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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**

WEDNESDAY, 11 JUNE 2003

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 11 June 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 Andren, Mr Gibbons, Ms Ley, Mr McArthur, Mr Neville, Mr Schultz

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 10.20 a.m.**LANDERS, Mr Ian, Marketing Manager, Macair Airlines Pty Ltd****McFARLANE, Mr Randal Wayne, Chairman and Managing Director, Macair Airlines Pty Ltd**

CHAIR—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services in its inquiry into commercial regional aviation services in Australia and transport links to the major populated islands. Today's hearing is the 10th day of our public hearings. We have held very interesting hearings in Tasmania, Victoria, South Australia, New South Wales and Canberra. We have visited the offshore islands of Flinders Island and Kangaroo Island and we have carried out a number of inspections of aviation facilities in places like Wagga Wagga and tomorrow, for the second time, in Brisbane. After today's and tomorrow's inquiry in Brisbane, the committee will return to Canberra, where we will have one or two more days of witnesses coming to Canberra. We will then move into the consideration phase, where we will consider the evidence we have taken at these hearings and the evidence that was contained in 170 submissions. After that, around September or October, we will be writing our report with a view to tabling it in the first week in December. On that note, I welcome all people here—those in the public gallery, members of the media and the witnesses who will appear before us today.

There is one item of business for my colleagues. The Australian Broadcasting Corporation has asked if it may record these proceedings. Is there any objection? There being no objection, the ABC is permitted to record sections of this inquiry with the one proviso that, if the committee decides to go to in camera hearings, the ABC will not be able to record that section of the inquiry.

I welcome witnesses from Macair Airlines. Although the committee will not require you to give evidence on oath, I have to advise you that these hearings are formal proceedings of federal parliament and consequently they warrant the same respect as would attend to the House of Representatives itself. The giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Would you like to give us a five- to seven-minute opening statement and then we will break into questions.

Mr McFarlane—Thank you. We are pleased that Macair has been invited to appear before what we think is a most important inquiry into regional aviation services in Australia. As we have all seen over the last few years, aviation forms an integral part of the national transport grid. It is almost part of the fabric of society, as we see it—it is no longer the domain of silvertailed travellers and others, as it might have been in its embryo stage. Aviation provides a lifeline to our community, as do many other modes of transport.

Macair is the largest privately owned regional airline in Queensland and one of the largest in Australia. Our principal activities, as outlined in our submission, are to provide services for some 31 communities, some of them in the most remote parts of not only Queensland but also Australia—as far west as Birdsville, including exotic places such as Boulia and Mornington Island, to name just a few. We are also engaged in tourism in that we support the Lizard Island and Dunk Island facilities on behalf of P&O Resorts, which is quite important. We are also

developing our own in-house tourism packages to bring people out to the west. We believe it is a growing market, it is something that people need to do and see, and it brings business to the communities out there.

Another important part of our business is the support of the mining industry in Queensland. Two of our principal customers are the BHP Cannington mine, which is one of the largest mines in Australia—we have been operating that service for a number of years and hope to do so for many years to come—and the Ernest Henry deposit, which was owned by MIM last week—I am not sure, but I think it is Xstrata today. As well as that, we support a number of other important state projects which we feel are an integrated part of our business.

Aviation has a history of corporate collapses. We have listed in our submission the ones that occurred in Queensland. It is quite tragic when you look at it in terms of people's visions—people going out there and trying to have a go and do things. Many circumstances dictate why a collapse happens. It may be the market, it may be the dollar or it may be a lot of factors. We have tried to identify some of those in our submission, and we would be happy to talk more specifically to those.

In our company, we are imbued with a philosophy of safety first. It is paramount in aviation, although it does come at a cost. In line with that is the quality of our service. People really need to be on time. In aviation we are selling time; that is what it is really all about. It is how quickly we can go from A to B otherwise we would take a horse. We have moved on from that, so we take a plane.

The business has been greatly challenged by issues such as the collapse of the Australian dollar, the price of oil and the downturn in the rural economy because of drought. Equally, the business has been challenged by the imposition of taxes and charges at federal, state and local levels. I am sure you have heard this before from other people but, on some of our flights, anything up to the first \$50 or \$60 of the airfare is state, federal or local charges and taxes. If you are flying to London and you have just paid \$2,000, you probably do not notice that. But when you are flying to Hughenden and the airfare is \$200, it becomes \$260 because of this. That has a huge impact if you simply do the numbers in a percentage sense.

With respect to security issues, we are now seeing the imposition of more and more security charges and taxes on the industry. It is said, 'Not a problem; pass it on to the customer.' But the customer only has finite dollars, so the law of diminishing returns is a thing that we, frankly, worry about. We will pass it on, but hopefully we have enough people to sustain the operation after we do that. So I think that these sorts of things need to be addressed on a more national level than on such a local level.

We are great critics of the federal government's sale of airports and privatisation of airports. The concept was to provide efficiencies within the domain of running airports and, I guess, for the government of the day to realise those assets and move on. All we have seen, frankly, in places like Townsville, Mount Isa and various other local places that we go to, is the imposition of more taxes and charges: people trying to recoup what they see are the costs of running these airports or, frankly, trying to make a business out of it, so that they can resell the business at a future date. We are vehemently opposed to that. In Townsville our costs have gone up by up to 80 per cent in the last 12 months. We have no redress. In the original sale agreement, as we

understand it, there is no redress for us. We cannot go to the people who sold it and say, ‘Why did you do this and what undertakings are there?’ because there are none. The dealer has to work within the market. We cannot land on a street and operate an airport somewhere else. It is a big issue, and I think that is something that is worthy of consideration as we go further forward.

In essence, aviation is here to stay and we are very positive about what we are doing. Macair as a company has a great crew of people—more than 200 Queenslanders plus other people that we support around the rest of the nation in terms of overhauling our engines in South Australia and having work done in New South Wales. Our business has a major multiplier effect and we look forward to being one of the key players that are going forward. Unbridled competition, and the expectation of unbridled competition, we see as almost a fallacy. Aircraft have to be financed over 10 or 20 years. With such huge capital investments, the cost of training and dealing with personnel and the type of people that we have, we cannot just shut up shop here and move over there; it just does not work that way.

In summary, what we need is a series of both national and regional carriers which have the financial and operational wherewithal to meet the needs of the nation as a whole and of their particular areas, not to mention their shareholders, otherwise we will not get any more investment in this business, and that would be quite hurtful.

CHAIR—Did you want to add anything, Mr Landers?

Mr Landers—No, thank you.

CHAIR—I see that you service 39 routes in Queensland. How many of those are RPT, how many of those are hub type routes coming in to a larger airport to make connections, and how many of them are mining charters?

Mr McFarlane—In the list that we provided, we did not include our mining activities.

CHAIR—They are RPT?

Mr McFarlane—They are not RPT services.

CHAIR—No, the ones you have listed.

Mr McFarlane—They are the RPT services, yes.

CHAIR—All RPTs, yes.

Mr McFarlane—Our principal hubs would be operating out of Cairns, Townsville or Brisbane, and we have a ‘mini hub’ in Mount Isa. One of the issues that we have is simply the flow of people: where do people really want to go and how do we feed that? Effectively, we bring people to the coast at Brisbane, Townsville and Cairns, so they are the hubs and we run off the back of the major networks.

CHAIR—In your submission, you have picked up on many of the common themes that we are seeing, particularly the ability of smaller communities to maintain country airports. The

government of the day that privatised the airports used the philosophy that a council with its own sealing equipment and the like would be able to look after an airport better than by bringing contractors in all the time. That is proving not to be the case, especially in the smaller communities. It is not the case in some of the provincial communities. What is your comment on that?

Mr McFarlane—Over the years I have had many discussions with shire CEOs, mayors and various other people with regard to the cost of running airports. I keep asking them the simple question: ‘When are you going to start charging by the swim the kids that use the local swimming pool?’ They say, ‘That’s ridiculous.’ I ask, ‘What about charging by the swing at the park?’ They say, ‘That’s ridiculous.’ I say, ‘What about the big trucks that drive up and down the main street?’ They say, ‘That’s ridiculous; we don’t know who they are. That’s three o’clock in the morning.’ The real reason that we go into the issue of the budget within the local shire or city is that you can identify the cost of the airport because it has a defined space—it has a fence around it, effectively.

I say that another way to look at it is that it is one mile of road within the shire or the city; they should not look at it as the airport, they should look at it as another mile of road. If they really do not want us to fly there, they should just put a sign up and close the airport down. They say, ‘Yes, but the people who use it should pay.’ I say, ‘But you are adopting the user pays principle very selectively. You’re not charging the kids that use the swimming pool because, if you did, it might be \$10 a swim and no-one would go.’ That would not be politically acceptable, but it is politically acceptable at the airport. I say, ‘You can track who we are because of our flight details, you can physically see who we are and you can count the number of people that use the facilities, but you’re leaving out one fact and that is the support to the community.’

Mr McARTHUR—Should the government take them over again?

Mr McFarlane—I do not know that the federal government should take them back over again but there does need to be an education process, if nothing else, and maybe a change in the grants program. This would help some of these people who are struggling in times of drought who have to meet certain regulations to keep an airport open. Arguably, if you have a dirt road, you can just put a sign up because we cannot land a plane on a dirt road. There probably needs to be a review in that regard as to—

Mr McARTHUR—Do you think the federal government should contribute some more capital money just to keep the facility open?

Mr McFarlane—I think so. It is part of the national infrastructure. These airports do not belong to the community at Brewarrina or Birdsville; they belong to the nation. The nation needs them and it needs people out there doing this and that. In my opinion, it is not a local issue.

Mr McARTHUR—To take account of that, do you think they should have an allocation of federal money to look after the infrastructure rather than the running costs?

Mr McFarlane—I have spoken on a couple of occasions to the Deputy Prime Minister about some of these issues in recent times at other venues. I have brought these things to his attention as best I could. I like to speak to people wherever I can. Up in our area we have that colourful

colleague of yours who wears the big hat, and he rings me up. He makes some sense on a lot of these issues because he understands these things. We have to operate within our domain. We talk to our state people because we hold the state government regional contracts. We talk to the local department of transport about these issues. They allocate some funds, but really it is a drop in the bucket.

CHAIR—What funding do you get from the state government?

Mr McFarlane—We operate a number of subsidised air routes—

CHAIR—The state government give out between \$3 million and \$4 million on the western and northern routes. Are you part of that subsidy scheme?

Mr McFarlane—Yes, we are. We would not be able to operate without that.

CHAIR—Do you want to nominate the amount or would you prefer that was commercial-in-confidence?

Mr McFarlane—It is probably on the public record. The total is something like nine point something million dollars, and that includes the buses, so it is about \$7½ million in round figures, of which we probably get about \$5 million these days towards our operation. But the problem is having only two people going out to Birdsville. What is interesting about that is that one of them is a schoolteacher and the other one is the relieving doctor, so it is an essential service.

Mr GIBBONS—How many aircraft do you have in your fleet?

Mr McFarlane—We currently have two Saab 340B aircraft—which I am sure you are familiar with—nine Metro aircraft and a Twin Otter in the regional fleet.

Mr GIBBONS—That is the extent of the fleet. What ages are the respective aircraft? How long will it be before you have to look at replacing them and what sort of aircraft would you replace them with?

Mr McFarlane—Our Saab 340 fleet is relatively young and we would see ourselves operating that aircraft for many years to come. We are in the middle of a rollover program right now to upgrade from earlier derivative Metros to the later model Metros. The economic life of these aircraft is 20 years or something. Safety is not an issue in that, because of the maintenance and standards. The problem you run into is just the cost of an older item—it just requires more and more maintenance.

Mr McARTHUR—You do not see it as a problem to change to new aircraft? A lot of other witnesses have complained quite bitterly about the changeover cost.

Mr McFarlane—It is a huge cost. If you were to go and look at a 19-seat aircraft, the only new one being built is the Beech 1900, which is \$US5 million. Put that into Australian dollars, even at today's rate, and that is \$A8 million to \$A9 million. We have a fleet of eight or nine aircraft, so that could be \$80 million or \$90 million. Who funds it? The manufacturer will not

fund it. The other thing, as I said earlier, is that you have to have longevity in this business. You cannot fund an aircraft like that over three years—it just does not work.

Mr GIBBONS—If you were the transport minister, what would be the most positive thing the Commonwealth government could do to assist the industry and ensure that it survives? What do you think are the priorities?

