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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

**Reference: Commercial regional aviation services in Australia and alternative
transport links to major populated islands**

MONDAY, 14 APRIL 2003

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Monday, 14 April 2003

Members: Mr Neville (*Chair*), Mr Andren, Mr Gibbons, Mr Haase, Ms Ley, Mr McArthur, Mr Mossfield, Ms O'Byrne, Mr Schultz and Mr Secker

Members in attendance: Mr Gibbons, Mr Haase, Ms Ley, Mr McArthur, Mr Neville, Mr Schultz and Mr Secker

Terms of reference for the inquiry:

To inquire into and report on:

Commercial regional aviation services in Australia and alternative transport links to major populated islands.

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Committee met at 10.27 a.m.

PENFOLD, Mrs Elizabeth Meryl, Member for Flinders, Parliament of South Australia

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services in our inquiry into commercial regional aviation services in Australia and transport links to major populated islands. This hearing is part of the committee's program of visits to and hearings in different parts of Australia. They will allow us to look into some of the issues raised in the 170 written submissions we have received to date. We have previously held public hearings in Launceston, Flinders Island, Melbourne, Canberra, and informally in Brisbane, and we also had informal discussions in Adelaide and Alice Springs on an earlier visit this year. Tomorrow the committee will hold public hearings on Kangaroo Island, and on Wednesday the committee will return to Adelaide.

I welcome Mrs Penfold, the state member for Flinders, to the hearing. Would you like to describe the area covered by your electorate?

Mrs Penfold—I have taken the liberty of bringing a map, because it is quite difficult for people to orientate themselves with my electorate.

CHAIR—We wondered how Telstra got in on the act. You have now revealed why!

Mrs Penfold—Telstra had a hand in that, but it does not show all of the state. It actually does not even get to the head of the bight, so it only shows a fraction of the state, but it does give an indication of the proximity of my electorate of Flinders to Adelaide.

CHAIR—This is on the back of the map?

Mrs Penfold—If you open it up to the side which shows the big map, locate Adelaide and go west, you will find Port Lincoln, which is my home town, which has about 13,000 people. The rest of the electorate comprises 45,000 square kilometres with 32,000 people. It is approximately the size of Tasmania. It is slightly smaller than Tasmania but I believe it has Tasmania's potential, except that I do not want so many politicians. I think one or two politicians is enough.

CHAIR—How far north does your electorate go?

Mrs Penfold—If you find Ceduna on the map, that is the farthest extent of the electorate. There are 10 council areas.

CHAIR—What about to the north-east?

Mrs Penfold—To the north-east it goes across to just above Cowell, taking in Kimba. So it is all of the areas that are coloured orange.

CHAIR—So it is the whole peninsula then?

Mrs Penfold—Yes. The whole peninsula, except for Whyalla, is in my electorate of Flinders.

CHAIR—That gives us a bit of an idea.

Mrs Penfold—If you take out my card, you will see on it the local government areas that the electorate consists of. There are 10 local government areas and each of those local government areas, except the city of Port Lincoln, maintains an airstrip for their particular council region. In addition, there are of course dozens of small strips and, across the top along the Eyre Highway, there are also several places where the road has been widened so that planes can come in in an emergency.

CHAIR—Although the committee does not require you to give evidence under oath—and I am sure you would understand this as a member of parliament—I have to advise you that these hearings are formal proceedings of the parliament and, consequently, they warrant the same respect as would attend to proceedings of the House itself. I have to remind you that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said all those things, you are most welcome. Would you like to give an opening statement for five or seven minutes before we get into some interaction?

Mrs Penfold—Thank you for giving me the opportunity to give evidence on behalf of regional South Australia and, in particular, the constituents of my electorate of Flinders. The region produces about \$1 billion worth of income for the state and the nation. Sixty-five per cent of the state's seafood harvest comes from the region as does 40 per cent of the state's grain harvest. It is also on the Gawler Craton, so it has huge potential for mining, and about 1,000 megawatts of wind power development has been proposed for the western coast, so there is huge development potential there.

Firstly, I want to expand on my original submission and bring the health issues to your attention. Secondly, I specifically want to bring to your attention issues to do with education and work for students going to Adelaide and people working in Adelaide, and the need for them to come home occasionally. Thirdly, I want to address the opportunities for people to fulfil their potential by going to Adelaide for cultural and sporting pursuits and, of course, things like employment interviews. Finally, I hope I will be able to give you some idea of where I see the three levels of government coming into play and how they can help with the current situation, which is very inequitable for a big region like ours. The current situation is that the region is only serviced by flights into Ceduna, Port Lincoln and Whyalla. If you look at the map you will see that Streaky Bay, on the west coast, and Wudinna, Cleve, Tumby Bay and Cummins have all had services in the past. They have all fallen by the wayside, so the whole of the 45,000 square kilometres is currently dependent on three towns for the servicing of flights.

Firstly, I want to briefly mention the Val Lidell story. She came in a couple of weeks ago. She has just completed eight months of treatment for breast cancer. She went across on the last flight out of Wudinna to Adelaide, which was eight months ago. She was treated, came back and was picked up by her husband for the 92-kilometre trip back to Port Kenny. But after that she had to have eight chemotherapy treatments and had to go across by bus, which required a 62-kilometre drive up to Streaky Bay from Port Kenny—Port Kenny is just below Streaky Bay—and then a 10-hour overnight trip to Adelaide. She would get to the bus depot here in Adelaide, get a taxi, go out to the Flinders Medical Centre, have her chemotherapy, stay all day and then in the evening get a taxi back to the bus depot and take another 10-hour overnight trip all the way back to Streaky Bay, whereupon she would get in her car, drive the 62-kilometres back to Port Kenny, have a shower, get dressed and go to work. That is the kind of thing that I think most

people in the city would have no understanding of, and I think the level of difficulty and the time and expense involved are some of the reasons why we actually have a much higher death rate in the country than in the city for things like breast cancer in women.

Then there is the Elliston airport story. When I first got into parliament, about eight years ago, the Elliston people had decided that because a woman had died in childbirth they would build their own airport. So they raised funds and they put in \$300,000 of in-kind support, with their own labour and equipment, and the ladies did the cooking. One smart lady calculated the number of hours put in and found that, of the \$450,000 cost, they contributed \$300,000 in kind. I was able to get our state government to put in \$50,000 to put in lights, which meant that they had an all-weather airport with night-landing capability in case of an emergency. That was a huge effort for a small, remote community that has only 1,200 ratepayers in their local government area. About 15 per cent of that local government area is actually national park, so there are huge areas that still have to be serviced with roads and firefighters that is not part of a rate base that can afford things like the upkeep of an airport.

Turning to education and employment, naturally young people are going across—and I have been in this situation myself, and so have my children; I have an office full of mummies, and there are another five children just from my own office—and being educated and doing their secondary, and for some of them tertiary, education in Adelaide, and some of them are now employed in Adelaide or interstate, and I think it is only equitable that they have some method of getting home, especially for things like birthdays, funerals, weddings and so on. They have options: they can fly on Friday night if they do not want to interfere with education or employment—the return fare to Port Lincoln is \$360, and more if you are going up to Ceduna—they can take a bus, like Mrs Lidell did, which is a 10-hour overnight trip there and a 10-hour trip back, or they can drive for seven to eight hours. I know what that is like; I was in the car myself when I was a student here in Adelaide going back to Port Lincoln, and the car rolled out of Kimba. It is not the ideal situation that parents want their children to be in, but it is important for them to come back and be a part of their community. For their own emotional stability and the emotional stability of their parents, I think it is important that that stress is not put on them.

A lot of these parents are maintaining second households in Adelaide, and often with very little assistance, so an air fare—which is certainly the best way to travel, giving the most benefit to children and their parents, because tired and irritable children are not what any of us like—is a big cost for a family. So the lucky few can fly. The same goes, really, when it comes to enabling them to fulfil their sporting and cultural pursuits. I have always maintained that it is a lot further from Adelaide to Lincoln than it is from Lincoln to Adelaide, because sporting clubs like the gymnastics club expect the gymnasts to come across to Adelaide to go to the competitions but getting people to go across to Port Lincoln seems to be much more difficult. I think most people would understand what I mean.

I had a man come in last week whose son plays rugby extremely well. His son has already travelled interstate and has the opportunity to go to Darwin and possibly to represent the state in South Africa, and there is no way that this person can afford to let this lad fulfil the potential that he obviously has. Rugby is not a game that we play much on the Eyre Peninsula, so so far he has done that by himself with only a little bit of support. His family drive him across on weekends and drive him back. A lot of families do that. They drive all the way across to Adelaide on Friday night and drive back again in time for their work and their children's studies on Monday mornings. Some, of course, go by bus and, again, the lucky few whose families can

afford it fly. It does mean that if you are driving or coming by bus you have overnight accommodation in Adelaide—another cost.

