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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**

THURSDAY, 12 JUNE 2003

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Thursday, 12 June 2003

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

Members in attendance: Mr Andren, Mr Gibbons, Ms Ley and 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 8.30 a.m.**BREDERECK, Mr Paul Robert (Private capacity)**

ACTING CHAIR (Mr Gibbons)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services. The inquiry is about commercial regional aviation services and transport links to major populated islands. I will be chairing the hearing today in the absence of the committee chairman, Mr Paul Neville, who has been called back to his electorate today.

Today's hearing is the eleventh one for the inquiry. We have previously held public hearings in Tasmania, Victoria, South Australia and New South Wales as well as Canberra. Yesterday we had a hearing here in Brisbane before conducting some inspections at the airport. I welcome our first witness today. Mr Brederock, do you have any comments to make on the capacity in which you appear?

Mr Brederock—I appear as a private citizen. I am the former owner of a major regional airline in Australia, with considerable experience into the problems and difficulties facing the industry. I currently work in a role for the Queensland government as Chief Executive Officer of Aviation Australia. My views do not necessarily represent the views of my employer. I want to make it clear that these are my personal views, not those of the Queensland government.

Mr Brederock—Thank you. I remind you that these are official proceedings of the House of Representatives and any deliberately wrong information could well be treated as a contempt of parliament. Having said that, I am happy to welcome you here. You might wish to give a five- to seven-minute overview of your submission and then we will throw to questions.

Mr Brederock—My basic submission was in point form to try to highlight, from a regional operator's perspective, the major issues and barriers for providing services on the smaller and thinner regional routes. The comments were not directed at the major regional routes which can sustain high-volume commercial traffic. I would suggest that routes above 100,000 passengers each year would not be represented by my comments. We have many small communities which, over the past 20 years, no longer have air services, whereas they did previously. I feel very strongly that regional communities basically need five things for their health and wellbeing: education, health, law and order, communications and transport—and air services are a vital component.

We have seen certain elements and changes to policies which in their own right would have seemed innocuous, but when magnified in the sensitivities of operating a regional service had a disastrous effect. An example is local charges. When the Commonwealth handed back many of the airports to local councils, some of those councils saw that the airports were a means of generating additional revenue that could go into consolidated revenue. On many occasions, airport owners have said, 'Well, it's only an extra \$3 a passenger—and that passenger can charge it.' The sensitivities of operating a regional airline, when you add all those \$3 amounts up, can be such that they make operating that service prohibitive. The operator eventually goes broke or out of business. That is exactly what happened with my business. I do not suggest that was the only reason my business ceased operating; indeed, it was probably one of 20 or more reasons. But it is a case of which straw actually broke the camel's back.

I came here not just to say what the problems are but also to identify potential areas of opportunity for fostering and growing services on the smaller routes. We see that in some states, such as Queensland, the government subsidises thin routes. In other states that does not occur, but I believe that there is some opportunity out there within the resources that are held by the Commonwealth government. I am not talking about subsidies or cash injections but about resources that could be leveraged to make those services viable, and I tried to detail those in point form in my submission. What the submission does highlight is that there is a need for a greater level of Commonwealth involvement, probably even to the level of a national aviation policy that incorporates the smaller regional communities.

That is the very quick overview. I would suggest that fees and charges are probably one of the biggest issues that could be addressed easily. The second issue is access to capital, which is probably the main reason why we do not currently have air services on a lot of the smaller routes and why a lot of those small routes continue to be threatened. A company the size of Qantas has no problem raising capital and no problem accessing debt instruments at very low rates, such as Ex-Im Bank finance out of the United States. It has no problem going to the market and raising capital. But for a small business that might operate half a dozen aircraft and service routes that have passenger numbers of less than 10,000 a year, their only option for capital is to go to a finance company like AGC and pay 11.5 per cent, and the margins are just not in the business to do that. The small operator certainly does not have the purchasing power that an airline the size of Qantas, Ansett when they were in business or Virgin has. For example, in 1995 my business was purchasing about \$40,000 a week in jet fuel. The bowser price at that stage, I recall, was about 63c a litre. I was buying fuel for 42c and I understand that my competitor, which was a Qantas owned subsidiary, was purchasing fuel for at least 12c a litre cheaper again. That is a massive difference, particularly when those charges have to be passed on to the communities.

The next point I would like to make is that there is a failure—and I believe it still occurs today—by many of the airport owners to realise just how price sensitive the consumer is. In 1997 I was operating air services out of Tamworth, and the Tamworth City Council proposed a restructure to the charges they had at the time. At that stage they had a partial weight based landing fee plus a passenger head levy. They proposed restructuring it into a straight passenger head tax. What that effectively did was give an immediate rise of 26 per cent to my landing charges. Over four years, it was an increase in the order of 50 per cent to my passenger charges. The council's view was: 'Well, it's only another \$3.50 per passenger.' At that stage my business was not going well, and I pleaded with the city council to introduce the charge at no more than 10 per cent per year as an increase. They refused to listen.

We increased our air fares—and we measured it very carefully—by slightly over \$3. The aim was to raise an additional \$130,000 a year based on those passenger numbers. As a direct result of that small increase, we did not raise an extra \$130,000; we reduced our revenue by about \$240,000 or \$250,000. The market is that sensitive about discretionary spending. Currently in the world today we probably have only one profitable full-service airline, and that is Qantas. We have a number of airlines that are very profitable. Virgin Blue in Australia has been phenomenally successful, based on the value based model, and there is also Ryanair in the UK and Southwest Airlines in the United States. Those airlines all have a capitalised value that is far greater than the traditional legacy airlines. Ryanair in the UK has a capitalised value many, many times that of British Airways, but they have done so by targeting the consumer dollar.

In Australia we saw how Impulse Airlines and Virgin Blue stimulated the market. We have not seen that ability to stimulate with regard to regional markets, but I am of the view that if we can contain or reduce costs in the regional communities more people will fly. If more people fly, we can upgrade the service and more business can be done and attracted to the smaller regional centres. So I believe there are some opportunities that are immediately available to us. In another decade, the situation will have changed, but today there are opportunities available to us that can be acted upon with no significant pain, if you want to call it that, or financial contribution by the state.

ACTING CHAIR—Thank you very much. I understand the statutory charges in some cases can be as high as 60 per cent of a given fare. Would that be a fair figure?

Mr Brederick—On a discount fare that could be the case. But if we take the full fare, from my experience it can be as high as 40 per cent. During the 1990s we operated air services between Launceston and Flinders Island, with a 19-seat turboprop aircraft. The landing fee at Flinders Island alone—and we could only use the gravel runway at Flinders Island—was \$112. At the same time, as a comparison, the landing fee at Sydney airport was \$60. And at \$112, when the full fare at that stage was a little over \$60, divided by a 50 per cent load factor, that meant that just that one landing fee could, on a day, be 20 per cent.

ACTING CHAIR—Apart from statutory charges, where could the Commonwealth help in stimulating the regional air services?

Mr Brederick—Firstly, I think we need to look at it from a policy level. We need a national policy that addresses aviation as a whole and, in particular, regional services—and this is what this committee is dealing with. We need to look at the regulatory structure that deals with it. I do not mean my comments to be critical of CASA in any way, but I believe there are some opportunities where we may well be overregulating aspects of regional carriers. The current introduction of part 121 of the regulations seeks to impose a much higher standard. But, really, is that standard necessary? Is the risk of forcing people onto the roads going to be greater than putting some of those carriers out of business?

We need to look at the way compliance occurs in CASA, particularly on the smaller regional carriers. An air service licence, for example, has virtually no value. If you were to buy a taxi, the taxi plate has value even if the taxi is not on the road. It does not mean you can operate a taxi with bald tyres—you cannot. The taxi has to meet the standard. But I believe that an air service licence needs to be a perpetual licence. As soon as that licence is perpetual, it has value. The operator then can raise equity against the value of the licence. It does not mean the operator can still operate if his aircraft are unworthy—that is not the case. But, first and foremost, the licences need to be perpetual licences—the AOC for charter and RPT licences.

Once we deal with the regulatory structure we can look at the cost structures. We can look at many of the fixed and statutory charges that apply to airways charges, landing fees, particularly the local airport owners landing fees and charges. I personally believe that they are way too high relative to the community obligation. This is part of the infrastructure that is required to run communities—the same as the streets, the sewerage, the water and the other infrastructure the local communities provide. If a Greyhound or a McCafferty's bus drops a passenger in a small regional town, the local council is not expecting to pick up a \$12 passenger head tax—there

would be a huge outcry over that. But if a local operator drops a passenger off in his Piper Chieftain, the local council has its hand out.

ACTING CHAIR—Did this situation apply before local councils were given control of their regional airports?

Mr Bredereck—Not all, but most.

ACTING CHAIR—They were Commonwealth charges then, though.

Mr Bredereck—Correct. From my experience, in over 80 per cent of the routes that I operated to, council charges were a barrier. The next issue is access to capital. The smaller, thinner routes in this country are operated by old aircraft—Piper Chieftains. I still see registrations popping up of aircraft that I owned 10 or 12 years ago that I considered worn out then and that, when I bought them, the previous owner had considered worn out. Put simply, a replacement aircraft is a \$US2 million aircraft, whereas a second-hand Chieftain is a \$A500,000 aircraft. So an operator cannot go and borrow money at 10 or 11 per cent to buy a new Cessna Caravan or equivalent aircraft. I am not suggesting there should be a loan from the government. However, for an operator who is providing services, if the loan component on those aircraft was guaranteed it is very possible that that operator could then access capital at as low as four or five per cent, particularly Ex-Im Bank finance from the United States.

That wipes off a massive amount of capital expense, particularly on the thin routes where you do not have high aircraft utilisation. The aircraft is doing 4,000 hours a year; you can amortise your monthly lease costs over a high-volume utilisation. But if you were operating services into a small western town, the aircraft would most likely sit idle for a fairly large chunk of the day, so you are not getting that high volume. Again, it does not justify the modern equipment.

I think that the regional service operators, if they pooled resources, could leverage the buying power of the government. I am not suggesting for a moment that the government pay the bills, but certainly if there is the volume, whether it is volume for fuel, for insurance or even for spare parts items, it is possible that leveraging off the buying power of a greater organisation or government can reduce those costs.

Mr SCHULTZ—A couple of things interest me about the points that you just made about small operators and aircraft. Outside of the ageing fleet of Piper Chieftains that we have, which are historically and across the board nine seaters, what size and type of aircraft are we talking about; and what sort of money are we talking about if an operator replaced, say, a Piper Chieftain with another aircraft? I presume the aircraft you are talking about would be aircraft with a seating capacity of up to 18 and not above that?

Mr Bredereck—That is correct. I am still talking about the smaller services. I think it is a different issue for the bigger services. There are many routes that will not support an 18-seat aircraft—for example, Inverell and Glen Innes are two routes that I used to operate into—but will admirably support a 12-seat aircraft, such as a Cessna Caravan, or an aircraft in the nine-seat category, such as the Pilatus PC-12 that is now operated by the Royal Flying Doctor Service. Both are single-engine turboprop aircraft, immensely more reliable than the old Piper Chieftain.

A new Cessna Grand Caravan these days is approximately \$US1.5 million; a new PC-12, about \$US2.1 million or \$US2.2 million.

We have other aircraft that are still in or nearing production, twin engine aircraft, such as the Rheims-Cessna F406 Caravan II, which is manufactured in France and is a turboprop derivative of the Cessna Titans that were quite popular in the late seventies and early eighties. That aircraft is \$US2.5 million. Those aircraft are eminently suitable for many of the thinner routes that are currently serviced by Piper Chieftains. But we are talking a much higher level of capital than would be in that. There are potential aircraft in the pipeline, to be manufactured in Australia, that are on the drawing boards. Within a decade, there will be evolutions of the Gippsland Aeronautics Airvan. There is also the Explorer aircraft that has now gone to the United States. When we look further down the track, in 10 or 12 years, there are aircraft in the pipeline that could well be suitable for many of the remote areas in this country.

Mr SCHULTZ—How likely is that from a practical point of view, given the system as it is now, particularly with regard to the bureaucratic impositions that organisations like CASA puts on the industry? I see in your submission that you have made some comments about CASA, and they are similar to comments that we have heard all over Australia. From my point of view, we should be looking not so much at a compromise of safety standards but more at the possibility of standards that sensibly address safety but are not as stringent for smaller operators, because of the cost, as they are for larger operators. Is that a fair overview of that sort of problem for small aircraft operators?

Mr Brederick—I think you have made a very good summation there. I am just going to take it one step further. I believe that we need to look at what the real risk is. For example, if you operate a Cessna Caravan with nine passengers and one pilot or 12 passengers and one pilot, is the risk in having those three extra passengers in the aircraft that much greater that you need to have an extra pilot? My personal view is that the risk is no greater. I saw Minister Anderson on television about three weeks ago, making a comment on security and regional ports: ‘We really do need to look at what the real risk is; we can’t take the hype.’

I have heard many CASA officers—not all CASA officers; there are many fine people who work in the organisation—say, ‘There’s a safety risk.’ So what is the risk? A good example is Yanda Airlines, when it operated into Coonabarabran, Gunnedah and a number of other ports, operated old aircraft, and they looked a bit ratty, but the reality is that they were providing a service to the communities that was, in my humble opinion, imminently safer than forcing those people onto the roads.

Mr SCHULTZ—I come from New South Wales, where a number of single operators have gone out of business. The reason was twofold for them going out of business. They were trying to service an area with populations of between 6,000 and 8,000 people with what we call a ‘milk run’. In addition to that, they were subjected to the deregulation of the industry, which put another operator onto that route. That quickly resulted in compromising safety standards because of the low margin. Operators were taking short cuts, not paying their bills, and those sorts of things.

I have a two-pronged question: taking that into consideration, do you really think that government should be looking at the practicalities of operating airlines out of those communities

in an environment where the communities, because of the cost of the air fares, are not supporting them anyway or should it be concentrating its energies on trying to make life easier for the communities with populations of 10,000-plus? In other words, should the government take a geographic look at where the airfields are and, not so much pick winners and losers, but assist those airfields where operators operate in communities that are able to, in the long term, sustain viable businesses for operators?

Mr Bredereck—To summarise that, we have three categories of small regional services. We have regional communities that can support an air service—the likes of Wagga, Dubbo and Tamworth. They can sustain an operator like QantasLink—or Rex as they are now called—with the Dash 8s. I think we have a level of communities that are never going to support an air service but, in the context of a national policy, a determination needs to be made as to whether there is a service. For example, the Queensland government has determined that it will subsidise services to towns like Birdsville and Boulia. There is not a hope in hell that those communities could ever support an air service. In between, we have a range of communities that could support an incremental service—towns such as Gunnedah, Inverell, Glen Innes; Coonabarabran is probably on the fringe—the routes serviced by David Miller’s Airlink out of Dubbo into Bourke, Brewarrina and Wagga. They are marginal routes with only moderate support. But with support of the nature I have mentioned, they could be viable for the operator and sustainable where the operator could invest in new equipment.

The thrust of my submission is not about the big communities—they are big enough and ugly enough to take care of themselves. However, those communities need to be aware of the things which affect the viability—the statutory charges and those implications—because, in the long term, they will make it unviable for even QantasLink to operate on some of those routes. The smaller routes at the bottom end are a decision that comes with a community obligation, but there is a fairly large chunk of communities. I believe that, in New South Wales, there is something in the order of 22 or 25 towns that directly relate to the provision of a community based air service or could sustain a community based air service with no top-up, if they were given access to fuel, capital, purchasing and the charges we have indicated. Down in your part of the world, the routes that Terry McKenzie was servicing—

Mr SCHULTZ—Country Connection?

Mr Bredereck—Country Connection is a perfect example. Those routes are on the marginal viability, with a bit of a break. It is well and good to have the view that we will force those people to drive one or two hours to a town where there is a service, but would we say the same thing about the Royal Flying Doctor Service? The Royal Flying Doctor Service is a community based air service, which has operated very successfully in this country for 80 years or more. It is subscribed to by the community, but there are a lot of lessons to be learnt from that. Where do we draw the line? I believe there are many routes in Australia—my analysis shows that there are about 22 or 25 in New South Wales—which could have an air service today if they were given some degree of creative thinking.

ACTING CHAIR—How long were you in business? How long did your operation survive?

Mr Bredereck—I started in 1985. My background is that I was an apprentice aircraft mechanic with a little company called Tamair. I also flew as a commercial pilot. At the age of 26,

I bought into a small charter business. At that stage, it had one employee and a \$100,000 turnover.

ACTING CHAIR—How would you rate the business skills of many of the small operators?

Mr Bredereck—Atrocious.

ACTING CHAIR—So that is a major problem, too?

Mr Bredereck—Certainly.

ACTING CHAIR—What can we do to improve that?

Mr Bredereck—I believe the reason my company went out of business was as a direct result of the inadequacy of some of the smallest of business skills. I had a business that in 10 years was very profitable. It had an average marginal revenue of about 10½ to 11 per cent. In three years, it lost it. We made a couple of bad decisions by moving into Tasmania and not being able to address the loss making. We knew we were making losses, but what decision do you make? You get in consultants; the consultants tell you one thing and invariably it is wrong.

In my current role working for the Queensland government, we have set up a major training centre. We identified very early on some of the training needs for the broader industry. Obviously, the first thing we had to do was technical training; the second thing was management and professional development training. The current body that I am with now has adopted and is delivering over 30 short professional development management courses directly linked to providing the skills across the whole of industry. We are now delivering that training to 32 airlines and bodies in Australia, so it is available. Perhaps there could be some assistance so that the managers of those airlines could access a lot of those basic skills. I can tell you that if I had had access to those skills at the age of 30, I would not have gone out of business.

ACTING CHAIR—I have another question. We are living in unique times. We have a whole range of factors which are impacting on the profitability of the industry, not least the SARS virus. What responsibility do the Commonwealth government have to try and offset that? Are there any exceptional circumstances?

Mr Bredereck—I think we need to take a long-term view. The aviation industry will always be volatile with factors—whether it be the SARS virus or a drought—that will affect the communities to some degree. If the airlines are basically sound and profitable in their own right, they will weather the peaks and the troughs. But we need to take a long-term view, and it comes all the way back to the first comment I made about having a national policy.

ACTING CHAIR—If we had a national policy, how would it improve the government's response to the industry? Hypothetically, we have put a national policy in place, but how do the government relate to that?

