



COMMONWEALTH OF AUSTRALIA

## Official Committee Hansard

# HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

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

WEDNESDAY, 18 JUNE 2003

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Wednesday, 18 June 2003**

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

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

**Terms of reference for the inquiry:**

To inquire into and report on:

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

**WITNESSES**

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**Committee met at 9.46 a.m.****MASON, Mr Robert, CEO, Regional Aviation Association of Australia**

**CHAIR**—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services in its inquiry into commercial regional aviation services in Australia and transport links to the major populated islands. Today is the 12th day of public hearings for the inquiry. We have previously taken evidence in Tasmania, Victoria, South Australia, New South Wales, Queensland and, on previous occasions, also in Canberra. We are now coming towards the end of our public hearings and we are, if you like, wrapping up with the organisations who speak globally for government departments or for sectors of the industry.

Today, in that spirit, I welcome to the table the Regional Aviation Association of Australia. In doing so, I would like to apologise to our witnesses today for the unexpected activities in the House of Representatives that have held up these proceedings for three quarters of an hour. I hope we have not inconvenienced you unduly. I also apologise to other witnesses who may be waiting to give evidence and to members in the public gallery.

Mr Mason, although the committee does not require you to give evidence under oath, these are proceedings of the federal parliament and, consequently, warrant the same respect as would attend to the House itself. It is customary to remind all witnesses that the giving of false and misleading evidence is a serious matter and could be construed as a contempt of parliament. Having said that, you are most welcome. As time is short, could you give us a five-minute overview so that we can get straight into questions.

**Mr Mason**—Thank you, Mr Chairman. I understand time is short, and we will try to make it as brief as we can. The regional aviation system in Australia operates under three influences of government: federal, state and local. I often hear people say we should have a national aviation policy. We already have a national aviation policy, which is a federal policy, which is a totally deregulated, free market system. However, that is not the states policy. So we have a system whereby from a federal perspective we have an open skies policy, from a states perspective we have in most cases a protected environment and from a local government perspective we have local organisations that own the airports and are responsible for the provision and upkeep of those services and are, of course, looking to recover the cost of those.

I think one of the first things that we have to examine when we look at regional aviation is whether there is a need for regional aviation in Australia. We have found that over the years the level of regional aviation activity is reducing and, while hub and spoking is becoming the catchcry to fix all the problems, we are not necessarily in agreement that hub and spoking does the trick. What we have is an operational system whereby the federal government can do very little except encourage operators. However, the biggest impact from federal government is their national policy and taxation decisions. Aviation is a totally user pays system, and it cannot compete with road funding—and road funding can, in some circumstances, lead to the removal of an aviation route. When you look at the AusLink green paper, there is very little mention in there of the needs of regional aviation.

The biggest problem facing regional aviation at the moment is government taxes and charges. Costs are always a major impediment for a regional organisation. When I say, ‘government taxes

and charges,' I do not just mean federal taxes and charges; there are also some state charges and, of course, local government charges. If I can give the committee one example, from Sunshine Express in Queensland, which operates between Maroochydore and Brisbane, the competitor there is Qantas and the motor car. That trip is a one-hour drive in a car; it is a 15- to 20-minute flight in an aeroplane. The cheapest fare that they can put into the marketplace is \$40. On top of that, they then have to add \$7.55 for the airport tax, \$10 for the Ansett ticket levy—which we understand is going—\$6.60 for the insurance levy, \$1.39 for their security levy, \$6.55 for the GST. That becomes an airfare in the marketplace of \$72.09. So 45 per cent of the airfare that they charge in the marketplace goes in taxes and charges. If they were permitted to operate their \$40 airfare, then they would probably be far better off than they are today. When a customer has to make a decision with regard to paying \$72 versus driving in the car, often the car is the winner.