There is a role for the three levels of government in improving the situation. As you know, the local government councils were all given responsibility for their airports about 12 years ago and they were upgraded and handed over. But I think that expectations have changed a lot since then. The people out in the country and the people going out into the country expect that they will have air services, so that they can get back to family and friends in Adelaide and access the services in their capital city. If these needs are not fulfilled, we are finding that they are reluctant to come over here to live or they are reluctant to stay. So we have a huge number of positions, particularly for health professionals, that we are not filling. It has taken me seven years to get a second government dentist in Port Lincoln. Port Lincoln is considered a very nice place to live, yet it has taken seven years of advertising to finally get a second government dentist in Port Lincoln. So you can imagine what it is like for the other 10 hospitals and facilities that are needed out in the other country towns. It is very difficult already.

Only Ceduna and the Lower Eyre Peninsula district councils actually charge airport fees. The other eight councils with air terminals believe that that is one of the things they cannot afford to do if they are to attract small planes to give a regular transport service. So they do not even charge fees. The cost of maintaining their airports actually comes back onto the ratepayers. There are huge subsidies for buses in the city of Adelaide—a couple of hundred thousand dollars is being paid. I believe that that is where the state could help—by subsidising the flights up to a break-even point, so that, for a small operator coming in, there is a guarantee that they will have a viable level, at least in the build-up stage, for bringing flights in to the smaller towns. I think that legislation for sole operator routes is essential. We have put some of that legislation through in this state recently. A fare capping would need to be put in place, because a sole operator would then have a monopoly position and could therefore bump the cost of the fares up too high and expect the government to pay the difference. Of course, that is not what we are trying to achieve.

I brought in a ring-in here, because I thought that it is in some ways relevant to the fact that the costs are already being borne, often by the ratepayers, in these small council and local government areas. Currently, retrievals from hospitals in emergencies such as childbirth or accidents are actually being paid for by the hospitals in my region. If you are retrieved from a country hospital closer to the city, where a helicopter can be used, the hospital is not charged. But if you need a fixed wing aircraft—and I need one, because of the distance of Eyre Peninsula from the city—the charge is actually put onto the hospital. All of my hospitals have boards and they diligently raised thousands and thousands of dollars to maintain these small hospitals within their communities. That is an extra charge that they do not need.

I think that the federal government has a role in the upgrading of infrastructure, particularly since the Whyalla Airlines accident, in which a number of people from my electorate were killed. Some people have a great reluctance to use the smaller aircraft. Also, I understand that CASA is encouraging the use of larger aircraft. So strips have to be lengthened and widened to allow for the bigger turbo prop aircraft. They are currently replacing the small piston engine aircraft that have been servicing Wudinna and Cleve. Of course, you would know that Emu Airways recently, in the last few weeks, has stopped their service through to Wudinna. The Wudinna airport actually has about \$300,000 to upgrade it to take the bigger aircraft. Cleve council has been given a quote of about half a million dollars to upgrade theirs to take the

bigger aircraft. We think that they would be more viable with the bigger aircraft, because more people would fly on them, thinking that, because they have turbine engines, they would be safer. So we think it would be viable to do that. But, of course, that is the kind of cost that councils, the new owners of the airports, just cannot afford through their rates.

Mr SECKER—Is that a reference to Streaky Bay or Elliston?

Mrs Penfold—Wudinna is the one that has just lost its service. Wudinna is at the centre of Eyre Peninsula, so it was good to have that service there, because other people could drive to it. We had a lot of training going on in Wudinna, but now most people have to travel out for training.

Port Lincoln is the busiest airport outside of Adelaide. The two airlines have four flights per day and are considering a fifth. We would like to upgrade to a bigger aircraft. I know that Virgin Airlines are having a look at possibly getting in two flights of tourists a week. We need to upgrade our terminal there as well. The quote just for the upgrading of the pavement is \$1.3 million. Even the levy—I think it is up to \$7—that is now being levied on each passenger is not going to provide the kind of money that we will need to upgrade that airport. We also have large amounts of freight going out that could possibly be combined with passengers on flights. A lot of those flights are pure freight flights now. We need federal assistance for those capital expenditures. I cannot see any other way that they can be paid for.

CHAIR—I do not want to interrupt you but, equally, I do not want to run out of time to ask questions. Most of this is in your submission anyhow, isn't it?

Mrs Penfold—Not this part of it, but I take your point.

CHAIR—Please, if you have something extra to say feel free to say it, but I would like my colleagues to be able to get into the meat of your submission. Are there any other key points that you would like to put to us before we get into questions?

Mrs Penfold—There are the levies and the fact that 15 per cent of the fare is currently for levies. We cannot really understand why we should be paying some of those levies, like the movement levy. We would appreciate the costs of the levies being looked into. Also, there is an opportunity for the state and federal governments to coordinate their departments, because they are paying a lot of money for people coming across for services and training in Adelaide, whereas I think they could send trainers across to Wudinna or Port Lincoln for training. If those coincided, that would offset some of the costs. I am very happy to answer questions on my original submission.

CHAIR—You say that you have four services a day. What sorts of aircraft do Rex and Airlines of South Australia use?

Mrs Penfold—I was hoping that you would get those kinds of technical things from people who are technical—aeroplanes and boats are aeroplanes and boats to me!

CHAIR—Are they 36-seaters, like Dash 8s or Saabs?

Mr SECKER—Rex use Saabs and Metros. I think that they mostly use Metros to Port Lincoln, don't they?

Mrs Penfold—Yes.

CHAIR—What about Airlines of South Australia?

Mrs Penfold—Again, they use similar kinds of planes. ASA use Bandeirante.

Mr SECKER—I think that they use Metros too—no, they use Gulfstreams, I think.

Mrs Penfold—They are only medium sized planes anyway.

Mr SECKER—They are about 20- or 22-seaters.

CHAIR—Are either of those airlines associated with the Qantas system?

Mrs Penfold—Yes, ASA.

CHAIR—What about the other one?

Mrs Penfold—Not that I am aware of.

CHAIR—The basis of a lot of country airlines is business traffic. If you can get the business traffic right you have a base on which to build other things, like tourism.

Mrs Penfold—The business traffic for Port Lincoln is a good percentage of the load because there is a very wealthy fishing community there.

CHAIR—Is there a seamless on-carriage? For example, when you come to Adelaide and, say, you are going on to Melbourne or Sydney, is there a seamless ticketing and luggage arrangement at all with either of those two airlines?

Mrs Penfold—Again, I do not travel interstate enough to say. We always take our baggage off and put it back on again. Of course, if you are going overseas you have to go to the international airport terminal, so you really have to take your baggage off, get a taxi and go to the international terminal.

CHAIR—Could you find out for us, of all the services you have, what sorts of aircraft are servicing those towns, and let the secretariat know?

Mrs Penfold—Yes, I will do that.

CHAIR—Thank you.

Mr SCHULTZ—I have a general question. You may not know the answer to it but you might find the answer to it. You talk about the upgrading of infrastructure as far as the federal government contribution is concerned. You also say that runways need to be widened to

accommodate larger aircraft. I think you mentioned that that was the part that CASA would take, in terms of their philosophy. First of all, what sorts of passenger numbers are currently supporting those airlines and what is the ability of the communities to sustain passenger numbers with larger aircraft?

Mrs Penfold—The passenger numbers into Port Lincoln are 88,000 per annum. For Whyalla, they are 34,000; and Ceduna, 9,452. Could you please explain what you mean by ‘the ability to sustain passenger numbers’?

Mr SCHULTZ—If you go to larger aircraft other than the ones you currently have running in the service, would the passenger numbers be able to sustain the continued service of those aircraft?

Mrs Penfold—I think they would be looking at reducing the number of flights. Each of the two airlines that are going into Port Lincoln—ASA and Rex—have four flights per day and are looking at a fifth flight. The idea would be that at least one of those airlines would put on fewer flights but have a bigger plane. We also have the opportunity that I mentioned: there is a rumour that Virgin could bring in two flights—purely of tourists, so it would be more of a contract type arrangement.

Mr SCHULTZ—Would those larger aircraft, if they came into service, be purchased by the existing companies? If not, what does that mean for the companies that are current servicing with the smaller aircraft?

Mrs Penfold—At the moment, I think it is Rex that is looking at the bigger aircraft. Even then, it depends whether it is viable to put a bigger aircraft on or just to put more flights of the smaller one on. If Virgin came in, it would not be in conflict if it were for tourist charter flights, so it would not conflict.

