

## Issues facing regional communities

- 4.1 This chapter examines Australia's regional communities, their expectations, their airports, and the adequacy of services to their communities.

### Community expectations

- 4.2 In evidence given by the AAA, the organisation's Chief Executive Officer, Mr Ken Keech, stated:

I think most regional and rural communities around Australia should have the right to and the expectation of the sorts of services that we who are either lucky or unlucky enough to live in the major centres have.<sup>1</sup>

- 4.3 When asked what a reasonable level of service would be for a regional community, Mr Keech added:

My view is that it is up to each individual local council to find the balance between what is socially acceptable and what they can actually afford. With the new licensing certification that CASA is about to introduce, it may well be that some airports decide to go to a lower level of certification, perhaps because they cannot afford to maintain the levels that would be needed to have certain levels of operation, or aircraft into their airport. That is something that each local council has to determine.<sup>2</sup>

---

1 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 231.

2 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 231.

4.4 Many submissions, particularly those from regional communities that have inadequate services, stated that air services to their community should meet the following criteria:

- Regular, daily services;<sup>3</sup>
- Enough seats, and available at short notice;<sup>4</sup>
- Large, pressurised, turbo-prop aircraft;<sup>5</sup>
- Flights direct to a main port, to improve connectivity;<sup>6</sup>
- Flights at convenient times;<sup>7</sup>
- Cheap fares;<sup>8</sup> and
- Substantial freight capacity.<sup>9</sup>

## **Adequacy of commercial air services in regional and rural Australia**

4.5 Comments arising from submissions and evidence considered by the committee, concerning adequacy of regional aviation services, ranged from those provided by community organisations that considered air services were inadequate, to those provided by regional councils that considered air services to be adequate. These opinions are aligned with the smaller and more remote communities ranging to the larger, more well-endowed communities. They can be grouped into four main categories:

---

3 L.J. and C.D. Cox, submission no. 100, p. 2; Flinders Island Tourism Association, submission no. 127, p. 2.

4 J. Willis, submission no. 28, p.1; B.W. Wells, submission no. 31, p. 1.

5 King Island Gem, submission no. 21, p. 1; Geoff Humphries, submission no. 29, p. 1; W. Humphries, submission no. 33, p. 2.

6 Gerard Walker, submission no. 40, p. 1; Flinders Island Quality Meats, submission no. 59, p. 1; Forbes Shire Council, submission no. 88, p. 2; Barcaldine and Blackall Shire Councils, submission no. 147, p. 1.

7 Gerard Walker, submission no. 40, p. 1; P. James Owens-Brownbill, submission no. 44, p. 1; Forbes Shire Council, submission no. 88, p. 2; Bruce and Pat McKenzie, submission no. 111, p. 5.

8 King Island Gem, submission no. 21, p. 1; Liz Penfold MP, submission no. 10, p. 1; Forbes Shire Council, submission no. 88, p. 2.

9 Flinders Island Quality Meats, submission no. 59, p. 1.

- Those from representative organisations, mostly giving general statements claiming major inadequacies in regional aviation services<sup>10</sup>. Some specific examples were provided;
- Those from regional councils and members of the public claiming major inadequacies due to recent loss of regional aviation services;
- Those from regional councils and members of the public with access to services, although there are many claims of inadequacies concerning service frequency, lack of seats, high fares, aircraft type, aircraft size, and lack of connectivity; and
- Those from regional councils claiming that services are generally adequate.

### Adequacy of services

- 4.6 Submissions claiming that regional aviation services are adequate generally came from larger regional centres with established, well patronised services. Despite having largely adequate services, many of these submissions claimed that, continued closure of airlines and increasing cost of airfares and services are contributing to a struggling aviation industry.<sup>11</sup>
- 4.7 The committee heard evidence that inadequate air services can impede the development of a range of industries and result in the loss of investment dollars.
- 4.8 SEATS believes inadequate transport is impeding orderly development with hundreds of millions of dollars of identified investment being withheld from the region. South-eastern Australia is rich in primary resources, has a skilled labour force and a wealth of natural assets. Limited access is reducing the returns for existing businesses, and independent consultants report that key transport improvements could generate many millions of dollars worth of new investment.<sup>12</sup>

---

10 Country Women's Association of New South Wales, submission no. 51, p. 2; Australian Airports Association, submission no. 70, p. 3; Regional Aviation Association of Australia, submission no. 93, p. 2.

11 Rockhampton City Council, submission no. 121, p. 6; Mackay City Council, submission no. 26, p. 1

12 South East Australian Transport Strategy Inc., submission no. 140, p. 2

- 4.9 Rex believes that commercial air services in regional and rural Australia are at present inadequate and that this provides a business opportunity.<sup>13</sup>
- 4.10 The adequacy of air services offered in Western Australia has been measured by recent public comment collected as part of an aviation review process. Results showed a general satisfaction with the basic daily level of service offered to most major towns in Western Australia. However, there is concern in regional communities that the level of service is inadequate to meet economic growth and social needs, particularly from towns that are tourism driven.<sup>14</sup>
- 4.11 The Local Government Association of Tasmania is concerned that the services that are being provided to the Bass Strait islands are not adequate for current needs, that they do not meet current demands and that they certainly are inadequate for the future expansion of industry and the future of the islands generally.<sup>15</sup>
- 4.12 The Launceston Chamber of Commerce stated that the Bass Strait islands are part of Tasmania, contribute to the economy, and the air services there are inadequate. The organisation is aware that there is a significant impact on the lifestyle and economic viability of both islands.<sup>16</sup>
- 4.13 King Island Council believes that the services that are being provided are inadequate to meet the current and future needs of the remote, populated island, and that the uncertainty concerning air and sea services is a cause for grave concern.<sup>17</sup> Tourism Council Tasmania supports the view that the services being provided to remote King Island are inadequate to meet current and future needs.<sup>18</sup>
- 4.14 Many submissions were received from regional councils claiming that regional aviation services were totally inadequate, largely due to the loss of services to each centre. For example:
- The regional towns of Scone<sup>19</sup> and Gunnedah<sup>20</sup> lost services in February 2001 when Yanda Airlines ceased operations; and

---

13 Regional Express, submission no. 116, p. 6

14 Western Australian Government, submission no. 150, p. 6.

15 Local Government Association of Tasmania, transcript of evidence, Launceston, 24 February 2003, p. 49.

16 Launceston Chamber of Commerce, transcript of evidence, Launceston, 24 February 2003, p. 29.

17 King Island Council, submission no. 132, p. 4.

18 Tourism Council Tasmania, submission no. 142, p. 11.

19 Scone Shire Council, submission no. 80, p. 1.

- The regional centres of Forbes, Cootamundra, Young<sup>21</sup>, Cowra<sup>22</sup>, and West Wyalong<sup>23</sup> all lost services in May 2001, when Country Connection ceased operations.