Another issue that I know is of concern to this committee—because it has been raised in other hearings, and I know it is of concern to CASA—is the issue of the ageing aircraft that we have in the regional aviation system in this country. One of the impediments to changing the ageing aircraft system is the depreciation system that we currently have. Prior to the Ralph report in 1999 and the change to the taxation system, the regional operator could roll over the depreciation issues from the sale of aircraft. They are no longer able to do that, and as well as that they have to pay capital gains tax on the capital gain between the written down value and the value at sale of the aeroplane. There is a small example in our submission highlighting what that depreciation impact is—I will not go through that now.

A number of our members are involved in leasing aeroplanes, and one of them has provided the figures that between 1985 and 1998 they brought into this country 18 turbo props whereas since the change to the depreciation rules they have brought in one turbo prop. In New Zealand, which does not have the same depreciation issues that we face here, they have had delivered three Jetstream 31s and one Jetstream 32, which is four aeroplanes, and since 1999 they have introduced nine aeroplanes.

**Mr SECKER**—Who was that, sorry?

**Mr Mason**—That was in New Zealand.

**Mr SECKER**—Yes, but who did that. You were referring to a particular company?

**Ms LEY**—Were you referring to an operator in Australia?

**Mr Mason**—No, one of the operators who leases aeroplanes and imports put these figures together for me. I am not sure whether they are just their figures or a composite—

**CHAIR**—Mr Mason, I am sorry to interrupt you, but there is a division so we will all have to leave. We will persist with your evidence, but we will ask the other witness schedules for today to reschedule—

**Mr Mason**—Yes, that is fine.

**Proceedings suspended from 9.15 a.m. to 10.16 a.m.**



**CHAIR**—I declare resumed this inquiry into commercial regional services in Australia and transport links to the major populated islands.

**Mr Mason**—Thank you, Chairman. Where I am coming from is that because the federal government has an open skies deregulated policy with regard to aviation there is not a lot it can do in an operational sense except encourage smaller operators to operate into various ports. But there is nothing really that they can do of substance, because they operate within states, and states have their own infrastructures and rights. So we are saying, from a federal government perspective, regional aviation can be encouraged by looking at the cost structures that are visited upon the regional aviation system, and one of those cost structures, of course, is the depreciation of the aeroplane—it is not the only one. But, historically, if you go back before the Ralph report when there was the ability to roll over depreciation, which lessened the borrowings for a small operator, they were encouraged to upgrade their aeroplanes because the financial impediment that exists today was not there.

When we talk about hub and spoke, I read in the DOTARS submission that they were looking at the possibility of there being funding available for upgrading roads into a hub. That is fine if there is somebody there to operate out of the hub. One of the things you need is an operator to fly into the hub system, and that operator will need the relevant aeroplanes. They are still subject to those same cost impediments. What we are seeing from anecdotal evidence from the American system is that we tend to follow the American system, albeit some years behind. The Americans went to hub and spoke some 10 to 12 years ago, and they are now generating back to more point to point. I suspect that we will go through part of the hub and spoke system, and then we will go back to point to point. But to enable us to go back to point to point we have got to have operators with the ability to access aeroplanes.

The regional aviation industry are very resilient and innovative in the way they go about their business. What they want is to be able to operate without a lot of the tax imposts that exist for them today. If they have that ability, then they get the opportunity to grow regional aviation in this country. Obviously, when you grow regional aviation, then you get the commercial wellbeing remaining in the rural and remote communities. I know there have not been a lot studies done with regard to connectivity, but once a town loses its air service it then begins to lose other things—the doctor, the bank, the post office and the services that provide the social infrastructure for some of those communities. Once that happens, you get the gravitation of people to the major cities, and then we get the problems that occur in major cities—and already we are saying, ‘We have water problems in this city,’ or ‘We have sewerage problems in that city.’

So the infrastructure in the cities is then placed under great threat, when really, if we looked at putting a bit of time and effort into the regions and making it viable for operators to exist in regional Australia—and they are not asking for handouts or subsidies; most operators that I know do not want subsidies—this need not happen. What operators want is a fair go at making money themselves. They are entrepreneurs and they are innovative and, providing they can get an aeroplane at a reasonable price and can make their own commercial decisions, they will make those decisions. If it means connecting two, three or four little towns, they will do that, if they have access to aeroplanes at the right price.

