flight from Dubbo to Sydney, a slot time from Dubbo to Sydney, because it is owned by the company, not by the community. Is there any way of ensuring that equity of access for communities rather than just let the airlines do it commercially?

**CHAIRMAN:** Most of the councils complain to us that they were allocated to the airlines rather than towns.

**Ms ALROE:** The slots are allocated to the airline. I can only go into the reasons it was done. I am not saying

it is good, bad or indifferent. The airlines are the ones who invested in the facilities, the aircraft, and all of those things which go to make an aeroplane.

**The Hon. Dr B. P. V PEZZUTTI:** Sydney Airports Corporation is very hands off, we are told, about slots. Is there anything you could advise us to do if we were to make it more equitable for communities rather than just the airlines?

**Ms ALROE:** The current legislation is not set up to do anything on that basis, it would have to be a change in the legislation.

**The Hon. J. R. JOHNSON:** Slots to airlines, we can take a recent example; Tamair went belly up in Tamworth, that night, or the next night, somebody else was taking them over and, of course, they would have to fly in to KSA. Was a decision made almost like instant coffee is made, pour hot water on, and there is the decision to let you take over another airline, to take over that slot?

**Ms ALROE:** There is a provision under the legislation for what they call swaps, where an airline can swap their slots over, provided the coordinator agrees. My understanding on that particular issue they agreed to those slots being swapped over because of the convenience, or the inconvenience, that would have been involved otherwise to the passengers. We are also getting towards the end of this current season and everything has to be refiled for the new season.

**The Hon. J. R. JOHNSON:** It only lasted two or three days and then the administrator made a decision about another airline.

**The Hon. J. A. GARDINER:** That was because Eastern Airlines flies into Tamworth anyway and the passengers were stranded so Eastern airlines decided to pick them up and be a good citizen.

**Ms ALROE:** The slot system would have accommodated the interests of the passengers at the time. It was all happening far too quickly anyway.

**The Hon. J. R. JOHNSON:** Does it cause you much anguish?

**Ms ALROE:** That particular situation, no one likes to see an airline disappear so in that sense, yes, we do not like to see it. We certainly do not like to see passengers inconvenienced. In terms of the slot system, it was never designed to act in that short term. You have to remember the slot system is a scheduling system. It is usually worked out several months before a season starts and there is a whole lot of, I suppose, administrative or operational changes would happen on a given day or week with a slot system or allocated slots.

We have what they call two seasons; northern winter and northern summer season. The northern winter is seven months long and summer season is five months long. So it is twice a year based on that rotation. The new season this year will start on 29 October and that will run through to the end of April and then there will be another season allocated after that.

I should say the slot system is not unique to Australia, it is an international practice of scheduling and Australia has followed, in many areas, what they call the IATA guidelines on scheduling. The major difference from the IATA guideline is the regional ring fence, that is something unique to Australia, in fact unique to Sydney airport, to my knowledge. Other than that we follow international practice.

**The Hon. J. R. JOHNSON:** I take it that considerable thought and planning has gone in to the accessibility

of regional airlines during the Olympic games or the lead up there to.

**Ms ALROE:** In terms of the slot systems for Sydney airport at the moment we are looking at next season and possibly the season thereafter, we have not made any particular capacity announcements for the Olympic period.

There is certainly a lot of discussion going on amongst the various committees that are involved in Olympic planning as to how Sydney will be managed but no decisions have been made yet.

It certainly is unlikely to be a decision of the slot company. I am sure it will be done at a much more senior level to that. Those discussions are on going and certainly the time for people to make sure that access is guaranteed across the board is now.

**The Hon. J. R. JOHNSON:** To take it out of the hands of the slot company at some stage down the track will that require a change to the Act or the regulations?

**Ms ALROE:** No, the Act does allow for the Minister to make specific arrangements for special events, they have got to be fairly significant, and the Olympics would be the sort of style of thing it is, but the power does lie under the Act for the Minister to take into account of that.

**The Hon. J. A. GARDINER:** If I could just switch to the landing fees question. We have had evidence on, for example, Country Connections and Yanda which service some smaller towns, that the new arrangements with respect to landing fees at KSA could actually mean the demise of those services, to a whole range of the middle level towns. Have you got a comment on how much consultation there was in coming to the compromise and what effect that will have on those smaller airlines?

**Mr DOWNY:** How recent is your information?

**CHAIRMAN:** Jenny wasn't here when you had your pre-hearing discussion with us earlier and also I do not know whether you want to put all of that in the opening or?

**Mr DOWNY:** We can get some of that information Mr Chairman but what we will probably have to do is if there are any questions we would take them on notice and get our finance people to give you the detail.

On Friday Sydney Airport reached agreement with the Regional Airlines Association on a series of charges that will apply from 1st October to 30th June next year. The whole point is that it will obviously lead to discussions with the Regional Airlines on what charges will apply after 30 June, and that only happened on Friday morning. I am pretty sure it is okay to mention this, as far as small planes are concerned we are looking at \$40.00 a landing, medium planes we are looking at \$82.50 a landing and then large planes we are looking at \$100 per landing.

**The Hon. J. A. GARDINER:** Has that actually been determined?

**Mr DOWNY:** That was the result of the meeting that was held on Friday morning.

**The Hon. J. A. GARDINER:** Smaller airlines like Yanda and Country Connections were represented there?

**Mr DOWNY:** I would assume they are, that is the Regional Airlines Association. If you want that sort of

information we could take that on notice and get that for you.

**The Hon. J. A. GARDINER:** In terms of the effective quarantining of access to KSA by the regional through the ring fencing system there still seems to be some scepticism in country communities about that which led to those questions about whether it should be in the Act or not, but I guess if your communications with country Members of Parliament and country community leaders for example was on a regular basis maybe some of that scepticism might go away. Could you give us any indication, you said after 30 June next year on the landing fees, what would be the next timetable in terms of reviewing any fees?

**Mr DOWNY:** I would have to take that on notice and get you that information.

**The Hon. I. COHEN:** Those landing fees you mentioned, \$40 for small planes, are we talking about the tiny single-engine jobs?

**Mr DOWNY:** Yes, such as nine seaters.

**The Hon. I. COHEN:** That is a fairly heavy impost is it not on the smaller airlines, on the smaller flights, really to bargain for the bigger jets et cetera when you are looking at \$100 compared to \$40.00 landing fee? Is there any sort of weight, cargo, component as well or are you just saying straight small, medium, large?

**Mr DOWNY:** Maybe Julieanne can answer that.

**Ms ALROE:** No, that is only in the regional grouping.

**The Hon. I. COHEN:** But even so, in Ballina we have got one jet service a day which is an aircraft, a 737.

**Ms ALROE:** Normally aircraft pay on their maximum take-off weight, so a 747 is based on the weight of the aircraft as distinct from just a large aircraft charge. The bigger jets are certainly paying by far the larger amount of money. When it comes down to those regional jets though, rather than the minimum take-off weight, they have basically divided it into three groups, zero to five tonne maximum take-off weight, five to ten and then ten to twenty. If you are above the twenty then you come into flat maximum take-off weight charges, so the 737, for example, would pay on its weight.

**The Hon. Dr B. P. V PEZZUTTI:** Who would that be?

**Ms ALROE:** I do not have it with me.

**Mr DOWNY:** We can get you that information.

**Ms ALROE:** It is in that division, in the charges they actually go through what those rates would be.

**The Hon. Dr B. P. V PEZZUTTI:** The BAE is 42 tonne and they were previously indicatively charged \$505.00.

**CHAIRMAN:** You will give us those on notice?

**Mr DOWNY:** Yes, if you give us the questions we can find you that information.

**The Hon. I. COHEN:** In terms of that loss of service to regional communities, what ways do you see your organisation alleviating the fear in country people that there is potentially a loss of service? You mentioned before that the decision was up to the airlines themselves. I was not sure whether say Ansett could actually move its slot time to another route of Ansett itself. How fixed are these procedures and is there any reality to the fear of loss of service to the smaller areas?

**Ms ALROE:** There is nothing in the slot system that would be inherent for loss of business to an airline.

**The Hon. I. COHEN:** I am not talking about loss of business to the airline, I am talking about loss of service for communities.

**Ms ALROE:** The slots are allocated based on what they have been operating in the past. We have just picked up what the airlines were always doing and then given them a slot. They have got some protection on that slot where it cannot be traded out now to a domestic or international airline.

**The Hon. I. COHEN:** Can it be traded, perhaps I missed it before when Dr Pezzutti was asking, but can it be traded?

**Ms ALROE:** That is true, yes, and that is protection the regional community has never had before. The domestic and the international airlines certainly have a greater economic power if they want to put a value on a slot. The regional ring fence protects those regionals from that economic power being used against them.

**The Hon. I. COHEN:** Protecting from region to region, because we got a lot of complaints from the very small airlines that they feel they are going to get shunted out.

**Ms ALROE:** Within the regional ring fence there is no further level of protection. The regional ring fence is that sole protection.

**The Hon. I. COHEN:** When you are saying regional ring fence, are you also talking there about protection say of a Brewarrina access compared to say a Ballina access? There is no protection there so an airline can move their slots around in that area so there is really no protection if a smaller area is working out to be marginally economic?

**Ms ALROE:** If they released a slot, say you had - and this is purely hypothetical, I have idea if this is a slot - but say Hazelton was going into Cootamundra. If they decide to release that slot and try and use it somewhere else they would actually have to release the slot back into the pool and then re-bid for a slot out of the pool as a new service.

**CHAIRMAN:** So they lost that historic benefit?

**Ms ALROE:** On the Cootamundra. That slot then stays in the regional pool and then will become part of that regional bidding pool for the next season. Historic precedent is only based on, shall we say, the route the aircraft has been operating and the time it has been operating and to a certain extent on the aircraft type. Say they swapped it by 10, 15 minutes, say it was 9.00 o'clock and now they want to go at 9.10, they wouldn't lose precedence on that. If they wanted to swap say a Dash 8 for a SAAB they wouldn't lose precedence on that but if you went from a 73 down to a Dash 8 you may well have been considered to lose your precedence. It is not protection but there are rules even within that.

If you have a situation though where someone had a 9.30 slot to Cootamundra and someone else had a 10.00 o'clock to Bowral, they could swap those two slots because say the 9.30 is better for one airline and the other person picks up the 10.00; there is no loss of the two slots, they just swap them over because of convenience or maybe because it suits an aircraft rotation system better.

**The Hon. I. COHEN:** What if, for example, one company has got a slot from point A and they want to actually move it across to bring a growing clientele from point B?

**Ms ALROE:** They cannot move it across, they must release the one they have got and bid for the new one. They would be treated on equal merits with anybody else who was bidding for the other slot.

**The Hon. I. COHEN:** Have there been any examples of this occurring? Have they been able to get it across that ring fence, so to speak?

**Ms ALROE:** They can't get it out of the ring fence. The only way you can get a slot out of the regional ring fence is to release the slot, another regional then has the opportunity to bid for it, another regional bids for it in that season, it can then be used for that season only by either a domestic or an international. At the end of that it goes back into the ring pool again. If no regional wanted it the second time it can then be taken out of the ring fence by either a domestic or an international and after a season historic precedence given to it.

**The Hon. I. COHEN:** How about regional to regional?

**Ms ALROE:** I am sure there have been swapped slots. To be perfectly honest the detail of how it works we really leave up to the coordinator and to the airlines and unless someone has got a problem it would never come up as an issue.

**The Hon. I. COHEN:** You did not see that as an issue say for a small country community that is fearful of losing its one airline?

**Ms ALROE:** You must remember slots have operated now since March. We have not even finished one whole season of slot management. We are just scheduling the next season and hopefully later this week we will actually have the coordinated schedule for October through to April. So it has been a relatively short period of time. To date we have seen considerable movement in the slots as they have moved around the hours involved but we are not aware of anybody who has not been able to get slots they have wanted, other than internationals and that is because they cannot get into the international terminal when they want to, not so much because of the runway. I am not aware of any runway slots that have been knocked back yet, but as the growth happens in the industry certainly peak hour slots will become more competitive, there is no doubt about it.

**The Hon. I. COHEN:** So really in the various country communities there is no guarantee that a community will not miss out on access then?

**Ms ALROE:** There is no guarantee anybody will not miss out on access to a slot, and that runs right across the sectors of the industry.

**The Hon. I. COHEN:** It is the small community with marginal clientele attempting to maintain the slot in the regulated market, they are the ones who are going to suffer.

**Ms ALROE:** I reiterate the slot system was not based on route, it was based on times into Sydney Airport by airline operators. They will lose their historic precedence if they let go of route; that is all part of how it operates.

**The Hon. I. M. MACDONALD:** I notice that your movement rate is around 275,000 per annum, with an annualised capacity of 353,000. Fairly rapidly you are heading up towards the point where you will be at peak annual movement capacity, would that be fairly accurate? What are the projections on that?

**Ms ALROE:** Yes. Forecasts vary from different organisations at the moment, but our current forecast that we are looking at for a development program into Sydney probably indicates around about 2005 - 2006.

**The Hon. I. M. MACDONALD:** It is not far away in reality.

**The Hon. J. R. JOHNSON:** Is it anticipated the Olympics games in that year will take you up close to that point?

**Ms ALROE:** We are anticipating probably about a month of activity. Mr Chairman, I will leave this with you.

**CHAIRMAN:** Do you will formally table that?

**Ms ALROE:** Yes. What this is, this is the likely schedule for next season, so it is really illustrative. That top line there is 80 movements an hour. You can see that there is quite a bit of peaking and troughing throughout the day. With the Olympics, as I said depending on what the Government decides to do, if they want to suspend slots for the period that will be a decision the Government will make, but assuming they leave slots as they are, the extra flights, the charter flight and the route of the Olympic family will all be scheduled into those peaks and troughs and that is, as I said, just for a month, in fact it is probably just for a few days even within that month we have high demands so in many respects the Olympics is not really an on-going issue, it is something that will have to be managed and managed very carefully but it should only be a sort of an aberration in the general progression of how we are moving through in the industry.

**The Hon. I. M. MACDONALD:** Given the capacity you anticipate by 2005 to be reached, I guess the corporation is looking at the potential development of Bankstown. I understand there has been a discussion paper within the organisation looking at the options for Bankstown and how it can be upgraded. Can you give us a bit of a background into this?

**Ms ALROE:** We must state first that we would expect a decision on a second Sydney airport sometime, hopefully, next year, if not soon thereafter. Bankstown is never going to be a long term solution to the capacity of Sydney Airport. There may be some potential to develop an opportunity at Bankstown for someone to go there, rather than say coming into the peak at Sydney, but it is only just speculative at this moment and there would be a lot of work to be done yet before that is even physically possible as well as environmentally possible. I think it is just speculative at the moment and has a fair way to go before it can be decided.

**The Hon. I. M. MACDONALD:** The Financial Review on 7th August said you had a discussion paper in relation to that that actually detailed an upgrade figure; do you have that paper?

**Mr DOWNY:** We would have to take that on notice. You should understand Mr Macdonald that we work for Sydney Airport and Sydney Airport Corporation Limited runs Sydney Airport and the other Sydney basin airports and Essendon is a sister company but each of those airports are a subsidiary with their own

management structure really. I am certainly not aware of that paper, I do not know if Julieanne is, but certainly we can get that information for you if it is available.

**The Hon. I. M. MACDONALD:** Potentiality they are talking about spending about \$5 million on Bankstown and it would obviously be able to take some of the smaller aircraft, would it not, under that circumstance?

**Ms ALROE:** Bankstown tabled a master plan, I think in the late 80s, which I think is still the current master plan for that airport which gave it the ability to take some bigger aircraft. What I am saying is there is still many a hoop to be jumped through if that was to happen, environmental and EIS would be the least of it.

**The Hon. I. M. MACDONALD:** Would it be possible to see if you can get a copy of the paper for the Committee?

**Mr DOWNY:** We can certainly try, yes, no problems there at all. We will endeavour to do that Mr Chairman if that paper exists. Was it the Financial Review?

**The Hon. I. M. MACDONALD:** Yes, Financial Review of 7th August and it talked about how Bankstown could be expanded with a \$5 million upgrade.

**Mr DOWNY:** We will make some enquiries for you.

**CHAIRMAN:** I have got a few questions and that is actually one on notice and it sort of goes on from that to say is this a policy that Sydney Airports Corporation is pursuing. We will give you a copy. Three others and I wonder if you could answer them quickly. What is the definition of regional airlines? Is Canberra included?

**Ms ALROE:** No. It is intra-state except in Canberra. Slots begin and end in New South Wales with the exception of the ACT service.

