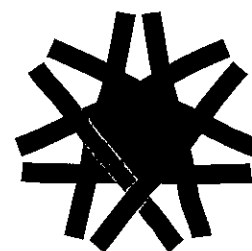


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DUBBO
CITY COUNCIL

20 June 2008

Department of Infrastructure, Transport,
Regional Development and Local Government
GPO Box 594
CANBERRA ACT 2601

**SUBMISSION BY DUBBO CITY COUNCIL (DUBBO CITY AIRPORT) ON THE
DEVELOPMENT OF A NATIONAL AVIATION POLICY WHITE PAPER**

Background:

Dubbo City Council owns and operates the Dubbo City Airport and would like to make the following submission on the Development of a National Aviation Policy Issues Paper on behalf of the community of Dubbo and the greater Dubbo Airport Catchment. Council's submission will reference those areas covered in the Issues Paper that are relevant to Dubbo Airport and that affect the Dubbo and wider community that the airport services.

Dubbo is located in the heart of NSW and has an estimated residential population of 39,787 people and serves a regional catchment population of approximately 115,419 people (ABS 3218.0).

The City is 414 km by road, 462 km by rail and 304 km by air, northwest of Sydney. The location of Dubbo at the intersection of major regional routes for road, rail and air transport has strengthened Dubbo as a hub for transport.

The Gross Regional Product within Dubbo has been measured at \$1803.0 million in 2006/2007 (Dubbo LGA Economic and Demographic Profile, 2008), with the main industries being manufacturing, professional and business services and wholesale and retail trade. The City serves as an important service centre to the wider catchment and supports a number of large industries such as mines and agriculture.

Dubbo City Airport is the major regional airport in inland NSW and provides an important link to Sydney and beyond. Passenger numbers have grown 64 % in the last ten years from 118,306 to an anticipated 193,000 in the current year. With over 240 RPT services a week, the Dubbo City Airport underpins the economic development of Dubbo and the region that it serves.

With growth of this magnitude comes a significant challenge. Provision and funding of infrastructure are key issues for the Dubbo Airport, as is the need to meet the legislative requirements. Our ability to fund infrastructure investment while keeping the airport a viable operation in a highly competitive market is much harder than some of our larger counterparts.

Continued access to Sydney remains a key issue, as is our ability to meet the continuing demand for services.

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Based on surveys of the traveling public (Dubbo Airport Terminal User Satisfaction Survey March 2007 - Aurora Research), approximately 75% of people surveyed are travelling to the Dubbo/Sydney Dubbo and Sydney/Dubbo/Sydney routes for business purposes. Access to Kingsford Smith Airport in Sydney is seen by the traveling public as vital for both business and leisure needs.

Submission:

1.3 Regional Air Services:

What should be the basis of government and industry policy towards air services to regional and remote communities?

Access to Sydney Airport is Essential

Council's view is that the continued access by regional airlines to Sydney Airport is essential to ensure the efficient and economical transport links between Regional NSW country centres and Sydney. Rural residents require access to the Sydney Central Business District for a range of services including medical, business, education, recreation, trade and welfare.

Any proposal to re-direct rural and regional air services to Bankstown Airport would add between one (1) hour and two (2) hours to the total journey of all country residents travelling to the Central Business District.

It is our belief that both the time and the cost factor of getting to and from Bankstown would make air travel totally unviable. There is also the matter of transferring from Bankstown to Sydney Airport to catch interstate or international flights.

Dubbo City Council supported the 'slot' system when first introduced and to see this diminished would have a detrimental effect on travel between Dubbo and Sydney for rural and regional passengers. Dubbo is a major hub for western NSW and any changes would be far reaching in the west of NSW.

The Federal Government Needs to Assist with Infrastructure Funding

There is a need to classify and provide a higher level of assistance for infrastructure funding in regional airports as our commercial capability to self-fund infrastructure improvements is limited.

In looking around the country, a number of regional airports are supported by public investment for defence. Darwin, Townsville, Albury, Wagga Wagga and Newcastle airports are all underpinned by defence activity and essentially have a very different cost base to airports like Dubbo.

Airport infrastructure is extremely expensive to build and maintain. Dubbo's Facility Areas Masterplan Review, undertaken earlier this year by Airbiz, identified the need for the Council to possibly spend more than \$10 Million on infrastructure improvements to meet government requirements and industry and public expectations. If the airline industry moves to introduce a larger more efficient aircraft type, Dubbo will need to spend the \$10 Million just to stay open.

The ability of the Airport to repay a \$10 Million loan is diminished as 90% of our revenue is based on the collection of user fees and charges for passenger travel. Our current ability to raise funds through other cost centres (such as parking or industrial development) is not nearly as significant as say a major regional hub like Newcastle which services close to one million passengers a year.

Classify airports

In saying this, Dubbo City Council believes that the Government should consider and introduce a classification system of airports, based on a "hub and spoke" principal. Dubbo City Airport currently serves as a hub for a number of the smaller airports in far western NSW. We believe that in the longer term, the principal of hub and spoke airports will support the Government in delivering services to regional communities in a sustainable manner, whilst dealing with the pressures that are happening in the industry with regard to operators (both airports and airlines) needing to continually achieve greater efficiencies in their operations.

Are security and safety measures adopted for major capital city trunk routes appropriate for regional and remote services? If not, what alternative measures could be adopted?

The Government Needs to Review its Policy on Security in Regional Airports

Dubbo, like many larger regional routes, has been in consultation with an airline operator regarding the operation of small jets to and from Dubbo. It is seen by Council that this type of service will enhance the growth of Dubbo, provide lower fares through increased competition and enhance the economic development of the region.