Mr SCHULTZ—Finally, on the comments you made about the 15 per cent levy, is that a local levy or is that in part the Ansett levy?

Mrs Penfold—Part of it is the \$10 Ansett levy. Part of it is that ASA were actually charging a security levy, and then there is the local airport levy. As I said, Ceduna, Port Lincoln and Whyalla charge that, but the smaller councils were not charging.

Mr SECKER—I want to back up what Mrs Penfold was saying about the larger aircraft. It does tend to attract more customers. Despite the tragic circumstances of Whyalla Airlines—the Whyalla flight with the small plane—now that O’Connor’s are flying the Gulfstream and larger planes, I understand that the actual passenger numbers have gone up in Whyalla. I think there is some connection with the availability of seats and the ability to increase. You may not be able to respond to this, Mrs Penfold, but you did represent Kangaroo Island at one stage and I wondered whether you had any thoughts on the Kangaroo Island transport situation.

Mrs Penfold—It has been more than eight years since I represented Kangaroo Island and at that stage there were smaller aeroplanes. The one issue I did want to mention that I thought was of concern is that when one of the airlines to Kangaroo Island went bankrupt the administrators recouped from the councils a \$23 million passenger levy—most of that went to pay creditors.

That means that the cost of that bankruptcy impacted on the ratepayers because the council still had to maintain that airport with considerably less money from the levies. That is another inequity I would like this committee to consider.

CHAIR—That is a very difficult thing. It is not just small airlines. The demise of Flight West and Ansett left a lot of country airports holding the baby for airport charges. They are between a rock and a hard place insofar as if they insisted on being paid they would probably lose the service. To keep the service they had to suffer this increasing debt. It is not unique to Kangaroo Island, I can assure you.

Mrs Penfold—I am aware it is not. We have the possibility of another one in South Australia. Again, the councils are very reluctant to move because it is a service so valued by their communities. Instead of getting the receivers in sooner, they tend to hope that the problem will resolve itself and naturally, as you say, they have a bigger problem in the end. It is most unfortunate.

Mr SECKER—It is about a 45-minute flight to Adelaide.

Mrs Penfold—Yes, from Port Lincoln.

Mr SECKER—Versus 8½ hours driving?

Mrs Penfold—If you drive reasonably quickly it takes seven to eight hours. The bus takes around nine to 10 hours because of the stopping and starting.

Mr SECKER—How long is the airstrip in Port Lincoln?

Mrs Penfold—I do not know, I am sorry. I need Bill Watkins to tell me all those things.

Mr SECKER—Yes. We caught up with Bill in Melbourne.

CHAIR—It must be reasonably large if they are contemplating taking Virgin 737s. The whole Virgin fleet, as I understand it, is 737s.

Mrs Penfold—I did find in my notes what there was, but I cannot remember now. It was one of the smaller planes.

Mr HAASE—Because we have a similar electorate I am concerned about the way you are approaching the question of government largesse. There are a few things I want to check before I go into that. Is the ASA levy you speak of in relation to a passenger X-ray service?

Mrs Penfold—I am not aware of the reason for it.

Mr HAASE—I think you referred to it as a security levy.

Mrs Penfold—It was put to me as a security levy—it was termed as a couple of dollars that was going towards a security levy.

Mr SECKER—There is no real security at Port Lincoln, is there?

Mrs Penfold—None. So I do not know.

Mr HAASE—There is no passenger X-ray facility at Port Lincoln?

Mrs Penfold—No.

Mr HAASE—You referred to the movement levy; that is the Ansett levy?

Mrs Penfold—No. There is the \$10 Ansett levy and a \$2.80 security ex-Adelaide.

Mr HAASE—That is charged by government—not local government? It is not a landing fee?

Mrs Penfold—No, it is not a landing fee. It is just put as a movement levy. Again, it was one I could not understand. I felt that it was not something a regional airline would need to pay. Someone said it was to do with international passengers. Unless it is onflowing passengers, I cannot see that it would have much relevance to us.

Mr HAASE—Do you have a permanent on-ground emergency response team at Lincoln?

Mrs Penfold—Not that I am aware of.

Mr HAASE—There is an exemption from what we refer to as the Ansett levy for aircraft under 15 tonnes. I am unclear as to the size of the aircraft that typically fly into and out of Lincoln. I am assuming they are twin-engine aircraft. I would have thought they would be less than 15 tonnes. Have you already been asked to provide that specific detail regarding aircraft size?

Mrs Penfold—Yes. I will find out the aircraft size. Some of them are Saabs.

Mr HAASE—I am not sure about the capacity; that is all. Could you also advise us, to the best of your ability, of the details of those levies that you referred to. Further, you referred to the problems of school students returning home et cetera. My own experience in Western Australia is that our remote students receive state transport department support to travel home at the end of each school term, and back to school. From your evidence I am assuming that no such subsidy is paid by the South Australian government. Is that correct?

Mrs Penfold—I think there is a bus subsidy. Students can obtain reduced bus fares. The airlines allocate a certain number of seats at a lower price. During holiday periods, of course, everybody wants those reduced price seats, so it does not cover a lot of them. It is also unlikely that you will be able to access reduced price seats for emergencies. So, in emergencies, usually parents have to pay the full price, which tends to be a bit of a shock to some of them who want to bring children home.

Mr HAASE—I am very surprised by your answer. I would have thought that, when it came to the treatment and support of remote area students, the South Australian government would be at least as benevolent as the Western Australian government.

Mrs Penfold—I will be finding out what the Western Australian government is doing for its students.

Mr HAASE—I strongly suggest that you do that. You raised the matter of the use by RFDS or emergency services of the Eyre Highway. You referred to a number of widened sections where emergency landings can take place. Can you be more specific about that? Who is authorised to close the highway to traffic? What provision has to be made when that highway is closed? How many of these closure points are there in a specific distance? Can you tell me about this from the point of view of your electorate. From your electorate to the edge of the map, which is west of Yalata, how many of these strips are there?

Mrs Penfold—There are only two across the highway that I am aware of.

Mr HAASE—To the South Australian border or for the length of the highway?

Mrs Penfold—This is my recollection from some time ago, but at the time we were looking at putting two further out from Ceduna and one closer to Kimba. I was under the impression it was the police and the SES that had responsibility for this. We are trying to get radio coverage out there but we are in the last of the roll-out areas, so we do not have mobile phone coverage. I will have to get back to you on that. I really do not know. With respect to that remote top area, I have 15 police stations or thereabouts; I do not tend to get into the technicalities of how they manage it or how much it is being used. I was just involved when we were trying to get funding to do a couple of these widenings.

Mr HAASE—That is a satisfactory answer. It was simply that you surprised me. From what you said I was imagining several in your patch of the Eyre Highway. I know there is a huge reluctance to create them on the national highways because if the highway is closed, even for an hour, there is a huge consequential cost to transport companies. They are very reluctant to approve even the emergency closing of the highway. In my own electorate, which covers 91 per cent of Western Australia, there is only one between the South Australian border and Norseman, and that was a very difficult task to get approved. There is one between Carnarvon and Broome on the north-west coastal highway. It costs about \$40,000 to equip them. You have to have a permanent warden in charge of the situation. It is a very complex arrangement because of some of the bureaucratic matters that are involved.

I have a final question. You mentioned the fact that public transport systems in the cities are well subsidised—it is an ongoing cost to state governments. Have you thought sufficiently as to what a fair subsidy of airline services might be to those remote areas that have no form of public transport whatsoever?

Mrs Penfold—No form of public transport whatsoever?

Mr HAASE—I am presuming that your towns do not have public transport.

Mrs Penfold—There is no bus service at all from Ceduna to Port Lincoln, for instance. We did try to get a subsidy and the government did help with \$60,000 to assist a bus in running that route. In my view that was not maintained for long enough to find out whether it would be viable—because of course something has to run for about 12 months before people get used to

the idea that it is in place. On the cost of a subsidy, I did get the former Liberal government to subsidise the flights through to Wudinna on the basis that that was a top-up. When the Labor government came in that was removed. But again I would have to get back you with the details of the actual cost of subsidising the flights through to Wudinna—that was Adelaide-Wudinna return. Certainly the airline maintained the service until such a time as that subsidy was removed and they gave the reason for stopping it as not having that subsidy. But I am not aware of the amount it ran into.

Mr HAASE—But you are strongly putting the case that there ought to be a government subsidy for air services into rural and remote areas that are a distance from a capital city on the basis that capital city residents receive heavy funding for public transport and rural areas do not.

Mrs Penfold—Yes, as a top-up to an existing service that is close to being viable.