**CHAIRMAN:** Could the airport charge be on a per head basis rather than minimum, that is probably something you would have to take on notice?

**Mr DOWNY:** Our finance people said they are more than happy to give you some answers on that sort of question. I have advance notice of that so I can get you that information.

**CHAIRMAN:** Could slots be allocated to communities rather than airlines?

**Ms ALROE:** Not under the present legislative environment. As I said to Dr Pezzutti before, that would need a change.

**CHAIRMAN:** The other questions on notice are:

Could the slots be allocated to communities rather than airlines? If not, what other mechanisms can be put in place to ensure that smaller regional communities have access to KSA?

What other airports in the world have a slot allocation mechanism and how do their mechanisms differ from that of KSA?

The 80 movements per hour cap is aimed at managing noise pollution (predominately from jets). Does SACL

see any benefit in exempting the less-noisy regional aircraft from that cap?

The Standing Committee has heard criticisms about operations at KSA (fundamentally relating to the Long Term Operating Plan). For example regional aircraft have to fly out to a beacon in Sydney's north-west, adding flight time and expense. Another criticism related to air traffic control procedures - regionals could better utilise the runways, achieving more efficiency. What is SACL doing to address these criticisms?

S14 (5)(g) of the *Airport Act 1966* sets out the rules about airport leases. It states that an airport lease is compliant if it (among other criteria) *provides access to the airport by interstate air transport or international air transport or both (whether or not the lease also provides for other access)*. Some councils have raised concerns about the lack of reference to regional airlines in this act. How is Sydney Airports Corporation ensuring that the interests of regional airlines will be maintained after the privatisation of KSA?

Following on from what Dr Pezzutti was saying, the expansion you told us about out there so far as the international terminals were concerned, is that in documents that you have tabled that will come in evidence?

**Mr DOWNY:** The Sydney Airport 2000 project?

**CHAIRMAN:** Yes.

**Mr DOWNY:** Yes, there is just a brief summary of that in there.

**The Hon. Dr B. P. V PEZZUTTI:** On notice would that allow, once the international terminal is repaired or improved, for more slots to be available in the peak periods?

**CHAIRMAN:** More planes to land. That log-jam that you talked about in the international slots that was due to the terminal congestion will that be overcome by the expansion?

**The Hon. Dr B. P. V PEZZUTTI:** How many of the internationals are out there now between 7.00 and 9.00.

**Ms ALROE:** The internationals should come in starting at 5.00 because there is an exemption on the curfew to let a few in. The peak of the internationals is actually before the regionals. The 7.00 to 9.00 peak is the domestic peak.

**The Hon. Dr B. P. V PEZZUTTI:** Another question on notice is have you taken any steps to penalise noisy planes versus un-noisy planes in terms of the un-noisy ones could fly in like, BA146, can fly in the curfew whereas the 737 cannot. How do you determine that and is there a way of penalising the 'noisies' apart from just the curfew?

**Ms ALROE:** I can answer part of that.

**The Hon. Dr B. P. V PEZZUTTI:** I am just doing that to save us time, that is all because we have other witnesses.

**Ms ALROE:** The decision on who can operate in the curfew is made by the Department of Transport Regional Development minister. There is an Act that covers the Curfew Act and the delegations are quite clear under that Act. In terms of charging that would have to be incorporated in to the aero-pricing charge. I know it is under consideration as a potential way of doing it but that is all at this stage.

**(The witnesses withdrew)**

**ERIC IAN GROOM**, Independent Pricing and Regulatory Tribunal, Chief Manager - Energy and Other Industries, and

**SALLY LYN MANDER**, Analyst, Independent Pricing and Regulatory Tribunal, both affirmed and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand following the provisions of Parliamentary Evidence Act 1901?

**Mr GROOM:** Yes.

**Ms. MANDER:** Yes.

**CHAIRMAN:** Are you conversant with the terms of reference of this inquiry?

**Mr GROOM:** Yes.

**Ms. MANDER:** Yes.

**CHAIRMAN:** You have not made a submission to the inquiry but you have given us copies of overheads, I take it, are they?

**Mr GROOM:** Yes.

**CHAIRMAN:** Would you like those to be included as part of your sworn evidence?

**Mr GROOM:** Yes, we would like to table those and with the committee's permission speak to those overheads to just outline the basis of the tribunal's report and the reasons behind its determinations or recommendations in regard to deregulation.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee would be willing to accede to your request and resolve in camera.

Are you going to use the overheads or speak to these?

**Mr GROOM:** Since we have distributed the overheads if I can draw your attention as I flick from one to the other.

**CHAIRMAN:** Were both of you involved actually in the IPART document, I did not look at the credits in the front?

**Mr GROOM:** Yes, we both were.

**CHAIRMAN:** Okay?

**Mr GROOM:** Thank you, Mr Chairman, and thank you for the opportunity to appear before the Standing

Committee.

The air services review was undertaken in response to the competition principles agreement which commits governments to review legislation that restricts competition. Under the competition principle agreement criteria have been established to determine whether legislation that restricts competition is warranted. Before going through that review I thought I should briefly mention IPART's role and the experience we bring to the review.

Moving to slide two. IPART regulates the declared monopoly services such as electricity, gas, water and public transport. As such as a regulator we have strong practical experience in the actual problems of regulation since we have to face those problems on a day to day basis. We also undertake reviews covering a range of issues that affect pricing, industry and competition. For example, we have undertaken various reviews in regard to local government benchmarking and development control fees, waste pricing and of course the Air Services Inquiry, which brings us to your Committee today.

I thought I would like to talk about the participants in the inquiry at the tribunal level. We do run a strong distinction between the tribunal members and the secretariat. The tribunal members for the Air Services Inquiry were Dr Tom Parry, our chairman, Mr James Cox, a full-time member of the tribunal, and for this inquiry Mr John Ward was appointed as a temporary member. John Ward is a former CEO of Qantas and is currently consulting with News Limited, I hasten to say on matters not relating to their airline interests.

We also commissioned Christopher Finlay, from the University of Adelaide to act as a peer review for this project. That is, all the documentation, all the draft reports, were put passed to Chris Finlay for his comment.

Importantly the process for the review involved consultation with key stake holders such as the Air Transport Council, the Department of Transport, Local Government and Shires Associations, various airlines, regional councils and tourism bodies.

I would like to walk through that process of the review which brings me to the next slide. To assist the tribunal in formulating its recommendations for the Premier an issues paper was published in July 1996 and sought submissions. We then held public hearings in Sydney and various regional centres; released an interim report and we sought further submissions on that interim report prior to a public hearing in Sydney and the release of the final report in 1997.

All those processes were in the public domain, so to speak, all the submissions were on the public record, although there was an opportunity for some submissions to be put to us on a commercial in confidence basis.

Before proceeding further I think there is a need to quickly talk about current regulation. I will not go into detail on the nature of the current regulations, I am sure you are all familiar with that. However, I would wish to comment on some aspects the current regulatory process. It is quite a subjective regulatory process and there are two characteristics of the licencing process that lead to problems. Firstly, there are no penalties for withdrawing or reducing services on a route for which a licence is held during the licence period.

Secondly, in the past the ATC has adopted a policy where an operator that has provided an adequate service will not be removed from the route even if other operators wishing to operate the route propose a better service.

Not incurring penalties for reducing services encourages gaming in the process. This is where operators offer a greater range of services or a higher quality of service than they are able or have intentions to deliver in their proposals. This may prevent other operators that are able, and intend, to deliver a higher level of service from

being granted a licence. Favours the incumbent does not provide an incumbent operator with an incentive to increase service levels. It also prohibits another operator that may be willing to provide a greater service level

**The Hon. J. R. JOHNSON:** —Increase or maintain?

**Mr GROOM:** That is right, or maintain. The real losers in these situations are the communities and the travelling public.

It is important to start, I think, from the objectives of the current regulation and the next slide endeavours to outline what we see as the objectives of the current regulations, that is, ensuring safety, controlling airport congestion —

**CHAIRMAN:** Safety?

**Mr GROOM:** That was perceived as being one of the objectives. I will come back and clarify that is not actually an objective that can be fulfilled through the ATC's role, but that was put to us, if you like, as one of the objectives.

**Ms. MANDER:** There were actually some guidelines put out by the Air Transport Council which included these objectives in that document. There was this real perception that was then reiterated in this document that safety was one of the responsibilities.

**Mr GROOM:** Controlling airport congestion, maintaining air service stability and quality, minimising fares, providing essential services and assisting regional development. I think the important question is how effective is regulation in actually achieving those objectives?

I think one of the objectives, as Sally has mentioned, put to us was safety, and clearly regulation of intra State services does not ensure safety and nor is it an appropriate role for the regulation of intra State services. That is clearly a responsibility of the Civil Aviation Safety Authority.

Furthermore, in a deregulated environment operators will have the incentive to expand and develop route networks. They will have flexibility to adjust their route structure and the use of aircraft to reflect demand. I do not feel that regulation can guarantee a specific quality or quantity of service in excess or better than competition can achieve nor can regulation guarantee financial viability of an airline. I think that point has been made numerous times and there are a number of practical experiences with the fact that regulation cannot guarantee that financial viability.

Regulation cannot reduce prices, except through encouraging cross subsidies and if one is caught talking about encouraging cross subsidies then the question becomes what is the appropriateness of the prices for those communities that are funding that cross subsidy? Regulation is a questionable means of restricting airport congestion or solving the problems of airport congestion. It is questionable whether it provides a more effective solution than the direct mechanism that I dare say you have just been hearing about from the Kingsford Smith Airport people. Nor can regulation provide an effective mechanism of promoting regional development and provision of services. I think, in essence, regulation has difficulty promoting a service that is of itself not economically or financially viable.

The key question becomes how can those objectives be better achieved. I think the tribunal's conclusion, in

essence, was that there are other better means of achieving objectives in the area of access to aviation transport for the regional areas than through regulation.

A key issue has always been the issue of price comparisons. We spent a fair bit of time in the tribunal's report looking at the impact of regulation on fares. We looked at a number of ways of obtaining a view as to the impact of regulation on fares. One way was, if you like, a statistical comparison, and the next slide provides a comparison within Australia between regulated fares and fares on deregulated routes. I think it shows a strong pattern where for similar distances the fares on regulated routes are considerably higher than the fares on deregulated routes. Indeed, there are only two examples where a fare on a deregulated route is higher than the fare on a regulated route for a comparable distance. The difference is of the order of \$30.

There are a number of specific case studies, if you like, that bear out that pattern. For example, on the Merimbula to Sydney route and the Melbourne to Merimbula route; they are both monopolies, that is, a single operator, however, the regulated Merimbula to Sydney route covers a hundred kilometres less and costs \$30 more. A similar pattern can be observed with the route from Wagga Wagga to Melbourne and from Wagga Wagga to Sydney. They are almost identical distances yet the deregulated monopoly from Wagga Wagga to Melbourne costs \$25 less than the route from Wagga Wagga to Sydney, notwithstanding, that you actually have two operators on Wagga Wagga to Sydney route.

**The Hon. J. R. JOHNSON:** The same landing charges?

**Mr GROOM:** There are small differences within the landing charges. I think there has been some substantial evidence put to you on the relative impact of the landing charges but our analysis could not adjust explicitly for those landing charges, but given the landing charges per seat are of the order of \$5 to \$10, my understanding is, at Sydney airport then they do not account for the differences.

**Ms MANDER:** There is actually a footnote at the bottom of that slide that indicates that at the time we did this review the Sydney and Melbourne airport landing fees were based on take off weight and, therefore, should be the same if it is an identical aircraft.

**Mr GROOM:** The Adelaide to Broken Hill service is a deregulated monopoly route, similar in distance to the Sydney to Coffs Harbour route, which is served by the same airline, yet the route on this fairly dense, competitive route from Sydney to Coffs Harbour, competitive in the sense of multiple operators in a regulated market, is \$43 more than the route from Broken Hill to Adelaide.

**The Hon. J. R. JOHNSON:** We have heard evidence that if they have to circle here in Sydney that one minute on each service costs one airline a quarter of a million dollars: There will be no circling in Adelaide and no circling in Broken Hill.

**The Hon. I. M. MACDONALD:** Or Melbourne.

**CHAIRMAN:** Costs of operation in Sydney are substantially different?

**Mr GROOM:** I think there would be differences in costs of operation, you would have to convert those costs to a per seat on each airline to give a comparable figure.

Moving on, the costs of regulation, I think, in summary, are the foregone opportunities in terms of services not offered. Planes on ground that are not being used when they could be used. We had the practical example put

to us of a plane sitting on the tarmac in Tamworth when the operator would like to be flying a service to Sydney but could not because he did not have, at that stage, the licence for a service.

Reduced pressure to meet customer needs is another feature, if you like, or cost of regulation. There is a considerable emphasis on council support in the process of the selection of the successful licensee. I think the question can well be posed as to, if you like, the possible differing objectives of council, since they are not only representing the community but they have ownership interests in the airports that are serviced by those operators.

**CHAIRMAN:** What was the suggestion there?

**Mr GROOM:** Councils come to the issue of deregulation of air services with two perspectives: One is the perspective of the local community, and I think evidence to us suggested that half or slightly less than half of the travellers on the regional airlines were from the local community; the other perspective they bring is as the owner of airport facilities. In the evidence before you the Lismore submission draws forward the issue of their interests as owner and the possible potential impact of deregulation on their interests as owner to the forefront of their submission. One of their concerns was having made a substantial investment in the airport that they were concerned that under deregulation they may not be able to obtain a return on that investment.

**CHAIRMAN:** Therefore should not those be identical if their concern is they are not going to get a return on their investment, in other words they will not have enough planes flying in or enough people using the airport. Obviously their concern is that deregulation will destroy their air services.

**Mr GROOM:** The theory is if you are going to have reduced cost then you will get a lot more passenger throughput then surely those councils are going to make a lot more money. I think from their perspective they may be less convinced, if you like, that deregulation will increase the throughput. I will come back later on to the evidence from other States to suggest it will. From their perspective as owners they may perceive that deregulation will increase their risks, and for any owner risks are a matter for concern.

**The Hon. Dr B. P. V PEZZUTTI:** Ballina Council was concerned about its ownership because it is concerned if deregulation comes and a jet disappears all the people who come by jet will go to Coolangatta. They were perfectly frank that they were looking after their own investments.

**The Hon. I. M. MACDONALD:** They would be less than judicious if they did not look after their investment.

**Mr GROOM:** The other conclusion we reached was that one of the costs of regulations are higher fares for the travelling public. So what are the benefits of competition? We are of the view that there are a number of benefits of competition. As I was mentioning earlier, in a deregulated environment there will be a greater incentive to the operators to expand and develop route networks, to be more innovative in the sort of options they put to the travelling public. There will also be considerable increase in the competitive pressure or forces for efficient operation which impact upon fares and costs.

I think the important thing though, is often, through competition, what we tend to expect or observe, not so much a cost pressure/price reduction cycle, although that is often a feature of competition, but more importantly is innovation. I think you can see in a number of the unregulated routes, the interstate routes from regional centres, that there is considerably greater innovation currently occurring than is occurring on the regulated routes, in the sense of new services being offered to capital cities in other States and the development

of those new services. I think one of the key features of competition is the innovation of the operators to better meet the needs of the travelling public in this case. I would also stress that competition may or may not mean an increased number of service providers on any one route.

The important thing about competition is the fact that there is a threat there to the operator that someone who offers a better service at a better price may be able to displace them from the market. One may not actually see air services where there are currently two operators having three operators in the future or areas where there is one operator having two operators in the future, but there will be a greater discipline on the operator to better meet the needs of the market because he knows his operation of that route is always, if you like, under threat.

I think I would like to turn to the experience of other States in Australia, firstly South Australia which has been deregulated since 1979. We have seen there an increase in the number of ports served, an increase in the number of operators, a decrease in aircraft size, an increase in the distance travelled and an increase in the number of departures. Generally we have seen slower increases in air fares in South Australia than the rest of Australia and we have seen a faster increase in the services offered in South Australia than in New South Wales.

Overseas experience has been in many ways similar. In New Zealand we have seen an opening up of the market in New Zealand in 1994. We have again seen capacity growth within the industry and a decrease in air fares. Moving overseas to Canada, where they have been through deregulation in 1988, there was a period of consolidation and alliances between airlines. There are barriers to entry that would exist, as they would exist in the New South Wales market. We have seen an increase in air traffic, a move to hub and spoke and improvements in services and reduced airfares. That is a similar story to the US where again we have seen a general increase overall in the services, although some small communities have been adversely effected and we have seen decreased fares.