Mr Bredereck—The government need to facilitate the mechanism to establish a community based air service or to facilitate the environment for a community based air service to operate. I do not believe for one moment that the government should be in the business of operating

airlines, and I do not suggest that. It is not a particularly difficult exercise to facilitate that environment. The government facilitates the environment in which the Royal Flying Doctor Service operates. I think the community based air service is in the fortunate position that it can charge a fee for the people that operate its aircraft, unlike the RFDS. I believe that it could operate in the right environment. If the soil was tilled and fertilised appropriately, it could operate in that environment without any subsidies.

Mr ANDREN—I think you have described it as a Bendigo Bank model in your literature there? How would this community airline group work? Could you expand a bit more?

Mr Brederick—I prepared a fairly detailed report on that and submitted it to DOTARS about three years ago. In summary, it has to be driven by the communities. But in terms of getting a bunch of regional communities and potential operators together, it is a bit like herding cats—it is not going to be an easy task. Firstly, leading from the policy, a body could be put in place to facilitate the establishment of it. The model that the Queensland government employed with the training centre that I now run is probably a model that could be used but, firstly, it needs to convene the body. It needs a small amount of seed capital to put in place the initial structure. You will find the ideas and the mechanism that will run that will come from a host of people, not just one person like myself. I dare say from the people you have met in these hearings, you would be able to rustle together half a dozen people that are more than capable of putting together an operation of that nature.

Mr ANDREN—Would this be combined with the licensing of some routes so that those routes have got a certain collateral for borrowing against, and would that mean that we would have to have communities—for instance, Temora and Young—consolidating their air transport expectations into Cowra or something like that?

Mr Brederick—Not necessarily. Each route and each port needs to be looked at on its own commercial merits. If the cost base is low enough, there is no reason why communities such as Temora and Young cannot maintain some level of direct service.

Mr ANDREN—Would this be a direct service to Sydney, so you could have a plethora of smaller links feeding directly into Sydney?

Mr Brederick—To give an indication of magnitude, in the study that I did about three years ago we identified 22 communities that were at risk at that stage. In the three years since, most of those have actually lost their services, like the ones you mentioned. But operating to those 22 communities could be done with five aircraft—we are not talking 22 aircraft that are going to be buzzing in and out of Sydney. We are talking about five aircraft that could operate and provide a viable network, and that is not only viable commercially but viable to the communities themselves in terms of time, access and convenience. With a 12-seat size aircraft, certainly five aircraft could operate a network to those 22 New South Wales communities.

Mr ANDREN—We had some evidence from a gentlemen from Integrity Airlines who is developing a Britten-Norman Islander, which I think is based on—

Mr Brederick—I know the aeroplane.

Mr ANDREN—Do you have any opinion on that?

Mr Bredereck—I do.

Mr ANDREN—Well, say it happened to be a Caravan or a similar turboprop 18-seater. It has been suggested that that sort of plane can do a milk run at bus fare rates. Is that feasible?

Mr Bredereck—My view is that I do not think you would ever get it down to bus fare rates, but people will still pay a premium to fly versus travelling on a bus. The Britten-Norman Islander, in my view, for New South Wales small regional services is too slow.

ACTING CHAIR—How do you mean ‘too slow’? What speed would be required to make a successful airline in regional New South Wales?

Mr Bredereck—I think once you drop below the 180-knot mark you are not going to gain sufficient utilisation out of your aircraft in a given day and time and schedule period. The Cessna Caravan is a 165- or 170-knot aircraft. In normal operations, that is an adequate level. The last time I flew in a Britten-Norman Islander it did about 120 knots, and I think the newer ones do 125. There is a vast difference between the functionality and usability. If you are familiar with the Britten-Norman Islander aircraft, it is extremely noisy and it is not a particularly comfortable aircraft. It is an old aircraft. But there are modern aircraft that are available that will provide the level of comfort at a similar cost.

Mr ANDREN—In New Zealand there is apparently an 18-seater that flies between the north and south islands. What do they fly there? Do you know of that air route?

Mr Bredereck—I have travelled on many of those. In years gone by, they used Fairchild Metros. There are currently British Aerospace Jetstreams. And in the Air New Zealand Link group of companies they are now operating Beech 1900s.

Mr ANDREN—Given that there are places like Bathurst that are down, as I understand it, to about 14,000 passengers, which is way below what we have been told is the feasible critical mass, how feasible would it be to have an operation using Bathurst as a hub and delivering people from the Cowras, the Youngs and the Temoras into Bathurst to top up the payload of the Rexas, or would it just be delivering the cream to your major operator?

Mr Bredereck—I am personally not a proponent of hub services. The reason is that the bulk of the cost on regional air services is in your take-off and your landing. Once you are up in the cruise it is just burning a little bit of fuel. To operate into a hub you duplicate and multiply your costs. But if Bathurst has 14,000 passengers, and it is not viable for Rex to operate into there, to add Bathurst on top of, say, the former network of country connections I can tell you would have made a big difference to the viability of that service carrier. When I was operating Tamair, Inverell and Glen Innes combined were 13,000 or 14,000 passengers in its own right. No, it is not viable. But if I had three or four of those routes at that size without any Tamworths I could operate a viable service, even in today’s economics, with second-hand Fairchild Metroliners or Beech 1900s, without even the support and subsidies that I mentioned earlier in the hearing.

Mr ANDREN—You spoke earlier about the over-regulation of the operators. Would you go so far as to talk of an air taxi category that is below the standard required of a major carrier?

Mr Bredereck—In simple terms, yes. In more complex terms, I believe that it can be accomplished within the regulatory environment we currently have. We just need to look at it with a bit of commonsense and say, ‘For what reason are we imposing this regulation on this class or category of operation? Is it really increasing the safety, in the broader context, to the community?’ We are not going to impose Boeing 747 safety standards on an air service to Bourke—it is just patently ridiculous. But to operate an appropriate level of air service to Bourke it is still infinitely safer than putting those passengers onto a bus or car and making them drive to Dubbo.

Ms LEY—We heard some evidence before about the ageing of the aircraft fleet. One view is that something like a Navajo Chieftain is now reaching the end of its useful life and the capital cost of moving into new aircraft is going to be enormous. But another opinion that has been expressed is that the maintenance standards are as good as they were—obviously aircraft have to be overhauled—so you have almost got a new aeroplane by now. What is your view on that?

Mr Bredereck—I am of the view, and have been for quite some time, that the Piper Chieftains are past the end of their useful life for this provision of service. Having said that, there is still a role for them because the operators cannot afford to upgrade to later equipment. A big part of what I said earlier related to access to capital and putting it on a level playing field.

At one point in the mid-1990s I was operating eight Piper Chieftains in the fleet, or derivatives of the Navajo Chieftain aircraft. I considered those aircraft, firstly, were probably starting to get a little too old. It became a nightmare to maintain them to an airline standard. You could maintain them to a lesser standard. Secondly, there was reliability. In a period of approximately 40,000 flying hours, my operations incurred three complete engine failures. All engines had had less than 200 hours time since overhaul by reputable overhaul organisations. They were not cheap overhauls; they all got overhauled by the likes of Hawker Pacific and so forth. That is a horrendous failure rate for those engines.

We looked at what occurred with Whyalla more recently—the one that was highly publicised. There are many at categories of operation that you have to question, such as where that aircraft is going. With a Piper Chieftain at gross weight on a hot day out of an airport like Glen Innes or Inverell, if you lose an engine below 300 or 400 feet you are in a lot of strife. When the aircraft was new it maintained, I believe, something like a 1.5 per cent climb gradient on one engine in ideal conditions. But an aged aircraft that is probably down a little on performance on the engine and with a pilot that does not fly exactly by the book is not going to maintain any climb gradient.

We have an arbitrary line drawn at 3,500 kilos. The Cessna Titan that was new in the late seventies and early eighties could maintain a 2.5 per cent climb gradient on one engine, a slightly improved standard. The probability we have to look at is to compare, say, a Cessna Caravan. I would be very surprised if we had an engine failure rate of one in a million flying hours versus three in 40,000 that I experienced first-hand, and I would suggest that is probably common across the fleet in Australia. I believe there is a broader picture to be looked at.

In terms of ageing aircraft, old Chieftains are still safer than driving, I would suggest, by a power of five or 10—I do not have an exact statistic. But I believe we have opportunities in front of us now where we can go from a Piper Chieftain to Cessna Caravans or Caravan IIs or Pilatus PC-12s or a range of other aircraft that are below the Metro size—the 19-seat or the Beech 19-seat aircraft—that would be a direct replacement for the Piper Chieftain, Cessna 402, Cessna Titan category of aircraft, providing the operators have access to capital at the right level and price.

ACTING CHAIR—You mentioned a report that you have been doing. Are we able to get a copy of that?

Mr Bredereck—I will send it to the secretariat.

Mr SCHULTZ—I have an observation. It is not just the issue of engine failure, as has been demonstrated by the tragedy of Monarch Air at Young? There are other contingencies out there. In many instances, CASA has a lot to answer for.

Mr Bredereck—True. But, if you could put a big enough network together, the commercial pressures would not have been on Monarch and so forth. That is the issue: getting that mass.

Mr SCHULTZ—Thank you.

ACTING CHAIR—Thank you very much, Mr Bredereck. That has been very interesting. We thank you for your submission and we look forward to receiving a copy of that report.

Mr Bredereck—I will forward it to you.

ACTING CHAIR—Thank you very much.

Proceedings suspended from 9.11 a.m. to 9.21 a.m.

DOLAN, Mr Martin Nicholas, First Assistant Secretary, Aviation and Airports Policy Division, Department of Transport and Regional Services

WANDMAKER, Mr Shannon Cain, Policy Officer, Liberalisation Section, Aviation Markets, Department of Transport and Regional Services

ACTING CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House of Representatives. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would you like to make a brief statement about your submission and then we will go to questions.

Mr Dolan—I will not go into excessive detail. The submission was really an attempt, although it was written almost a year ago now, to give an overview from our departmental perspective of the state of the industry and the various government interventions. The point we wanted to draw out very clearly was that aviation, particularly in the regional parts of Australia, is inherently volatile and that the range of factors that are having an impact on that are quite extensive. There is an underlying issue of where the boundary is between Commonwealth and state responsibilities. There is also local government involvement, particularly in the ownership of airports.

The key point at which the volatility of the industry really tolled was with the collapse of Ansett in 2001. One of the things that is perceived to have contributed to that collapse was the requirement that was placed on Ansett at the point of its sale to Air New Zealand to maintain a series of regional routes that were economically unsustainable. That was, at least, a contributor to the economic difficulties that Ansett got into but, of course, there was a range of other factors involved. The government has taken the view since then—and, in fact, to a considerable extent before then—that interventions to subsidise regional air services are a very blunt instrument and often do not achieve the results that are intended. Part of this is about squeezing out alternative forms of transport, such as bus operators. Often it ends up being a subsidy to an operator rather than the maintenance of a continued provision of services on regional routes. So that has been the challenge.

There were specific interventions following the collapse of Ansett in terms of a transition to the new arrangements, such as the Rapid Route Recovery Scheme. The Commonwealth is after safe, secure and sustainable aviation price and service competition where possible, but the nature of regional routes in Australia to a large extent is that they are almost inevitably going to be single-operator routes. Competition is not going to give the answers on those routes. The Commonwealth, to the extent that it is possible, aims to maintain the access of regional communities to services such as aviation.

We are currently undertaking an overall policy review, which is trying to look at the different segments of the aviation industry and come to a view on the overall policies that should apply. That is obviously something that will have to be considered by the government in due course. In addition, the government is providing a range of support to elements of the regional aviation

industry—for instance, subsidised tower control services. I understand that Airservices Australia is appearing before you later today. Their passenger ticket levy for small aircraft will now be stopped from the end of this month. Even though the protection of regional aviation's regional passenger transport slots—for example, at Sydney airport—is not the best economic outcome, it is the best economic outcome for regional New South Wales.

With regard to one of the key elements of this inquiry, which is about the transport links to the islands, in the case of Tasmania we have various freight schemes, while in the case of the Indian Ocean territories we have underwritten domestic air services for a number of years. It was always seen that the Indian Ocean territories in particular are a special case and justified a variation from the standard Commonwealth policy of not providing subsidies. As far as Norfolk Island goes, both air and shipping services are provided on a commercial basis.

In essence, that is what we put to you in our submission. Since then there has been continuing volatility in the aviation sector. Some operators have re-established themselves very effectively; others are still struggling. There are continuing shifts in terms of carriers moving off routes, but in some areas they are also adding services to routes. A lot of this seems to be happening in northern New South Wales ports, where I think the whole issue of how close airports are to each other is one that drives the behaviour of the operators. We are happy to answer questions.

ACTING CHAIR—Could you describe the linkages between managing changes in regional aviation and regional development, and the AusLink system, which is going to come on stream next year. How does aviation fit into that?

Mr Dolan—In short, aviation does not fit into AusLink. AusLink is focused on land transport. While one of the elements of AusLink is to focus on good connections with links to infrastructure airports, it stops at that point. It is focused very much on land transport.

ACTING CHAIR—We have taken evidence this morning and in other hearings where people are advocating a sort of Bendigo Bank concept—I am not sure if you are familiar with it—which is a community based banking system. There has been a view expressed to this committee that that could be one way of giving regional parts of Australia access to aviation services. Have you considered that? What is your view about establishing that sort of community involvement in the industry?

Mr Dolan—I have to say that it is not something we have given attention to that I am aware of, but it certainly has prospects. Aviation is a capital intensive industry but, then, so is banking. There is nothing to prevent it in terms of access to the original funding if you have a community that wishes to consider it. The whole question is what rate of return you get, and even if it is a cooperative venture, sometime sooner or later you are going to have to get effective use of the overall investment. I think it would depend very much on the local community. If you have a good airport and a community that is willing to support a service but not the sort of service that commercial providers are currently willing to offer, then I think there would be real opportunities there. Part of this is about the expectation that has built in communities that the only way to travel by air is in large aircraft, which has been a change in the pattern of expectation over time. It is something we have observed in those northern New South Wales ports: people are willing to drive for 40 or 50 minutes or an hour to get on a Dash 8 rather than get on a nine-seater or a 15-seater.

Mr ANDREN—Do you have a view on the hubbing and spoking concept? We have heard from long-time operators like Dave Miller, who has been operating from the north-west of the state into Dubbo for many years. In that case, people are anywhere from an hour and a half to several hours a way from access to the regional service. The imposts on them of the taxes and charges are pretty enormous. He now has the added disadvantage, like under the old two airline policy, of them both leaving at the same time, whereas Hazelton, with a commitment to regional New South Wales, used to fit in with their schedule to ensure that he picked up all of those and took them to Sydney. Dave is finding at times that to fulfil his obligations to his customers he is having to fly on to Sydney in parallel with Qantas, I think it is. What possible sorts of breaks are there—not in the form of a direct subsidy but, from a government perspective, what sorts of cost imposts could be eased on an operator like that? I am talking about the cost of fuel, some of the regulatory processes, what sort of subsidies could perhaps be available for the infrastructure, the local airstrip, at your Coonambles or wherever—that sort of thing.

Mr Dolan—There are several elements in an answer to that. Fuel is a difficult one. There is a level of excise, and that excise is largely used to fund specific aviation related activities. Putting the excise to one side, fuel prices fluctuate quite heavily and are probably the largest single contributor to variability in the input costs in the industry. The US dollar's effect on the capital side is also difficult. These things are not entirely in the control of government, and obviously interest rates and other policies could not be run—

Mr SCHULTZ—Leaving aside the two points you have just raised, volume access is a very significant factor in what Mr Andren is asking about.

Mr Dolan—I am not sure what you mean by that.

Mr SCHULTZ—Fuel is always cheaper where large quantities are being used and dearer where small quantities are being used. Surely government should be doing something about that?

Mr Dolan—The Commonwealth has consistently been saying that those sorts of issues are in fact state matters, and intrastate aviation, in the view of the Commonwealth, is essentially a state matter. It is about the impacts that the Commonwealth has in its overall whole of Australia responsibilities—air traffic services, excise to provide some of those services and where it has the capacity to change things at airports—such as at Sydney, where it has been able to do something. The question of getting investment into airport infrastructure is one that has been sitting there ever since the Aerodrome Local Ownership Program got to its first conclusion about 10 to 15 years ago. The basic proposition at that point was that aerodromes were sold to local government with a substantial funding grant for their ongoing maintenance. I think we are now seeing the next investment cycle at airports, and it is a challenge—it is not one that we are seeing obvious answers to. We are aware of it as an issue but I would have to say that at this point we do not have an answer on that.

Hubbing and spoking involves another one of those balances in community expectations. Sometimes there is limited tolerance for a delay in a transfer at a hub port to get on to a flight to a major destination, but that is balanced against the capacity to concentrate sufficient passengers to get them on a regional route to a capital or whatever. The questions are: what is the level of investment that is required? Where are the other places to which it could go? What is the balance between investments in road, rail and aviation infrastructure, particularly airports? That is one of

the issues that we have very much in the back of our minds in the policy review we are undertaking. We will certainly be very interested in hearing the results of this inquiry as we do not have all the answers.

Mr ANDREN—Given your earlier admission that competition is not possible on many routes—which has been quite obvious to me over many years on the Bathurst-Orange route, which is a significant route—and given a return to a non-competitive environment on a Dubbo-Sydney link with some sort of guarantees extracted from the provider that not only would they have a peak-hour run to Sydney but they would also provide the service that Hazelton once did when there was a 10 o'clock flight out of Dubbo which picked up all of Dave Miller's services and made him a very viable operator under that environment, wouldn't that be a better model? You can continue down the path of saying competition will always deliver the lowest price to the consumer, but it will not always deliver the service in the first place, let alone the lowest price.

Mr Dolan—Firstly, we would certainly agree that competition does not always produce the best result, particularly on what we characterise as the thin routes. Secondly, there is certainly a model in Queensland that shows that, if you actually regulate a route at the state government level and then have a competition for the provision of the service to see who can provide it at the lowest level of subsidy, that seems to work very well for Queensland. Other states are examining variations of that—Western Australia, and South Australia is at least giving it consideration. Historically, in the last 10 to 15 years New South Wales has resolutely said that is not the way it wants to go with subsidies and route regulation. At the state government level there has been a push that it should be a time for deregulation. Certainly the Queensland model does offer one way of dealing with those sorts of issues.

Mr ANDREN—Given the thinness of many of our routes, it is a cop-out to market forces in terms of delivering services. I am thinking particularly of this in terms of regional development. I know AusLink is talking about an integration of land transport as a total, but if you improve the road to Orange from Cowra, for instance, you only contribute to Orange's sponge process and suck in the retail traffic as well as the air traffic from those towns. If Cowra were on the cusp of attracting significant industry, but for the loss of air transport they probably would have that. A CEO is not going to go by bus from Orange to Cowra, so to what degree do you see an air service to a middle-size place like Cowra as absolutely essential for regional development purposes? What responsibilities should both state and federal governments take for that?