Mr McFarlane—Leaving out the boundaries, I still think that the concept of unbridled competition—in other words, deregulation—when it was brought in was fundamentally flawed. It was seen to apply right across the nation when, in point of fact, it really should only apply in certain key areas. It is very difficult now that the cat is out of the bag, but that is a key problem. We develop competition and we like it in the sense that it gives us cheaper airfares and whatever, but if you really start to look at it and as you start to get towards the margin and the edge, the competition goes away very quickly, because there is not the demand or the ability to service those markets in a competitive nature. If we come back to regional aviation, some form of regulation of routes and route protection for valid operators for quite a period of time—not three years or something like that—on a rolling formula for doing a good job is really the key to success. If you go back and look at the history of regional services in the forties, fifties and sixties, we actually had quite extensive regional services and they were effectively subsidised. We had good quality equipment for the day and we actually had good services overall. I think there is no reason why we cannot keep to that formula. Certain areas are going to require an economic subsidy in terms of dollars; other areas would not. We operate, for example, between Townsville and Mount Isa and we are the sole operator on that.

CHAIR—If there was going to be federal government assistance or a subsidy, where should it be aimed? Should it be on a per route basis or on aircraft purchasing? Where would you see some sort of special subsidy being best focused?

Mr McFarlane—I would not see it so much on the aircraft purchasing side. There are other things like depreciation allowances and investment allowances to allow people to maybe bring in aircraft. There is another thing that happens in other parts of the world. I have a friend who runs an airline exactly the same size as ours in Alaska. If he wants to buy new plane he goes to the Alaska development bank. Because it is to be used within Alaska and for the development of the state—and you can expand this, whether it is Australia or Alaska or whatever—he gets some guarantees. They look at his business and he can go out there and fund an aircraft purchase because he has effectively some state development or, in that case, state development guarantees. They do not necessarily provide the funding, but they actually provide the guarantees. We do that in other industries. If you look at some projects near and dear to Queensland right now that we are trying to get going, it is all about guarantees and how we kick it off and get it going. Airlines do not seem to be the flavour of the month when you start to mention these things.

CHAIR—Do you have any affiliation at all with Qantas?

Mr McFarlane—We have a commercial agreement with Qantas.

CHAIR—Does that go to the matter of electronic ticketing?

Mr McFarlane—Yes, we have through tickets with Qantas.

CHAIR—On all routes?

Mr McFarlane—On most routes.

CHAIR—What about paper ticketing, if required?

Mr McFarlane—We have that. We use paper tickets in the remote areas.

CHAIR—And seamless handling of luggage?

Mr McFarlane—Yes, we have that with them.

CHAIR—How do you get on in the other routes where you do not have that arrangement with Qantas?

Mr McFarlane—We have our agents out there, so we just work through our own agency network. In all the places we go to, we have a designated route agent who looks after that route for us, and we manage that network out of our operations base in Townsville.

CHAIR—The other question that I think is exercising our minds is to do with the various costs. We see that the Ansett levy is about to be taken off, but what is your general view of the costs—which costs have the most impact on you? I know it is a collective thing at the end of the day, but which do you find the most onerous?

Mr McFarlane—If you look at our overall cost make-up—we have a list—it is finance, fuel, maintenance and staffing. You then come to air navigation charges and landing charges and all of the other operational stuff.

CHAIR—I am sorry; I did not phrase the question properly. I was talking about landing charges and associated charges. I used the Ansett levy as an example. We have heard of airports charging up to \$42. You are now quoting \$50 or \$60?

Mr McFarlane—It can be.

CHAIR—Can you give us the names of airports where landing charges and various state and Commonwealth charges total more than \$42?

Mr McFarlane—Yes. For example, when we do maintenance at Archerfield because there is no facility at Brisbane, it is \$72.

CHAIR—To land?

Mr McFarlane—Yes, for a Metro. This drives us insane. It used to be nothing. The other one was the GST. Our business was basically a tax-free business until the GST came in. For business it is now again a claimable deduction or an offset, but it is not for the normal travelling public. So it was a full 10 per cent—or maybe it is 8.9 per cent or nine point something per cent.

CHAIR—But from your point of view, if the passenger pays the 10 per cent, you can claim all your inputs on that 10 per cent.

Mr McFarlane—Yes, but it is the overall ticket price. That is what we are getting at. The net amount to us is really all we can live off. We had the Ansett ticket tax of up to \$10 and we had the GST, which is here to stay. I understand that, but it represents 10 per cent of the fare at the end. It adds \$20 or \$30 to the ticket price—and it is seen as a tax by people. That is how it is seen.

CHAIR—Which airport has the highest aviation associated charges—excluding GST—like landing charges, passenger tax, tie-down fees, security charges by councils and all those sorts of things?

Mr McFarlane—I am pretty sure it is Townsville—and Mount Isa.

CHAIR—How much would they set you back?

Mr McFarlane—It is probably \$40 plus.

CHAIR—So when you take the GST out, \$42 is about the right figure?

Mr McFarlane—Yes. They changed their charging regime there recently, moving from an aircraft landing charge to a passenger charge, which is a huge multiplier in terms of the cost—which is what Sydney airport are trying to do, by the way.

CHAIR—What are the implications of that for the industry?

Mr McFarlane—If they have a landing charge—and let us say we operate 19-seat aircraft, so there are 19 passengers—you divide \$50 or \$60 by 19, which is \$4 or \$5. If they introduce a passenger handling charge, it is \$10 or \$12. The numbers sound insignificant. ‘Oh, it’s only \$10 or \$12.’ But it has gone from \$4 to \$12. That is a 300 per cent increase by my maths. People see these as small numbers, but there is a cumulative effect. Everything adds up on top of everything else.

CHAIR—So if you have a milk run down the coast somewhere, that is multiplied several times.

Mr McFarlane—It is multiplied. Everything is cumulative. As you may recall, when we wrote our submission we operated between Brisbane, Armidale and Tamworth. We withdrew our services there because we simply could not make any money. One of the big kickers was the Armidale terminal charge. We said to them: ‘You’re charging us something like \$14 a passenger. How about you help us out? Just don’t charge us anything for, say, three months. We’ll see if that helps the market.’ They said no. Now they do not have an air service at all from Brisbane, so they get no income. Those are the sorts of people that you are dealing with sometimes. They would rather have nothing than try to work with you. There are some proactive regional airports; unfortunately, there are not many of them.

Mr GIBBONS—Are you able to give us the percentages of occupancy on all of your 39 flights? Obviously it would fluctuate, but would it be about 60 per cent or 80 per cent capacity?

Mr Landers—It would be less than 60 per cent, overall.

Mr GIBBONS—Over a year?

Mr McFarlane—Yes. That is the issue of the government subsidy bringing it up to a profitable level.

Mr GIBBONS—Would it be less than 50 per cent?

Mr Landers—It would fluctuate wildly depending on the routes. I would have to do an exercise to give you a figure on that.

Mr GIBBONS—It would be interesting to get the figures.

Mr McFarlane—We can do that. On certain routes we have very high occupancy. To Townsville and Mount Isa, it is around 80 per cent. Of course, when you go between Birdsville and Boulia, it might be 10 per cent. But the averages skew a bit because of the total passenger numbers that are involved.

CHAIR—Where do you run the Saabs?

Mr McFarlane—The Saabs operate between Townsville and Mount Isa, Mount Isa and Cloncurry, Cloncurry and Brisbane and also for BHP Mine.

Mr McARTHUR—Firstly, I commend you on your submission. It is precise and detailed and it takes in the main issues. You are an unusual airline in that you started in 1992 and you are still profitable. Why would you say that, unlike most other people whom we have talked to, you are profitable and others are falling by the wayside?

Mr McFarlane—That is a good question. We have a philosophy at our company that it is all right to have your head in the clouds but you had better keep your feet on the ground at the same time. And that is not an easy task. We have had some challenges. There were periods where we dipped below the line, but we have resources and a pretty good business plan. We do not have an eye for unbridled expansion. We are not going to try to set the world on fire or go here, there and everywhere just to fly aeroplanes. We are not in the business of flying aeroplanes as such. We are in the business of being in a business, which happens to be an aviation related business, and we will do it the best we can. We will not sell our \$10 tickets for \$9, because you cannot stay in business if you do that. The law of diminishing returns bites very quickly in aviation, in my view.

Mr GIBBONS—Is either of you a pilot?

Mr McFarlane—I have a pilots licence, but I do not fly in our business.

Mr McARTHUR—I do not think some of the other witnesses whom we have talked to would have had the strong contractual arrangements with the companies that you have listed here. Do you think that is an underpinning of your business here in Queensland?

Mr McFarlane—In a way, but it works both ways. We have a view that we try to multifacet our business so that contract business is in itself profitable and the schedule side of our business is in itself profitable. We also carry freight and we make some good money out of that. I might add that Macair Airlines currently owns another business called Jetcraft Aviation, through which we operate a fleet of freighter aircraft all over Australia—from Adelaide through to Cairns—for Toll Logistics, and we have done that for 15-odd years. So we feed the businesses almost off each other. Although each one must be independently strong, there is the odd week where things do not work out as we would wish but, with a bit of this and a bit of that, you can do it. I think part of the problem is that aviation is an emotional thing—people get the whiff of kerosene, avgas or something in their nostrils and away they go. They think: ‘Gee, why doesn’t someone fly between here and here. There’s no-one doing it. We’d better get a plane and go and do that.’ Those people should be discouraged rather than encouraged because, unless the market is really there, it will be a failure.

Mr McARTHUR—Are you saying that your contract work underpins some of this regional activity?

Mr McFarlane—Yes, it does.

Mr McARTHUR—You were saying that operating aircraft types is how you have survived. Would you say that you basically have your aircraft type correct? We have had a lot of witnesses say to us that at regional airline level many of the aircraft have now reached their business use-by date. You are saying that you have upgraded your aircraft, and that you have the right types?

Mr McFarlane—We think we have the right type for the actual conditions under which we operate. That has to be a very carefully selected thing. I can think of aircraft that are faster or more comfortable or more this or more that, but the Saab is a very economical and reliable aircraft and it is very fuel efficient. The price of fuel keeps going up, if you look at the trend, so fuel efficiency is a key. As to the Metro, you either like them or—

Mr McARTHUR—How many seats are in the Saab?

Mr McFarlane—There are 34.

Mr McARTHUR—We hear a bit of argument about 34-seat or 19-seat versus 10-seat. Would you like to give the committee a comment on what is an economical seat number?

Mr McFarlane—Again, it is back to the market. The 10-seat variety—we are talking mainly about piston engine aircraft like Chieftains; I am sure you have heard those names—are all old. They do not make them anymore. They have not made them for 10 or 20 years in some cases.

Mr McARTHUR—So what is your recommendation to the committee—that they are all out, they are off? Some of them are saying that they will hold on as long as they can.

Mr McFarlane—That is true, but if you look at the business model you will find that the only reason those guys are in business is that their capital costs are down to almost \$100,000 or so. They are owner operated or whatever and they are making ends meet. In Australia, you cannot discourage people from trying to have a go, but those people are really like the corner store in retailing, if I could put it that way. There is nothing wrong with that, except that the market, being as thin as it is, cannot sustain that. Even in some of those things there are more modern aircraft. One is the Cessna Caravan—it is a single engine turboprop but it is very reliable. But, again, in Australian dollars it is a \$2.5 million aircraft versus a \$200,000 plane. There is the problem. This is where, if the community in the small sense or the community at large needs to have air services with a certain minimum standard of equipment, there has to be either a subsidy or a change in the airfare—the money has to come from somewhere—or the guy has to have some security of tenure. Again, it needs to be underpinned so that it can actually be sustainable.

Mr McARTHUR—You code share with a major airline—you put that in your submission. What emphasis do you put on the fact that people can buy a ticket from your airline through to the majors?

Mr McFarlane—It is a very valuable activity for us. It gives us a number of issues. The first is that we are subject to the Qantas operational and service standards audit. From my perspective as a business owner, I like the fact that they come along and audit us. We are audited by a number of other people, as well as the civil aviation people, but we have an operational audit from them, which is very good. The Qantas branding for us is quite powerful. We have Qantas frequent flyer points on all of our routes. Everyone wants those if they travel around, so that is pretty good stuff. You have to have these sorts of alliances. Once again, if you look around the world, most of the regional airlines have an alliance of some description. Rex announced yesterday that it had entered an alliance with Virgin. It will be interesting to see how that works. In the past, when we had Ansett, most of the regional airlines had an alliance with either the Qantas or the Ansett camp.

Mr McARTHUR—I have two more questions. One is about the relationship with CASA. We have had a number of witnesses complaining about the CASA operation. I notice in your submission that you are not happy with some aspects. Would you care to comment?

Mr McFarlane—As a company we enjoy a very good relationship with CASA on operational basis. Dare I say it: you have never seen our name mentioned anywhere, because we manage our business to the required standards. We have external safety managers, we run CRM training and we do everything that we can do to make sure that we meet all of the national statutes as well as our own standards, which we consider in many cases to be higher.

