



AUSTRALIA
PACIFIC
AIRPORTS
CORPORATION

Aviation Green Paper Submission

NOVEMBER 2023

Table of Contents

1. Introduction	4
1.1 About Australia Pacific Airports Corporation	4
1.2 Submission to the Aviation Green Paper	5
2. Likely future directions out to 2050	9
3. Competition, consumer protection and disability access settings	19
3.1 A competitive aviation sector	19
3.2 Consumer protections	21
3.3 Disability access	22
3.4 Economic regulation of Australian airports	26
5. Maximising aviation's contribution to net zero	33
5.1 Opportunities and challenges in decarbonising aviation	33
5.2 Sustainable aviation fuel	37
5.3 Electric and hydrogen powered aviation	41
6. Airport development planning processes and consultation mechanisms	44
6.1 Noise	44
6.2 Community consultation mechanisms	49
6.3 Land use planning on-site at airports	51
8. Fit-for-purpose agencies and regulations	56
8.1 Role of government and agencies	56
8.2 Safety regulation	59
8.3 Airspace regulation and management	60
8.4 Agency funding and cost recovery approaches	60
8.5 'All hazards' regulatory approach	61
8.6 Security screening	61
8.7 Passenger facilitation	62
8.8 Air cargo facilitation	62
9. Emerging aviation technologies	65
9.1 Emerging technologies: a leadership role for Australia	65
9.2 Enabling the manufacture and uptake of emerging technologies	66
10. Future industry workforce	69
10.1 Current challenges and outlook	69
10.2 Regulatory and cultural barriers	70
11. International aviation	74
11.1 Bilateral settings	74
11.2 Foreign investment in Australian international airlines	77
11.3 Aviation International Engagement	78
11.4 International airport designation and development	78
Appendix A	81
A. Summary of recommendations	81

Note: Chapters have been numbered consistently with the Aviation Green Paper. APAC has not responded to all chapters.

AVIATION GREEN PAPER SUBMISSION
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1. **Introduction**

1. Introduction

1.1 About Australia Pacific Airports Corporation

Australia Pacific Airports Corporation limited (APAC) owns Australia Pacific Airports (Melbourne) Pty Ltd (APAM) which owns and operates Melbourne Airport. APAC also owns Australia Pacific Airports (Launceston) Pty Ltd (APAL). APAL and Launceston City Council own Launceston Airport which is operated by APAL. APAC is a privately held corporation owned by institutional investors, predominantly superannuation pension funds.

Melbourne Airport

Melbourne Airport has been Victoria's gateway to the world since 1970, operating curfew-free, 24 hours per day, seven days a week. The airport is located 22 kilometres north-west of Melbourne's central business district and is well connected to the city's freeway and arterial road network. Through successive Master Plans, the airport has supported an airport rail link, a third runway, improved road connectivity and terminal enhancements all of which will improve the passenger experience and enable the airport to meet forecast passenger demand. The airport is close to major industrial areas and serves as a hub for freight and logistics, while providing employment to thousands of residents in nearby suburban growth corridors.

As the largest Victorian employment hub outside of the Melbourne CBD, the airport precinct supports more than 18,000 jobs as well as 146,000 across the state. Melbourne Airport contributes \$17.7 billion to the economy, as a key enabler of tourism and trade based industries that support jobs and generate significant economic activity. It is estimated that a typical daily international flight contributes more than \$154 million to the Victorian economy and supports more than 1,380 jobs per annum.

Launceston Airport

Launceston Airport is situated 15 kilometres south of Launceston as serves as the northern gateway to Tasmania for commercial aircraft, air freight and private operators. Launceston Airport is the main aviation hub for Northern Tasmania and the second-busiest airport in the state. As a key economic driver, Launceston Airport contributes \$81 million annually to the Northern Tasmania economy with a further \$24 million in flow-on impacts. The airport has a workforce of more than 550 direct and indirect employees.

1.2 Submission to the Aviation Green Paper

APAC welcomes the opportunity to make this submission on the Australian Government's Aviation Green Paper: Towards 2050. This important process presents itself during a period of significant change for Australia's airports as we compete for more aviation growth opportunities and deliver a pipeline of major infrastructure projects that will enable more capacity, support competition and enhance the passenger experience.