4.15 In its submission, the Shire of Cowra stated:

The adequacy of commercial air services in regional and rural Australia has been severely compromised by Federal Government Policy. Changes to the taxation rulings on small aeroplanes and alterations to the fuelling pricing system resulted in our only airline being cancelled. The cancellation of Country Connection services to Cowra was a direct result of Federal Government policy and should not be confused with the demise of Ansett or its regional carriers.<sup>24</sup>

4.16 The Deniliquin Council considers that the provision of commercial air services in regional and rural Australia is totally inadequate. Deniliquin is a vibrant service centre of 8 500 people, and a regional population of 16 000. Up until two years ago the town had a regular passenger transport service into Sydney. Since the demise of the Horizon Airlines service there is no regular passenger service or hub service out of Deniliquin. The closest air service is some three hours away by road transport. For over thirty years there was a successful hub service provided to the community and region via Wagga, for an air service into Sydney. Deniliquin could be referred to as an 'island' because its location disadvantages the people living in the region.<sup>25</sup>

4.17 Over thirty submissions were received from residents of, and visitors to, Flinders Island. The island has a relatively small population of 864 people.<sup>26</sup> There are also a number of Victorian-based property owners that travel to the island regularly. With very limited sea services, air travel is considered the only reasonable way to get on and off the island.<sup>27</sup> Although the island currently has an air service, it is deemed to be inadequate, with the submissions claiming that:

---

20 Gunnedah Shire Council, submission no. 122, p. 2.

21 Forbes Shire Council, submission no. 88, p. 1.

22 Shire of Cowra, submission no. 90, p. 1.

23 Bland Shire Council, submission no. 27, p. 1.

24 Shire of Cowra, submission no. 90, p. 1.

25 Deniliquin Council, submission no. 38, p. 1.

26 Flinders Council, submission no. 110, p. 4.

27 Flinders Island Adventures, submission no. 36, p. 3; Flinders Island Tourism Association, submission no. 127, p. 5.

- There are too few services;<sup>28</sup>
- Fares are too high;<sup>29</sup>
- It is difficult to get a seat at short notice, with flights often being booked out up to six weeks in advance;<sup>30</sup>
- There is no access to national booking systems;<sup>31</sup>
- Timetable does not allow passengers to conveniently meet connecting flights, causing lengthy delays and requiring overnight stays;<sup>32</sup>
- Luggage can often not be put on the same flight as the passenger;<sup>33</sup>
- The Piper Chieftain planes used by the current operator are ageing, too small and are piston driven;<sup>34</sup>
- There is no opportunity to carry small amounts of cargo;<sup>35</sup> and
- Subsidies for travel to the Tasmanian mainland do not apply, as it is deemed intra-state travel.<sup>36</sup>

## Expectations

- 4.18 The committee is of the view that the main issue in terms of adequacy of regional air services concerns the equity of access to services. The committee believes regional communities have a right to have reasonable air services, and especially so where no alternatives exist.
- 4.19 In August 2001, the Minister for Transport and Regional Service, the Hon John Anderson, released the *Stronger Regions, A Stronger Australia* statement, which outlined the Commonwealth's policy for regional Australia. The statement sets out the vision for regional Australia and

---

28 Flinders Island Tourism Association, submission no. 127, p. 2.

29 B.W. Wells, submission no. 31, p. 1.

30 B.W. Wells, submission no. 31, p. 1; The Parish of the Furneaux Islands, submission no. 23, p. 1; L.J. and C.D. Cox, submission no. 100, p. 1.

31 Flinders Island Adventures, submission no. 36, p. 2.

32 The Parish of the Furneaux Islands, submission no. 23, p. 2.

33 Alan and Margaret Wheatley, submission no. 55, p. 1.

34 Mr Gerard Walker, submission no. 40, p. 1; Flinders Council, submission no. 110, p. 13.

35 L.J. and C.D. Cox, submission no. 100, p. 2; Flinders Island Quality Meats, submission no. 59, p. 1.

36 Flinders Island Adventures, submission no. 36, p. 3.

underscores the Commonwealth's commitment to the seven million Australians who live outside the capital cities.<sup>37</sup>

- 4.20 In light of this, the committee believes that the Commonwealth has an ongoing commitment to supporting regional services and regional development, and to creating a framework for social and economic viability. The committee recognises, and is committed to promoting, equity of access to services.
- 4.21 The committee considers that adequacy of services is related to needs. Some regional communities may have unrealistic expectations of the service levels sustainable in regional areas. The committee encourages regional communities to be aware that some of their desires may not be economically viable, nor socially responsible.
- 4.22 Chapter 6 describes what the Commonwealth, states and territories are doing to meet community expectations.

## **Aerodrome Local Ownership Plan**

- 4.23 Many submissions discussed the implementation of the Aerodrome Local Ownership Plan (ALOP) and its impact on local councils. This section examines the plan, its impacts and possible solutions.

## **Regional Airport Survey**

- 4.24 As described in the submissions and evidence, many councils expressed varying degrees of difficulty in managing their airports. The committee therefore decided to conduct a survey of councils that own and operate regional airports, in order to gain an understanding of:
- The variation in fees charged by airports;
  - How much it costs to operate and maintain an airport;
  - How much income is generated from airport operations; and
  - Which councils were struggling to operate and maintain their airports.
- 4.25 The committee found a great deal of variation in the fees and levies charged by regional airports.

---

37 DOTARS, Regional Statement – '*Stronger Regions, A Stronger Australia*', <http://www.dotars.gov.au>, last accessed 11 September 2003.

- 4.26 The committee found that there were dramatic differences in costs associated with operating and maintaining an airport, and the amount of income generated by airport activities.
- 4.27 From the data collected, the committee concluded that most airports were probably coping with operating a basic airport, but had difficulty in coping with major maintenance tasks.
- 4.28 An explanation of the survey, including a detailed analysis, can be found in Appendix D. An example of the survey form is included in Appendix E.

### How the plan worked

- 4.29 The Commonwealth has, over time, divested itself of ownership of regional and local airports, while almost all capital city airports have been transferred to private operators on long-term lease arrangements. From the 1950s to the 1980s, the Commonwealth funded the transfer of local and regional airfields and aerodromes to local government authorities under the ALOP.<sup>38</sup>
- 4.30 ALOP had been in operation since 1958, with the essential feature that the airport owner, usually local government, was eligible for 50-50 financial assistance from the Commonwealth for both maintenance and approved development. Most airports in rural New South Wales were part of the ALOP scheme. As at April 1992, Cudal, Belmont and Maitland were the only airports with scheduled air services that are privately owned.<sup>39</sup>
- 4.31 The Hon. E. P. Pickering, the New South Wales Minister for Police and Emergency Services, in addressing the New South Wales Legislative Council in April 1992, provided the following description of the Commonwealth's intentions regarding local airports:

The Federal Government in 1989 announced its intention to withdraw from ALOP over five years. Past capital investment was written off, and no further development funds were made available. The shires and councils that already own the local airports were 'invited' to take over full responsibility. In instances where the Commonwealth retained temporary ownership, it also ceased its system of uniform charges and began full recovery of operating costs for each airport with a 'reasonable' upper limit.

---

38 Department of the Parliamentary Library (2003) *Turbulent Times: Australian Airline Industry Issues 2003*; Research paper No. 10, p. 32.

39 New South Wales Legislative Council Hansard, Full Day Transcript for 30 April 1992; <http://www.parliament.nsw.gov.au>, last accessed 1 July 2003.



