
REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO PROVISION AND OPERATION OF RURAL AND

REGIONAL

AIR SERVICES IN NEW SOUTH WALES

—

At Coffs Harbour on Thursday, 27 August 1998

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The Committee met at 9.30 a.m.

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PRESENT

The Hon. A. B. Kelly (Chairman)
The Hon. I. Cohen, The Hon. J. R. Johnson
The Hon. I. M. Macdonald, The Hon. Dr B. P. V. Pezzutti

MICHAEL JOHN DUBOIS, Airport Manager and Business Development Manager, Tamworth City Council and Secretary, Northern New South Wales Airport Management Group; and

ALAN DAVID HARVEY, Airport Manager, Dumaresq Shire Council; sworn and examined:

CHAIRMAN: Mr Harvey, in what capacity are you appearing before the Committee?

Mr HARVEY: As the Airport Manager for Armidale airport.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr HARVEY: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr HARVEY: I am.

CHAIRMAN: Have you made a written submission?

Mr HARVEY: I have not made a written submission, but I am party to the joint submission by the Northern New South Wales Airport Management Group.

CHAIRMAN: Mr Dubois, in what capacity do you appear before the Committee?

Mr DUBOIS: I am appearing before the Committee today in two capacities: one as the representative of Tamworth City Council, and secondly as the Secretary to the Northern New South Wales Airport Management Group.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr DUBOIS: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr DUBOIS: Yes, I am.

CHAIRMAN: You have made a submission on behalf of the Tamworth City Council and the Northern New South Wales Airport Management Group. Would you like that submission to be included as part of your combined sworn evidence?

Mr DUBOIS: Yes.

Mr HARVEY: Yes.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to

accede to your request and resolve into confidential session. Mr Dubois, would you like to make a brief verbal statement summarising some parts of the written submission?

Mr DUBOIS: Mr Chairman, our written submission has been delivered to the Committee. Rather than go through that in detail, I would highlight a few points in relation to the submission. In relation to landing fees at Sydney Kingsford Smith airport, both the council and the northern New South Wales councils were happy to see the reduction in the landing fees at Kingsford Smith airport introduced by the new Sydney Airport Corporation. However, we do have some concerns in relation to why they have eliminated peak period pricing at this stage. Under the new Airports Act, there is the possibility that these peak charges can be re-introduced at some stage, because demand charges are not capped under the lease agreement that eventually will be signed by the lessee of Sydney airport.

In relation to slot times at Sydney airport, at the present time we are happy with the allocation that is provided to regional airlines. We believe this is fair and reasonable. However, once again, we do have concerns about the lease arrangements that will come into play once that airport is leased out, and in particular that that lease does not cover access to the airport by intrastate operations. We have had some rhetoric by a number of parliamentarians now that this will always be covered, however, we have concerns about that because Ministers come and go and governments change. We would dearly love to see the inclusion of word "intrastate" in that lease agreement specifically to provide access to the airport by international, interstate and intrastate operators. We fail to see why that cannot be included; it is simply the inclusion of one additional word that would certainly give a lot of comfort to regional New South Wales communities and to regional New South Wales operators.

CHAIRMAN: Are you only seeking inclusion of one word?

Mr DUBOIS: That is correct—inclusion of intrastate operations.

CHAIRMAN: Not "affordable access" for intrastate operators?

Mr DUBOIS: I think that will be something that the lessee will play with anyway. We would certainly like to add "affordable", but whether that comes about or not I do not know, but I expect there will be difficulty with the new lessee. Another concern we have with slot times currently to Sydney airport is that, while we accept that the airline needs flexibility in the allocation of its slots and to be able to move those around on a day-to-day basis to suit its operations, we do have concerns about the fact that the airline owns the slot, and not necessarily the community.

If an airline decides to go after another market, particularly if deregulation comes in, it can close down a lesser route, take those valuable slots, and apply them to competition on a more attractive market. What we would like to see, if slot times are going to be changed, is some consultation with that community prior to that decision being taken. Either that, or that there should be a community representative on the slot committee, on which at the present time they are not represented at all.

In relation to deregulation of intrastate services, both my council and also the northern New South Wales councils have strongly objected to any deregulation of intrastate services. We do not believe that there will be any benefit whatsoever in deregulation. Basically, you are talking about deregulating a market that is currently heavily regulated by Sydney airport. The terminals there have long-term leases, that is, Ansett and Qantas. If you are not aligned with one of those two airlines, then you will not get into those terminals. Similarly, access to Sydney airport is also regulated through the slot times at the present time. So, what you are talking about is deregulating a service that has got a heavily regulated market already.

Basically, councils are subject to capital infrastructure costs to accommodate new entrants into their market. If I might summarise the position by saying we go through all the pain for no gain in the end. Our markets in regional

New South Wales are relatively small and stable. We do not have a huge market to draw from. Those markets certainly have not increased substantially over the last couple of years. I think it is pertinent to note that even when we have deregulation of the interstate routes, at the present time we are dominated by two airlines, and every time a third airline looks like coming into being it never eventuates. Those two airlines have an enormous market on which they can draw, and the restricted competition does not seem to work too well in that market.

That basically summarises our submission. We need access to Sydney airport. The option of putting us into Bankstown airport is not viable at all. We need access to Sydney city, and we also need access to Sydney airport so that we will be able to join other domestic and international flights for both our communities. We need access to Sydney. It is vital for the redevelopment of New South Wales, but we also need it for medical access so that the communities of regional New South Wales may go to Sydney for specialist treatment.

CHAIRMAN: Alan, do you wish to make a verbal statement?

Mr HARVEY: Thank you, Mr Chairman. As I have said, we have not made a separate submission on behalf of the Dumaresq shire. We are party to the northern submission. But I would expand slightly on that. As far as the landing fees at Kingsford Smith airport are concerned, it is our opinion that the flat fee per movement is not an equitable charge to be applied across regional airlines in particular. Smaller aircraft obviously do not need the same facilities, runway lengths, heavy pavements, et cetera. It is our opinion that the annual tonnage/passenger fee is a more appropriate and equitable charge that should be applied in those cases.

Flat fees are a thin wedge to pricing smaller aircraft out, and that would be to the detriment of our region. As far as landing fees at regional airports go, in addition to what is in the submission, I would point out that Alan Tyrrell, the CEO of the Regional Airlines Association, on 30 April this year attended a meeting of the New South Wales division of the Australian Airports Association in Sydney and he stated that he did not consider the regional airports are overcharging.

In the submission it is pointed out that the regionals have to provide all facilities, whereas at Kingsford Smith airport the airlines have to provide their own, so that one cannot directly compare fees and charges in that way. In the case of Armidale, since taking over full management of the airport in 1989 or 1991, the council has spent \$517,000 upgrading the navigation system to get aircraft in. Initially, we had a minimum of 1100 feet; that was the decision height at which aircraft for the runway had a diversion. We are now down to 575 feet, and with the GPS approach non-precision will be below 500 feet. That has made an astronomic difference to the service that we have been able to provide to the local community.

Also, council has recently spent \$3.3 million upgrading the terminal and the apron areas. Those facilities are made available to the airlines as part of their flat fees, for their passenger and their tonnage fee. There is no rental charge additional for the buildings, or the use of facilities.

On the matter of slot times in Sydney, again our concern has been that there was no consultation with regional airports over the setting up of the slot system. An offer was even made at an airports meeting in Sydney that "We will notify you of the next meeting." That never occurred. The meetings all went ahead. The regional airport operators were never involved. It is our concern, as Michael said, that the slots are owned by the airlines, and that they can chop and change and decide, "Yes, I have a 9 o'clock slot. It is more important to me to take a plane in from a capital city, or a larger regional" and the smaller regionals can miss out and be allocated only lunch-time slots. Then you have overnight accommodation problems if you have morning meetings in Sydney, plus possibly two nights if it runs over and you have got to go home at lunch-time the next day.

With regard to Bankstown, our concerns are that we have an extremely busy airport. It is just about the busiest in the country. To get regionals in there, it is no easier than getting into Kingsford Smith airport. The facilities at Bankstown for passengers are virtually non-existent, and there is a massive infrastructure cost to set that up. Trying to get taxicabs and public transport into the city, or across to Kingsford Smith airport for interconnecting flights, is a nightmare, and an expensive nightmare.

As an example, in our case at Armidale, last year Lockheed-Martin committed to, and have gone ahead with, setting up a satellite tracking station and communications station. Having direct access to Kingsford Smith airport, whilst it is not the major, it was one of the major factors that influenced them to go to regional New South Wales. I could assure you that if they did not have that direct access, if they had to spend 40 minutes or an hour having to go from an international or domestic terminal across to Bankstown to get to regional New South Wales, we probably would have seen that facility in Queensland or elsewhere. So it is important for regional development and sustainability to have that access, especially for larger companies.

With regard to deregulation, in our case at Armidale the managed competition has helped us considerably. Having a second operator, our air fares did reduce, our numbers increased, and it has been a very good market. There is clear evidence that size of aircraft does matter. The smaller aircraft numbers have dropped off considerably. We have another route that goes from Tamworth, to Armidale, to Brisbane, currently flown by Impulse. When they took over that route they initially started off with smaller, unpressurised aircraft. They then expanded into a 29-seat pressurised aircraft with cabin service. Their numbers did increase, but the aircraft was too big, and other things went wrong.

They then went back to the small aircraft and their numbers plummeted drastically and very quickly. They have now settled on a 1900 aircraft with 19 seats, and their numbers have been continually but slowly growing. But they drop a lot quicker than they grow if they change their aircraft. In our case, we have Eastern with Dash-8s, Hazelton with Saabs and Metroliners. Hazelton has been increasing its Saab service. We have a growth of 3 per cent, and their growth has been over 5 or 6 per cent. They are picking up more as they put more Saabs on in lieu of the Metroliner. It does make a difference. If you deregulate and bring up smaller aircraft, the numbers will drop. And they are a lot slower to build up again than they are to drop off. As I said, our other fear with deregulation is losing the peak access and the convenience of one-day trips into Sydney. You could end up with two-day trips if you have deregulation and the larger aircraft are pulled out. Then we will be stuck with the smaller ones, which will have a major economic impact in our regions.

The other problem is that, if deregulation goes ahead, we will have concerns about compliance with Australian Competition and Consumer Commission (ACCC) requirements. As I have said, we provide the terminal areas, the counters, and the office areas. Our terminal is set up with three offices. There are six counter spaces. The airlines will not share offices. They have confidentiality requirements and they have security requirements. Our concern is that if we had open deregulation and another operator or another two operators turned up and said, "We want to fly to Sydney, you have to provide us with the same facilities" we would not be able to afford to provide those facilities, and we would run into ACCC problems. I think those are the main points that I would like to add to the other submission.

CHAIRMAN: Michael, if I could direct a question to you first. You mentioned the number of people who are flying, and that some of them are flying for medical reasons. Do you have any idea what the percentage of people who fly are medical passengers, who are business passengers, or who are tourist passengers? Alternatively, could you give the Committee the percentage who on-fly, because that is relevant when considering a proposal about Bankstown. We have heard from other people that between 20 per cent and up to a third actually hop on another interstate or intrastate flight or go overseas.

Mr DUBOIS: Mr Chairman, I do not have access to those figures, because they are airline confidential figures. But I can tell you that we notice that our market, particularly on the Tamworth-Sydney route, is quite business orientated.

Our worst month of the year is January each year, when most businesses tend to close down. Then the business traffic dries up. Yet that is our busiest month in terms of tourists and our Country Music Festival. You would expect that, with that festival, that would be our busiest month of the year for passenger numbers, but it is not by a long way.

I think that is reflected right across regional New South Wales that January is considered to be the downturn month in the aviation field.

In terms of medical access, Tamworth is used very heavily by the New South Wales Air Ambulance. On average, we have one or two flights a day flying into Tamworth and going back to either Sydney or Newcastle airport. It is a major regional centre, with a major trading hospital, and therefore is used quite heavily by the New South Wales Air Ambulance, and also by Westpac and Child Flight helicopters. In terms of actual numbers, I cannot tell you what the percentage of passengers are.

CHAIRMAN: Mr Harvey, could you help in that regard?

Mr HARVEY: It is a similar answer on the numbers. I have a graph, which I hand up. It shows how the numbers fluctuate. It is actually the same result: in December and January they are lower figures. Our peaks are September and April, which is assisted by the university camps. Discussions with the airlines at meetings at Armidale indicate that they feel that about 70 to 80 per cent is for business travel, and that is especially based on their frequent flier regular passengers, whom they can track right through.

We started to do surveys. The response from the passengers was so poor that I do not think the figures could have been credible. It was an attitude of: we want to fly, we don't want to fill out forms. That was the general result, so that exercise was abandoned. I do not know whether the medical passengers are a significant number of our regular passenger transport. Similar to Mike, we have an Air Ambulance service on demand. It is probably four or five times a week that it comes in; sometimes it might be three times a day. I could not give you a break-up on that.

Mr DUBOIS: If I could add that the airlines guard their on-carriage value very closely, but you would be looking at, in terms of the Tamworth-Sydney route, of it being worth close to \$4 million to \$5 million for the two major domestic airlines.

CHAIRMAN: Both of your councils would no doubt have management plans for a five-year period into the future, and they would incorporate a number of things, like projections of number of passengers and what plans you intend to have for expansion and all that sort of material, as well as recoupment of costs. Would you take on notice to provide us with a copy of those management plans. If there are any other questions asked of you today that you would like to take on notice and supply answers at a future date, you may do that.

The Hon. Dr B. P. V. PEZZUTTI: Mr Harvey, how many flights a day do you have direct to Sydney?

Mr HARVEY: Eastern provide three flights a day consistently and an overnighter. There is a morning flight that leaves at 6.30; there is a return flight.

The Hon. Dr B. P. V. PEZZUTTI: Just how many. I do not need the timetables.

Mr HARVEY: Five flights a day.

The Hon. Dr B. P. V. PEZZUTTI: How many passengers are taken to Sydney?

Mr HARVEY: Approximately 60,000.

The Hon. Dr B. P. V. PEZZUTTI: Is that both incoming and outgoing?

Mr HARVEY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Or is it incoming only?

Mr HARVEY: No, both ways.

The Hon. Dr B. P. V. PEZZUTTI: So 30,000 go to Sydney?

Mr HARVEY: I would not guess on the split. But 60,000 is our passenger number.

The Hon. Dr B. P. V. PEZZUTTI: Mr Dubbos, how many flights out of Tamworth? I think you told me 11 earlier.

Mr DUBOIS: That is correct.

The Hon. Dr B. P. V. PEZZUTTI: How many passengers, all up, both ways?

Mr DUBOIS: We have 76,000.

The Hon. Dr B. P. V. PEZZUTTI: In terms of slot time allocation, my understanding is that the slot times are set by a committee made up of all airline companies. Is that your understanding?

Mr DUBOIS: That is correct.

The Hon. Dr B. P. V. PEZZUTTI: Given that the number of passengers into Ballina is 100,000, or 110,000 actually, and Ballina has four flights to Sydney and back a day, do you think it is equitable for Ballina to have four flights carrying 100,000 with four slot times, compared to Armidale with five, carrying 63,000 passengers, and Tamworth with 11 flights carrying 76,000?

Mr DUBOIS: That depends on what the airline bids for and the type of equipment that they operate on that particular route.

The Hon. Dr B. P. V. PEZZUTTI: If slot times become the real issue, in other words the real pressure on Sydney Kingsford Smith airport is slot times, and when people can land, do you think it is equitable for regional people that Tamworth has 11 slots and Ballina has four?

Mr DUBOIS: That is up to Ballina, I suppose, to bid for more with the airlines.

The Hon. Dr B. P. V. PEZZUTTI: I asked you if you thought it was equitable.

Mr DUBOIS: I cannot answer that. That depends on each council.

The Hon. Dr B. P. V. PEZZUTTI: In terms of access to Kingsford Smith airport, at some stage there will be a limit reached, whether it is under managed competition or open deregulation. What difference would it make with open

competition or with deregulation in terms of the number of slot times allocated to Ballina?