Mr Dolan—That puts the finger on the progressive shift in policy thinking certainly at the Commonwealth level and, as far as I can see, at the state level as well. Up until the Ansett crisis the whole question of regional aviation was seen with an emphasis on aviation, rather than on the regional element of this, whereas in fact these days it is much more being thought of in the framework of issues of access to services, provision of services and that cluster of very difficult ideas around regional development, of which air services is one element. There is always competition these days on those shorter distance routes between air and road, and the investment that has been made over a number of years in the road sector has had some impact on that.

What is the model where a community can see the benefits—attracting business and so on—of having a regular passenger transport service? How do they attract that? What are the incentives? What is the support that is required? Those are some of the issues in regional development that, because aviation has always been special, have been seen as something different rather than

fitting into the broader framework. What is a regional development policy? How do you make sure that the appropriate services are delivered and that it is actually what the community wants rather than what some bureaucrat in an ivory tower in Canberra or Sydney thinks might be the correct answer? How do we get the community together? That is why some of the cooperative models that Mr Gibbons was talking about actually make sense.

Mr ANDREN—But doesn't it come down to the cross-subsidy of post, telecommunications and transport in terms of proactive regional development? Are the economists in your department looking at it in that light? I can understand that a bus operator might say, 'Why are you subsidising air and not me?' But what if we were talking about the multiplier effect of a food processing plant going from the western suburbs of Sydney to Cowra because it has got all of the telecommunications and transport infrastructure to trigger that growth and all the associated benefits? Are these sorts of things seriously looked at or is it just looked at in the sense of saying, 'We are interfering in the market and a commercial operation and that is a no-no'?

Mr Dolan—They are seriously looked at. There are none of those areas where the Commonwealth is traditionally a bit wary of playing too much—again, seeing it principally as a state responsibility. Currently there is a review of regional business development being undertaken under the auspices of the department and our minister which is addressing those sorts of issues. That is going to be available publicly in the course of the next few months. Those sorts of issues are being addressed. Our Bureau of Transport and Regional Economics has undertaken various pieces of research to do with some of the underlying economics of this—I am not sure whether they have done a presentation to the committee; I think they were intending to—which looks at some of the cost bases and some of the drivers, including the basic conclusion, if you look at where government funds are going, that most of the focus is on subsidising rail and then road, with not much focus on aviation.

The work is there. We are working with our state colleagues on aviation issues in particular. We have an aviation working group with our state colleagues and we are starting to try and get into those infrastructure and service delivery issues and the question of reregulation of routes and so on.

Ms LEY—I have to say it is a fairly bleak submission, and it does not paint a particularly positive or optimistic picture of the future—which may, of course, reflect the real world. But given that you are in the aviation policy division, and perhaps picking up on what we have previously heard, you have just described a lot of initiatives which are in place and looking at the problem. Have there been any definite, concrete decisions or proposals that have been put forward by your area which might lead towards a changed environment?

Mr Dolan—We have put forward initiatives from time to time, but they are always subject to budgetary consideration, so we do not always achieve the funding outcomes that we might sometimes hope for.

Ms LEY—It sounds as if it is a frustrating process.

Mr Dolan—I am not sure I am in a position to say that. Working in aviation policy is very challenging—I am sorry if that sounds like a somewhat Sir Humphrey-type reply, but there are some comments it is probably not useful to make on the public record. It will take time. The

simultaneous impact in terms of international aviation of the events of September 11 and, three days later, the collapse of Ansett, is effectively what we have been focusing on. It is a bleak picture and it was especially so a year ago because we were still seeing the trough that came after the Ansett collapse and a fairly depressed overall economic position for regional communities. The future does not look quite as bleak as we may have painted it then. We can see in Skywest in Western Australia, for example, a post-Ansett operation that is starting to rebuild, according to the information that is now available to us.

Ms LEY—I know that you are not responsible for decisions at ministerial level but watching what happens in the market is one thing while having something to say about it is another. You have mentioned here that there is merit in reviewing a number of existing policies to remove unnecessary burdens and barriers. You have mentioned the compliance burden of CASA's safety obligations, and I would probably add regulatory issues as well as safety impositions, for want of a better term, by CASA. Have you looked at the possibility of changing anything that CASA imposes on regional airlines to make regional airlines more efficient and effective? In other words, it is not a subsidy, it is not adding government money; it is just changing the regulatory environment to make regional operators more efficient.

Mr Dolan—The aim of the CASA Regulatory Reform Program was actually over time to simplify the overall approach and to reduce the burden. Certainly, some of the feedback we have been getting to date would indicate that it is not perceived that way so far by those that are being regulated.

Ms LEY—But unquestionably it is adding regulation to small regional carriers, not the larger ones, but to the third level airlines and below.

Mr Dolan—In the sense of safety programs and so on then we have been developing—

Ms LEY—It is just taking the one RPT standard and making little guys conform to that.

Mr Dolan—There is an ongoing debate, which is also starting to reflect itself on the security side of things, which has always been difficult territory, about costs and benefits of regulation and at what point the costs outweigh the benefits even in matters like safety. It is very sensitive because it gets simplified into expressions like 'affordable safety' which always, understandably, worry the travelling public. The government has been trying to balance the high expectations of the Australian travelling community about safety particularly in aviation travel against the costs of achieving that regulatory outcome. Progressively the Regulatory Reform Program at CASA will show some benefits from that but there is difficult transition at the moment. There is an added burden at this point of all the consultative processes for developing the new regulatory system, which has made things even worse. What can we do that does not lower standards of safety for the public travelling in regional Australia—and that is something we are—

Ms LEY—I am not asking whether you are looking at that as part of your review—and you can make comment if you need to. I have a question about firefighting. I notice here that Airservices in a separate submission to us has said that control tower and rescue and firefighting services will be open to competition. Can you give us an idea how that competition might improve the delivery of tower air traffic control services and rescue and firefighting in regional centres?

Mr Dolan—There are probably two elements to that, and my colleagues from Airservices may have a different view. Firstly, since that submission was made, the Senate has made it quite clear that it will not allow the regulatory framework to be put in place that would permit the sort of competition that is envisaged. In practical terms, it is not something we can see coming into place in the foreseeable future.

Ms LEY—So it is not being looked for that reason?

Mr Dolan—No, it still remains government policy that there should be appropriate competition for rescue and firefighting services and for tower services if we were able to achieve the regulatory framework within which that could happen. Airservices went through a process of establishing location specific prices so the costs were known to Airservices of delivering tower services, rescue and firefighting in particular destinations. With these alternatively provided, they might be able to use excess resources from some other local activity for rescue and firefighting, for example, so there is a potential for competition. The view there was that at those levels of the Airservices business the prospect of competition would keep a focus on keeping prices down. That is the aim of the policy. At this point the regulatory framework is not there to let it happen.

Mr SCHULTZ—I have a couple of interesting questions to ask for my own personal benefit and probably for the committee's benefit. How many employees does DOTARS have, from the top down?

Mr Dolan—In very round terms, it is approximately 1,000, but, as I think has been indicated in public discussion—including at Senate estimates committees—the number will going down over the course of the next—

Mr SCHULTZ—So it is about 1,000. What is your annual budget?

Mr Dolan—I should know the answer to that, but I am afraid I do not.

Mr SCHULTZ—Approximately?

Mr Dolan—I am sorry; I do not have the number in my head and I would not like to—

Mr SCHULTZ—I find that amazing. You are a pretty significant operation—

Mr Dolan—Yes.

Mr SCHULTZ—and you would come into the category, in private enterprise, of being a pretty significant contributor to the economy. That leads me to my next question. Does DOTARS have a forward vision? Is it planning four and five years ahead, or is it just reacting to the political priorities of the day? That is a serious question.

Mr Dolan—I know it is a serious question; I am trying to work out how best to phrase the answer. We do both. To assist the government in achieving its policy objectives, we have to have an understanding of what the environment looks like being five years, 10 years out. We have to have some sense of the sorts of policy initiatives that could be taken to deal with that future

environment, and we certainly do that as part of our business-planning processes. At the same time, our role is to work with and respond to the priorities of the government of the day, and so to a considerable extent what we do will be responsive.

Mr SCHULTZ—The government are only the caretakers of the taxpayers' funds, which drive you people. I make that point, for what it is worth. The reason I am asking the question is that you had a regional summit in 1999. How much planning went into that regional summit, and why wasn't aviation included in it? Who dictated the agenda as to what was going to be part of that regional summit in 1999?

Mr Dolan—I am relying on memory and perspective from another portfolio; I was actually in the agriculture department at that point. I cannot give a clear answer as to why aviation was not a focus, but I think traditionally regional services and regional development elements in the Commonwealth were seen as somewhat distinct from the transport function. Bringing together regional services, regional development and transport over time has meant that we are starting to get better interactions in policy making and we are thinking about transport much more in terms of regional services and so on. I think the summit at the time certainly did reflect less integration in thinking about how regional development and the delivery of regional services fitted with the transport side of things in particular. I was trying to indicate earlier that we are starting to try to get a much more focused and integrated view of how those sorts of things interact.

Mr SCHULTZ—The reason I asked that question was that, leading up to 1999, there were a significant number of aviation accidents which should have sent to any government, and any department, a very real message that we had a problem in aviation. I am absolutely astounded that we had a regional summit in 1999, knowing those facts, yet aviation was not part and parcel of the discussion. I find that amazing. I am also concerned that a department the size of DOTARS, which is operating at considerable expense to the people I represent, did not take that into consideration. Perhaps you would like to make a comment on that. That is my final comment.

Mr Dolan—I am not sure I am in the position to make a comment, simply because I do not have enough history in the department to know the details. I started in DOTARS—

Mr SCHULTZ—Would you like to take those questions on notice and supply the detail to the committee?

Mr Dolan—To the extent that we can, I am certainly happy to take that on notice and get back to you on that and equally on the issues of the budget.

ACTING CHAIR—Thank you very much for your submission and for appearing here today. I trust that if we need any further information we can contact you for that.

Mr Dolan—Certainly.

Proceedings suspended from 9.55 a.m. to 10.14 a.m.

BARBER, Mr Alan, Manager, Financial Strategy, Corporate Services Group, Airservices Australia

DAWSON, Mr Paul, Manager, Government Relations and Corporate Secretariat, Airservices Australia

GRANT, Mr Thomas More Anthony, General Manager, Organisation Development and Corporate Secretary, Airservices Australia

ACTING CHAIR—I welcome representatives of Airservices Australia. I would like to put on the record our thanks for the very informative tour of your establishment that we undertook yesterday afternoon. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are considered formal proceedings of the federal parliament and consequently warrant the same respect as proceedings of the House of Representatives itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would one of you like to make a brief statement about your submission, and then we will go to questions. I take it you will lead, Mr Grant?

Mr Grant—Thanks very much. We would like to take the opportunity to make a statement. We would like to amplify to some extent our submission and also respond to some of the points raised by others in their submissions and testimony given so far before the committee. With your permission, I would also like to table some documents as I go. Having read some of the other submissions, we have seen the interest that the committee has in facts and figures on costs so we have tried to put some together for you. With your agreement, I would like to table some of those as I go.

ACTING CHAIR—Okay. Please proceed.

Mr Grant—We were very pleased that you were able to visit our facility. That facility, which we spent something like \$400 million on, is something we are very proud of. It is state-of-the-art air traffic control technology and a key part of our cost-saving initiatives for the aviation industry. Not only is it a key part of our cost saving but TAATS and numerous other safety and efficiency initiatives put in place over the last decade have made a direct contribution to the safety of regional services and have equally allowed us to consistently reduce our service costs to the point where international benchmarks rate us as equal to or better than the United States system, which I know some of the witnesses before this committee have argued we should emulate. To support that, we would like to table a study by Eurocontrol into the benchmarking of the US FAA, Airservices Australia and Eurocontrol.

CHAIR—Is one of my colleagues prepared to move that we accept this document as an exhibit?

Mr ANDREN—Yes.

ACTING CHAIR—It is so ordered.

Mr Grant—Airservices Australia is a government owned entity that operates under legislation which gives primacy to safety. We also operate under a charter that the minister gave us which specifically emphasises the importance that the government places on a future for the small business dependent on air traffic services, particularly in regional and rural areas. If the committee does not have a copy of the charter letter, we would be happy to provide you with a copy of that now.

ACTING CHAIR—We have another exhibit. Could somebody move that this document be accepted as an exhibit?

Ms LEY—I will.

ACTING CHAIR—It is so ordered.

Mr Grant—The Air Services Act was amended in 1998 to reflect our responsibilities to promote and foster aviation. The second reading speech for this amendment is very interesting. It calls on Airservices Australia to:

... strive to provide its services by the most cost effective means, at the same time structuring its pricing as far as practical to ensure industry participants are paying for the services they actually use.

The government also emphasised its expectation that Airservices Australia would promote ‘the overall benefits of an efficient aviation industry’ and ‘continually review the services it provides to ensure it is meeting industry’s genuine needs and is not placing impediments in the way of growth in the industry’. Again, Acting Chair, if you would like a copy of that second reading speech, we are happy to provide it.

ACTING CHAIR—No, thank you.

Mr Grant—Okay. Examples of the sorts of reviews that were mentioned in that second reading speech include the closure of towers, fire stations and terminal control units where safety standards can be met more efficiently by other means. Clearly, all of this is quite a balancing act for the board and management of Airservices Australia. Our track record since 1988, when our predecessor, the CAA, was established, demonstrates significant achievement against these goals. I would like to table a graph of our real prices which shows that, compared to 1998, the aviation industry benefits to the tune of some \$140 million per annum in real terms from our efficiency gains.

ACTING CHAIR—Would one of my colleagues be prepared to move that this document be accepted as an exhibit?

Mr SCHULTZ—I will.

ACTING CHAIR—It is so ordered.

Mr Grant—But these savings that come about through our price reductions are not the total picture. Many of our initiatives, under the ‘promote and foster’ objective put in place in 1998, have resulted in direct industry benefits which are not part of our charges. I refer to an estimate

of over \$130 million per annum in fuel savings alone and some 890,000 tonnes of reduced greenhouse gas emissions attributed to improved flow management software, revised vertical separation minima, more flexible route tracks and so on.

A number of submissions to your inquiry talk about the cost of services at regional airports. We should not, however, lose sight of the fact that many regional services operate to and from the major capital city airports and use en route and terminal services at those airports. In this way, the regional operators also benefit from TAATS and the new technologies that we have introduced.

I would like briefly to touch on the issue of air traffic control tower and aviation rescue and fire services. Airservices provide some 25 towers and 16 fire stations around Australia. The first thing to note is that there are many aerodromes where regional and other operators quite happily service the local communities without air traffic control towers or fire services. Where traffic volumes and aircraft types warrant it, CASA and ICAO have set standards that we are required to meet. For example, it is an ICAO requirement that airports providing international services must have a fire service. We can tailor that service to the type of aircraft operating—there are nine categories of fire service—but the bottom line is that without the fire service the international airlines will not operate. The cost of the fire service is driven by the type of equipment and the staffing necessary to man that equipment. The standards require that a certain volume of water and foam be delivered to the remotest part of the aerodrome within three minutes of a call-out. It is hard to see how an Isuzu truck manned by part-time baggage handlers can comply with this standard. We are also sceptical of claims that airport owned fire services in other countries can be provided at significantly lower cost. Either the standards are not being met or the airport is cross-subsidising from other revenue sources.

Despite the difficulties of comparing the costs of providing a national rescue and firefighting service with those delivered on an airport by airport basis around the world, we have carried out indicative comparisons during the period 2000-03. These show that Australian fire services cost structures are very competitive. For the committee's benefit, we would like to table the benchmarking work we have done so that you can see these comparisons.

ACTING CHAIR—Is somebody prepared to move that this document be accepted as an exhibit?

Mr SCHULTZ—I so move.

ACTING CHAIR—It is so ordered.

Mr Grant—I understand that the committee has also been told that fire services are not required at many locations because aircraft do not crash at airports. Whilst we have an excellent safety record in Australia, we know that the US National Transportation Safety Board studies indicate that up to 80 per cent of accidents occur at or near aerodromes—in fact, within the area where our firefighters have jurisdiction. I would like to table a page that quotes the US National Transportation Safety Board, so you have the reference on that. There is some other information in it that relates to surveys on firefighting services as well.

ACTING CHAIR—Is somebody prepared to move that this document be accepted as an exhibit?

Ms LEY—I so move.

ACTING CHAIR—It is so ordered.

Mr Grant—The fire service can play a key role in ensuring that relatively straightforward accidents, such as the failure of an undercarriage to deploy, do not turn into a major disaster. The ARFF service also provides the first line response for airport terminal fires and medical emergencies at airports. Every year our fires resuscitate over 20 members of the public—that is, passengers, visitors or airport or airline employees—who suffer heart attacks or other trauma whilst at the airport. For example, during 2001-02 the fire service saved 22 lives—these were people who had no pulse when the fire service arrived—through resuscitation.

On Saturday, 7 June, the fire service in Melbourne responded to a fire at the international terminal. The fire was successfully contained without any damage occurring, and we were there far ahead of the metropolitan fire brigade. The replacement cost of the terminal is of the order of \$250 million. However, we do keep the need for fire services under review. We will be closing our services at Port Hedland and Karratha and opening a new service at Yulara shortly, in accordance with prescribed CASA standards.

Tower operations are similarly subject to CASA standards and, where safety allows, we will modify or close our operations to ensure an appropriate service is provided in accordance with published standards. Over the last few years, we have finetuned the hours of operation of our towers and reduced the staffing levels to a safe minimum. Most recently, we have closed Camden tower during the week but maintained a service on the weekends following a safety assessment. Other towers recently reviewed include Hamilton Island, Coffs Harbour and Archerfield. Whilst a number meet cost benefit criteria for closure, when we have undertaken a safety assessment the picture is not as clear. For example, the safety mitigators required to allow us to close, say, Hamilton Island within CASA safety standards are on hold pending a decision on the future of MBZs—mandatory broadcast zones—and certified air-ground radio operations in Australia. Without these options, we will probably not be able to satisfy CASA that the closure of these towers is viable, in which case we will not close the towers. In relation to our charges at regional locations, much has been said about how they are so high as to make regional airline operations unprofitable. I would like to table an extract of an independent costs assessment conducted by Western Research Institute, which shows that our charges represented between 3.8 per cent and 4.6 per cent of airline costs in 1999-2000.