**CHAIR**—At the right price. We might break into questions. I suppose I should have asked this earlier in the inquiry, but as you represent 36 organisations you might be able to give me an answer to this question: why is it that 30 years ago when I used to travel on the Fokker Friendships they went to an infinite number of small ports and picked up 10 or 12 passengers and moved on to the next? It seemed to me that the fare structure was such that it encouraged people to travel, and there seemed to be a willingness on the part of the old regional airlines like QAL, Airlines of New South Wales and TAA to service those ports. What happened to make the 30-plus seater aircraft less attracted to those routes?

**Mr Mason**—The aeroplane is not less attractive. If you look at the aeroplanes that are there today, the 36-seat Saab is still there, the Fokker 50 is still there, the 30-seat Brasilia is there, and you have the Dash 8, which has 36 seats. What has happened is a change in the philosophy in the way regional operators, in one sense, embrace their business, because it has become far more commercial. When they were owned by Ansett and Qantas the focus became bottom line oriented and the community service obligation disappeared.

My background is that I ran Skywest Airlines, as Barry would know, for some 20-odd years, and I began with their early predecessor, Civil Flying Services, in the mid-1970s. That exact culture existed that you are talking about, and we took great pride in servicing the communities and providing a service to the more regional remote communities. As much as state governments did not like cross-subsidisation from one route to another, we did that, because there is no way in the world that you can say, 'I will operate Perth to Albany and I am not going to operate Perth to Wiluna because I am losing money on Perth to Wiluna.' As a business entity, it was far better to take some of the profit from the Perth to Albany route and offset it to the costs on the Perth to Wiluna route and hold the whole network.

The other thing is that the aeroplane utilisation was a little different. The aeroplane that did Albany in the morning, because Albany was a peak service, it did morning and afternoon, because the traffic was business. Wiluna, because it was in the middle of the desert as such and did not have the numbers, got the middle of the day. So you ran the aeroplane to Albany in the morning, then you might do Wiluna after that, get back at lunchtime, do Leonora after lunch possibly, get back and do an Albany in the evening. So it provided full utilisation of the aeroplane but at the same time the mentality of the people who controlled the airlines in those days—you are talking here of the Don Kendells, Max Hazeltons and Dennis Buchanans of the world—was steeped in community service obligation. They had grown up from very small routes. When you look at an operator with a nine-seat aeroplane who starts a business—and that is where we all started—it takes 20 to 25 years to grow that business to 30 to 36 seats in the right economic environment. In doing so, you become a household name in the area in which you operate, so you have strong community support. You understand the people out there—they are not customers, they are your friends—so you put back into that community as much as you take out, and you are part of that community.

**CHAIR**—The takeover of country airports by councils or the Commonwealth stepping away from the airports: to what extent has that accelerated that disengagement, if at all?

**Mr Mason**—It has accelerated to a degree, because each shire, once it took responsibility for its airport—and most of them sit within the shires—recognised that, firstly, it was a cost impediment and, secondly, it was an asset for the community. They tried to strike a balance. In

the early days, they struck a balance so that the costs they recovered from the airport and the passenger were offset against the maintenance costs. As business began to grow and Australia as a country went through a different stage of commercialisation in our mentality, shires viewed that asset as being something that could offset the rates of ratepayers and they felt that they would be remiss in their fiduciary duty, probably, if they did not maximise what they could from that airport, in order to offset. There is anecdotal evidence that some shires not only have sufficient to maintain their airport, they also have enough to build a civic centre in town, because the community is getting the best use of the asset.

**Mr SCHULTZ**—Can I come in on a couple of points there, particularly with regard to your description of people like Max Hazelton and Don Kendell. It is true that they started off with small aircraft, but they started off with small aircraft in communities that had reasonable population bases—the Waggas, the Dubbos and the Bathurst-type communities.