It is with that background that the Tribunal recommended simultaneous deregulation to take effect from May 1999. It was of that integral discussion that the Tribunal recommended simultaneous fare deregulation rather than partial or phased deregulation. The key problem with phased deregulation is that you do not get the full opportunities in terms of networking services that you would get under full deregulation. The example I gave earlier of the plane on the ground in Tamworth doing nothing, because it did not have access to the routes, in a fully deregulated environment it would be able to, if you like, provide a service. If you go down partial deregulation you run the prospect of similar wastage of opportunities to provide service to the community.

Hopefully that has given you a feel for the Tribunal's analysis and its recommendations. Its views were that the benefits of competition are far greater than regulation. It is up to the tiers of Government though to decide which services are essential and how those services should be maintained in the event that some small communities may not receive a service in a deregulated market.

**CHAIRMAN:** I think I have something missing in my copy. There was the benefits of competition but there were no benefits of the current system.

**Ms MANDER:** There are the incentives of the current regulation but not the benefits of the current regulation.

**Mr GROOM:** We posed the question as to whether the current regulation achieves the objectives that are set out.

**CHAIRMAN:** In the foreword of the report it is said that the overwhelming conclusion that emerges from the inquiry is that Australia as a whole would benefit considerably from deregulating the air services and then you go on to say the larger towns, and list six or eight of them, are likely to see innovative services and more competitive fare packages, which is basically what you have just said. We put that to the councils as we went round and almost without exception they did not agree with that, those particular councils.

Albury was one that favoured deregulation and basically for a number of other reasons the other councils did not. Wagga had two bob each way and in fact they actually were instrumental in having the Shires Association presentation put together but even so the Shires Association when they came to us said that they could not support that because they had not reviewed it at all, they obviously had not gone back to their councils but they had some very serious concerns. They would only support deregulation with conditions. Have you had any contra feeling sense since the report has been put out?

**Mr GROOM:** In terms of that conclusion a number of councils put to us their concerns about deregulation in the process of the Tribunal's review but the Tribunal have heard from a number of other stakeholders expressing the view that there would be very many positive benefits from deregulation. Those stakeholders were not just the airlines, such as Impulse, Kendell, Eastern, but they were also the tourism bodies for example, and the Local Government Shires Association in response to the issues programmed in the final report supported deregulation. I understand that in their presentation to you the Local Government and Shires Association still supports deregulation.

**CHAIRMAN:** But on condition?

**Mr GROOM:** They are very concerned to see that there are adequate mechanisms there where should there not be a service to a small community where the Government considers it to be essential that there be a mechanism for encouraging such a service and that can occur within the deregulation environment.

**CHAIRMAN:** The LGSA have not been back to their members, in a sense, for a couple of years. In the last few months a lot of their members have all given us submissions and of 17 councils I think four supported or partially supported deregulation and the rest were against it. The Country Mayors' Association, which have 40 council members, were unanimously against it. Did they give you evidence?

**Mr GROOM:** Country Mayors, no. We had evidence from a number of regional councils and from the LGSA. I brought along with me a list of the submissions that we did receive.

**CHAIRMAN:** I would like you to give us those on notice, if you would not mind.

**Mr GROOM:** Yes, I have them with me.

**CHAIRMAN:** Could you table them?

**Mr GROOM:** Yes. You would be able to see from that that there is a substantial number of submissions from country councils. I understand there are about 177 local governments in New South Wales, over 100 of which are in the rural areas, so it is often difficult to get the full views of all those councils given that you will only see a relatively small number of them even with your Inquiry today and as we saw last time.

I think the Albury case is an interesting one because they are very much a council that sees both a regulated and unregulated route because there are services offered to Melbourne from Albury that are unregulated and

services from Albury to Sydney that are regulated.

**The Hon. Dr B. P. V PEZZUTTI:** Broken Hill too.

**Mr GROOM:** Broken Hill is another council that I understand supports deregulation and they see services coming into their port from both a regulated environment and a deregulated environment.

**CHAIRMAN:** But the company they want to come in there does not support deregulation.

**Ms MANDER:** They want to get access to the route but once they have access, they do not want to share the access.

**Mr GROOM:** I should mention too that I was interested in seeing a recent article in the paper from the Farmers' Association supporting deregulation.

**The Hon. J. R. JOHNSON:** They are selective on what they want deregulated.

**Mr GROOM:** The quote I saw was that, and I will quote it if I may:

“We saw in the early 1990s that the current regulations do not ensure services to rural communities. Operators can and do vary services during their licence period and can even cease to operate routes for which a licence has been issued. Farmers believe that intrastate air services should be deregulated. Competitive forces would ensure that the type and frequency and quality of service matched community needs.”

They did however go on to say that the removal of the State licensing regulations when there is uncertainty about access to KSA could be counter productive and that deregulation should go hand in hand with an overhaul of the regulations of the air traffic management around KSA. I think that is an important point too, in the circumstance where there are concerns about congestion at KSA, and it is a point made in the Tribunal's report, that deregulation may be able to assist you to provide a better solution to capacity rationing at KSA than in a regulated environment.

**CHAIRMAN:** That is the opposite to what we have heard. A lot of councils have now said, and to some degree the Shires Association who feel the same, said that since they made their submissions they have not looked at it again since, but the fact that there is now a slot system in operation at KSA if the system was deregulated as well as the slot system it would allow some of these airlines to shift their slots from some of the smaller areas to some of the more used areas so at the moment with regulation it ensures those slots are actually staying in the regional communities.

**Mr GROOM:** The question may be as to whether the regulation ensures that the slots are allocated in the way that best meets the needs of the rural community as a whole.

**CHAIRMAN:** All that comes back to, to some degree too you have mentioned, and so have a couple of other people, that in the start where you say that in current regulations there are no penalties for withdrawing or reducing services during the licence term and the incumbent operator is favoured. Could it also mean that rather than throw out the regulation that it should be strengthened?

**Mr GROOM:** I would be interested to see in what ways you would wish to strengthen the regulation.

**CHAIRMAN:** If you give somebody ten routes in New South Wales, five of them really good routes and five not so good routes and they decided two months after they had been given to them for three years that they will just drop out of the non-productive ones or they will reduce their planes back from SAABs to nine seaters, if the Air Transport Council says all or nothing, you pull out of the little ones and we will advertise the lot again, I think it would make a difference to whether they pulled out. It would also make a difference to whether they put in realistic bids before they started.

**Mr GROOM:** It would, I feel, alter their incentives for bidding for routes. If the current arrangement effectively, and there has been a degree of argument that it does, provides for cross-subsidisation between the routes, that is some routes will be offered that are very attractive, yield high profits, higher fares, in return for running routes that are less financially attractive, perhaps even loss making, that creates a cross-subsidy, that can be sustained if you like.

**CHAIRMAN:** Without the Government having to put in the money?

**Mr GROOM:** Without the Government having to put in the money but also without very strong disclosures as to what is actually happening in terms of those cross-subsidies.

**Ms MANDER:** And which communities end up paying for the cross-subsidies for other communities.

**CHAIRMAN:** If the Government puts it in who pays then?

**Ms MANDER:** Everybody. But there is a plain process as to the need for a subsidy to provide an essential service.

**Mr GROOM:** Sally is entirely right and I think if you alter the bidding rules you will alter the bidding behaviour by the airline companies. Companies would be far less willing, if you like, to bid on the basis of cross-subsidisation of services knowing that they cannot withdraw when they find those cross-subsidies to be too onerous, that is you will see much more conservative perhaps bidding strategy. Perhaps you will end up closer to a deregulated environment but still wearing the overheads of regulation, the overheads being the costs of going through the regulatory processes and the overheads being, if you like, some of the concerns that have been expressed about the ATC processes of regulation in terms of public disclosure, hidden cross-subsidies et cetera. I am not too sure if you are going to end up with not sustaining the cross-subsidies you are seeking to sustain yet still wearing the costs of regulation.

**Ms MANDER:** If I can just answer that. Also what that would result in is that if an airline actually lessens or stops providing a service and their licence came up for bid then, as Eric said, it was closer to deregulation and I think you would find that the councils would be just as opposed to it. What would happen is because they do not get the surety of the three year licence period on the profitable routes, which is what a lot of the councils say is getting them their services, are provided in some cases through the cross-subsidisation. If the airlines are not assured of having that licence for the three years then they are probably less likely to actually propose those routes in the first place or they are more likely to lose them to somebody else that would come in and then go through the whole process again.

**CHAIRMAN:** Not if they were fair dinkum in their original bid. Most of us come from country New South Wales and there is a real feeling in country New South Wales, and if you like you can call it the Pauline Hanson factor, that national competition policy has done absolutely nothing for the country, and that all it does is centralise services back towards Sydney, and that if you like to a large degree if national competition policy

had been around when Captain Cook arrived in Australia we would never have crossed the Blue Mountains because there is not enough people out there to fund those services, we would never have telephones, we would not have roads, we would not have had rail and probably not air services. Do you feel that just having an economist review that you did here with your IPART review missed out on some of the community feelings?

**Mr GROOM:** No, I do not. A couple of factors, firstly it was not just an economists review, the Tribunal members themselves bring to it a diversity of backgrounds, particularly as John Ward has brought to the review operational experience in the airline industry, operational experience that was noticeably absent amongst some of the submissions put to us. So I think it was much broader than an economists review.

One point I would also make is that this review was undertaken, if you like, post national competition policy and I do not want to get into the ins and outs of the merits of competition policy for rural community or not but the deregulation that occurred for example in South Australia pre-dated national competition policy and is seen to be achieving very positive outcomes for the rural communities in South Australia, viz a viz New South Wales, for example lower rates of increase in fares, more rapid rates of increase in service provision to the local community. That decision was taken well and truly before national competition policy. Similarly the deregulation that occurred in the USA, Canada and New Zealand was not driven by Australia's national competition policy, it was a decision taken at the time from the perspective of the broader community.

**CHAIRMAN:** You said there that they actually, the smaller communities, lost out?

**Mr GROOM:** I think it was the US one where we spoke of some smaller communities having lost out. We have recently had access to a review done by the US General Accounting Office, which is an odd name for a high level government organisation in the US that advises Government, that looked at the impacts on both small, medium and larger size communities and they found that across the small, medium and large size communities all three categories benefited in terms of improved services and reduced air fares under deregulation.

**The Hon. I. M. MACDONALD:** One of the things about your report that disturbs me is that it is so rosy it starts to lose, I think, some of its credibility. For instance, New South Wales, I believe, is an unique State compared to the rest of the States here, in that it is got both size, geographically, and a larger number of larger centres, say from three to 10,000 than any other State. In fact, I think it is about 62 ports are regularly flown to, which is well in excess of what you get in South Australia, Western Australia or Victoria, where you have a four or five airports and that is about it, do you feel that your whole States comparison is really built on not enough being put in to showing how New South Wales is unique from the other states in its composition and need for regional air travel; size, Kingsford Smith Airport, all those other factors?

**Mr GROOM:** In terms of the comparison with South Australia; South Australia is the one where we had the best information of what actually occurred. We have also seen deregulation in Queensland which has a similar scattering of major regional centres across large distances. New South Wales stands out, if you like, within Australia as the odd person out in terms of regulation. Queensland have put in place mechanisms for funding or subsidising areas within the south west to ensure services are provided there and that is an entirely appropriate way of ensuring those services are provided.

**The Hon. I. M. MACDONALD:** You say it is appropriate way but what if we say we do not see anything wrong with cross subsidies as another way of doing it?

**Mr GROOM:** If I could come back to the issue of cross subsidy versus explicit funding mechanism. I was going to go on to the Canadian comparison; I think that is also entirely appropriate for New South Wales

considering Canada has an area of congestion like our coastal strip. They have a strip across the US border which has a highly dense population and airports, I would presume, although I do not have first-hand experience, which would suffer congestion. Yet they have other areas with remote centres, of a reasonable size, large distances away from that strip of population. Yet again they have gone through a process of deregulation and seem to have achieved better service outcomes for their communities through deregulation.

So, I think although the picture may be rosy it is founded on the practical experience of other regimes. Our annex, attachment four, provides a coverage of experience both in Australia and overseas, including Canada. So, I think although it is a rosy picture I think it is well founded on practical experience.

**The Hon. I. M. MACDONALD:** You say regulation cannot guarantee the quality or quantity of service; what we have found is a belief that probably 16 to 20 of the ports would benefit to some extent by so called innovative services but what about your smaller centres, your small towns, which now are pretty well serviced? They have been provided an asset by the Commonwealth, which they have got to manage at cost, there would be hundreds of millions tied up in this and if they lose their services aren't they going to then suffer substantial loss for those communities?

**Mr GROOM:** I would come back to the point, it is not clear from the practical experience in terms of deregulation elsewhere that there would be a substantial number of small communities that would lose their service. The practical experience suggests more innovation in some centres. There may be some hubbing and spoking.

**The Hon. I. M. MACDONALD:** That is not seen as a positive for a lot of rural communities. If you have to go in to Tamworth or Dubbo, there is a bit of that done now at Dubbo, but it means that you cannot, from some of the closer centres, you cannot do it in one day. It would be a cost on business of having to stay overnight?

**Mr GROOM:** It comes back to the issue, is the travelling public concerned about frequency of service, size of plane or directness of service? The frequency of service or the ability to get more frequent service seems to come out strongly in terms of the travelling public's preferences.

**The Hon. I. M. MACDONALD:** That is not right. The evidence we have seen is safety and size of aircraft?

**Mr GROOM:** Safety is an important issue. In terms of trade off between frequency and size of aircraft, there seem to be number of practical experiences that people have been happier with a more frequent service in a smaller plane. I understand that there was a case in the Tamworth region where the operator came in offering a smaller plane but more frequent service and won in excess of half the patronage.

You see already from the north coast where frequent services in smaller planes from closely located airports in the Ballina, Casino, Lismore triangle still maintain a good market penetration because they offer a service that is more convenient than the midday jet for the travelling public. People will make their choices in that sense. I understand Hazleton have put strongly the case that frequency counts very much in the travelling public's eye.

**The Hon. Dr B. P. V PEZZUTTI:** Only because they cannot afford to buy jets.

**The Hon. I. M. MACDONALD:** They would all prefer to be in a bigger plane. One thing that worries me about the push is this reduced prices, reduced prices, reduced prices that runs right through your report. We are getting lots of evidence of various kinds about the pressures that is putting on airlines, in terms of maintenance, and being able to fund that side of the business. That does not really enter into your equation at

all, does it?

**Mr GROOM:** I guess I would pose the question, can regulation guarantee financial viability of the airlines? I think it is clear that regulation per se cannot guarantee the financial viability of the airlines.

**The Hon. I. M. MACDONALD:** No one can guarantee financial viability but if you have a regime in place that has a pretty good record - 62 ports visited regularly and there has been trouble with the Merimbula-Sydney route and with the Glen Innes-Inverell route, which had nothing to do with the regulation regime in New South Wales and everything to do with the failure of the company in Tasmania - why change that situation if it is working pretty efficiently and effectively?

**Mr GROOM:** I think the view is that better outcomes can still be achieved for the regional communities in terms of services provided in deregulated environment. That is practical experience from the case studies elsewhere.

**The Hon. I. M. MACDONALD:** That will only be for a certain number of towns, will it not? Ballina might get a bit extra, Dubbo might get a bit extra, you are not going to, in towns like Cootamundra and West Wyalong and places like that, get improved services, improved safety, improved financial viability by your regime. It just cannot work.

**The Hon. J. A. GARDINER:** Particularly for those towns which do not have the easy option of jumping in a car. They really need - Griffith is another one - to have access to air services.

**Mr GROOM:** I think the experience elsewhere has shown that you do get actually get innovative proposals being developed in terms of linking of services that can provide quite effective air services in those rural communities. That was again the experience that seems to be coming out of the United States study where they cited that the improvements were not just for the medium to large communities but also for the small communities.

**The Hon. I. COHEN:** Your papers clearly state services to some small communities adversely affected in the United States. And second to that, increased congestion of airports as the result of an increased number of services, obviously not from the small communities and obviously you are saying here starve small communities yet you are building up on the more productive routes and, from my perspective, this Committee is interested in looking at services to those small communities. I can not see how they are not going to suffer?

**Mr GROOM:** Coming back, the quote in terms of the United States was some small communities not all small communities. The evidence suggests that overall in terms of the small communities that they benefit.