The introduction of higher 'location specific charges' is intended as an incentive for local government to take over the airport.<sup>40</sup>

4.32 The Hon. E. P. Pickering, with regard to the consequences for local airports, added:

Airport closure would be the inevitable outcome if the preceding steps are unsuccessful. This would be a disaster for rural communities. The long-term consequence of the end of the ALOP is likely to be that many airports deteriorate because revenue will not be able to support maintenance programs. ... ALOP would be progressively wound down by withdrawing Federal funding for rural airports by 1994-95. Negotiations were continuing between airport owners and the Commonwealth when the Federal Government announced ... on 26th February 1992 that the ALOP withdrawal would be accelerated so that all transfers would occur by 1992-93. That allowed only 14 months for local government to budget for airport maintenance and development.<sup>41</sup>

4.33 There seems to be some confusion amongst councils regarding the establishment of the ALOP. Several councils recognise that the plan has been in place since the 1950s. Some councils are of the opinion that the plan was devised by the Hawke Government in a move to pass control of local airports to local government. Flinders Council, for example, stated:

Federal Governments since 1986 have progressively withdrawn from the provision of air service infrastructure except for defence force purposes. The Aerodrome Local Ownership Plan (ALOP) initiated by the Hawke Government effectively passed control of national infrastructure to under-resourced local communities. Those communities now pay for using a service and also fund the cost of the facilities used by the service provider without any support or assistance from the centralist government financial resources.<sup>42</sup>

---

40 New South Wales Legislative Council Hansard, Full Day Transcript for 30 April 1992; <http://www.parliament.nsw.gov.au>, last accessed 1 July 2003.

41 New South Wales Legislative Council Hansard, Full Day Transcript for 30 April 1992; <http://www.parliament.nsw.gov.au>, last accessed 1 July 2003.

42 Flinders Council, submission no. 110, p. 14.

- 4.34 Many councils stated that the Commonwealth government of the day passed the ownership of airports to local governments that could not afford to maintain them. Many councils were opposed to the move. Flinders Council stated:

I think that basically we were forced into that position. Flinders Council put up opposition to it right until the end.<sup>43</sup>

- 4.35 Payouts at the time of handover appeared to enhance the deal for many councils. After over ten years, opinions have changed as councils no longer have adequate funding resources for maintenance and upgrade. Some councils are faced with distributing the burden across their rate bases.

- 4.36 Further, the AAA stated that local governments were greatly disadvantaged by the handover of airports to under-resourced councils. The Chief Executive Officer of the AAA, Mr Ken Keech stated:

I have been on record saying for quite some time that my personal view is that the ALOP scheme was the greatest con job of all time. I think it was all very well for the government of the day to hand over the airports to the local councils and shires. It might have seemed a good idea at the time, and there was some money associated with it at the time of handover. But, by and large, it was handed to people who did not necessarily have the experience or the expertise to manage the facility and to develop it.<sup>44</sup>

- 4.37 Mr John Keller of Glenelg Shire Council, considered that, on handover of the airports, many councils' expectations of being able to operate them might have been a bit optimistic:

The buy-outs were pretty good—it was a bit like a hand in a money jar: if you could demonstrate there was a need there into the future you could ask for the money, for example, to seal a runway and have it there. But I do not think councils properly understood the longer term.<sup>45</sup>

---

43 Flinders Council, transcript of evidence, Melbourne, 25 February 2003, p. 164.

44 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 231.

45 Glenelg Shire Council, transcript of evidence, Melbourne, 26 February 2003, p. 195.

## Impact of local ownership of airports on communities

- 4.38 The AAA represents over 255 airports across Australia. Of these 255 airports, approximately 220 are located in regional and rural Australia, and are owned and operated by the local community through their local government authority (shire or council).<sup>46</sup>
- 4.39 Airports that are owned and operated by local government are the major component of infrastructure required for the provision of aviation services to regional and rural Australia and are often critical for the social and economic development of local and regional communities.<sup>47</sup>
- 4.40 The impact of local ownership of airports has been variable. There have been very negative impacts on some communities, while others have experienced few problems.
- 4.41 Mr Paul Rees, owner/operator of the former Yanda Airlines stated that how a community manages its airport depends on how much use it receives:

I think it depends on what use the airport gets. Places like Tamworth and Armidale in my area actually make a profit out of their airports, so they are undoubtedly more than happy with their airport. Coonabarabran, which now gets no air service and has this great white elephant sitting up on top of the hill above Coonabarabran, probably is not so happy. So I think it depends on what they earn from their asset.<sup>48</sup>

### Positive effects

- 4.42 Those communities that have experienced few problems include those that make a profit from their airport, or at least cover costs.
- 4.43 The District Council of Grant is the owner and operator of the Mount Gambier regional airport, which has roughly 60 000 passengers per year. The landing fee for adults is \$5.50. The council makes a net profit per year of roughly \$250 000. It has reserves of about \$1.9 million which have been built up over some period of time. The council is currently working through potential additional income streams for the Mount Gambier Airport.<sup>49</sup>

---

46 Australian Airports Association, submission no. 70, p. 2.

47 Australian Local Government Association, submission no. 108, p. 1.

48 Mr Paul Rees, transcript of evidence, 7 May 2003, p. 464.

49 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, p. 312.

- 4.44 Tamworth City Airport is operated as a business entity of Tamworth City Council, and is one of the few airports around New South Wales at the present time that could claim that it is a profitable facility. The manager of the facility ensures that not only are costs covered, but also a return is made for the council.<sup>50</sup> The council will most probably make a profit this year of about \$300 000.<sup>51</sup>
- 4.45 Kangaroo Island Council assumed local ownership of its airport in 1991, at the time that Mrs Janice Kelly became Mayor. In giving evidence on Kangaroo Island, Mrs Kelly stated:
- Honestly, I believe the federal government was quite generous at that time. They certainly gave us a cushion of money for maintenance, and I think that has to be recognised.<sup>52</sup>
- 4.46 Although admitting that the funding was a short-term proposition, Mrs Kelly claimed that:
- I think, really, as far as airports go, we have managed it extremely well. We are probably more fortunate than some other regional areas because of tourism.<sup>53</sup>
- 4.47 Bundaberg, a major regional centre on the Queensland coast, has a population of over 46 000, with more than 120 000 in the greater area.<sup>54</sup> Bundaberg City Council stated that operating their airport is effectively cost neutral. This has been determined after a full economic review carried out as part of the council's budget process.<sup>55</sup>
- 4.48 Kempsey Shire Council claimed that New South Wales would have about six profitable airports.<sup>56</sup>