**Mr Mason**—The other thing they had also was a protected environment.

**Mr SCHULTZ**—Yes, sure, and I will get to that. But the biggest problem that we have—I come from Cootamundra—

**Mr Mason**—Terry McKenzie's area.

**Mr SCHULTZ**—and last week was the anniversary of the deaths of the people who died in the Monarch air crash there. The point is that we have nine-seater aircraft that have been operating out of there for a very long period—more recently with Country Connection Airlines. But the reality is that, regardless of what you do with government charges, unless you get tails on seats and community support, those airlines are not going to survive. They will not survive for a number of reasons, and you alluded to some. One is that they can get into a car and drive from Cootamundra to Wagga, an hour away, and get on an aircraft and be in Sydney in that timeframe—well before the aircraft moves out of somewhere like Cowra, under the previous run. How do we justify maintaining those sorts of airline services to communities? Regardless of what we do, they are not going to be able to sustain those airlines economically.

**Mr Mason**—It is really a fine balance. When you look at, say, the Cootamundra to Wagga example, we come back to the cost of operating, let us say, direct out of Cootamundra, versus the cost of driving to Wagga. If the airfare from Cootamundra was \$40 to \$50 cheaper than now, given that Country Connections has finished, as a passenger you would seriously consider flying out of there versus driving across to Wagga and paying, let us say, a higher airfare. But if the Wagga airfare was also \$40 to \$50 cheaper, then you would still have that same decision. With the cost being lower, the passenger's disposable income is better utilised and they can better justify travelling twice a month at \$40 versus once a month at \$100, so you get that frequency.

**Mr SCHULTZ**—Yes. You talked about the federal government's open skies policy—in other words, open competition.

**Mr Mason**—Yes.

**Mr SCHULTZ**—You made mention of the aviation industry being a protected environment at state level. When the air industry was deregulated in the early 1990s in New South Wales, we

had a situation where we had two airlines competing for the very route we are talking about—we had Country Connection Airlines and Monarch Air. Because of the cost cutting that was created because the market could not carry that sort of competition, we had people die. The question I am asking is: how can you justify saying that the aviation industry in the states is a protected environment when compared to the open competitive market that the federal government is promoting at the federal level in that sort of scenario?

**Mr Mason**—In the protected environment a state government, let us say, will licence a particular operator, saying who can and cannot operate on that route. Therefore, knowing that they have that licence, they can maintain a certain standard. In a deregulated environment where cost pressures are brought to bear, short cuts do occur. There is nothing we can do in that sense about that—except have a different approach from CASA in some areas, perhaps. But that is a fact of the deregulated environment. Where you have open competition between operators where the margins and market base that you are trying to get into are very small, you really have to finetune your cost structure and maximise your revenue. Finetuning the cost structure is where we get some of the problem areas.

**Mr SCHULTZ**—Thank you.

**Mr HAASE**—I have a whole raft of questions, and I enjoy having you here, Rob, because you know the parts of Western Australia that I am speaking about. The chair asked a question earlier about what has changed and you told us a great deal, but I do not think you pinpointed specifically what had changed. Why is it that regional airlines do not do the milk run any more?

**Mr Mason**—Because it is no longer viable for many of them, because their cost base has gone up and the marketplace within which they are operating is not able to sustain that cost structure.

**Mr HAASE**—Why are different cost structures doing point to point as opposed to the milk run, as we know it, where half a dozen destinations are visited and then the aircraft goes back to the city?

**Mr Mason**—Because of the cost of carrying the empty seats in the intermediate ports. Let us take as an example Perth to Geraldton to Carnarvon, where they sell the reservations in Perth. You may get 20 people booking to Carnarvon and 20 people to Geraldton, but out of Geraldton you are limited to a maximum of 20 people who may want to go to Carnarvon. Geraldton is the community health centre for Carnarvon, so there is traffic between Geraldton and Carnarvon that is not serviced. But, unless they get 20 people going out of Perth to Carnarvon, if they fill it up with Perth to Geraldton people, then it flies from Geraldton to Carnarvon with only maybe four or five people on it.