**The Hon. I. COHEN:** Your ideologically driven assessment --

**The Hon. Dr B. P. V PEZZUTTI:** -- That is unfair; his scientifically driven assessment.

**The Hon. I. COHEN:** Your assessment or the IPART's assessment, looking at your economic rationalist assessment of these issues does not take into account the various issues of guaranteed access for the really small communities. I am talking about also you are saying that if you do not agree with a deregulation of the bigger routes and a regulation of the smaller routes, how can you possibly tell this community that that is going to benefit those small communities and in turn that is part of the overall network in terms of survival of those communities. I think that has come out really clearly in this Committee; it is survival of community that we

are looking at.

**Ms MANDER:** When we wrote the report - there is a little bit on subsidies - we did not feel it was our place to recommend anything to the State Government. In fact the Treasury put a submission in that said that they did not believe that the Government would see air services to small communities as essential services.

**The Hon. I. COHEN:** We say that.

**The Hon. Dr B. P. V PEZZUTTI:** The Labor Government would say that.

**Ms MANDER:** What I am getting at is that the airlines felt that if they had flexibility in serving different routes, and it would be more hub and spoke, but there would be an opportunity to pick up some marginal traffic on the way from some place to somewhere else.

The tourism bodies were all for deregulation because they felt it would better meet the needs and would provide better access to some centres, not all centres.

**The Hon. I. COHEN:** A lot of these centres we are not talking tourism at all. Coffs Harbour is doing well, Ballina is doing well, but we are talking of business and medical and necessary transport for the small communities to be able to still get access. In your own statement about America is the increased number of services and congestion in the major airports is a major problem we have at the moment and how do we guarantee these country communities are going to survive.

**Ms MANDER:** I think the difference is who pays for it.

**The Hon. I. COHEN:** You do not agree that is an argument for any sort of subsidy of these small communities?

**Ms MANDER:** No. We said in here that we believe that there may be some small centres that may warrant a subsidy we just do not believe it was our place to recommend to the State Government that subsidies should be provided to particular service areas.

**The Hon. I. COHEN:** Why not?

**Ms. MANDER:** Because we would not be able to say which services will be lost and which ones will not.

**The Hon. I. COHEN:** If this is something that is outside your purview why cannot you recommend, you do not have to pinpoint the services, why cannot there be a recommendation that there needs to be subsidy in certain areas?

**Mr GROOM:** We did not identify specific areas that may need subsidies we identified that there may well be a need for subsidies but the way that would be implemented would be a decision for Government. Be a decision of Government, not of Treasury.

**Ms MANDER:** That is the three tiers of Government.

**Mr GROOM:** Three tiers of government; Commonwealth, State and Local. In Queensland you have already in place a Commonwealth subsidy scheme, I understand, for the medical emergencies and those sort of things. You have in Queensland in place an arrangement for subsidisation or CSO payments in the south west corner,

which amounts to \$2.7 million. We were pointing to the existence of those sorts of schemes.

**The Hon. I. COHEN:** If you are subsidising medical emergencies that is all well and good but if you have not got the infrastructure there it is not going to do you much good. Are you acknowledging that there is a need? I think that you are not prepared to say that you need to bend a little bit.

**CHAIRMAN:** They actually do say that; "Subsidisation of some intrastate air services in New South Wales may be appropriate. However, this is a policy decision". I suppose to some degree they do say that.

**The Hon. I. M. MACDONALD:** It is not a recommendation.

**Ms MANDER:** Some of the evidence we heard was that the local council fees for the use of airports are quite expensive and can be more expensive than Mascot.

**CHAIRMAN:** There was only one who complained about that and that was the one who supports deregulation: Albury.

**The Hon. J. A. GARDINER:** If the Legislative Council continues to block Mr Kelly's proposal to deregulate, do you have any suggestions that would improve the operations of the Air Transport Council, make it more effective?

**Mr GROOM:** I would not wish to, if you like, get in to that area. The tribunal is an independent arm of Government. It undertakes reviews for Government that are referred to it. The tribunal came to its conclusions on deregulation. It made a number of adverse comments about the current regulatory process and the problems with that. I would not wish to advise you, off the top of my head, in this forum, as to how to redesign that regulation, nor would I think it appropriate for us to get into that area.

**The Hon. J. A. GARDINER:** You might have to get a separate reference on that if that is the outcome in Parliament.

**The Hon. J. R. JOHNSON:** In Tamworth you have made reference to an aeroplane, Mr Groom, sitting on the airport that wanted to fly to Sydney. What was the company that owned the aeroplane?

**Mr GROOM:** Yes. Impulse was the company. It is described in the report. The circumstance was that they had a service from Brisbane to Tamworth that arrived in at about, I think it was 10 a.m. in the morning or 11 o'clock. The plane flew a service back to Brisbane at around about three o'clock in the afternoon and in between those times it was sitting on the tarmac available but unable to be used because of the constraints on its operation within New South Wales.

**The Hon. J. R. JOHNSON:** Within the last few years there was another major airline company started, Compass, it was almost predatory pricing, Compass went to the wall owing thousands of people air tickets, numerous employees money, numerous suppliers money, and I am of the view at this stage that that is what will happen. We have seen tragedy happen up in Tamworth in recent times with one of the companies. If the deregulation comes in?

**Mr GROOM:** The Tamworth example is perhaps useful to talk about quickly. My understanding is that Impulse offered to step in and offer the services and take over the routes of Tamair. One of the problems being faced in what would have hopefully have been a seamless transition is the fact that Impulse still has to win the right to those routes in front of the ATC, so it is operating in a degree of uncertainty at present.

**CHAIRMAN:** Not now.

**The Hon. J. R. JOHNSON:** It did get it.

**CHAIRMAN:** It got it.

**Mr GROOM:** You have more up to date information than I have in that case. There was a degree of uncertainty in that transition process imposed by the regulatory regime.

On the question of Compass and the deregulation on the interstate air routes, the Bureau of Transport Economics Review came to the conclusion that there were definitely net benefits to that deregulation. That, I guess, reflected also, or was consistent with, evidence from overseas experience. I would note too that often the benefits do not come through strong reduction in prices but in improved services. There was a study from the North Western University in United States that highlighted that.

John Quiggin, who is known to be not sympathetic towards national competition policy, did a review of the Compass experience and although he came to the conclusion that the benefits were less strong than the Bureau of Transport Economics concluded, he still concluded there were some net benefits of the deregulation process, notwithstanding the failure of Compass. I think the important issue is that it opens up the routes to contestability through deregulation.

**The Hon. J. R. JOHNSON:** You indicated the National Farmers' Association has supported deregulation, is that correct?

**CHAIRMAN:** That's right. That was quoted in the Land.

**The Hon. Dr B. P. V PEZZUTTI:** Was it the New South Wales Farmers or National Farmers?

**Mr GROOM:** New South Wales Farmers Association and Mr Clark who heads up their, I have forgotten the exact name of the Committee, I have not got it in front of me, but it was quoted in the papers on 6th June.

**The Hon. J. R. JOHNSON:** Have you had an inquiry on chemist shops and newsagencies and what was their proposal there?

**Mr GROOM:** No, I have not.

**The Hon. J. R. JOHNSON:** Two bob each way - not you.

**The Hon. Dr B. P. V PEZZUTTI:** Just to recap. Your Inquiry found that the ability to get a licence depends upon history, in other words what you had to get without promising any increase or improvement in services, is that correct?

**Mr GROOM:** That is right. There was an advantage to the incumbent if you were providing the service.

**The Hon. Dr B. P. V PEZZUTTI:** Secondly, did that usually include an option to bid on the licence?

**Mr GROOM:** I understand there was a case quoted in the report in terms of the Merimbulah-Sydney service

where Hazelton was the incumbent and Impulse sought to obtain the licence to that service and Impulse offered if you like more modern equipment, planes, and lower airfares yet because Hazelton was the incumbent Hazelton retained the licence.

**The Hon. Dr B. P. V PEZZUTTI:** Are they able to bind them to the offer of better services?

**Ms MANDER:** In that case Hazelton actually reduced services and then the Merimbulah Council actually approached the ATC to see what recourse they had and of course there was no recourse.

**The Hon. Dr B. P. V PEZZUTTI:** So in other words the current regulatory process is nothing more than a joke? If Hazelton, as they did, pulls out of 14 ports - no penalty? Correct? If somebody wants to come in and replace that then you go through the whole rigmarole again, but if they reduce the service then that is a matter that is all decided by the Air Transport Council, is it not?

**Mr GROOM:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Local communities have an input but they have no more say than anybody else, is that correct?

**Ms MANDER:** Not during the three year licence term.

**The Hon. Dr B. P. V PEZZUTTI:** Once it is issued there is consultation before they are issued, but the decision is made in Sydney, Elizabeth Street makes a decision and everybody lives with that. The issue of subsidy is exciting, it is something I have been asking on this Committee since we started. Community service obligations are paid for medical and a lot of the people who travel. You answered the question when I was out as I had to go elsewhere, was that about you were not prepared to recommend a method of subsidy?

**Mr GROOM:** That is right. The report noted that there may be a need for CSOs in some circumstances.

**The Hon. Dr B. P. V PEZZUTTI:** You do not recommend how they might be done?

**Mr GROOM:** No, we saw that as being a matter for Government to sort out how they may be delivered.

**The Hon. Dr B. P. V PEZZUTTI:** But the issue of cross-subsidy versus an open subsidy, which is the fairer and which is the cleaner?

**Mr GROOM:** I think an open subsidy is fairer and cleaner. It is fairer in the sense that in hidden cross subsidies communities contributing to the cross-subsidy are not aware of it and I think it is reasonable that if people are contributing to a cross-subsidy that they be aware of it. Secondly, I think in the context of the processes for regulation as it currently runs and the fact that arguably, if you are cross-subsidising, the selection of the operator on any one route is not being taken solely on the merits of the proposals on that route, that to my mind raises significant questions of public processes and the fairness of the allocation mechanism and I think it could easily get into a very messy situation if some of those were to be disputed.

**The Hon. Dr B. P. V PEZZUTTI:** On the public record I would like to state that the north coast is the poorest part of Australia and those two routes, the Coffs Harbour and the Ballina routes, are subsidising in a cross-subsidy way most of the other services offered by Hazelton and Kendell and I put that on the public record and I find it appalling. I am not unhappy with subsidies but I am unhappy with cross-subsidies.

**Ms MANDER:** In addition to the open subsidies, the other thing that it does, is it actually makes more transparent the level of service that should be provided under the subsidy, whereas currently some of the cross-subsidies might be providing a level of service which is far superior than what might be thought by some of the communities contributing to the cross-subsidies should be servicing those communities.

**The Hon. Dr B. P. V PEZZUTTI:** You are talking about a benchmarking process?

**Ms MANDER:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** The second question I have is about table nine in your report, page 9, table 2.1. Are those figures, because I have never been able to understand all the figures, but the figures we get about landings et cetera are they landings and take offs at the individual airports? Those landings at the individual airports are they passengers for Sydney?

**Ms MANDER:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Is it possible to get landings for Sydney, because that is what this is all about? Looking at Dubbo, 97,000, it could not possibly be taking people to Sydney whereas out of Ballina and Lismore that would all be people to Sydney.

**CHAIRMAN:** You might take that on notice if you have not got any definitive figures here.

**The Hon. Dr B. P. V PEZZUTTI:** The other question which you could take on notice if you like is the closures of Lismore and Ballina and the fact that you said that there is a huge amount of increase of importance of people using those services, even though they are close, is that to the detriment of the size of the services? In other words, instead of having seven services a day to serve two points, could it be that they could have a higher quality service with a jet and therefore be improving themselves and better servicing a tourist industry?

**Mr GROOM:** The report poses that as a possible outcome and Ballina, Casino and Lismore airports are very close together in terms of driving distance.

**CHAIRMAN:** You might take that on notice. We have got a few others that we would like you to take on notice and I will give you a list of those. What is the likely financial penalty, in other words reduction in compensation payments from the Commonwealth for New South Wales, if they do not deregulate their intrastate aviation market?

**MR GROOM:** I could not comment on that.

**CHAIRMAN:** You did not look at that.

**Mr GROOM:** No, because that was not within our terms of reference and I also understand that would be an issue for NCC advice to the Commonwealth.

**CHAIRMAN:** If deregulation proceeds can IPART suggest how the Government can ensure that rural and regional communities maintain their services? I think these will probably need to all be on notice.

**Mr GROOM:** We would need to be given a reference.

**CHAIRMAN:** If deregulation does not proceed can IPART suggest changes to be made to the Air Transport Council to make it more effective?

**Mr GROOM:** Again I think that question was posed earlier. We would need to be given a reference in order to provide advice on those sorts of policy issues. I should stress IPART is different from a normal Government agency, we operate on a very arms length arrangement with Government.

**CHAIRMAN:** Did IPART assess the costs associated with airlines failing?

**Mr GROOM:** That was not explicitly considered in terms of trying to identify those costs within the report. I think the evidence on deregulation, both in terms of the interstate market and the Compass foray into the market and the overseas experience with competition, also highlights that in the longer term there are significant benefits to the communities from deregulation.

**CHAIRMAN:** The Standing Committee has heard claims that New South Wales air services differs from other States, I think Ian Macdonald asked this to some degree, because Sydney is the gateway to Australia and it is artificially constrained by the movements per hour cap and LTOP. How can the State Government ensure that air service provision to rural and regional communities continues in the light of constraints at KSA?

**Mr GROOM:** I think there are two mechanisms there, one is how the slot management system at KSA operates and through input to that, that is a far more direct way of ensuring the appropriate management of that congestion. The second thing is through the CSO payments et cetera if the Government wishes to ensure access to services in those smaller communities.

**The Hon. Dr B. P. V PEZZUTTI:** Is it possible to get a table like this table on page nine that talks only about Sydney?

**Mr GROOM:** We would have to take that on notice.

**Ms MANDER:** This actual table came from the 1995/96 ATC determination, so it would just be a matter - I am not sure if you are hearing from the ATC.

**CHAIRMAN:** If you could just check if you have got them but if not we will also ask the ATC, but if you have them it would be helpful.

**Ms MANDER:** We would not have anything more up to date than this table, this is 1995-96.

**(The witnesses withdrew)**

**PETER WILLIAM TODD**, Manager, Administration, Deniliquin Council, sworn and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

**Mr TODD:** Yes, I did.

**CHAIRMAN:** Are you conversant with the terms of reference of this Inquiry?

**Mr TODD:** Yes.

**CHAIRMAN:** I am aware you have got a copy of a management plan for Members, would you care to table that and take it as part of your sworn evidence?

**Mr TODD:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard and seen only by the Committee then the Committee would be willing to accede to your request and resolve it confidential.

Would you like now to give us a brief presentation and then we will ask you some questions.

**Mr TODD:** Yes, Mr Chairman, what I will do is give a brief overview of the airport at Deniliquin. It is a rural airport which has connections to other regional centres mainly. This is basically a precise of a lot of the information that is contained within the management plan which I have tabled.

The Deniliquin Airport is located on Wirraway Drive in the Deniliquin Council area and is five kilometres by road from the central business district.

The site of the airport is adjacent to an industrial area bounded by Wirraway Drive, Saleyards Road and State Highway No. 21. The adjacent topography is flat and the site is highly visible. There are two runways at the airport, a sealed runway measuring 1,220 metres long by 30 metres wide and a grassed runway 600 metres long by 30 metres wide.

A number of structures on site at the airport include a terminal building, a clubhouse for the local aero club, there is an airport residence, there is Bureau of Meteorology equipment which is an automatic weather station, there are four Belman hangars, a non-directional beacon as a navigational aid, the Bush Fire Brigade have their headquarters located on the airport site. There is also temporary accommodation arranged there for all the aerial agricultural activities for their peak season times, with a car wash and a separate chemical shed for all the aerial ag. fellows to store their chemicals and an aeroplane wash down area as well as the New South Wales Fire Brigade now have got a large onsite training centre being establish at the airport.

**CHAIRMAN:** I have been informed that is a pretty good training centre, too.

**Mr TODD:** It is, they are spending a lot of money there and it is becoming a pilot scheme for the State and we hope that will also increase usage of our airport in the long term.

Some brief history of the airport. The airport was a No. 7 flying school for the Second World War. Just by way of comment there was another reunion held there on Saturday as a matter of fact where a local enthusiast has got one of the few Wirraways still flying, he has totally restored it and he quite generously let that do a few passes during the ceremony and he also landed at the airport for the flying school to inspect at the reunion. So there is still a good connection to the history of the airport out there.

The flying school was formed in 1941 and prior to that it was also used as an Air Force training ground by the RAAF. In 1941 the Department of Interior commenced work on the construction of a flying school and commenced flying operations in July 1941. The cost of the buildings and services at the school was 211,030 pounds.