Mr DUBOIS: At the present time, my understanding is that there is a pool of slots available for regional New South Wales which the airlines bid on. Now, if they require more slots at Ballina, I am sure the airlines would bid for more slots for Ballina.

The Hon. Dr B. P. V. PEZZUTTI: If that comes at a cost to Tamworth or Armidale, what would be the response of Tamworth and Armidale?

Mr DUBOIS: We would object strongly to it if we had slots taken from our particular route and applied to another route.

CHAIRMAN: All slots are not used at the moment.

The Hon. Dr B. P. V. PEZZUTTI: I am aware of that. But at some stage, if there were deregulation and Ballina got 11 slots a day—which would be really nice for the people of Ballina because they could travel a lot more—

Mr HARVEY: I don't think it would be.

The Hon. Dr B. P. V. PEZZUTTI: I am just saying in terms of choice. It could easily cover that sort of route with that many passengers, with the same size aeroplanes that Tamworth has, because it is carrying almost as many times again the number of Tamworth passengers.

Mr HARVEY: You would downgrade the service.

The Hon. Dr B. P. V. PEZZUTTI: How would Tamworth respond to a reduction in slot times, and what can you do about it?

Mr DUBOIS: We would certainly object very strongly to both the slot committee and also the State and Federal governments if we were to lose our slots.

The Hon. Dr B. P. V. PEZZUTTI: Who determines where the allocated slots go? You say it is the airlines. What do you recommend that the Committee does to ensure that communities have access to Kingsford Smith airport, rather than it being a trade thing for the airlines?

Mr DUBOIS: I believe that the community should be consulted if those slots are going to be taken from them.

The Hon. Dr B. P. V. PEZZUTTI: Even if they could be consulted, what do you think this Committee could suggest to the government as an action plan, rather than just a consultation? I mean, governments always consult. This inquiry is about the Parliament requiring the government to consult, and the government did not consult when it brought in the legislation into the lower House. Apart from just talking, do you think there is something that the government can put in place to ensure that communities have equitable access to Kingsford Smith airport?

Mr DUBOIS: It could be done in either of two ways: either that they are given a slot time for that particular route—and it may be that there is a reduction in the number of slots that they currently have—or, alternatively, there may have to be some form of hub and spoke operation whereby they have still got access into Kingsford Smith airport.

The Hon. Dr B. P. V. PEZZUTTI: I have in mind whether there could be some equitable formula. Obviously,

there is a need to protect the small routes, those carrying less than 11,000 or 12,000 passengers, places like Inverell and so on. But, for the bigger routes, like, Tamworth, Lismore and so on, should there be a slot time on the basis of the number of people who fly, or access on the basis of distance? On what distance do you think we could make a reasonable argument to government, so that we could ask the Commonwealth to regulate to make sure that Kingsford Smith airport, when it is privatised or even under its present arrangements, could have a formula that everyone thought was fair and that everybody could work to?

Mr HARVEY: I believe that regionally there needs to be an allocation of slots in the peak areas for at least one service to get into Sydney at the peak times.

The Hon. Dr B. P. V. PEZZUTTI: How many aeroplanes can land in Sydney in any one hour?

Mr HARVEY: Eighty is the capped restriction.

The Hon. Dr B. P. V. PEZZUTTI: Given that that includes all of the international and interstate jets and that, looking from this list, there would be at least 60 regional airports, how would you ensure that regional airports have a reasonable and fair share of access to Kingsford Smith airport, without just using our grunt and our political pressure? What would be a fair and reasonable way in which we could suggest to government that it might deal with this issue, whether it is regulated or deregulated, because the same issues apply whether there is regulation or deregulation, do they not?

Mr DUBOIS: That is correct.

The Hon. Dr B. P. V. PEZZUTTI: Have you thought of a fair formula that Kingsford Smith airport could use in allocating slot times?

Mr HARVEY: Not so much a formula, but at the moment virtually every regional airport has a peak slot access—well, there are two or three that do not have peak slot access, and that was a decision of the airline to not use that slot for that airport. As I said before, I believe there are slots available and the time is there so that the airports could be allocated at least one peak slot time per regional airport, but not so much a formula but a requirement.

The Hon. Dr B. P. V. PEZZUTTI: Looking at this map, I do not know how many dots are there, but there are certainly more than 40.

Mr HARVEY: I would not guess at the number of dots. But, as I say, at the moment virtually all regionals have peak access into Sydney, and that is at the airlines' discretion.

The Hon. Dr B. P. V. PEZZUTTI: What was the value of the land and infrastructure that was handed over to Dumaresq Shire Council by the Commonwealth when it handed over the control of the airport to you?

Mr HARVEY: At the time of the actual handover, the airport ground itself was approximately half the size that it currently is.

The Hon. Dr B. P. V. PEZZUTTI: I am asking you the value in 1998 value terms.

Mr HARVEY: Our current value is \$9.26 million, of which we have invested over \$5 million worth. So about \$4.5 million was the value.

The Hon. Dr B. P. V. PEZZUTTI: There is depreciation in the middle.

Mr HARVEY: There has been depreciation since then, yes.

The Hon. Dr B. P. V. PEZZUTTI: So you have never really had to recover the full cost of a \$9 million investment, whereas Kingsford Smith airport, as I understand, now operating as a corporation, has to recover the full accrual accounting cost of its infrastructure.

Mr HARVEY: We are in the process of doing full accrual accounting.

CHAIRMAN: The councils have the same accounting processes, and they must do exactly the same. It is a standard accounting method.

The Hon. Dr B. P. V. PEZZUTTI: What other incomes do you get from your airport?

Mr HARVEY: We have leases in the building area for tenants for a restaurant, we have a service station tenant, and we have several tenants on the airport with hangers and aircraft maintenance facilities.

The Hon. Dr B. P. V. PEZZUTTI: Are they direct tenants to the council or to the airport?

Mr HARVEY: To the council. They lease the land from the council.

The Hon. Dr B. P. V. PEZZUTTI: If somebody made a complaint about the operation of their business on that land, who would deal with that complaint?

Mr HARVEY: It would depend on the nature of the complaint. If it is a matter relating to the airport itself, then I would be the person who deals with it. If it is an environmental matter, it would be a combined matter for myself and the Environment Protection Authority.

The Hon. Dr B. P. V. PEZZUTTI: In terms of the flights, you have two airline operators into Armidale.

Mr HARVEY: From Sydney, yes.

Mr DUBOIS: We have two.

The Hon. Dr B. P. V. PEZZUTTI: There used to be three.

Mr DUBOIS: Only two.

The Hon. Dr B. P. V. PEZZUTTI: Given that you have got small numbers of passengers, is it difficult for the two operators to operate into your two airports?

Mr DUBOIS: In the case of Tamworth, Tamworth is most probably about a one and a half airline route. I think once you start to look at round about 100,000 passengers, it becomes viable for two airlines. Above 100,000 passengers you are starting to get into a three-airline operation.

The Hon. Dr B. P. V. PEZZUTTI: In the current arrangements, if somebody has a licence and does the bid with the Air Transport Council and gets access to a licence, do you know whether there is any penalty if the operator does

not comply with the licence?

Mr DUBOIS: At this stage I do not believe there is. The operators simply lose their licence if they do not perform.

The Hon. Dr B. P. V. PEZZUTTI: And there is no penalty for the loss of that licence?

Mr DUBOIS: No.

The Hon. Dr B. P. V. PEZZUTTI: Can they negotiate with the Air Transport Council for a change of size of aeroplane without further consultation with the community?

Mr DUBOIS: Yes.

Mr HARVEY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: And when they go for the bids for the licences, while the community might be consulted, who makes the final decision?

Mr DUBOIS: The Air Transport Council.

The Hon. Dr B. P. V. PEZZUTTI: In other words, the local community has no final say as to either the operator or the size of the aircraft?

Mr DUBOIS: That is correct. In actual fact, that is one of our comments: that maybe it should be left to the local councils to tender for their air services.

The Hon. Dr B. P. V. PEZZUTTI: What substantial difference would that make between a regulated and a deregulated service, from a community control point of view?

Mr HARVEY: I am sorry, would what make—Michael's comment or what?

The Hon. Dr B. P. V. PEZZUTTI: In other words, given that the final say is with the Air Transport Council, and that the dealings between the Air Transport Council and the licensee about the size is entirely without further consultation, what difference would it make whether it was regulated or deregulated, in terms of community input?

Mr HARVEY: If it were deregulated, there would be no community input. At the moment, we do have the opportunity to have input on the licensing. That input is taken into account. My appreciation of what is happening with our licensing is that the community's wishes are fairly closely listened to.

The Hon. Dr B. P. V. PEZZUTTI: But they do not come back to you if there is a change in the licence conditions.

Mr HARVEY: That is correct. They do not have to.

CHAIRMAN: No, they do not have to, but it is in the Act that they can.

The Hon. Dr B. P. V. PEZZUTTI: They can, but they don't.

Mr HARVEY: I understand that in some cases they have. But we can also go to them and raise our problems if we

hear that this is happening, or complain about what has been happening and find out what can be done. But their hands are tied by the legislation that they have to operate under.

The Hon. Dr B. P. V. PEZZUTTI: In your submission, Mr Dubois, at page 3 you deal with landing fees at Kingsford Smith airport. You talk about the difference between a Boeing 747 with more than 400 passengers, versus a 19-36 passenger regional. You want to look at charging on a per-seat basis. Given that the jets are operating on an international market and the regionals are operating on an internal market, can you not see that that would dramatically skew landing fees at Kingsford Smith airport and make them uncompetitive internationally?

Mr DUBOIS: It depends on how you allocate. What I am saying is that any increase in landing fees at Kingsford Smith airport are more readily absorbed by a Boeing 747 on a per-head basis than they are on a regional aircraft with only 36 seats.

The Hon. Dr B. P. V. PEZZUTTI: I am aware of that.

Mr DUBOIS: If you put up your landing fees by \$100, it is easier to offset that cost over 400 than it is over 36.

The Hon. Dr B. P. V. PEZZUTTI: Yet we have not received very much complaint at all about the standard minimum charge in any of the evidence that we have received so far.

Mr DUBOIS: From regional airlines?

The Hon. Dr B. P. V. PEZZUTTI: Yes.

CHAIRMAN: I think we have.

Mr HARVEY: I think there was relief that it actually went down.

The Hon. Dr B. P. V. PEZZUTTI: That is right.

Mr HARVEY: They had fought vehemently against the charge, and I think they have become resigned to the fact that there is going to be a minimum charge, and so they have fought hard to keep it as low as possible.

The Hon. Dr B. P. V. PEZZUTTI: They were relieved that it was set at the rate that it was.

Mr HARVEY: I think if you set anything high enough, anyone will be relieved when it is dropped.

CHAIRMAN: Because it went from \$27.50.

The Hon. Dr B. P. V. PEZZUTTI: Yes, and now it is a set fee.

Mr DUBOIS: I think there was relief to start off with, but over the next four years the actual price will increase to above what they are currently paying now.

The Hon. Dr B. P. V. PEZZUTTI: Is that set, or is that a fear?

Mr DUBOIS: No, that is a set fee of \$100.

The Hon. Dr B. P. V. PEZZUTTI: But is it your fear, or is it real, that it will increase over the next four years?

Mr DUBOIS: Well, it will increase over the next four years, because at the present time a Metroliner only pays about \$56 for a landing in Sydney. That fee will actually double. The smaller aircraft will pay more.

The Hon. Dr B. P. V. PEZZUTTI: But, over four years, from the fee that is set to start from—

Mr HARVEY: It is set at \$100, and it goes up to \$120.

CHAIRMAN: It takes about four years to get to the \$100.

The Hon. Dr B. P. V. PEZZUTTI: That is right.

CHAIRMAN: When it gets to the \$100 in four years time, he will actually be paying double.

The Hon. Dr B. P. V. PEZZUTTI: Yes. Apart from that, are you concerned that it will go higher, or that the Metroliners will be priced out? And what can we do about it? What we are trying to find out, as quickly as we can because we have not got much time, is what you think we should suggest to government to deal with this matter. That is why I am asking for definite answers so that we can get evidence.

CHAIRMAN: I think it is only limited for four years.

Mr DUBOIS: That is right. But, at the present time, under the lease arrangements, with the airport there is a cap on those sort of landing fee prices that can be set, in that you cannot increase them dramatically above a set formula, but there is no cap placed on a demand price, and a demand price can be a peak period price. So, while at the present time they have eliminated the peak period pricing and put in this base \$100 minimum charge, in another two years time the airport operator can come out and say, "We are now putting in demand prices." Then, the peak period charge may be \$500 to land at the peak period time.

The Hon. Dr B. P. V. PEZZUTTI: Given that that is a fear, what can we do?

Mr DUBOIS: What I am saying is that there should be a cap on demand prices as well, so that the lessee cannot turn around and start charging peak period pricing again.

The Hon. Dr B. P. V. PEZZUTTI: What other mechanism would an operator at Kingsford Smith airport, whether it is privatised or government owned, have to regulate the large number of small and large operators wishing to access something which is very limited, like 80 slots per hour?

Mr DUBOIS: The 80 slots per hour is not set by the airport operator; that is set by the government.

The Hon. Dr B. P. V. PEZZUTTI: Do you think the government should increase it to 120? Is that the solution?

Mr DUBOIS: Certainly. The airport has a far greater capacity than 80 slots an hour.

The Hon. Dr B. P. V. PEZZUTTI: Do you think it is more realistic, or less realistic, to believe that in 2003 any government will allow Kingsford Smith airport to operate 120 flights an hour?

Mr DUBOIS: I cannot answer that for the government because it is very politically motivated.

Mr HARVEY: The restriction is a noise-based restriction.

The Hon. Dr B. P. V. PEZZUTTI: Yes.

Mr HARVEY: Regionally, it is not a noise problem.

The Hon. I. M. MACDONALD: Is it possible to increase it to 120 but to restrict the additional number to lighter aircraft?

Mr DUBOIS: Exactly right.

Mr HARVEY: At a conference in Sydney we raised exactly that issue with John Fahey. That was about September two years ago. His answer was, "Eighty is the number, regardless of mix." We believe that the mix is an important part of the 80.

CHAIRMAN: The Sydney Airports Corporation has actually told us that that mix is very important. It wants to see the regional airlines continue to land there because that 30 per cent or 40 per cent of flights are not noisy.

Mr HARVEY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: So the reality is that it would not be possible to increase it to 120, just to allow more of the less-noisy aeroplanes in, because otherwise you would then have 80 noisy aeroplanes coming in and out. So, given that that is not likely to happen, what other mechanisms, apart from price, could the airport operator use to ensure that the owner, first, got value for money and, second, gave reasonable access to regional airports?

Mr DUBOIS: That is the use for smaller runways for regional aircraft. They do not need the larger runways; they can land on the cross runway. That then becomes a matter for decision between Air Services Australia as well, because it comes into the picture.

The Hon. Dr B. P. V. PEZZUTTI: But there are only 80 an hour. What other mechanism can Kingsford Smith airport use, apart from price, if the pressure becomes extreme?

Mr HARVEY: The 80 an hour is a problem at peak times only. The demand on peak is not necessarily an international demand; that is a scheduling thing. Most international passengers do not have a problem with off-peak landings.

The Hon. Dr B. P. V. PEZZUTTI: They land at 6 o'clock in the morning.

Mr HARVEY: But they are working in with other arrangements. The mid-day runs are not important to the international passengers.

The Hon. Dr B. P. V. PEZZUTTI: I am talking about the peak, which is when local people want to get to Sydney between 8 and 9.

Mr HARVEY: One way is to take internationals out of the peak area.

Mr DUBOIS: We cannot do that.

CHAIRMAN: We will move on.

The Hon. J. R. JOHNSON: Gentlemen, are your airports affected by fog?

Mr HARVEY: We are.

Mr DUBOIS: At Tamworth, no. We would probably be closed with fog twice a year, if that.

The Hon. J. R. JOHNSON: Does that have an effect on your landing rights?