---

50 Tamworth City Council, transcript of evidence, Brisbane, 12 June 2003, p. 687.

51 Tamworth City Council, transcript of evidence, Brisbane, 12 June 2003, p. 688.

52 Kangaroo Island Council, transcript of evidence, Kangaroo Island, 15 April 2003, p. 352.

53 Kangaroo Island Council, transcript of evidence, Kangaroo Island, 15 April 2003, p. 352.

54 Bundaberg City, <http://www.bundabergcity.qld.gov.au>, last accessed 2 July 2003.

55 Bundaberg City Council, transcript of evidence, Brisbane, 11 June 2003, p. 608.

56 Kempsey Shire Council, submission no. 162, p. 1.

## Negative effects

- 4.49 There are many examples across the country of small local councils struggling to maintain their airports. The Commonwealth withdrew from the ALOP in 1990 leaving most councils with the full responsibility for care and control of the airport. The annual maintenance and operational costs effectively doubled for councils through this arrangement, as they no longer received the 50-50 financial subsidies.
- 4.50 The City of Whyalla claims that the airport really should be a self-sustaining business, but, unfortunately, it is becoming more and more of a liability. The council is in the situation now where it has no surplus revenue from its operating costs, and is starting to dip into reserves accumulated for capital works. In the longer term the council will struggle to keep the airport open.<sup>57</sup>
- 4.51 Flinders Council stated that regional councils owning airports is fraught with financial difficulty for small municipalities such as theirs. One of the problems is that the council must impose landing charges, and landing charges are very difficult to recoup.<sup>58</sup>
- 4.52 The District Council of Renmark-Paringa owns and operates a licensed airport at Renmark, South Australia. The difficulty for this council is that the current non-use of the airport by commercial passenger operators is reducing airport income and placing greater financial strain on the capacity to maintain the airport to a high standard for use by private aircraft users and emergency flights. While the council accepted responsibility for airport ownership some years ago, reduced patronage is creating a dilemma in terms of local viability.<sup>59</sup>
- 4.53 The Snowy River Shire Council claimed that the cost of managing the Snowy Mountains Airport has reached a level where it is questionable as to whether the council can continue. In view of this situation the council commissioned an independent public consultation process and report on the future options for the airport. Should the council continue to incur losses on behalf of the community owned asset, it will consider implementing whatever options are feasible to lessen the financial, risk management and maintenance burden.<sup>60</sup>

---

57 City of Whyalla, transcript of evidence, Adelaide, 16 April 2003, p. 391.

58 Flinders Council, transcript of evidence, Flinders Island, 25 February 2003, p. 168.

59 The District Council of Renmark Paringa, submission no. 16, p. 1.

60 Snowy River Shire Council, submission no. 107, p. 3.

- 4.54 King Island Council owns and operates the aerodrome and has done so since it took over that responsibility from the Commonwealth in 1992. Despite considerable downsizing of staff, the refurbishment of the terminal to reduce maintenance and other cost saving initiatives the aerodrome has consistently operated at a loss. Landing charges do not cover the full cost of operating and maintaining the aerodrome and for 2002 the estimated shortfall between operating costs and income is estimated to be over \$49 000. The cost of upgrading aerodromes to meet increasing technological requirements is also of concern with the council currently using reserves set aside at the time of the ALOP transfer to meet capital costs of owning the aerodrome. The remaining reserve of \$470 000 is not sufficient to fund any significant aerodrome upgrades or sealing.<sup>61</sup>

#### **Those prepared to subsidise the airport**

- 4.55 Bland Shire Council (West Wyalong, New South Wales) has identified its airport as a key community service. The council does not collect landing fees or passenger charges from operators, and maintains the airport at its own expense, spending approximately \$48 000 per annum. The only air service closed in May 2001. Passenger numbers for 1999-2000 totalled 1405.<sup>62</sup> The population of West Wyalong is 3 433, with 6 702 in the shire. The closest regional centre is Wagga Wagga, 163 kilometres to the south-east.<sup>63</sup>
- 4.56 Leeton and Narrandera shire councils jointly operate an airport. Despite the fact that both councils subsidise the airport, the councils have not had any resistance to airport expenditure. The local people see it as an essential service and are quite prepared to pay for it by way of council funds.<sup>64</sup>
- 4.57 Eurobodalla Shire Council currently subsidises the operation and maintenance of the Moruya Airport, by approximately \$125 000 per year. This does not take into account the need to carry out extensive rehabilitation of the main runway in 20 years time.<sup>65</sup>

---

61 King Island Council, submission no. 132, p. 15.

62 Bland Shire Council, submission no. 27, p. 1.

63 Bland Shire Council, <http://www.blandshire.nsw.gov.au>, last accessed 2 July 2003.

64 Narrandera and Leeton Shire Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 437.

65 Eurobodalla Shire Council, submission no. 48, p. 7.

- 4.58 Parkes Shire Council is incurring a substantial loss in the operation of Parkes Airport. The council aims to keep landing fees to a minimum in order to maintain services as part of its community service obligations.<sup>66</sup>

### Ongoing maintenance costs and upgrade of regional airports

- 4.59 In Queensland, since the handover of rural airports to local governments there has been a significant deterioration of aviation infrastructure in some rural and remote towns. This can largely be attributed to the inability of local governments to raise sufficient funds through property rates and grant monies to provide for aviation, as well as other basic infrastructure and services, and the lack of private investment. In recognition of this, the Queensland Government has provided \$1 700 000 for facilities at Bamaga, Bedourie and Windorah in 1996-97 and upgrades at Longreach, Cloncurry, Emerald and Kingaroy in 1997-98.<sup>67</sup>
- 4.60 A similar situation exists in other states, where regional aviation infrastructure has deteriorated over the last decade due to lack of adequate funding for maintenance and capital upgrades. Several regional airstrips are not of an adequate standard that will cater for larger aircraft. For example, the District Council of Grant, in its evidence, claimed that the runway at Mt Gambier Airport is not strong enough to accommodate the new government VIP fleet. The committee understand that there is a limited number of runways in South Australia that are able to take jets including VIP aircraft.
- 4.61 The District Council of Grant added that the runway is capable of taking a Dash 8 aircraft, but the weight and wheel loading of jet aircraft are too great for the existing surface. Major capital works would be needed in order for the runway to be able to take larger aircraft.<sup>68</sup>
- 4.62 The Northern Territory Government also recognised the need for assistance in maintenance of basic infrastructure. The government assists in the maintenance of a strategic network of 72 aerodromes which service major indigenous communities.

---

66 Parkes Shire Council, submission no. 137, p. 1.

67 Queensland Transport - Aviation Plan for Queensland, <http://www.transport.qld.gov.au>, last accessed 1 June 2003.

68 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, pp. 318, 320-321.

- 4.63 The Australian Local Government Association expressed its concern over ongoing costs of aerodromes for local councils, and its impact on the community:

There is concern with the ongoing cost of aerodromes, including maintenance, and any possible liability claims that may be made. It would appear that funds provided under the ALOP at the time of transfer to local government are not sustainable in the long term. Where there is a deficit in operating an aerodrome, it is most likely to be borne by the local community, which raises an equity issue for access to services by members of that community.<sup>69</sup>

- 4.64 Ownership of the Flinders Island aerodrome was transferred to the Flinders Council in 1993.<sup>70</sup> At the time of transfer, the council was given a sum of money which was to be banked so that it could derive future income to assist in the operation of the airport. That was originally about \$750 000. The council's initial aim was to have a higher amount available for that purpose, as things like runway lighting, the construction of the new terminal building and some other enhancements needed to be completed. The Commonwealth's financial allocation at transfer time was subsequently shown to be inadequate to meet the costs of improvements.<sup>71</sup>
- 4.65 King Island Council acquired ownership of the local airport in 1992. Current budget allocations amount to around \$300 000 per annum to administer and maintain the facility. The council has also adopted a policy which states that the airport is to be self-funding and is not to be a financial burden on the ratepayers of the island. This policy objective has been difficult to achieve in recent years due to the collapse of three airline operators and loss in revenue to the council of around \$100 000 in landing charges.<sup>72</sup>
- 4.66 King Island Council is also concerned about the cost of upgrading aerodromes to meet increasing technological requirements. The council currently uses reserves set aside at the time of the ALOP transfer to meet capital costs of owning the aerodrome. The remaining reserve of \$470 000 is not sufficient to fund any significant aerodrome upgrades or sealing.<sup>73</sup>