ACTING CHAIR—We have another exhibit. Will somebody move that it be accepted?

Mr SCHULTZ—I so move.

ACTING CHAIR—It is so ordered.

Mr Grant—We do not believe that our location specific charges, which have remained unchanged since 1998, are the key drivers of regional airline economic woes, particularly as it is not a matter of eliminating these costs because the safety standards will require a service, but

rather a question of what scope for further efficiency is available. If the same study as that conducted by Western Research Institute were conducted today, it is highly likely that the percentage our charges represent would be much lower because fuel, labour and maintenance costs have increased since 2000 but our en route charges have fallen by 20 per cent.

We have successfully explored a number of avenues to allow operators to optimise their charges. For example, the light aircraft charging option that we offer provides a flat annual fee based on estimated usage for each 12-month period. We suspect, however, that the key drivers of regional airline economics are the age and maintenance costs of aircraft, the costs of labour and fuel, the improvements in motor vehicles and the improvements to many of our major interstate and intrastate highways, which attract passengers away from aviation. Airservices Australia continues to work with the aviation industry to find alternative ways of delivering value added services and to better rely on charges as they relate to the industry's needs. It would be counterproductive to attempt to alleviate the industry's financial pressures through government intervention to artificially reduce Airservices charges. One of the main advantages of location specific pricing is that it sends the correct signals to all players to encourage long-term use of scarce aviation resources. That completes my statement.

ACTING CHAIR—The Mackay Port Authority gave a presentation yesterday, of which you may not be aware. They have cited a huge jump in Airservices Australia charges to their particular airport that they claim to be very unreasonable. Are you familiar with their charge?

Mr Grant—In broad terms I am, Mr Chairman.

ACTING CHAIR—Why would they claim that and why would you say that it is not unreasonable?

Mr Grant—I believe they are referring to the fire service charge. What is happening in Mackay is that there is a change in category of that charge due to a change in the mix of aircraft and the fact that, to comply with the standard, we need to provide another fire truck with the accompanying staffing. Each fire truck costs in excess of \$1 million, so that does change the cost structure. Mr Chairman, we do treat the standards seriously. If it is a requirement that we have an extra truck, that is what we have to do. Whilst we would certainly like to keep the costs down, in some circumstances we have no choice.

ACTING CHAIR—This is probably not as relevant, but are you familiar with a firefighting appliance produced by Australian Defence Industries called a Fire King, which is designed to withstand a major fire passing over it? Would that be an asset in terms of firefighting at the big airports? It is a vehicle that will actually withstand a fire, and the crew are in a cell that is totally fireproof, which enables that vehicle to get right alongside a fire.

Mr Grant—I am not familiar with that particular product, but each of our five vehicles is built to specification specifically for aviation fires.

ACTING CHAIR—They are purpose-built firefighting appliances?

Mr Grant—Absolutely. In fact, the fire trucks we have would be different to fire trucks around the world, because they are designed for us. The equipment on the fire trucks has to be

able to deliver foam over the wings and fuselage of the aircraft from a safe distance from the fire. So we can achieve what that other product might achieve but from a distance, if you like. I would have to take that onboard to find out whether our people are looking at that.

ACTING CHAIR—Could you tell us how competition would improve the delivery of tower air traffic control services and aviation rescue and firefighting services? How will competition improve the system and be of benefit to all those who use it—that is, the taxpayer?

Mr Grant—I think you heard from the department of transport that competition is still the government policy, although it seems to be on hold at the moment. When the government announced competition as its policy, I think in about 1998, Airservices Australia welcomed competition. We did not particularly seek it, but we welcomed it, because we believe that we do an excellent job and that we are competitive. We believe that the opportunities for competition to make a difference for tower and fire service is probably a bit overstated. Our experience over the last few years is that we have not seen too many players come out of the woodwork saying that they are able to do things better. If they did we would be prepared to meet them head on in competition.

We support the government's current position of putting that on hold, because we think there are better ways to use competition to improve our efficiency. Rather than towers and fire service, which are a relatively small part of our operation, we think that if we were allowed to compete internationally on a wider range of services we could benefit more than by just focusing on some minor parts of our operation. So we have said to the government that we believe international competition, allowing us to get out there and bid for other countries air traffic control systems, is a better way to drive efficiency within Airservices Australia.

ACTING CHAIR—If, for example, the government said, 'That is fine, but we also need to open up what you do to competition,' who would be a potential competitor? Obviously there would not be a company in Australia able to that—it would be a company like Thales, I guess.

Mr Grant—Thales are in partnership—

ACTING CHAIR—I said a company 'like' Thales—I guess it could be Transfield or one of the other defence manufacturers.

Mr Grant—Transfield certainly have bid for services within the defence forces, including fire services. We believe we can do that more effectively than they can. There were a number of names. For example, there is a company called SERCO which is British based but is basically a global company, which provides air traffic control, fire services, I think, and a lot of support services, including everything from cleaning to grass cutting and that sort of thing—buses in Adelaide. They have been mentioned from time to time. We have actually talked to them about their capacity—we looked at possibly subcontracting them to do some work for us. We do not believe there are any specific advantages that they could bring, so we do not believe we would lose market share to a company like that, even though they are a global company with a lot of experience and resources.

Basically, the reason we are promoting our interest in global competition to the government is that we think we can export the good things we have done in Australia. The TAATS system you

saw yesterday is still regarded as state of the art—the integration that that system has has not been achieved anywhere else in the world. So we see a window of opportunity for us to push our ability to do that in other countries. And a lot of countries are interested in what we can do.

Ms LEY—I would like to place on record my appreciation of Mr Dawson and Roger Hope's tour of the facilities yesterday, and the time and energy they gave to us—it was much appreciated. I want to talk about the consolidation or integration—I do not know what term you use—of the terminal control units at Sydney, Adelaide and Perth with those at Melbourne. I understand this proposal has been kicking around in Airservices for about three years. I wondered if you could give this committee an indication of where you are up to, as far as the efficiencies that it might produce are concerned—in other words, the cost savings—and how it might produce a better, equally as safe, air traffic control service.

Mr Grant—You are right that it is something that we have been looking at carefully over a number of years. Because safety is involved, it is not something we will rush into. It is a significant change in our operations that is being proposed, so we would not only do a benefit-cost analysis but also do a full safety assessment.

Ms LEY—Did you take a proposal to the board in November last year?

Mr Grant—Yes, we did.

Ms LEY—So you obviously had a view at that stage.

Mr Grant—At that stage we were saying to the board, 'We would like approval to go forward and do a safety assessment.'

Ms LEY—It was not the board that asked for a safety assessment?

Mr Grant—No.

Ms LEY—You asked the board for the safety assessment?

Mr Grant—As you would know, with your background, a design safety case on something like that is a major exercise. You go back to basics, in terms of collision analysis. When you are putting something new in place it has to be pored over by our experts. We get industry focus groups with pilots and other parties involved. It is a very long process. So, before we do that, we have to believe that there is a benefit to be achieved in this. So we will do an economic analysis but, having done the economic analysis, we will not move on that until we have done the safety assessment.

Ms LEY—So you have done the economic analysis?

Mr Grant—We did a broad economic analysis for the board in November. As part of the lead-up to that, there was a lot of consultation with the unions, and Civil Air—the air traffic control union—made a number of submissions to the board. So when the board considered the in-principle paper from management that said, 'We believe that the benefits are about double what

the costs may be to do this over a 10-year period,'—and we are talking about tens of millions of dollars—we thought that that was worth considering.

Ms LEY—So you did come up with some savings at that point?

Mr Grant—In broad terms, yes.

Ms LEY—Could we, at some stage, receive a copy of those?

Mr Grant—It is a board paper. I can tell you that we are talking about something that I think, at the time, was probably in the order of about \$80 million worth of savings.

Ms LEY—Broadly, from what areas?

Mr Grant—There is a whole series of areas. I would point out that not a lot of air traffic control positions would change, because under the proposal we would be relocating air traffic controllers to the major centres, such as Brisbane. The sorts of things that we see are that there are layers of management that would not be required.

Ms LEY—You could not get rid of those layers of management with the situation you have now? I am talking about savings that cannot already be made with the situation as it is, savings that can only be made if you consolidate.

Mr Grant—Remember, we are only talking about as at November—I will then take you from November, but let us still talk about as at November. The basis of the savings was layers of management that could be saved because you would not have remote management away from the major centres. You saw the consoles in the operations centre—in Adelaide there are about six or seven of those consoles. When you have consoles there, you have to have the whole support arrangement: the engineering staff, the power supply to back it up—all the contingencies that I think you were told about yesterday. If you can move those into a major centre, where you are already providing all of that, you can make a saving there. There are savings in training.

Ms LEY—How are there savings in training? The same number of air traffic controllers—

Mr Grant—In a big centre where you have more resources you can tailor the training to your resources better than you can in a small centre. With a smaller number of people it is actually more costly to take people out of the system and train them than when you have got a large number of resources.

The other thing that I was going to mention is that obviously we have to keep our systems up to date, so TAAATS is not a static system. We upgrade the software and we are continually improving the system to bring out safety benefits as well as economic benefits. You can imagine that when you are upgrading the software in systems, if you are doing it in six locations instead of, say, two locations, there are costs that go with that. There are non-dollar benefits of consolidation too. When you have satellite operations you have to maintain standards; the standards have to be lined up all the time. If you are within the major centres that is much easier to achieve.

Ms LEY—Speaking of satellite operations, how often do your radio and radar data transfer links fail at the moment?

Mr Grant—We do have failures but we have redundancy built in that ensures that there is a seamless operation.

Ms LEY—Yesterday we heard comments about the seamless operation involving perhaps a 12-minute recovery period. Would that be about right?

Mr Grant—No, that is not normal. If that happened, that would be a very major problem. We may experience one per year of those, but I cannot remember something of 12 minutes duration for quite a while, but I could take that on notice. We would regard that as a very significant event.

Ms LEY—I have a specific question. If tomorrow there were a failure at Melbourne, would your TCUs at Sydney, Adelaide and Perth be able to expand the radar coverage in the service they have to provide en route separation?

Mr Grant—You are assuming the failure was not only of the primary systems but also of all the redundancy—and we have at least triple redundancy built in. If that failure occurred—and, as I say, it is likely to occur for only a few minutes—then I would argue that there would be limited ability to bring in any capacity that you have at the TCUs to replace what is happening in Melbourne. More likely you will go to procedural operations from Melbourne to deal with that situation.

Ms LEY—So you will not have radar—

Mr Grant—As you know, if radar fails—assuming the communications are still open—air traffic controllers will resort to procedural control, which they can do—

Ms LEY—Is it going to be less safe without Sydney, Adelaide and Perth TCUs? You are saying that there would be absolutely no reduction in your disaster recovery capability by removing those TCUs and the added efforts that they could make at the moment in terms of a failure?

Mr Grant—For a start, we will not reduce safety. Our policy would be not to reduce safety, but that is not quite what you asked. In terms of the redundancy, you asked whether there was any reduction in our redundancy capability—

Ms LEY—No, disaster recovery—

Mr Grant—Sorry, that is what I meant. I think the position there is that when we do the full safety case—and remember that all we did previously was a preliminary cost benefit analysis and an initial examination of the safety issues for the board—we would be saying to the board that we needed to do more work. That work is under way, plus a few other things that we have not quite got to yet. If in the safety case that was done it was found that there were risks that we had not taken account of, then we would not proceed unless we could find mitigators for those risks. So if something came out that indicated there was a reduction in the disaster recovery, we

would consider what options there were to address that so that we would not be reducing our capability. It is very important to understand that there is more than one way to do these things. When we go back to the board we will be in a position to advise the board as to whether we are able to proceed to cover off those safety issues.

Then there is a further process. Let us say the board did make a decision to go ahead. Then we would have to do an implementation safety case. I distinguish between a design safety case, which looks at the principles of whether this can be done and what the mitigators are, and an implementation safety case, which looks at how to actually bring about the transition from the current situation to the new one in a safe way.

Ms LEY—I do not want to hog the floor. I have one quick question that probably involves a report you already have. Given that you have already consolidated in Brisbane, you have presumably done a review of that process—that is, a post-implementation review after that consolidation—to look at how it played out in real life. Could we have a copy of that report?

Mr Grant—You are talking about Coolangatta being consolidated?

Ms LEY—I am talking about the mid-nineties, when you went to the Brisbane-Melbourne set-up. You are talking about consolidating in the southern FIR. Having consolidated, or integrated, in the northern FIR, you would, I am assuming, have some post-implementation review to show what savings were made. Could we have a copy of that report?

Mr Grant—As far as I am aware, there is not a document that does that. But I can say that one of the things that came out of the discussion we had with the board—I think it was not actually at the November board meeting but subsequent to that—was that, because we have this debate between Civil Air and management about whether things can be done safely and whether the benefits are there, the point was made that we have already consolidated in recent times—more recently than what you are talking about—Coolangatta to Brisbane and Canberra to Melbourne. The approach and departure at—

Ms LEY—I do not want to go into the arguments of why. I just want to know if we can see a copy of what savings were made from those consolidations.

Mr Grant—The board said, ‘If we actually did a post-implementation review of Canberra and Coolangatta, then that would be recent data that would be relevant for the consideration we are doing more broadly.’

Ms LEY—I would not necessarily agree, because we are talking about a whole flight information region as opposed to just one. But any of them will do. If there was one done—

Mr Grant—We are undertaking those reviews now; that is the point I am making. We would be happy to make that open when it is completed.

Ms LEY—I find it interesting that no actual assessment has been made about the cost and efficiency gains of that implementation.

Mr Grant—I think it is fairly straightforward. If you look at our charges, which flow directly from the costs, we are saving \$140 million a year compared to the situation before. We have a safer system with the new technology. There is more assistance to the controllers than there was, say, in the days when you were an air traffic controller.

Ms LEY—But I do not know whether you can trace all of that to the consolidation. That is why I am assuming—

Mr Grant—It is a combination.

Ms LEY—that for due diligence purposes there would have been a post-implementation review. But I will hand over to my colleagues now.

Mr Grant—We are talking about something that happened over 10 years ago in a different organisation, the Civil Aviation Authority. I was there then, and I am not aware of a formal post-implementation review of that. But I will check.

ACTING CHAIR—Would you be able to get back to us on that?

Mr Grant—Certainly.

Mr SCHULTZ—I have a couple of observations and then a couple of questions. First of all, I concur with my parliamentary colleagues that the visit yesterday was very beneficial to understanding what is going on and the technology that is involved in what you are doing. Having said that and put that little sweetener in, I ask the following questions on the basis of coming out of private enterprise and going through an industry where heavy rationalisation occurred because of cost factors. I come in on the points that my parliamentary colleague Sussan Ley has raised.

As I understand it from your comments, you have put a business plan to the board with regard to these proposed changes. You did make some comment about your belief that there were savings of \$80 million annually and then you made mention of \$140 million, so I am not quite sure what the difference in the two is. You might want to explain to me after, because I might have missed something. Did that business plan follow the normal commercial direction of a business plan, such that it was projected over three to five years and included cost-benefit analysis, expenditure et cetera? That is my first question.

Another question is: what staffing reductions will occur across Airservices Australia as a result of that centralising exercise? You call it a consolidation exercise; I call it a centralising exercise. That gets me back to what I was originally asking: what savings in dollar terms does the proposal deliver to Australian taxpayers—that is, the government—in the short and long term, and do the cost savings in that proposal flow on in the way of salary increases to senior executives and board members and, if so, to what level? That is a very complicated series of questions. I am quite happy to repeat them one by one, because I have written them down.

Mr Grant—I want to emphasise that what went to the board in November was a preliminary business case. I said this is a long-term process. You asked what the time frame was.

Mr SCHULTZ—I understand how that works. You do not have to explain it to me. I came out of private enterprise. I understand that, if you are proposing a very big change to a system, you do it in stages. Whether it is one to four stages or one to two stages is immaterial. I understand all that.

Mr Grant—You asked what the time frame was for the analysis. It was 10 years, as I understand it. In those 10 years, the initial analysis did not assume everything happened at the beginning. I think some of the consolidations were something like three years into the 10-year time frame. That is just to give you some idea of how that is going.

Mr SCHULTZ—I understand that.

Mr Grant—I used a figure in the order of \$80 million. I want to emphasise that that is unlikely to be the end result, because the bit I did not finish off in my last answer was that in November, when submissions were received from the staff union as well as management, the board said that there may be some opportunities to achieve some of these benefits in situ—in other words, without the consolidation. Up until that point, that had not been the situation put to us by the union. The union had basically said, ‘The staffing is the staffing, and we cannot do it for less.’ I guess with that extra pressure on them—and we were not trying to do this for that reason—the union brought out a proposal that they might be able to achieve some of the benefits in situ. The board said, ‘This is new information.’ It wasn’t something that we had in our business case; we did not know about it. They then said, ‘We will give the staff six months to work with management to see if the in situ benefits make a difference to this.’ It is quite possible that, if there are significant in situ benefits, the justification for consolidation is no longer there. If you can achieve all the benefits without consolidating, why would you do it?

We still argue that there are lots of safety benefits—the things I explained about standards and so on—but we as management are prepared to take all that into account and see what can be achieved. That is why the board said they would consider it again about the middle of this year. We created three teams: one to work with the staff to work on the in situ benefits, another to look at the safety aspects and another to look at what would be the timetable if a decision were made to go forward. All of that will be reported to the board in the middle of the year.

You asked what would be the benefits to taxpayers if the consolidation were to proceed. The answer is that we are not funded from the Commonwealth budget, except to the extent of the \$7 million subsidy that goes into a capping of our tower services. Of the \$550 million in revenue, we get \$7 million from the government, and the rest comes from the aviation industry.

However, we pay dividends to the government. The government sets us a five-year rolling target for profit and takes 60 per cent generally. The dividend is a matter for the board but, generally, 60 per cent of the profit will be returned to the government. In our corporate plan, the profit targets are around \$60 million on average in the planning horizon. That is before tax, so the 60 per cent is of the after-tax profit. It gives you an idea of the sorts of returns to government. The government would expect to get \$20 million to \$25 million from Airservices per annum in a planning sense. That is what is returned to the taxpayers, if you like, from their investments through the equity that is held in Airservices Australia.

Mr Schultz, you asked what was the return to the senior managers in terms of their remuneration from the consolidation exercise. There is no link that I am aware of between the consolidation exercise and any manager's remuneration.

Mr SCHULTZ—That is pleasing to hear.