Mr DUBOIS: Yes, it does. Obviously, if the airline cannot leave Tamworth to get its slot into Sydney, it has to apply for another slot.

The Hon. J. R. JOHNSON: Does it run into difficulties?

Mr DUBOIS: If it is into the peak period, yes, it would.

Mr HARVEY: It does on ours. It causes considerable problems. When they cannot get off the ground at Armidale, they have to reschedule their slots, and then when they could get off they could have another holding time on Armidale because they do not have another slot into Sydney for another 20 or 40 minutes.

CHAIRMAN: They cannot get off?

Mr HARVEY: Some mornings they cannot. You must have a minimum 400 metres of visibility for take-off.

The Hon. J. R. JOHNSON: Do your transport operations at your airports make a profit?

Mr HARVEY: The airport does make a profit, yes.

Mr DUBOIS: Tamworth makes a profit. Whether the airlines make a profit is up to the airlines, I suppose.

The Hon. J. R. JOHNSON: I am just concerned about the local councils. Tamworth of recent times has had to write off a considerable amount of money because one of the airline operators went belly-up.

Mr DUBOIS: That is correct.

The Hon. J. R. JOHNSON: How much was that?

Mr DUBOIS: \$210,000 at this stage, providing we do not get any recovery under the deed of arrangement.

The Hon. I. M. MACDONALD: Mr Dubois, at page 2 of your submission is a comment that I would like you to amplify. "There is also concern that under the Airport Act the eventual lessee of Sydney airport can re-introduce peak period charges as no capping will apply to demand charges." You have dealt with this a fair bit under the question of the Hon. Dr Pezzutti. Do you believe that when the airport is privatised—as I understand it will be in the next few years—that the Federal government should stipulate some conditions to alleviate the point that you make?

Mr DUBOIS: Definitely. I believe it is an avenue that is available to the lessee to increase his profit by introducing demand prices.

The Hon. I. M. MACDONALD: So the condition would be of some control?

Mr DUBOIS: Controls that demand charges cannot be introduced.

The Hon. I. M. MACDONALD: Later on, at 0.4, you say, "Airport congestion was a major problem with deregulation in Canada and the US on which IPART based their recommendations for New South Wales." Can you give us further information about this situation that developed in Canada and the United States because it is very interesting?

Mr DUBOIS: Basically, if you have a look at what occurred in the United States, it went through a period of upheaval, where quite a number of operators joined to operate services and that is now starting to settle down, and the smaller operators are falling out. It is getting back to what it was originally under a regulated market, where you had just the major operators operating. What I am saying is basically what I said earlier to you: you go through this deregulation period, and eventually you only ever end up with two operators because they control the facilities at Sydney airport. So, unless you are aligned with one of those two operators, you just do not go anywhere. I am saying that we are trying to introduce deregulation into what is a very regulated market. So, in the end, what will we achieve by deregulation?

The Hon. I. M. MACDONALD: You have looked at evidence in relation to the United States.

Mr DUBOIS: That is right. That was presented by IPART as part of its submission—that they based it on the Canadian and United States scenarios.

The Hon. I. M. MACDONALD: Have you looked at deregulation in other States?

Mr DUBOIS: It occurs in most other States, but they do not have the problems that we do at Sydney airport.

The Hon. I. M. MACDONALD: Was the argument that deregulation is a success in other States, such as South Australia for instance? Would you believe that would be applicable to our situation?

Mr DUBOIS: No.

The Hon. I. M. MACDONALD: Are there any other factors that you believe would be negative in the experience of other States?

Mr DUBOIS: I am not aware of their situations, but I think what has happened over there has grown up over a period of time. They still have the problems where new operators come in and fail because they cannot compete against the major players in the reservation systems.

The Hon. I. M. MACDONALD: Would you agree that Western Australia has a much lower population and many fewer regional centres than New South Wales?

Mr DUBOIS: Yes. But while in Western Australia it is a deregulated market, the licences are still issued by the State government. So there is a form of regulation.

The Hon. I. M. MACDONALD: So there is a process that they have to go through.

Mr DUBOIS: Yes.

Mr HARVEY: Also, one of the differences in Western Australia is that there is a State transport strategy. While the air transport part may be deregulated, there is a lot of assistance and strategy put into where the airports are and how they will operate. The financing of the airport is also partly State-funded in those cases. So it is a different strategy. It is not just a single part of deregulation through there as well.

The Hon. I. M. MACDONALD: IPART placed a lot of store in what had gone on in other States.

Mr DUBOIS: Yes.

Mr HARVEY: Yes.

The Hon. I. M. MACDONALD: For instance, would you not agree that one could not compare Victoria with New South Wales, it being a smaller State, with fewer airports?

Mr DUBOIS: Yes.

Mr HARVEY: Yes.

The Hon. I. M. MACDONALD: The situation with Tullamarine would be quite different from the situation at Kingsford Smith airport, would it not?

Mr DUBOIS: Yes.

Mr HARVEY: Very different. Also, Victoria has a very different road network, and for other than the extremities of Victoria, people in the regional areas of Victoria who wish to get to Melbourne for business or other purposes have never been so much reliant on air transport.

The Hon. I. M. MACDONALD: It is a much smaller State, is what you are getting at.

Mr HARVEY: Yes.

The Hon. I. M. MACDONALD: What about Queensland? They seem to have some sort of community service obligation arrangement that backs up their system.

Mr DUBOIS: They do have a community subsidy for a lot of those airlines that fly into the more remote regions.

The Hon. I. M. MACDONALD: So IPART's argument that New South Wales should follow the other States you believe would be comparing apples to oranges?

Mr DUBOIS: Exactly.

Mr HARVEY: It is very selective.

Mr DUBOIS: I think New South Wales is a unique State as far as air transport system is concerned.

The Hon. I. M. MACDONALD: It would have many more regional centres with above 10,000 passengers than any other State?

Mr DUBOIS: Yes, very much so. That is correct.

The Hon. I. M. MACDONALD: With its distances, the demand in this State would be higher for those sorts of regional services.

Mr DUBOIS: Yes.

Mr HARVEY: Another fact is that in other States they also have their mining and other industries, such as the gas industry in Western Australia. There are higher airport numbers. Their State population are less, but there are areas with 200,000, 300,000 and 400,000 people going through their airports. A lot of that is charter, but a lot of it is not as well.

The Hon. I. M. MACDONALD: There is not only the industry factor but the distance factor that would count there as well.

Mr HARVEY: Yes.

The Hon. I. M. MACDONALD: There is not a train from Kununurra to Perth.

Mr HARVEY: No.

The Hon. I. COHEN: Mr Dubois, in terms of the regional centres in New South Wales and the overwhelming network of routes, if there were deregulation would there be a decrease in routes, and therefore a possible advantage to country commuters, with an increase in the hub and spoke operations?

Mr DUBOIS: Hub and spoke probably is not shared totally by the northern New South Wales councils. Certainly, from Tamworth's point of view, we believe that hub and spoke is most probably the way that it eventually will occur if access to Kingsford Smith airport becomes limited, that they will be forced into a hub and spoke arrangement. The trouble with a hub and spoke arrangement is that while the actual hub to the capital city is a profitable route, the spoke links become very expensive to operate. Then you have to get an operator who can actually operate the spoke links at a profitable rate to enable the operator to continue to operate. If it is all part of a network by a larger operator, then, yes, the cost can be offset on the major leg. But it is very difficult because a lot of councils obviously are proactive and they want their own direct air services to Sydney.

In the end, most particularly from Tamworth's point of view, we see that hub and spoke is a situation that will be forced on operators and communities in years to come; that, as the prices obviously will increase at Sydney airport, that will become the only viable way to operate. We currently work out of Dubbo, and it works very well, but then you are looking at much longer distances when you go from Lightning Ridge into Dubbo or from Cobar into Dubbo. You are looking at long distances and therefore it becomes economic to run those spoke legs. If you start looking at hub and spoke around the Tamworth region, and you are looking at the Morees, Glen Inneses and Inverells flying to the hub centre at Tamworth, those spoke flights become quite expensive legs because of the distance that you are travelling and the equipment that you are operating.

Mr HARVEY: The hub and spoke system is very good for the hub, and the hub area will grow, as Dubbo has done as businesses will probably gravitate more into Dubbo, the hub area, from where we are now. If we were to go into a hub and spoke situation with Tamworth, we would more than likely find that the business is going to go to regional New South Wales. It will not be going to Gunnedah and Narrabri; it will go to where the direct hub is for the major

businesses. So you could find that the danger is that the businesses that already exist in the Inverells and places like that will say: well, to get there, we have got to get a decent aeroplane to Tamworth, then get into a smaller aircraft from there, so let's set our business up in Tamworth where we have a direct link and we will save ourselves two hours travelling. That is the danger of hub and spoke; it can be to the detriment of those other areas.

The Hon. I. COHEN: On the issue of size of aircraft, I think it was Mr Harvey who mentioned that there was a very rapid and substantial drop when the size of aircraft was reduced. Is that due to a safety perception, or is it comfort, or are there specific needs that passengers have that are not being met with those smaller aircraft? I am concerned that smaller aircraft with a greater penetration could service what would otherwise be uneconomic nodes of the air transport system. I am interested in how outlying communities can be adequately serviced.

Mr HARVEY: It is a combination of factors. You do have a safety perception. It is unreal, but once they have their licences the operators all have to meet the same requirements, and the airlines themselves will not do an on-carriage to another operator which does not meet the operating requirements. With the smaller, unpressurised aircraft, there is a definite comfort problem. We had at Armidale not a small aircraft, but a large 36-seat short aircraft that Hazelton initially had in its fleet. They cannot get out in bad weather in the tablelands areas to get up and down. Passengers were getting very sick. Luggage with aerosol cans and shampoos exploded when they got up in the air peaks. It took a long time to get that out of the minds of those who experienced that happening during the summer storm season.

With the smaller aircraft, you will notice that when people are flown in and do an interconnection either off a jet or a larger 36-seat aircraft into an 18-seat aircraft, when they hop into it, especially the smaller Metroliner with the small fuselage, and they bend down to sit down, they will straight away look around and say to themselves, "How many others are going to fit in here, and how will it be?" There is a comfort factor in that as well. So it is a combination of factors. A lot of people do not mind flying around in small aircraft, but there are a larger majority who do mind that. I think you have probably experienced that yourselves.

Mr DUBOIS: If I could give you an example of a Tamworth case. In the East West days, prior to the demise of that company, Tamworth was serviced solely by jet aircraft, the F28 and then eventually the 146 aircraft. When East West terminated their services, those were replaced by turbo-prop aircraft. This was a perfect example of a community perception that you were not flying in as safe an aircraft as the jet, and yet the flying time between Tamworth and Sydney is no different in a turbo-prop aircraft as it is with a jet aircraft. I would say that that occurred in 1992 and it most probably took three to four years for the community finally to accept the turbo-prop aircraft is a safe and reliable aeroplane.

The Hon. I. COHEN: Mr Harvey, you mentioned flat fees and movements were not appropriate.

Mr HARVEY: I felt they were inequitable. I was looking at the larger size of aircraft.

The Hon. I. COHEN: Could you give an example of where the flat fees are a problem?

Mr HARVEY: As I have said, as far as Mascot goes, if you are paying a flat fee that is the same for a large jet as it is for a regional aircraft, the regional aircraft simply does not need that runway infrastructure.

The Hon. I. COHEN: Is that occurring at the other end too, at the regional airports?

Mr HARVEY: To my knowledge, most regionals are charging a tonnage and a passenger head fee for the airlines. In our case, from 18 seats and upwards we charge a tonnage and a passenger head fee. Below 18 seats, it is only a pure tonnage fee for the use of the facilities.

The Hon. I. COHEN: From your perspectives, has Bankstown got anything going for it?

Mr HARVEY: It is a very good training airport.

The Hon. I. COHEN: But that is not to be included in our deliberations.

Mr DUBOIS: One of the concerns that I have with Bankstown airport is that the air traffic control system operates on what they call GAAP procedures. It is basically that the pilots separate themselves once they are in the air. The only separation that occurs by air traffic controllers is on the runway. You need that environment if you are under a very heavy training regime, such as where you have 340,000 movements a year.

I have grave concerns about putting passenger-type aircraft into that operating environment. While Tamworth has a very heavy training environment as well, we do not operate under gap; we operate under primary separation control, mainly because of the fact that we have training aircraft mixed in with routine passenger transport operations.

CHAIRMAN: Why is the collection of landing fees a problem with some councils, and what are they doing to rectify those problems?

Mr DUBOIS: Tamworth is lucky in the fact that we have an air traffic control tower, and so we record all our flights. Our charging regime therefore we are able to apply across the board to everyone who uses our facility. That goes for routine passenger transport, private aircraft, and so on. Everyone gets charged at Tamworth. There are no exceptions at all. Even the military aircraft pay a fee these days. So we are able to capture our broad spectrum of users.

I know that at some airports, Armidale is probably a case in point, unless you have someone out there recording who actually lands, it becomes very difficult to send bills out to people. Then, of course, one has to weigh up and analyse the cost of providing someone out there for the return that can be gained in landing fees.

Mr HARVEY: In our case, we use Avdata services, which is a tape-recorded system. They do all the billing. Some who park on the airport full time pay an annual fee, and Avdata is notified of their registration numbers so that they do not get a separate bill per movement. We tend to find it works very well. There is a very small percentage—the survey showed only about 2 per cent—con compliance with use of radio, and that was a survey done by the Civil Aviation Safety Authority (CASA), which put a fellow up there for a week at different times. So we are happy to work that way.

We were told last week by Avdata about threats by small operators saying, "If you don't give us an exemption from landing, we will take our business somewhere else, and you will never get small aircraft here." Avdata had that happen in one area. They left their recording facilities in, and after the fees were abolished there was no difference in the movements on the airfield. So, as far as the threat of "Don't charge us, or we will not come", some of it may be a game of bluff. In our case, we work with Avdata. If they get behind, we instigate recovery procedures very quickly.

CHAIRMAN: You have some association with CASA in that you are on a committee. I wonder whether that safety issue concerns you personally. I suspect there might have been an occurrence recently when one of our staff privately flew into one of the country airports and the RPT service had to bank very quickly to get out of the way of an aeroplane that should not have been there because he did not record on Avdata that he was there because he was trying to avoid paying the Griffith council landing fees.

Mr HARVEY: My association with CASA and air services has got nothing to do with it as far as that matter goes.

It is purely on satellite navigation issues and so on. But there is a concern about the use of the radio. There is technology coming forward now that uses transponders. It is an advancing technology by which transponders can be fitted to aircraft so that they continually send out a message of their exact GPS location. Many other things can be entered into that message, including the aircraft registration number. The full-blown system, looking at jet aircraft, is a full flight integrated flight management system and a full communications system. CASA has set up a committee that will be looking into the advancing of that technology. They have their first meeting on 10 September. Sweden has trialled the system extremely successfully.

The Hon. Dr B. P. V. PEZZUTTI: The Victorian taxicabs are on it already.

Mr HARVEY: It is the same sort of technology. It was developed in Sweden to monitor snow ploughs on the runways so that they did not take out the lights or run into each other.

CHAIRMAN: So it may not necessarily be very expensive.

Mr HARVEY: I could not tell you the cost of it at this stage. That is being looked at. It may be something that can be used to overcome the problem of non-radio use. The advanced part is that an aircraft can have in the cockpit a radar-like display showing all the other aircraft in the vicinity. The basic one, for the smaller aircraft, is just to send out the signal, then you are tracked as to exactly where you are in three dimensions.

CHAIRMAN: Have airport managers any major difficulties since the Federal government transferred ownership to local councils?

Mr HARVEY: We are running into some difficulties, and I think more airports are going to run into those difficulties. When we were under the wing of the Federal government their inspectors assisted and gave directions as to the works required on the airports, and you were really held by the hand. In taking over full operation of the airports, I think virtually everyone has assumed that the operational standards will stay the same.