---

69 Australian Local Government Association, submission no. 108, p. 2.

70 Flinders Council, submission no. 110, p. 3.

71 Flinders Council, transcript of evidence, Flinders Island, 25 February 2003, p. 165.

72 Cradle Coast Authority, submission no. 149, p. 8.

73 King Island Council, submission no. 132, p. 15.



- 4.67 The Commonwealth has implemented a number of policies and programs which assist regional aviation, such as its subsidisation of general aviation airport control towers and enroute navigation charges for small aircraft operators. These have been offset by other policies which have devolved costs to other parties and increased costs incurred by regional air transport providers.
- 4.68 The most significant policy decisions have been the transfer of the last South Australian regional community aerodromes to local government ownership under the ALOP in 1991, and the withdrawal from the funding of regional aerodrome maintenance or development.<sup>74</sup>
- 4.69 Some state governments have initiated financial support schemes or provided grants to aid in the maintenance and upgrade of regional airports.
- 4.70 When the Commonwealth transferred ownership of its airports to local councils in the early 1990s, it was not long before it was realised that the transfer payments through the ALOP were not sufficient in most cases to meet future infrastructure requirements. In Western Australia, the state government stepped in, and has provided support for regional airports through its Regional Airports Development Scheme (RADS) since 1994.
- 4.71 Since its inception, RADS has invested \$14 million in over 60 airports and airstrips around the state. This has generated about \$35 million in leveraged funding from the Commonwealth, local governments and the private sector.
- 4.72 Western Australia has continued with RADS, as it views airport infrastructure as a vital component of air services development in the state. RADS is set to continue for a further two annual funding rounds. The demand for airport infrastructure supports the need for the scheme, however, the Western Australian Government believes that there is more to be achieved, which is beyond the funding capability of RADS.<sup>75</sup>
- 4.73 The District Council of Grant is the owner and operator of the Mount Gambier regional airport. The council treats the airport as a separate business unit or stand-alone facility. The airport was the first to be handed over under the ALOP. The airport was offered to Mount Gambier City Council, who declined to take it up. The District Council of Grant saw the need for the airport to be maintained within the community, and so accepted it, and has since worked hard to build the funds to maintain it.

---

74 South Australian Government, submission no. 148, p. 4.

75 Western Australian Government, submission no. 150, p. 14.

- 4.74 Upcoming costs and heavier aeroplanes are overtaking the District Council of Grant's capacity to keep the aerodrome to an acceptable standard. The council will be unable to accommodate growth within the city unless capital funding comes from elsewhere.<sup>76</sup> The airport makes a net profit of roughly \$250 000 per year. The council has reserves of about \$1.9 million which have been built up over some time. The council is now looking at potential additional income streams for the airport, and is revisiting the five-year airport plan. One of the issues to be looked at as part of the plan is the upgrade of the main runway, which will be a significant cost. Although tenders have not yet been sought, it will probably cost around \$1.8 million to both strengthen and upgrade the runway.<sup>77</sup>
- 4.75 The Riverina Eastern Regional Organisation of Councils (REROC) has 15 member councils. Airports in the REROC region are located at Tumut, Cootamundra, Temora, West Wyalong, Holbrook and Wagga.<sup>78</sup> The City of Wagga Wagga runs its airport, which is leased from the Commonwealth as part of an arrangement with Forest Hill RAAF base. REROC claims that councils spend substantial sums of money to maintain their airports. REROC stated that of its six airports, only Wagga Wagga, has regular passenger transport services. Country Connections, ceased operations to Cootamundra and West Wyalong in 2001.<sup>79</sup>
- 4.76 Tumut Shire Council has been trying to get an air service for some considerable time, without success, and has spent some funds upgrading the airport, with the aim of trying to secure a regular provider.<sup>80</sup> REROC did not indicate how much had been spent by Tumut Shire Council.
- 4.77 REROC explained that the primary purpose of the airport in Temora is tourism and industry rather than passenger services. It has a large aviation museum, has managed to attract a substantial number of support providers, and has been quite successful in creating an industry base around aviation.<sup>81</sup> Despite the fact that Temora does not have a current

---

76 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, p. 30.

77 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, p. 312.

78 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 411.

79 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

80 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

81 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

RPT service, the council is set to invest \$2.2 million on runway development.<sup>82</sup>

- 4.78 For Tumut, Cootamundra, West Wyalong and Holbrook, REROC estimated that it is costing about \$250 000 to \$300 000 a year just to maintain those airports in this region. Without any of them having a regular passenger service, there is virtually no revenue coming in to offset those costs. The councils are maintaining the airports to allow them the opportunity to take advantage if an air service decides it wants to again service those areas.<sup>83</sup>
- 4.79 REROC added that the councils would be very reluctant to see their airport facilities downgraded. They are a signal to the community that the community is willing to support an air service. If councils were to stop maintaining or upgrading the facilities, it would send a fairly clear message to the community that they have given up on air services.<sup>84</sup>
- 4.80 The committee concluded that many small towns suffer from the ‘chicken-and-egg’ scenario. Towns do not receive RPT services because the airport is not up to standard. Towns have no RPT services, therefore cannot afford to maintain and upgrade their airports.

### Capital upgrades are unaffordable

- 4.81 The major cost of maintenance and upgrade of airport infrastructure is a significant problem for some local councils. Bega Valley Shire, the owner of the Merimbula Airport, claimed that significant capital investment will be needed in the next five to ten years even just to maintain the current airport standards. A move to possible larger aircraft in the medium term will likely necessitate several million dollars of additional capital works for runway improvements, associated apron trafficking areas and increase in the capacity of the airport terminal. The council stated that it can reasonably address the ongoing maintenance issues of its airport asset, yet its funds for major new capital works to support growth in air services are extremely limited.<sup>85</sup>

---

82 Sandra Firth, ‘Runway approval for Temora Shire’ 2WG News, Wagga Wagga, 20 May 2003

83 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

84 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

85 Bega Valley Shire, submission no. 61, p. 2.

## Management and technical skills

4.82 The transfer of airports to local ownership has significantly reduced the pool of affordable expertise in airport operations and maintenance. It is critical for the sustainability of air services to communities that airports are maintained and operated effectively and safely. For example, the Torres Strait Regional Authority, which operates the Horn Island airport, has not been able to attract a suitably qualified airport manager with the funds that it has available. In any review of regional commercial aviation, due consideration needs to be given to the maintenance of airport infrastructure. While government subsidies are available for selected air routes and airport infrastructure development, the lack of subsidies and profitability of such airports makes finding suitable management resources extremely difficult.<sup>86</sup>

4.83 When considering the skills and expertise a council requires in managing an airport, Lorraine MacGillivray of Edge Aviation stated:

It is a specialised industry. It concerns me, essentially, that we have—for want of a better expression—bureaucrats managing such an asset. Perhaps a mechanism should be put in place where they are forced to have some industry involvement or management of the airport.<sup>87</sup>

4.84 Concerning how councils cope with managing their airports, Ms MacGillivray added:

Management committees made up of a good proportion of aviation people would be beneficial. For local government to try and manage that type of asset is very difficult. In all fairness to local government, I do not think that they get enough support from the state government or, for that matter, the Commonwealth government. They are left pretty much on their own day to day to try and manage a very significant asset that can make or break our transport infrastructure. That is a significant burden for a local government to have in an area that is ... highly regulated and very specialised. It would be unreasonable for us to expect them to be able to do it to an extremely high standard.<sup>88</sup>

---

86 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 225.