Mr McARTHUR—I was interested in what you were suggesting that governments might do by way of a subsidy and by way of encouraging the route. We have heard other evidence from smaller island communities and we have heard evidence from commercial operators about the cost of aircraft and maintenance. How would you solve the problem for your community? What would be your main recommendation to maintain the service?

Mrs Penfold—I do not think I really understand the question.

Mr McARTHUR—How would you keep the service in the locality?

Mrs Penfold—That is the point. We certainly cannot give a service to all the towns that used to have a service, but I do think that for towns in the centre like Cleve and Wudinna the only way we could do it is to give a top-up subsidy per passenger. So if the break-even point was 20 passengers and we had only 19 then perhaps the state could give a guarantee for that extra fare, because we want to keep the incentive with private enterprise to make that service viable. If they get 21, 22 or 23 passengers then they start making a profit, so there is no incentive to have 19 passengers. But if they do have 19 passengers then perhaps there could be some kind of subsidy, at least for a 12-month period, to get the airline known and to get people used to using it again. I really feel that is the only way I can see it working. Then of course I feel that the capital infrastructure cost comes out of the amount that councils can be expected to pay, and I see that these airports will deteriorate. There are no RPT flights coming in now, so they will deteriorate. But there is a good reason, even for emergency flights, that they be maintained.

Mr McARTHUR—Who do you think should maintain the airports: the Commonwealth, the state government or the local council?

Mrs Penfold—The local council has the equipment and the local knowledge. That would certainly be the cheaper option, but I think they need financial assistance—being so small, mine certainly does. As I said, there are fewer than 1,200 ratepayers in Elliston.

Mr McARTHUR—What tier of government?

Mrs Penfold—For capital infrastructure, I think it would have to be the federal government. I cannot imagine that the state government would see their role as providing infrastructure for

airports. Again, I understand the difficulty, but there is a social justice issue here. I think it is important that it does not all come back onto a small community, otherwise they are never going to be able to get to that stage. As I have said before, we have a lot of potential on Eyre Peninsula but, unless we get infrastructure, we will not be able to have that potential realised. The tourists have to come in, and freight, like the fishing industry crayfish, whiting and all of the fish products we produce on Eyre Peninsula, has to go out. If we do not get some help to maintain the infrastructure, it will deteriorate and the situation is going to get worse, not better. I have 32,000 people on Eyre Peninsula now. In the next five, six or seven years I would like to see 50,000 people—and possibly 100,000. To do that, we have to improve our infrastructure; not reduce it.

CHAIR—You are going to get back to us on the question of the aircraft, but I have a couple of other questions for you. What bus services do you have? You say that you sit on a bus for 10 hours to get to Adelaide. I presume that it goes across the top of the gulf—up through Whyalla and Port Augusta?

Mrs Penfold—Yes, and that, in itself, is a problem. The bus that goes to Perth actually comes along the Eyre Highway, up through Port Augusta and down to Adelaide in the middle of the night. Of course, elderly people are catching buses in the middle of the night and travelling all night.

CHAIR—Which company covers the area—McCafferty's or Greyhound perhaps?

Mrs Penfold—We call it Stateliner. I do not know whether it is a branch of Greyhound or not. We call it a Stateliner bus. I think it may be a part of the Stateliner network.

CHAIR—I see.

Mrs Penfold—We have a bus to Port Lincoln.

CHAIR—From where?

Mrs Penfold—Adelaide. Again, it is a Stateliner one. It runs at night and in the morning.

CHAIR—Your submission says that the air fare is \$300. Is that \$300 return—\$150 each way?

Mrs Penfold—It is \$300 to \$360, depending on whether it is ASA or Kendall.

CHAIR—Return?

Mrs Penfold—Return, yes.

CHAIR—What is the bus fare, roughly?

Mrs Penfold—I had it here somewhere. I cannot recall it at the moment; I will have to get back to you on that.

CHAIR—I notice your office is in Port Lincoln. Do you live in Port Lincoln as well?

Mrs Penfold—Yes.

CHAIR—Do you fly to Adelaide for parliament?

Mrs Penfold—Yes.

CHAIR—Was there ever a rail service to Port Lincoln?

Mrs Penfold—The rail is narrow gauge and is enclosed on Eyre Peninsula. It goes only as far as Kimba, and up to Ceduna, but it is not connected to the main railway system. So there is no service.

CHAIR—So there is no passenger service; is it only wheat or grains?

Mrs Penfold—It is only a freight service. It is an internal service, used only for freight.

CHAIR—And it is narrow gauge?

Mrs Penfold—And it is narrow gauge. At the moment, it cannot be connected seamlessly to the main railway.

CHAIR—Has there ever been talk of a high-speed cat to Adelaide?

Mrs Penfold—Yes, there has been discussion of a high-speed catamaran.

CHAIR—In a certain way, the Eyre Peninsula is a bit like an island, isn't it? You have to go so far around the top to get there that it is almost like an island.

Mrs Penfold—I think the term 'peninsula' is supposed to mean 'almost an island'. That is what we feel like a lot of the time—we are almost an island.

CHAIR—You have never had a—

Mrs Penfold—We did have the *Troubridge* originally. Before that, there was a government run ferry that went from Adelaide to Port Lincoln.

CHAIR—How long did that take?

Mrs Penfold—That is too long ago for me to recall. We spent some time in New Guinea.

CHAIR—I ask these questions to see if there are other alternatives.

Mrs Penfold—The state government has been asked for assistance for a vehicle ferry to carry cars and trucks from Wallaroo to Cowell. Some assistance with that certainly would have helped. The discussion at the moment is that that ferry be put from Wallaroo through to Arno Bay. That would reduce the time and also the risk. There is a major occupational health and

safety risk, as I have mentioned before, of vehicle accidents from tiredness and speed, and also kangaroos and emus, which my husband and I have hit. When I am going on these long trips my husband helps me as a driver.

CHAIR—I have another question which, I suppose, Mr McArthur has already asked: are your local councils having difficulty in maintaining their airstrips?

Mrs Penfold—Yes. The Cleve council are putting a lot of effort into getting more jobs, because our population reduced dramatically with the downturn of the farming industry and before aquaculture came on. They have been helping very much with the Arno Bay aquaculture. They really do not feel that they can put that half a million dollars into infrastructure in their airport, because they are just putting money into the infrastructure for the aquaculture industry.

CHAIR—The previous government was going to do an inquiry into regional aviation. Did that start?

Mrs Penfold—Not that I can recall.

CHAIR—So there is no state examination of regional air services?

Mrs Penfold—Not that I am aware of. I think I would have been aware of it.

CHAIR—With regard to emergency services you say that, where a helicopter is used to a base hospital, there is no charge. Who flies those helicopters? Is it like on the east coast, where we have those rescue helicopters?

Mrs Penfold—Yes. Westpac bank and people like that do some sponsoring, but I would not know the detail of who actually—

CHAIR—Are these same helicopters used for beach patrols and that sort of thing, or not?

Mrs Penfold—I am not sure what they use them for. Again, being a city issue, it is not something I have been aware of.

CHAIR—Is it considered safe to fly a helicopter from Adelaide across the York Peninsula to Eyre Peninsula, going over two bodies of water, or do they consider that a fixed-wing flight?

Mrs Penfold—Fixed-wing, yes. We do get the occasional helicopter going across but not usually for retrievals.

CHAIR—Do you have the RFDS in Port Lincoln or on the Eyre Peninsula?

Mrs Penfold—RFDS services some of the Eyre Peninsula, I understand, but I am not aware of where.

CHAIR—I am surprised that it costs so much just to get a transfer from Port Lincoln to Adelaide or that that should be seen to be a difficult matter. It would not be in the other states.

Mrs Penfold—Unfortunately, I cannot recall the cost of it, but it is a significant cost.

CHAIR—The state government does not pick that up?

Mrs Penfold—No. They help to fund the hospitals and therefore it is part of the hospital budget, but of course with 10 hospitals for 32,000 people they did not give us the inflation at the last budget.

CHAIR—If you were a public patient in one of those hospitals would the state government pick up the air transfer in that instance? If someone had an emergency and was a public patient in one of those hospitals, and had to be transferred to Adelaide, who picks up the airfare there?

Mrs Penfold—The local hospital pays for it but of course local hospitals are paid for by the state government, so I suppose that, indirectly, they do. But it has to be part of that budget management, and consequently it is not an impost on other hospitals but it is on mine.

CHAIR—Would you get back to us on what those charges are, because we would be interested to compare that with some others?

Mrs Penfold—Charges for the emergency flights?

CHAIR—Yes. Mrs Penfold, thank you very much for your evidence today and thank you for going to the trouble, as a state MP, to acquaint us with the needs of your electorate. We trust that you will get those things back to us and that if we need you for any other matters we may contact you.