We have now found that a lot of standards at airports do not meet, and never did meet, the rules and regulations. It is now gradually being introduced by them a direction that: you have never met this requirement; we will give you time to come up to it. For instance, our runway lighting does meet the requirements for instrument non-precision approaches, but those were the lights that were put in when the approaches were put in. The Commonwealth was prepared to carry that sort of stuff.

So there will be things come up. It is the same as the maintenance of the obstacle surfaces around the place, apron markings, and things like that. Some are very simple, and some can be a major cost. But those things are now starting to come out, and the owners are starting to find out about them, and they are also starting to find the real and full maintenance costs. We are now getting into the next resealing cycle and heavy maintenance cycles for many of these airports during the next few years, and they will find that it is an expensive business if you have not budgeted for it carefully.

CHAIRMAN: That is why we mentioned the five-year management plans.

Mr HARVEY: Yes.

CHAIRMAN: Michael, do you have any comments on that?

Mr DUBOIS: Since 1992 Tamworth has operated the airport as a separate business entity of council. We operate on

pure business grounds. Obviously, there are political implications that come into it, such as the loss of \$210,000 in landing fees. But we operate as a business, we do our forward planning, and any profits—

The Hon. Dr B. P. V. PEZZUTTI: Do you pay a dividend to council?

Mr DUBOIS: Yes, we do pay a dividend to council. That is more to do with corporate overheads. But any profits that Tamworth airport makes go into the airport reserve for future development works.

CHAIRMAN: I take it those management plans will detail the return on assets.

Mr DUBOIS: Yes.

The Hon. I. M. MACDONALD: Regarding that loss of \$210,000 to Tamair, how did you let it run up so much?

Mr DUBOIS: That is a political decision that council had to take. You have got to be careful in what you do. Do you put out of operation a business that is employing more than 80 people in the city? That was a matter that the council had to weigh up very heavily. Did it financially support this airline and keep those people employed, or did it terminate it? We got to a situation where that level of debt was a lot higher than the \$210,000 and we said to the airline, "That's it. We are not prepared to go any further. In fact, we are going to start recovery of this outstanding debt to us." We had that in train at the time.

The Hon. I. M. MACDONALD: What was the full amount of the debt then?

Mr DUBOIS: Probably around \$290,000.

The Hon. I. M. MACDONALD: How long had that debt been accumulating for?

Mr DUBOIS: Over a period of three years.

The Hon. I. M. MACDONALD: So Tamair virtually, right from the beginning of its licence period, refused to pay or did not pay the landing fees?

Mr DUBOIS: It was most probably a combination of not paying landing fees and being late in payments so that the amount built up and built up.

The Hon. Dr B. P. V. PEZZUTTI: I asked you before what could be done about the extra loading and extra cost for aeroplanes landing at Kingsford Smith airport. Do you think there is a place for a community service obligation payment by the State government to ensure equity of access, in the same way that the government subsidises trains to Dubbo, Armidale, Tamworth, Ballina and Lismore? Do you think that there could be a mechanism for community service obligations which would allow equity of access but would not stop Kingsford Smith airport operating as a commercial entity?

Mr DUBOIS: I think that is probably a reasonable approach that could be applied.

The Hon. Dr B. P. V. PEZZUTTI: Have you, or could you, put your mind to how such a scheme could operate, so that it would be transparent enough for State governments to live, and not to be taken advantage of by operators?

Mr DUBOIS: That is something that we would need to work on in conjunction with the airlines to determine what

is their profitability, so that when air fares reach a certain level there is obviously a downturn in patronage of that particular service.

The Hon. Dr B. P. V. PEZZUTTI: If, for example, the flight to Inverell went to Inverell, then from Inverell to Armidale as a hub for example—and people hate flying in little aeroplanes, as you quite clearly point out—but, to get people reasonable access with bigger aircraft would be uneconomic unless there were some form of community service obligation component. You are in the business, and we are not, but is there some mechanism that could be used which would not be an unending slush fund for companies to rot, but which would deliver that equity of access, and perhaps encourage people to hub and spoke?

Mr HARVEY: I believe there could be. It is certainly not something on which we come up with a solution this morning.

The Hon. Dr B. P. V. PEZZUTTI: Could you put your mind to that? Our inquiry will be going forward for another four or five weeks.

CHAIRMAN: I think we will have to report before then.

The Hon. Dr B. P. V. PEZZUTTI: I wonder if you would put your minds to that issue—not by way of a 50-page statement, but to give a couple of scenarios, which we could consider, that could service your area, which is that north-west area, which is capable of hubbing and spoking. I will ask that of some of the other areas. Even Moree could hub and spoke, as well as Gunnedah and Narrabri.

Mr HARVEY: Moree does Moree and Narrabri now under a triangulation.

The Hon. Dr B. P. V. PEZZUTTI: They do, but they could hub and spoke to Tamworth, in the same way that they could hub and spoke quite comfortably to Dubbo. I wonder whether there is a way in which we could get decent-size aeroplanes, at a reasonable cost. I hate the word subsidy, but that is the reality. We are talking about a community service obligation payment, in the same way that there is a community service obligation payment for the train to go to Broken Hill, which is just enormous. There is no community service obligation to support the air transport services to Broken Hill, apart from the Isolated Patients Transport and Accommodation Service (IPTAS), which is a scheme to do with health.

Mr HARVEY: I think your Committee or someone associated with it would have a better chance of getting from the Queensland department some figures and what sort of formula they use. They certainly would not release them to us. I have tried Western Australia on a similar basis, and have even talked to the Minister over there.

The Hon. Dr B. P. V. PEZZUTTI: Mr Chairman, could the Committee ask the Department of Health to give some idea of the IPTAS payments to airlines, because although that would not pick up all the medical transport, it would reveal the community service obligation payments that the States are currently making, which is a form of subsidy to the airlines because they actually pay to go on the aeroplane or the train. There is a community service obligation payment already in place, so I am not inventing something; it is already there and at the moment nobody is taking much account of it because IPTAS pays the full fee, but the State government is refunding through the IPTAS scheme some of those air flights.

CHAIRMAN: We could ask the Queensland Department of Transport what their CSO payments are. Alan, you referred to a chart earlier. Would you formally table that?

Mr HARVEY: Yes, I table that.

CHAIRMAN: We have also been asked to look at a charter of user rights, as has been suggested by the country summit: that there be developed a charter of user rights to lock in continued affordable access to Kingsford Smith airport. Some councils, however, have suggested that it should be more than that, that it should be enshrined in legislation because the Airport Act mentions only international and interstate flights, not New South Wales flights.

Mr HARVEY: They had said they were going to change it, but that did not occur.

Mr DUBOIS: At the last meeting that we went to I think it was Minister Sharp who said he would put it in regulations, or something like that. But I do not think regulations override the lease conditions once those lease conditions are in place.

CHAIRMAN: So you would prefer to see it in both the legislation and in the lease?

Mr DUBOIS: Yes, and in the lease, and then there can be no argument about it whatsoever. All it involves is the inclusion of one word.

CHAIRMAN: The Glen Innes and Inverell routes have effectively been deregulated, or it has been suggested that they have. Do you have any comments on that?

Mr DUBOIS: We were surprised. We thought it was going to be a licence issued to one operator, not total deregulation. How that will affect those combined routes is yet to be seen, because what you may see is an air service to Inverell, but you may end up seeing the loss of an air service to Glen Innes, because in recent times, particularly with the problems that Tamair has had—and Alan can probably verify this—we have seen a transfer of those Glen Innes passengers down to Armidale to catch Armidale flights.

Mr HARVEY: That has been happening. The same thing happened when Impulse changed their service under their original licence. When Impulse had the route, it was two flights a day; but they then changed to a lunch-time service, and when that happened we got a marginal increase in our numbers, from both Inverell and Glen Innes. Now that you have a bitumen-sealed road from Inverell with access to Armidale, which was not there before, sometimes we have Inverell passengers driving down to Tamworth. So the deregulation of it, or the opening of it up, could be an interesting scenario.

CHAIRMAN: The Air Transport Council is actually going up to Tamworth?

Mr HARVEY: To Tamworth, but not to Inverell and Glen Innes.

Mr DUBOIS: There is a hearing at Tamworth next Thursday on the review of air services.

CHAIRMAN: Are they inviting Glen Innes and Inverell?

Mr DUBOIS: I do not believe it is, because it is only to deal with the Tamworth-Sydney route.

Mr HARVEY: The hearing in Tamworth is for the second licence from Tamworth to Sydney. As we understand it, the Minister's decision to open up the licence for Inverell and Glen Innes effectively separates them as two identities, so that there is no obligation to service both, and has virtually said, "We are open for any offers. Anyone who can meet the Australian Airports Corporation criteria will be given a licence." It may be one person, or it may be two, but they are not going to make a stipulation or go through a public hearing, as we understand it.

CHAIRMAN: But they are not coupling it with Tamworth?

Mr HARVEY: No, they are not coupling it with anything. Those have been left as two airports, whereas they were themselves triangulated to Sydney, and were not coupled with Tamworth previously.

CHAIRMAN: Do you have any comments that you would like to make in addition to those already made, or any final comments that you would like to make to the Committee?

Mr HARVEY: No.

Mr DUBOIS: One of my concerns is that we regularly have an unfortunate situation where airlines come in—and I think Tamair is a perfect example—and are undercapitalised. I think that is poor airlines management, and that results in the demise of that airline. This is a problem that you will face constantly with deregulation: people may be able to meet an AOC requirement but they simply will not have the capital behind them to operate an air service.

The Hon. J. R. JOHNSON: In the initial stages, when Tamair went belly-up, within a day or so another airline started up with the same personnel.

Mr DUBOIS: No, with different personnel.

The Hon. J. R. JOHNSON: That is not right?

Mr DUBOIS: No. Impulse actually came in and operated on the Saturday and Sunday under a charter licence, until such time on the Monday they were actually awarded an interim one-month licence by the Air Transport Council or by the Minister.

Mr HARVEY: Are you referring to that one, or to the few weeks previously when they actually closed trading as Tamair and started up as New England Airways trading as Tamair?

Mr DUBOIS: Now, there is a perfect example of where that went through the Air Transport Council and there was no reference back to our community whatsoever, and we took that issue up with the Air Transport Council.

The Hon. J. R. JOHNSON: And they acted on it?

Mr DUBOIS: I am sorry, not on our submission. It was done before we knew about it.

Mr HARVEY: The first time that Tamair ceased operation and then started up on the stroke of a pen as New England Airways trading as Tamair, they just continued on virtually as if nothing had happened as far as the licensing went. There was no reference back from the Air Transport Council or anything else; they had their AOC certificates, and they met the criteria, and they continued with their licensing.

The Hon. I. M. MACDONALD: You would not have much difficulty getting another operator, would you?

Mr DUBOIS: In Tamworth, no.

CHAIRMAN: Tamworth would not have a problem, but Inverell and Glen Innes might.

The Hon. I. M. MACDONALD: I am just wondering why there was this imperative to save Tamair.

Mr DUBOIS: From our point of view?

The Hon. I. M. MACDONALD: No, the Air Transport Council for a start, and then in effect your council because you allowed them to accumulate such a significant debt.

Mr DUBOIS: There was obviously some sort of parochialism by the council. The local operator saw it as most probably a replacement for East West, and they continued to support it.

The Hon. I. M. MACDONALD: Why did the ATC then sanction this change so readily?

Mr DUBOIS: I cannot answer that. That is a question that you would have to put to the Air Transport Council.

CHAIRMAN: I asked you a question a short while ago about Inverell and Glen Innes being linked to Tamworth because they have a direct route. The Air Transport Council had issued licences to one particular company, and that included some good routes and some not so good routes, meaning that the way in which it operated allowed for some cross-subsidisation from the more productive routes and better paying routes to the less used ones, like the Glen Inneses and the Inverells. It is not directly linked, but it is linked in that way. Therefore, I suppose to some degree, regulation in the way that it has been practised has obviated the necessity for community service obligation payments. To deregulate, obviously you have got to start to look at some CSOs, otherwise the whole thing can fall apart. Could you see any valid reason why the government would look at paying a CSO, rather than just continue regulation and letting the companies effectively pay for their own CSOs in that way?

Mr HARVEY: It is six of one and half a dozen of the other, in a sense. By doing it by regulation there is not a government payout of the CSO, as I see it. I think it is probably a lot cleaner in that way. As Dr Pezzutti said, how do you set up a CSO to be sure that it cannot be rorted? By regulation of licensing there are no payments made out, so the rorting obviously would be impossible.

The Hon. I. M. MACDONALD: It would be a substantial CSO, would it not? If you took out the high-usage profitable routes—the 16 to 24, or whatever it is—and there are over 60 regular flight destinations, for those other 38 to 40 locations it would be a substantial CSO, would it not?

Mr HARVEY: I believe it has the potential to be very substantial, yes. It has happened through other, blindly-driven user-pay situations that have resulted in exactly such things. It is very nice and profitable. The only other thing that I would like to add, which leads on from the CSOs, is that with Air Services in particular, which is going through a review or a procedural transition, or something that the Department of Transport and Regional Development at the Federal level is putting that body through, there is pressure on them also to take out of their system navigation aids that are not used en route by all airlines, to go to a user-pays situation for navigation aids at airports and things like that.

On the committee on which I serve, on GPS implementation, a scenario out of GPS is that a lot of navigation aids can be turned off at airports, because you can do instrument approaches and things like that, but there has to be a background or back-up system. One of the things being addressed by that committee is who pays, and how is the system to work, because the initial proposal from Air Services and some of the airlines, and especially the light aircraft industry, was that they should be given or sold to the airports and that it be their problem.

A scenario that we put to them, which has put that on hold but there is no saying it will not eventuate, is: How can

this be afforded? We have the continued operation of these that has to be paid for, for their maintenance and replacement, and most of the airports that I am referring to would not have the funds because they are already subsidising the running of their airports. So, in respect of this community service obligation payment, I think it needs to be kept what could be looked at potentially in two years time.

If the satellite navigation system progresses at the speed that it is, there will be a lot of redundancies. There is a push from within the airlines that they should only be paid for at those airports. So the cost of running an airport in country New South Wales, to ensure that if there is a glitch in satellite navigation, that those aeroplanes can get in. The back-up system could be quite expensive for those airports.

Mr DUBOIS: We currently have a situation like that at Tamworth at the present time, in that we have a visual omni-range navigational aid that is used by the aircraft that land at Tamworth but is very a non-route aid for every domestic and international aircraft that flies up the north in inland New South Wales. If they turn that back over to be our responsibility cost-wise, how do I recover the costs when it is used by the overflying aircraft?

We recently did a little exercise where we switched the thing off, and within 30 seconds we had Brisbane control telling us to turn it back on again because it was affecting the overflying aircraft. We are going to need awfully powerful binoculars to catch every aeroplane that is flying over Tamworth using the VOR at 30,000 to 40,000 feet.

The Hon. I. M. MACDONALD: What does it cost you per annum?

Mr DUBOIS: I do not know at the present time because that is currently serviced by Air Services Australia. They do the maintenance on that themselves as part of their navigational cost. But there is a push to turn that back over to Tamworth, in the same way as they are currently looking at handing over the air traffic control system to Tamworth as well.

The Hon. I. M. MACDONALD: They would only be pushing to hand it over if there are a lot of savings to be made.

Mr DUBOIS: Of course. I have taken up with Air Services that we are prepared to take over the air traffic control tower on the basis that I only take over the facilities that are used to talk to traffic in the Tamworth control zone, that I am not interested in maintaining or paying for equipment that is an en-route navigational system, and that if they want that in the tower they continue to pay the operational cost. I think that has thrown a spanner in the works.

Mr HARVEY: We are talking about \$30 million to \$40 million nation-wide for annual maintenance of the navigational system. There are some who believe that can be taken down to single, million-dollar figures by passing it on or closing them down. In 1991 we put in a distance measuring unit and that cost us \$129,000. It only costs us a few thousand dollars a year to operate it—and it is used en route by a lot of others—however, it is now nearly eight years old. It has got a life cycle, and we will have to look at replacing it at some other time. These other things that they may want to hand over are in the same situation: they are aged infrastructure.