87 Edge Aviation, transcript of evidence, Melbourne, 26 February 2003, p. 210.

88 Edge Aviation, transcript of evidence, Melbourne, 26 February 2003, p. 211.

## Consequences

- 4.85 The committee shares the view that the long term ramifications of local ownership of airports were not fully understood by the majority of councils at the time of handover. The committee is aware that many councils are struggling to operate and maintain their airport facilities, and that some sort of assistance may be required in certain circumstances.
- 4.86 The committee formed the view that there may be a certain population level, possibly around 30 000 people, under which a community is less likely to support RPT services that will provide enough income to support essential airport operations and maintenance.
- 4.87 The committee is also aware of the responsibilities local governments have in managing their airport facilities. In particular, the operation and maintenance of significant valuable infrastructure, to a high safety standard, involves specialised management.

## Possible solutions

- 4.88 This section examines the potential avenues of assistance for local councils in the operation and maintenance of their airports.

## Current programs

### Local Government landing fees

- 4.89 The collection of landing fees is the prime method of income generation for regional airports. How this is done, however, is highly variable, with no set systems in place. The setting of landing fees by councils is left largely to market forces. However, the Commonwealth has the trade practices legislation. The ACCC is the Commonwealth's prices 'watchdog', and the states and territories conduct their own prices oversight. A detailed examination of landing fees is given later in Appendix D.
- 4.90 Airnorth Regional, in its submission, claimed there are now very few measures or checks in place to stop airport owners charging what they like in terms of landing fees, to the detriment of the industry and regional Australia. Airnorth Regional claimed that following the finalisation of the Commonwealth's ALOP, small regional air transport operators have reported a steady increase in landing charges, at New South Wales

airports outside Sydney. Although, it is quite reasonable to expect that regional airport owners should seek to recover costs of airport operation, the pricing practices at some regional airports may be contributing to the cost pressures impacting on small regional airlines. This is true particularly at those airports which are used to hub regional services and where in some cases dual 'head tax' charges are applied for passengers transferring to a connecting air service.<sup>89</sup>

- 4.91 Airnorth Regional added that in November last year, Darwin Airport increased charges more than three fold, and this was on top of significant price rises only two years ago. Numerous other airport owners have done likewise in the wake of Ansett's collapse.<sup>90</sup>
- 4.92 Airnorth Regional also claimed that there are examples where airport owners (in this case, local councils) are using their airport as a revenue generator to fund community projects such as swimming pools and the like.<sup>91</sup>
- 4.93 There are other examples where councils are setting prices based upon the land value of their asset as opposed to the cost at which the asset was transferred to them. An example of this is the Maroochydore Airport where the land has been re-valued (at a significant premium) yet the land was transferred to them by the Commonwealth for only \$1.00.<sup>92</sup>
- 4.94 Eurobodalla Shire Council explained that it is often suggested by airlines that if local government wishes to ensure the viability of regional air services it should be willing to charge low or no landing fees. The council added that any reduction in its passenger charge would increase the level of subsidy to the airport from ratepayers. The council is currently looking at ways to generate new or additional revenue to offset this operational subsidy.<sup>93</sup>
- 4.95 The Tasmanian Government has legislation that enforces the payment of unpaid landing fees.

---

89 Airnorth Regional, submission no. 102, p. 9.

90 Airnorth Regional, submission no. 102, p. 9.

91 Airnorth Regional, submission no. 102, p. 9.

92 Airnorth Regional, submission no. 102, p. 9.

93 Eurobodalla Shire Council, submission no. 48, p. 7.

## Commonwealth Government programs

- 4.96 The committee recognises that the Commonwealth has programs that are currently in place. The committee acknowledges the value of these programs and concludes that these programs must continue into the future.
- 4.97 DOTARS manages the following programs:

### Remote Air Service Subsidy Scheme

- 4.98 The Remote Air Service Subsidy (RASS) scheme ensures communities in remote and at times isolated areas of Australia have reasonable access to essential services by guaranteeing a regular air transport service. Under the RASS scheme, subsidised air services provide regular deliveries of mail, educational materials, medicines, fresh food and other urgent supplies, and carry passengers. Because of the distances involved and the fact that road access to many of these communities is cut off for several months during the wet season, a regular air service offers the only reliable means of transport.<sup>94</sup>
- 4.99 The Commonwealth is spending an additional \$5.2 million on the scheme over four years from June 2000, effectively doubling the scheme's previous level of funding. The additional funding is enabling all RASS operators to provide a passenger service as well carrying mail and cargo. Therefore all RASS operators are now required to hold, or be in the process of securing, a RPT Air Operators Certificate (AOC). The additional funding is also permitting an expansion of the scheme to include more remote communities. The RASS scheme presently subsidises seven air operators providing regular air services to approximately 270 remote communities located in Queensland, the Northern Territory, South Australia and Western Australia. These RASS subsidised air services reach a population of around 10 000 people and operators fly more than one million kilometres on RASS subsidised routes each year.<sup>95</sup>

---

94 DOTARS Transport Programs - Remote Air Service Subsidy (RASS) Scheme, <http://www.dotrs.gov.au>, last accessed 14 July 2003.

95 DOTARS Transport Programs - Remote Air Service Subsidy (RASS) Scheme, <http://www.dotrs.gov.au>, last accessed 14 July 2003.

### Aerodrome Inspection Program

4.100 This program provides aerodrome safety inspection services and technical advice to remote northern Australian indigenous communities that rely on air services. It was initiated as part of the Commonwealth's response to recommendations contained in the Report of the Royal Commission into Aboriginal Deaths in Custody. The program is funded by a special allocation in the Commonwealth Budget. Normally, aerodrome inspections of this type would be the responsibility of the aerodrome owner/operator. However, they require specialised technical expertise not readily available in remote communities. The Commonwealth funded service is seen as a practical way of assisting remote communities heavily reliant on air services.<sup>96</sup>

### Regional Programs

4.101 Regional aviation is a service industry that is integral to regional economies. As part of the Commonwealth's *Stronger Regions: A Stronger Australia* regional statement of 2001, DOTARS has sponsored the development of an action plan to address significant impediments to the growth of regional businesses. The Commonwealth has yet to formally respond to the action plan.<sup>97</sup>

4.102 This report identifies the significant impediments to the growth of small and medium regional aviation enterprises as limited access to finance, business skills, taxation, and attracting, retaining and developing skilled mechanics. These impediments are amongst those identified in the action plan.

4.103 In support of initiatives that address the impediments and build capacity for strategic and informed decision making, and encourage small businesses and local enterprises, the 2002-03 Budget provided \$36.2m from the \$100.5m Sustainable Regions Program. The majority of the funding will be available from 2002-03.

---

96 DOTARS Transport Programs - Aerodrome Inspection Programme, <http://www.dotrs.gov.au>, last accessed 14 July 2003.

97 Anderson, J., Minister for Transport and Regional Services, media release, 'Minister Receives Action Plan for Regional Business Development', 7 July 2003, A72/2003, [http://www.ministers.dotars.gov.au/ja/releases/2003/July/a72\\_2003.htm](http://www.ministers.dotars.gov.au/ja/releases/2003/July/a72_2003.htm), last accessed 14 August 2003.