Mrs Penfold—Chair, can I finish up with one last statement, which is that in my view a federal regional aviation policy to delineate the responsibilities of local, state and federal governments and to cover all aspects of air transport to give leadership and guidance and provide equity for the people of Australia who live outside the capitals is necessary. We really need that federal guidance out there to make it fairer for everyone in all the states.

CHAIR—Thank you very much.

[11.21 a.m.]

NELSON, Mr Christopher Clive, Airport Manager, Mount Gambier Airport, District Council of Grant

PEATE, Mr Russell John, Chief Executive Officer, District Council of Grant

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I have to advise you that these hearings are formal proceedings of the federal parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be considered a contempt of the parliament. Having said that, you are most welcome. Mr Peate, would you like to lead off?

Mr Peate—Yes, I will initially, and then, obviously, Chris has a more intimate knowledge of the airport—

CHAIR—Would you like to give us a five- to seven-minute overview of your submission?

Mr Peate—Sure.

CHAIR—I do not need you to go through it in intimate detail but could you give us an overview and talk about any particular points you want to stress?

Mr Peate—The District Council of Grant is the owner and operator of the Mount Gambier regional airport. To provide a brief overview of that, Mount Gambier is about 4½ hours drive from Adelaide. It is equidistant to Melbourne, so it is about 4½ hours drive to Melbourne as well. It is about a 55-minute to one-hour flight to both Melbourne and Adelaide. We have four return services that are provided by a local firm, O'Connor Airlines, as well as Rex. We have at present roughly 60,000 passengers per year. That is a decrease from the year 2000, when we had about 80,000 passengers. That decreased post September 11 and with the demise of Ansett.

Our landing fee for adults is \$5.50. We make a net profit per year of roughly 250 grand. We have reserves of about \$1.9 million—just under two million—which have been built up over some period of time. We are in the throes of working through potential additional income streams for the Mount Gambier Airport. We are in the throes of revisiting our five-year airport plan. We will look at that in more detail after the conclusion of local government elections shortly.

One of the issues we will be looking at as part of that plan—which the previous speaker referred to—is infrastructure upgrade and the main runway. That will be a significant cost to our council. Whilst we do not have any tenders and have not necessarily costed it out, it is probably going to be in the order of \$1.8 million to both strengthen and upgrade that runway. Generally, the District Council of Grant treats the Mount Gambier regional airport as a separate business unit—a stand-alone facility—but obviously, with the net profit that it generates, there is no subsidisation or cross subsidy as such by council in terms of its operation.

There are two points I want to make. Firstly, there is the infrastructure cost that we will be faced with—and no doubt with the release of the white paper on AusLink there is the potential for that to be looked at and addressed in terms of subsidy, because our reserves, which have been built up over a number of years, will be depleted as a result of that upgrade. We are also, as are most councils, subject to the devolution from both state and federal governments of responsibilities and cost. I think it was in October or November last year that we faced a similar sort of inquiry, the federal cost shifting inquiry, which we provided evidence at as well on some of the areas that affect the District Council of Grant.

The other issue I want to briefly touch upon is security. We are in the throes of working through security issues for a regional airport, recognising that obviously these days that is a real issue. It probably only needs one incident to bring that to the fore. We are in the throes of working through what initiatives we can implement there and, again, there is potentially some cost imposed on the airport as a result of that. For other issues I will defer to Chris to outline. He has a better understanding of the airport and how it operates.

Mr Nelson—I have been the airport manager at Mount Gambier for about eight months. I have been in the aviation industry for about 40 years. Almost all of that time has been spent as a pilot, and most of it as a regional pilot. The submission that was presented was mainly made up of my thoughts generated over quite a long period of time, so I do not think I need to add a lot to that submission. The submission is rather wide ranging and not all its points are necessarily specific to Mount Gambier. I think the problems that are endemic with regional transport at the moment are that, where competition exists, both operators would be tending to struggle and that, unless you have a fairly large support base for your transport systems, the regional fares are disproportionate to what you pay for travel between capital cities, especially if you base the airfare on distance.

CHAIR—Forgive my ignorance—I know where Mount Gambier is and I have been there—but is Grant the only council or do you have a city council as well?

Mr Nelson—The District Council of Grant surrounds the city. The city of Mount Gambier has an autonomous city council.

CHAIR—What are the relative populations of the two local authorities?

Mr Nelson—I think Russell had better answer that.

Mr Peate—The city would have a population of about 22,500 and the District Council of Grant would have a population of about 8,500. It is probably a little akin to Bundaberg and Woongarra.

CHAIR—Do the two councils share the cost of the airport?

Mr Peate—No, it is owned and operated by the District Council of Grant.

CHAIR—Was it previously a civil aviation airport?

Mr Peate—Yes.

CHAIR—And you bought it under the local ownership scheme?

Mr Peate—Yes.

CHAIR—Did you get a good deal at the time?

Mr Peate—I think it was before our time, but I presume so.

CHAIR—You obviously operate at a profit, but as you pointed out that profit can be illusory when you have major infrastructure costs to contain. You said you have Rex and O'Connor. What aircraft do O'Connor use?

Mr Nelson—O'Connor use the Jetstream 32, a 19-passenger aeroplane.

CHAIR—Do they go to Melbourne as well?

Mr Nelson—Yes.

CHAIR—What do Rex use?

Mr Nelson—They use the Metros predominantly. They do use the airport as a facility for maintenance purposes—to change over their Saabs once a week. Normally, on either a Saturday or a Sunday, they will operate a Saab service through for a changeover to their major maintenance place in Wagga. Our services, you could say, are all with 19-seaters.

CHAIR—Do O'Connor feed into the Qantas system?

Mr Nelson—Yes, they do.

CHAIR—So you do have seamless ticketing?

Mr Nelson—With O'Connor you do, yes.

CHAIR—So we know the types of aircraft used. What is the fare structure like?

Mr Nelson—It varies. The nominal fare is about \$260 each way, but then there is the opportunity to substantially reduce that if you are prepared to buy firm tickets—Internet tickets and that type of thing.

CHAIR—How much is a return ticket to Adelaide?

Mr Nelson—A return ticket to Adelaide would be \$520 if you wanted an unrestricted ticket. The price would reduce if you did an advance purchase or if you bought conditional tickets.

Mr HAASE—Might I know the difference between Mount Gambier and Adelaide? I have lost that information.

Mr Nelson—I cannot tell you in kilometres exactly, but it is 200 nautical miles.

Mr HAASE—Thank you, that will do me.

CHAIR—It seems strange that it is that price for a return ticket to Mount Gambier whereas the Port Lincoln ticket we heard about earlier was about \$300. What is the reason for that?

Mr Nelson—I do not know what type of fare the woman was talking about.

CHAIR—I will hand over to my colleagues.

Mr SCHULTZ—Thank you, Chair. I have a couple of questions. I am not sure which of you two gentlemen can answer this. Your submission says that the current air services are limited and expensive. Would you explain what you consider to be an adequate air service to Mount Gambier? That is my first question.

Mr Nelson—I think that an adequate service is one that caters for all the people who want to get on it. It would want to be an aeroplane that is affordable to the type of person who normally travels by air. To qualify that, you could look at the income level of people in the city who would travel by air. I would be a reasonably well-paid person and I cannot afford airfares for my family and me. I would take the bus. The services operate predominantly to business type schedules, so people who want to take account of holiday and tourist fares are really not catered for by those services. There are 60,000 people a year travelling on the services. I could not tell you the percentage who are personal travellers but I would suspect that a very large percentage of them would be businesspeople, public servants and the like who are not paying for the ticket themselves.

Mr SCHULTZ—What size aircraft are used on the Mount Gambier run?

Mr Nelson—They are 19-seaters.

Mr Peate—Can I mention there, Chair, that the perception certainly is that families would not use the air service. If they wanted to travel to Brisbane, say, they would drive to Melbourne and take the discount fares from Melbourne to Brisbane—but they would not use the regional service because of its high cost.

CHAIR—I am surprised that, with 60,000 passengers and the potential for 80,000, you have not got Saabs and Dash 8s.

Mr Nelson—There were Saabs until Kendell failed. When Rex subsequently took over, because of the opposition with O'Connor it was not viable for them to run the bigger aircraft. The percentage loadings have basically changed. Kendell would have perhaps carried 70 per cent and O'Connor 30 per cent, and it has now switched around the other way.

Mr SCHULTZ—In relation to your submission again, I note that it refers to small operators being disadvantaged by legislation. Could you explain to the committee what legislation impacts on them adversely?

Mr Nelson—I guess it is predominantly the CASA legislation, where they legislate for regular public transport without consideration of the type of operator they are dealing with.

There is very little differentiation between the legislative requirements for O'Connor and for, say, Virgin.