Mr DUBOIS: At Tamworth we have our instrument landing system that we installed ourselves at a cost of \$1.4 million, and that was done as part of the college training development. But the flight test cost of those, which are twice a year, were averaging around about \$110,000 a year.

The Hon. I. M. MACDONALD: How is that arrangement going that you have with training? I think they are overseas companies that are based there.

Mr DUBOIS: Yes, that is right.

The Hon. I. M. MACDONALD: How is that going?

Mr DUBOIS: Exceptionally well.

The Hon. I. M. MACDONALD: Is it lucrative to the overall operation of the airport?

Mr DUBOIS: Yes, very much so. We have fees and charges that we apply to them. They are set fees and charges, basically, with an inflation factor for each year.

The Hon. I. M. MACDONALD: What would it be raising in terms of revenue?

Mr DUBOIS: At the present time it is probably in the order of \$400,000 a year.

The Hon. I. M. MACDONALD: How many people are employed around the airport because of it?

Mr DUBOIS: The college employs directly about 90 people. They have just been successful in winning the major defence contract for the next 10 years, to train defence personnel in Australia—Air Force, Navy and Army. That is a very lucrative contract and it will have spin-offs for overseas organisations as well, but we will get additional training. The beauty of those kinds of contracts for the city, for example, is that at the present time we do a lot of training for Vietnam, China Airlines, Taiwan, and also some from China too.

The problem with those sorts of training contracts is that, while the college gets its fees and charges, the disposable income that those people have is very limited, so that the spin-off for the city is not huge. But you pick up the defence contract and the possibility of contracts coming from Singapore and Malaysia as well, where the disposable incomes are a lot higher and therefore there is a lot more spin-off for the city in terms of spending money that actually comes back into the city. So we are very encouraging in that, and we work closely with the college to ensure that we win those contracts.

CHAIRMAN: Are you both very happy with your current services?

Mr HARVEY: Yes.

Mr DUBOIS: Yes, very much so. We believe that the managed competition that we have gives us good service, reliability, flexibility of schedules, and there is enough competition there to stimulate the market in terms of the range of prices that you can get.

CHAIRMAN: Do you agree with that, Alan?

Mr HARVEY: Yes.

CHAIRMAN: Finally, I am sure you have both read the Independent Pricing and Regulatory Tribunal's report entitled "Review of Regulation and Licensing of Air Service Operators in New South Wales". It recommended deregulation, and in particular in the foreword said:

Larger rural towns—such as Albury, Wagga Wagga, Coffs Harbour, Tamworth, Armidale, Dubbo, Port Macquarie and Ballina—are likely to see more innovative services and more competitive fair packages.

Every town mentioned in that already has said that it does not agree with that.

Mr DUBOIS: It could not get any more competitive than the competition that we have currently got with two operators.

Mr HARVEY: The second licence did that. That was achieved with the second licence.

CHAIRMAN: So you do not agree with that statement made by IPART?

Mr HARVEY: I do not believe that. With deregulation we could end up with a potential variety in the short term, but in the longer term we could have a market that has been good being degraded and it could take a long time to pick up again.

CHAIRMAN: I thank you very much for coming along.

(The witnesses withdrew)

RICHARD HAROLD HAMPARSUM, Deputy Mayor, Kempsey Shire Council; sworn and examined:

CHAIRMAN: Mr Hamparsum, what is your full name and occupation?

Cr HAMPARSUM: Richard Harold Hamparsum. I am a retired airline captain and Deputy Mayor of Kempsey Shire Council.

CHAIRMAN: In what capacity are you appearing before the Committee?

Cr HAMPARSUM: I am Chairman of the Airport Committee for Kempsey Shire Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Cr HAMPARSUM: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Cr HAMPARSUM: Yes.

CHAIRMAN: You have made a submission which you have tabled. Would you like that to be taken as part of your sworn evidence?

Cr HAMPARSUM: I would.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to make a brief statement to start with?

Cr HAMPARSUM: With your permission, Mr Chairman, could I take you through my submission, not verbatim but just subject by subject if I can. Basically, I am from Kempsey, which is on the mid north coast. As you see, we have a population of 28,000 people. We have a small CTAFF airport, which means it does not have a control tower, it does not have an air traffic control per se, and that is over the airport area itself. We obviously are not very enthusiastic about deregulation. The reasons are that, with the suggested pro forma that has been put forward, it would mean that the passengers on the smaller airport per head would be paying more than the passengers on larger airport.

Landing fees. We understand they have to be brought into consideration but, in line with the report, I will not elaborate on that any further. I will leave it to you to ask individual questions. As you can see, we charge \$10 at the moment. We are still having a slight shortfall of \$22,000 per year for the running of our airport. I am very happy to say that that is less now because, with the increase in business that we have been receiving, Impulse's figures—and I stand to be corrected, and I will emphasise that—are between 13 and 15 per cent increase as against the figures as of last year. So, therefore, those figures can be brought down, but I have not got a definite figure.

The light airport fees give us a total aggregate of only \$4,500; and, with the Avdata system, which I heard earlier this morning has been highlighted to this Committee, after they take their 33 per cent fee, does not leave us a lot of fat at the end of the day.

As to the future maintenance and development of the airport, we work on the basis that the good Lord helps those who help themselves. We are not sitting here bleating and crying to the government for help. We are grateful for the assistance that we have had in the past, and for any further assistance we can get. However, we are, at the moment, having talks—only talks at the moment—with Hastings Council, with the idea of one day in the future maybe putting one airport of international standard between the two places. There is nothing finalised. It is only at the discussion stage. We are the incumbent council, and we feel that the legacy that we would like to leave for those following us in years to come will perhaps address this situation. But, at the moment, we are on a slight loss. But we are very keen to keep the airport going in the capacity at which it is.

We have a lot of things going for us at the moment which are perhaps pie in the sky, but we think a little more realistically than that. We have a potential hydro-electricity pump storage scheme which is to be put up between Kempsey and Armidale in the Dumaresq shire, at a place called Lower Creek and the Karri Plateau. At the moment Lend Lease holds the legal control over that, and in the last two years it has done quite a number of site levels and core sampling, which is very encouraging. Hopefully, our governments of the day will soon sort out the electricity system, or what will happen with the grid system and what is going to happen in future, so that they then will be in a position to go ahead with this project. If it does, that obviously will change the complexion of our airport and our area to a great extent. We have a pecan industry which is growing, and growing very strongly at the moment. The first shipments out have achieved a very high standard.

Coming to slot times: we have no difficulty with slot times, except with the grandfathering of provisions, which I understand that everybody here is familiar with, the reason being that if they are not taken up at some stage they end up with the main players of the day, which is not really spreading the net as much as we would like to have it spread.

We obviously feel very strongly about access to Kingsford Smith airport. We find that Bankstown does not have a full air traffic control system, as has been said earlier here this morning. Its location geographically for business people, and people who need medical attention, and things of that nature, really puts it beyond the pale. We enjoy an extremely good service with Impulse—three services a day, and it is growing and is working.

CHAIRMAN: Is that three each way?

Cr HAMPARSUM: No. Two each way, and one in between. It is coming through Port Macquarie in most instances, which we are not uncomfortable with at all. It is working very well. Mr Chairman, I do not think there is a great deal more that I can say. If I can just say that the council remains constant in its support of that determination. Hence the support for continued regulation for those people in the categories such as ourselves, with a 30,000 category service. I will leave it at that and make myself available for questions. I would like, with your permission, to extend on one other area with regard to safety, but which is actually outside the parameters of the brief this morning. I would like to pass over that very lightly, if I could.

CHAIRMAN: Would you like to mention that now?

Cr HAMPARSUM: Yes, Mr Chairman. As you are all aware, at the moment there is a movement—not a fait accompli—from 7 October 1998 that the Civil Aviation Safety Authority (CASA) and Air Services Australia propose to withdraw all traffic information from airport operating beyond radar coverage in the New South Wales coastal corridor from Canberra to Ballina. This means, in simplistic form, that for the most part airport operating below 6,000 feet, or 2,000 metres, will not have a traffic information service. This is of grave concern to anyone who has professional exposure to aviation—

CHAIRMAN: Including members of Parliament.

Cr HAMPARSUM: as this low altitude traffic information is relied upon for the separation of aircraft in this very busy corridor. Pilots will have to attempt to gain an impression of the traffic picture by making general radio broadcasts and hoping that any conflicting aircraft will recognise the danger and respond in time for the pilot to arrange safe separation. Reliance on these types of broadcasts has been proven to be a fatal error in a number of overseas accidents. It is precisely this type of general broadcast environment which led to the mid-air collision of two military jet aircraft off the African coast two years ago, and the mid-air collision of two regional aircraft in Canada three years ago.

In short, Mr Chairman, New South Wales is being badly neglected we feel, with respect, by CASA and Air Services Australia for many years. Now, Queensland are operating outside controlled air space and are giving radar-based traffic information service when they are in radar coverage and a directed traffic information service when they are beyond radar coverage. We are unable to see good reason why New South Wales should not provide the same high quality of services as Queensland, instead of being subject of the policies, et cetera. That is the other point that I would like to put before this Committee, and I thank you for the opportunity to express that.

In short, we come back to asking a very simple question. Rural towns that have airports, and rural towns that do not have airports, let us look at the two of them. I think we will find that airports that do have an airport such as ours—small, but functioning at best—have a certain advantage. I think we will get back to the fees in a moment. I thank you, Mr Chairman.

CHAIRMAN: What size plane is it that flies?

Cr HAMPARSUM: We have the Beech 19, which is the Impulse one, which carries about 18 people.

CHAIRMAN: Where did you get that information that you raised in that last issue?

Cr HAMPARSUM: I would be very happy to leave a copy of it with you. It is actually written by a wonderful man by the name of Captain Les Carver, who is the President of the Australian Federation of Air Pilots.

CHAIRMAN: You might formally table that, if you wish.

Cr HAMPARSUM: Thank you very much, I will.

CHAIRMAN: Before other members of the Committee ask you questions, I would take issue with one item in your submission under the heading "Landing fees at Sydney (Kingsford Smith) Airport". You finish the second paragraph by saying "Now, more than at any other time, country people need to be reassured that they are not being forgotten and that they are not the victims of unstoppable economic rationalisation." I would take umbrage with the word "unstoppable". I think that is why we are here.

Cr HAMPARSUM: If that remark is offensive, I would humbly seek that it be withdrawn. Could I say that we are here as family, not enemies, or them and us.

CHAIRMAN: We would share your concerns about economic rationalisation. We hope it is not unstoppable.

Cr HAMPARSUM: We are hurting a little bit medically in another field at the moment, as you are no doubt aware.

The Hon. Dr B. P. V. PEZZUTTI: With laundries and food and the like.

Cr HAMPARSUM: Well, my daughter is a nurse, and as one patient said to me, "I don't enjoy me tucker coming from Lismore." There is an old saying that when something is in place and it's doing well, why disturb it? Our laundry service has been extremely effective, cost-wise, and very efficient. It beats the sox off many other competitors for years. Secondly, I think that the quality of our hospital cuisine—which is a pretty hard thing to make decent; I mean, hospital tucker, at the best of times, is not the best—has always been good. Now, I guess it comes back to your ideals. Education and health, where do they come from?

The Hon. I. M. MACDONALD: I support most comments made on those issues.

Cr HAMPARSUM: Thank you.

The Hon. I. M. MACDONALD: Regarding this proposal that you have with Hastings, how far away from Kempsey will the airport be if it is a centrally located one?

Cr HAMPARSUM: At this stage there is no geographic point that has been determined. Twenty or 25 years ago—and please do not hold me to that—there was a feeling that Kundabung, which is more or less halfway between Kempsey and Port Macquarie, had areas of land that would have lent itself to the construction of an international airport. Sadly, I would suggest for more parochial reasons than others—and I think our council was more guilty than anybody else—it did not come to fruition.

The Hon. I. M. MACDONALD: What is the distance—about 50 kilometres?

Cr HAMPARSUM: We are 53 kilometres from Kempsey to Port Macquarie.

The Hon. I. M. MACDONALD: So you could really build quite an efficient set-up there to service both cities?

Cr HAMPARSUM: Absolutely. In other words, instead of maintaining two airfields, we could reduce it to one, and it would be modern and efficient and be taking care of the future.

The Hon. I. M. MACDONALD: Are those discussions getting anywhere?

Cr HAMPARSUM: At this stage, no, because Frank Harrison, the Mayor of Hastings Council, I think today or tomorrow is having a council meeting. I understand that it is tabled for discussion with the councillors, and we are planning further meetings with them. That is as far as it has gone. So, please, I do not want anyone here to misconstrue the idea. But it is an intention which we are taking very seriously.

The Hon. I. M. MACDONALD: It, of course, is a substantially larger throughput airport.

Cr HAMPARSUM: Port Macquarie?

The Hon. I. M. MACDONALD: Yes.

Cr HAMPARSUM: No. Our runway length is the same as Kempsey's.

The Hon. I. M. MACDONALD: Passenger throughput.

Cr HAMPARSUM: Oh, yes. They are enjoying a much larger passenger turnover. The only reason that this

element or line of thinking came to fruition is that Frank Harrison said to our Mayor the other day, "Believe it or not, I have been approached by a very large developer who would like to buy the airport, develop it for housing, and future development at Port Macquarie," which probably—and it is not my place to comment on Port Macquarie, but, having built a high-rise building there myself, I would suggest that the airport's proximity is coming closer and closer to urban development there, and it is going to be a problem.

The Hon. I. COHEN: Councillor, we really have a hub and spoke, or do we, in terms of Port Macquarie and Kempsey?

Cr HAMPARSUM: More a triangulation, I think I would describe it as.

The Hon. I. COHEN: Could you indicate to the Committee the percentage of passengers to Port Macquarie and Kempsey respectively?

Cr HAMPARSUM: No, I could not. I do not have that information.

The Hon. I. COHEN: Three flights a day—or two, with one stopping over in Kempsey—are there more flights coming into Port Macquarie that do not do that triangulation?

Cr HAMPARSUM: Yes.

The Hon. I. COHEN: Is it a more active airport?

Cr HAMPARSUM: Yes, it is.

The Hon. I. COHEN: We are really dealing with a relatively short distance in this part of the world between Port Macquarie and Kempsey, are we not? I mean, it is really only a half hour's drive.

Cr HAMPARSUM: It is, yes.

The Hon. I. COHEN: Especially with the highway being upgraded.

Cr HAMPARSUM: Yes, that is correct. But, of course, hopefully with the development that will be happening in our area with the proposed or suggested projects, we look forward to a better future. We are not looking at things as we see them today.

The Hon. I. COHEN: Are you not perhaps moving forward of time? I mean, these projects have been on the book for many years. Are we not moving beyond what is appropriate these days with some of those proposals?

Cr HAMPARSUM: In regard to the last project I have mentioned, if you have heard about them in the last few years then you know more than I. I happen to have come into it because—

The Hon. I. COHEN: The Karri Plateau irrigation project has been on the table for a long time, and it has had significant opposition from the environment movement.

Cr HAMPARSUM: Which one are we referring to—the Styx River one or the self-sustaining hydro scheme, which is a pump storage scheme?

The Hon. I. COHEN: I know the Styx River one is of concern.

Cr HAMPARSUM: The Styx River one has absolutely nothing to do with the other one. The Styx River one was one of 200 megawatts. The hydro-electricity pump storage scheme that I am talking about is 1,300 megawatts, and likely to go to 1,700 megawatts. And Lend Lease has been keeping this very much under the lap, so I would be very surprised if it has become quite common knowledge, with respect. The difference is that the Styx River took water from the river, and the Karri one is self-sustaining. That is why the Styx River one fell flat, because the idea to all of us to rip water out of a river was abhorrent. We wanted a system that would stand by itself, and the one that I am talking about, the Karri one, or Oven Mountain as it is called, has an upper dam of close to 80 hectares and a lower dam of 100 hectares, and all the headworks and infrastructure will be done through the solid granite escarpment, which is roughly 3,000 feet.