During the period 1942/43 the average number of aircraft at the school was 130. The main type of aeroplane at the school was the Wirraway, however later was introduced Airspeed Oxfords.

The ownership of the airport became the responsibility of Council in 1968 under the local ownership plan with the Department of Civil Aviation. In 1992 the Commonwealth Government withdrew from this ALOP scheme and subsequently funding from the Government ceased and responsibility and operation of the airport became Council's responsibility, meaning we lost our 50% funding as a result of that withdrawal with all maintenance and improvement costs.

The history of the air services at Deniliquin is that between 1928 and 1936 N. Lloyd & Sons, they were stock and station agents, and later Lance Lloyd Travel, were the agents for Australian Aerial Services which flew into the airport. Between 1936 and 1948 the Victorian Instate Airways serviced the airport.

From 1948 Ansett Airlines, TAA airline of New South Wales, McKnight Air Services, East West Airlines, Link Airways, Peninsular Airways, the most current service to operate at the airport was Air Facilities, which ceased operations in December 1996 and currently today there is still no RPT service at Deniliquin.

Because of the Commonwealth Government's withdrawal from the ALOP scheme in 1992 the council had planned and managed its resources much better for the airport. Our routine maintenance and operating costs in 96/97 was \$45,000. We also looked to create reserves for the future recurrent costs for capital works such as resealing and any major costs over and above normal operating costs. Previously 50 per cent of this expenditure was provided through Government grants through the ALOP scheme.

In 1994 the management plan was prepared for the airport on the basis of the following objectives: Management, financial plan, development strategy and upgrading works. This was all brought about because of the withdrawal of the ALOP scheme and the Local Government's emphasise on forward planning and the present situation in income generating activities at the airport. Current users of our airport include two aviation industries in aerial agriculture; being Superspread and Field Air. We have a local charter flight being Wettinall Air Services. There is a flying school that operates out there by Mr T. Evans, who is also a contract pilot for the charter service. There is a number of private owners out there who utilise the airport and also our hangers. There is a local aero club. We have Security Express fly in with legal documents, bank exchanges and all that type of thing, as well as, as I mentioned earlier, the fire brigade hot fire training service and we have a share farmer on site at the airport, which is about 250 hectares in size. The type of use is varied, which is bank transactions, medical and health transport, conference visits, State Government departments flying in, training services with the pilot training, aerial agricultural service, the charter service, express delivery service and sharing farming.

The council sees the air ambulance service as an essential service and we feel it is very important to maintain that facility for the air ambulance. It is an alternative landing strip for emergencies in bad weather should pilots run into difficulties. It is an important link for commercial and business activities, also any aerial inspections by various Government departments, whether they be water resources, CALM, whatever it may be, and also a good contact facility to accommodate media, political and military usage.

From a Deniliquin perspective at the moment, we do not have a RPT service, therefore, we are not required to have a licence or a manual but the council is committed to providing and maintaining its airport to the best possible standard and, accordingly, we do have a licensed airport. We consider there is many advantages in this in that the licence is perpetual, insurance may be cheaper due to recognised certification, we are included on the on route supplement which promotes the airport at Deniliquin. It provides authentication which may encourage potential users to come to Deniliquin because we have a licensed airport. It provides a basis for sound management practice and also provides regular independent inspections through CASA.

Our funding requirements for current operation and maintenance. Over the years the normal operating and maintenance costs for the airport have been in excess of \$40,000. We found this amount had not been adequate to maintain the facility to the standard we wanted. It is a statement in our manual that a minimum of \$45,000 per annum is considered the amount necessary to return maintenance of the airport. Also in the manual we have set up a reserve to cover the cost of all our resealing works for our runways and any other major works which may be required over and above routine maintenance to our structures out there. We have set aside some money. We had a lot of works carried out when we withdrew from the ALOP scheme so we are setting reserves for our resealing. It costs us in the vicinity of \$100,000 to reseal our runways and service areas.

Our income we derive from the lease of hangers, parking fees and annual permit fees. We do not have individual landing fees as such, we have an annual permit fees for regular users. We have council funding and our reserves I have mentioned, income from the share farming activities and also we have a small contribution coming from our adjoining councils.

Just before I close, Mr Chairman, I make mention that the council has been very active in trying to attract another RPT service to Deniliquin and our most recent enquiries, in June of this year, have led to us that a possible air service could come through Deniliquin with International Aviation which would have a Sydney-Melbourne flight which would come via Deniliquin and Swan Hill I have no further information to add. I will just leave it at that, Mr Chairman.

**CHAIRMAN:** Just on page ten of your plan, you say the aeroplane point: "Airports with regular public transport greater than 30 passenger seats". What you mean there is that they have aircraft with 30 seats rather than 30 passengers a day and freight aircraft with a pay load of greater than 3.4 tonnes require licences?

**Mr TODD:** Yes, that's correct.

**CHAIRMAN:** The airport has to be licensed if it is operating with 30 seaters?

**Mr TODD:** Correct, yes. We have never operated, or have not operated with 30 seats for a long time, but we still want to maintain our licence.

**The Hon. I. COHEN:** Mr Todd, I am just wondering what the public sentiment was at the time the air services ceased and if you can give the Committee an overview of impact on the township itself and

surrounding areas?

**Mr TODD:** I suppose it was a pretty severe impact when we had no direct link where we could leave Deniliquin and fly out to Sydney.

**The Hon. I. COHEN:** How far do you have to go now?

**Mr TODD:** For me to come up here I drove two and half hours to get to Albury airport, probably half an hour there, an hour and half flight up here, 20 minutes to get out of the airport and half an hour to get in to here this morning. I suppose travel does not effect country people. Wherever we go to play sport or visit people you jump in the car and do a couple of hundred kilometres. That does not really have any impact on us. We can leave Deniliquin, drive to Melbourne in three half hours and be in Tullamarine and fly direct to Sydney. The air fare is cheaper, direct from Melbourne to Sydney, that is another option. I suppose you have to weigh up also is travel time. You can leave Deniliquin and be in Sydney in seven and half hours by car and you are looking to come exit Albury, as I did, could take you six, six and half hours to get in to the central business district. So, again you have to weigh up the costs and time.

**The Hon. I. COHEN:** In terms of use by the local community comparing say tourism, medical services, do you have a rough percentage on the type of usage that was occurring on those flights previously?

**Mr TODD:** No. No, we do not, there is no records at all.

**The Hon. I. COHEN:** Can you hazard a guess at all of the type of clients, the use the airline or the air transport was put to beforehand?

**Mr TODD:** No, I can not comment on that. I have I have not had a large involvement at the airport. I can not comment.

**The Hon. I. COHEN:** Was there a Government subsidy to the airport in Deniliquin?

**Mr TODD:** That again I am not privy to.

**The Hon. I. COHEN:** Do you see there is an argument for subsidy there or how do you see opportunities to revive a RPT route through Deniliquin?

**Mr TODD:** I suppose that rests with the operator. If any operator is interested in coming to Deniliquin I am sure the council will lay their weight one hundred per cent behind them. I believe it will be up to the operator to do negotiations for any subsidy through any department but they would have our one hundred per cent support.

**The Hon. I. COHEN:** Can you give an indication where your community is directly suffering from the loss of the airport?

**Mr TODD:** I believe we have lost a lot of Government departments out of Deniliquin. The CSIRO, Department of Agriculture, Water Resources and the Roads and Traffic Authority have all down sized Deniliquin and gone into regional centres around Albury-Wagga Wagga. I believe has had a big impact on Deniliquin, not only loss of current employment but future progress.

**The Hon. J. A. GARDINER:** Mr Todd, could you give us an indication, just roughly, how many charter flights go across from Deniliquin to Albury each week to get people up to Sydney via that route?

**Mr TODD:** No, I could not hazard a guess at that. We have no reports, we have no flight records at our airport.

**The Hon. J. A. GARDINER:** As far as you know most people jump in the car and do the two and half hours?

**Mr TODD:** I would say they would go Wagga Wagga, Albury or Melbourne.

**The Hon. J. A. GARDINER:** I missed what you were saying about the latest inquiry for a service to go into Deniliquin?

**Mr TODD:** Yes.

**The Hon. J. A. GARDINER:** Was there not an indication that one of the regional airlines was going to come from outside New South Wales and into and then across?

**Mr TODD:** International.

**The Hon. J. A. GARDINER:** Not a domestic one.

**CHAIRMAN:** That is its name, International Airlines.

**The Hon. J. A. GARDINER:** Any word as to that one?

**Mr TODD:** We are no further advanced on that. Enquiries were in June. I have not received any updates.

**The Hon. J. A. GARDINER:** What about the other way, going down to Mildura, do many people take that option?

**Mr TODD:** Through charter flying?

**The Hon. J. A. GARDINER:** Charter flying?

**Mr TODD:** That would be too far.

**CHAIRMAN:** Griffith too far?

**Mr TODD:** Griffith is about 130 mile from Deniliquin, I suppose.

**CHAIRMAN:** Still two and half hours?

**Mr TODD:** Wherever you go you are looking at two and half to three hour drive for a regional airport.

**The Hon. J. A. GARDINER:** Are you saying that the decrease in the number of Government agencies in town is directly related to not having regular air services or has the removal of Government service offices come first and then a self perpetuating thing?

**Mr TODD:** I think it has run hand in hand with the Government's down sizing everywhere. I believe that has had a big impact on no RPT service in TO Deniliquin. A huge impact. Usage from those departments was pretty high.

**The Hon. J. A. GARDINER:** Pretty high and good customers?

**Mr TODD:** Now local charter they use a lot.

**The Hon. J. R. JOHNSON:** Do you know what happens at Hay, have they got a service?

**Mr TODD:** No, I do not believe they have. There was a connection from Deniliquin to Hay at one stage, that was run by the same operator that serviced Deniliquin. That has gone.

**The Hon. J. R. JOHNSON:** What is your population?

**Mr TODD:** Of Deniliquin alone, 8,500. Within a drawing area of perhaps 50 kilometres that would be doubled.

**The Hon. J. R. JOHNSON:** Where would you draw from, which towns?

**Mr TODD:** I could table this also. Within an 80 kilometre radius, you are looking at the townships of Finley, Berrigan, Tocumwal, Cobden in Victoria.

**The Hon. J. R. JOHNSON:** Have they got a service?

**Mr TODD:** No. Of course Deniliquin, you have got Mathoura, you could come down to Echuca, Moama. I will leave that with you, if you like.

**CHAIRMAN:** Formally table that.

**The Hon. J. R. JOHNSON:** How long since you have had a viable service there?

**Mr TODD:** December 96 was the last one with air facilities.

**The Hon. J. R. JOHNSON:** Nobody has made any attempt since then to provide a service?

**Mr TODD:** There has been a couple of enquiries. The latest one has been International Aviation.

**CHAIRMAN:** They spoke to us when we were out at Bankstown.

**The Hon. J. R. JOHNSON:** What is your total income from your council?

**Mr TODD:** For the airport?

**The Hon. J. R. JOHNSON:** No, the total income from the council?

**Mr TODD:** Ten million.

**CHAIRMAN:** Pre goods and services tax.

**The Hon. J. R. JOHNSON:** Will not come, there is going to be a election.

**The Hon. J. A. GARDINER:** There is going to be two elections.

**The Hon. J. R. JOHNSON:** One for the Senate and one for the rest.

**CHAIRMAN:** Just to follow on from the Honourable John Johnson, the airline that provided the services to Deniliquin, what size planes were they and how often?

**Mr TODD:** They were those small nine seaters, Chieftains or something like that.

**CHAIRMAN:** Nine seaters?

**Mr TODD:** He was doing a daily service from Deniliquin-Albury-Canberra. He still currently operate routes out of Albury.

**CHAIRMAN:** Did he say why he pulled out?

**Mr TODD:** Was not viable.

**CHAIRMAN:** How many passengers a year used to travel there?

**Mr TODD:** I have not got passenger numbers.

**CHAIRMAN:** What do people do requiring medical services to metropolitan areas?

**Mr TODD:** We have the air ambulance service that comes, otherwise road transport.

**CHAIRMAN:** Not many people fly to Sydney who can make their own way.

**The Hon. J. A. GARDINER:** Go to Melbourne?

**Mr TODD:** Melbourne orientated a lot for medical services, or Albury. Albury have specialists come across to Deniliquin.

**CHAIRMAN:** They drive?

**Mr TODD:** Yes.

**CHAIRMAN:** You were not aware of charter flights, whether they increased since the RPT ceased?

**Mr TODD:** The main charter flights would be still servicing the departments in the area.

**CHAIRMAN:** You talked about the Government cut back, because of those two lots of cut backs were there any cut backs in businesses or reduction in businesses in Deniliquin after the air services pulled out that you

are aware of?

**Mr TODD:** I could not comment on that.

**CHAIRMAN:** What about tourist numbers, has there been any decrease in tourist numbers that you are aware of?

**Mr TODD:** Pretty hard to gauge the tourists that would come to Deniliquin by air, could be a percentage, no doubt, but to be accurate I could not comment there.

**CHAIRMAN:** Just finally did Deniliquin council seek assistance from State or Federal Government when it was announced the RPT services would cease and also what was the Air Transport Council's reaction?

**Mr TODD:** I am not aware that we made any submissions to anybody.

**CHAIRMAN:** No contact from the Air Transport Council?

**Mr TODD:** No, not that I am aware of.

**The Hon. Dr B. P. V PEZZUTTI:** Under regulation you have got no air service and effectively I presume that this route, Deniliquin to anywhere, to Albury or to Sydney, would be open for anybody who came along who said they could provide a service, is that right?

**Mr TODD:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** You are an example of a community which has no air services, whether it is regulated or deregulated?

**Mr TODD:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** You have said the service, was it Hazleton?

**Mr TODD:** No, Air Facilities.

**The Hon. Dr B. P. V PEZZUTTI:** When Tony asked you the question about patient travel who were not urgent but needed to travel did you indicate how they could go by air, are they allowed to charter?

**Mr TODD:** They could charter or if it is an emergency we have the air ambulance.

**The Hon. Dr B. P. V PEZZUTTI:** If it is a routine service and you do not want the person travelling in pain or a brain tumour needing radiotherapy or something, how do they get to Sydney by air?

**Mr TODD:** They would not go to Sydney, they would go to Melbourne.

**The Hon. Dr B. P. V PEZZUTTI:** You still have to travel to Albury to get on the plane, have you not?

**Mr TODD:** Yes, if you want to go by that way, but I would say that most of them would go by road ambulance.

**The Hon. Dr B. P. V PEZZUTTI:** From Deniliquin to Sydney by road ambulance?

**Mr TODD:** To Melbourne.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any idea of how a subsidy, community service obligation, by Government could be paid? Are there any options that you have thought about where a community service obligation to improve the chances of people from Deniliquin, or isolated areas, to get a routine air transport to Sydney?

**Mr TODD:** No, I have not looked at it in any way.

**The Hon. Dr B. P. V PEZZUTTI:** If you do in the future, can you just let us know because I am sure you could be a bit more creative than we would be able to be. Have the number of charter flights increased dramatically or decreased at all since the withdrawal of the routine air transport service?

**Mr TODD:** Not having figures, the only positive comment I could make is that they would not have dropped; I would say they would be on an increase.

**The Hon. Dr B. P. V PEZZUTTI:** Has Council, or have you, has anybody from Deniliquin written to the State Government or the Federal Government seeking a form of subsidy?

**Mr TODD:** I am not aware of anything.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of any importunings that were done by the local council to the Air Transport Council when the operator who got the licence pulled out?

**Mr TODD:** No.

**The Hon. Dr B. P. V PEZZUTTI:** So you just sort of said well "Goddamn there it goes"?

**Mr TODD:** No, all those negotiations would have been handled by the general manager and I suppose you are not privy to everything that goes on, some of those discussions I would not be aware of.

**The Hon. Dr B. P. V PEZZUTTI:** When air facilities pulled out did the Air Transport Council rush down to Deniliquin to have a public hearing about what was going on and great communication between the two?

**Mr TODD:** No. If I could make one additional comment on the air charter. I would say it is definitely on the increase because the current operator Wecknall(?) Air Services has purchased additional planes and also the pilot instructor, Mr Evans, has also purchased a second plane.

**The Hon. Dr B. P. V PEZZUTTI:** Has any of them thought of starting a Deniliquin to Albury routine run, say three days a week or four days a week?