Mr SCHULTZ—How do CASA regulations add to the cost of maintaining the airport?

Mr Nelson—CASA have just changed the regulations that pertain to airports. A new CASA rule—regulation 139—will come into effect on 2 May. That has the effect of requiring much more auditing capacity. It has a requirement for particular aeroplanes to have much more enhanced runways than were previously required. It requires any upgrades on the airport itself to be upgraded to a higher standard. Most of these rules will apparently be drawn from overseas requirements, not necessarily experience that is based here, where weather conditions might be worse or better. I think this adherence to ICAO principles is probably not valid in a lot of Australian situations, but that is the CASA process.

Mr SCHULTZ—What would your council's view be on the Commonwealth assuming control of regional airports?

Mr Nelson—I think it would be beneficial. 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.

Mr Peate—It would be interesting to compare the financials of the operation previously when it was undertaken by the Commonwealth and when it was undertaken by local government.

Mr SCHULTZ—That is a good point.

Mr SECKER—We have had other evidence about the STAR tracking system and the concern that, for example, it adds quite a considerable amount of distance for the operators that travel into Melbourne. Their concern is that if everything were centralised in Melbourne they might then have to use STAR tracking for Adelaide, which would increase the costs. Do you have a view on that?

Mr Nelson—It certainly increases the cost of operating the aeroplane but, again, to get the maximum flexibility out of the airport there is a necessity for it. The margins that they use are rather inflexible; for instance, on a clear day they need just as much separation as on a day when there is no visibility at all. The CASA requirements all become very inflexible and that is not very harmonious with efficiency. Certainly in the case of Mount Gambier going into Melbourne there are about 90 extra track miles to fly the STAR going in, but then you probably pick it up on the way out again. Overall the disadvantages are probably not great if you look at a round trip, but certainly on a single-way trip it has a big effect.

The other thing that you have in Melbourne is the holding time. At the peak times when all of these commuter flights arrive it is not unusual for an aeroplane to hold for 10 minutes to suit a traffic pattern. That is because aeroplanes coming into Melbourne from perhaps four or five

different directions all have to be led into a stream. The aircraft all travel at different speeds so it is not a simple task to get the spacing right. Again, in Australia the spacing is much wider than it would be in America. In America an airport like Sydney would handle three times the traffic Sydney does.

Mr SECKER—In Sydney, though, they do not use the STAR tracking system, because they are concerned about the noise.

Mr Nelson—I think that the STAR tracking is probably there but it is in a different form whereby they track the way points well remote from the city. You might be talking about an approach point into Sydney that is 100 miles north, west or south, and then a predetermined route is flown from there. But if, for instance, you were coming via a southerly runway into Sydney from the north, there would be a lot of extra track miles to get there.

Mr SECKER—Mr Nelson, as a pilot and an airport manager you are probably in a good position to comment on my next question. There have been some suggestions that with these 19-seater planes you could actually go back to a one pilot and one attendant type of set-up. What would be your view on that?

Mr Nelson—I flew 19-seater Metros from 1975 to 1982 as a single pilot. That was quite acceptable then. It was a very arbitrary rule to put on two pilots for 19 or 15 seats, or whatever it is.

Mr SECKER—Fifteen seats.

Mr Nelson—Again, with the reduction in the Commonwealth Ansett levy charges, the change to reduce that to apply to a 15-seater aeroplane when, in fact, there are not any was very arbitrary. They are either nine- or 19-seater. Why they chose 15 as the cut-off point seems a bit ridiculous.

Mr SECKER—My last question refers to security. I know the Mount Gambier Airport quite well, as you would imagine. You would really have quite substantial changes to the terminal itself if you wanted to introduce security arrangements, because it is not really that big a terminal, is it?

Mr Nelson—No. We would have to build onto the tarmac side and put in a foyer to check through.

Mr SECKER—You would also have to put up higher fences around the airport, I would suggest.

Mr Nelson—Absolutely. Once security becomes an issue and if you are to meet the security requirements as they are applied to the higher category airports, you are certainly going to have very high costs, from fencing and parking management to access into tarmacs and simple baggage and passenger screening.

Mr SECKER—That is right; also X-ray machines. That would be on top of the \$1.8 million upgrade that you are talking about, wouldn't it?

Mr Nelson—Our runway has not had any work done on it, effectively, in more than 20 years, to my knowledge. The runway is not strong enough to accommodate the new government VIP fleet. We cannot give landing approval to bring a Challenger in.

Mr SECKER—They used to have the old—

Mr Nelson—Yes, but with the increased weight and tyre pressure, our runway is no longer capable of doing that.

Mr SECKER—Does that mean that the Prime Minister could not fly there now? I did not know that.

Mr Nelson—He cannot do that, no. We have had many requests for landing approval, but on our engineering advice we cannot do that.

Mr SECKER—Thank you.

Mr GIBBONS—I have just one question for Mr Nelson. Given your extensive experience in the aviation sector, both previously and in your current role, could you give us some background on how you perceive CASA, from a pilot's perspective and also from an aviation administrator's perspective? Would you rate them as being an appropriately functioning organisation, or have you had some difficulties? What have been your dealings with them?

Mr Nelson—That is an unexpected question. All I can say is that when I started as a pilot in 1962, it was with the Civil Aviation Authority. There has been at least six or seven changes to the bureaucracy since then. I feel that their achievements have been nil in that time, and I think that the total thrust of the new change to the CASRs is just a waste of time and money. That is a personal view, of course.

Mr GIBBONS—I understand that, and thank you for being so blunt. But surely they have not botched everything; there must have been some good things that were achieved during your extensive career?

Mr Nelson—They have decimated the general aviation industry. I would say that about 20 years ago you would have seen probably 20 or 30 aeroplanes at Mount Gambier Airport, but now you will see only two or three.

CHAIR—You do not want to come to the forum this afternoon, do you?

Mr GIBBONS—So you have nothing positive to say about your experiences with CASA.

Mr Nelson—No. I think they are self-interested, and I certainly do not think they have added to the industry. We have had the Ansett failure, and a lot of issues there probably go back to a lack of proper surveillance from CASA earlier on. I used to work for TAA, and they were basically driven into the ground by CASA or whatever else they were called. Actually, when the Commonwealth took over TAA, I think they paid some millions of dollars to Qantas to take it.

Mr GIBBONS—Thank you.

CHAIR—What is the problem, then, with CASA? You say that it is a waste of money and so on, but what is the basic problem? Is it excessive bureaucracy, is it not task focused or what?

Mr Nelson—I feel it was functioning when it was run by a minister. When the Minister for Aviation, as it was at the time, was in control and there was a functioning department, I think the department did an excellent job. But since it has gone into a self-managed role, I think it has lost its direction and that it is not industry focused but bureaucracy focused.

Mr SCHULTZ—On that point, what are your views on the latest development that the minister has announced in relation to changes to CASA?

Mr Nelson—I have been to RAPAC meetings. They talk about consultation, but at the last South Australian RAPAC meeting the CASA officials told us that it was a fait accompli that the NAS airspace would proceed. There were a lot of objections from local pilots in Adelaide because it affects Kangaroo Island and places like that, but they were just told that their opinions had been considered but it was going to go ahead anyway.

Ms LEY—I want to pick up on a couple of ideas. This committee is well aware of the problems facing regional aviation, and I suppose at some point will have to come up with some ideas for a solution. You have mentioned regional hub services and the fact that they also work in the United States, where populations are larger than they are here. How would you see them working here; can you expand on your idea?

Mr Nelson—Yes. I think they would not be common here, but certainly Alice Springs, Canberra and perhaps Mount Isa and Kalgoorlie are all places where there is opportunity to foster that. In order for people to go to a centre they need to have more than just a place to change planes; they need to have the whole body of government services that they would travel to a city for. From my experience of travels in America, you do not have the functions of government centralised in one or two cities. Everywhere you go there is the equivalent of a local CASA office and the like. I know there is a lot of cost involved in doing that, but I think it is that sort of support for rural communities that makes the communities grow. It is probably the cheapest way to get people to move to inland parts of Australia rather than all sitting on the J-curve, as they call it. There is not enough support for local communities to make them popular places. Schooling is much poorer, hospital services are much poorer and air services are much poorer if you live in a regional community.

Ms LEY—So you are really talking about a decentralisation policy for industry and government, not just transport.

Mr Nelson—It all goes hand in hand, yes. There is no point in having hubs just as change points for airlines; they need to be more than that.

Ms LEY—What about ratepayers and their support for airfields? I have quite a few small airfields in my own electorate that the councils are very concerned about and are asking the federal government for money. Do you think ratepayers willingly recognise the need to support their own airports?