The Hon. Dr B. P. V. PEZZUTTI: It will kill the worms under the ground there!

Cr HAMPARSUM: Interestingly enough, we have talked to the environmental groups, and they are very enthusiastic because of ecotourism and the idea of the construction of the two dams.

The Hon. I. COHEN: You mentioned that Kempsey airport was actually running at a loss.

Cr HAMPARSUM: Yes.

The Hon. I. COHEN: And that you were having to make up that loss. Given that it is so close to the Port Macquarie airport, how real is the potential to sell or change over the function of the Port Macquarie airport? Between Coffs Harbour, Kempsey and Port Macquarie you have a significant number of airports in a relatively small region. I also have concerns about a major international airport at Kundabung—and I cannot pronounce it, but I know the area.

Cr HAMPARSUM: Kundabung. It means black apple in the Aboriginal language.

The Hon. I. COHEN: That is going to radically transform this area, to replicate the facilities that attract people to Coffs Harbour, so you could actually be killing the goose that laid the golden egg. Is it really the way to go, to be looking at an international airport when this area is quite well serviced by airports?

Cr HAMPARSUM: I take your point of view, which I respect. I would not agree with you, because, having been in aviation all my life—and I am coming up to 61 years of age, and I started flying at 16—and I am from the Air Force and an airline background—I think you have to look 20 years ahead. I stand to be corrected, but there is also a rumble that, in the Clarence, Grafton and Coffs Harbour may well get together, as you are fully aware—and our learned friend to my left [*Bevan Edwards*] will highlight this at a later date—there has been untold trouble about extending the existing airport at Coffs Harbour. But, can you just take two concepts: an international airport in the Clarence, an international airport down in the Hastings area: that would reduce the overheads and expenses to run four airports, as against two. And that would cover a very large area.

The Hon. I. COHEN: It is really significant overkill, is it not? You are saying that the local community is well serviced at the present time, and in the Kempsey area you are really in a rural community and looking at one of the major industries that you saying is a growth industry, the pecan production industry. Are they shipping that out by plane?

Cr HAMPARSUM: No.

The Hon. I. COHEN: So you have got road and rail for the shipment of an important crop. I do have concerns that the nature of the Kempsey area is being changed, rather than facilitating what the community needs in terms of air transport, business and medical and some tourism to facilitate the movement of people from Sydney. Are you not going off and creating something that the community does not really want?

Cr HAMPARSUM: With respect, I do not see it that way. With respect, you are looking at it as it stands today. We are a very fast-growing area. People, strangely enough, are moving out of big cities, particularly Sydney—they find the water, for example, very palatable in our part of the world, without being facetious—and therefore we are getting a lot of people who are retiring. South West Rocks is developing fast. So, to sit and look at the situation as it is today is sad. We must always look ahead. I think that is the biggest legacy that we can leave to the incoming local governments or councils of the future. I think that has been the biggest problem in our area: we have been too conservative, and we have not moved with the times. I praise Port Macquarie, because they have been less conservative and they have forged ahead.

The Hon. Dr B. P. V. PEZZUTTI: You are aware that Coffs Harbour has already done some trials of international flights to New Zealand a couple of years ago.

Cr HAMPARSUM: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Given the nature of the 767, which I think is what they trialed with, was it not?

Cr HAMPARSUM: I understand it was, yes—or 737/400s, I think it might have been.

The Hon. Dr B. P. V. PEZZUTTI: How many seats have they?

Cr HAMPARSUM: The 737 have about 123 seats, and the 767 is much bigger.

The Hon. Dr B. P. V. PEZZUTTI: Did that particular aeroplane cause any problems, given the airport runway at Coffs Harbour?

Cr HAMPARSUM: I think the 767 had difficulty with runway length. The 737 was reasonably comfortable. I am not familiar with the statistics of Coffs Harbour airport.

The Hon. Dr B. P. V. PEZZUTTI: What is the restriction at Coffs Harbour airport? Is that restriction due to noise?

Cr HAMPARSUM: I think noise abatement was one of the factors.

The Hon. Dr B. P. V. PEZZUTTI: I will come back to those later. In terms of your idea, has land been set aside for such an international airport?

Cr HAMPARSUM: No, it has not.

The Hon. Dr B. P. V. PEZZUTTI: Given the short travel distances, as was raised by the Hon. Ian Cohen, between Kempsey and Port Macquarie—and, in his own area, he would be aware of the distances between Lismore and Casino is 20 minutes and Lismore and Ballina is about 20 minutes, and there are three airports within a 20-minute drive of Lismore, and I do not see any of those closing themselves down, and they have all got fairly high travel lists.

Cr HAMPARSUM: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Why is it that people want to have an airport right next to them, whereas the people on the north shore of Sydney travel an hour to get to an airport and they are perfectly happy to do that? The people from western Sydney travel by aeroplane, but if they travel by air they must travel for an hour to the airport as well. Why is it that the people in the country are not prepared to drive for an hour to get to an airport?

Cr HAMPARSUM: Within our area we have a variation of attractions, and people come up here to retire, and people come up here for recreational reasons, and I think their expectations are that they should be able to gain access to airports. We are also looking long-range for tourism.

The Hon. Dr B. P. V. PEZZUTTI: Yes, I accept that. But, if a tourist comes into Sydney, then the shortest travel time they are going to have to get to the centre of Sydney, after they get their bags and get out of the airport, is about 35 minutes. And Sydney is the usual destination for them. Why is that people from the country want to have a travel time of less than 30 minutes to get to an airport and put up with the noise and so on? Every council wants an airport.

CHAIRMAN: How far do you travel, Brian?

The Hon. Dr B. P. V. PEZZUTTI: Half an hour. I go to Ballina. It is 20 minutes to get to Lismore. I travel for 20 minutes, and that just happens because I happen to live there. But why is that country people are not prepared to travel for half an hour whereas city people always have to travel half an hour? If they travel less than that, all they do is whinge about the airport.

Cr HAMPARSUM: I think it is an interesting question, but psychologically, rightly or wrongly, country people feel that they are somewhat disadvantaged in many ways, and therefore access to other places in a more flexible manner than one is accustomed to if one lives in a city is perhaps something that they expect.

The Hon. Dr B. P. V. PEZZUTTI: You are proposing, with your new international runway, to make both the people from Kempsey and the people from Port Macquarie travel further to their airport.

Cr HAMPARSUM: Not really, not in essence. Our airport geographically is located to the western part of Kempsey. Frankly speaking, there is not a great deal of difference in travelling time. But we are looking at the idea—and, I repeat, it is only an idea—but can you imagine that if we build an international airport in that area, it means that we can get overseas people directly, bypassing Sydney and the capital cities, which I understand is really the biggest problem. I mean, I flew in and out of Sydney for years from overseas; I did not operate within Australia because I was flying internationally, and we used to bring them in by the loads, and they hated coming into the big cities. Many of them wanted to go directly to the rural areas.

The Hon. Dr B. P. V. PEZZUTTI: Most evidence we have received, even from places like Ballina, is that a fairly hefty percentage of the travel is business travel. Would you envisage a large business clientele in 20 years time, for a service Tokyo to Hastings, or from New Zealand to Hastings, or would that be mostly a tourism thing that you would be looking at?

Cr HAMPARSUM: At this stage, I think it would be a little bit ambitious to think much above the tourism level.

The Hon. Dr B. P. V. PEZZUTTI: And what sort of plane are you talking about?

Cr HAMPARSUM: It would be wide-bodied, but medium size.

The Hon. Dr B. P. V. PEZZUTTI: What sort of size in terms of seats?

Cr HAMPARSUM: A 767, or thereabouts.

The Hon. Dr B. P. V. PEZZUTTI: So about 150 to 200 seats?

Cr HAMPARSUM: Yes. But, again, it depends in 20 years time what type of aircraft will be coming out. If you see the capacity of the 777 now, and the economy of it, and its single-engine performance, with two engines only, it is remarkable.

The Hon. Dr B. P. V. PEZZUTTI: I am used to people from the Hastings having wide visions. The Hastings 2000 concept is one that comes to mind, and now we have this one. I mean, the Hastings is a very rapidly growing area, and it has huge attractions. Why have you decided on 20 years as a planning time?

Cr HAMPARSUM: Perhaps I have lived in the Far East too long, but it is one thing I have learnt from the Chinese; they think in 20-year cycles. That is something that we Europeans miss out on. Their planning is not necessarily for Rick Hamparsum today and my wife; it is for my children and my grandchildren. I see Malaysia and Singapore—which are having a bit of a down, and so are we, at the moment, but it is only a temporary one—and I see the planning that is going on over there, and I fear that if we do not get in there and go with it, we are going to be left very far behind.

The Hon. Dr B. P. V. PEZZUTTI: This Committee, in respect of another inquiry, visited Malaysia and Singapore. I was impressed that they were on their seventh five-year plan.

Cr HAMPARSUM: Yes.

The Hon. Dr B. P. V. PEZZUTTI: They do it in five-year cycles, but they do have a plan for the five years beyond that. Has the Hastings Council and the Kempsey Council to your knowledge decided, as part of its planning under their LEPs, put that land aside for that purpose?

Cr HAMPARSUM: No, we have not at this stage. This is what I said, and I repeat, we are just at the initial talking stages. I do not believe it needs to be placed in camera, but the Mayor, Councillor John Bowell, has authorised me to discuss this with you if the Chairman and the Committee would be so kind to accept the comments I am making. But, as I said, Frank Harrison said that a developer had approached them to buy up the airport for development, and therefore obviously the need for a new airport is going to have to be considered. So why butt each others' heads together? Why not work together and create something from which we can both benefit?

The Hon. Dr B. P. V. PEZZUTTI: To do that, of course, the investigating party would have to do an EIS and the like.

Cr HAMPARSUM: Of course.

The Hon. Dr B. P. V. PEZZUTTI: What do you think it would cost to build from the beginning in the Hastings Valley an international standard airport with the appropriate handling facilities, because I think you have got fairly good, flat land there?

Cr HAMPARSUM: The expression is that when the kangaroos go to the Kundabung area they take a packed lunch with them; it is pretty hard country. Other parts of our valley are extremely fertile. In fact, they are even as rich as the Po Valley in Italy, which I understand has one of the most fertile strips of land in the world.

The Hon. Dr B. P. V. PEZZUTTI: I am talking about the cost of development, plus the infrastructure for the connection to the highway and the EIS process all included. Has anybody got a ball-park figure of, say, \$14 million, \$20 million, or \$5 million?

Cr HAMPARSUM: I would have to take that question on board, because I have no idea.

The Hon. Dr B. P. V. PEZZUTTI: A lot of other places are interested in this.

CHAIRMAN: I was going to ask you to provide us with a copy of the council's management plan.

Cr HAMPARSUM: I will be happy to do that.

The Hon. Dr B. P. V. PEZZUTTI: Some people from Goulburn may have done a feasibility study and the costing, because there has been a lot of talk about an international airport at Goulburn and Parkes.

The Hon. I. M. MACDONALD: Are you talking about an international airport or a combined regional airport?

Cr HAMPARSUM: Basically speaking, if you look at airports that are being constructed all over the world, at Singapore, throughout Malaysia and China today, we do not build airports on a regional or a domestic basis any longer. As Peron did in the Argentina, he built an international airport and everyone said he was crazy.

The Hon. I. M. MACDONALD: He was a dictator.

Cr HAMPARSUM: But look at it today. It works today.

The Hon. I. M. MACDONALD: I don't think he would have had to have an EIS.

The Hon. Dr B. P. V. PEZZUTTI: What you talk about originally would be to have an LEP set aside for a parcel of land that is capable of housing an international airport, with the idea of combining your regional airports in the one place and then selling off the land at Port Macquarie for development as well, with the ability of doing the EIS so that it is under the LEP and is capable of being expanded.

Cr HAMPARSUM: Yes.

The Hon. Dr B. P. V. PEZZUTTI: I mean, you would not put in two miles of runway and an international-style airport de novo. But the idea of combining two airports has considerable merit, because that means that under the slot times and access to Kingsford Smith airport would be very much shorter for both towns if you had a bigger aeroplane, and that would give you much more certainty. What are the loadings out of Kempsey and Port Macquarie at the moment?

CHAIRMAN: It is 8,500 out of Kempsey. Do you know what it is out of Port Macquarie?

Cr HAMPARSUM: I do not know what it is for Port Macquarie, no. They are certainly higher than ours, but I do not have those figures.

The Hon. J. R. JOHNSON: With all of the services that you provide to the travelling public, I suppose you realise that if the GST is foisted upon us they will all raise by 10 per cent.

Cr HAMPARSUM: Without being facetious, I have yet to come to fully understand the meaning of the GST.

CHAIRMAN: You are not alone in that.

Cr HAMPARSUM: I am sorry, but I do not quite follow your question. Could you repeat it?

The Hon. J. R. JOHNSON: In respect of all of the services that you now provide to the airlines, your charges to the travelling public will increase by 10 per cent.

Cr HAMPARSUM: Yes.

The Hon. J. R. JOHNSON: Would that not have an effect?

Cr HAMPARSUM: I would suggest no, not at this stage.

The Hon. J. R. JOHNSON: I wish you well.

Cr HAMPARSUM: Thank you.

CHAIRMAN: Thank you very much for coming along today. If you would provide that additional information, the Committee would appreciate that.

Cr HAMPARSUM: I will do so.

(The witness withdrew)

BEVAN GEORGE EDWARDS, Airport Manager, Coffs Harbour City Council; sworn and examined:

CHAIRMAN: Mr Edwards, in what capacity are you appearing before the Committee?

Mr EDWARDS: I am appearing on behalf of the Coffs Harbour City Council.

CHAIRMAN: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr EDWARDS: I did.

CHAIRMAN: Are you conversant with the terms of reference of this inquiry?

Mr EDWARDS: I am.

CHAIRMAN: The council has made a written submission. Would you like that to be included as part of your sworn evidence?

Mr EDWARDS: Yes.

CHAIRMAN: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the Committee, the Committee will be willing to accede to your request and resolve into confidential session. Would you like to give us a brief overview and then we will ask you some questions.

Mr EDWARDS: Thank you, Mr Chairman. Firstly, on behalf of council, I would like to thank the Committee for the opportunity to make a submission and appear before the Committee today. I confirm that council is an active member of the Northern New South Wales Airport Management Group, so we support their submission, but of course we have made a submission on our behalf to express matters of particular interest to the port of Coffs Harbour.

By way of background, council is an active member of the aviation industry. We get involved with the Airports Owners Association of Australia, and we see as an airport owner and as a participant as a very important one. With the Federal government handing over ownership of just about all airports to other bodies, and particularly to local government, local government as a body needs to get in there and pick up skills and go with the running. That is what this council has been trying to do.

Council has invested a lot of time, money and effort in recent years in planning and developing the airport. Council sees the airport and air services as a crucial part of the development of the city and the adjoining region. We are uniquely situated in our location between Sydney and Brisbane, so that we have a great opportunity to compete, particularly in the tourist area, and get some of those tourists who are whipping off to Queensland and not staying in New South Wales. We see that as an important part that we can play for this region and for the State. The beauty of it is that we are not tapping into a market-place that this city and region already have; we are tapping into a market-place that New South Wales is losing to our northern neighbours.

As well as the submission, I would like to table for the information of the Committee an example of some promotional material. I make the point that that particular document shows an Ansett aircraft on the front. We are not biased towards one particular company.

The Hon. I. M. MACDONALD: Have you charged them?

Mr EDWARDS: No. We have a marketing budget of \$300,000, which in marketing terms is not a big budget. We try to expand that where we can by joining with other organisations, airlines and whatever, and thereby get our dollar to go a little bit further. We have been involved in a number of rather large campaigns, particularly in Sydney and Melbourne, promoting the area. That promotional material is an example of what we are trying to do with our lean and mean marketing dollars.