Mr Grant—There may be a link between how well the process is done and the project manager's remuneration, but we are not in the habit of saying, 'If you can chop this many heads off then you get a share of the action.' That is not the way we operate. If it were, then some of us would be very wealthy because we have reduced staff by 3,500 over the last few years. I can assure you that that is not the way it operates.

Mr SCHULTZ—In relation to Airservices' increases in charges, in 2002-03 you increased your charges by five per cent and you are now proposing to increase your charges by seven per cent. Do you think that that is ill-timed given the domestic challenges that are occurring in the industry today? What is driving those increases? They are well above CPI.

Mr Grant—What is missing in what you said is that we reduced charges on 1 January for en route services by 3.6 per cent.

Mr Barber—The en route reduction of 3.6 per cent.

Mr Grant—En route is the major part of our charges so if you look at our charges, our average charges today compared with the last financial year, the difference is that percentage.

Mr SCHULTZ—So you got a net decrease, did you?

Mr Grant—No, there is actually a small increase.

Mr Barber—Perhaps if we could just walk you through. Yes, you are right, we increased our charges by 5.1 per cent back in July last year. That was really in reaction to the Ansett collapse and the September 2001 terrorist attack.

Mr SCHULTZ—But that is short-term stuff, isn't it?

Mr Barber—At the time, we did not increase prices straightaway. Many airports did but we held off and found internal savings—pay cuts and so forth. We waited to see how things would pan out. We waited six or seven months and then said, 'Look, the outlook is still very subdued.' We then made a pricing proposal to increase prices for the first time by 5.1 per cent. We then progressed until January and completed a cross-border leasing transaction, which we have been working on and which netted us a one-off windfall gain. We then said, 'Here is an opportunity to reduce some of those charges,' so we reduced our en route charges at the time by 3.6 per cent in January. The payment from five per cent down by the en route reduction left us with a net increase, if you like, over the previous year. Actually 3.6 per cent en route is equivalent to about a two per cent reduction.

Mr SCHULTZ—You are still increasing your profit as a result of the charge that you put on at five per cent.

Mr Barber—Yes, that is correct.

Mr Grant—When September 11 and Ansett hit us the immediate impact was that we lost off the \$550 million about \$140 million in revenue. Those increases do not recover anywhere near that. We actually absorbed a lot of that within the organisation.

Mr SCHULTZ—Could I make the comment that you are not the only people that got caught in the loop in that respect. A lot of people that you have put this charge on got caught in the same loop and lost a lot of money.

Mr Grant—That is right but the managers actually took a five per cent pay cut. We did not just sit there and say, ‘We are going to pass all this on.’ We looked at our enterprise bargaining agreements with the staff, we looked at the managers’ remuneration—the managers took a voluntary pay cut—and we found other savings. We held off the price increases as long as we could but then we saw a continuing downturn in the growth rates for traffic and saw that the recovery was not coming. We had hoped that we could ride it through and get the recovery and not have to put our charges up. Even today the traffic is softening. Because we owe a responsibility to the Commonwealth to maintain the viability of our organisation, we felt there was no other alternative but to put in a price increase.

Mr ANDREN—What level of profit do you believe is reasonable for what, after all, is a service?

Mr Grant—The government policy is that we must achieve a target rate of profitability on a five-year rolling average basis, which is on a percentage. Mr Barber will express what that is.

Mr Barber—The requirement is to earn 10 per cent earnings, before interest and tax, averaged over a five-year period and a 15 per cent return on equity. These are minimum targets, by the way.

Mr Grant—That is set by the government: it is between Mr Anderson and the finance minister.

Mr ANDREN—Is that designed for reinvestment in infrastructure and services or does that go into consolidated revenue?

Mr Grant—No, we find the money for reinvestment. That is basically a return on the government’s equity in Airservices Australia.

Mr ANDREN—You mentioned earlier that you have eliminated or are cutting back at Port Hedland and Karratha. What have you done there?

Mr Grant—We are proposing to close the fire stations there.

Mr ANDREN—That is interesting because they are exactly the two examples I was going to use where rescue and firefighting services for a BAe 146 is \$758 for a landing at one and for Karratha it is \$531. I am told the equivalent in New Zealand is just \$18. Having eliminated those

services, what happens when a BAe 146 lands at Port Hedland? It suddenly does not have those services?

Mr Grant—The standards do not actually require a fire service. At the moment there are much larger aircraft than that landing at Yulara without a fire service. This is something that comes within CASA's realm. The fire service requirement is based, under the new regulations that came in on 1 April, on the volume of passengers, and to require a fire service I think the regulations say there have to be more than 350,000 passengers per year at an aerodrome. I think Port Hedland and Karratha would be less than half that, so they are way below it. We have actually kept the fire service there a lot longer than we would have been required to under the standards. The other standard is that if they are international services then you need to have a fire service, and that is the historical reason why at Port Hedland and Karratha, because there were Bali services, there were fire services provided. Those have dried up, but the arrangement we have with the airports there is that should they restart international services we would be happy to come back to it. If it is a once-a-week flight, you do not have a fire service there for a whole week. We will provide it from Perth or somewhere like that if necessary. So we are not reducing the airports' capacity to offer the services they want to offer or can attract, nor are we reducing safety, because we are fully in compliance with the CASA standards.

Mr ANDREN—Why is an international passenger load more important than a domestic one?

Mr Grant—We do not argue that it is but under the Chicago convention—Australia is a signatory to that—we will adopt ICAO standards. It is an ICAO standard that says international services require a fire service.

Ms LEY—As I am conscious of the time, I will clarify the questions that I would like the witnesses to take away on notice. I make the observation that I am surprised that after three years of the proposal to consolidate the TCUs being discussed there is no clear idea of the benefits. What I would like you to get back to us with is what post-implementation review might have been done into the consolidation of the sectors when they went to Brisbane and Melbourne in the mid-nineties or something that demonstrates that savings were made that could not have been made otherwise or, as you mentioned earlier, a demonstration of what the cost of consolidating Canberra to Melbourne and Coolangatta to Brisbane was and what tangible returns were realised from that that could not have been achieved otherwise. On the safety case, would you provide us with some indication that a disaster recovery separation service that equals what we now have would still be in place after the exercise is completed, assuming that it does go ahead?

Mr Grant—Yes, we are happy to take that on board. The point has just been made to me that the second part of that, which was the Canberra-Melbourne element, is in train so we may not be able to provide that immediately.

Ms LEY—Sure, I understand so please do the others.

ACTING CHAIR—Thank you very much for your submission. Thank you very much for your hospitality yesterday and thanks for appearing today.

[11.06 a.m.]

YARROW, Mr Matthew, Senior Aviation Analyst, Tourism Queensland

PARSONS, Mr Allan, Director, Public Transport Management, Queensland Transport

VASTA, Mr Damien, Acting Manager, Air Services, Queensland Transport

ACTING CHAIR—Although the committee does not require you to give evidence under oath, I advise you that these hearings are formal proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House of Representatives itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Welcome, and perhaps you might lead with a brief statement about your submission and then we can go to questions.

Mr Parsons—I thank committee members for the opportunity to give evidence at this hearing. I am here representing the Queensland Government Aviation Steering Committee, which is the interdepartmental body responsible for compiling the Queensland government submission that was forwarded to the committee in August 2002. I am pleased to be joined by my partners here today from other government departments, who are also representing the government.

Prior to receiving questions from the committee, I would like to briefly address the members in more detail on a few salient points that are referred to in our submission. The Queensland aviation environment is unique compared to that of other Australian states as there are three distinct tiers that must operate together across the state to provide a seamless aviation service for all Queenslanders. These tiers consist of commercial services that provide services to the mainly coastal populations distributed between Brisbane and Cairns; small, RPT, charter and federally funded RASS services that operate throughout the state—although the majority of the smaller RPT services are located in the far north of the state, particularly in the Torres Strait, servicing the major island communities in this area—and Queensland government regulated services that provide essential access to remote communities in western and northern Queensland, including a service to the Torres Strait, in an economic environment where a commercial service could not exist.

There is an argument within many industries, not merely aviation, that regulatory intervention in an otherwise commercial market is unnecessary and unwanted. Currently, the National Competition Council is in favour of eliminating all legislative positions that restrict competition in any way. However, the Queensland government strives to maintain an agenda that fits within the national competition policy in as much as regulating certain rural and remote air services is considered to be of public benefit. One of the stated objectives of the Transport Operations (Passenger Transport) Act is to provide a reasonable level of community access to public passenger transport and mobility in support of the government's social justice objectives. On these particular routes the Queensland government uses competition for exclusive service contracts as a method of achieving the best result for rural and remote Queensland.

Queensland Transport regulates and/or subsidises certain RPT air services to ensure that identified transport disadvantaged communities have year round access to a range of essential business, educational, medical, government and cultural destinations. Regulations are achieved by means of public tender and the subsequent issue of exclusive air service contracts for declared routes for a five-year period. A subsidy is paid for certain routes where there is a shortfall between the cost of operating the air service at a standard prescribed by Queensland Transport to meet the regional needs of the community, and the revenue collected as fares on the respective service. Subsidy funding also allows the Queensland government to ensure the air fares are maintained at a reasonable level. Part of the evaluation panel's selection criteria includes the airline's ability to provide connectivity with major domestic and international trunk routes, including access to a global distribution reservation system. For the first time, in 2002 the Queensland government provided an additional regulated and subsidised air service to the communities in the Gulf of Carpentaria.

One of the requirements of the new service was that air fares had to reduce by 20 per cent for this route. However, Queensland's regulated air service regime is not simply an exercise in closing off competition and administering hand-outs on selected routes. In fact, the two Queensland government contracted airlines are now subject to greater accountability than ever before. This is partly due to concerns that in some instances there are still aviators, and not executives, controlling small aviation businesses. The service contracts prescribe strict monthly reporting requirements. The failure to comply with such requests could result in withholding subsidy payments from the operators. For the first time, there is also a contractual obligation on the airlines to conduct air user group meetings in all of the rural and remote centres that receive a regulated service. This forum is aimed at achieving an open dialogue between the airline and each community and its services to discuss all aspects of the air services.

The cost of providing regulated and subsidised air services to Queensland transport-disadvantaged communities will total almost \$35 million over the term of the five-year contracts. Some far greater than this will be required in order to create true equality to access throughout the state as certain communities in the Gulf of Carpentaria and Cape York areas are still subject to some of the most expensive per-kilometre air fares in the country. The Queensland government is investigating this issue by conducting a thorough fare analysis to be completed by the end of the 2003-04 financial year. However, there is a clear need for the Commonwealth to assist the Queensland government in providing the financial resources needed to properly address this imbalance. It is my opinion that the Commonwealth should only consider such funding requests where a state government has made its own pre-existing financial commitment to sustain rural and remote air services, and merely requires assistance from the Commonwealth to complete the assignment.

There are three other issues I would like to talk about. While safety is a priority for governments, airline operators and the travelling public, the cost of compliance with safety regulations has the potential to jeopardise the continued viability of small regional airlines. The implication for the regional airline sector is that high safety compliance costs, as with other aviation charges and levies, are passed on to consumers in increased ticket prices. This must inevitably result in a significant drop in airline passenger numbers to and from rural and remote Australia.

Local governments alone cannot sustain the financial responsibility for the upgrade and maintenance of airports in rural and remote Australia. As their ratepayer base diminishes due to shifting population trends, local governments are forced to levy higher landing fees and other charges on airlines to assist in ongoing infrastructure funding. This also adds to the financial pressures on regional airlines and, consequently, the cost of an airline ticket for the travelling public. The Queensland government's current budget upgrade of funding for rural and remote airports of \$2 million per annum is clearly insufficient considering that more than \$10 million of funding is sought in applications lodged in the 2003-04 financial year. Notwithstanding its commitment under ALOP, the Commonwealth may consider being involved in a multilevel agreement program to support airport infrastructure, especially for airports receiving RPT and/or RASS services. That completes my opening comments.

ACTING CHAIR—We also have an amendment to your initial written submission.

Mr ANDREN—I move that it be incorporated in the initial submission.

ACTING CHAIR—It is so ordered. We will move straight to questions.

Mr ANDREN—I was particularly interested in some of the evidence given yesterday. Could you explain the extent of your subsidisation processes? Is it only for remote areas? Do you offer support for any of the other towns in the 10,000-15,000 population category?

Mr Parsons—It is remote and rural. There are some smaller towns in western Queensland for which we subsidise the service to as well. It is mainly smaller towns, and also the Gulf of Carpentaria area.

Mr Vasta—I would like to add to that. The criteria for assessing whether or not a community is eligible for a regulated service falls within our Transport Operations (Passenger Transport) Act, which stipulates certain limbs within one of the sections. The minister must be satisfied that the introduction of market entry restrictions on the route would achieve a better result for that community. Once the minister is of that opinion, it will then be put to the government to endorse as a regulated service on which market entry restrictions apply. A determination of whether or not subsidy funding applies is then made. So there is no specific population or passenger number restriction as such.

Mr ANDREN—It was suggested by an earlier witness that in a deregulated environment it is in fact nonsense to talk about competition on a lot of rural and regional routes in Australia—we should be talking about a service. To what degree then do you think that the subsidisation of an air service should be regarded in the same way as the cross-subsidisation of postal and telecommunications services to outback and rural and regional Australia? It becomes a philosophical point, I know, but maybe you could address it.

Mr Vasta—I think there are certain air routes, certainly within Queensland, that can sustain the existence of one operator commercially without any government intervention which have to be treated separately to those particular services that we get involved in whereby no operator would service that route unless there was assistance. I understand what you are saying. If there were enough services that could justify their existence through fare revenue alone, and if you

could network those in the same way that you do with postal services—I assume that is what you mean—then that would make sense.

However, we are at a point now where there are a range of communities within Western Queensland that would not be able to justify the existence of a service had it not been for the Queensland government saying that we will provide subsidy funding to allow the service to continue at a prescribed service level. By saying that I mean that, if the Queensland government decided not to intervene, there may be a smaller operation travelling at times which were not convenient to the public at fares that were not accessible for the majority of the townsfolk. So we would really saying, ‘You are on your own. You can fend for yourself at a transport level,’ whereas we are actually taking the step to make it accessible by putting a service in that we believe is at a standard necessary for the community to achieve that access.

Mr ANDREN—Queensland is probably the most decentralised state in the nation. I have referred previously to Cowra, a town on the cusp of attracting business from metropolitan areas—but for the want of an air service, that would have happened. Are there similar sorts of things that may have happened through discontinuation of services in terms of your decentralisation policies?

Mr Parsons—The main reason we subsidise services is to allow access to essential services such as schools and medical centres. In last 12 months we have stepped in and subsidised Longreach’s bus service for the same reason: it is just to allow access to essential services. That is the main reason why we step in and subsidise. I am not aware of any similar instances to that of Cowra which you mentioned.

Mr ANDREN—Is there any argument from bus operators that perhaps ask, ‘Why not us?’ You are offering it to one route. Is there any conflict of train or bus versus air with the question: why should air get a special—

Mr Parsons—We are now subsidising 10 long-distance bus routes as well in Queensland.

Mr SCHULTZ—To extrapolate from what Mr Andren is saying: what are the issues that prompt you to support one particular service against another? Obviously there are extenuating circumstances, and I suppose that is basically what Mr Andren is trying to define.

Mr Vasta—Are you talking about a particular community or a particular mode?

Mr SCHULTZ—I am talking about what in that community attracts assistance from the Queensland government on aviation services.

Mr Vasta—Our legislation allows us place market entry restrictions on a particular route where the access to essential services for that community is affected by the government’s failure to intervene. In other words, we will get involved if, by not being involved, that community is considered to be transport disadvantaged. There is that grey area—and I think that is what you are referring to, Mr Andren, about those semi commercial services operating not profitably but they do not qualify as being transport disadvantaged. If they did have an air service there, their commercial environment would flourish. We have had those communities that sort of slip between the cracks, so to speak, but they are not considered transport disadvantaged.

There is a community, for example, off the coast of Queensland near Gladstone called Biloela—Thangool airport services the community of Biloela or the Banana Shire—which has an existing commercial air service on a 19-seat Metro aircraft that has at times fallen within the category of being somewhat commercially tenuous. They have asked the Queensland government to intervene and suggest that maybe this is a service that should qualify for market entry restriction and an operating subsidy. The problem with that is that the community is close to Gladstone which receives regular commercial air services and they are not what we consider to be transport disadvantaged in the context of what we are doing in Western Queensland communities. It is one of those services where it is not commercial, it is not what we consider to be rural and remote, but without someone getting involved the service may fall over. At the moment we are trying to investigate some policy whereby intervention may take place not in the method that we currently get involved with some of the western communities but maybe by bringing together the stakeholders in a service like that. We might be able to bring together the local government, the airline, the state government, the Commonwealth government, businesses that rely on the service, and say, ‘What can we bring to the table to keep the service going?’ It may not be just a matter of putting market entry restrictions on the route and providing subsidies.

Mr Parsons—I guess our involvement is one of viability. If we see that a service is going to discontinue, then we get involved in those rural and regional areas because they need access to essential services. I guess it is to do with viability of operators and providing those people with essential services. That is really how we get involved.

Mr ANDREN—What is your lower threshold for what is not viable even to subsidise? Do you set a benchmark? How many passengers per year would a community have to deliver to make it a viable air service? Do you look at it from that point of view?

Mr Parsons—No, we do not.

Mr ANDREN—Commercial operators obviously do.

Mr Parsons—Geographical isolation is what we look at. That is where it is based. For example, we subsidise air services, as you know. In 2001-02 we put \$4 million in rural and regional Queensland in the gulf. For the same services in 2002-03 we are putting in \$6 million because we have a reduction in people travelling and we had to put in more money. It is not really about how many people are travelling; it is about giving those people an essential service.

Mr ANDREN—Do you look at it in a similar fashion to what one would expect Telstra to look at in delivering telecommunications? That is, if there is a remote homestead at the end of a line and it cost \$100,000 to get the service there, it has to be done?

Mr Parsons—That is how we look at it.

Mr SCHULTZ—It becomes a social issue too, doesn't it?

Mr Parsons—Yes.

Mr Vasta—In the 2002 air services review that was conducted by the Queensland government, we investigated a principle of community access whereby we believe that,

notwithstanding weather patterns that may influence people's access by road, a regulated or commercial air service should exist within 200 kilometres of every community. We have mapped 200-kilometre circles throughout the state for every community that receives an air service. The problem with that has been that we have now seen a hole that needs to be assessed and addressed. That was referred to before: the Cape York and the Gulf of Carpentaria communities are not receiving a service. By that we mean they are receiving commercial services, but they are not receiving regulated air services. Their air fares are among the highest in the country and they are among the lowest income earners.