Aviation is an essential service and airports are crucial to the economic and social wellbeing of all Australians. Australia's airport network helps connect Australians to each other and the world. Airports are also key drivers of the economy. Recent analysis published by Deloitte, found that in 2022 Australia's 1,700 airports contributed \$105 billion in value added to the national economy, supporting 690,000 full time equivalent (FTE) jobs. The economic activity at and facilitated by airports, contributed around five per cent of Australia's gross domestic product (GDP) and supported six per cent of all FTE jobs in 2022¹.

Australia's airports also contribute to the social fabric and welfare of local communities. Although quantifying this in financial terms can be difficult, the broader services enabled and supported by airports such as facilitating emergency responses, connecting medical products and services to regional and remote areas, and enabling the efficient transportation of high-value goods are all vital to supporting local communities around the country.

This submission outlines APAC's position across key areas of the Green Paper based on organisational objectives and understanding of government priorities. Numbering has been maintained to reflect the chapters of the Green Paper. APAC strongly endorses the following primary recommendations to government:

Competition, consumer protection and disability access

- The current 'light handed' regime for the economic regulation of airports should be maintained as it remains fit for purpose and continues to provide the appropriate framework for the successful negotiation of commercial agreements between airports and airlines.
- The Aeronautical Pricing Principles (APPs) are practical and proportionate in their current form and provide the necessary flexibility to account for the significant differences between airports such as terminal configuration, landside access, customer presentation and capital plans.
- Further investigation of a consumer protection scheme for Australian travellers is merited. Different models of consumer compensation schemes from jurisdictions including the United Kingdom, Canada, the United States of America and the European Union should be reviewed. Engagement with relevant stakeholders from across the aviation industry should be undertaken as part of the government's investigation of a potential scheme for Australian travellers. In parallel, the performance of Airservices Australia needs to be improved which will positively impact flight cancellations and delays.

¹ Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 2.

- Improving accessibility for air travel should be a priority for the aviation industry. Government, along with people with lived experience, airports, airlines and service providers need to collaborate to deliver better outcomes from kerbside to gate.

Maximising aviation’s contribution to net zero

- The development of a viable and scalable domestic sustainable aviation fuel (SAF) industry is fundamental to the incremental decarbonisation of Australia’s aviation industry.
- A domestic SAF market and necessary industry uptake will require the implementation of a comprehensive and timely suite of policy measures by the Australian Government. There is also a role for state and territory governments, particularly in relation to ensuring legislation relating to potential SAF refineries is adequate.

Airport development planning processes and consultation mechanisms

- The Major Development Plan (MDP) monetary threshold should be removed as it is no longer fit for purpose given rising inflation, labour shortages and sharp increases in the cost of building material. Existing triggers in the *Airports Act 1996* (Airports Act) relating to environmental and community impacts provide government with the necessary oversight of significant on-airport developments.
- The government should support more precinct MDPs to improve the overall efficiency of the planning process and enable greater certainty for the development of freight and logistics hubs.
- The Airport Building Controller (ABC) should be reformed to allow airports to engage their own building surveyor to issue building permits in accordance with the National Construction Code. The ABC should be resourced according to airport capital investment programs to enable it to provide a timely service to airports and facilitate improvements to the customer experience.

Fit-for-purpose agencies and regulations

- Government should undertake a comprehensive review of the roles, jurisdictions and accountabilities of government agencies including Airservices Australia (Airservices), Civil Aviation Safety Authority (CASA), Department of Climate Change, Energy, the Environment and Water (DCCEEW) and FlySafe to ensure that they are modernised to reflect the current realities of all industry participants.
- The introduction of a risk-based oversight model for aerodromes that recognises entities that have a mature safety culture, and an effective safety management system would be a benefit to the industry.
- The Department of Home Affairs Cyber and Infrastructure Security Centre (CISC) should move away from the current ‘need to know’ approach to a ‘responsibility to share’ model in relation to threat information.