The other document in that material is a document that council at present has on public exhibition. It is a financial model for the airport for the next 15 years. Going by the questions that you have asked earlier on, it might not answer all of those but it is certainly a transparent model of how we spend our income, what we plan for our airport for the future, and how we are going to fund that.

CHAIRMAN: Do you formally table that?

Mr EDWARDS: I formally table that. It is in the brochure, but I will give you another copy. Council takes the position with its airport that it has to be self-funding, and that council will not be taking money out of general revenue to fund it. It operates as a business. But council sees it as reasonable that the airport makes some sort of return. There is a proposal at this stage to return a 10 per cent dividend to the community, based on income, and that would be a lot less if based on the capital value of the site. However, that may change if we are pressured on the provision of air traffic control. That may eat into our dividend a little bit. But that remains to be seen, because there are a lot of unanswered questions in that regard.

I would reiterate that, although one may argue that because the Coffs Harbour-Sydney route, being the busiest in New South Wales, is more open to deregulation than any other, we would like to make the point that, because of our situation, and because we feel we need a high level of service by jet to promote the best destination to tourists from both Melbourne and Sydney for conferencing—and it is very important to have a larger aircraft available on stream for conferencing and for international inbound passengers, that is people coming through Sydney and tending to hop on a plane and fly usually to Queensland, we want to retain our high level of service so that we can attract those people to our area. We feel that anything but managed competition would dilute our market-place sufficiently that we could lose jet operations, or a large-size jet.

I would also mention that council is looking, in conjunction with an aviation training school and the Southern Cross University, to develop through the university and the airport—and bearing in mind that the Southern Cross University campus is very close to our airport—and international aviation college, which is not just another pilot training organisation, because there are too many of those in Australia already, and the market is saturated with them—a complete aviation college. I said before the Southern Cross University; it is actually the Coffs Harbour education campus. It involves the university, the TAFE college and the senior high school.

We are able, through the university and TAFE, to give a wide spectrum of training for aviation, including ground handling, cabin service, baggage handling, pilot training, and air traffic control, et cetera. There is nothing that we would not be able to give through this consortium in the way of training for aviation. There is nothing like it in the southern hemisphere, and there are only one or two like it in the northern hemisphere. So it is a real opportunity, and that is something that we are pursuing.

I take this opportunity to answer a question that you have asked of my colleagues relating to the handing over of airports from the Federal government to local government and the problems that derive from that.

The Hon. Dr B. P. V. PEZZUTTI: First of all, the value of the property first, and then what problems arose.

Mr EDWARDS: As to the value of the property, because I am a late entrant in my involvement with Coffs Harbour airport I cannot give you the values back in 1991, and there was actually a transition period anyway. However, what I can tell you is that the airport land at Coffs Harbour is valued at about \$6 million. I can confirm these figures.

CHAIRMAN: If you would take that question on notice and give us the 1991 figure and the current figure. But, could you give us an approximate idea.

Mr EDWARDS: The value of the asset we think, including the land, is in the order of \$17 million. That is after depreciation. We do review that every year under our asset system.

The Hon. Dr B. P. V. PEZZUTTI: Was the new terminal after 1991 or before then?

Mr EDWARDS: The new terminal was before 1991, but it has been upgraded three times. The new terminal was in 1986. What you see out there today is not what was there in 1986.

Some of the other problems that I have seen with the handing over of airports really relates to legislation, in that when the Commonwealth owned all the airports it also had legislation that blanketed the whole of Australia and enabled the Commonwealth to operate its airports with reasonable ease. Not being a practitioner in the Federal area, I cannot give you a full cross-section of what some of those sections might be. We only discover them when we trip on them. But I can give you two examples. One relates to the collection of landing fees. The Federal law allowed the Commonwealth government to collect landing fees. That right was not handed over to local airport owners.

We are very fortunate in New South Wales—and I thank the State government—that the State government changed the Local Government Act in recent times so that councils that own airports can recoup fees from aircraft owners, but privately owned airports in New South Wales still cannot recoup fees.

The other issue that I am aware of is the control of buildings, building heights, control of foliage around airports—a crucial issue. If it is an airport like ours, where the local council is the owner, then it can control at least the building side of it by its own planning documents. However, if it is a privately owned airport, or an airport near an adjoining local government area, then the airport owner may have problems with control of building height. Even councils that do own their own airports may have trouble with the control of foliage, trees and that sort of thing.

The Hon. Dr B. P. V. PEZZUTTI: They do not feel that they have a conflict of interest in that they own the property, do they?

Mr EDWARDS: It goes beyond the property. It is land adjoining—

The Hon. Dr B. P. V. PEZZUTTI: That is what I mean. They are protecting their investment.

Mr EDWARDS: Yes. But probably protecting it no differently than the Commonwealth would have done.

The Hon. Dr B. P. V. PEZZUTTI: The point of that was: but not if it was a private owner. They look after their own.

CHAIRMAN: But council has less controls over a private owner than they do if the airport is their own property.

The Hon. Dr B. P. V. PEZZUTTI: But they move, in planning processes, in terms of height of trees above buildings and other surrounding development in order to protect their own investment, which they would not do if it was a private owner that had it. I think there is a substantial conflict of interest.

CHAIRMAN: No, there is not. I could give you a dissertation on the Local Government Act and the Chinese town planing wall.

Mr EDWARDS: Be that as it may, Mr Chairman, that is a problem for us.

CHAIRMAN: You gave us an asset figure of \$17 million, and you refereed to 10 per cent of operating, but that is about \$200,000. It actually works out at a return of about 2.5 per cent return on your asset.

Mr EDWARDS: Yes.

CHAIRMAN: You have covered pretty well that I would have asked of you, but there is one quote that I would like to make to you from the foreword of the Independent Pricing and Regulatory Tribunal's report of July 1997 entitled "Review of Regulation and Licensing of Air Service Operators in New South Wales". In the foreword it said:

The overwhelming conclusion that emerges from this Inquiry is that the State as a whole will benefit considerably from deregulating air services.

Larger rural towns—such as Albury, Wagga Wagga, Coffs Harbour, Tamworth, Armidale, Dubbo, Port Macquarie and Ballina—are likely to see more innovative services and more competitive fair packages. Deregulated air routes across Australia generally have lower per kilometre fares than comparable regulated air routes within New South Wales.

Do you have any comment on that? You are the last of the councils mentioned that we have visited.

Mr EDWARDS: I do have comment on that, Mr Chairman. We were introduced to managed competition in 1991 with the introduction of a second airline into Coffs Harbour, and we certainly did benefit from that. But those benefits were long coming, and we were squeezing a little bit more out of the airlines, we think, as time goes on. But the main benefit for us was to be a mainline port for Ansett and to enjoy all the benefits of being a mainline port for Ansett, and in turn bringing in their competitor, the Qantas network, and we enjoyed the benefits in savings in air fares through being part of a mainline airport that we may not enjoy if we had just regional status.

But there is a rule of thumb in aviation in New South Wales that 100,000 passengers per year is about the limit for an airline, so that, as Mike Dubois from Tamworth said, if you are running at just over 100,000 you are really only looking at one and a half airlines. We are in a similar position with 177,000. As I said before, we are a little bit different in that we want to keep our jet services to provide a better level of service to compete with our northern competitors. But we feel that managed competition is the way to go in aviation in New South Wales.

If you look at Australia, we are really a two-airline nation. That tends to filter down through all levels of airlines, Compass I and Compass II shows that maybe we are not ready for a third airline yet. I believe there is one in the offing, and it will be interesting to see how it fares on the mainline routes.

CHAIRMAN: Like all the others, you would not agree with that comment made by IPART?

Mr EDWARDS: No. We definitely do not, Mr Chairman.

The Hon. J. R. JOHNSON: What recommendations would you like to see from this Committee?

Mr EDWARDS: In terms of regulation of air services in New South Wales, we would like to see managed competition in the busier routes and possibly regulation in the smaller, quieter routes. I think the point raised earlier on about community service obligations versus linking a network with cross-subsidisation is a very good point; and the cross-subsidisation side of it, not burdening the government with community service obligations, and the hassles that go with that, is probably the better of the two.

The Hon. J. R. JOHNSON: You tell us that yours is the most used airport in New South Wales.

Mr EDWARDS: In terms of regional passenger numbers, yes.

CHAIRMAN: It is about 177,000, is it not?

Mr EDWARDS: Yes, 177,000 people a year go through the airport.

The Hon. J. R. JOHNSON: Your shire council does not have to put money in?

Mr EDWARDS: No. The airport returns quite a healthy profit. It is a very good business.

The Hon. J. R. JOHNSON: Does it pay a dividend to the council, or does it retain the profit?

Mr EDWARDS: There is a reserve for the airport—which is about \$3 million at the moment, and it is detailed in that document that I have tabled. There is a small dividend returned to the community in the way of provision of marketing money and the provision of a sports co-ordinator. One of the jobs of that sports coordinator is to promote Coffs Harbour as a destination for large sporting events. We had the New South Wales Masters Games here recently. Also, an amount of money is paid to the council to cover administration costs.

The Hon. J. R. JOHNSON: How much is your landing fee?

Mr EDWARDS: Our landing fee for light aircraft and general aviation aircraft is \$5.50 per tonne; for the domestic regular passenger service it is \$5 per tonne and \$8 per person through the terminal.

The Hon. J. R. JOHNSON: If you get a GST, that \$8 will be \$8.80.

Mr EDWARDS: You are probably right.

The Hon. J. R. JOHNSON: That will have a dramatic effect on your revenue.

The Hon. Dr B. P. V. PEZZUTTI: Are the landing fee and the facility fee separate?

Mr EDWARDS: Not if you are on a regular passenger transport service. For the aeroplane that you would have flown in to get up to this meeting, the airlines would pay us those two fees combined.

The Hon. Dr B. P. V. PEZZUTTI: But if you are a general aviation user and you do not use the facility it is \$5 per tonne. If you walk through the terminal it is \$8 per person as well?

Mr EDWARDS: In theory, but not in practice. We do not charge people for their \$8.

The Hon. Dr B. P. V. PEZZUTTI: For Kingsford Smith airport there is a landing fee and then there is a facility fee.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: I think that is the only evidence we have of someone in the country who does that. I think that is right.

The Hon. J. R. JOHNSON: Yes.

The Hon. Dr B. P. V. PEZZUTTI: The reason that I asked you about the property that was handed to you by the Commonwealth, which handed you the land and the terminal building, although you have upgraded and changed it over time, is that it was a fairly good kick forward by the Commonwealth at the time.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: And a fair incentive, without immediate outgoings, for council to generate income.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: And then develop it further.

Mr EDWARDS: Yes. Just on that point: council did contribute partly to that upgrading as well originally. I do not have those figures, but I can get them.

The Hon. Dr B. P. V. PEZZUTTI: I know that most councils did. Were there any other bidders, or were the local government bodies the only bodies that were offered these properties?

Mr EDWARDS: To my knowledge, local government was the only body offered it. It was part of the airport local ownership program of transition.

The Hon. Dr B. P. V. PEZZUTTI: I know the Coolangatta one was up for bids in the early phase when the ownership was handed over, and the councils were offered it, and they decided not to take it. So it is still in the hands of the Federal Airports Corporation. If other councils had not taken up the offer, would the Federal Airports Corporation continue to own them?

Mr EDWARDS: I suspect so.

The Hon. Dr B. P. V. PEZZUTTI: So there was a fair bit of foresight on the part of the local government bodies when they took up those offers.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: And there has been a fair bit of input from and pain for local government in

maintaining those facilities in terms of ratepayers and noise and so on.

Mr EDWARDS: Yes, that is right. We are fortunate in Coffs Harbour in that the airport has always paid its way, but other airports are a burden on the local government.

The Hon. Dr B. P. V. PEZZUTTI: Council used to get a lot of complaints from the Toormina people when the F28 was flying in. Is that still a problem with the 737 and the BAE146?

Mr EDWARDS: Certainly not so much with the BAE146, and for that matter not really with the 737. Surprisingly, the complaints that we get relate to night flights, which is the newspaper plane.

The Hon. Dr B. P. V. PEZZUTTI: On the issue of managed competition and licences, when the licences were last decided, which I think was in 1965, is that correct?

Mr EDWARDS: 1995, yes.

The Hon. Dr B. P. V. PEZZUTTI: The Air Transport Council went out to collect bids and then came to local government and the community generally, and had hearings up and down the coast on what people thought they needed.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: But the final decision on what was acceptable at that time was the Air Transport Council. Is that correct?

Mr EDWARDS: That is correct.

The Hon. Dr B. P. V. PEZZUTTI: So the decision was not made locally; it was made in Sydney.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: If Ansett decided tomorrow to vary its jet service, even though it is a condition of the licence I assume.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: I know it is a condition of the licence in Ballina.

Mr EDWARDS: I think you are right, yes.

The Hon. Dr B. P. V. PEZZUTTI: If they decided to change down to Saabs from the jet, there is no requirement for the Air Transport Council to come back to Coffs Harbour Council, to your airport, or to anybody before it does that. Is that so?

Mr EDWARDS: I believe you are correct.

The Hon. Dr B. P. V. PEZZUTTI: What is the effective difference in terms of local control, and the wishes of Coffs Harbour Council and the wishes of the community generally about the jet in terms of tourism, between a deregulated market and a regulated market?

Mr EDWARDS: In this particular case we have the opportunity to go to the Air Transport Council if our service provider is not providing the service that we think he should. We have the opportunity to go to the Air Transport Council in that instance. Mind you, we also have the opportunity to approach the provider himself, and we have done that. We have a quite good dialogue with Ansett. But we have found that in recent times the Air Transport Council has been very receptive to approaches on behalf of councils.

The Hon. Dr B. P. V. PEZZUTTI: For example, when Hazelton pulled out of a number of routes for which it had licences after the last round, there was no penalty, was there?

Mr EDWARDS: Not that I am aware of, no.

The Hon. Dr B. P. V. PEZZUTTI: I cannot see what the difference is between managed competition and open competition for routes such as Coffs Harbour, where you have two airlines vying for business. I mean, tomorrow Qantas could decide to bring in a jet, could it not?

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: It could upgrade if it wished?

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: In the same way, Ansett, with a fair bit of public pain, could downgrade.

Mr EDWARDS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: But a third operator, like International, simply could not start a service. International is a third player that seems to be emerging.

Mr EDWARDS: The difference is that Coffs Harbour—and I can only speak for Coffs Harbour in that regard—is working very closely with both airlines to make this port a viable and growing port. But, whilst managed competition is there, we do not have to worry about a third operator coming in.

CHAIRMAN: It is in the Act that if one of the airlines were to downgrade its services, the Minister can re-advertise the route.

The Hon. Dr B. P. V. PEZZUTTI: Yes. But what I am trying to point out is that that is not a local decision. That is a decision taken by the Air Transport Council sitting in Sydney.

CHAIRMAN: Yes. But the council could object to the Air Transport Council and ask the Air Transport Council to re-advertise. That is the only avenue open to the council.

Mr EDWARDS: Another point to note is that, particularly in the northern New South Wales area, we have a close liaison with the Air Transport Council. The Northern New South Wales Airport Management Group meets quarterly.

The Hon. Dr B. P. V. PEZZUTTI: With the Air Transport Council?

Mr EDWARDS: No, the group itself. But the Air Transport Council representative is invited to those meetings, and

they try to attend as many as they can. They do not get to all of those meetings, but certainly they do come and listen to our concerns and give us updates.

The Hon. Dr B. P. V. PEZZUTTI: I bet they would not bother going to Dubbo. I would not mind a trip to Coffs Harbour once a fortnight.

Mr EDWARDS: They are not always at Coffs Harbour. The last one was in Inverell.

The Hon. Dr B. P. V. PEZZUTTI: Dubbo gets 11 flights a day Monday to Friday. That means they are landing 11 times and taking off 11 times from Sydney. You are getting five flights a day, are you not?

Mr EDWARDS: Seven, including Eastern.