One of the issues we brought up in our submission was the imposition by CASA and others of things like the GPWS equipment fit. It has never saved a life yet in Australia, in our opinion, yet, out of some incident or some committee room somewhere in Canberra, somebody dreamed this up as a great idea—we have to go and fit it in an unbridled fashion. It caused us to retire our Bandeirante fleet. We could not afford to fit it. How do you fund these things? It is \$150,000 an aircraft. If you ask Qantas to fit a \$150,000 piece of equipment to their \$100 million jumbo, it is slightly different to asking someone to fit \$150,000 worth of equipment to their \$500,000 to \$1 million aircraft. It represents a significant thing, yet the value of the aeroplane does not go up by

that amount because in some countries it is not required. So, even though aircraft are internationally tradable, you may be fitting something that is not required.

We do not have a problem with having new requirements for new aircraft coming into the country, for example. So, as you upgrade the fleet over a period of time, new things can come on. But it is when they bring out rules like this and they do not want to discuss it. At one point with some of that equipment, we could not actually physically buy it, but CASA were almost saying to us: 'Your aeroplane's on the ground if you haven't done it.' You say: 'But it's not us; it's the manufacturer. He can't even supply the equipment, yet you have made it a mandate which we must abide by.'

Mr McARTHUR—My final question relates to your observation about the US subsidy by the government, with a population of 270 million subsidising some of the regional air routes. Do you think that, with a population of 20 million, we can do that here in Australia?

Mr McFarlane—The reason we put that in about the EAS program in the US is that people have the vision that countries like the United States obviously have a major, wonderful air service that goes all over and meets every need. It does not. The purpose of that was to say that they have relatively remote areas in the United States. In the United Kingdom, the Scottish parliament appropriates money for regional air services to the Outer Hebrides and some of those places there.

Mr McARTHUR—Have they got any money in Scotland or not?

Mr McFarlane—They don't like to give it away!

CHAIR—Not since the McArthurs left!

Mr McFarlane—That is why they only appropriate it there. I think the point we were trying to make is that, for example, subsidising air services to provide that basic level of transportation and provide for the needs of smaller communities is nothing new in the world.

Mr McARTHUR—Very few witnesses have really given us a template as to how you do that and upset the competition and all the other types of argument in the current aviation climate.

Mr McFarlane—I tell you what: the Queensland government formula is, in my opinion, actually pretty good. It seems to meet most needs. They have route protection on certain routes.

Mr GIBBONS—Is that a historic thing?

Mr McFarlane—It has been around for 10 years or more. TAA and Ansett used to do a lot of flying. TAA did a lot of the western runs. As they re-equipped, they announced they were withdrawing from those markets. Everyone said, 'Who is going to fly out here?' You have to service these communities. You cannot drive—it would take you forever—and there is no rail service.

Mr McARTHUR—What were the key features of the Queensland model that you are recommending to this committee?

Mr McFarlane—The key feature is that there is a degree of longevity in it for the operator—in other words, we do not have—

Mr McARTHUR—Give us a figure. Are you saying five years or 10 years?

Mr McFarlane—Five years, renewable. If the operator is doing a good job—

Mr McARTHUR—So you could capitalise your market and be fairly confident of a five- to 10-year program, and you will know where you are.

Mr McFarlane—We have an undertaking with the state government which we do follow. We are out there busily marketing these areas or actively promoting the areas. We do not just sit back and live on the subsidies—that is not really what it is all about. We have an undertaking to go out there and work with the market.

Mr McARTHUR—Longer-term contracts are what you are recommending.

Mr McFarlane—Yes.

Mr McARTHUR—And what else?

Mr McFarlane—That the subsidies in themselves allow for a proper rise and fall formula. It is not use me sitting here trying to say what is going to happen in a year's time. I do not know that Iraq is not going to be invaded or the price of oil will not double—we have no way of knowing that—or that the Australian dollar will go this way or that way, or what insurance will do. So there has to be a working formula in there that says, 'On an open book basis, there is provision for a proper rise and fall.' Otherwise the operator carries the real risk. The previous operator here, Flight West Airlines, who had these routes, never ever said anything to anybody and just sat around and tried to fix it themselves and went broke. That did not serve the needs of the people, the government or themselves.

Mr McARTHUR—So you have found the Queensland government flexible in the arrangement between yourself and them?

Mr McFarlane—Pretty good—pretty good to deal with.

Mr McARTHUR—With the rise and fall type contract, you have dialogue with them, year by year?

Mr McFarlane—Yes, we have an annual review, which is happening as we speak, and we also have some language in there that says that if something really untoward were to happen—if, for example, the price of oil triples—we have the ability to go in there on a force majeure basis and discuss that with them.

Mr McARTHUR—That has worked out? You are saying that there has been a bona fide arrangement between both sides?

Mr McFarlane—Yes. We are happy with it. We are satisfied with the way that they administer it and with the way that it has worked. Basically it has been quite good.

Mr McARTHUR—Thank you very much.

CHAIR—Mr Andren and Ms Ley have joined us. We have time for two quick questions from them.

Mr ANDREN—You may have covered this before we arrived. You have 39 routes, according to your submission. How much competition do you have on those routes and how many of those routes qualify for the Queensland government support?

Mr McFarlane—About 26 ports are covered under the government scheme, and we actually do not have any competition on any of our routes. If there was competition on any of those routes there would be no operator—it is as simple as that, in some of those areas.

Mr Landers—And we have dropped three routes.

Mr McFarlane—Yes, we have dropped three routes since then.

Mr ANDREN—I was interested in that USA experience too—the essential air service. You are arguing that some of those routes definitely would qualify, under that sort of criterion, for some sort of federal assistance if there was not state assistance available?

Mr McFarlane—They would. Basically, most of the cities and towns that we fly to cannot support an air service on their own. The only place we fly to that is really fully supportable is between Townsville and Mount Isa, and we are the sole operator on that route. I can say that if another operator were to ever operate there, it is all over for one or both of us, because it is a 25,000 or 30,000 passenger market.

Mr ANDREN—That is your benchmark?

Mr McFarlane—That is about as low as you can go.

CHAIR—Is that a dedicated route or an open route?

Mr McFarlane—Currently it is an open route within Queensland, although the Queensland government do have the right, because it is an intrastate route, to close the route if they deem it necessary.

Ms LEY—Just quickly—because you could answer this in a very long space or a very short space—do you think that Australian skies would be inherently less safe if we were to return to the era of the early 1980s where charter airlines operated under what was a regulation 203 exemption and made regular flights between rural and remote centres?

Mr McFarlane—The old regulation 203 was put there for various reasons, and we are well aware of those. The problem that you have is that, on some centres, charter flights do have a serious impact on the regular scheduled service, in limited markets, and the real issue you then

have is that people want to have both. In a very small market, it is a very difficult situation to have both. I would not have an objection to a regulation 203 situation operating to places where there was no scheduled airline. But when you allow people like that to operate over a scheduled airline route it really has a serious impact on the scheduled carrier because he is obliged to fly whether there is anyone there or not, effectively.

Ms LEY—You have picked a competition argument. Is there a safety argument?

Mr McFarlane—It is not a safety argument, really. As you say, that is a debate that could go on for three weeks.

Ms LEY—But, as far as you are concerned, you would not consider it a safety issue?

Mr McFarlane—I do not see it as a safety issue, but I see it, frankly, as an economic issue.

CHAIR—Thank you, Mr McFarlane, and Mr Landers, for your evidence today. It has been very interesting. It is good to get an airline that has a focus and that is obviously operating profitably. We thank you for the thought you have put into your submission—as Mr McArthur said, it is a very good submission. We trust we can come back to you if we need further information?

Mr McFarlane—Please do.

CHAIR—Thank you very much.

[11.10 a.m.]

BYRNE, Mr Peter John, Chief Executive Officer, Bundaberg City Council

CLANCY, Ms Jacinta Mary Therese, Economic Development Officer, Planning and Development Services, Bundaberg City Council

McDUFF, Councillor Kay Margaret, Mayor, Bundaberg City Council

CHAIR—Welcome. I have to declare a potential conflict of interest. The three witnesses are well known to me, as are seven of the eight stakeholders mentioned in this submission. My colleagues can be sure of my dispassion in the matter but I would like to have it on the record. If no-one objects to me staying in the chair, I will continue. Although the committee does not require you to give evidence on oath, I have to advise you that these are proceedings of parliament and warrant the same respect as would attend to the House of Representatives itself. The giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Would you like to give us a five- to seven-minute overview of the council submission?

Councillor McDuff—Thank you for the introduction and for the opportunity to address you on the Bundaberg City Council's submission to the inquiry. As you would realise, regional aviation services and associated infrastructure play a vital role in the future development of the Bundaberg region, particularly given the growth in population, the high increase in real estate sales that we are witnessing at the moment and the interest in recreational flying. The concept of regional hubbing is strongly supported and this is emphasised with Hinkler Airport servicing not only Bundaberg but the fast growing localities around Bundaberg, for example, Agnes Water, the town of Seventeen Seventy to the north and the Isis Shire including the Woodgate coastal community to our south. Given the strong growth in the tourism market and the fact that Bundaberg is the identified business centre for our region there is a healthy demand for air passenger services. The future growth and development of new or proposed major industries such as chicory, hemp and horticultural crops also require access to cost effective and efficient air services.

QantasLink, which operates now, provides a good quality regular passenger service to Bundaberg, and council is pleased to advise that all aircraft that now provide services in and out of the city have recently upgraded to the Dash 8 standard. However, the cost factor is a major concern with the fares that are charged for services to and from Brisbane. They range from \$300 to just over \$500 for that return trip. Cost is one of our major issues, and it continues to restrict passenger numbers and the quantity of freight that is handled at the airport. Intercon activity between regional airport systems is also a concern for us, particularly for those wishing to travel north, especially to Gladstone, Rockhampton and Mackay. The service was available in a limited capacity until approximately the late 1990s. The lack of this particular service option now provides an impediment, particularly to businesspeople wishing to commute by air.

The fixed cost of operating Hinkler Airport continues to rise, despite a decrease in revenue that council is receiving, which in the main is directly related to the collapse of Flight West and

its services. On the other hand, council is required to meet CASA standards with regard to both operations and maintenance of the airport, despite the fact that we have a loss of revenue.

Of course, council, along with everyone else, are mindful of the growing security and liability concerns within the airline industry. We are also aware of a recent statement by Prime Minister John Howard indicating a requirement to upgrade security at regional airports throughout Australia. We have some proactive measures in place to address these security issues, including installing security fencing in the vicinity of the public terminal and the baggage handling area—this cost council about \$100,000. We are in negotiations as well with QantasLink and small aircraft operators in relation to the implementation of more stringent security measures, including surveillance cameras. There have been a couple of incidents that have occurred on the tarmac and that is why we are moving forward in this area. This does provide a significant burden on council revenue sources.

In our view as a council, to increase fares or other charges such as landing fees to address the shortfall is certainly not an acceptable option. As a council, we would recommend to the government that they investigate funding and subsidy options to assist councils such as ours who are providing the regional hub role to facilitate the enhancement and upgrading of facilities to support the new and expanding business operations that we see and even larger commercial aircraft that might see that Bundaberg is a point where they would like to land. With those words, it is over to you, Chair. Thank you.

CHAIR—Bundaberg is probably different in that you have a hubbing operation, but it tends to be hubbing out rather than hubbing in—hubbing out to islands and to Seventeen Seventy. Are there any hubbing services into Bundaberg?

Councillor McDuff—No.

Mr Byrne—Not really.

CHAIR—Of all the councils we have spoken to so far, you have put the greatest emphasis on security and you referred to problems with aircraft on the tarmac. Would you like to inform the committee of what they were?

Councillor McDuff—I might hand that over to the CEO.

Mr Byrne—The issue was with a QantasLink plane. It was accessed at night by a member of the public, and that concerned not only QantasLink but also council as operator of the airport.

Evidence was then taken in camera but later resumed in public—

CHAIR—Is Bundaberg airport profitable? I ask the question for this reason: the drift of evidence seems to indicate that airports run by councils with populations of about 30,000 to 35,000 are profitable, but not those below that. Bundaberg's population is 45,000. Given the passenger taxes, landing charges and rent from organisations manufacturing on the airport, would the airport be considered to be in the black or in the red on an annual basis?

Mr Byrne—It is effectively cost neutral. We have just had a full economic review carried out as part of our budget process.

CHAIR—So it makes no money and loses no money?

Mr Byrne—It makes no money and loses no money.

Ms LEY—I do not know that much about Bundaberg, but from your introductory remarks it seems that it is a growing community. Given that it is a growing community and that it is acting as a hub for other airlines, it should be an example of a profitable success story. What types of pressures are you facing that are preventing that?

