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Further contact: Richard Connors
13 October 2006

Mr Gary Potts
Presiding Commissioner
Review of Price Regulation of Airport Services
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Potts

**Submission to Productivity Commission Draft Report
Review of Price Regulation of Airport Services**

Thank you for the opportunity to participate in this inquiry

The Local Government Association of NSW and Shires Associations of NSW (The Associations) are pleased to make a written submission in response to the release of the draft report on the Review of Price Regulation of Airport Services.

Please find attached:

- Submission Cover Sheet, completed as required; and
- The Associations' submission in response to the Commission's Draft Report to the inquiry.

Please note that our submission does not contain confidential information, however it is provided subject to endorsement by the Associations' Executives.

Should you require further information or wish to discuss the matters raised in our submission, please contact Richard Connors, Senior Policy Officer – Roads and Transport at the Associations, on 02 9242 4000.

Yours Sincerely

Bill Gillooly AM
Secretary General



Submission on Productivity Commission Draft Report Review of Price Regulation of Airport Services

Local Government and Regional Airline Access

1. Introduction

The Local Government Association of NSW and the Shires Association of NSW (the Associations) are the peak bodies representing local councils in NSW.

Local Government is a key stakeholder in the provision of aviation services to regional Australia. Many airports in regional centres are owned and operated by local councils, and the infrastructure and associated airline services are vital components for the economic and social development of regional areas. At the same time, many urban councils are directly affected by policies regulating access to the larger city airports, especially relating to aircraft noise issues.

The Associations represent councils in NSW where the regional aviation access issues are naturally focussed on Sydney Airport and the privatised Sydney Airport Corporation Limited (SACL). Our comments on the draft report are therefore concentrated on Section 8.1 - Regional airlines' access to Sydney Airport.

2. Access to Sydney Airport

The issue of access to Sydney airport is one that is crucial to Local Government in NSW. While cognisant of the economic efficiency of using larger aircraft to manage and expand the capacity of Sydney Airport, the Associations believe there are other broader economic, social and regional development issues which should also be considered. Local Government in NSW, including both urban and regional councils, is united in its support for continued regional access to Kingsford Smith Airport at affordable prices.

We have previously noted concern with statements made by Sydney Airport Corporation Limited (SACL) that the development of a second Sydney airport could be delayed through the use of larger planes and better use of non-peak times, allowing the number of passengers passing through the airport to be more than doubled in that period. Clearly this could only be achieved through a reduction of the present curfew or the substitution of slots currently available to smaller regional aircraft for larger aircraft.

More recently we have also raised concerns at attempts to restrict access by regional airlines to key departure gate, lounge and maintenance facilities by SACL. Restrictions such as this place in doubt the protection of slots for regional airlines secured as part of the airport privatisation process. Equitable access to terminals, gates and other facilities form vital components of any access arrangements and the economic viability of regional airlines as a whole.

It is the policy of the Associations that residents of country New South Wales should be afforded equitable access to Sydney Airport. Modern and efficient air services between country areas and the state capital are essential for the social and economic well being of all residents, and particularly for country residents who rely on air travel increasingly for access to the wide range of services no longer available outside Sydney. This includes travel related to essential business, education, health and medical purposes.

It is important to note that a viable competitive and accessible regional aviation sector is not restricted to regional based customers. It is vital that Sydney-based professionals, administrators, investors etc with responsibilities or interests in regional areas have efficient access to regional aviation services on an equitable basis.

It would be a retrograde step for a commercial decision of the Sydney Airport management or through broader national efficiency aims to diminish current airport and terminal access arrangements for country air travellers, or for such a decision to adversely impact the ability of any particular operator to access the airport.

We have sought assurances from the government that as the regulator of air travel, it examined the circumstances being reported at Sydney Airport to ensure that access arrangements are in place which maximise the benefits for country travellers.

In a general sense, regional communities remain concerned that while the existing access management regime, particularly for peak hour access, may be adequate, there are no guarantees about future access. It is vital to these communities that access is maintained and that services are appropriate to the local community. Pricing and access mechanisms should not focus solely on the optimal or economically most efficient outcome for Sydney Airport, but should also address the continued provision of viable, profitable services delivering frequency and quality of service appropriate to the needs and size of regional communities.

The prospect of regional airlines using Bankstown rather than Sydney is also not attractive to regional operators and unacceptable to regional communities. State and Federal Government would need to spend enormous sums of money on transport infrastructure between Bankstown Airport, KSA and the CBD. Even if transport infrastructure were provided, there would still be extra time and cost for country people having to do business in Sydney or transferring to interstate or international flights. We also note the NSW Government ruling out the use of Bankstown Airport as an alternative to Sydney on airspace management grounds.

It should therefore be clearly evident from the above discussion that there is no viable alternative to maintaining regional airline access to Sydney Airport.

3. Price Notification

We note the discussion in the draft report on the price notification instrument requiring Sydney Airport to notify the Australian Competition and Consumer Commission of any proposed changes in aircraft movement and passenger processing charges for regional airlines. As stated in section 2 above, the Associations support policies which encourage the sustainability of regional aviation services generally. Many regional services operate on an extremely tight economic basis and the prospect of fare increases arising from the loss of this price notification instrument has the potential to directly affect the viability of many regional

services and therefore the accessibility of those affected communities. While we are aware that the provision of these types of instruments introduces an element of cross-subsidy or loss of revenue for the airport owner, we nonetheless believe the needs of regional and rural communities must be taken into account as part of an appropriate aviation policy mix for access to Sydney Airport.

4. Whole of State Development

In recent years the Associations have promoted a whole-of-state development dialogue across Local Government, between spheres of government and with business and the community. This covers a range of issues relevant to regional development and aviation services in regional areas, including:

- That the three spheres of Government must work together to find mechanisms to encourage a whole-of-state approach, in a national context, to transport, infrastructure and regional development planning and policy development.
- That transport policy addresses the transport needs of regional communities as well as urban communities and that governments provide for greater investment in transport inclusive of all communities.
- That Local Government promote infrastructure investment to support regional development with full consideration of options including infrastructure bonds, regional targeting of business migration and investment funds.

In summary, the Associations have long sought to break down the city/country divide on issues of state and national importance. One of the critical components to the breakdown of this divide is the implementation of appropriate transport policies, including those affecting regional aviation, to encourage investment and development in a whole-of-state context.

5. Summary

Small regional airlines not only provide a much needed service to their communities, especially to the local business community, but also provide a service to the whole community by allowing access for food, medical supplies, mail and other urgent supplies and by providing these communities with equitable access to the Capital cities, larger regional centres and other smaller centres, and through connections with overseas destinations. In turn regional airlines are able to provide city-based business and leisure based travellers with efficient access to regional areas. Appropriate investment in the provision of these services is therefore justified on state and national interest grounds.

The provision of airports and associated aviation services also provides a significant development impetus to regional areas and helps to further encourage development and business investment in that region.

In light of its importance to the future sustainability of regional Australia, we seek the Federal Government's commitment to ongoing support for the regional aviation services in Australia and in particular maintenance of existing access and pricing arrangements at Sydney Airport.