The Hon. Dr B. P. V. PEZZUTTI: Given that Dubbo has about 108,000 passengers, you have still got vastly more than has Dubbo, and Dubbo is using four more slot times, if push comes to shove, how do you think slot times can be rationalised to ensure equality of access for business and other travel from regional New South Wales, where the number of slot times available in peak times is limited to 80? Is there a mechanism that you have thought about that you could advise the Committee, who could then advise the State Minister, who could then advise Mr Vaile, on what is going to be a more and more difficulty task for regional New South Wales to hold those important slot times?

Mr EDWARDS: There is no doubt that the demand will outstrip the supply in years to come, and that there are going to be people at small airports saying that they deserve their slot times. But, without mentioning ports, the logical extension would be to work either a spoke and hub or a route where there is not a direct flight; where you go from a small port to a larger port, pick up more people and go into the city.

The Hon. Dr B. P. V. PEZZUTTI: Do you think the north coast would be well served if, for example, Qantas entered the market with a BAE146 that did what Ansett used to do, which is Sydney-Coffs Harbour-Ballina, Ballina-Coffs Harbour-Sydney?

Mr EDWARDS: That is certainly one solution.

The Hon. Dr B. P. V. PEZZUTTI: Rather than have all these Saabs flying up and down. There are only 80 slot times, and if there are three Saabs they take the same time to land as three big jets. So how do you think we can protect smaller services from being pushed out by bigger services?

Mr EDWARDS: One cannot really protect smaller services from being pushed out by the bigger services.

The Hon. Dr B. P. V. PEZZUTTI: Even with managed competition?

CHAIRMAN: Or the slot times.

Mr EDWARDS: Yes, you have the slot times.

The Hon. Dr B. P. V. PEZZUTTI: The answer to that is that, no, you cannot with managed competition, but you can with slot times.

Mr EDWARDS: You can with slot times, providing the slot times are introduced and managed in conjunction with reasonable landing fees.

The Hon. Dr B. P. V. PEZZUTTI: Hang on, before you get to landing fees. We have got to take this a step at a time, because we want to get answers to each of the questions. The slot times are currently allocated by a meeting of airline operators to each airline. Is that correct.

Mr EDWARDS: That is correct.

The Hon. Dr B. P. V. PEZZUTTI: What would stop Ansett from transferring one of its slot times from Dubbo to Coffs Harbour?

Mr EDWARDS: There is absolutely nothing to stop that transfer.

The Hon. Dr B. P. V. PEZZUTTI: What can we do to protect a slot time that might be allocated to Deniliquin being transferred by Hazelton to Lismore?

Mr EDWARDS: You allocate the slot to the port and not to the airline.

The Hon. Dr B. P. V. PEZZUTTI: Then how do you, in equity terms, work out a formula by which a certain number of paying passengers get a slot time? I mean, you cannot allocate a slot time if one aeroplane is going to come in with five people on it. That would be absurd. Have you or your airport committee thought of a formula that might be equitable?

Mr EDWARDS: No, we have not. I think that is a difficult question. At the moment, as you would be aware, it is just based on grandfather rights, and if you are lucky enough to have one now, you are lucky; if you have not got one, you are out of luck. That is primarily the situation.

The Hon. Dr B. P. V. PEZZUTTI: Given that the Sydney Airports Corporation is going to be privatised, and that four or five airports, including Essendon, are going to be privatised, what legislative process should be put in place to protect the rights of regional people to land at Kingsford Smith airport? Secondly, what can be done about the grandfather clauses?

Mr EDWARDS: It needs to be written into the Airport Act. We have the assurance of the Minister, but we do not have it in writing.

The Hon. Dr B. P. V. PEZZUTTI: Is it in regulations at the moment?

Mr EDWARDS: I am not aware of it being in regulations. It may be, but I am not aware of that.

The Hon. Dr B. P. V. PEZZUTTI: Are slot times regulated at the moment, or are they simply agreed?

Mr EDWARDS: They are agreed to by a slot allocation committee, I think.

The Hon. Dr B. P. V. PEZZUTTI: In terms of costs, given that Kingsford Smith airport has to manage its costs, like you manage your costs, and make provision for the future, it has only 80 landings an hour on which to determine its costs, and those costs are apportioned in some way which will be more and more commercial: do you think that there is a place for a community service obligation payment by a State government to ensure that the people in this State have reasonable access to Kingsford Smith airport, by way of a community service obligation payment either to people, like it does with the Isolated Patients Transport and Accommodation Scheme (IPTAS) for the travelling sick, or to an airline to help overcome the problems of the cost rises for small aeroplanes?

Mr EDWARDS: The community service obligation approach is one approach. My recommendation to the government would be that, if it is going to follow that path, it does so in such a way that it minimises the ability to abuse that payment and also make it easy to manage. But that is only one option.

The Hon. Dr B. P. V. PEZZUTTI: Perhaps, because of restriction of time available to this Committee, if you have any ideas on how that sort of idea could be implemented fairly, or if you have a number of options that you could set out in writing to the Committee, even if it is half a page, that would be helpful. Would you give some thought to recommendations on methods and possible difficulties. I am sorry for interrupting you, but there is not much time.

CHAIRMAN: And any other questions that you go away from here and think, "I should have said such-and-such," would you add those comments to it as well.

The Hon. I. COHEN: Mr Edwards, before I ask a question, might I compliment you on your "subtropical holiday playground" promotion. Do you think it is working? Are you aware that Tourism New South Wales is lying through its back teeth in promoting tropical New South Wales further up the coast, which I am glad your council has not included itself in because it actually denigrates the concept of subtropical? Is it working as an attraction to Coffs Harbour of tourism? What sort of tourism is taking place by air?

Mr EDWARDS: It is working. I wasn't aware that Tourism New South Wales was telling little fibs.

The Hon. I. COHEN: Big fibs, actually.

Mr EDWARDS: The make-up of our customers has gone from basically 60 per cent business and 40 percent tourism to 65 per cent tourism and about 35 per cent of business. We are tapping into mainly the short-stay market. We are pulling people out of destinations like Maroochydore and the Gold Coast, and possibly even Cairns, mainly in the short-stay market.

The Hon. I. COHEN: Dr Pezzutti spoke of the number of flights and made comparisons with Dubbo, which I feel is not a good comparison. What effect does that type of market have on the vehicles that you bring into Coffs Harbour?

Mr EDWARDS: At the moment it does not have a great deal of effect because we have plenty of capacity in the service that we have got. But it would—

The Hon. I. COHEN: Is it working with less flights of bigger capacity? Is that the way to go to increase the market?

Mr EDWARDS: That is effectively how it will work. It is always a balance between frequency of flight versus the economy of scale that you get from introducing a larger aircraft. But there is always a point where you cannot introduce a large aircraft too early because it will not pay for itself. There is a point where the operator will decide to step up to the next size.

The Hon. I. COHEN: You said that this council area was not happy with deregulation, and you described it as managed competition in the big airports and regulation in the smaller ones. What is the difference?

Mr EDWARDS: Very little.

CHAIRMAN: Many of the smaller airports have only one service, so it is regulated, where as with managed competition there are two players.

The Hon. I. COHEN: Nevertheless, with such a healthy potential, why are you so keen on managed competition or a type of regulation?

Mr EDWARDS: I think to keep the whole process sensible. There is an old saying in aviation that if you want to make a small fortune you start off with a big one. There are a lot of people out there who feel they would make a go of it in aviation, but you see companies going to the wall from time to time, as we have seen recently. By having managed competition, we are really protecting people from themselves.

At the moment the Coffs Harbour-Sydney route is operating quite well with two people competing against each other, and there will come a time in the future when three will be acceptable. But, if you introduce a third one too soon, in the case of Coffs Harbour it could dilute our market to the point where we go back to the smaller aircraft.

The Hon. I. COHEN: You mentioned that there were some problems with noise pollution from aircraft, particularly with the newspaper aircraft coming in out of hours. Are there many complaints about noise? Is there potential for an increase in the noise? I mean, the corridor is pretty well north-south, so that you are flying over some fairly populated areas. Is this something that, with the upgrading of tourism and the operation of bigger aeroplanes, could be a problem?

Mr EDWARDS: There is no doubt that noise is an issue for the community of Coffs Harbour as it relates to the airport. The concept that bigger aeroplanes are noisier is not true. In fact, the bigger aircraft that we have in Coffs Harbour at the moment is quieter than the smaller F28 that we had. Our figures indicate that it will not be so much the number of aircraft that we will increase, but the size of aircraft, that there will be the step up to the next level. So we are working on the basis that over the next 15 to 20 years the number of aircraft that we get here each day will not increase all that much. And the noise problem really only relates to our southern suburbs; it is not such a problem to the north. We are fortunate that, even though there is a noise problem, we do not have a lot of development right up against the airport, so that the aircraft are actually going over at a reasonable altitude.

The Hon. I. COHEN: Is Sawtell a noise affected area now?

Mr EDWARDS: It is, yes, to a small degree. Toormina is directly in line with the runway, so it is the area that is affected the most.

The Hon. I. COHEN: Other than that, are the people of Coffs Harbour, both in the tourism industry and also residents, happy with the frequency and efficiency of the airport in terms of access to Sydney?

Mr EDWARDS: I think generally they are. The only comments that I have received in recent times is that there is a fairly big gap in the afternoon for services out of Sydney. Our services tend to be seasonable: we have more services in the summer time. I think that gap is filled in the summer time. Whether the community are happy or not with the airport is a question that our politicians here are asking. We have been through an EIS recently, as well as a lot of community consultation.

My gut feeling is that a lot of people are happy with the airport and the direction it is going. We were with the Chamber of Commerce yesterday, and they were certainly positive about it. We have a resort in town here called Pacific Bay which was built and then stood idle for quite a number of years. They opened for business simply on the premise that the airport was here and that it was providing a good service and the council was managing it and was willing to expand it as the need arose.

The Hon. I. COHEN: When you say expand it, are you talking about physically lengthening the runway? Are you going to have a problem with the melaleuca wetland?

Mr EDWARDS: Council has looked at a number of options for upgrading the airport, one of which includes its lengthening. Council has not yet made a decision. Those documents that were put before you are looking at a widening only, and not a lengthening of the runway. I cannot pre-empt what council is going to do, but if I were a betting man I would suggest if they do anything it will be related to widening and not to lengthening. But, if lengthening does go ahead, it will not go into that sensitive area. We have some issues relating to Aboriginal heritage, and council has looked at that. That is more of an issue than the wetlands. I do not think that council will go in and disturb that land.

The Hon. I. M. MACDONALD: It intrigues me that a number of councils which to all intents and purposes, under a deregulated market, would do very well, have all come out heavily against deregulation. Do you see any potential benefits in deregulation for the Coffs Harbour regional airport?

Mr EDWARDS: Not in the situation in which we find ourselves at the moment, no. We feel quite strongly that it would be a disbenefit to us.

The Hon. I. M. MACDONALD: It would not mean greater frequency of flights? For instance, today the flight out is at 12 o'clock, and then there is not another flight to Sydney until 7 o'clock. It seems that that, for a centre that has 177,000 passengers, is an inordinately long time.

Mr EDWARDS: That is definitely an unsatisfactory gap in our schedules. And, yes, deregulation would produce extra services, and if I were an operator that is where I would be slotting a plane. The reason we are in that situation is that at the moment we are being serviced by 737s, which would be a little bit too big for the winter period, but certainly not for the summer period. But we are willing to accept that because we are planning for the future. We are not looking at today or tomorrow; we are looking at five years down the track. In five years time that will not be a problem for us.

CHAIRMAN: I think the point is that in the summer time the majority of your traffic, 65 per cent, is actually tourists. So that later in the year, in summer, you would have additional afternoon services. Is that so?

Mr EDWARDS: Yes. And there is also another very practical operational reason why there is not a service in the afternoon, and that is to force people onto the jet. That would be my guess.

The Hon. I. M. MACDONALD: To force people onto the 12 o'clock jet.

Mr EDWARDS: I suspect that is something that the operator has considered and used.

The Hon. I. M. MACDONALD: I must say I was very surprised. I have been to some smaller venues like Lismore, which has far fewer passengers and quite a gap in facilities at the airport, but it has just as many, if not more, flights than yourselves.

The Hon. Dr B. P. V. PEZZUTTI: No. There are only three out of Lismore.

The Hon. I. M. MACDONALD: But there was one at around 5 o'clock in the afternoon. It seems to me that they have been scheduled for the convenience of the airlines.

The Hon. Dr B. P. V. PEZZUTTI: They are.

The Hon. I. M. MACDONALD: And not for the convenience of the passengers.

Mr EDWARDS: It is always a function of providing a service and having the equipment that is suitable. They have got to use the equipment that they have the best that they can. It is not good to have aircraft sitting on the ground.

The Hon. I. M. MACDONALD: But deregulation could mean that you would have three or four flights in the afternoon.

Mr EDWARDS: Yes.

The Hon. I. M. MACDONALD: That would be in the short term.

Mr EDWARDS: That would be in the short term, and it would be at the expense of the larger aircraft, and it may well be more disruptive to the southern suburbs as well.

The Hon. I. M. MACDONALD: What is your growth rate at the moment?

Mr EDWARDS: At the moment it is 8 per cent. Over the last 10 years it has hovered around the 8 per cent. I think over the last five years it would have averaged out at about 5 or 6 per cent.

The Hon. I. M. MACDONALD: So in the year 2000 you could get roughly 200,000 passengers?

Mr EDWARDS: That particular document I gave you on the financial projections has our conservative projections for growth.

CHAIRMAN: Over 15 years.

Mr EDWARDS: Yes. We realise that as you get bigger the growth rate slows down.

The Hon. I. M. MACDONALD: You were saying before that Coffs Harbour is now starting to compete with the Gold Coast and even further north. What evidence do you have of that?

Mr EDWARDS: The evidence we have is that in the last 18 months the Maroochydore figures have gone down from 17 per cent to negative for a period. Coolangatta is negative. Kingsford Smith airport domestic services were negative. We have stayed positive, except for a few months in the earlier part of last year. We think our marketing programs are working, and we think we are stealing from some of our competition.

The Hon. I. M. MACDONALD: Ballina, if I recall correctly, has a significant increase per annum as well.

Mr EDWARDS: Well, Ballina is out there marketing, plus it is now also providing a jet service, and are now attracting people who would have gone to Coolangatta to fly to Sydney, but are now travelling south to fly to Sydney.

The Hon. I. M. MACDONALD: I noticed there were three airlines coming in there. Is that right?

Mr EDWARDS: Impulse services Brisbane, Coolangatta and what we call the milk run.

The Hon. I. M. MACDONALD: Is that a daytime service?

Mr EDWARDS: It is spread across the day. But I cannot keep track of Impulse because they keep changing their timetable. But they are providing services direct to Brisbane, direct to Coolangatta, down to Port Macquarie—

The Hon. I. M. MACDONALD: How is their passenger turnover going?

Mr EDWARDS: Their passenger turnover is not growing as rapidly as the Sydney route, but it is growing steadily.

The Hon. I. M. MACDONALD: It is newer, with the Brisbane connections.

Mr EDWARDS: No. We have had those services for some years, but it was a different airline. Last year, we had Eastland Airlines come in as well, and they were competing with Impulse on that sector. They lasted about nine months and gave it away.

The Hon. I. M. MACDONALD: You had connections to Lord Howe or somewhere in the past, did you not?

Mr EDWARDS: Yes, we have direct flights out to Lord Howe with an airline that has since got into trouble with the Civil Aviation Safety Authority.

The Hon. Dr B. P. V. PEZZUTTI: Could you take this question on notice. Could you give us some idea of what happened when you trialed your international flights directly to New Zealand? What was the result of that trial and any surveys that you did? Secondly, why is it that people in Sydney have to travel one hour to their airport and nobody whinges about it too much, and yet people in the country want to get to their airport in 10 minutes? Has there been any research on that? Or do you have any other explanation?

Mr EDWARDS: I could only give an explanation from my personal experience.

The Hon. Dr B. P. V. PEZZUTTI: I am sorry, you might take that question on notice because we have run out of time.

Mr EDWARDS: Alright.

(The witness withdrew)

(The Committee adjourned)