Mr Nelson—Most definitely. We have probably 30 flying doctor services per month into Mount Gambier. Not all the people who get on those aeroplanes come from Mount Gambier. I think that the wider community generally realises that, if you need help, the airfield has a very important part to play. We have aeroplanes based there for firefighting through the bushfire periods, particularly with the big forestry component around Mount Gambier. So the airfield has a fairly well-recognised community support base. The thing about it is that you do not really need airports to cater for those services to the standard that you do for your RPT services. There are very big differences between the requirements for, say, the flying doctor and what we would need if we upgraded the Mount Gambier services to a 50-seat regional jet like the one that Kendell used to operate. In order to do that, we would have to strengthen, lengthen and widen our runway and possibly put in other measures as well. That regional jet would not accommodate the crosswinds that we often get in Mount Gambier, so it would probably need a more redirected runway. There are a lot of limitations on the airfields that the present infrastructure supports that are probably not recognised by the wider community. I heard the lady speaking before indicate that Virgin might operate into Port Lincoln. That could not happen unless there was an enormous amount of money spent on that aerodrome.

Mr SECKER—Unless they were using smaller planes.

Mr Nelson—Certainly, but Virgin will not do that. What they might do is find another company.

Mr SECKER—Can I come back to the new government fleet that you were talking about—the special-purpose VIP jets. Where is the nearest place that they could land? I do not think there is anywhere between Mount Gambier and Adelaide where they could land.

Mr Nelson—I would imagine that the only airports close to us that they could land at would be Mildura, Mangalore and—

Mr SECKER—They are hardly close.

Mr Nelson—No, they are not. But that was an ill-chosen aeroplane, in my opinion. It will go up and down the coast, to the Rockhamptons, the Gladstones and the airports that already support jets, but it certainly will not go into the smaller ones. Apart from East Sale and Mangalore, there would not be any airports in Victoria that it would go into. I cannot think of any in South Australia, apart from the Air Force bases.

Mr SECKER—There might be some confusion in this. There are two different planes, aren't there?

CHAIR—There is the Challenger, which replaced the Falcon—

Mr Nelson—Yes, the Falcon 90.

CHAIR—And then there is the 737—

Mr Nelson—That is bigger again.

CHAIR—Yes, of course. The point you are making about Virgin is that, at present, they are flying 737-400s and they are not likely to change that pattern, because having the one type of aircraft is part of their *raison d'être*, isn't it?

Mr Nelson—Absolutely. That is where their cost savings come from. If you were to compare the number of pilots required to operate the Virgin fleet with the number required for the Qantas fleet, you would find that a large proportion of the number required for the Qantas fleet would just be to do with the different types. Qantas are operating probably seven or eight types. When you look at it, they have the Dash 8, the 737, the 767, the Airbus, the HS-146 and all of that type of thing. They have a very large and various fleet.

CHAIR—What is the optimum for the Mount Gambiers and Port Lincolns of the world if we want to put that security of business into regional centres that you seem to be suggesting? How would the government encourage airlines to put those sorts of aircraft back into the Mount Gambiers and Port Lincolns and get those figures back up over 80,000 again—get people travelling? What is the answer to that? What is your view on it?

Mr Nelson—I think that there is a huge potential for domestic travel within Australia. Anyone who is prepared to jump on a jet and go to New Zealand or Fiji or wherever else surely would go to Australia if they could buy the same sort of product for the same sort of price. But what you find is that you cannot do that.

CHAIR—But most of your traffic out of Mount Gambier would be business, wouldn't it?

Mr Nelson—Yes, that is what I said earlier. It is business and government.

Mr SECKER—I just want to clear this up. The Dash 8s can fly into Mount Gambier, but you are saying that the Challengers cannot?

Mr Nelson—That is right. It has to do with the wheel loading and the weight of the aeroplane. The Challenger weighs about 45,000 kilos gross, and its tyre pressures are in the order of 1,350 kilopascals. Fully loaded, a Dash 8 would probably weigh in the order of 21,000 kilos and—although I cannot be accurate—its tyre pressures would be in the order of 800 to 900 kilopascals.

Mr SECKER—What about the old Falcons?

Mr Nelson—The Falcons had a lot less weight and a lot less tyre pressure, but they were still operating on a concession on the airport, and continued use would cause damage. It is not feasible at all to land the new ones.

Mr McARTHUR—I want to raise two issues. Firstly, how do you rate the Mount Gambier Airport in terms of its long-term viability and its current structure? Do you think the ALOP scheme was flawed? Do you think that maybe the Commonwealth should come back in and provide capital support for keeping some of the smaller airports operating?

Mr Nelson—In the first instance, the aerodrome is at its absolute capacity now in terms of the type of aeroplane it will support. The Saab—or the Dash 8—is the largest aeroplane we can

accommodate with continued use. So major capital works would be needed in order to increase the size of the aeroplane to, say, a 50-seater. The airport is rated through testing which is done to determine the strength of the pavement, and the aerodrome is rated on the pavement's weakest point. I think the main runway at Mount Gambier was built prior to 1950, and it has had some work done on it. Engineering quotes I have at the moment indicate that just to strengthen the runway and make it available for use for, say, the Challenger, would require us to take the runway out of service for a period of time to dig out the soft patches, restabilise it and put a top on it. That would mean you would be totally without an airport for some weeks while you did that unless you could find some method of improving another runway. If I wanted to do that I would have to now comply with the new rules that have just come out in CAR 139, which rather limits what we can do with the present infrastructure.

Mr McARTHUR—So you are on the downhill run here; it is not going to improve?

Mr Nelson—Yes, it is getting worse. Getting back to the ALOP, when the airport was handed over to Mount Gambier—in about 1989, I think; it was the first ALOP aerodrome—the undertaking from the Commonwealth was that they would build a new terminal, and so they provided us with quite a handsome terminal, and they basically left the council with it. I think they offered it to the city council, who declined to take it up. The Grant district council saw the need for the airport to be maintained within the community, and so they accepted it and I think they have worked quite assiduously to build the funds to maintain it. It has been very well managed and well run for a long time. But upcoming costs and the heavier aeroplane coming up are sort of overtaking our capacity to keep the aerodrome at the standard it was at back in 1989 and accommodate growth within the city unless that capital funding comes from elsewhere.

Mr McARTHUR—What is your view of hubbing as it might affect Mount Gambier?

Mr Nelson—It is not a suitable aerodrome for hubbing. There are not sufficient communities around. Hubbing is more valuable in places like Dubbo, where you have got lots of communities which could be fed into it with much smaller aeroplanes, although they would need to be much better quality aeroplanes than those that are there now.

Mr McARTHUR—But you were suggesting in your submission, though, that—

Mr Nelson—As I said in my opening statement, my submission contained my thoughts over quite a long period of time and was not necessarily directed at Mount Gambier.

Mr McARTHUR—What do you actually mean by hubbing? Are you saying that it should be serviced by smaller commuter aircraft and bigger airlines could then—

Mr Nelson—If you were to take Dubbo as a hub you could provide services from as far afield as Parkes, Nyngan, Bourke, Cobar, Brewarrina—there would be a very large number of communities within a 100- to 150-mile radius of it. The advantage of hubbing is that small aeroplanes feed in and they put the passengers onto a bigger aeroplane that will transfer them into the city. The disadvantage of hubbing is that both operators have to be viable. Generally speaking, the smaller the operation the higher your overheads are compared with the revenue you get per seat, so you have to find some way in which the feeder airlines are subsidised, or cross-subsidised, by the larger one. There is no doubt at all that if you run a jet from Dubbo to

Sydney with 150 seats on it the air fare will come down. To do that, you have to provide the personnel to fill it up from a wide range of places. That is what the concept of hubbing is.

Mr McARTHUR—So you are suggesting that the smaller airlines get some form of subsidy to get into, say, the Parkes type of operation?

Mr Nelson—Yes.

Mr McARTHUR—Are you saying that is the US experience—they actually subsidise those smaller operators?

Mr Nelson—I do not know that they subsidise it in dollars. In America, I think the subsidy would come via the host airline that is being fed. For example, if Qantas were the operator receiving all the on-carriage, they would provide the computer reservation systems, the handling and that type of thing at no cost. In Australia, a regional airline operator will pay Qantas significant charges over and above what they pay in landing fees and the like for hosting in their computer reservation system, for taking baggage on and off their aeroplanes and for allowing the passengers to transit through their lounges.

Mr McARTHUR—What would you recommend to this committee to get it into a practical format?