Mr Byrne—Firstly, if we look at the tourism market we do have Lady Elliot Island which is just off Bundaberg and there is quite a bit of air traffic there. However, we have an agreement with the operator for a very small amount of money annually. We waive the landing charges to keep the business to Lady Elliot Island—Whitaker Air—within Bundaberg. Had we maintained those landing fees we would have lost that business. That is one issue. We have not raised our landing fees for many years—we are only on \$7.70. Our head taxes were put up by \$1 for the first time. It has gone from \$4.50 to \$5.50 and that was 12 months ago. So we believe Bundaberg's charges are extremely reasonable, but if we were to raise those significantly it would impact on the airline industry such that we would not be achieving the level of service that we have now. We are very strong in our view that we want QantasLink to remain at our regional airport. We see that as a strength. With all due respect to some of the other airlines, Qantas does hold a great link with the capital cities and overseas, and that is one of the issues for Bundaberg.

Ms LEY—Have you considered a differential landing or head tax? I am not suggesting that you would want to slug the bigger airlines just because they can afford it, but I can appreciate that the little ones probably cannot.

Mr Byrne—Basically with the only main RPT coming in being QantasLink, it really has not been reviewed to any great extent. In relation to light aircraft, we have waived a lot of the landing charges for anything under a certain tonnage to encourage those people to come into the city. That is from a tourism perspective and also for refuelling. Although it is not directly related to your question, one of the big issues is that we have a Shell fuelling facility and if we were to lose that—if we cannot get the small operators and the tourist planes like Whitaker Air as well as QantasLink to use the facilities—it could cause a major problem, because the Dash 8s do not need to fuel as regularly in the country areas. So there is more than just the issue of landing fees and charges; there are also the other ancillary things like keeping business in the area.

Ms LEY—I do not know what the rating structure is in Queensland but do you have any idea of what proportion of rate revenue it takes to maintain and run the airport, and how that relates to similar costs for comparable towns?

Mr Byrne—Very little rate revenue. As I say, it is basically self-sufficient but effectively cost neutral, given that there is a certain amount of community service obligation there. We are not in the same league as Gladstone, which has a lot more air traffic, and Rockhampton, which has a lot of jet traffic. Of the other regional airports of our size, Mount Isa, which now has a smaller

population, operates with different types of aircraft so it is fairly difficult to compare revenue streams, head taxes and landing charges. There are some comparable ones in New South Wales but once again that is for different aircraft.

Ms LEY—When you say you operate cost-neutrally, does that include the provision for capital improvements to the airport as they fall due?

Mr Byrne—No, not really.

Ms LEY—So that is not in the equation?

Mr Byrne—No. Given our revenue, we do try and put money from revenue into a reserve. Currently, we have significantly over \$1 million sitting in reserve to enable us to do upgrades to runways and those types of things. We also purchased some additional land to allow the runway to be expanded in years to come. So Bundaberg City Council has planned strategically to enable that airport in its current location to expand to meet regional needs.

Ms LEY—But there is nothing as far as new terminal facilities or that sort of thing? It is more maintenance?

Mr Byrne—It is a fairly contemporary terminal. We did get assistance from the federal government when we took over the airport facility to help us build a terminal, but, given the contemporary arrangements for security et cetera into the future, we will have to look at alternative facilities or maybe an adjunct to that facility to provide both passenger and baggage security to link in. So there will be significant capital commitment by council, which would have to be a revenue or loan type situation, to enable us to expand or further develop the airport.

Mr McARTHUR—I notice that you raised the matter of the small scale owner operator services in the Bundaberg airport. I declare that I have had an interest in the Ultralight Federation for a couple of years. I would be interested to know what your comments are as to the—

CHAIR—A great supporter of Jabiru, this man!

Mr McARTHUR—contribution of Jabiru to your airport and the future of the ultralight construction activities of that company as you might see it.

Mr Byrne—We value very highly the Jabiru operation in Bundaberg City Council. Not only do they rent a significant amount of space at our airport facility, but also they are known internationally as a high-quality manufacturer and the export revenue that is brought into our city is significant. The multiplier effect is also significant, given that they not only buy product to carry out their manufacturing but they also employ 50-odd people locally. So we see that type of industry as being a very strong industry for regional hub airports such as Bundaberg. In recent times, they have even set up an avionics factory to support their manufacturing of the aircraft. That has proven that, in regional centres throughout Australia, we can provide a high level of aviation expertise. Bundaberg is proud to say that we have that.

Mr McARTHUR—You would be aware that the operation of aircraft that are under 544 kilograms is under the jurisdiction of the Ultralight Federation rather than CASA?

Mr Byrne—I am aware of that.

Mr McARTHUR—Would you care to make any comment about the role of CASA in controlling those kinds of aircraft? This committee has received a number of comments about the role of CASA in general aviation.

Mr Byrne—I would probably not be qualified to make a statement in that regard. Generally, we have no problem with CASA. We work closely with them to ensure that we meet all standards at our airport.

Mr McARTHUR—You have not had any comments on the importance of the ultralights operating outside the jurisdiction of CASA in general aviation?

Mr Byrne—I could probably not answer that question.

CHAIR—Ms Clancy, do you want to comment on the developmental side of that or the constraints that CASA might impose to the detriment of Jabiru?

Ms Clancy—Not at this point in time.

Mr McARTHUR—Just to finish the discussion, are you saying that Mr Ainsworth and the Jabiru factory contribute to your revenue or to the general aircraft activity in your airport?

Mr Byrne—They contribute to both, significantly, through lease arrangements with Bundaberg City Council directly and also to the airport in general in that they bring a lot of those particular aircraft to Bundaberg. They bring the people with them.

Mr McARTHUR—Do you see any conflict with those smaller aircraft and general aviation and bigger aircraft in the airspace?

Mr Byrne—Not at all.

Mr McARTHUR—It has never been raised?

Mr Byrne—No.

Mr McARTHUR—It is not a perceived problem by the bigger aircraft that the smaller—

Mr Byrne—For the committee's information, at council's instigation we hold a six-monthly airport users group meeting. At that particular meeting there is an opportunity for the likes of Mr Ainsworth, the smaller operators, QantasLink and the tourist operators to meet and discuss any issues. There is a very cooperative arrangement in Bundaberg and we see that as a positive.

Mr McARTHUR—So both types of aircraft could coexist in a safety sense and an operational sense?

Mr Byrne—I believe that is true. We do not believe there have been any incidents—that we are aware of—that would have raised any concerns.

Mr McARTHUR—In terms of sheer numbers, do you get many ultralight aircraft or do they come in at specific times?

Mr Byrne—No, they come and go. Actually, coming out of the airport this morning we had to wait for a Jabiru to land, but that was only for a minute or so. There is a very good operating system in place at the airport in Bundaberg, and I believe that QantasLink, through their pilots, have a good arrangement as well.

Mr McARTHUR—What are the arrangements under CASA about ultralights at the airport, since there is a grey area in relation to their relationship with CASA and their operational performance at the airport? Do you see general aviation and ultralights as one and the same?

Mr Byrne—From Bundaberg's perspective, general aviation would have to take priority in that we see RPT as being the number one thing for the airport. However, we do value the ultralight, Jabiru-type aircraft because they do, as I said, provide a significant multiplier.

Mr McARTHUR—Do you actually go out of your way to cultivate the ultralights because of the factory located on your premises?

Mr Byrne—We do. We do not charge landing fees for all their testing operations when they bring them here for maintenance. As I said, a review of our landing charges in recent times has meant we have removed those charges for all aircraft under a certain tonnage, which includes ultralights.

Mr McARTHUR—Do you see ultralights as an expanding area of aviation from your perspective?

Mr Byrne—I do, given that a growing number of people—not only professional people, but people with the financial wherewithal—are seeing this type of aviation as a recreational activity. That is now reflected in the expansion of the ultralight industry.

CHAIR—Ms Clancy, would you like to comment on the economics at all?

Ms Clancy—Only to say that recently Central Queensland University put a new Bachelor of Aviation Technology course online, which adds another new dimension to the use of the airport—it being key infrastructure and the university being a key economic driver. I guess that starts to raise Bundaberg as a centre of excellence, not just for manufacturing but for training. We have airspace which is very well thought of, and this is about making very good use of that airspace as well as maintaining the use of that infrastructure. The airport is a key consideration in the future development of the region.

Mr ANDREN—Could you clarify the idea of hubbing out but not hubbing back? How do they get back if they have hubbed out?

Ms Clancy—I actually prepared the submission, and when I talk about hubbing I mean it in terms of other transport modes connecting Bundaberg city to the outlying areas. We connect to Seventeen Seventy through bus services, and we also have bus services connecting back though to Childers. That covers a significant area. So by hubbing I mean connection to other transport modes, not hubbing in terms of flying.

Mr ANDREN—Is there a potential aerial spoke out of the Bundaberg hub? Is there any demand for those sorts of services?

Mr Byrne—This may not directly answer your question, but it may assist. The towns of Seventeen Seventy and Agnes Waters comprise a burgeoning area approximately one hour's drive to the north. We have a major concern in that they are looking to build an airstrip for a major resort which they are putting in up there. As soon as we heard about the resort we approached the developers, because we believe we have a hub airport where we are. It is a significant facility with significant infrastructure costs, and for someone to set something up within an hour's drive on a very scenic, good quality road would seem to us to be a real negative for regional aviation.

This is reflected in several resorts—they put in these strips and there is not the money to maintain them so they then look to the government. We are saying, given the regional hub-type facility we have, that we believe it would be good if the government were to look very closely when it looks to grant approvals for these types of operations and airstrips, because otherwise the financial impact on a hub airport like ours will be significant. We recommend to the government that it look very seriously at not providing those approvals.

Mr ANDREN—You mentioned your passenger number out of Bundaberg. Did you say 45,000?

Ms Clancy—That is the population.

Mr ANDREN—What are your passenger numbers?

Mr Byrne—The passenger numbers are strong.

CHAIR—I think he means what is your annual number.

Mr Byrne—I would be able to provide that to the committee. I do not have that with me at the moment.

Mr ANDREN—I am interested because, if your head tax is \$4.50 to \$5.50, it is—by a factor of three—less than that at at least one regional airport in New South Wales. I am wondering what the economics are. As your passenger numbers rise above 30, which seems to be about the break-even point, by what multiple can you afford to decrease your head tax? Otherwise, are some councils ripping off their air passengers in the misguided belief that it is the only way to get their infrastructure revenue to upgrade their airports?

Mr Byrne—Given that we had not raised our head tax for effectively eight or nine years—when we did we put it up by a dollar—yes, there is a multiplier effect to that but, given that Flight West dropped out of the equation, that has helped to balance it, if only in a minor way.

CHAIR—I would like to compliment the council on its very good submission. I refer to the matter of northbound services. I suppose Armidale and Tamworth people have a similar problem getting to Brisbane but have you had negotiations with the airlines about a feeder service to the north?

Mr Byrne—We meet regularly with QantasLink, especially with their marketing people. They say that it is just not a viable option. My wife actually travels to the north regularly for business. To go to Rockhampton it is a three-hour drive. For Mackay it is a five- to six-hour drive. Otherwise you have to fly to Brisbane and then fly up. Professor Grady of the Central Queensland University, the head of the campus in Bundaberg, discussed this with us because he feels very strongly that, given the growth of the campus in Bundaberg and the number of his staff that need to be in Rockhampton for a half-hour or an hour meeting, if there were a service there it could be used. The only thing that is a concern—and I heard it raised by Macair, the previous witnesses before the committee this morning—is that, while a lot of the charter people, whether they be accountants or whatever, often have a little plane in which they will go to Gladstone or Rockhampton—and I suppose they have an opportunity to have a commuter type service—the general person that wants to do business, whether that be a university person or a general businessman operating out of Bundaberg, does have a problem connecting to the north. The other issue is that it is an impediment to businesses setting up in Bundaberg because they see that they are unable to get that link north without having to go to Brisbane and waiting and then getting the other connecting flight, so there is a significant impact on their business day.

CHAIR—I think we have covered all the questions we have. You have been very comprehensive both in your submission and in the frankness with which you answered those questions. We trust that we can come back to you if we require more evidence. On that note, thank you very much for your evidence.

Councillor McDuff—Thank you, Mr Chair. We appreciate the opportunity to have been here with you.

[11.45 a.m.]