International aviation

- There should be greater transparency and consultation with airports in the negotiation of bilateral air service agreements to build capacity ahead of demand.
- Australia should liberalise its approach to negotiating bilateral air service agreements with a view to ‘Open Skies’. Given the government’s current priorities, an open skies agreement with ASEAN, as foreshadowed in Australia’s Southeast Asia Economic Strategy to 2040 would be of benefit to Australia’s aviation industry.

APAC believes that these recommendations are a practical and proportionate response to many of the key issues currently facing the aviation sector. These recommendations generally do not require significant investment from government and can be implemented quickly, to improve the passenger experience, enhance competition and support the aviation industry. APAC would welcome the opportunity to discuss this submission and recommendations in more detail and, looks forward to the release of the final Aviation White Paper in 2024.

2.

Likely future directions out to 2050

2. Likely future directions out to 2050

- Airports' ability to redevelop and expand infrastructure is crucial to meet evolving customer expectations, industry needs, and passenger growth.
- A fit for purpose planning regime, maintenance of light-handed regulation, and the ability to execute commercial arrangements are essential enablers for infrastructure development.
- Emerging international markets, 'Open Skies' agreements, and common border opportunities with New Zealand are key demand-side drivers.
- Common departure lounges with biometric technology, continued business travel, and improving aircraft technology will support future demand.

What emphasis should the Australian Government place on these trends to help guide the future of the sector? Are there any other trends the Australian Government could add?

The ability for airports to redevelop and expand existing infrastructure is crucial to facilitate evolving customer expectations, industry needs and passenger growth. A fit for purpose planning regime, maintenance of the existing light-handed regulatory regime and the ability to execute commercial arrangements are key enablers to this occurring.

Melbourne Airport is safeguarded for significant development through long established land use purposes and airspace and noise protections in its Master Plan. This is further enabled by its 24/7, curfew-free operations which are crucial to supporting aviation activity and economic contribution, not only for Victoria but also for Australia.

To realise the potential of the site to develop towards long-term throughput of 100 million passengers annually, it is crucial that relevant government departments and agencies are appropriately resourced and equipped to provide support and facilitate streamlined approval processes. In short, this is to ensure that infrastructure supply can facilitate the demand opportunities.

Key characteristics of Melbourne Airport's development potential include:

- Significant land area (>2,700 Ha) and safeguarded development potential to serve 100 million passengers annually.
- Ultimate configuration of four runways with safeguarded airspace to facilitate the necessary aircraft movements.
- Existing terminal precinct expansion able to support greater than 70 million passengers annually, with terminal and apron expansions, plus an additional fifth terminal.
- Additional landside road and pick-up and drop-off capacity, most notably to be facilitated by the Elevated Road Stage 2 project that will commence construction in 2024.
- Opportunity for future Melbourne Airport Rail connecting the airport to Melbourne's CBD, and reducing road traffic on Metropolitan Ring Road and Tullamarine Freeway.

- Future Midfield precinct planned for remote terminal piers and aircraft parking to support long-term growth to 100 million annual passengers ultimate throughput.
- Maintaining 24/7 curfew-free operations that have been in place at Melbourne Airport for over 50 years. Curfew-free operations provide crucial flight time opportunities that are not possible at curfew constrained airports. This facilitates connections to and from key international hub airports in areas like Asia and the Middle East, with onward connections to multiple markets.

Drivers of change to 2050

This section presents Melbourne Airport’s perspectives on key trends identified in the Green Paper to help guide the future of the sector including key supply, demand, sustainability, technology, and workforce-linked drivers that are expected to influence the industry’s direction between now and 2050.

Our perspective on demand side drivers:

Emerging international markets:

Emerging international markets such as India, United States of America, Vietnam, and South Korea will play an important role in inbound international travel activity.

India, in particular, has demonstrated consistent double-digit growth as visitor numbers have more than doubled in the period from December 2012 to December 2019, at a compound annual growth rate (CAGR) of almost 14 per cent based on data from Tourism Australia². Recently announced non-stop flights between Melbourne and Mumbai are a sign of ongoing potential of this emerging international market.

Melbourne Airport works collaboratively with state and commonwealth agencies to target high-demand markets and develop propositions that deliver economic value to Australia as well as commercial outcomes to international airlines.