Regulations introduced by the previous Federal Government have made the negotiation process difficult for the parties over the question of security. There is an inconsistency with the screening process between the different types of aircraft that are likely to use the Dubbo Airport. An Embraer Jet, which carries 78 passengers, needs to have its passengers screened and by 1 December 2008, all of the hold luggage will need to undergo x-ray and explosives testing. A Dash 8-400 aircraft, which carries 72 passengers, does not have the same security requirements.

The regulations also capture passengers of any other aircraft which is on the ground 30 minutes before or after the jet service has landed. This makes it difficult for the Airport to administer and also to justify the costs charged on those aircraft that are not normally required to be screened, especially if there are delays in the system, forcing the 'other' aircraft's passengers to be screened.

This discrepancy, despite being difficult to understand, is costly to administer and also becomes a barrier to allowing new entrant airlines into Dubbo because of the expense involved in setting up the security infrastructure and changes to the terminal and baggage systems to house it. The bottom line is that the cost of security needs to be recovered from the passenger. This could add as much as \$10 to \$15 to the price of a ticket which in reality may reduce the willingness of people to use air travel as a means of transport.

It should be noted that the Federal Government has not allocated any grant funding in the two previous budgets for those airports wishing to have jet services introduced which is a significant barrier to growth in these communities. On the surface, it seems unfair that some of the 29 regional airports supported by this funding who have less passengers than Dubbo are able to

access these funds. To upgrade the Dubbo Airport security arrangements to cater for jet services would cost Dubbo City Council in the vicinity of \$1,500,000 which is an ongoing recurrent cost of \$500,000 per year.

Let's not forget that Dubbo was considered in the review carried out by Sir John Wheeler (Report by Sir John Wheeler into Aviation Security - case study on Dubbo Airport) to be a 'low' risk airport. The Government should consider the threat levels on a regional basis as well as a national basis.

1.4 Addressing Skills Needs in the Aviation Industry

What strategies should the industry adopt to attract, retain and plan for their future skills needs to remain competitive in a tight labour market, and how can these be improved?

Industry Must be Supported

It is imperative that the Federal Government support and encourage the Aviation Industry to invest in the skill development. The current shortages of pilots and engineers in the industry is stifling further growth in services for rural and regional communities. The lure of increased earnings in capital city areas and also internationally for skilled aviation workers has severely affected operations in Dubbo.

The close proximity to the mining sector to Dubbo has also affected the labour workforce with many choosing to work in the mines because of the better wages on offer. Dubbo City Council is keen to develop new routes in partnership with the airlines, but is constrained by the current pilot shortages within the industry. In the interest of fostering growth into the future, the Government needs to work with industry in providing incentives to foster more training in those areas vital to the aviation industry. This could be done through the taxation system or by directing grant funding for training programs.

Are proposals such as a national industry run flying school to train flying instructors worth investigating and, if so, how might such a school operate?

The Government should foster these training schools. There has been a demise of training schools in regional areas, particularly in Dubbo, where there are no longer any accredited instructors available to teach students. Perhaps the Government could assist schools in setting up operations in regional airports such as Dubbo which would have a positive effect on the industry and also provide an economic spin-off to communities such as Dubbo. Many regional airports would have land available for lease or sale which some larger centres would not, and students could learn in an environment conducive to learning, which is not constrained by busy air traffic conditions.

3.1 Safety regulation and regulatory reform

Are there ways in which the approach to Safety Management Systems could be enhanced?

There needs to be consistency in what is required to be included in a Safety Management System. Currently, there is no mandatory template being used in the industry, which not only creates a wide diversity in approaches by each airport to minimise risks, but also makes it

difficult for the Civil Aviation Safety Authority (CASA) to be able to effectively audit airports for basic safety standards.

The last audit of the Dubbo Airport by CASA simply checked to ensure that a Safety Management System was in place, but did not review the document for its contents. Whilst the Safety Management System put in place for Dubbo City Airport is a rigorous document, a consistent approach to regulation is required.

How can the Australian Government and industry ensure CASA completes its long running regulatory reform process as soon as possible, to give clarity to industry and to clear the way for new approaches to meeting the regulatory challenge?

The largest barrier to airport operations is in the compliance to Manual of Standards part 139 (MOS139) which regulates aerodrome operations. This document needs to be reduced in size and the Government needs to push this process along as the industry has been expecting this reform for far too long. The Australian Airports Association has involved all stakeholders in recent years in direct discussions with CASA, but the process has been arduous, with little progress being made from the Airport's point of view. A greater focus on reform is required in a fast and efficient manner. This may require the Government to focus on providing more resources to achieve this.

5. Security

Please refer to comments made under section 1.3. This is probably the most significant area that affects the future growth and operation of services for the Dubbo Airport and the economic development of the region into the future.

Summary

In summary, the Dubbo City Airport is an important (and expensive) piece of essential infrastructure that supports not only the Dubbo community, but also a far wider regional and somewhat isolated catchment.

The aviation industry has a complex "supply" chain that involves facility providers, airline providers and consumers. The industry is also going through rapid change, brought about by legislative and consumer pressures and there is currently very little government intervention with regard to supporting and facilitating change.

Dubbo City Council welcomes the Federal Government's review and development of a National Aviation Policy Statement. In our view, the paper needs to acknowledge and provide a way forward for regional, rural and remote development of the aviation industry, as a whole. The Government also needs to consider and increase its role with regard to supporting and facilitating positive change in the industry that facilitates, encourages and supports continued service to regional, remote and rural Australia.

Dubbo City Council thanks you for the opportunity to have input on this important issue.

Yours faithfully

A handwritten signature in black ink, appearing to read "Mark Riley". The signature is written in a cursive style with a prominent loop at the end of the last name.

Mark Riley
General Manager