**Mr HAASE**—So is it fair to say that simply increased cost structure from many—

**CHAIR**—Can I just interrupt there. I have been called to the chamber to speak. In the absence of Mr Gibbons, Mr McArthur is a senior member of committee. Will someone move that Mr McArthur become acting chairman.

**Mr SCHULTZ**—So moved.

**CHAIR**—So ordered.

**Mr HAASE**—It is fair to say, I believe, that the increased cost structure has made the luxury of flying with empty seats impossible to sustain. Those cost structures would be government taxes, perhaps; they would include the change in depreciation legislation—

**Mr Mason**—Yes. Fuel excise.

**Mr HAASE**—Yes.

**Mr Mason**—Withholding tax, if they are leasing from overseas.

**Mr HAASE**—Okay. So, if ever we contemplate a return to the milk run situation, it would only be viable if we made major changes to the costs imposed by CASA and changes to government taxes—fuel excise, et cetera?

**Mr Mason**—Yes.

**Mr HAASE**—To dream of the milk run situation, you would say, without major surgery is an impossibility.

**Mr Mason**—Correct. One of the things that we need to remember is that when we are talking about these cost reductions, we are not talking about budget-shattering dollars. We are only talking about a few million dollars in total when we look at a regional aviation. We are not talking hundreds of millions of dollars. It is very small cheese, really, but it has such a big impact in regional and rural Australia.

**Mr HAASE**—Yes. Many portfolios, of course, that have minor tweaking make major differences to the bucket when put together. However, what would you like to say about some statements we have heard in this committee in relation to affordable safety? Would you care to comment on that? Is that an area you would feel comfortable commenting on?

**Mr Mason**—We have had a number of issues about affordable safety. As an ex-operator, to my mind safety was paramount, and I received advice from my senior personnel about what made the airlines safe. Those measures that I had to introduce to make it safe were done irrespective of the cost. So that comes down to an individual assessment. I do not believe you can put a price of, let us say, \$US1 million on a life and say, if the aeroplane or that service is \$9 million—because there are nine people—then, if it costs more or less to do the changes, that is an affordable, safe way to go. I disagree with that. I believe that we need to have a totally safe system, as best we can.

When we look at the way CASA does that at this point, I believe there are better opportunities for CASA to be more interactive with the operators at a lower level, rather than being the policeman. I think they should be looking to move in with a lot of these operators—almost have their local man on the ground and take them by the hand and lead them through that safe culture that they need and that this country will need at the end of the day.

**Mr HAASE**— Do you think they need more resourcing in the way of employees?

**Mr Mason**— I do indeed, particularly in the bush and not here in Canberra.

**Mr HAASE**—I am very conscious of time, but if I may, Acting Chair, I want to take Mr Mason back to Western Australia. There has been talk recently in the Western Australian state government about protecting some of the routes and guaranteeing exclusive rights to routes on the basis of, 'If you do this, we will let you do that exclusively.' Any quick comments on that?

**Mr Mason**—What you have got to look at is what the aim of the state government is. If the state government believes that in a deregulated environment they will achieve the same objective at a better cost structure then why regulate? A state government, to my mind, should only consider regulation when it is looking to protect an air service to those communities that desperately need an air service, and in Western Australia there are many communities that need an air service and would not get a service without a protected environment. In saying that, you cannot have a half-protected environment and a protected environment. You cannot protect the inland areas which are marginal flights versus the coastal areas where you have the high predominance—the Albanys, the Geraldtons or Karrathas, where you get good traffic loads. You cannot say to an operator, 'We are going to give you competition on those but protect that end,' because if he does not make enough money on those he is going to have to have a subsidy on the other end. He has got to be able to cross-subsidise.