Ongoing coordinated, collaborative, and targeted advocacy and marketing campaigns will be required - promoting trade, education, and tourism opportunities - to ensure Australia remains at the forefront as key emerging markets introduce more capacity.

‘Open Skies’ opportunities:

The number of airlines, services and routes currently connecting Australia to international markets are regulated by bilateral air services agreements. At present, the Australian Government has negotiated approximately 90 bilateral air services agreements and associated arrangements.

Whilst such agreements enable to the government to make critical decisions on an airlines’ ability to service Australia with due consideration to factors such as competition, safety, security, there is an opportunity for Australia to consider alternative, open-skies, arrangements with key trade partners and neighbouring nations.

Australia currently has open-skies agreements with China, India, Japan, New Zealand, Singapore, United States and the United Kingdom. These agreements allow airlines from Australia and these countries to scale their capacity on a route (between the two countries) in response to market demand, and without having to seek Ministerial approval.

² <https://www.tourism.australia.com/en/insights/tourism-statistics/international-market-performance.html> (9 November 2023).

The arrangement enables redirection of capacity and resources in a timely manner to the sectors with the highest unmet demand in a manner that ensures commercial outcomes for the airlines and economic benefits to the traveller and the respective countries.

APAC advocates for expanding the open-skies agreements with more countries, particularly those with high-volume international routes and present low safety and security risks will deliver sustainable growth of the international aviation market. A focus on markets in the ASEAN region aligns with current government priorities and would be welcomed by the industry.

Common border opportunity with New Zealand:

This initiative has been proposed on several occasions over the past two decades. The opportunity for a 'borderless' connection between Australia and New Zealand facilitated by similar levels of security, passport integrity and passenger information would essentially turn travel between the two countries into a domestic sector. This would be akin to the 'Schengen' regime successfully operating in Europe since the 1990s.

The benefits for airports include the ability to share terminal, concourse, and gate infrastructure between domestic and international operations. This would help reduce duplication of facilities and the extent of future infrastructure investment. For airlines, the benefits include operational efficiencies associated with utilisation of aircraft and staff as well as lower infrastructure charges resulting from reduced development.

For travellers, this change would potentially deliver a quicker, more efficient experience from less processing steps that need to be undertaken.

Combined terminal / common departure lounge - domestic and international:

Under a common departure lounge concept, the border check process would be undertaken at gate lounges, rather than at defined Emigration and Immigration lines. This would require common security regulations governing screening requirements of both passengers and baggage across domestic and international sectors.

To enable this, it is likely that enhanced use of biometric technology would be required. Biometric technology to manage border control already exists in several forms, notably via 'Smart Gates' using facial recognition to match passengers with passports.

Many countries and airports around the world have, or are implementing, greater use of biometric Smart Gates for border control and aircraft boarding activities. Some airlines have also started programs passengers can register for, which facilitate facial recognition as part of optimised processing. For example, the Star Alliance group of airlines has established a program of biometric facial recognition processing using Smart Gates at security and boarding to facilitate faster processing with almost no contact. This is already occurring at airports including Frankfurt, Kennedy (New York) and Los Angeles, amongst others.

Smart Gates have been used by Australian Border Force (ABF) at major Australian airports for nearly ten years. However, for every group of six Smart Gates, five ABF personnel are required to operate the process. This includes staff manually comparing the passport image with the facial scan by the gate, because of the ABF's protocol requirements.

Therefore, potential efficiency gains in processing throughput and staff optimisation available from technology are not being fully realised. Greater automation of the process facilitated by appropriate adjustments to ABF inspection and intervention

requirements, and making better use of the technology capabilities, will yield improvements to this key airport processing point and give rise to the opportunity to decentralise and undertake this process at gate lounges.

More efficient use of terminal and concourse infrastructure for the shared purpose of domestic and international activity, including greater implementation of swing gates will reduce the need for duplicate infrastructure and therefore reduce overall capital costs. For airlines, these flexible facilities also help to reduce operational costs. For example, aircraft towing between terminals, via opportunities for aircraft to be flipped between domestic and international services.

Airport retail could be used by both domestic and international passengers, where Duty Free prices are only available to those passengers holding a passport and boarding pass for an international flight.