MUNDT, Mr Laurie Edward, Business Development Manager, Ipswich City Council

CHAIR—Welcome. It is proposed that the committee accepts the submission of Ipswich City Council, takes it into its record and authorises it for publication. There being no objection, it is so ordered. Mr Mundt, although the committee does not require you to give evidence on oath, I have to advise you that these are formal proceedings of parliament and warrant the same respect as would attend to the House of Representatives itself. The giving of false or misleading evidence is a serious matter and can be regarded as a contempt of the parliament. Would you like to give us a five- to seven-minute overview of the council submission?

Mr Mundt—I have a supplementary submission which details the issues I would like to address today and which includes some issues that have happened since the initial submission. In summary there are essentially two issues relating to regional aviation services in the Ipswich region.

CHAIR—You might like to describe for my colleagues where Ipswich is, how far it is from Brisbane and what airport facilities it has. It is a bit of an unusual case for regional aviation in this context.

Mr Mundt—Ipswich is 40 minutes by road along the Ipswich motorway due west of Brisbane. It does not have a regional airport. It has RAAF Air Base Amberley. There has been a lot of discussion about the requirements for regional air services in the area. We have carried out a market demand study which has confirmed that. That was the substance behind our submission, and the reason we are here today is to discuss those opportunities. There has been a lot of interest in the public for the provision of a regional air service.

CHAIR—We will get you to speak to this but is what you have handed across a supplementary submission or an exhibit?

Mr Mundt—It is a supplementary submission.

CHAIR—It is proposed that the committee accepts the supplementary submission of the Ipswich City Council as evidence and authorises it for publication. There being no objection, it is so ordered. Would you like to speak to both documents now? It is the second one in particular, is it?

Mr Mundt—The second one summarises the issues. It stands alone.

CHAIR—How about speaking to this for five or seven minutes and then we will get into the questions?

Mr Mundt—As I said, there are two issues relating to regional air services in Ipswich City Council. The first one relates to the opportunity for a regional airport with passenger and freight services. Following public demand in the mid-1990s, Ipswich City Council and the Department

of State Development commissioned a market demand study to identify the demand for regional air services. That study was submitted as part of the original submission. That study clearly identified that there was a demand for passenger flights from the Ipswich region. The demand was essentially driven by the western suburbs of Brisbane which in the survey clearly indicated that they prefer to turn right, travel to Ipswich and catch a regional flight to Sydney destinations, and from a catchment area in the Lockyer Valley up to Toowoomba and out along Boonah, Gatton, Laidley and Esk. It was basically for two areas—the business sector and the travel sector, people wishing to travel to Sydney to connect with overseas flights or to travel overseas on boats.

Following the market demand study which identified that need, Ipswich City Council entered into some discussions with the RAAF base Amberley to identify a suitable site for a proposed facility and some operating conditions with the base. One of the reasons we are putting in the submission today is that we would like some assistance if we could with those negotiations. They have not been easy for us from a council point of view. We understand the world situation has changed dramatically, but we are having some difficulty with the Department of Defence in getting some clear and concise operating conditions and identifying a suitable site. The second thing we would like some assistance with if possible is the ways in which we could provide infrastructure to the site in terms of a terminal and the supporting road and bridge network to make it happen, and, if it is possible, some guidance and assistance on identifying a potential airline operator. They are the issues that our council would like some assistance with.

CHAIR—Starting with that last issue first, this is an inquiring committee. It is an all-party committee with the parliament. We do not have a lobbying role as such to lobby on your behalf for a terminal. You would have to do that through your local member and those sorts of things.

Mr Mundt—I understand how that works.

CHAIR—But we are interested to hear the issues and the arguments.

Mr GIBBONS—What is the population of Ipswich?

Mr Mundt—It is 135,000.

Mr GIBBONS—And you are 40 minutes by road from Brisbane. Is that to the CBD or Brisbane airport?

Mr Mundt—That is to the CBD. The Brisbane airport is often an hour and half if you go through the CBD in peak-hour traffic.

Mr GIBBONS—You have had discussions with Amberley. That is not for a joint facility; that is just to inform them of what you are planning and what you hope to achieve and to do it in a way that is not going to impact on their operations—is that the idea?

Mr Mundt—That is correct. It is to see if there is any potential to work with them. Initial discussions identified that they had a mandate to work towards that, in that anything that maximised the use of their runway, their control tower facilities and their firefighting facilities would be something they would work towards, and we were quite positive with that.

CHAIR—So you are not planning a new runway; you will use the existing runways.

Mr Mundt—We would use existing taxiways. We would have a minor amount of taxiway infrastructure to link with one of their taxiways and then link up to their major runways. Essentially, the discussion with the base revolved around identifying a suitable parcel of land in relation to their master planning and then some operating agreements which enabled us to use their control tower facilities and be supported with their firefighting services.

Mr GIBBONS—Your research showed that the people in the western suburbs of Brisbane would rather drive to Ipswich to catch a flight than go to Brisbane airport.

Mr Mundt—That is correct, yes.

Mr GIBBONS—Are the figures in your submission?

Mr Mundt—The figures are in the initial submission as part of the survey. Essentially, they cited two reasons for that. One is that it is an easier drive in terms of time and not having to fight peak-hour traffic in the morning. So there is a saving of time and not having to fight the peak-hour traffic. The second one is that they are often put in a holding pattern when they arrive in Sydney on the bigger jets, and they have been told that landing at Bankstown airport on a smaller jet would save considerable time. A fair percentage of the businessmen travelling to Sydney indicated that they do not have business in the CBD, so landing at Bankstown airport would be a suitable option for them.

CHAIR—Do you see Ipswich becoming a Bankstown, or do you just see it being another commuter airport?

Mr Mundt—At this stage I would have to say just another commuter airport. The demand has not been identified as strong enough at the moment to be something like a Bankstown.

CHAIR—Have you discussed with the RAAF base or the defence department what sorts of costs they would levy on landing charges, passenger tax and the like?

Mr Mundt—We have discussed that, but they are not able to identify a cost until they get more serious about that. The best advice is that it would be similar to other commercial operations. They cite examples of Williamtown and—

CHAIR—For other commercial operations, as we have heard today—you probably heard the evidence—it is as low as \$4.50 and high as \$12. There is a huge fluctuation there.

Mr Mundt—I was not aware of such a variance.

Mr GIBBONS—How far away is Ipswich from the existing light aircraft landing ground? Obviously Brisbane must have one, where the flying clubs et cetera operate from.

CHAIR—Archerfield.

Mr Mundt—Archerfield would be 35 minutes on the Ipswich motorway.

Mr GIBBONS—Why wouldn't you spend some money on that landing ground and get that up to the standard you want rather than start again?

Mr Mundt—I think the issues are the same. Providing a civilian terminal at Archerfield—which is now under private ownership, and we have not been able to negotiate with that operator—is in terms of cost the same as providing a civil terminal adjacent to the RAAF base. The big difference is that RAAF is in the dead centre of the catchment area that we are targeting. Archerfield is a lot closer to Brisbane and getting away from some of the core customers.

Mr GIBBONS—Are there rail facilities from Brisbane to Amberley?

Mr Mundt—Not to Amberley; the closest is to Wulkuraka, which is five minutes by road.

Mr McARTHUR—We have heard a lot of witnesses complain quite strongly about the setting up of a regional airport and the cost structure involved—that is, the buildings, maintenance and running of an airport. You are putting a new proposition to us in that you actually want to set one up. Are you hoping to hang on the coat-tails of RAAF Amberley and that is the fundamental strength of the proposition?

Mr Mundt—In the discussions we have had with the RAAF base they have not been able to provide any financial assistance, and they have been very strong on that. We understand their reasons in that their primary reason for existence is as a defence base. They have not offered any funding support for the operations of the commercial airline, and so the feasibility study identified in this report does not have any input in terms of the financial advantage of being next to an RAAF base.

Mr McARTHUR—But you would use their strip, presumably. That is a big cost.

Mr Mundt—Yes, and that is the big cost.

Mr McARTHUR—What about the control of airspace? Are you happy that you would be dealing with military type aircraft and civil type aircraft?

Mr Mundt—In the discussions we have had with the RAAF base to date they have indicated that there is a fair percentage of vacant time on their runways. Even during major operations there will still be sufficient time to land the number of aircraft anticipated in the report. They have been very quick to point out that it is a defence base primarily and that any civilian operations would always come second to the Defence operation, but they have been very optimistic about the potential for domestic flights to fit in with their timetabling.

Mr McARTHUR—Other witnesses have argued the case that if you are closer than an hour to a metropolitan city then the motor car would take over the transport operations. You are really saying 45 minutes and you are still putting a proposition to have a regional airport, which does not seem to tally with the evidence we have had from other witnesses.

Mr Mundt—I cannot quote the other witnesses, but in this situation Ipswich is outside a large metropolitan city which suffers a motorway that does become congested. A lot of the rhetoric we are reacting to has been driven by incidents on the motorway. It does not take much of an

accident to hold up the traffic and it becomes a 1½ hour trip and people miss connecting flights. All of that builds up to an atmosphere where people are not happy to be travelling on that motorway to an airline destination.

CHAIR—You would not envisage people flying from Ipswich to Brisbane, would you?

Mr Mundt—No, not at all. The survey has addressed the fact that there is not a lot of potential even for flights to the Sunshine Coast or to Coolangatta.

Mr ANDREN—Just reading this survey briefly, I notice the suggestion of a potential Ipswich-Coffs Harbour-Newcastle-Sydney connection. Is that right?

Mr Mundt—That is a potential.

Mr ANDREN—I could understand why people perhaps might fly to Coffs Harbour. Has this been thought through on an economic model?

Mr Mundt—It has been the reaction from the survey. The people who commissioned the report, the Aviation and Leisure Corporation, physically surveyed the tourism operators, and a significant number of people in the catchment area in the Ipswich region—by that, I mean people west of Ipswich and up to Toowoomba, and as part of the tourist traffic there are sufficient numbers of people travelling to tourist destinations along the coast of New South Wales—have indicated they would prefer to fly if they had an option.

Mr ANDREN—Evidence has been given that 30,000 is about the cut-off point for a sustainable regional service. Would those sorts of numbers be available on a regular basis to those ports out of Ipswich?

Mr Mundt—I would not have thought 30,000, no.

Mr ANDREN—The point you made about Bankstown is interesting. There is an absolutely passionate wish by New South Wales regionals not to fly into Bankstown. Their traffic tends to be aimed at the CBD, indeed for connections for interstate and international flights. Why would people coming from Ipswich be different? Why would they accept Bankstown as an option?

Mr Mundt—I was referring to businessmen who responded and suggested that not all businessmen have business in the CBD. They are the people who indicated Bankstown as an option. But the tourists making connecting flights or travelling on boats have clearly indicated they would prefer the CBD as an option.

Mr ANDREN—I notice you have an option for air freight to international ports. Would you envisage that that can land the sort of cargo craft that are required, such as Air Tigers and so on?

Mr Mundt—Yes, we have been told that the RAAF air base can land anything that is currently able to fly. It has been demonstrated with recent air shows and some of the craft that have landed there. I might point out the demand for freight services is not as strong as the demand for passengers at the moment. That has been driven by interviews with the producers in the Lockyer Valley. At the moment there is sufficient spare cargo in the passenger flights to

handle their demand, but they are saying that at the rate is being taken up they anticipate a shortage in the near future. So we have identified that not as part of the initial feasibility study but as a future opportunity.

Mr ANDREN—We have several proposals around, including Parkes as a hub for an international airport eventually, but of course the recent economic downturns and whatever have delayed that somewhat. I am interested in the interest by the regional carriers in this. Did you say that you had had talks with them and there is a strong interest in it?

Mr Mundt—We have had talks with them. No, there is not a strong interest. There is a varied interest, and I guess we are bringing that to the attention of the inquiry. It has changed dramatically—in the time that we have been dealing with this issue, since 1999, we have had interest ranging from very strong to mild and then complete 180 degree turnarounds, depending on the world situation. Things like 11 September, the collapse of Flight West Airlines and Ansett have had a pretty dramatic effect on the discussions we have had with those carriers, to the point where we have no definite carrier at the moment that we are dealing with. A lot of them are in a wait and see mode.

Mr ANDREN—I am not aware of the capacity of Brisbane airport, but is there an option that Ipswich could be the hub for Queensland as a regional port to distribute traffic to the south.

Mr Mundt—We have not considered that option. It has not been put to our councillors or our council. I guess the issue there would be amenity for the ratepayers.

CHAIR—Are you talking about freight or passengers?

Mr ANDREN—Passengers.

CHAIR—I would like to pursue Mr Andren's question further. What was the reaction of Qantas or QantasLink to a service?

Mr Mundt—Qantas put us through to their subsidiaries, who were mildly interested in the actual operations of the facility. They pointed out that they were not investors, they were merely airline operators, and they put it back to us to find an investor to provide the facility.