**Mr TODD:** I cannot comment on that. I do not know. I am not aware of any discussions or anything.

**The Hon. Dr B. P. V PEZZUTTI:** I am wondering if you could answer the question, you might not be able to answer the question, is there a huge cost in becoming a routine airline service compared to a charter operator?

**Mr TODD:** I could not comment on that.

**CHAIRMAN:** You might like to take that on notice and make some enquiries of the local service to developing that route. Anything else that you feel that you missed out on saying here today if you would like to send us a letter we would be very pleased to see it.

**(The witness withdrew)**

**BEVERLEY ANNE JORDAN**, Economist, New South Wales Farmers' Association, sworn and examined:

**CHAIRMAN:** Did you receive a summons issued my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

**Ms JORDAN:** I did.

**CHAIRMAN:** Are you conversant with the terms of reference of this Inquiry?

**Ms JORDAN:** I am.

**CHAIRMAN:** You have made a submission, which you have handed round to us, to the Committee do you wish that to be included as part of your sworn evidence?

**Ms JORDAN:** I do.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard and seen only by Members of the Committee then the Committee would be willing to accede to your request and resolve into camera.

If you would like to go to the main points and then we will rotate round and ask you some questions.

**Ms JORDAN:** I would like to thank the Committee for the opportunity to put the views of the New South Wales Farmers' Association before you and thank you for the opportunity to table the submission.

The key issues we believe for rural communities are that they continue to have access to service at a level and a frequency that are appropriate to their needs and it is our belief that the current licensing regulations do not effectively address that.

Our submission would therefore be in support of deregulation that removes those licensing requirements when the current licences lapse. However, we are aware that the Committee has taken note of the way in which the Federal regulations that govern access to Kingsford Smith has the potential to act to disadvantage small regional and rural communities that are currently able to support a profitable service but at a level that may not suit the efficiency aims of the managers of the Sydney airport.

It is in line with those factors that we would stress that the key issues for regional communities are continued access to the State capital and continued access to international and interstate links. The Association would stress that it is the interstate links that we believe are most important. The access for regional business, there are already disincentives to establish a business in a region and that will only be exacerbated if access to the State capital, including access to Government agencies and the normal business activities, if regional business is put in the position where the time taken to achieve those business needs is exacerbated by breaking the link between regional airlines and interstate airlines.

Currently, with few exceptions, regional business has to come through Kingsford Smith in order to make interstate connections. Siting regional services separately from those interstate services could mean for some business the expense of overnight stay, that would only be exacerbated by flight delays or the normal delays experienced in Sydney traffic.

The way in which access to Kingsford Smith is likely to be governed for regional airlines is by the two systems that have been put in place, they are intended to provide an integrated response to the current problems of noise and congestion at Kingsford Smith. We have not addressed the appropriateness of the cap on movements at Kingsford Smith because we believe that falls outside the terms of reference but we believe that that is an important limiting factor.

The slot management system that provides an administrative structure to deal with the congestion arising from that cap has to some extent protected the existing access of existing regional operators into Kingsford Smith but we would argue that the other leg of that integrated response, the operational charges, is currently designed to act against the objectives of the slot management system and to the extent that that would prevent regional operators from making effective use of the slot management system it discriminates against those regional operators.

The nub of our submission is that it is the interaction between the Federal regulation and the progress of State deregulation that is the key area.

To address the effects of licencing briefly, we would suggest that the history of regional services shows that the current licensing arrangements have not been effective in requiring the continued operation of any regional service. The effect that that has is to prevent competition from entering in on the route but they do not ensure continued service for that regional community in the event that an operator who holds the licence is unable or unwilling to continue to service that route.

In the light of that we would submit that regional air services should be deregulated by removing the licensing regulations, but we would suggest that there is a role for State Government in monitoring the effect that that has on pricing and particularly in monitoring the effect that the Federal pricing charges have on continued access for small profitable routes.

We would also welcome any lobbying action by State Government that would ensure that pricing structures operating at Sydney Airport do not adversely weigh on regional passengers. The effect of the landing fee charges as they currently apply, and as they are proposed to apply from 1st October, mean that the per passenger charge is higher for regional passengers. It is reasonable that regional aircraft bear a portion of the fixed charges associated with the operation of the airport, it is not reasonable that they bear a higher proportion of those than the services such as the international services which are making greater use of the capital investments at that airport.

I have briefly addressed the issue of the interconnection between regional and interstate and international airlines, our recommendation would be that any proposal that restricts the ability of regional passengers to easily and timely access interstate and international flights should be dismissed and should not be further pursued.

Should it become necessary through weight of traffic it would be our contention that it is the regional and interstate services that should be sited together and the international services which should be sited at a different venue but it is obviously our strong preference that regional services continue to have access to those connections.

**CHAIRMAN:** I notice your submission is a bit like the Shire Association, to do with the impacts of deregulation. The recommendation is that regional air services be deregulated, however, the eight paragraphs involved there, including the first paragraph as a straight lift out of IPART, all of the other paragraphs actually

talk about the dangers of deregulation and the dangers to smaller country areas and talk about if there was deregulation there should be safeguards put in place. Just to look at your recommendation without the balance of the text is to unfairly treat your submission.

**The Hon. J. A. GARDINER:** Firstly, Beverley, were you here when the Sydney Airports Corporation Limited gave their evidence?

**Ms JORDAN:** No.

**The Hon. J. A. GARDINER:** They indicated that on Friday there was a decision to bring aircraft landing charges down and small aircraft be charged \$40 per landing, medium down to \$82.50 and then the larger at the hundred dollar figure. That might be useful but we have not heard from the regional airlines as to whether they are happy with that or not.

**Ms JORDAN:** We obviously were unaware of that and we would be equally unaware of the regional operator's response. I think our contention on this is that, yes, that would go some way to addressing the issue of the minimum landing fee but there are other ways of structuring those fees that could, using other measures, lighten the unfair distribution per head. One thing that this would not address is the fact that the charges per or the weight related charges have been dramatically decreased. Now, that is, to some extent, compensated by the fact they have introduced the international terminals charge but the combination of the fixed landing charge and the decrease in the weight related charge will continue to push the balance of the way those landing charges are felt per passenger unfairly against regional services.

**The Hon. J. A. GARDINER:** Does the association have a view about the sorts of communities that we were just hearing from, that are fairly far flung from a major centre, but they do not have viable numbers of passengers and the question of CSOs coming in to apply those; do you have a view about those smaller places.

**Ms JORDAN:** We have not looked closely at the way in which a CSO would operate but it is exactly those sorts of communities that we believe the slot management scheme was designed to assist in ensuring that they continue to have access. The operation of the landing fees will mean that slot management system access is of no assistance to those communities and in those circumstances a CSO that guaranteed access where they do not have viable alternatives would be appropriate.

**The Hon. I. COHEN:** Miss Jordan, do you feel that there is support from the farming community to your position for deregulation? Is that an overwhelming support?

**Ms JORDAN:** It is current association policy and the way in which the association formulates its policy is through a very democratic structure that I know that you are aware of. So, yes, we would believe.

**The Hon. I. COHEN:** There has been a vote on this issue or some sort of polling of membership?

**Ms JORDAN:** It is pretty long standing association policy that intra State services be deregulated and that is a policy that came up through the association's conference.

**The Hon. I. COHEN:** It is just that information, as I interpret it, from the community, is that a lot of farming communities are feeling a significant concern, Deniliquin you might have heard just before you appeared, that they are losing services, that there is a fear that the marginal services, economically marginal services, are going to be effected by deregulation, you do not think that that is a problem?

**Ms JORDAN:** I think what we have tried to reflect in our submission is that we do think that is a problem but we do not think that comes from the lapsing of the licencing, State licencing. We think that that is going to be a problem, and currently is a problem, even with licencing in place. We would suggest that the factors that are causing that come more from the pricing of access to Kingsford Smith and that the State licencing requirements have had the effect of preventing competition on routes that might have provided those communities with services that were better suited to what those communities required.

The effect of the pricing of landing fees has meant that the incentive for the regional service operators is to move to larger aircraft and to structure their routes so as to maximise their effective use of Kingsford Smith and that does not necessarily equate with the perception of the local community of the level of service, the kind of aircraft, the frequency of operation on the route.

**The Hon. I. COHEN:** Does your organisation have an opinion on possible subsidising of small marginal routes to out lying areas?

**Ms JORDAN:** The association has not addressed that particular proposal directly but other policy positions of the association would mean that we would not support the direct subsidisation of specific routes but we would support the Government accepting a community service obligation in the underlying structure and operation of the market that would perhaps change the perception of that route.

**The Hon. I. COHEN:** Is not that a regulation, like a regulation process to actually maintain, force the maintenance of certain routes?

**Ms JORDAN:** No.

**The Hon. I. COHEN:** They may have one route and other marginal routes may have trouble.

**Ms JORDAN:** It may be addressed as providing a community service obligation that allows regional airlines a more equitable per person landing fee regardless of which particular route you are talking about.

**The Hon. I. M. MACDONALD:** The New South Wales Farmer's Association policy on the dairy industry, as I recall, was to oppose deregulation, is that correct?

**Ms JORDAN:** I do not believe that we opposed deregulation.

**CHAIRMAN:** Do you mean the deregulation that Ian Armstrong did in 1992 or the recent one, the farm gate price?

**The Hon. I. M. MACDONALD:** The farm gate price.

**Ms JORDAN:** I do not think we opposed deregulation per se. I think in that instance we were arguing that the marketing structure was addressing a current imbalance of power in the market that would have resulted in producers getting lower prices but retailers not passing on that price and, therefore, it was not in the public interest.

**The Hon. I. M. MACDONALD:** So there is a question of imbalance and power in the market place that secures the competitive demand or whatever?

**Ms JORDAN:** Exactly. That was what I was trying to get at in my previous answer. While we would not support subsidy of particular routes we would support the Government fulfilling a community service obligation that meant that all regional operators had assistance in securing access, for example, to Kingsford Smith. In other words, redressing the existing imbalance between the per passenger rate on a 707 or a 747, using the same stretch of run way at Kingsford Smith, versus the current per person rate on say a Dash 8.

**The Hon. I. M. MACDONALD:** Is not there an inbuilt lack of competition, in a sense, in our State, in that you have maybe 15 to 20 strong growing and effective centres, for one reason or another, which would be the absolute operating competitive forces in terms of what you say in your submission, their community's needs would get matched for sure, they would have good type of flight, they would have frequency and quality, those 16 to 20 growing centres who have say passengers over 70- 80,000 per annum. But there is another 40 odd that do not reach figures anywhere near that. Do not you accept that competition would eschew towards, the whole direction of air services in this State, under deregulation, towards those growing and bigger centres and that being an imbalance, in effect?

**Ms JORDAN:** It would and it probably should but the operation of market forces would not necessarily prevent those smaller communities from supporting an appropriate service for their needs. It may not be as frequent, it may not be on as large an aircraft and the current licencing requirement under the New South Wales regulations does nothing to ensure that those services or that that type of service remains in place for those centres.

I would suggest that where the imbalance and the skewing of the operation of market forces lies is with the access to Kingsford Smith which will push those smaller aircraft servicing the kind of community that you are looking at out of the peak periods and possibly close access to them altogether. It is those communities that need to be better served by safeguards that protect them against pricing competition and that protect them against the anti-competitive use of prices.

**The Hon. I. M. MACDONALD:** You would be opposed to Qantas and Ansett ganging up for years to wipe out any third competitor?

**Ms JORDAN:** Absolutely.

**The Hon. I. M. MACDONALD:** It is impossible to stop, is it not, really? You can talk about it, we will try and make it, we can monitor it, but in effect they are not going to stop it?

**Ms JORDAN:** That is the area we need to be addressing.

**The Hon. I. M. MACDONALD:** Once you have no licencing system in place at least make sure that the State has a fair chance of across it being serviced, once you have a total anything goes why would West Wyalong not fold and why would not those communities be upset to think, oh, well, we can solve that by giving you a once a week service rather than a daily service.

**Ms JORDAN:** Those communities would be upset but it is not the licencing regulation that currently ensures that they do have access to that particular service.

**The Hon. I. M. MACDONALD:** By and large because the licences are entered into under condition.

**Ms JORDAN:** I would submit that it does not because even under the licencing regulations where airlines

have been unable to sustain service along the route and withdrawn, unless there is another airline that is able to come in and provide the service the licencing regulation does not ensure the continuation of that service.

**The Hon. I. M. MACDONALD:** By and large they have.

**CHAIRMAN:** What if they change the system and issued them as a bulk group? In other words, if they issued 20 licences to an airline, ten of them good ones and ten of them not so good ones and if they pulled out the ten not so good air routes then the whole lot are up for grabs. Would you support that?

**Ms JORDAN:** I believe that still would not address what is the key issue and that is the ability of the landing fees to prevent them from continuing to service those routes. Because with the way in which the slot management scheme operates and the landing fees operate the incentive is always going to go towards larger craft and, therefore, to try and route regional services through larger centres because those will always be the most profitable routes.

**CHAIRMAN:** There might be some changes to those landing fees to be announced shortly.

**Ms JORDAN:** The changes we have heard I think still will not address that adequately.

**The Hon. J. R. JOHNSON:** For some considerable time your organisation has been urging the Government not to deregulate chemist shops and news agencies, yet the association wants some deregulation of the airline industry and I find it inconsistent. Would you like to comment.

**Ms JORDAN:** I do not think that I can directly address that other than to say that we are reflecting here the views of members that the existing licencing regulations have not ensured the kind of services that they believe their regional communities want and that, in the absence of the licencing regulations, there is more chance of increased competition on the regional routes, providing them with the level of service, the type of service and the frequency of service. I know that has not directly answered your question.

**The Hon. J. R. JOHNSON:** Have you been following the situation in regard to the Tamair in Tamworth?

**Ms JORDAN:** I have but I do not have a great deal of detailed information about that.

**The Hon. Dr B. P. V PEZZUTTI:** Earlier in your evidence you said that New South Wales Farmers believe that there should be frequency and level of service appropriate to the needs of community; is that a reasonable statement of what you said?

**Ms JORDAN:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Would you like to add something to that, like practicality or within reasonable cost or something. Because an individual, every individual's needs for frequency and access of a level of service depends upon each individual's needs, if I am a doctor sitting in Lismore or a doctor sitting in Deniliquin it is exactly the same. There has to be something that brings that down to reality, which is what the Honourable Ian McDonald said. So what brings it down to reality, what makes it practical or nonpractical or is it your suggestion they have to be profitable?

**Ms JORDAN:** Absolutely, that is the underlying assumption here.

**The Hon. Dr B. P. V PEZZUTTI:** I have heard what you said. If you don't like the question you can say stop. If it has got to be practical and there has to be a level above which it is profitable and below which it is not profitable, is there a way in which the Government can intervene or somebody else can intervene to lower the bar, to make it more available in a more equitable fashion to a large number of people?

I could ask you the other question, which is a ridiculous question, but do you believe that there should be Bob Carr Airlines started up in New South Wales to service those ports which are not profitable?

**Ms JORDAN:** I think we have answered that question. I think we said no. I think I have also said that specific routes should not be directly subsidised. I think the airlines should not be, the specific route should not be, but the thing that we see standing in the way of market forces providing exactly the services with the qualities that we have referred to here, what we would argue is that normal operation of market forces would provide that kind of service. The regulations governing access to Kingsford Smith which is, by any measure, the key hub for the air services, those incentives necessarily act against a route that is servicing a small market because those incentives are designed to push through larger aircraft.

**The Hon. Dr B. P. V PEZZUTTI:** Given that we have heard today that regional aircraft produce 5% of the passengers and use up 35% of the peak times and 33% of all the other times and there is a ring around that, that sort of regulation must be costing Sydney airport a fortune. So somebody is paying a subsidy here already. They are guaranteeing access at a lower cost.

**Ms JORDAN:** My understanding of what they are guaranteeing is they are guaranteeing access to the slot, they are not guaranteeing access at a lower cost and there is no opportunity for an operator that does not already have access to that slot to purchase that slot. So the operational system that we contend does provide better access for regional routes, the objectives of that are in conflict with the incentives and the objectives of the charging system. It is in that area that there would be room for the use of a CSO in addressing the imbalance.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware of the costs of the operation of the Air Transport Council to the State Government of New South Wales?

**Ms JORDAN:** No, I do not have that detail.

**The Hon. Dr B. P. V PEZZUTTI:** Do you know who pays for its operation?

**Ms JORDAN:** I would imagine the tax payer would.

**The Hon. Dr B. P. V PEZZUTTI:** Do we know how much it costs?

**CHAIRMAN:** \$320,000 a year net cost.

**The Hon. Dr B. P. V PEZZUTTI:** It would be your contention that it has in terms of its operation, the decisions on who gets what route is made by the Air Transport Council at Elizabeth Street, is that correct?