Mr Nelson—I have not got any suggestions as to how you would do it, but I think the onus has to come back to the big carriers to accept part of the responsibility for the linking of the remote communities to the cities. The levels of support that the big companies get in terms of finance, leveraging, the ability to purchase overseas, to negotiate fuel and that sort of thing give them huge advantages, which is not—

Mr McARTHUR—Mr Qantas would say that at the moment he is struggling a bit in view of other factors.

Mr Nelson—That is true, but Qantas has been quite profitable in its operations basically since Ansett fell over, because they have not had the competition. That is probably the situation that regional airlines are in. If they can operate without competition and with levels of government support, they would probably be much more profitable as well.

Mr HAASE—Thank you, gentlemen, for the good data you are feeding us. Of course, we have a constant problem in trying to rationalise how much is enough for remote areas. I am fascinated because I see the distance from Mount Gambier to Adelaide—about 360 kilometres—as very short. By comparison, I am looking at much larger distances and much more sparse populations.

Mr SECKER—It is actually about 450 kilometres by road.

Mr HAASE—Thank you. My question is simply endeavouring to get more of an indication as to where we should go and the rationalisation in that regard. We have so much evidence that says: 'We need to have an air service into our area. Our people deserve that for health, education et cetera.' Would you concede that airline companies—operating or potential—understand the

need and the potential need, they understand the economics of running a service, they know the availability of aircraft, the cost of that aircraft, the maintenance of that aircraft and the lifetime of that aircraft and, therefore, are in the best position to know what services will be viable? What should governments do? How should we determine whether or not a commercial service—an RPT—ought to be subsidised with some degree of regulation to a particular area? With your knowledge from both sides, on the ground and flying, what can you tell us that will assist us?

Mr Nelson—You cannot blame the companies—companies have to make a profit; they cannot operate unless they make a profit. They will choose to operate only to places where they can make a profit. That means that, if they cannot generate a profit from a particular town, community or whatever, they will not go there. If the government wants them to go there, it has to find some means to encourage them. In my view, the only way you can reasonably encourage them is by making it a service obligation, perhaps—if you want access to licensed routes in the mainstream, you must provide some form of assistance to regional areas. That does not mean that Qantas, for instance, has to operate aeroplanes or has to be involved in the management of regional operators, but where it imposes costs on regional operators it should have to substantiate why, at what level and all that type of thing.

Just as an example—this is not relevant at the moment—I once worked for Bush Pilots and they were in the Ansett reservation system. This is going back 15 or 20 years but every time an Ansett computer received an inquiry for a Bush Pilot operation it was 30c. Those sorts of costs are passed on. I do not know how you identify how much of the charging regime that goes into these regional airports is up-front or known. I have no idea about that but I do know that if O'Connor Airlines want to go into Adelaide Airport they have to pay Qantas, Grant council and Airservices Australia, and they have to pay taxes to the Commonwealth government. Probably for valid reasons, an impost has to go onto the ticket price. That is why the ticket price from Mount Gambier, which is 200 nautical miles away, is about the same as it is to go from Sydney to Brisbane or from Sydney to Melbourne, which is twice the distance.

Mr HAASE—So you concede that there is a place for the introduction of regulation in the industry?

Mr Nelson—In Australia it is the only way to go.

Mr HAASE—Would you care to comment, again based on your experience, on CASA's move towards, we believe, a European system of air safety rather than a US system?

Mr Nelson—Neither will work. The reason for that is that we run under a totally different legal system. It is not the making of the rules that makes the difference, it is how the rules are interpreted and what is in the rules. You can make a rule that says, 'Thou shalt do this,' but it does not imply all the other things that you also have to do. There is no road rule that says that you have to drive on the left-hand side of the road. They paint a line down it and everyone knows that you stay on the left, but it is probably not defined in law. Aviation is much the same. When you start bringing in rules from other countries, to fit in with their legal systems they are required to define certain things and other things are just part of the culture of the country. It needs to be recognised by government that Australia is a sovereign country and that we should have rules that suit us, not imported ones. The old Civil Aviation Act seemed to work fine for

years and years. I do not know why it needs to be totally changed. It seems to me that all it needs to do is address the things that are not working.

Mr HAASE—Would you care to venture a personal point of view as to why you think CASA are pursuing such radical change?

Mr Nelson—I really have no idea. For the life of me I cannot understand why we have had to have so many changes in the way CASA has been run. I cannot quite recall the title that Mr Toller had recently but I understand that Mr Anderson now takes over all the responsibilities that Mr Toller had. Why has that been changed? What is the reason for it? I do not know; I am not well enough versed in law or government to understand that. I cannot understand at all why this process is going on.

Mr HAASE—When you compare aspirations for air safety with the realities of road traffic safety, do you feel there is a lack of rationale?

Mr Nelson—Yes, absolutely.

Mr HAASE—Would you elaborate a little?

Mr Nelson—We accept the road toll, which is literally thousands throughout the country, and yet, with an incident like the Whyalla accident—I am not dismissing the incident by any means—where 11 souls are lost, they review the whole of the legal system. It does not really seem to be valid. There have been train and bus crashes with a great deal more loss of life. The aeroplane that was lost on that occasion was probably about 20 to 30 years old. The pilot on board probably had minimal experience and the company that owned it was scratching to make a living. That is where the problem is.

CHAIR—I am going to do something unusual, Mr Nelson, and I will probably make a mess of your day. Could you join us this afternoon? We have a closed forum this afternoon with CASA. We have a spare seat at the table, and I would like you, with your knowledge, to join us. Think about it over lunch and then tell us.

Mr Nelson—I will do that.

CHAIR—I have a question that leads on from what Mr McArthur and Mr Haase were talking about. Given the Mount Gambier experience of the 70-30 split, given that people want to travel on the airlines with 30-plus seat aeroplanes because of the perception of safety they have, and given that businessmen who come to these provincial cities want a reasonable degree of not only safety but also comfort, might it be better—where you cannot get even-handed competition—for the state government or, where the route crosses a border, the federal government to allocate the route?

Mr Nelson—In Mount Gambier, if you allocated the route, you would disadvantage the local company greatly. They have been there a long time—more than 30 years. They have run a very honest and industrious business but they do not have the access to the capital, nor do they have the ability, to move into the 30-seat aeroplanes, because of all the legislative requirements that go with that. Why operating a 19-seater is different from operating a 35-seater is a pretty hard

question to answer. Whilst I could not be specific about how it would impact on training levels and auditing ability, in terms of CASA rules and regulations, all of those things go up exponentially when you take a further step up. It is very much like the problem that the small operators have in going from the nine-seaters to the 19-seaters. In America, there are no companies now that operate RPT services with small aircraft. They tend to have gone now to a 50-seater, as the minimum that is viable to carry all the infrastructure you need to go with it. The other thing you need to bear in mind is that, when you want to operate an airline system, you do not just have to have the aeroplanes; you have to have all the spare parts and whatever to go with it so that it runs reliably.

CHAIR—At a previous hearing we heard evidence about the demise of a lot of aircraft with fewer than 20 seats. I think the figure we were given was that the youngest piston driven aircraft in Australia now is 18 years old. We learnt that in the next four or five years there will have to be a phasing out of those piston engine aircraft for RPT operations. They would then have to be replaced by jet or propjet. Will small companies be able to provide regional Australia with RPT services if those piston driven aircraft are phased out; and, if so, how?

Mr Nelson—Under the existing arrangements, I do not think they would be able to do that. If you were going to buy an aeroplane that is going to cost upwards of \$5 million and if you were going to spend more millions of dollars on the support equipment to go with it, you can only go into that type of business if you have a long-term ability to depreciate or defray those initial costs.

CHAIR—So you think that a lot of country Australia will be at risk?

Mr Nelson—Yes. I think the only way they could do it would be if there was perhaps a franchise system whereby one large conglomerate company of investors put up the capital and then dispersed that equipment widely over the country. I do not think that small, stand-alone businesses would be able to do it.

CHAIR—Finally, you mentioned that the Challenger cannot land at Mount Gambier. With the exceptions of Edinburgh and Adelaide, at what other airports in South Australia can the Challenger land?

Mr Nelson—I could not answer that honestly, because I am not aware of their pavement strength, but I doubt whether there would be anywhere else.

CHAIR—Your evidence, Mr Peate and Mr Nelson, has been quite remarkable and well researched. It was given straight from the shoulder, and we appreciate that immensely. I thank you for the trouble you have gone to today. Your evidence was backed up by your joint knowledge of the local government structure and of the industry. From our point of view, that is the perfect combination. I thank you for your attendance. You will receive a copy of the *Hansard* draft, which you should check for accuracy.

Is it the wish of the committee that the map provided by Mrs Penfold earlier today be accepted as an exhibit? There being no objection, it is so ordered.

Resolved (on motion by **Mr Schultz**, seconded by **Mr Haase**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.18 p.m.