CHAIR—Do you really think that three, four or five times a week there would be enough traffic from Ipswich to Coffs Harbour to justify that major leg of the trip? I can understand going Coffs Harbour to Newcastle, Newcastle to Sydney, but it is that first leg which would be the critical one, wouldn't it? If that did not work, the rest would not work.

Mr Mundt—I cannot sit here and confirm that it would be sufficient from day one. The report indicates that it is strong enough now to try and build up the service.

CHAIR—It would be a milk run type of operation.

Mr Mundt—The one you are referring to, the Coffs Harbour one, would be a milk run operation and only appeal to tourists and that part of the trade. Businessmen would not tolerate that frequency of service.

CHAIR—We have heard evidence of people in the Newcastle area wanting the service. We never thought in terms of Ipswich, but it is a very interesting scenario. We have a submission from Toowoomba City Council. Have you discussed this with Toowoomba?

Mr Mundt—Yes, we have.

CHAIR—What role would you see Toowoomba airport playing? You could have Toowoomba, Ipswich and Brisbane within about 80 minutes of each other. It would be three major airports, if they were all to go ahead, within 80 minutes of each other. Would that start to divide the traffic?

Mr Mundt—It could easily. In the discussions we have had with Toowoomba they were very interested in the service we would provide. There would need to be some fairly serious consultation between all parties there to ensure that there is sufficient product for everyone.

CHAIR—Is Amberley near any rail link?

Mr Mundt—It is five minutes from a passenger line, at Wulkuraka station, which is an electric rail service in to Brisbane.

CHAIR—So they would have to come off the plane and get a bus to—

Mr Mundt—A bus to Wulkuraka would take approximately five minutes from Amberley.

CHAIR—There is no talk of a rail link to the airport or anything like that?

Mr Mundt—No.

CHAIR—Another question I would want to pursue—and this is not said to knock the proposal at all but, rather, to test it—is about people coming from the Queensland provincial ports such as Cairns, Townsville, Mackay, Rockhampton, Gladstone, Bundaberg, Maryborough and Roma in to Brisbane. If all those people wanted to connect with the services to the south, they would still have the 80-minute trip from Brisbane airport across to Amberley, wouldn't they?

Mr Mundt—Yes, that is correct.

CHAIR—One of the things we have heard in evidence is the importance of connectivity. There is resistance on the part of the New South Wales regional airlines, as someone just mentioned, against transferring to Bankstown or to Badgerys Creek. There is a lot of resistance from the regional airlines to using either of those two venues because their passengers want to be part of the mainstream of Australian aviation. We received evidence that 36 per cent of traffic goes into the major trunk system. How are you going to cater for that 36 per cent?

Mr Mundt—That has not been considered at this stage. The study identified that there was sufficient traffic outside of that 36 per cent to support the demand for an airport at Ipswich, so that does not rely on that 36 per cent using the service.

CHAIR—What would the value of the terminal be?

Mr Mundt—It would be \$2.7 million.

CHAIR—Who would fund that? Would it be Ipswich City Council?

Mr Mundt—That is the issue at the moment: we have not been able to identify a suitable funding source and that is one of the reasons that the project has not proceeded. If we were able to do that, the airlines would be much more interested.

CHAIR—Have you approached the department of transport?

Mr Mundt—For funding assistance?

CHAIR—Yes, or for advice.

Mr Mundt—No, we have not.

Mr SCHULTZ—I am interested in the comments made in this recent document of 10 June about the potential for the development of the RAAF Amberley air base into a joint Air Force and private enterprise service centre. What do you see as the pitfalls to that working successfully?

Mr Mundt—In the discussions we have had to date with the RAAF Amberley air base we have not discussed the opportunity of being involved in a partnership with them. Their role in that project would be merely to identify some land, either on the base or adjacent to the base, in their master planning suitable for such an industrial development. So we did not see them as a joint venture partner, other than that we would be involved in the master planning.

The demand for that development is coming from two areas; firstly, the recent commercialisation of the Air Force, where we see a lot of private enterprise contractors establishing on the site; and, secondly, the expansion of operations at the RAAF Amberley air base. With both of those issues, there has been a demand there for the industries involved in working on aircraft to establish in a cluster. A lot of them want to be near the major contractors to service them. So we have the base commercialising its operations, which brings big contractors such as Boeing, Lockheed Martin and Ball Aerospace to establish on the base. They have a lot of smaller subcontractors who work with them and who would like to establish near them. That is putting demand on our industrial areas in Ipswich. There is an opportunity, given that specific demand, to cluster them in one area where they can feed off each other and more commercially support the air base.

To answer your question on pitfalls, the pitfalls we see are in the negotiations with Amberley air base and in the operating conditions that they put on us between military and civilian personnel mixing, and perhaps going from a private enterprise industrial park into a Defence park to work.

Mr SCHULTZ—Given the concerns raised about security at airports because of possible terrorist activity around the country, how do you see the issue of security? Do you see that as an insurmountable objective in the proposal to move into that base?

Mr Mundt—It is certainly a very serious consideration and it has been a high priority in the discussions we have had with the RAAF base. We do not see it as insurmountable. We think it is possible to have a geographical demarcation between the private industrial precinct and the operations that need to be within the bounds of the Air Force base—to the point where if it becomes necessary to physically shut down the base and isolate the two areas then the defence base can still maintain its integrity and security.

Mr SCHULTZ—How would you see the cost being met of a joint security operation at base level, between private enterprise and the air base itself?

Mr Mundt—If there were a requirement to levy the same type of security on the private enterprise operations, I suggest it would be an impost that they would not be able to bear because it would make them uncompetitive with subcontractors who are established in a normal industrial precinct. So it is something that we would try to minimise in our negotiations with Defence. We would set it up so that there is a physical demarcation and no requirement for such strict security measures.

Mr SCHULTZ—I raise the issue because I would have thought that, given the security worries in the country today, it would have been one of the top priorities to discuss with the air base not only for the security of the nation as a whole but also, and more importantly, for the very point that you just raised—the additional cost to private enterprise of moving into an area and sharing the costs of those security measures.

Mr Mundt—I agree and I can confirm that that has been a major issue in our discussions with the Department of Defence. In the preliminary discussions and in the preliminary master plan, the area of land that they identified is physically not on the base; it is adjacent to the base. So being just outside of the base in what is effectively a noise buffer—

CHAIR—On the eastern or the western side of the airport?

Mr Mundt—It is the main gate entrance to the base, on the southern side of the base, adjacent to the Cunningham Highway. It is close enough to enable a physical link onto the runways for the aircraft that need to be taken off-field and worked on, but there is sufficient geographical demarcation to enable separate security.

Mr ANDREN—Given the potential for greater operational requirements for Amberley—and who knows what the future holds in terms of allies being invited to use the facility and so on—to what degree could you run a scheduled domestic, public terminal alongside one that meets defence needs? If the F111s or the FA18s want to take off, you just hold up the flight and miss your connections?

Mr Mundt—In all our discussions with the defence base, they have been very quick to point out that the No. 1 priority is the defence base and that any commercial operations are secondary to that. They have softened that stance by pointing out that a runway of that size has an

enormous amount of free capacity even during some of their major operations, such as Tandem Thrust and Kangaroo II. The number of flights taking off and landing is still well below a commercial airport such as Brisbane. They have tempered that by saying that they believe they could accommodate the number of flights quite easily. Can I qualify that: the actual runway time is only one of the issues. Obviously, if there is an F111 fully loaded with full armament, it has certain safety requirements that would prohibit commercial operations. So, if it were a wartime situation with live ammunition, there is a certain distance within which those jets cannot taxi near commercial jets and things. So that would be a fairly severe limitation on the operations of the commercial base.

CHAIR—Have you done benchmarking against other airports that have RAAF involvement—whether the RAAF is the dominant or the minor partner? For example, Canberra airport has RAAF involvement, but one is on the eastern side of the runway and one is on the western side of the runway, so they are quite separated. Townsville used to, but is Townsville still run by the RAAF or is it run commercially now?

Mr Mundt—I cannot answer that; I do not know.

CHAIR—What about Williamstown?

Mr Mundt—Williamstown is the closest model that we have been working with, and we have anticipated similar conditions to the way they operate.

CHAIR—Do they use aircraft with live ammunition at all?

Mr Mundt—Not that I am aware of.

CHAIR—So that adds a new dimension, doesn't it?

Mr Mundt—Yes, it does.

Mr GIBBONS—Williamstown has the FA18s.

CHAIR—Do they? Well, they would have live ammunition.

Mr GIBBONS—Amberley has the F111s.

Mr Mundt—Again, they point that out as an issue, but they say the frequency of that is not sufficient for it to be a major issue.

CHAIR—Mr Mundt, thank you very much for your evidence and for getting it together quickly. Thanks also to the secretariat for being able to get this submission in. We trust we can return to you if we require additional information.

Proceedings suspended from 12.15 p.m. to 1.31 p.m.

HEARD, Mr Trevor Russell, General Manager, Airport, Mackay Port Authority

MANN, Mr Gregory John, Chief Executive Officer, Mackay Port Authority

CHAIR—Welcome. Do you have any comments to make about the capacity in which you appear?

Mr Mann—The Mackay Port Authority are the managers and operators of both the Mackay airport and the port of Mackay.

CHAIR—Although the committee will not require you to give evidence under oath, I have to caution you that these are considered proceedings of the parliament and must be treated with the same respect that attends to the House of Representatives itself. The giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome. Who is going to lead?

Mr Mann—If I may, Chair.

Mr Heard—And Mr Heard will participate?

Mr Mann—Yes.

CHAIR—Could you give us a five- to seven-minute overview of your submission? You do not have to read it again—just give us an overview of where you are going.

Mr Mann—We have submitted three documents for the committee's deliberations.

CHAIR—We might deal with those before we start. There is a statistical exhibit from the Mackay Port Authority. Would someone move that it be taken into evidence as an exhibit and authorised for publication?

Mr SCHULTZ—I so move.

CHAIR—Are there any objections? There being no objections, it is so ordered. There is a second document. This will be conditional on our clarifying its status with the ACCC. Would someone move that the communications with the ACCC, as made available by the Mackay Port Authority, be taken into evidence as an exhibit and authorised for publication?

Mr ANDREN—I so move.

CHAIR—Are there any objections? There being no objections, it is so ordered. Sorry to interrupt you like that, Mr Mann, but they are now protected by parliamentary privilege.

Mr Mann—Thank you very much, Chair. In opening I would like to paint a picture of Mackay airport. It was awarded the title of Australian Regional Airport of the Year not too many months ago by the Australian Airports Association. The airport services a significant population

of about 143,000. That comprises the coastal industry of sugar and, more importantly in recent times, the immediately inland industry of coal. In doing that, it is an airport that has a very strong commercial traffic base and there is some small component of tourism that uses our airport. The airport is growing substantially at the present time, and we project this current financial year will see an outcome of slightly over 20 per cent annual growth—which, in the operating environment in which airports have found themselves in recent times, is quite outstanding.

Our challenge is to ensure that we can sustain that growth. There are issues that are becoming of impact to the airport at the moment that we wanted to highlight to this committee and seek appropriate government policies that may assist us in meeting those challenges. They dominantly relate to issues that we see as counter to regional development policy and focusing most clearly on the pricing strategies that are being pursued by Airservices Australia. The dominant of those creates a situation where the location specific pricing policies being adopted and enhanced by Airservices in our view are absolutely counter to regional development and create hurdles to regional development that are inappropriate.

Our submission highlights the scope and scale of those impacts. The most notable is in respect of the airport rescue and firefighting services charges, where we will be operating in an environment where our charges to aircraft for those services are some 1,300 per cent above those to the same aircraft operating into Sydney. We certainly see that safety is a network issue and not a location specific issue. We are urging changes of policies to reflect that. We have some minor updates to the information that we provided to Ian Beckingham as late as yesterday. I would like to ask if, with your indulgence, Trevor could highlight that additional information.

CHAIR—That is the one we just authorised, the statistical data.

Mr Heard—It is a bit of an outline of our presentation and it shows the Airservices charges. In that data you can see that for Brisbane to Townsville for a 737-700, for rescue and firefighting there is zero cost. That is because the Australian Defence Force provides that service in Townsville. Of course, the Australian Defence Force, we understand, is funded from taxpayers' funds. For Brisbane to Sydney, for the same aircraft, the rescue and firefighting cost for landing there is \$48.36. In Mackay, for the same aircraft, it is \$699.40. Sydney's cost in the proposed new Airservices charges is to go up seven per cent—6.95 per cent. Ours is to go up 59 per cent, to \$1,111 for landing, as against Sydney's which will go up to around \$52. When you take into account the federal government's regional growth strategies, they have the best intentions in 'Stronger Regions: a stronger Australia', priorities of lowering transport costs, improving regional services and encouraging growth in business and employment, and an environment that encourages investment in regional Australia. It further states: 'It must be made crystal clear that when it is decided that change is required in the national or common interest then the broader community must share the burden of those charges.'