**Mr HAASE**— Yes, I agree wholeheartedly, and I am pleased you do. The situation in Exmouth has been maniacal, as you are aware, with a great deal of local criticism—

**Mr Mason**—Yes.

**Mr HAASE**—That criticism has been that the current provider into Exmouth is not providing capacity to grow and therefore local accommodation, businesses, et cetera, are suffering. Comment on that, please, because I know you know it.

**Mr Mason**—I do. It is difficult for me to comment, having operated that service for so many years—

**Mr HAASE**—Yes, I know.

**Mr Mason**—and done it successfully for so many years. In fact, when we took it over from Ansett we grew the business and made a profit out of it. I am not aware of what circumstances today have made it go back in time, except that I would suspect that like a lot of businesses today there are very strong commercial pressures on the bottom line. Unless each port now supports and contributes to the bottom line, it is not something they can do. If that gives them the opportunity to remove an aeroplane out of the system and then remove the associated staff and downsize, then they have gained a cost benefit. But if in just removing the service from, let us say, Exmouth they do not have the ability to save the costs, apart from just the operating costs on that route, then they have not achieved a lot. There are better ways of doing it—it is better to go out and promote and stimulate the market to cover the costs than it is to withdraw out of the market and just sit on the cost. It is better for business.

**Mr HAASE**—Thank you very much.

**Ms LEY**—You spoke about the cost of airlines doing business, and about government licences and taxes being particularly onerous. Do you see any CASA regulations adding to the cost of regional airlines doing business—unnecessarily so?

**Mr Mason**—The cost of the regulatory reform process that we are going through has not yet been fully determined and there are some very wild estimates in the marketplace as to what it costs some members to achieve. Because we are looking at harmonisation—and the current airspace system we are looking at is the American system—if we are looking to adopt systems that are similar to other countries in the world, then we should go the whole hog. If you look at the American system, when the FAA goes to change a regulation, they must do a cost benefit analysis in conjunction with industry, which is transparent to industry. If industry sees that there is a benefit in doing that change to legislation, then it happens. If there is no benefit to doing that, then it does not happen. That does not happen in this country. The legislation is done whether or not there is a cost benefit.

Very briefly, I will touch on an AD that is coming up that is called AD/General/76 Amendment 1, which is a requirement to put a fire system in the locker of some of the smaller aeroplanes because of the Value Jet crash in America. That crash happened because they carried undeclared dangerous cargo, not because of a locker deficiency at all. Whether they would have been able to extinguish that is debatable. But we are now looking at a system where some regional operators may be forced to pay millions of dollars—it is going to cost one operator \$1.5 million—just to meet this CASA requirement for a fire extinguishing system in the rear locker controlled from the cockpit, whereas other operators who may have access to the rear locker via a door from inside the cabin, like the Dash 8, can say to the flight attendant, ‘Here is a fire extinguisher, go in there and put the fire out.’ There is no commonsense in that. If we are going to have an extinguishing system, then it has to be the same all the way. Let us not just say, ‘In those three aeroplanes, because you do not have access to the rear locker, you have to put in an extinguishing system controlled by the cockpit.’ It is not good for costs.

**Ms LEY**—I think in earlier evidence we heard about CASA requirements for an emergency lighting system that is above and beyond the ICAO standard, so I think it is not just CASA adopting an ICAO standard but in some cases wanting more or better than the ICAO standard amongst our own aircraft. Do your members report that to you as a problem?

**Mr Mason**—They have not reported that specific thing to us as a problem.

**Ms LEY**—No, but generally.

**Mr Mason**—Our working relationship with CASA is very good. That is one of the reasons why our association is now based in Canberra. What we would like to see is less fixation on the regulation as a regulation to an end. What we would rather see is the regulator being involved with the smaller operators—and 121B coming in next year may be a major issue, particularly in some of the remoter parts in the north-west of Western Australia, I suspect, and in the Northern Territory.