So we are here today letting you know that we are aware of it. We are putting in \$6.9 million a year to address the problem around the rest of Queensland. But we have more work to do. At this point in time, we do not believe that there is a lot more in the state government's budget to fund more air services. We are now doing an analysis to assess all those fares across the state to see where we need to put more money into and how we are going to access that funding. We believe that the Commonwealth could consider addressing this problem in cooperation with the state government. This map shows the communities that we service across Queensland. All the points on the routes are receiving a regulated air service. The communities up in the Cape York Peninsula area are not receiving a regulated air service and, therefore, do not attract any government funding.

ACTING CHAIR—Could we have a copy of that document?

Mr Vasta—Absolutely.

Mr ANDREN—I move that it be accepted as an exhibit by the committee.

ACTING CHAIR—It is so ordered.

Mr Vasta—These communities do receive a commercial service on a nine-seat aircraft. However, their fare levels are up around the \$3.50 mark per kilometre compared to the regulated communities average of about 50c per kilometre. So we are saying maybe we should be directing some attention to this area. However, we have committed to \$6.9 million per annum on the existing routes. We inherited a traditional route structure, and it is very difficult to take services off communities that have been receiving a service. But we are saying that maybe some communities may have to rationalise some of the services that they are currently receiving in order to address some of the areas that are not getting one.

Mr ANDREN—What would be the cost of a subsidised service from Cairns to Weipa, for instance?

Mr Vasta—That service requires the Queensland government to provide \$446,000 per annum inclusive of GST to the operator to fly eight 50-seat Dash 8 aircraft per week. There are significant levels of patronage on that route. However, we have assessed the need for the community of Weipa to receive additional freight capacity on that route by insisting that the airline that tenders offers an additional capacity to allow for that freight need. That is one of the less expensive routes to service because high levels of patronage already exist. For example, the community on Thursday Island receives 14, 36-seat and 50-seat services from Cairns per week, but they do not have a subsidy funding arrangement with us; they have a regulated service only.

All we do is to provide market entry restrictions allowing the airline to operate in isolation. In the tender process, we believe that the airline that was successful, which was Sunstate Airlines, was able to bring down the subsidy funding required for the Weipa route based on their ability to operate the Horn Island route in isolation. We try to operate a network of routes that allows airlines to cross-subsidise among those routes to bring down the level of subsidy funding required.

Mr Parsons—The dearest ones we have would be the ones operated by Macair. They are the biggest cost to us.

Mr ANDREN—So would you be looking at some sort of contribution from the Commonwealth to an integrated aviation process that would look at similar criteria for similar routes throughout Australia?

Mr Parsons—That is right.

Mr ANDREN—And there would be benchmarks you could set for each of those—

Mr Parsons—Absolutely.

Mr ANDREN—maybe some of the South Australian, Western Australian and outback New South Wales routes?

Mr Parsons—Yes, absolutely, and we would expect the Commonwealth to show the same sort of commitment shown by the states—in the same way that the Queensland government has said, ‘We believe that there is a need for the state to fund, if necessary, intrastate services where they would not exist without the state government’s intervention.’ However, at a certain point in time the Commonwealth will need to be involved in order to address the imbalance that is occurring. Once again, we have taken the next step towards putting a service into the Gulf of Carpentaria area which was not previously in place because we believe there is still a need to service an area up there amongst smaller communities who, at particular times of the year, do not have road access because of the monsoonal seasons.

Mr ANDREN—You have a new coral reef up there, too, so it will be booming in a couple of years.

Mr SCHULTZ—At the outset I compliment you on the very comprehensive submission that you put in. Obviously a lot of work has gone into it, and I think that needs to be acknowledged. I noticed in the submission that you mentioned the role of the three levels of government in assisting the aviation industry and you talked about a national aviation policy. Doesn’t the Australian Transport Council coordinate the federal, state and territory government activity in that area; and what would a national aviation policy add to what is already in place? Can you extrapolate on that?

Mr Vasta—It is a good question. It is this mythical creature, the national aviation policy.

Mr SCHULTZ—That is why I am asking the question.

Mr Vasta—Everyone talks about it, but I do not think anybody really knows what it will be and how it will pan out.

Mr SCHULTZ—There are some people getting paid to coordinate it, aren't there?

Mr Vasta—Yes, I know. The ATC participates in the SCOT Aviation Working Group, which is a national meeting between representatives of state and Commonwealth governments to discuss issues such as the formulation of a national aviation policy. So yes, the ATC has addressed that issue. How you will get six state governments and a Commonwealth government to agree on any particular principles, especially regarding regulatory intervention, economic—

Mr SCHULTZ—It is a problem.

Mr Vasta—Yes, it is a problem.

Mr SCHULTZ—But we are working together as a joint group here; there is some hope.

Mr Vasta—Yes. I assume you were talking about the Australian Aviation Council that is getting together to form this umbrella body to sit over the top of all aviation bodies and work together to get an aviation policy for all?

Ms LEY—How many layers of bureaucracy can you fit in there?

Mr SCHULTZ—If you firmly believe from a practical point of view that we need to have a national aviation policy—and it is quite obvious that your views are similar to others with regard to the Australian Transport Council being an effective group of people—should we be moving towards a discussion by governments of a national aviation policy proposal? And what do you believe is the appropriate government forum to do that? We obviously have to get together in a forum to discuss the proposal that you put forward in a bipartisan way, right across the three levels of government, and address a very serious issue. Since this issue is not being tackled by people that taxpayers are supporting, then let us get rid of them and do something more appropriate. Do you think we can do that without falling into the trap of having a massive bureaucracy that eats up a lot of money and does not deliver anything at the coalface?

Mr Vasta—It is a very good question.

Mr SCHULTZ—I have made a statement and asked a question there. Do you agree with that general concept?

Mr Vasta—Absolutely—and how you best achieve representation from each state, cutting through those layers of bureaucracy so that you can have a body that best represents the interests of each state, is easier said than done, I agree. I suppose our notion of a national aviation policy was meant to address the issue whereby certain states—that is, Queensland—are taking it upon themselves to address intrastate regional aviation issues. However, it almost appears as though the Commonwealth's approach to assisting state governments will be to assist those governments who need assistance because they have not addressed the issue themselves. We would like to see some incentive given for state governments to address certain issues and to see the

Commonwealth also assist, if they have seen the intention of the state governments to address their own issues.

We have displayed the intention to continue regional, rural and remote aviation services in the state, but we still see a need to correct the imbalance that still exists. Are the state governments are going to show that same commitment, and is the Commonwealth going to approach a national aviation policy in that way?

Mr SCHULTZ—My view is that it is a very frustrating situation, I can tell you, in the position in which many of us find ourselves in politics. My view is that we should stop the politicking between the federal, state and local government people on issues like this and concentrate on the community and the needs of the community. We have to get that message across before we will ever get into a very positive exercise of introducing a proposal, such as the one you have talked about, on aviation. I do not know how you would go about that, but perhaps it might be a good idea if it came from the bottom up and the top down, in the interest of looking after people, because there are some very serious issues out there that people in isolated areas are dealing with and we have to address them.

Mr Parsons—Is it possible to have a select group that reports to the Deputy Premier on this—for example, one representative from each state and one from the Commonwealth—just to work out a policy?

Mr SCHULTZ—We are after your suggestions. Put it on record.

ACTING CHAIR—It just went on the record.

Ms LEY—Can you hold up that map again—the one we were looking at? Thank you. You said you inherited the route structure and it probably would not be one that you would choose, were you to start over. What changes would you make?

Mr Vasta—We have this issue that I keep coming back to and that is that certain communities who do not have a choice of modal options with their transport in the north—because of seasonal weather patterns affecting their choices—should have their needs addressed prior to any other communities in the state. Unfortunately though, politics does come into the provision of transport services, and taking services away from communities who now have a service that they rely upon is very difficult. It is a question of how to stretch the existing budget to address all the needs.

Ms LEY—So you are saying you would keep the same route structure, but you would offer different levels of help than you currently do.

Mr Vasta—Absolutely.

Ms LEY—Looking at appendix 4 of your submission, you have mentioned some companies that you provide help to. I notice that there are a few charter operations in there. There is Air Swift, Seair Pacific Gold Coast, Savannah Aviation and Gulfline Aviation. We have heard evidence from other people before this committee that have talked about CASA rules impacting on their ability to offer regular charter or even charter at all. I wonder whether you are aware of

upcoming changes that CASA is looking at that are going to make a difference to these guys and, if so, what are they?

Mr Vasta—I assume you are talking about 121B?

Ms LEY—I think so.

Mr Vasta—Yes, which is bringing into line the safety requirements for charter and RPT services.

Ms LEY—So that they will effectively be made into a de facto—

Mr Vasta—RPT service.

Ms LEY—Yes.

Mr Vasta—In the submission we referred to the impacts of these changes, bringing charter operators into line with RPT economically. One argument is that it will sort out the wheat from the chaff; one argument is that it will send many small aviators to the wall.

Ms LEY—Do you know how it will affect these ones?

Mr Vasta—I do not know how it will affect these, specifically.

Ms LEY—So they would not normally approach you with their concerns?

Mr Parsons—No, we do not have dealings with these operators; we just know they have charters. The only two operators we have dealings with are Sunstate and Macair—they are the only ones that fly subsidised services for us.

Mr Vasta—However, in answer to your question—

Ms LEY—I see, it is just a listing of known small charter operations.

Mr Vasta—Yes, but these airlines also offer RPT, so it will not impact on these airlines specifically. Alliance Airlines, Aero-Tropics, Regional Pacific, Air Mount Isa, Cape York Air, Airlines of PNG, Skytrans—they all offer RPT, so their standard, required by CASA, is already at an RPT level. Air Swift I do not think offers RPT—obviously it says there ‘charter’. Some of them offer some hybrid of charter and RPT, depending on need. I should not have said Air Mount Isa; I thought they did offer RPT, but they may not. The thing is that those airlines that offer RPT now will not be affected. It is only those that are just offering charter. Some people within CASA have informed me that the changes will not have any significant economic impact on their businesses.

Ms LEY—How do they know that, I wonder?

Mr Vasta—That is exactly right. I am not qualified to answer as to what those changes will require in terms of the money they need to spend to upgrade their operations. Certain smaller aviators have been complaining, through bodies that I have been involved in, about the impact of this and asking why there is a need to bring certain charter operations up to that standard, because they exist almost in isolation. CASA argues that the spate of accidents that have occurred recently in general aviation have required this. We are at a point where we are not really qualified to comment. In answer to your question, those airlines that have RPT currently and also offer charter flights will not be affected at all. If you ask those that offer charter only, they say it will have a big impact, but CASA tells us it will not. So I will sit on the fence for that.

Ms LEY—I am not sure. It might affect some that already have existing RPT and charter, because an aircraft itself might not be in the RPT category—it might only be in the charter category—so it might affect them.

Mr Vasta—That is true.

Ms LEY—I would like to add to the other comments by congratulating you on your submission and making the comment that other governments have not worked quite so hard on theirs. We really appreciate it.

ACTING CHAIR—If there is nothing else, I thank you very much for your excellent submission and your evidence today.

Proceedings suspended from 11.42 a.m. to 11.56 a.m.

DUBOIS, Mr Michael John, Business Development Manager, Tamworth City Council

ACTING CHAIR—I welcome the representative of the Tamworth City Council. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House of Representatives. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Would you like to start by making a brief statement?

Mr Dubois—Thank you. I would like to address three issues as part of my submission: firstly, the adequacy of air services in New South Wales; secondly, the hub and spoke operation; and, thirdly, the fees and charges that are currently being charged by regional airports. In terms of the adequacy of air services in New South Wales, Tamworth has most probably been through the whole three scenarios. We had a regulated system for many years with East West Airlines and Airlines of New South Wales that operated to other ports. That worked extremely well. Of course, there were some government subsidies in terms of some of the ports that East West used to service. In others, like Tamworth, there would not have been any government subsidies at all. We then went on to a managed competition arrangement where we basically had two airlines licensed to operate on the route. It worked marginally well. However, Tamworth, at its current level of around about 70,000 to 80,000 passengers a year, is realistically a 1½ airline route for airlines to sustain their viability.

Then we went into a totally deregulated market where we basically had three operators on the route—Impulse, Hazelton Airlines and QantasLink. While we had our passenger numbers go up to almost 90,000 a year, the inevitable occurred where there was no sustainability for those three airlines and, of course, two failed and we are now back to a single operator in QantasLink. The problem we are having at the present time is that QantasLink are unable to provide adequate capacity for the route.

In some regards I can understand their concerns in that area. We would like to see a 50-seater, particularly on our morning and evening services back to Sydney. There is a huge level of demand for those services from business orientated traffic. Qantas are unable to provide a 50-seater on a regular basis. We tend to get a 50-seater of a morning when one of the aircraft comes to Tamworth for overnight maintenance. It is only then that we get the benefit of that service. But that does not help people who are trying to plan their trip, because they do not know whether the aircraft is going to be there on a particular day.

Consequently, we are finding that people are virtually forced into booking their flight almost two weeks in advance to be sure that they can get on a particular service on a particular day. What is happening now is that people can get down on a particular flight but cannot get back that same night and are faced with the prospect of having to stay overnight in Sydney. You are looking at a cost of \$150 to \$200 a night per person to stay there. So people are opting out. They are saying, 'I may as well drive to Sydney and start my journey back, and if I get to Muswellbrook or Scone and stay in a motel overnight, it may cost \$80 a night and I can be back in Tamworth at 8.30 to start the next day.' We are finding that, if people cannot get on those flights and get back in the one day, they are opting out of the air transport mode.

Qantas have a problem—and I can understand their dilemma. You just cannot go out and spend \$20 million on an investment and then have competition come in and suddenly find that you have got a piece of equipment that is just not suitable for the route any longer. They have got investments. Realistically, it might be time to go back to a situation where we say to a particular airline, ‘Here is the route—Tamworth to Sydney. You have got it for a period of 10 years.’ You control their fare structure, but it gives them the opportunity to purchase equipment and then amortise that investment over a period of time. There is always that uncertainty in there.

Ms LEY—How much over capacity would you say you are on average?

Mr Dubois—Over capacity at the present time in terms of passengers versus the number of seats?

Ms LEY—Yes.

Mr Dubois—We are running very close to our seat capacity. We currently carry 5,900 to 6,000 passengers per month, and we have a seat capacity of about 6,200. So it is very limited on those heavy demand flights. That is what we are looking at in trying to meet that capacity. We have had no interest from other operators to come back into the market, particularly Rex. Once again, while we stay at that 70,000 passenger level, there is not the incentive for the airline to come back in because both of them are going to have to compete and their profitability on the route is going to be very marginal. At the present time, Qantas are quite happy. They are filling up their 36-seater aircraft, so they are ecstatic. But, from the community’s point of view, it is not a very good mode of transport if you cannot have some confidence and stability in knowing that you are able to travel by air at short notice. A lot of the business travel does not have the ability to forecast two weeks in advance their demand for services.

Mr SCHULTZ—Are Qantas doing that on a daily basis or is it on a selective basis when they get their aircraft filled?

Mr Dubois—When they provide us with a 50-seater?

Mr SCHULTZ—No, with the 36-seater that they are carrying.

Mr Dubois—We always have a 36-seater.

Mr SCHULTZ—Are they going down every day in the hours that meet the needs of businesspeople?

Mr Dubois—We have four return services a day. One leaves Tamworth at 6.50, another one leaves at 10 o’clock, there is a lunch time flight 2 o’clock and then there is afternoon flight at 5 o’clock.

ACTING CHAIR—How long does a flight take?

Mr Dubois—Forty-five minutes to 50 minutes.

Mr SCHULTZ—If your market exercise tells you that a market is certainly there to fill an aircraft with 50 passengers, why would Qantas not provide that?

Ms LEY—It is not quite enough.

Mr Dubois—It is just they have five Dash 8 50-seaters in their route structure, and they are heavily used on the Sydney-Canberra route. I can understand that from an airline point of view—that is a nice profitable route. I would be flying it with a 50-seater all the time. They use it on the Sydney-Albury route and also the Sydney-Coffs Harbour route, and of course now they have been virtually forced into putting a 50-seater on our afternoon flight because of the market demand that insisted they have a 50-seater on that route. That is simply because people just could not get back. They would come into Tamworth of a morning and then they could not get back of an afternoon with the demand, also, from people wanting to go from Tamworth to Sydney.

Mr ANDREN—Thanks for that. It is interesting that some of the other operators seem to look at 30,000 as a break-even, which would suggest that you have capacity for two operators with 78,000. But you are talking about a demand for a specific 50-seat service. What difference is there apart from speed and a bit more space? What is the difference in terms of the appointments and luxury of a 30-seater as opposed to a 50-seater?

Mr Dubois—Very little. There are the exact same seats on the aircraft. It is just that one is a bit bigger than the other. They are both Dash 8 aircraft. One is what they call a Dash 8 200 and the other is a Dash 8 300, but they are identical aircraft other than that the 300 is stretched a little bit.

Mr ANDREN—Right. Why would 78,000 represent 1½ services for Qantas? Orange delivers at the moment about 30,000 or 35,000, and I think Rex say that on a route like Orange-Sydney 35,000 is about the break-even number. That would suggest that, at 78,000, you have twice what Rex regards as a viable number.

Mr Dubois—I would have to question the comment that 35,000 is a viable route. In fact, Rex are going to the councils asking for relief in terms of their passenger fees and saying that they cannot continue to operate.

Mr ANDREN—That leads to another question. Some councils are putting almost a user-pays basis on the use of their airports, while others are saying they will offer subsidies for use of them. Where do you lie in this? Say you have 35,000 people travelling out of a port, many of them the same people and possibly government services making up a large proportion of that. To what degree should the ratepayer who does not use air be required to subsidise the cost of that airstrip?

Mr Dubois—That is a decision that each individual council has to make. In the case of Tamworth, Tamworth City Airport is operated as a business entity of the council. My role as the manager of that facility is to ensure that we not only cover our costs but also make a return for the council. We are one of the few airports around New South Wales at the present time that could say it is a profitable facility. I should point out that there is often argument placed on regional councils about the level of fees they charge. But you must bear in mind that regional

airports do not have the ability to generate revenue through non-aeronautical activities such as car parks, shopping complexes and rents from leased sites.

ACTING CHAIR—There must be some sort of income from that, because you would have companies associated with aviation there, surely.

Mr Dubois—Not a lot.

ACTING CHAIR—Are there flying clubs?

Mr Dubois—Tamworth is lucky, because we have the big flying college, British Aerospace Flying College, based there. But we are the only airport that has that sort of activity that generates income for us.