This does not appear to be happening, particularly with location specific pricing. Whereas the charge per passenger, working on 70 per cent load factor, travelling from Brisbane to Mackay is now \$6.81 for the firefighting services, it is proposed that go to \$10.83. From Brisbane to Sydney it is 48c, and it is to go to 51c, while for Brisbane to Townsville it is zero. In a letter dated 27 February the Department of Transport and Regional Services, in reply to our concerns on location specific pricing, stated:

The Government is, however, well aware that policies such as LSP—

that is, location specific pricing—

which enhance efficiency may impose substantial costs on particular sectors. For example, in the case of LSP, the Government introduced a subsidy to enable Airservices to cap tower charges at fifteen regional and general aviation aerodromes, including Mackay, which could not immediately sustain full location specific prices. The Department will continue to monitor the impact on regional Australia of initiatives such as LSP and that of new initiatives such as the introduction of the new aviation safety regulatory framework.

Two months later they proposed an increase of 59 per cent on the fire services at Mackay. So it seems to us that the regional strategies are not melding together with what actually happens on the ground.

Mr Mann—That is what is creating a major hurdle to achievement of other government strategies, and we think there needs to be some rationalisation.

ACTING CHAIR (Mr Gibbons)—Why is it so wide? Why has Mackay had those charges imposed on it whereas others have obviously not? What is the rationale behind it? You have no doubt had discussions with Airservices Australia about it.

Mr Mann—We have, but it is fair to say that we have not had access to all the information that underpins those comparative charges, and we would certainly like to have access to that. We believe there are elements within those charges that are subject to challenge, and we would certainly like the opportunity to be able to do that. But to date that information has not been available.

ACTING CHAIR—So it has been put to you as a fait accompli?

Mr Mann—Exactly.

Mr Heard—I will explain it a bit further. We are not the only one in that position. Rockhampton is in a similar position—their level is little lower than ours. Ayers Rock will be in a similar position when they get their services there, and so will Maroochydhore. They have been quoted \$12 to \$15 a tonne.

ACTING CHAIR—When does this schedule commence?

Mr Heard—It was to commence in the new financial year—2003-04. The ACCC have gone back to Airservices in their draft response and asked them to put it on hold for a year because of the state of the industry and to work more closely with the airports and the airlines to get a better result as far as structure is concerned.

ACTING CHAIR—When did the Mackay Port Authority assume control of the airport? Did that happen when the federal government opted out of running airports and handed it over local governments and other agents?

Mr Mann—In essence, that was the situation. That actually occurred in 1989, and we have been operating Mackay airport since then. We took on board with that transfer a very significant obligation to basically redevelop the whole terminal complex, and that involved significant capital investment in a brand new terminal precinct on the airport as well as runway upgrades. So we have been in an operational role since the early nineties.

ACTING CHAIR—And it is financially secure—it is not subsidised by local government or anything like that?

Mr Mann—Absolutely not. It is a stand-alone entity. We are a government owned corporation under state government legislation and we are required to meet normal rate of return targets and so on.

ACTING CHAIR—You said earlier that tourism is a very small part of the actual throughput. I would have imagined that Mackay would be one of the stepping stones to the Whitsundays. Why is tourism only a small part of your market?

Mr Mann—In essence it is because the region is currently served by three airports: Proserpine airport on the mainland, about 110-120 kilometres north of Mackay; an airstrip on Hamilton Island; and Mackay airport. It is fair to say that before the construction of Hamilton Island airport a considerably larger component of tourism traffic utilised Mackay airport, and there was a transition during that period. However, with the quality of services that Mackay is now enjoying through its increased throughput and the flexibility that that gives for packaging, a growing element of our business is tourism related. Our service frequency and quality is in most cases a better option than the other airports can offer.

ACTING CHAIR—I will throw this hearing open to questions from my colleagues.

Mr ANDREN—I have been reading your presentation as we have been going through and I wondered why there is a massive difference—did you explain that?—between Mackay and Townsville airports. Is it just through economies of scale? Your head tax and other charges seem to go down depending on the amount of traffic.

Mr Heard—With Sydney, for instance, that is definitely the case because they have all the international services going there, which helps pay for Sydney airport's costs. There is a greater throughput of tonnage and passengers. Also, for Sydney airport, like all the major airports, it is not all aeronautical revenue. In Brisbane, they are developing what they call 'airport city'. There are a lot of commercial precincts in there that have nothing whatsoever to do with aviation.

Mr ANDREN—Isn't this the economies of scale argument, though, for fares and everything else in the airline industry? The smaller operators, the hub and spoke services, cannot operate on the newer generation of aircraft—they are too expensive. They do not have critical mass and fares are too high to be competitive.

Mr Heard—Yes.

Mr ANDREN—Why, though—Steve has already asked that question perhaps—do you feel that you are particularly disadvantaged under this regime?

Mr Mann—Because the comparable airports that we are effectively competing with are not generally operating on the same playing field. As Trevor outlined, it is most apparent with rescue and firefighting. Because Townsville airport, about 300 kilometres to our north, is a Defence Force airport, it has the major advantage of no cost for airport rescue and firefighting, which as you can see from our presentation is a dominant cost for Mackay airport. It represents close to half the Commonwealth charges that are applied to aircraft using that airport. The end answer is that it is not a level playing field. We would be happy just to be on something closer to a level playing field. However, overriding that, the paramount issue is that safety is not a location specific issue; it is a network issue.

Mr ANDREN—You recently attracted Virgin Blue, didn't you?

Mr Mann—We attracted Virgin Blue in late 2001, about five weeks after the calamitous events in New York. That was as a consequence of a lot of preparatory work over many months. It was also the outcome of a very aggressive incentive package that we put to all airlines to restore capacity that was lost only a few days after 11 September 2001 when Ansett collapsed. That effectively withdrew 50 per cent of the capacity in Mackay overnight. I am pleased to say that that incentive package that was put to all airlines on an equal basis more than restored capacity within five weeks of that event. In fact, we had close to a 12 per cent increase in capacity from the end of October 2001. So it was very much due to a strong marketing initiative that we developed and were successful in selling to the airlines.

Mr ANDREN—Despite those added imposts, you have been able to keep the passenger service charge and head tax fairly moderate in comparison with other airports. How have you managed that?

Mr Mann—Basically we have been managing a growth situation, which I guess means that our net revenue stream has still been growing despite the deep incentive.

Mr ANDREN—That is the 21 per cent growth that you talk of.

Mr Mann—Yes.

Mr ANDREN—Where did that growth come from?

Mr Mann—It came as a consequence of the airline's positive response to that incentivisation for providing growth capacity, which had conditions on it. It required the airlines to have a significant component of discount air fares as a part of that arrangement. They have honoured that and it has been mutually successful. It is a model that we certainly wish to continue with to incentivise further growth. It is based on year-on-year comparisons, so the growth that we provide rebates for relates only to the net growth over the previous year.

Mr ANDREN—How long can Virgin Blue sustain that? I presume they are cutting back on their margin. Are they able to sustain that?

Mr Mann—That strategy fitted very well into Virgin Blue's own strategy. They initially started off in October 2001 with a single 737 service. It has proven sustainable to the extent that

recently they expanded that to two 737 services per day. They are operating at very positive load factors.

Mr ANDREN—Forgive me, I am familiar with the city of Mackay but not the geography—I know Hamilton Island. Is there a hub and spoke out of Mackay into the islands and then to any other regional centres, towns, or mining towns?

Mr Heard—Not so much to the mining towns, but Island Air Taxis operate two, three or four times a day, depending on demand, to Lindeman Island and to Hamilton Island from the Virgin Blue and Qantas services. They also operate to Whitsunday Airport, near Shute Harbour, between Shute Harbour and Airlie Beach. As well as that, Whitsunday Transit coaches operates a service to and from every Virgin Blue service to Proserpine, Airlie Beach and Shute Harbour. So between 10 and 15 per cent of our passengers off Virgin Blue feed through the Whitsundays.

Mr ANDREN—You mentioned a taxi—is that a registered passenger service or is it a charter?

Mr Heard—It is a charter service.

Mr ANDREN—It is being suggested that the taxi service is perhaps a way around the—

Mr Heard—The Clayton's RPT.

Mr ANDREN—Yes, as a way around some of the regulatory restrictions on servicing smaller centres. Do you have a view on that?

Mr Heard—I think CASA is developing the new regulation for aerodromes 139 so that it will not be called RPT anymore; it will just be air transport, depending on how many seats the aircraft are equipped with. They are basically making sure that people will not be able to go the back way to provide a regular public transport service that is not really a regular public transport service.

Ms LEY—You obviously have a good relationship with Virgin Blue. Do you think it was necessary to provide them with such a good deal to come to Mackay?

Mr Mann—We did. We knew we were in a situation and that most airports were facing the same dilemma. We felt that the appropriate response was to be very quick in our response and to make it sufficiently commercially attractive that it would happen sooner rather than later. I guess the statistics prove that it has been mutually beneficial.

Ms LEY—Obviously in the initial stages you are providing some level of support, commitment, subsidy—whatever you want to call it. At what point of their activity will that no longer happen, or will it always be there under the model that you describe but do not have details about?

Mr Mann—In respect of the passenger charge, we are still continuing at this point in time, and will for some considerable time yet, with a rebate of 50 per cent of the growth, year on year. So we are sharing the benefit of the growth. In respect of the landing charge, that was a further cap put in place at the time to encourage airlines to increase the size of aircraft they use on the

service without having an immediate cost impact of doing that until the service had time to prove itself. That cap on landing fees, which was set at the equivalent of the BAe146 will be removed in the near future. It is interesting to note that both airlines are now using considerably larger aircraft. Qantas is using a Boeing 717, and Virgin is using a Boeing 737.

Ms LEY—Are you aware of other airports that are providing similar incentives for Virgin Blue?

Mr Heard—Yes. I know Maroochydore used a similar model. Coffs Harbour provided a capped landing fee at around the Dash 8 standard, which was around \$90. I know the Northern Territory aggressively offered packages and support with promotions and so forth to encourage Virgin Blue to commence services there as well. In the Whitsundays, Proserpine Airport have offered incentives. They have actually underwritten Virgin Blue's once-weekly Saturday service, and so if they go into loss the community pays.

Ms LEY—Clearly, when making these arrangements with you, Virgin Blue are aware of your profits and losses and your operating expenses. Are you aware of theirs?

Mr Heard—We have had assistance from the aviation division of Tourism Queensland in providing us with an idea of what load factor they run at a profit—we believe it is around about 70 per cent, depending on the mix of fares. Most of their corporate travellers are usually small businesspeople and so they are not paying the full whack economy fare like people do on Qantas, for instance. We believe it takes about 70 per cent for Virgin Blue to break even.

Ms LEY—You mentioned Airservices charges. I am not certain that it is the case, although I believe it was, that the government pays the on-route charges for some regional airlines.

Mr Heard—For airlines under 15 tonnes—

Ms LEY—Not the big ones but the little ones—

Mr Heard—Yes, basically anything below a Dash 8.

Ms LEY—You are obviously keen for Airservices Australia to institute quite a different charging regime. What access to them and ability to discuss those issues with them have you had? Have you been able to open a dialogue, or has it been a case of them saying, 'This is the policy; this is what we are doing'?

Mr Heard—After the submission and so forth about their proposed new charges, they rang us about a week after we had been advised by the ACCC and told us they wanted to talk to us about it.

Ms LEY—When was that?

Mr Heard—Late April. That was before they put out their new Waypoint 2000 in May. They had not had any consultation with us before that, but once it all came to light the ACCC invited the airports to make submissions if they felt they should. We heard from them and had discussions with them, and we found variations in what they had used as a base for calculating

the charges. They told us they were working on about 130,000 tonnes a year. We showed them that the base should be more like 165,000 tonnes a year, so they said they would review it. We asked them for details of present tonnages, throughputs and so forth so we could see how appropriate the current charge of \$9.98 a tonne is, but they have not done that to date, despite a number of requests. They have acknowledged that they would like to come up and talk to us and discuss the matter further, but we have not heard anything for about three weeks.

Ms LEY—But you do have an expectation that they will do that?

Mr Heard—Yes, I would like to think they would.

Ms LEY—Do you have confidence that they might be able to take your considerations on board?

Mr Heard—They are basically governed by the directions they have been given, which are to continue location specific pricing. Unless they get a direction from the minister or government to extend the tower subsidy to include firefighting, for example, there is probably not much they can do.