- 4.104 The committee recommends that small and medium regional aviation enterprises benefit from the action plan agreed to by the Commonwealth, particularly in the areas of access to finance, business skills, taxation, and attracting, retaining and developing skilled workers.

#### Recommendation 4

- 4.105 **The committee recommends that the Department of Transport and Regional Services ensure that small and medium regional aviation enterprises are well represented in the initiatives and benefit directly from the initiatives arising from the Commonwealth's action plan for its *Stronger Regions: A Stronger Australia* framework.**

#### Commonwealth resuming control of airports

- 4.106 When asked about council's view on the Commonwealth assuming control of regional airports, Mr Christopher Nelson, the District Council of Grant's Airport Manager stated:

I think it would be baffled. Previously when the Commonwealth maintained all the airports, there were economies of scale in doing that. They had people who were expert in the various fields who could quickly move about, although they probably had higher labour costs. I think the ideal would be perhaps for the infrastructure to be owned by the Commonwealth and the maintenance side of it to be addressed by the local government, where the onus for the capital did not lie with a small group of ratepayers.<sup>98</sup>

- 4.107 Mr Russell Peate, Chief Executive Officer of the District Council of Grant, added:

It would be interesting to compare the financials of the operation when it was undertaken by the Commonwealth and when it was undertaken by local government.<sup>99</sup>

98 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, p. 24.

99 District Council of Grant, transcript of evidence, Adelaide, 14 April 2003, p. 24.

## Change in Commonwealth policy

4.108 DOTARS considered that there is merit in reviewing a number of existing policies and programs with a view to removing unnecessary burdens and barriers to adjustment for regional operators. Issues that may be examined by the department include:

- The level and basis of regulatory fees and non-commercial charges imposed on regional operators by state, local and Commonwealth governments, to ensure that they are closely related to the actual cost of services provided, and hence contribute to improved economic efficiency;
- The compliance burden of CASA safety obligations; and
- The operation of the ALOP.<sup>100</sup>

4.109 The Queensland Government commented on the support required for regional airports and the possibility of Commonwealth assistance:

Local governments alone cannot sustain the financial responsibility for the upgrade and maintenance of airports in rural and remote Australia. The Queensland government's current budget upgrade of funding for rural and remote airports of \$2 million per annum is clearly insufficient considering that more than \$10 million of funding is sought in applications lodged in the 2003-04 financial year. Notwithstanding its commitment under ALOP, the Commonwealth may consider being involved in a multilevel agreement program to support airport infrastructure, especially for airports receiving RPT and/or Remote Air Service Subsidy services.<sup>101</sup>

4.110 King Island Council claimed they would benefit from the introduction of Commonwealth or state legislation allowing airport owners to take direct action to prohibit RPT aircraft from landing, or allowing the impounding of aircraft, where fees remain unpaid. At present, the only course of action for airport owners is the costly and time consuming alternative of pursuing the matter through the courts.<sup>102</sup>

---

100 Department of Transport and Regional Services, submission no. 81, p. 7.

101 Queensland Government, transcript of evidence, Brisbane, 12 June 2003, p. 675.

102 Cradle Coast Authority, submission no. 149, p. 8.

- 4.111 REROC raised the possibility of the Commonwealth contributing to funding of regional airport maintenance and upgrade:

When the federal government handed back the airports to local councils, there was a sum of money which came with that, but that was soon exhausted. There is difficulty in maintaining the airports to a standard, let alone upgrading. If the Commonwealth government were to give regular payments—maybe even as much as half the cost of maintaining the airports—that would certainly go a long way towards alleviating the problems that local governments are facing in maintaining airports.<sup>103</sup>

### Commonwealth Review of ALOP

- 4.112 Flinders Council suggested a review of the ALOP, considering that it is over ten years since the ownership of local airports was handed to local councils. Flinders Council proposed to DOTARS that the outcomes of the ALOP should be reviewed to establish the economic impacts of the Commonwealth divestment program.<sup>104</sup>
- 4.113 Flinders Council has written to the secretary of DOTARS, suggesting that now would be an appropriate time for the Commonwealth to review the outcomes of the ALOP, not just on Flinders Island but also in all the other council areas or communities that have been required to take ownership of aerodromes. The only response Flinders Council has so far received is that DOTARS has agreed to review the terms of the transfer, to remove the requirement to consult the department if councils want to lease part of the aerodrome to another party.<sup>105</sup>

### Commonwealth financial assistance

- 4.114 Since the transfer of airports to local ownership, maintenance of safe and efficient airport infrastructure has been a challenge for many remote and regional communities.

---

103 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 413.

104 Flinders Council, submission no. 110, p. 14.

105 Flinders Council, transcript of evidence, Flinders Island, 25 February 2003, p. 168.

- 4.115 In the case of Queensland, the state government has a program focused on improving the infrastructure at a number of regional and populated island airports.<sup>106</sup> The AAA added that while this investment has gone some way towards the maintenance of critical airport infrastructure, the transfer to local ownership has significantly reduced the pool of affordable expertise in airport operations and maintenance.
- 4.116 The AAA is not recommending that the Commonwealth take back ownership of airports. The AAA does however believe there ought to be recognition for special cases. Special recognition is needed for some communities where the impact of aviation on the social structure of that community is so important.<sup>107</sup> The AAA, in its evidence, gave Cobar in New South Wales as an example of a special case, but did not provide any details.
- 4.117 Many local governments do not have the funds to provide infrastructure improvements and may require assistance from the Commonwealth. The funding from the ALOP has long been expended.<sup>108</sup>
- 4.118 The committee is aware of the difficulties faced by many councils in maintaining their airports. To assist in this, the committee has formed the view that a funding program should be developed and implemented to address issues concerning the upgrade of major capital facilities at regional airports.
- 4.119 The committee recognises that some states provide small amounts of funding. However, the committee sees a role for the Commonwealth to provide funding for capital upgrades based on equity of access.
- 4.120 A survey conducted by the committee showed that there are many airports that are economically viable, with good population bases and good passenger numbers, that have sustainable services which are driven by market forces. It has become apparent to the committee that many local councils can cope with the cost of airport operations, but cannot cope with the cost of major capital upgrades.
- 4.121 The proposed funding program will assist those airports that have difficulty in paying for major capital upgrades, such as runway re-surfacing.

---

106 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 225.

107 Australian Airports Association, transcript of evidence, Melbourne, 26 February 2003, p. 231.

108 Dubbo City Council, submission no. 39, p. 3.

- 4.122 The committee recommends that DOTARS works with state governments to develop and implement a funding program for regional airports that will assist regional airports with major capital upgrades, utilising an index for the appropriate distribution of funding.
- 4.123 The use of the Accessibility/Remoteness Index of Australia (ARIA) as a tool to be used for distribution of funds has been suggested by several submissions to this inquiry.<sup>109</sup> ARIA was developed on behalf of the (then) Commonwealth Department of Health and Aged Care. It is also used by the Department of Family and Community Services.
- 4.124 The committee concluded that ARIA can be used as a basis for the funding program, in association with other key criteria and data from the Australian Bureau of Statistics. Other criteria may include potential impacts on tourism, industry, business, medical and social needs.
- 4.125 The committee concluded that assessments for the funding program be conducted on a regional basis. This, when making an assessment of a particular town's facilities, would take into account accessibility to other towns with airports and air services.
- 4.126 A funding program using strict criteria will eventually see the consolidation of regional airports. There will be some airports that will always miss out on funding as they will not meet the criteria.
- 4.127 In 2001, the RASS scheme was increased by \$5.2 million, for the period 2000-01 to 2003-04<sup>110</sup>, which increased the networks around Australia significantly. In Western Australia, the number of ports receiving RASS services increased from eight to 35. The RASS scheme funding level is to be reviewed in the near future, with the Western Australian Government under the impression that, for the next financial year, funding levels will be reduced.
- 4.128 The committee is of the view that the current level of RASS scheme funding should be maintained at the current level, and not reduced to the pre-2001 level.