**Ms JORDAN:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** Are you aware if there is a variation whether there is any consultation or a need for consultation between the Air Transport Council and the local community or the people who made the

original submissions about the people who got the original licence?

**Ms JORDAN:** We are talking about the original New South Wales licences?

**The Hon. Dr B. P. V PEZZUTTI:** If it is a New South Wales licence say from Sydney to Deniliquin, if there was one, and there was, and the person pulled out what consultation was there between the Air Transport Council and the Deniliquin community?

**Ms JORDAN:** As far as I am aware there is no requirement for there to be any consultation and the licence does not require the operator to continue to provide the service.

**The Hon. Dr B. P. V PEZZUTTI:** Or live with any of the conditions of the licence?

**Ms JORDAN:** Or live up to any of the conditions of the licence.

**The Hon. Dr B. P. V PEZZUTTI:** Is the Air Transport Council's operations in New South Wales anything but a sick joke?

**Ms JORDAN:** I might decline to answer that question.

**The Hon. Dr B. P. V PEZZUTTI:** Can you give me one good thing, one thing which is rational, responsible and delivers an outcome that the Air Transport Council is doing today, at a cost of \$320,000 to the tax payer we are told, that could not be delivered in any other way without them and without their regulations?

**Ms JORDAN:** Our argument is that the licensing should not continue because it has not been effective.

**(The witness withdrew)**

**GERRARD PATRICK MCGOWAN**, Executive Chairman, Impulse Airlines, and

**IAN DONALD DAWSON**, Director, Impulse Airlines, sworn and examined:

**CHAIRMAN:** Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

**Mr MCGOWAN:** I did.

**Mr DAWSON:** I did.

**CHAIRMAN:** Are you conversant with the terms of reference of this Inquiry?

**Mr MCGOWAN:** Yes.

**Mr DAWSON:** Yes.

**CHAIRMAN:** You have made a submission to the Inquiry, would you like that to be taken as part of your sworn evidence?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** If you should consider at any stage during your evidence that in the public interest certain evidence or documents that you may wish to present to the Committee should be seen or heard only by the Committee then the Committee would be willing to accept your request and resolve into camera.

Because we have got that submission you do not have to necessarily read it out but you might just like to take a couple of points and highlight them and then we will go through the process of asking you some questions.

**Mr MCGOWAN:** Impulse is of the view that air services in New South Wales should be deregulated. We do not think it has delivered what was envisaged. According to a release made by Ian Armstrong when this Committee was set up he believed that regulation or managed competition, whichever you want to call it, would ensure that companies were viable, that there would be adequate profit margins, that small communities would not lose their services, that operators would be given a say in how the industry is run and that the economic survival of country towns were dependant on air services bringing passengers to Sydney. We do not believe that regulation has delivered on any of that.

We think that regulation has fatally flawed the industry, especially in light of what is happening with Sydney Airport with slots and with all those issues that are currently happening. We think it is a flawed system. We think that the Air Transport Council does not have a role in the future of the industry and we are advocating that it be deregulated.

**CHAIRMAN:** Do you have any comments on any of the other terms of reference specifically?

**Mr MCGOWAN:** I am happy to go straight to questions.

**CHAIRMAN:** What size aircraft does Impulse utilise?

**Mr MCGOWAN:** Impulse utilises Beech 1900Bs, they are a 19 seat commuter aircraft and some with toilets, refreshments and some not.

**CHAIRMAN:** In one of the blurbs in one of the planes it says that you operate one of the most modern air fleets?

**Mr MCGOWAN:** Our average aircraft age is under 18 months. We have got the most modern fleet of aircraft in this country, barring no-one.

**CHAIRMAN:** How will the increase in landing fees at Sydney Airport effect your operations?

**Mr MCGOWAN:** They will not effect our operations. We are not in agreeance with the way the landing fees were set. Initially when they were set at \$140 we were critical of the Government and that the current fees were \$44. We negotiated with Sydney Airport Authority earlier on this week to get the fees commencing October 1 reduced to \$82.50 for 19 seat operators, \$40 for 9 seat operators and the 36 seat operators will be paying \$100.

**CHAIRMAN:** How many planes do you have?

**Mr MCGOWAN:** Thirteen.

**CHAIRMAN:** How do landing fees at regional airports effect you?

**Mr MCGOWAN:** It has been an argument we have been having with them for some time. We feel that regional airports tend to overspend on their facilities, that they see the airports as an economic centre in their own right and they look to either make profits for it or at least have it break even. Those airports that are not used very frequently it is very difficult for them to have them break even. We really see regional airports as a community asset that needs to be supported as are roads or anything else that the community does. It brings people to town to do business, to spend money, things like staying in hotels, those sorts of things. I do not think communities see it that way and some of the regional airport charges are quite high.

**CHAIRMAN:** What effect would the re-direction of country air services at Bankstown have on your operations?

**Mr MCGOWAN:** If regional airlines were allowed to fly wherever they wanted to from Bankstown I think there would be a role for Bankstown. I think the reality is that the way this industry was deregulated on a national level with such a high majority of the travel agents being owned by the two major airlines, by the two reservation systems being totally controlled by the two major airlines, it makes viable regional air services from Bankstown very difficult. We have put forward proposals where we would seek to fly to Bankstown with major capitals as well as link regional centres into Bankstown, but that has not been met with a favourable response from our host carrier.

**CHAIRMAN:** Would you see deregulation would increase your business much?

**Mr MCGOWAN:** If you had asked me that a couple of years ago I would have said yes, but the slots make it very difficult.

**CHAIRMAN:** Is there provision for you to get slots? Just say there was no regulation at the moment and you

wanted to operate in three more areas next week?

**Mr MCGOWAN:** Slots are becoming increasingly difficult to get, especially if you want to have a viable business service, because people want to access Sydney early in the morning, they want to come out of there of an evening and there are plenty of slots available at 11.00 o'clock or 12.00 o'clock or 1.00 o'clock but to have viable air services from the country communities we need access at peak periods and there is not a hell of a lot of slots left there, or there are no slots left there.

**CHAIRMAN:** If you get the Tamworth route is there any problem with just taking over that existing slot?

**Mr MCGOWAN:** We secured what slots Tamair had, the unfortunate thing with Tamair was that Dave was starting to reduce services over a period of time so they let slots go that service that community and they have gone to other operators or back into the general industry. So yes, it was difficult to get slots to service Tamworth. What we have pulled up with Tamworth is it would be almost impossible for us to do again with any other community.

**CHAIRMAN:** Only because there were slots there?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** We are led to believe this morning it is not that easy to transfer them between airlines or even between communities. How many people does Impulse employ in New South Wales?

**Mr MCGOWAN:** About 260.

**CHAIRMAN:** Where are the major location areas?

**Mr MCGOWAN:** Our major employment areas are in Newcastle, Brisbane, Sydney and we have 22 employees in Tamworth.

**The Hon. J. A. GARDINER:** Including the Tamair people?

**Mr MCGOWAN:** Including the Tamair people that we currently have on board.

**CHAIRMAN:** I think you made a proposal that you would take a lot more on board if you get the route?

**Mr MCGOWAN:** That is right.

**CHAIRMAN:** Have the local communities been happy with the level of service provided by Impulse?

**Mr MCGOWAN:** Yes, I think so. I think in our submission to Tamworth Council we had a high level of support from other regions we service.

**CHAIRMAN:** What success is Impulse having in making Newcastle a hub?

**Mr MCGOWAN:** I think Newcastle has been a very interesting story in that when we first went there we were doing 40,000 passengers a year, five years later we will do better than 200,000 this year. The growth has been quite strong there. I think the whole issue of air services in New South Wales is not to create Sydney as the main hub, I think that has been the thing that deregulation has left on air services in New South Wales

because everything comes into Sydney.

Twenty per cent of regional passengers want to go somewhere else and they are forced to hub through Sydney. What we have done in Newcastle is we have taken them direct and it has proved very popular and it has also increased the traffic demand out of that region quite considerably.

We see that any viable future service in New South Wales is going to have to address those sorts of issues. I cannot see any sense in Tamworth passengers coming to Sydney when they want to go to Brisbane and that is why we started the Tamworth-Brisbane service. We have committed to Tamworth that we will commence operations to Canberra and Melbourne, because once again there is high on-carriage out of those regions. If you take Tamworth to its logical conclusion there is no reason why you would not connect places like Moree, Gunnedah even Dubbo into places like Tamworth and use it as a genuine hub to allow them to go to many different destinations rather than one.

**Mr DAWSON:** Impulse have developed a definition of a hub which I think is different to the common language of the industry. There is a feeling in the Tourism Task Force and others who have advocated that you consolidate loads into regional centres like Tamworth and other places and bring the lot into Sydney and then they hub out from Sydney. We believe you can decentralise hubs. We believe that we have done that in Newcastle, we are starting to do it in Wollongong and we certainly, if given the opportunity, intend to do that in Tamworth.

The key is to make the city connections out of the regional centre rather than bring everything into Sydney on a jet or on a bigger aircraft. I just want to clear up the definition of what a hub is when we use the expression.

**CHAIRMAN:** You said you had 13 planes but I think if you get Tamworth you are looking at perhaps buying another half dozen.

**Mr MCGOWAN:** Yes, we have six on firm order.

**CHAIRMAN:** No finance apparently according to the report you gave to the Air Transport Council, there is nothing on loan. I was intrigued there, on the side of the planes it has got, is it Fairfax? That is how you started, wasn't it, you started as a newspaper carrier?

**Mr MCGOWAN:** Yes, and we still do that to this day; we do the distribution of the Fairfax and News Limited publications around Australia. It is really how we got into the airline business, we bought aircraft to service the cargo requirements.

**CHAIRMAN:** You have moved to your own terminal in Sydney. I would be interested to see how that is working. I think somebody else said they that they might have actually used your terminal there as well, one of the small operators. Is it Yanda?

**Mr MCGOWAN:** Yes.

**CHAIRMAN:** The CRS computer reservation system, how is that operating?

**Mr MCGOWAN:** In terms of terminals we are trying to move to our own terminal wherever possible. We just moved to the common use terminal in Brisbane out from Ansett. The new owners at Canberra airport are building a common use facility. Certainly our facility in Sydney works well.

There is normally some percentage of our customers, a very small percentage, that would prefer that we pulled into an Ansett or a Qantas terminal because they just want ease of access to the Golden Wing Clubs, those sorts of things. What we say to those communities is that normally about 60% of the traffic originates Sydney and for those passengers they can pull into our facility, they get free car parking, they can get there 15 minutes before flight departure and it is just easy for them. It is basically a country terminal in a city.

**The Hon. I. M. MACDONALD:** What about if they are going on?

**Mr MCGOWAN:** If they are coming in from a country location into Sydney?

**The Hon. I. M. MACDONALD:** And they are going somewhere else?

**Mr MCGOWAN:** If they pull in on Hazelton or Tamair they would get on a bus and they get taken to the Ansett terminal. If they pull into Impulse we put them on a bus, we take them to the Ansett terminal or the Qantas terminal or the international terminal free of charge.

On the reservation systems, to us when the Hawke Government deregulated we think the bad thing about that deregulation was the ownership of the terminals and the reservation systems were left with the airlines and they continue to use that, in our view, in a predatory way. It is very difficult to control costs. Some of our terminal costs went up in excess of 250% in one year. Our reservation system charges continue to go up outside of any expectation that we might have. If you choose to compete with one of the majors then you normally find your services will be buried on the second or third page of the reservation system and it is something that we have been encouraging the agency to look at, without any success at this stage.

**CHAIRMAN:** They have not looked at it?

**Mr MCGOWAN:** They have, they have been out to us, we have shown them how the reservation system works but there has been no action forthcoming.

It is a very technical thing and it is difficult for people outside the industry to get their heads around but we think at some stage if there are going to be any viable third airlines come out of this they probably should be coming out of a regional carrier and unless you can get some control over the reservation systems it is going to be very difficult for that to occur. Also, when you consider the amount of ownership of travel agencies by the major two as well, it makes it very difficult.

**The Hon. J. R. JOHNSON:** Can you give us the sequence of events with the fold-up of Tamair?

**Mr MCGOWAN:** The sequence of events were that I believe on Friday, I do not know the date, but Tamair handed in their air operators ticket to CASA. CASA subsequently, we found out, did not accept that and they decided that they would take their air operators certificate. We believe the Air Transport Council then cancelled their licenses. Ansett cancelled all of their commercial agreements with them at that stage.

**The Hon. J. R. JOHNSON:** What happened subsequent?

**Mr MCGOWAN:** Subsequent to that we got a call to our Tamworth agent on the Friday by Paul Bredereck who wanted to basically sell his operation to Impulse agents or whoever he could get across the line. The way he described it was that the business was still operating and that the assets of the business or the share holding of the business were available for sale. What we subsequently found out was that he had basically already

ceased to operate and he had no right to trade in air licenses and that commercial agreements and his air operators certificate had all been taken off him.

**The Hon. J. R. JOHNSON:** Was he offering the business with the encumbrances?

**Mr MCGOWAN:** He was offering the business in whatever form a buyer would want to take it. He really did not have anything concrete on the table to offer other than to say that the ongoing business should be able to keep its air operators certificate, its licenses and all those sorts of things that you would need to operate - that was not the case.

**The Hon. J. R. JOHNSON:** Then what happened? How was Tamworth serviced?

**Mr MCGOWAN:** We picked up the services from that day.

**The Hon. J. R. JOHNSON:** How?

**Mr MCGOWAN:** The Air Transport Council gave us a temporary licence it runs out on 14 September. We honoured Tamair tickets that had been paid for by the public, we have honoured over 20,000 to date.

**The Hon. J. R. JOHNSON:** 20,000 tickets.

**Mr MCGOWAN:** \$20,000 worth of tickets. That continues to grow every day. The difficulty we are facing in Tamworth at the moment is there is still no decision on the licence. Our current licence runs out on the fourteenth.

**CHAIRMAN:** Monday.

**Mr MCGOWAN:** We cannot sell tickets beyond that date, so it means that passengers that want 21 days, 14 days, seven day advance purchase cannot book, so we are seeing that market dry up for us very quickly.

**The Hon. J. A. GARDINER:** What is your expected timetable on your announcement?

**Mr MCGOWAN:** We would have hoped an announcement would have been made Friday, today at the outside.

**The Hon. J. R. JOHNSON:** What about the employees, their annual holidays and long service leave and superannuation and sick leave entitlements?

**Mr MCGOWAN:** We know we have pilots that were taken on, they are owed in excess of \$75,000. You have ten cadets up there, some of them have only been there eight days, they have paid over \$85,000 up front to learn how to be a pilot and supposedly have a job guaranteed at the end of it. Some of those kids have had families mortgage homes, properties, those sorts of things and they have got nothing.

**The Hon. J. R. JOHNSON:** You have not taken over those employees?

**Mr MCGOWAN:** No, we cannot.

**The Hon. J. R. JOHNSON:** I take it that there is a new contract of employment with them that you have got?

**Mr MCGOWAN:** That is right.

**CHAIRMAN:** And if you get the licence after next Monday would you propose to take any of those on?

**Mr MCGOWAN:** The cadets are a very difficult case, in that, you do not what standard they have been trained to. If you hire cadets out of the British aerospace flying college you know the syllabus they have trained to is the Ansett syllabus, with these kids, like everything else with Tamair, you just do not know what is there.

**The Hon. J. R. JOHNSON:** How many involved?

**Mr MCGOWAN:** Ten that I saw on Thursday. We are working with Newcastle University to try and create some sort of environment where they can go ahead with their studies and come out with a viable degree at the end of it. We are working with some of the kids to see if they can put off their flying ambitions, do the degree, maybe move into operational areas. We are conscious of the damage that has been done to them. At the end of the day we are going to do as much as we can to help them but we are still trying to work out what that can be. It is a bad situation up there.

**The Hon. J. R. JOHNSON:** Just one more question, in answer to a question from the Chairman you indicated that you are buying another six aircraft.

**Mr MCGOWAN:** Yes.

**The Hon. J. R. JOHNSON:** And you do not lease aircraft?

**Mr MCGOWAN:** No, we do not lease aircraft. What you see on our balance sheet is basically what is there. We do not lease them to try and get them off balance sheet. What we say is that we have no bank debt, no leases. When we purchase our aircraft we pay significant deposits. The aircraft manufacturer has a bank that basically loans money against that equipment. The only debt the company runs is a proportion of the aircraft but everything in our business we fund out of our cash flows.