Ms LEY—Some councils have opened up residential blocks at their airports.

Mr Dubois—They have. That is right. But that is a very dangerous precedent to get yourself into, because eventually you will find those people will be voting to have the airport shut down. What I am saying is that we have similar cost structures to what major capital city and large domestic airports have, but we do not necessarily have the revenue to be able to generate that from non-aeronautical means. Therefore, the only way we can charge these fees is on a per passenger basis. It is interesting: on the ticket that I flew up on today, out of an \$884 air fare, there is \$171 in a tax bracket box. The thing is that local government does not have the ability to charge taxes. Ours are not a tax at all; ours are an operating fee that is applied to the airline on a per passenger basis, at the airlines request, I might add—for the upkeep of that airport—the runways, the taxiways, the terminal buildings and the aprons. They all cost money to maintain, and we have to get our revenue somewhere to maintain them.

Mr ANDREN—What sort of head tax does Tamworth impose?

Mr Dubois—We charge \$12; it is \$13.20 with the GST component. That will generate a revenue for us this year of about \$770,000.

Mr ANDREN—What sort of infrastructure upgrades are you faced with at the airport and how does that sort of revenue fund that?

Mr Dubois—Last year, we had an overlay of our main runway, which cost us \$2½ million. This year we have to overlay our parallel runway that is mainly used by the flying college for their circuit training, and that will be about a \$400,000 exercise.

Mr ANDREN—What contribution do you get from the flying college?

Mr Dubois—The flying college pay us an operational fee that is based on the number of movements that they do on a yearly basis—their projected number. They actually pay us quarterly, in advance, for that. So it is set at a fee. It is not based on each activity they do on a monthly basis; it is a projected for a 12-month period and then it is paid quarterly in advance.

Mr ANDREN—Is your business operation at the airport self sustaining, or to what degree do you cross-subsidise it from your rate revenue?

Mr Dubois—There is no cross-subsidisation at all.

Mr ANDREN—It looks after itself?

Mr Dubois—It looks after itself. In actual fact, we will most probably make a profit this year of about \$300,000 after we have paid off our loans for the runway overlay.

ACTING CHAIR—What sort of market do you have going from Tamworth to Brisbane, for example?

Mr Dubois—At the present time, we do not have any service at all between Tamworth and Brisbane. This morning I had to fly to Sydney and then Sydney to Brisbane to come up here. Macair did operate the service up until January of this year, when they withdrew. The reasons, we are not sure. We now have been in discussion with Sunshine Express and they will start a service hopefully on 14 July.

Ms LEY—From Tamworth to Brisbane?

Mr Dubois—Yes.

Mr ANDREN—What sort of demand is there for that?

Mr Dubois—A huge demand, actually. If you combine it with Armidale—the flight actually goes Tamworth, Armidale, Brisbane—you are looking at about an 11,000 passenger market. And it is an ideally suited market for an 18-seater aircraft.

Mr ANDREN—It is commercial or tourism or what?

Mr Dubois—The Tamworth-Brisbane market is most probably somewhere in the order of about 60 per cent commercial, 40 per cent tourism, whereas our Tamworth-Sydney service is most probably about an 80 per cent business market, 20 per cent VFR—visiting friends and relatives.

Mr ANDREN—Could we move on to the hub concept. Is it Glen Innes, Inverell, Armidale, Tamworth?

Mr Dubois—There used to be a service—QantasLink operated a service using Airlink aircraft from Dubbo, David Miller's group. It was an Inverell-Glen Innes-Tamworth service that joined onto the QantasLink service to Sydney. That operated for a period of about six to nine months and then Qantas pulled that service in February of this year, citing that it was no longer viable. The problem with the service, once again, was that it did not meet the community needs. They were meeting up with our 10 o'clock departure out of Tamworth and they had to come back on the 3.45 to get their connecting flight back to Inverell and Glen Innes. That effectively gave someone who was coming to Sydney for business a maximum of about three hours to do any business, otherwise they would miss their connection back to those ports. Alternatively, what

they had to do was get up at three or four in the morning, travel to either Armidale or Tamworth and then not get back home until sometimes 10 o'clock at night.

Mr ANDREN—But that is the inherent problem with the hub and spoke, I think. Dave Miller made the point that with Rex and Qantas flying out of Dubbo, to service the peak hour commercial requirements out of Dubbo you would have to be getting up at three o'clock in the morning at Coonamble or at Bourke or somewhere to get to your airport, and it just did not work.

Mr Dubois—I know. For those operations you have got long distances flying, but from Inverell and Glen Innes to Tamworth, you are looking at most probably no more than a half an hour flight. You could leave those ports at six o'clock, come in to Tamworth at 6.30 and still be on the 6.50 flight out.

Mr ANDREN—How profitable would that sort of thing be for a owner operator? Is that what you are talking about?

Mr Dubois—That is the problem that you are faced with in hub and spoke. The spoke legs are always the dearest part of the operation. For them to be effective in a community like Tamworth, Inverell and Glen Innes, I believe there needs to be some sort of subsidy to make them cost-effective.

Mr ANDREN—Someone described it, I think, something along the lines that you are delivering cream to the regional operator.

Mr Dubois—Very much so.

Mr ANDREN—Is there some incentive or regulated process that could require that beneficiary to cross-subsidise that fare?

Mr Dubois—That is an option that should be explored as well. Part of the reason Qantas did not want to feed those passengers from Glen Innes and Inverell into that early morning service out of Tamworth was that it is taking away from the existing market demand that was already there. All they were doing was putting Tamworth people offside by taking another 10 seats, effectively, off a 36-seater aircraft. When we had three services operating out of Tamworth on those early morning flights, we had 63 seats availability virtually to go from Tamworth to Sydney. We are now down to 36. So that demand that was there has suddenly been almost halved and the competition to get on there is a mess. The last thing Qantas wanted to do was to then throw another service in there that took another 10 seats off that already 36 seats availability.

Mr ANDREN—I have one more question but my colleagues might have some first. My independent colleague, Mr Windsor, your local representative, asked the Prime Minister a week or so ago about the fact that he hopped on a Dash 8 out of Tamworth with no security. I do not know to what extent you would want any of this in camera, Mr Chair.

ACTING CHAIR—There are no members of the public here, but it will go in *Hansard*.

Mr ANDREN—I guess the point is on the record as to what degree of security is required out of Tamworth vis-a-vis at Dubbo, Orange, Wagga or one of the smaller feeder ports.

Mr SCHULTZ—Mr Chair, I do not want to stop my parliamentary colleague from asking a question, but can I just point out that, for no other reason than the security of this nation, I think that is a very difficult area to be in at the moment. I just say that for what it is worth.

Mr ANDREN—I am just interested in the fact that it has been brought up as an example—the Tamworth example.

ACTING CHAIR—Let us go in camera, where we do not have it recorded in *Hansard*.

Mr SCHULTZ—I would feel comfortable with that.

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

[12.20 p.m.]

CHAIR—Are there any other questions?

Ms LEY—I am interested in your view of the type of service you are getting from Qantas. Are they on time? Are they reliable? Do you cancellations at the last minute?

Mr Dubois—Very rarely. Most of the time they run on time.

Mr SCHULTZ—No cancelled flights?

Mr Dubois—No, not on our route they do not. You have your obvious problems which you have with any airline. There will be the occasional breakdown which will cause a delay. There will be the odd time that we will have a fog in Tamworth, which is most probably only about once every winter. But other than this morning, we would have been on time but for fog in Sydney. If you are operating 36-seaters and you have got 18 or so of those aircraft in your fleet, the chances of having the delay in that side of it is very rare. But when you start operating 50-seater services then you have the possibility of having a greater chance of a delay because you have got five aircraft in the network that are shuffling around.

Ms LEY—What sort of pricing structure does Qantas have? You said you had to buy tickets two weeks in advance. Is there any discount for buying tickets in advance?

Mr Dubois—Yes, very much. There is the normal fare structure within Qantas. The normal economy airfare return is about \$570, I think. That is just a virtual walk-up on the day, if you are available, to get a seat. Otherwise you can buy the advance purchase and you can get \$370 returns.

Mr SCHULTZ—Is that to Sydney?

Mr Dubois—To Sydney and return.

Mr SCHULTZ—Getting back to your concern about the market being there for 50 business type passengers to and from Sydney on a day-to-day basis, what is Qantas's problem in terms of moving from a 36 up to a 50-seater? Is the aircraft dearer to operate?

Mr Dubois—It is most probably marginally dearer to operate because you have two hostesses instead of one flight attendant. There is most probably a capital cost of \$3 million or \$4 million extra for the 50-seater versus the 36-seater. Qantas's biggest concern, as I said earlier, is the uncertainty in that market. If they run out and they buy a 50-seater and then another operator comes in with a 36-seater aircraft, suddenly you are looking at a total seat capacity of 86 seats on that particular service.

Mr SCHULTZ—Why wouldn't they lease a 50-seater from somebody and run a trial?

Mr Dubois—They are already leasing three aircraft. Once again, your leasing costs are pretty high. They are almost as dear as outlaying the capital in the first place.

Mr ANDREN—Would your Tamworth-Brisbane service be likely to even further reduce your load for the Tamworth-Sydney?

Mr Dubois—Highly unlikely. I am most probably one passenger today that went a Tamworth-Sydney, Sydney-Brisbane leg because there was no direct service. But we have found that there is still a huge demand on that Tamworth-Brisbane leg, that people are electing to drive as opposed to going to Sydney and then flying back up here today. You are starting to look at a higher leisure market on that route than what there is on the Tamworth-Sydney route. So if you are on a leisure market and you have got a family with two adults and two children flying to Sydney today, I think it was \$800-odd for my airfare, so you would be looking at about \$3,500. So it would be cheaper to jump in your car and drive.

Mr SCHULTZ—In relation to both tourism and business, have you considered undertaking a comprehensive survey within your region that services your airport to find out what the reaction is from those people who would use the service and then present the outcome of that comprehensive survey to Qantas as a tool to convince Qantas that the market is there and they should get involved in it?

Mr Dubois—To operate on a Tamworth-Brisbane route?

Mr SCHULTZ—Whatever route. You were talking about the 50 passengers; were you talking about Tamworth-Brisbane?

Mr Dubois—Yes.

Mr SCHULTZ—Why wouldn't you do a comprehensive survey?

Mr Dubois—We have, in actual fact, and we have gone to Sunshine Express and they are now going to start up a service on 14 July that will go Brisbane-Armidale-Tamworth and then do the return leg. We have said to that airline we are prepared to give them some assistance in the start-up phase because of the fact that there has been no service for the last five or six months, to reboot that service back up again. But we are getting phone calls from people who have heard in the press. From the moment that we heard in the press that there was a possibility of that service starting up again, the airport phones have been running hot from people wanting to know when the service is going to start. We do not know why Macair pulled out of what we believe is a fairly lucrative service for an 18-seater aircraft. Qantas do not have 18-seater aircraft and therefore they are not interested in that particular route.

Mr SCHULTZ—Thank you very much.

ACTING CHAIR—Thanks very much for your evidence today and your submission. It has been very interesting. Good luck with that new service.

Proceedings suspended from 12.25 p.m. to 1.29 p.m.

HICKEY, Mr John, Manager, Marketing and Commercial, Toowoomba City Council

REDWOOD, Mr Tom, Manager, Asset Management, Toowoomba City Council

ACTING CHAIR—Although the committee does not require you to give evidence under oath I should advise you that these hearings are formal proceedings of the Commonwealth parliament. Consequently they warrant the same respect as proceedings of the House of Representatives itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament.

Mr Redwood—You have received a copy of my opening statement. I would prefer not to read it verbatim, but to actually just address some points to move it along a little quicker. For those not fortunate to live in the north of the country, Toowoomba is situated about 120 kilometres west of Brisbane and, you will probably know, is actually Australia's largest inland centre apart from Canberra. We all try to ignore Canberra in the regions. It has a population of 90,000 people and, in what we call the statistical area, it is around 105,000 people, so it is quite a large regional centre. The present growth within the city is about one per cent, but on our boundaries in the surrounding shires, it is up to about 4½ per cent. It really is a thriving community.

My purpose today mainly is mainly to speak about air transport and not terrestrial transport. We have had studies done to look at coverage for our economic region and you will see that it is actually a very large area which Toowoomba serves. It goes from the Darling Downs to half way to Brisbane, which is to Gatton Shire. It goes to south-west Queensland out to the South Australian border and up into the Northern Territory. We come down into the back end of New South Wales as far as Parkes. We go down certainly into the Walgett and Glenn Innes districts to our east. We are a substantial regional centre across the economy of this part of the country. It is estimated that our influence as a regional centre is around a quarter of a million people.

Having said all that, Toowoomba really is a regional hub which caters for a major industry of education, regional support—such as the grain growers—and a whole number of other regional centres actually based within Toowoomba. We certainly get a lot of visitors for business purposes mainly. I would say that we are not a major tourist centre—my colleague might not agree and will correct me if I step out of line—we are a major regional centre and tourism is not a major activity, although some people may think it is.

Education is very important to us. We have seven major boarding schools, a university and we even have a private boarding primary school. These service that area that I have just spoken about. Toowoomba is also a major health base with a major base hospital. For instance, I put some figures in there which I checked on yesterday, this year we have had 336 RFDS landings with evacuations so far in Toowoomba alone. We have had a 25 per cent growth over last year's activity. So we have this major health facility.

ACTING CHAIR—Where would the catchment area be for that branch of the RFDS?

Mr Redwood—It certainly comes in from Charleville, Bundaberg and some parts of New South Wales. We found in the past that when we had Flight West coming through Toowoomba we had instances where it would be two or three weeks for some patients to actually be

repatriated back as they could not get on flights—now we do not have those flights, but that is the issue I am getting to.

Toowoomba is well served by road. We have an excellent road to Toowoomba so there is no hassle in road transport although I know there is a big push to have the upgrade of the Range Crossing to get into Toowoomba, because it is quite unsafe. That is another issue, but it is not one I am addressing today.

Our airport is a major regional airport. I put some figures there about its statistics, size and operation. We operate at the present time at around 20,000 air movements a year, which is quite busy for a regional centre. We can accommodate up to a Dash 8 200 36-seater aircraft. If we were a Dash 8 300, it would be up to 50 seats, but we would not anticipate that at the present time. We are also the centre for maintenance operations, aero clubs, recreational flying and the general aviation industry. We see the role of our airport as being that regional centre.

Since last year we have lost our RPT—regular passenger transport— service out of Toowoomba, which was the link to Brisbane. It could be argued that the link to Brisbane is not the significant link, and that the significant link was aircraft coming out of Brisbane through Toowoomba and then joined to our regional centres to provide that regional service to the hinterland. At the present time we have lost that link. We now have a service twice a week from Oakey, which is the military airport adjacent to us. I believe that is not particularly well patronised, but there is that link.

ACTING CHAIR—Who operates that?

Mr Redwood—That is Macair. Council has been active in trying to re-establish a linkage in the use of air transport. One of the major reasons is to ensure that people to the west of us do have some linkage to our city, because it would be said that everyone in Toowoomba—or anyone in the country west of us—has an aunt or a grandad or grandmother who lives in Toowoomba. Therefore, it is a social hub as well as the economic hub. It has a social linkage and it has an educational link. A lot of kids come in. Their grandmothers and everyone else live in Toowoomba, so there is that linkage. We have endeavoured to try to persuade people to come and provide a service. Straightaway it is argued that, although our airport meets the safety standards and requirements of operation, economically it is not terribly viable. We have suggested to people that we will waive our fees, we will assist, and we will do basically many things within our power to try to achieve that.

We do have an issue with our state government. We have raised it directly with them that they subsidise routes that actually fly over us. We find it very difficult to understand that planes on routes that are being subsidised by our state do not stop at our city at all to pick up people who may wish to go to the west. They fly straight over the top. We also feel aggrieved in some ways because, coming the other way, it is taking our business—instead of doing business in our centre it is flying over us and we are actually coming to this centre.

We have been lobbied certainly by the university and major boarding schools to see what we can do as an authority to improve air linkage for that type of school activity. They would prefer to be with us, but there is no air linkage so if they fly they just go to Brisbane. That is one of the issues that we have. At the present time council are working with a number of small operators

who are trying to re-establish some form of air transport system. I will step ahead and link those two together.

It has been my belief that traditionally regional transport has been provided by the smaller operator who has been centred in one of these areas and will fly aircraft such as Chieftains and Navajo, which are not what the passengers would expect today—they prefer a better type of aircraft. Although there is a willingness on the part of regional operators to try to tackle this business, they are facing a number of issues. One is the cost of capital—they cannot really capitalise this type of aircraft to provide this service; I am not quite sure how we tackle that but perhaps we will have to some time—and getting a return on that capital when you get it into place.

There are other issues such as the regulatory issues. I will make a statement at this time that as a council we are never walking away from the regulatory issues because we believe in an absolutely safe operation within our control, but there are some regulatory issues that the small operator finds quite insurmountable to deal with. I am not suggesting, neither are we suggesting, that we should buy a ticket from Sydney to Toowoomba and you fly in two different standards; it should be the same standard all the way through. These are issues that the small operators are running into, in our opinion.

I have also made a number of points, 1 to 4, which are really general statements that I would like to expand on a little. Having made the statement that our council is not walking away from standards, in fact we operate an airport way above the standard that is required of us by the legislation because we believe that it is incumbent for us to set an example. It is also a perception within our community that our airport is situated within the community itself, and you cannot get them much closer to a city than ours. You therefore have to deal with the perception within the community that we as a council are acting responsibly and provide a good, safe, operating environment for any aircraft that wishes to operate into our city.

There are a number of things happening this year which we believe will impact on regional operators—I am now talking in the broader term, not so much in our specific terms. They are, first, the introduction of the ICOA standards by CASA. Some of us have some difficulty knowing why we are actually adopting that standard when the FAA and America does not. In the past our standards have been quite good and have been in many ways adequate for the operation in a regional centre.

In the ICOA standards there are going to be a number of requirements of operation, and I will just illustrate one. For instance, the overrun area at the end of the runway goes from 60 metres to 120 metres. This does not sound significant but, if you have to apply for an exemption from this condition and then have to put in place an engineering solution, that engineering solution to a regional centre could be quite expensive. Do you lengthen the runway? Do you shorten the runway? Do you do other things to overcome that? We, for instance, have a short runway, so we will have to look at some quite expensive—

ACTING CHAIR—How many metres is the runway?

Mr Redwood—Ours is 1,121. We could increase the overruns by the extra 120 metres by making it 120 metres shorter, but really we should be looking at making our runway longer to increase our usage, so we have to find solutions.