**Ms LEY**—But wouldn’t you see your role as being very firm with CASA about what 121B will do to smaller operators?

**Mr Mason**—We have raised that issue with CASA, but CASA does not necessarily have to accept what we say, if they believe from a safety perspective that, in making those changes, the country will be better served. We would not disagree with that.

**Ms LEY**—I would suggest that, from your members' point of view, it is an argument that has to be had very loudly and clearly.

**Mr Mason**—Oh yes.

**Ms LEY**—Because CASA may believe it is a safety requirement. If your members, who are experts in their own field, do not believe it is, it is going to sound the death knell for some smaller regional airlines.

**Mr Mason**—You go back to the old reg 203 days where the supplemental airlines or regional airlines did not have to meet the airline licence, and in talking to CASA and even in our submission to CASA, we said, 'At the end of the day, what you are trying to do may be totally politically insensitive, in that the minister may be forced to grant a reg 203-type exemption or a taxi licence to a lot of these smaller operators, to enable them to survive and provide the service in the community.' CASA has made no mention of that in their discussions in taking 121B forward.

**Ms LEY**—So would your members like to go back to a pre-1980 era, where people had reg 203 exemptions, or would they see safety issues with that?

**Mr Mason**—To my mind, I do not know of an accident under a reg 203 exemption. I cannot think of one, and we had far more regional airlines operating at that time than we do today. I may be wrong in that, because I do not have access to the figures right here, but I was talking to one of the old-timers not so long ago, and he said he could not recall having an accident under a reg 203 environment, because they were so conscious that this thing was a gift and that they had to look after it, because that was their livelihood.

**Ms LEY**—Finally, do your members have any idea of the cost of compliance with CASA regulations? Do you, as an organisation, make estimates—

**Mr Mason**—No, we do not have a good—

**Ms LEY**—Do you think that would be a good calculation to make, the cost of compliance with CASA regulations?

**Mr SCHULTZ**—Would it be pertinent for me to suggest, in picking up that issue, that you should consider not only doing the costs that my parliamentary colleague has just made but putting those alongside a column that shows an alternative that gets the same results without the regulation?

**Mr Mason**—It is a welcome thought.

**Ms LEY**—This committee has heard a lot of evidence about the cost of complying with CASA regulations and many people hold the view that those regulations are totally unnecessary.



Of course, they are not all unnecessary and there is a valid cost of complying with regulation. I would like to get a handle on a quantum figure—how much it costs.

**Mr Mason**—One of the difficulties I have is that, because most of our members are larger regional operators, they already comply in a lot of areas to the CASA requirements. It is the guys who are the next level down who are going to have to step up, and they are not members of our—

**Ms LEY**—They are not members; I understand.

**Mr Mason**—As much as we talk to them, they do not really understand what 121B is going to do to them. They do not have a concept of what it is going to cost them. They will just march along until, at the end of the day, somebody will say, ‘Do this,’ and they will say, ‘I cannot do that,’ and they will put the aeroplane against the wall, and we will find that we may have lost an air service. That is the problem that we have, and that is what I am saying: if CASA, in order to introduce 121B, had to do a cost benefit analysis in the marketplace, they would be finding out that information and we would all know that, yes, it is worthwhile doing from a safety versus a cost perspective.

**Ms LEY**—An excellent point, and you raised before that that is how it is done with the FAA, obviously.

**Mr Mason**—And we believe it should be.

**CHAIR**—I think we have a quorum. I have to go to a quorum. I was going to raise some issues.

**Ms LEY**—We might have to close.

**Mr SCHULTZ**—I think we have to close.

**ACTING CHAIR (Mr McArthur)**—We will close. Thank you, Mr Mason, for your evidence. I am sorry about the stupidity of the parliament calling quorums during your important evidence. Resolved (on motion by **Mr Haase**, seconded by **Mr Schultz**):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it at public hearing this day.

**Committee adjourned at 10.51 a.m.**