Airlines are great cash flow businesses. You only have to see the trouble that Ansett have been in for long time now but they survive and it is because of that you are generating lots of cash, which is great for airline. You get an airline in trouble and it means that the damage at the end of it is huge as well. People are paying up front for fares all the time through credit.

**The Hon. Dr B. P. V PEZZUTTI:** Your pennanted chart which had the various costs of the council charges but significantly you have left Sydney off, because the whole reason for this inquiry is substantially about Sydney routes. I will come on to the other issue later. You have left Sydney off, what would be the equivalent numbers for Sydney?

**Mr MCGOWAN:** Costs for landing in Sydney are \$82.50.

**The Hon. Dr B. P. V PEZZUTTI:** For your 19 seater?

**CHAIRMAN:** That is the new stuff on Friday.

**The Hon. Dr B. P. V PEZZUTTI:** The stuff that was equivalent to these costs here.

**Mr DAWSON:** We did not do the analysis because this was for another submission. We are a very small user of Sydney airport, basically.

**The Hon. Dr B. P. V PEZZUTTI:** Do you have any routine flights into Sydney?

**Mr DAWSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** What were you paying?

**Mr DAWSON:** That was for a specific period.

**The Hon. Dr B. P. V PEZZUTTI:** Do you not do Sydney to Newcastle?

**Mr MCGOWAN:** Very limited.

**Mr DAWSON:** We do Port Macquarie-Sydney and Cooma-Sydney.

**The Hon. Dr B. P. V PEZZUTTI:** The port Macquarie-Sydney I know that is not a peak time flight, is it?

**Mr MCGOWAN:** Port Macquarie-Sydney, yes, we did not schedule around the peaks, we would fly in through them.

**The Hon. Dr B. P. V PEZZUTTI:** What were you paying for the landing?

**Mr MCGOWAN:** We were paying \$44 plus the \$250 surcharge.

**The Hon. Dr B. P. V PEZZUTTI:** \$2.50 per person?

**Mr MCGOWAN:** No, \$250 peak period landing fee.

**The Hon. Dr B. P. V PEZZUTTI:** So looking at the other international, the other State big ones, Coolangatta, Melbourne, Sydney, Brisbane, the cost of landing at those per person is very small, aren't they, compared to the huge cost that Port Macquarie Council is charging? Six million dollars is its income. The income for Coffs Harbour council is four million dollars, the income for Newcastle city, or for Newcastle airports, I presume that is both of them?

**Mr MCGOWAN:** No.

**Mr DAWSON:** That would be Williamtown.

**The Hon. Dr B. P. V PEZZUTTI:** That would be the Williamtown one, would it?

**Mr DAWSON:** Yes.

**The Hon. Dr B. P. V PEZZUTTI:** 11 million dollars. Tamworth two million dollars and Armidale two million dollars. Now these are big amounts of income for relatively smaller airports. I would love to know what is Sydney airports income.

**CHAIRMAN:** We have got it.

**The Hon. Dr B. P. V PEZZUTTI:** Is it billions? The question is, looking at the cost per landed person in regional New South Wales at a regional airport are vastly higher than landing at Sydney, so why is this fascination that people have about the cost of landing at Sydney?

**Mr DAWSON:** I think there is two issues there. One is whether there is an agenda running in Sydney to use pricing as a means to get smaller aircraft out.

**The Hon. Dr B. P. V PEZZUTTI:** Ignoring fear and concern, the reality at the moment, none of the landings in Sydney would go close to \$15.75 for a 19 seater.

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Yet we hear screams about Sydney airport. The New South Wales farmers terribly concerned about the cost of landing at Sydney airport and yet the real costs are out here in Tamworth, Port Macquarie and Coffs Harbour.

**Mr MCGOWAN:** Once again I would say that you have got the mentality of councils out there want to have full cost recovery for their airport operations. On top of that they want to build significant terminals. If you look at the terminal built at Port Macquarie, or at Tamworth, or Coffs Harbour, the amount of development work that goes on out there. It is not like Sydney where you have a huge pool of aviation paying for it. Out there you have one or two airlines that have to pay for it and it is big and they want one hundred per cent cost recovery.

**The Hon. Dr B. P. V PEZZUTTI:** This Committee has continued to hear from councils who are terribly concerned about deregulation what it will do to their community. We are also mindful of what it will do to the pockets of the councils in making decisions that they have made over time. Lismore city is about to build a two million dollar brand new terminal.

**Mr MCGOWAN:** And in every instance we have come across that we have opposed it. Local communities you do not get to the airport an hour before you want to go. You get up there, you drive in 15 or 20 minutes, you do not need much in terms of terminal and we prefer to see cheaper terminals, cheaper operations out of the country communities.

**Mr DAWSON:** Can I add a rider to that, you have to be careful with these figures that you are comparing oranges with oranges. In Sydney and Melbourne they are for landing charges only. We get large charges from Ansett for turn around charges through their terminals.

**The Hon. Dr B. P. V PEZZUTTI:** There are other charges, I am aware of that.

**Mr DAWSON:** Okay.

**Mr PEZZUTTI:** The landing fees, which is what people talk about, which is the variable, not the access to a terminal, because you can have your own terminal, of course they have to provide their own terminal after all, the cost of physical landing is the thing people get terribly excited about but they are nothing like the costs elsewhere.

The other question I have for you is, do you think one of the ways we could take advantage regional New South Wales, or take away some of the disadvantage to regional New South Wales, is to provide a form of community service obligation which would overcome some of the difficulties of size and give a bit better access and, if so, how is that best provided?

**Mr MCGOWAN:** In terms of?

**The Hon. Dr B. P. V PEZZUTTI:** A subsidy of some sort.

**Mr MCGOWAN:** The whole issue of responsibility to regional areas has not been addressed by the slots and the big down side of slots is that the airlines own them and you have no obligation to continue to fly from where you gain those slots. We saw that as obviously a flaw in the system.

The alternative to that is, with deregulation, what happens to smaller regions if they lose their air services. My contention is that other airlines will make more sense of their networks by incorporating some of those smaller regions. If they do not the Government has the option to subsidise those areas and recover the cost out of the industry and we would be supportive of that.

**The Hon. Dr B. P. V PEZZUTTI:** Currently, what Tony Kelly was suggesting, they might get a bag of 12, six good ones and six pretty marginal or loss leaders; do you think it is fair for the six good ones to be cross subsidising for a particular company?

**Mr MCGOWAN:** No, I do not. We were critical last week of the Tamworth situation where you have one operator that had no slots to service that market. So, their choice was to take an aircraft and slots from another port, which is what we believe they were going to do, to service a more viable one. Our view on that is that we do not think that that is the way to run an air service. If you look say at Cooma in our network where we do very well out of there in the winter but you bleed all summer, you still have community obligations to bleed all summer, in my view.

**Mr PEZZUTTI:** You appeared before air transport council last week I believe to try and get this licence out of Tamworth. Fascinated, because this morning we had the Sydney Airport Corporation and it ofexplained to us their understanding of how the slot allocation system works and they said it works on history, if the history dies that slot goes back in to the system. Not just back in to the system for the airline company that owned it but floats up into the system; who wants this slot? That is what they are saying. What you said was that the Tamair slot went voof and you got it with the service. So, where is the cooperation between the Air Transport Council and the Federal Airports Corporation slot management company coordinator.

**Mr MCGOWAN:** I do not believe there is any.

**The Hon. Dr B. P. V PEZZUTTI:** How did you get the slot?

**Mr MCGOWAN:** We went directly to the slot Committee and said we providing services to Tamworth and we needed the slots to provide them.

**The Hon. Dr B. P. V PEZZUTTI:** And you had in your hand this wonderful thing called a temporary licence from the Air Transport Council?

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Do you think the Air Transport Council has any reason for existing at all after appearing before them last week?

**Mr MCGOWAN:** No.

**The Hon. Dr B. P. V PEZZUTTI:** Do you think the \$320,000 spent on the Air Transport Council is a good use of the tax payer's money?

**Mr MCGOWAN:** Absolutely not.

**The Hon. Dr B. P. V PEZZUTTI:** Would it be easier to provide that \$320,000 as a CSO to help make a thing like the Denilquin service more viable would be a better use of the taxpayer's money?

**Mr MCGOWAN:** Absolutely.

**CHAIRMAN:** Just to follow on from Dr Pezzutti, you only actually put in a bid for Tamworth you did not put in a bid for Inverell and Glen Innes?

**Mr MCGOWAN:** We did not have to, the Air Transport Council deregulated them.

**Mr DAWSON:** We have a licence.

**CHAIRMAN:** You have a licence for them as well?

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

**CHAIRMAN:** You are operating on them or not?

**Mr MCGOWAN:** Yes, we are. That was the issue that we were quite disturbed about, that the small centre lost all regulation because the airline fell over.

**CHAIRMAN:** Your proposal was to continue to have a service for those as well?

**Mr MCGOWAN:** That is right.

**Mr DAWSON:** Yes.

**CHAIRMAN:** The actual inquiry by the Air Transport Council was only for Tamworth?

**Mr MCGOWAN:** Only for Tamworth.

**Mr DAWSON:** They said there would be only one licence issued, which we are assuming means to some indefinite period in the future there will not be a consideration for a third licence granted. But the Glen Innes and Inverell licences were issued as open licences, which means anybody can come in and apply, and I am reading in to that on the assumption that they meet the same terms and conditions that they will get a second licence.

**CHAIRMAN:** You have applied for that?

**Mr DAWSON:** We have got the first licence.

**The Hon. Dr B. P. V PEZZUTTI:** Is any route, apart from a Sydney route, licensed? If you want to do Newcastle, Lismore Brisbane, would that be the a regulated route?

**Mr MCGOWAN:** You need to go to the Air Transport Council and get a piece of paper but there is, in effect, no regulation.

Can I just say that at the last licence review ports that have previously been deregulated were regulated. So places like Cowra and Young were re-regulated.

**The Hon. I. COHEN:** And the Hunter.

**Mr MCGOWAN:** And the Hunter. Here we had a situation, through no fault of their own, the operator fell over and the Air Transport Council deregulated.

**The Hon. I. COHEN:** You say in your submission you have been successful in developing Sydney bypass services. In the current state of play are you looking through deregulation, are you looking at increasing the network throughout the State that is going to be able to have shorter distances, perhaps hopping to nodes and channelling in to Sydney, is this part of the plan?

**Mr MCGOWAN:** We do not see Sydney as a hub for us. We have our northern hub, which is Newcastle, Brisbane is turning into a hub for us. We wanted our western hub, which we hope will be Tamworth and we want a southern hub.

**The Hon. I. COHEN:** In New South Wales or out of New South Wales?

**Mr MCGOWAN:** Probably in Canberra. From those centres we want to fly direct to all the major areas that we can get to, including Sydney. We also want to give people the availability to have a multiple choice of destination, not just one.

**The Hon. I. COHEN:** Would you expect most competition on that layout of network.

**Mr MCGOWAN:** Most competition will occur on the Sydney sectors because that is where every one is geared up to fly.

**The Hon. I. COHEN:** So, why such a strong push for deregulation? Could you not just see yourself fitting into a new regulated or part regulated scenario given you seem to be opting for almost a niche mode of operating?

**Mr MCGOWAN:** If we leave regulation as it stands then what we have gone through in this past week in Tamworth is going to continue to occur every two or three years. We are in a position where you have to deal with three layers of Government: We have to deal with the Federal Government on slots, with the State Government to get a licence to fly in New South Wales, then you have to deal with the local council. The way that regulation has worked is that you are, basically, running an election campaign through that. You are out there kissing babies, promising the world to these communities to try and get them to support you to expand your business or to fly where you want to fly.

I can not think of too many other businesses that has to employ someone full-time to deal with Government. That two days out of five with the chief executive normally taken up are dealing with one layer of Government or the other and that, for instance, last week when we want to make a 25 million dollar investment in aircraft to place in a region that is going to create employment we have to go through this whole election campaign. At the end of the day, even though we have local council and community support, there is still no guarantee that we are going to fly there. As happened through the last review.

I do not believe the whole review process reflects what is good for the community or what the community wants, nor do I think that the local council would reflect that. The thing that I found astounding with Tamworth was that most of the councillors, when they stood up and spoke on the air services, few of them had used it. They did not know what it was like to fly into Sydney. They did not know what the terminal was like because they had not been to Sydney or when they do come they drive.

So, we just regard the whole process as a nonsense. We are running a commercial business, we should be able to expand it within our means and we should be able to grow where we want to grow.

**Mr DAWSON:** One of the issues that we ran into difficulty, it is very difficulty to get productivity gains out of fleet when we are blocked on certain routes, particularly the popular routes into Sydney. The best example of that is we have always had an aircraft positioned in Tamworth with nine or ten employees permanently based in Tamworth and we have been running the northern service through to Brisbane, that aircraft used to sit on the ground for three or four hours a day because we could not fly it anywhere else because we did not have a licence to fly it. The only alternative at that stage was to fly it into Sydney. By getting the Sydney service we can flow aircraft through Brisbane, Tamworth, down to Sydney, and back up the coast, we can position them for maintenance, we can put four aircraft out there because we will be doing some of our own maintenance out there and, therefore, we can build services into Canberra and Melbourne.

The licencing system makes it very difficult to get productivity gains out your aircraft and your crews because every now and again you run into a brick wall which says you can not fly that leg. Then we have to what we call dead leg into Newcastle, we have to fly them from Tamworth into Newcastle, ostensibly as a regular passenger service, but really flying half a dozen passengers a week. The licencing system has really impacted our productivity.

**The Hon. I. COHEN:** Is it not protecting you as well?

**Mr MCGOWAN:** Protecting us from what?

**Mr DAWSON:** Competition?

**The Hon. I. COHEN:** Yes.

**Mr DAWSON:** No, we get plenty of competition on Newcastle-Brisbane with Qantas and we reckon it is the best thing for us. It keeps us on our toes. We grow the markets. We have chased them off once, we are trying to do it again because we respond to that level of competition. We do not want protection, never had.

**Mr MCGOWAN:** Qantas came at us with Dash 8 aircraft, 36 seat aircraft versus 19, they halved our fares, but at the end of the day they only fly one route. What the business passengers want, they want a lot of frequency and choice of destination. The impact that Qantas has had on us has been zero. The market size

has grown considerably because they have dragged market out of the Qantas system that previously was flying through Sydney.

**The Hon. I. COHEN:** Are you running any of your routes at a loss?

**Mr MCGOWAN:** Tamworth-Brisbane was very marginal for us.

**The Hon. J. R. JOHNSON:** Was or is?

**Mr MCGOWAN:** If we had not had the freight distribution off the back of it of a night then it would have been a loss. We always try to have one development route we are growing. Newcastle-Canberra has been painful, it has taken us a long time to grow that market. We now three services a day in there. When we get a market to some sort of break even we then try to increase frequency. We are always carrying one route, that is the way we grow our market.

**The Hon. J. A. GARDINER:** In terms of the concept you call the decentralised hubbing, is that a model you have developed yourself?

**Mr MCGOWAN:** It is a model that we have developed in Australia but it is one that we have experienced a lot of in the US. The US is very much going down that path. Trying to get anywhere in the United States was terrible, you had to go through these main city hubs all the time. The regional jets have transformed that and are giving communities a hell of a lot of choice. Our vision for our hubs is that 2000 we will have some jet services running out of those hubs for the longer hauls. At that stage then we can feed all the surrounding communities in there, so we think the viability of the regional communities of getting to multiple large city destinations around Australia is going to grow without having to come to Sydney.

**The Hon. J. A. GARDINER:** With respect to the ACCCs apparent lack of interest, do you think that perhaps that might be something this Committee recommend they have another crack at it?

**Mr MCGOWAN:** Absolutely.

**The Hon. J. A. GARDINER:** On the question of the training re Tamair, what is the situation with respect to accreditation of trainers and the certification that the cadets get?

**Mr MCGOWAN:** I think it has got to be very suspect, what the cadets have got, yes.

**The Hon. J. A. GARDINER:** There is a huge investment for young people and to come out with a question mark on a bit of paper.

**Mr MCGOWAN:** That is right.

**The Hon. Dr B. P. V PEZZUTTI:** Was it VETAC approved?

**Mr MCGOWAN:** I do not know. I know it is not to an Ansett standard.

**CHAIRMAN:** If there is anything you wish to elaborate on perhaps send us some notes.

**(The witnesses withdrew)**

**(The Committee adjourned)**