ACTING CHAIR—That is all very well, but what sort of study have you done on passenger numbers to warrant—

Mr Redwood—At this stage I would say that with the passenger numbers for that change in the runway—I am now talking to this ICOA standard—it would be difficult to do any major works, except our economic study done by Sinclair Knight Merz in 1999 did go through the whole matrices of the environmental and economic study. Its recommendation to us at that time in 1999 was to actually lengthen the runway. Since then there has been a major downturn in the aviation industry. I am saying, at this time sitting here, it may be a dubious argument. Irrespective of whether we had to lengthen the runway, under this new ICOA standard there will be a cost. I am just illustrating the cost changes which could impact on a regional operation.

We are not in criticism of the ICOA standard; we are saying that this could reflect on cost of operation to a regional centre. It really does not impact very much on a major centre like Brisbane, but in a regional centre where the scale is different we see that there could be an impact. That is all I am saying at this stage.

ACTING CHAIR—Thank you for that.

Mr Redwood—We do not have an argument with the new three-stage CASA classification. It does give the regional centres an opportunity to pick something that is best. Again I am illustrating that this new standard to a regional centre could impact. In our case it is not a great impact, but many smaller centres I have spoken to, believe that there will be a cost impact. So we are quite happy to go with that.

I must make it quite clear that from an owner's point of view there are two parts to an air operation: there is that which is the physical operation of an airport, and the airspace which operates over the airport. Although they are linked, they are in fact separate issues. At the present time—I will use our airport as an example—our airport is what they call a mandatory broadcast zone—an MBZ. Under the new national airspace, MBZ will disappear. That is a requirement in the air.

When you look at the requirement on the ground, which is the new classification of airports, if we become a certificated airport which can operate 30 or more passengers, which a Dash 8 would be, we have to improve our standards to adopt that type of aircraft, which is very little to ask. But in the airspace bit above it we are actually taking away one of the terms which many pilots find very hard to believe. We are saying that an aircraft can operate into our certificated airport—which we need to be for this class of aircraft—yet you can actually fly an ultralight into that airport without even carrying a radio or using one. We believe in our area that there is a safety issue here. Although many of the staff have gone through the NAS and all the other publications, we believe that there is some strangeness about such a decision. You do away with the mandatory requirement and then you make it a requirement to carry one. You are then putting it on the regional airport to make a higher standard, yet you have taken away one of its simple

base type air operation things above it. Those are the sorts of things that we find quite difficult to understand in the new standards.

We deal with the national airspace system. Many of those things which are being brought in with that are excellent. Our major concern is just that simple change, that we have done away with radios as a mandatory requirement. It is argued that there is some false security in this mandatory requirement not always used, but we believe that there should be. If you are required as an operator to run a certificated airport, there should be a requirement for mandatory use of radios.

My fourth point was the suitability of aircraft. I was speaking to regional operators about this cost and how do we make this happen in the regions. Generally speaking, that is the statement.

ACTING CHAIR—How far is it by road to Brisbane from Toowoomba?

Mr Redwood—It is 120 kilometres.

ACTING CHAIR—I believe the road is very good.

Mr Redwood—Yes, it is excellent.

Mr Hickey—It has been improved.

ACTING CHAIR—Is there any rail service there?

Mr Redwood—No, there is no rail service whatsoever.

Mr Hickey—There is a rail service, but it is a very slow freight service. It carries coal, wheat and sorghum, so anything that does not need to be transported urgently.

Mr ANDREN—That travel time no doubt will be reduced substantially when the range crossing is improved.

Mr Hickey—Absolutely.

Mr Redwood—The road transport is excellent and improving all the time, and with the range crossing we will be very well served.

Mr ANDREN—I noticed that you said that the subsidised services are flying over Toowoomba. What I understand from the evidence this morning from the Queensland government is that they provide that subsidised service to areas that have a 200-kilometre radius service point built into it. No-one in Queensland should be outside 200 kilometres from an air service. That is the basic thing. You would not fit that category, would you?

Mr Redwood—No, we are not really asking to fit the subsidised route category; if an aircraft is flying to an area which is in our service area which we service as a regional centre, we argue, and have been arguing for a number of years, that it should actually stop in the service centre. We are not asking for them to subsidise us to do any service to Brisbane.

ACTING CHAIR—What is the other closest landing facility apart from Brisbane?

Mr Redwood—Oakey is the military base, where you can land, and that is used as an alternative. You would have to get out to the Charlevilles and Chinchillas.

ACTING CHAIR—How far is that by road?

Mr Redwood—Charleville is four or five hours.

ACTING CHAIR—So the aircraft which fly over Toowoomba would be going to those—

Mr Redwood—Yes.

Mr Hickey—With the mayor, we went to see Queensland Transport. They gave us the very clear message that no subsidy would come our way. We made the point that we were not after that—we were simply aware that the service going from Brisbane to Roma to Charleville was flying over the top of us.

We are dealing now with a small operator who is looking at leasing an aircraft on the sunshine coast to provide us with a regular RPT service to Toowoomba and Brisbane. The major customers of that service will be the university, who are very receptive—Toowoomba to Brisbane is what they are after. The government departments—state government departments, in the main—are looking at out west, so it does not matter much to them. Education wants to service the west, because the kids from the west are flying in to avail themselves of educational services here in Brisbane. I think that is it.

You can see where a small operator, who is trying to get a return on that, finding itself up against a subsidised service, is finding it pretty difficult.

ACTING CHAIR—Yes, but if the subsidised service does not land at Toowoomba—you are talking about Toowoomba to Brisbane—why would it be a problem?

Mr Hickey—The problem is that the operator who is looking at the Toowoomba to Brisbane service would love to be able to get into the western service as well—to access that market.

Ms LEY—Is there a great deal of demand for Toowoomba, out west and back to Toowoomba?

Mr Hickey—This is hearsay, I must tell you. I have not seen any figures, but our information is that it is not heavily patronised.

Ms LEY—You are a big regional centre which is quite progressive, and there is obviously a large pool of people there. If the market was there, you would find that some operator would establish a service. They have been doing that in centres where the critical mass is a lot smaller.

Mr Hickey—That is our point—exactly.

Ms LEY—But they are not.

Mr Hickey—No, they are not, because there is a subsidised service coming direct to Brisbane.

Mr ANDREN—Wouldn't it be in the interests of the state government to allow an entrepreneur to explore that and, if it fell on its face, then reimpose the taxpayer-subsidised service?

Mr Hickey—We would have thought so. We were asking them to incorporate a Toowoomba stop—no cost; no subsidy or whatever.

Ms LEY—This is really about you seeing—quite rightly—that Toowoomba is an alternative to Brisbane for a lot of those services.

Mr Hickey—Yes.

Ms LEY—So it is about regional development for Toowoomba?

Mr Hickey—Yes.

Ms LEY—It is not about existing demand, but about a possible future demand. That, of course is a little bit different.

Mr ANDREN—What were the numbers per annum coming out of Toowoomba to Brisbane when Flight West pulled out?

Mr Redwood—It was Eastland and Flight West. The best they were doing on an annual basis, on the Brisbane-Toowoomba link—this is coming from memory, so please don't hold me to the exact thousand—was between 12,000 and 13,000 a year, just on that link. However, as John said, there is someone looking at that. We have also been looking to get that out west, as much as we can. We are not looking for a subsidy for ourselves.

Mr ANDREN—No, but most operators we have spoken with reckon that 30,000 is about the cut-off. I have heard that Hazelton used to talk in terms of 20,000. Perhaps, with lower overheads, they were able to do that. However, 12,000 is getting very marginal, isn't it?

Mr Redwood—Yes. Coming to Brisbane, it is a marginal operation. With the improvement of road infrastructure et cetera, that is always going to be a marginal one.

Mr ANDREN—Would you be able to top it up to any great degree, out of your other points, if they were milk-running into Toowoomba and then into Brisbane? Do you reckon you would get up to 20,000 a year?

Mr Hickey—From the figures I have seen—from memory—in the latter part of the third year, they are hoping to get up to that. As I have said, certainly the university has been very receptive and very keen. Education, yes, but they are looking west—so there are two different markets. Four regular services are being looked at between Brisbane and Toowoomba. However, in the early days, they have to provide a charter service as well.

Ms LEY—What is the one-way cost of that?

Mr Hickey—The proposed cost is \$99 plus GST, one way.

Mr Redwood—And there is a substantial component in there of charges.

Ms LEY—Does that \$99 include charges?

Mr Redwood—It includes the charges.

Mr Hickey—Yes, it does.

Ms LEY—It is not a hugely profitable exercise for an operator to do because there are more landings and take-offs as opposed to time in the air.

Mr Hickey—That is right.

Mr Redwood—One of the major customers out of Toowoomba is the military. The military at present are running hire car services to service the base to the west of us and things like that. One of the major uses has been military transfers. We have two major military bases in Toowoomba: the 7th Signal Regiment to the north and the Oakey Army Aviation Base to our west.

ACTING CHAIR—It is an aviation base so they have their own—

Mr Redwood—Yes, but they use the RPT—the regular passenger transport—to transfer their customers.

ACTING CHAIR—You mentioned that the education sector would be a big client, but the educational terms go for three months or something like that. There could be a demand from the start of the term for people going to—

Mr Redwood—You are absolutely right, Mr Chairman.

ACTING CHAIR—At the end of that term, they need to go back again.

Mr Redwood—We have looked at whether it is possible to charter an aircraft or a school operator—you cannot on-sell on a charter—and whether it is possible for one school to act as the charter of flights, which it can then let out to other schools. You can do that, but you know the regulations as well as I do in relation to charters. So even those avenues have been investigated. The university is now running vehicle transport services whereas they used to fly.

Mr ANDREN—One presumes you have a fairly good bus service between Toowoomba and Brisbane?

Mr Hickey—McCafferty's Greyhound. If I did not mention that at this forum, I would be flogged, I think, if I got back to Toowoomba. But yes, we do.

ACTING CHAIR—It is on the public record now.

Mr ANDREN—Every time I have mentioned government support for airlines or a more creative use of XPT to the central west, my bus operators are on my back straightaway, saying, ‘Listen, we operate in a subsidised environment. Why should air get any special treatment?’

Mr Redwood—I would not be in your position for the world. We are in local government.

ACTING CHAIR—You do not have to worry about that.

Mr Redwood—No, we are in local government, but we get the pump fees pressure.

Mr Hickey—Having seen Tony McCafferty recently I would respond by saying that you may be aware that McCafferty’s are subsidised by the state government to provide western services. That is a fact. The other thing—and this was Tony’s comment; it certainly appeared in the media in the last two months—is that McCafferty’s Greyhound are very much into the backpacker market. I would suggest that a bus and an aircraft market is a very different market.

ACTING CHAIR—What sort of aircraft are leaving Brisbane, flying over Toowoomba up to the other—

Mr Redwood—Dash 8s.

ACTING CHAIR—Always Dash 8s, or a comparable size aircraft?

Mr Redwood—It is predominantly Dash 8s. The Macair runs a Metro III.

ACTING CHAIR—And the Dash 8 can land on 120 metres?

Mr Redwood—Yes.

Ms LEY—It is interesting that you are not quite certain about what would be the outcome of your being included in the Brisbane-Roma-Charleville route, or am I not reflecting it adequately? Have you done any studies to indicate to a prospective airline?

Mr Redwood—It is very difficult. We have attempted, in the past, to do studies, as a city, and we have to deal with other local authorities to try to get an impression. It has been difficult to get factual information. We can get a lot of gut feeling, but to say what would happen has become extremely difficult. We have tried over a number of years to do that. Our mayor flew out to all the local authorities to talk about what they believed would happen. It really became an argument: ‘The service is not there now, so we really would not know what it would be.’ We argue that quite often the question is asked of the person who is on a flight: would you want to stop at Toowoomba? The answer would be no if you are overflying it. But if the question was asked: would you still fly if you had to stop at Toowoomba?—maybe the answer would be yes. So it is a question of trying to get a good market survey.

We have tried in the past to put together a survey through travel agents, but it is very difficult. Small communities such as Charleville and Roma do not have a real agency through which you

can book; the agency in many cases is the agent that handled that aircraft. It is very difficult to try to get those answers without commissioning quite an expensive and detailed approach. We have tried by contact and by questionnaire, but the responses have been unsatisfactory or we could not rely on them statistically. Does that answer make sense?

Ms LEY—I understand.

Mr ANDREN—Maybe you could use your university marketing schools, if they have a vested interest in it, to do a study for you.

Mr Hickey—Certainly. We approached the university and we approached QantasLink who provide that service. The perception of a Qantas-type aircraft with at least flaggings is certainly attractive in people's perceptions. QantasLink did their study and said that it does not stack up. We assisted them in every way we could. I think that possibly their expectations were a little higher than they should have been but the fact is that we are a trifle dissatisfied and now we are dealing with other operators to provide a regular service, it is as simple as that.

ACTING CHAIR—How big is the Army aviation facility? What size runway do they use?

Mr Redwood—It is 1,600 metres. It is a joint use facility.

ACTING CHAIR—It is used by the Army and—

Mr Redwood—It is classified as a joint use facility but it is predominantly Army which is rotary-wing aircraft. We certainly can land on it and have landed on it. They are now building a new civilian terminal because they have to under the joint use policy.

ACTING CHAIR—Where is that situated?

Mr Redwood—It is 23 kilometres to the west.

ACTING CHAIR—How far is the civilian 1,100 metre runway from Toowoomba?

Mr Redwood—It is 2½ nautical miles, so it is within 10 minutes. It is actually within seven minutes of the CBD. There certainly is an alternative and the military are building this terminal, but it is not operated as a general aviation airport; it is operated as a rotary-wing training school. There is always reluctance on the part of the military for us to be doing circuits in that airspace and mixing it with helicopters. They do not mix terribly well. Though it is there, it is not used extensively by us.

Ms LEY—Do they have to put this runway in? Is it a requirement that they have to improve it?

Mr Redwood—Yes, they have to put in a new terminal. That is part of the arrangement. They have to do that.

Mr ANDREN—Apart from Roma, what is the other place where the subsidised service is flying?

Mr Hickey—Charleville.

Mr ANDREN—How far are they from you in flying time?

Mr Redwood—Charleville would be about 45 minutes flying time.

Mr ANDREN—What about Roma?

Mr Redwood—That is closer. Charleville may be an hour and Roma a bit over half of that.

Mr ANDREN—We have heard, across all of the evidence, of the new generation of aircraft that might be available. We have heard of the turboprop 18-seater, the Cessna Caravan.

Mr Redwood—Yes, the single engine RPT operational, the Caravan.

Mr ANDREN—It has a cruising speed of 180 knots or something. Would that sort of milk run service touching down at Toowoomba need more than 18 seats on a daily basis?

Mr Redwood—On a daily basis I would think that that would be the case. Certainly Sunstate would not be running a 36-seater aircraft.

Mr ANDREN—How many people would those subsidised services be bringing back to Brisbane into Roma and Charleville? Do you know what their passenger numbers would be?

Mr Redwood—We had never been able to acquire those numbers. Although I believe that our CEO has recently got them, I cannot give you those because I do not have them.

Mr ANDREN—I am just wondering if there is a more economic way of an operator providing a milk run with one of the new generation of aircraft to cover those ports that you say are your natural service area and then on-flying a commercial load to Brisbane.

Mr Redwood—We had an operator looking at an aircraft like a PC12, which is about the same size as the Caravan. It is certainly a more comfortable aircraft than the Caravan. But, again, the capital cost they have to meet to try to bring that aircraft on line is quite substantial. We are talking \$3 million to \$4 million to bring it on line. So it is a big investment for a small operator.

ACTING CHAIR—We had the representatives of the Ipswich Council here yesterday very much on the same line, that they believe that it would be a good economic stimulus from an air facility like you are proposing. Given that you are reasonably close to Ipswich and we have got Warwick and Dalby, would there be an argument for one inland airport approximately in the middle of all those centres rather than Ipswich being upgraded and then your airport is upgraded and somebody else's? Would it be better value for the taxpayer if money was spent on an inland aviation airport that everybody could feed off?

Mr Redwood—I will make this comment, but it is my personal comment and may not reflect that of the council. I believe that there could be a great deal of sense in that. I know Warwick airfield—

ACTING CHAIR—Do you mean to say that that is normally what your council was saying?

Mr Redwood—I have a council that is very progressive and very supportive, but I can only make that comment because it has never been raised with council. I am now speaking from my own experience, and I believe that there could be some merit in that. We would argue, of course, we are selfish. We are that bit further west and Kingaroy is to the north of us and Warwick is about 45 minutes to the south of us. But at the end of the day, I think we will become a wash-up. I know Warwick is trying to seal their runway. At the present time it is sealed on both ends. I am a glider pilot, so I have flown out of there many times. It is sealed on both ends. Dalby, to our west, is an airfield that is certainly underutilised but really has trouble with black soil and therefore it is very difficult to keep quite good. There is a good facility at Kingaroy, but again they do not have a major population centre that matches to go with them, so there is no natural weightage, if you like, within the centre. They are out on the peripheries. But I am being selfish when I make that comment.

Mr Hickey—The only comment I would make on that is on Ipswich. I presume we are talking about Amberley. Amberley is very heavily used by the F111 from the Air Force as well as Boeing. Having not been there for years, I was there just a couple of months ago. Boeing now has a very strong presence, which is great to see.

In terms of whether that becomes a freight terminal or of the type, I do not know. Using that as a base to service western Queensland, I would suggest it is a bit like New South Wales people flying into Bankstown. It sounds wonderful, but Kingsford Smith is always a bit quicker to the city. Flying into Ipswich and then getting to Brisbane, that would have cut I think exactly 20 minutes off a one hour 30 minute trip for us this morning. So I am not too sure. I will disagree with my colleague, and it is a personal view as well. I would think, yes, that sort of makes sense, but I would think air services are not geographically based. As much as they are modern and sophisticated, you would get on them just like a bus. It is a trip from A to B in as much comfort and as quickly as you can.

Mr Redwood—I think interesting times ahead, Mr Chair.

Mr Hickey—I am sorry to disagree publicly in front of you.

Mr Redwood—That is all right.

ACTING CHAIR—If there is no other questions, we thank you for your attendance and your submission.

Mr Hickey—Just a small point: I think we have to correct a small error on page one of our submission.

Mr Redwood—Yes, a 2C class airport fully licensed by ACAD, that should be CASA.

ACTING CHAIR—Again, thanks very much.

Resolved (on motion by **Ms Ley**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 2.10 p.m.