---

109 Flinders Council, submission no. 110, p. 1; transcript of evidence, Flinders Island, 25 February 2003, p. 171; Suzanne Napier, State Liberal member for Bass, transcript of evidence, Launceston, 24 February 2003, p. 2.

110 This effectively doubled the funding for the RASS scheme over the four year period 2000-01 to 2003-04.

**Recommendation 5**

4.129 **The committee recommends a new airport ownership subsidy scheme covering capital works and essential maintenance, as follows:**

- **For communities with a population above 30 000, assistance is to be provided only on special one-off cases where there is demonstrable evidence of the inability to fund a major runway upgrade or terminal extension; and**
- **Communities with a population under 30 000, supporting a regional or hub airport with RPT services, to receive a 50 per cent subsidy; and**
- **Still smaller communities supporting an airport with low RPT, charter and air ambulance to receive a 33 per cent subsidy.**

**Recommendation 6**

4.130 **In the absence of an airport local ownership assistance program similar to that outlined above, the committee recommends that the Commonwealth resume ownership and funding of all essential airports in communities with a population under 30 000.**

**Recommendation 7**

4.131 **The committee recommends that funding for the Remote Air Service Subsidy scheme should be maintained to at least the current 2003-04 level.**

## Recommendation 8

- 4.132 **Subject to the findings of the Joint Statutory Committee on Public Accounts and Audit's inquiry *Review of Aviation Security In Australia*, the committee recommends that, for communities with a population under 30 000, the Commonwealth Government should assist with the provision of appropriate security measures where risk assessments indicate that security upgrades are required.**

### Consolidation of regional airports

- 4.133 The committee believes that there may be an opportunity for some smaller regional airports to close, saving their councils considerable amounts of money. Airports that may be able to close include those that are within a one to two hour drive from a larger regional airport. This is supported by evidence described previously, indicating that people are prepared to drive for two to three hours.

#### *Holbrook, New South Wales*

- 4.134 REROC estimated that it is costing about \$250 000 to \$300 000 a year to maintain the airports at Tumut, Cootamundra, West Wyalong and Holbrook. There is virtually no revenue coming in to offset those costs, as none of the towns has a regular passenger service.<sup>111</sup>
- 4.135 The committee believes that some of these towns are unlikely to receive air services, simply due to the fact that the towns have small populations, very low passenger numbers, and are too close to other regional centres with existing services.

---

111 Riverina Eastern Regional Organisation of Councils, transcript of evidence, Wagga Wagga, 7 May 2003, p. 412.

- 4.136 Air Link Pty Ltd claimed that people will use air services only if a three hour drive can be saved. Mr David Miller from Air Link described the example of air services to Coonabarabran, and the proximity of the town to two major centres:

You can drive from Coonabarabran to Dubbo or from Coonabarabran to Tamworth in about an hour and a half. The number of passengers from Coonabarabran was down to about only 1,000 a year.<sup>112</sup>

- 4.137 The committee is of the opinion that even with a funding program in place for airport capital upgrades, there will still be airports that will not be economically viable. Based on strict selection guidelines, these airports are unlikely to receive funding.
- 4.138 The committee realises that almost every town maintains an airport that is capable of taking emergency services such as the aerial ambulance. Many towns also support active general aviation including charter operations, flying clubs and aviation museums, and will continue to maintain their facilities for those purposes. The committee also understands that regional centres will continue to defend their right to have a direct air service to their town, and will continue to spend rate resources on maintaining airport facilities. However, the committee is of the opinion that some councils should re-assess the standard to which their facilities are maintained and how much funding is committed to upkeep of the facility. The committee urges councils to look at the broader picture, and attempt to meet more realistic expectations. Councils should focus on what is sustainable, and maximise gains on the valuable rate payer dollars they have to spend.
- 4.139 Smaller towns that are more remote will maintain their air services, either hubbed or direct, despite low population and low annual passenger numbers. For example, several western New South Wales towns will still continue to hub into Dubbo, and some smaller centres such as Narrabri will continue to have direct services.
- 4.140 The committee also urges councils to examine integrated passenger movement systems. It may be much more affordable for a council to spend money on a commuter bus service to the nearest main regional centre that has an air service, rather than spend that money on maintaining an airport that will not be used.

---

112 Air Link Pty Ltd, transcript of evidence, Sydney, 8 May 2003, p. 552.



4.141 Below are two examples of airports that the committee believes may not have an RPT service introduced or restored in the foreseeable future. While recognising the right of communities to maintain facilities for business and tourism charter, medical and private purposes, the committee accepts evidence that RPT services are unlikely under current circumstances.

*Cowra, New South Wales*

4.142 Cowra is close to Orange on the central tablelands of New South Wales. Cowra lost its air service in 2001. The committee believes it is unlikely that the town will see the return of RPT services. Evidence from Orange City Council indicated that people would prefer to drive for one hour to Orange to catch a plane to Sydney, rather than catch a smaller plane for the flight into the hub at Orange. Orange City Council believes that the majority of people would either drive to Orange to catch a plane, or drive straight to Sydney rather than flying to Orange in a smaller aircraft.<sup>113</sup>

*Warwick, Queensland*

4.143 The submission from the Shire of Warwick outlined the shire's need to upgrade their airport, in order to attract an RPT operator to the town. The shire claimed that air services are needed for the development of regional tourism and medical services. The shire also aims to attract business to the region, and support current major economic development projects. The runway is currently unsealed. The shire has spent \$20 000 on a master plan for the airport, and has budgeted \$1.1 million for the runway upgrade. Recently, the shire failed in its bid to obtain \$500 000 from the state government for assistance in paying for the upgrade.<sup>114</sup>

4.144 Warwick has a population of 11 000, with approximately 23 000 people in the shire.<sup>115</sup> The committee believes that Warwick is too close to a main regional and a capital city for it to warrant an air service, especially as there is high quality road transport infrastructure servicing the town. Warwick is connected by major highways to Toowoomba and Brisbane:

- Warwick to Toowoomba: 83 kilometres (one hour driving time);

---

113 Orange City Council, transcript of evidence, Sydney, 8 May 2003, p. 494.

114 Shire of Warwick, submission no. 46, pp. 2-5.

115 Shire of Warwick, <http://www.warwick.qld.gov.au>, last accessed 30 July 2003.

- Warwick to Ipswich: 120 kilometres (1¼ hours driving time); and
- Warwick to Brisbane: 157 kilometres (under two hours driving time).<sup>116</sup>

---

116 Travelmate - Australian Travel Guide, <http://www.travelmate.com.au>, last accessed 30 July 2003.