Mr McARTHUR—Could I raise the issue of why the port authority is running the airport? Some of us are familiar with the Cairns operation. By way of background, could you describe the way in which the airport developed from the port authority?

Mr Mann—Yes, I can. I had a personal background with Cairns and was very familiar with it. In fact, the negotiations in respect of the transfer of Mackay were fairly extended during the mid to late 1980s. The transfer of the airport was initially offered to the Mackay City Council. The Mackay City Council considered the matter and ultimately declined to accept the transfer of Mackay airport. It was through a strong lobby push by the chamber of commerce in Mackay that developed and presented to the then minister of transport a proposal that the transfer of the airport be offered instead to the Mackay Port Authority. This was predominantly driven by the prioritisation that the Commonwealth was giving at that time to the much needed redevelopment of the terminal facilities at Mackay where, on the priority list, Mackay had been ranked after Tennant Creek for redevelopment of its terminal. This was clearly unacceptable to the Mackay community and generated a very strong push for local ownership. That push was ultimately successful. Following very much on the model of the Cairns transfer, the Mackay Port Authority subsequently achieved the ownership through transfer.

Mr McARTHUR—You claim it to be a success, obviously?

Mr Mann—We stand on our record.

Mr McARTHUR—You are really saying to us that everything else is good except the firefighting facilities?

Mr Mann—Exactly. In fact, that has already been a significant hurdle in getting where we have got to but, in the current process of proposed changes, it is going to be an even greater hurdle proportionately. Of course, that is even further exacerbated by the situation where, because of our growth, we will now be crossing an artificial threshold to place us at a higher

category of airport and therefore further enhance the costs of airport rescue and firefighting services. It is an arbitrary threshold, in our view, and it just exacerbates an existing problem.

Mr McARTHUR—I note in your submission that you claim that it is 1,345 per cent additional cost to aircraft. That is quite a big percentage—I had trouble working that out. I am in some difficulty as to how somebody has worked out the rationale for this firefighting. Why is it so heavy in your case?

Mr Mann—Location specific pricing is the essence to that. Whilst we would like to be able to comment in detail, as we said before, the information has been unavailable to us so we cannot give as much detail in our comments.

Mr McARTHUR—It appears to me to be a very unfair charge to your airport compared to other places.

Mr Mann—That is totally in line with our view.

Mr McARTHUR—It is beyond my understanding as to how there could be such a big difference.

Mr Heard—It is all based on tonnages—how many tonnes of aircraft land at the airport. Ours is somewhere in the region of 160,000 tonnes. Obviously, Sydney is many times greater than that, therefore their charges are less. They have a fixed cost of so much divided by, say, five million tonnes.

Mr McARTHUR—It would not have anything to do with the undue pressure of the firefighters union and keeping the service in place?

Mr Heard—I have had discussions with their services, aligning their manning levels and so forth with the New Zealand experience. Their levels are much higher—yes.

Mr McARTHUR—So there is not much give?

Mr Heard—There is not much give.

Mr GIBBONS—It is the same union that would be in Sydney and all other airports too, isn't it?

Mr Heard—Yes, it is the one union.

Mr SCHULTZ—With regard to the tonnage side of it, is it totally related to air passenger aircraft or is it right across the board?

Mr Heard—It is all aircraft over 2½ thousand kilograms.

Mr SCHULTZ—Would I be right in saying that Sydney airport would have significantly more freight tonnage coming in than you would have? Hence the difference in the tonnage as

compared to your airport, which I presume is predominantly passenger aircraft weighted as far as tonnage is concerned.

Mr Heard—Yes, it is many times the volume.

Mr SCHULTZ—So your argument is centred around the Airservices charges creating a disincentive for other airlines to come into your airport—is that correct?

Mr Mann—And also acting as a disincentive to the expansion of existing airlines—or even their sustainability—because of these disproportionately higher charges that are being proposed which exacerbate an already significant challenge for us cost wise.

Mr SCHULTZ—Which you then pass on—correct me if I am wrong—to the airlines and which effectively are then passed on to the passenger?

Mr Mann—We do not deal with these charges directly. These charges are levied by the state on the airlines for the Commonwealth services. Our involvement is peripheral to that in respect of the charges for the use of the runway and terminals. At the end of the day, from an airline's perspective, it is the total cost of operating into an airport that determines their viability for that operation. Therefore, we have to put together the charges that are levied by the airport owner and the charges that are levied by the Commonwealth agencies that are providing the services to look at comparatives—and that is what we have done. We find that, whilst we are extremely competitive in respect of the charges we directly control, we are disadvantaged in a major way by those charges over which we do not have control—the Commonwealth levy charges.

Mr SCHULTZ—I must concur with the comments of my parliamentary colleague. I have sympathy for anybody who is subjected to charges for a service that are way out of kilter with charges for a similar service at other airports. But how do you justify your argument—and I note your summary of reasonable airport charges—when, as an operating airport, you only charge 20 per cent for your airport leases compared with other major airports which average somewhere around 60 per cent? In that respect, on the basis of the average across the major airports, you are depriving yourself of 40 per cent of revenue. A similar situation is occurring with car parking and baggage trolley charges, which are null and void at Mackay but which occur on a regular and acceptable basis throughout every other airport in the country.

Mr Mann—Our issue is not on the economic viability of the Mackay Port Authority and its business unit of Mackay airport; our issue is with the impact these prices have on our ability to assist our region to grow. Clearly, we are playing our part in minimising our charges and therefore minimising the hurdle that is put in front of that growth, which we would all like to see. We want the Commonwealth to do the same with their charges.

Mr McARTHUR—How often have the fire services been called out?

Mr Mann—Not in living memory, in my term at the helm at Mackay—and that has been over 11 years.

Mr McARTHUR—How many personnel are there standing by?

Mr Heard—They have a total staff of nine, which will probably be doubled under the new regime. They have often been called to local standby when an aircraft approaches and you do not know whether its undercarriage is down or not, so it could be a possible accident or a full emergency.

Mr McARTHUR—Are those firemen well remunerated?

Mr Heard—I believe so—better than the state fire services.

Mr McARTHUR—Better than the state fire people?

Mr Heard—Yes.

Mr McARTHUR—They have never been called out to an incident?

Mr Heard—No, not to an actual accident, that I am aware of.

Mr ANDREN—The passenger throughput of over 350,000 a year will require these new regulations. What is your current passenger throughput?

Mr Mann—Last year it was marginally under 300,000. As I said, this financial year we have managed a dramatic growth in throughput of our airport which will see it exceed 350,000 this year and therefore push us over the threshold.

Mr ANDREN—Excluding Townsville, because of its peculiarity with the Air Force—and you probably have this in the submission somewhere but just for the record—is there a comparative airport anywhere in Australia with a similar number—Launceston or somewhere like that?

Mr Heard—Launceston is a little above us, I believe.

CHAIR—Go back three pages.

Mr McARTHUR—What about Karratha? That is pretty good on firefighting, isn't it?

Mr ANDREN—How do they compare?

Mr Mann—The most readily comparable one is Hamilton Island. When this was reported they were running ahead of us, but at this stage they are not. Their charges for an aircraft ended up at close to four times the charges at Mackay.

Mr Heard—They do not have fire services on Hamilton Island.

Mr ANDREN—Why not?

Mr Heard—There is no requirement at this stage. They do not have a 350,000 passenger throughput.

Mr ANDREN—Say they got to 350,000, would they expect to have the same charges as you are expecting?

Mr Heard—I would like to think they were similar if we have similar tonnages and passengers.

Mr ANDREN—Is there anyone over 350,000 in these numbers? What about Ayers Rock—do they have similar charges?

Mr Heard—For Ayers Rock, it just has ‘to be advised’ in the proposed charges; they do not mention a figure. Maroochydore has been quoted at between \$12 and \$15 a tonne, similar to ours, when it gets to the 350,000 mark, which should be soon.

Mr ANDREN—So it is the overall costing regime—Mackay has not been picked on, as such, for any particular reason?

Mr Heard—No, it is just the way it works.

Mr ANDREN—That is the way it is going to work, there is going to be that disincentive, and you are trying to keep your own costs down to accommodate the impost of that Commonwealth charge?

Mr Mann—That is correct.

Mr McARTHUR—Hamilton Island would have no fires. That is the way it works—there could be no incident out there?

Mr SCHULTZ—It is an interesting concept.

Mr Mann—I think the issue is that the passengers operate in a different risk regime at Hamilton Island than they do anywhere else.

Mr McARTHUR—The rationale is that there will be no accidents out at Hamilton Island—is that right?

Mr Mann—I cannot explain that.

Ms LEY—Would you like the opportunity to run the fire service at Mackay airport, if you could?

Mr Mann—We have had discussions in the past with Airservices in respect of the possible devolution of rescue and firefighting services to airport owners. It is fair to say that we had progressed concepts for that, with a view to seeking to amalgamate the services of airport rescue and firefighting with those of QFS. As a consequence of the Senate’s rejection of the proposal to devolve, that is clearly off the table at this point in time.

Ms LEY—So if you had explored the concept did you have any idea of the cost to you if you were to run a service?

Mr Mann—As Trevor said, on the basis of utilisation and numbers, we believed there was significant potential to reduce those costs by sharing that capability. It brings with it, I might add, to meet response requirements, a need to reposition Queensland Fire Service in a much closer relationship with the airport to ensure that we meet the legislative requirements for that response on airports.

Ms LEY—Under the partnership that you explored part of the way, would the cost have come down by as much as a third?

Mr Heard—In New Zealand, airport managers I have spoken to said it came down by 50 per cent. Basically, they changed their manning levels and they also did multitasking. Instead of just waiting there for something to happen, the people were utilised in other areas, like bird hazard management, runway inspections of the airport before the jets landed, mowing the lawns and many other functions.

Mr McARTHUR—Wouldn't you make a good firefighter, Mr Heard, when you have your gear on? Couldn't you be multiskilled?

Mr Heard—The tie is the right colour!

Mr SCHULTZ—So you have crossed the demarcation lines—good luck! It took us only 20 years to do that in the meat processing industry. With regard to Airservices' firefighting charges, there seems to be the mentality that, if you have an airfield which takes only around 50,000 passengers, there is no risk of fire; if you have another airfield where you have 280,000-plus passengers, there is a significant risk of fire; but if you have a major airport which deals with two or three million passengers, the significant risk that applies to the airport in the middle is diminished to the point where the passenger services are greater and the pressure on services is greater—for example, at a large airport like Sydney airport—but the cost is significantly less on a per weight basis. That does not make sense to me, and it probably does not make sense to you either. The point I am making is that there is an imbalance in the whole concept of firefighting services.

Mr Heard—As far as risk being different between 50,000 and 350,000, Airservices have taken the view that it has to stop somewhere. You cannot man every airport—it would be cost prohibitive. What they have said is that they can cover 92 per cent of the travelling public. That is the point they have decided on, and it works out at airports above 350,000.

Mr SCHULTZ—If you stretched it out to the absurd, Airservices would be telling the general public that, in a rural town with a population of 50,000, there are fewer pyromaniacs than there are in a rural city of 500,000. The logic of it escapes me, to be frank with you. I can understand your organisation being upset about the way in which the charges are being applied.

Mr GIBBONS—I understand that, when an aircraft of that size is being refuelled, there is a legal requirement for a firefighting appliance to be alongside it.

Mr Heard—That does not happen.

Mr GIBBONS—There is no requirement for that?

Mr Heard—The number of tenders and people depends on the length of the aircraft and that sort of thing, so they can service the full aircraft should there be a fire on board or something.

Mr GIBBONS—If you are refuelling a 737, doesn't there need to be a fire crew standing by?

Mr Heard—No. Sometimes, when there is a need to do a hot refuel—say a refuel with one engine running—they may have a fire. Then there is a need to have a fire service.

Mr SCHULTZ—There are significantly more personnel in that exercise on a larger aircraft than on a smaller aircraft—is that what you are saying? Is it significantly more?

Mr Mann—Yes. To meet the response requirements to access the aircraft and rescue threatened passengers, the number of appliances and number of people that have to be deployed is directly proportional to the size of the aircraft.

Mr SCHULTZ—The manning and equipment required for a fire is dependent upon the length and weight of the aircraft, not on the fire itself?

Mr Heard—I guess so, yes.

CHAIR—Thank you very much. You have opened up a can of worms which we will have to deal with. A very strong debate will ensue about this. Dick Smith suggested to us that it could all be done by multiskilling, so you are probably in good company. I thank the Mackay Port Authority for coming down today and for your evidence. We trust we can come back to you, which we may well need to do. Yours is one of the more comprehensive submissions we received.

Resolved (on motion by **Mr McArthur**):

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

Committee adjourned at 2.19 p.m.