Several airports in Australia already operate 'swing gate' infrastructure, allowing some gates to be switched between domestic and international operations. These include Adelaide, Perth, Gold Coast, and the new Western Sydney International Airport (WSI) which is currently under construction.

This facilitates use of shared infrastructure and operational efficiencies. However, to switch the areas requires a thorough manual inspection by ABF, which typically takes 45-60 minutes. During this time the affected gate and concourse areas cannot be used for any flight activity which significantly impacts operational utilisation. This is why swing gates have limited practical use at very busy airports like Melbourne and Sydney. Therefore, no airport in Australia, including WSI (which still has fully separated domestic and international areas) is currently able to fully realise the potential opportunities of flexible, shared infrastructure that could be achieved by common use departures concourses, piers, and swing gates.

There are many global examples of countries and airports that operate combined terminals with shared domestic and International concourses. A notable example is Canadian airports which have been operating optimised infrastructure like this for decades.

To enable this potential operation, changes will be required to rules and protocols governing ABF inspection regimes.

Domestic and regional demand:

Travel restrictions during the COVID-19 pandemic exacerbated the use of online video conferencing and communication tools such as Zoom, Microsoft Teams and Webex to facilitate meetings and the continuation of business activities.

In the post-COVID recovery phase of air travel, business travel has returned in a promising manner but remains plateaued at approximately 80-90 per cent of pre-COVID demand. Contributing factors including higher airfares and poor reliability of air services compared to pre-COVID, greater scrutiny on travel expenses particularly from small and medium enterprises in an inflationary environment and increased comfort with use of virtual meeting platforms have resulted in more and more businesses choosing online meetings over short interstate trips.

We expect this trend to continue in the short-term. However, over-time as factors like population and GDP increase, business travel is likely to grow beyond previous levels requiring more flight services and infrastructure to facilitate air travel.

Key routes (e.g., Melbourne-Sydney) are already extremely busy, however, there is limited growth in frequency. Melbourne-Sydney is the fourth busiest domestic airline

route in the world serving over 800,000 passengers in the month of October 2023³. With the number of aircraft movements being constrained due to domestic peak hour traffic, domestic airlines are in the process of upgaging their fleet to introduce more capacity per turnaround.

Domestic demand in Australia is limited by frequency of movements, with no reasonable mass transit alternative such as a high-speed rail. Supporting increasing demand therefore requires use of larger aircraft. This strategy is reflected in current fleet orders for domestic Australian airlines, as a response to be able to service future demand.

Legacy infrastructure is also an issue. Having historically served its purpose well, legacy infrastructure can serve as a key bottleneck to this growth trajectory. Facilitating critical infrastructure upgrades through timely processing of permits and building applications is an important enabler for airports to be able to provide necessary capacity to facilitate demand.

Demand (general):

The Green Paper suggests there will be a gradual tempering of leisure demand in the future. APAC disagrees and considers that a combination of factors will see demand continue to grow. Additional markets will be facilitated by improving aircraft technology and capacity introducing more opportunities that are affordable to more people.

Prior to the pandemic, Melbourne Airport's passenger segmentation surveys had shown increasing numbers of wealthier retirees with good financial positions, taking up leisure travel. These surveys also showed sizeable increases in new market segments such as 'Bleisure' being a mix of business and leisure travel, particularly being undertaken by younger professionals who are comfortable working remotely and are ready and willing to travel more frequently. APAC contends that demand will continue to increase at solid rates of growth.

Aircraft technology:

In recent decades, long-haul international flights were revolutionised from legacy four engine aircraft such as the Boeing 747 and the Airbus A340 to newer, more efficient twin-engine aircraft like the Boeing 777, 787 and the Airbus A350. This trend is continuing with development of next generation aircraft like Boeing 737 MAX, and Airbus' 'neo' aircraft families gradually entering service and enabling more point-to-point and more distant markets.

For short-haul domestic and international markets, the evolution of legacy B737 and A320 aircraft to stretched variants (e.g., B737MAX, A220, A321XLR) with more powerful and efficient engines are continuing to facilitate an uplift in passenger volumes, with less noise and greater efficiency, and converting previously commercially unviable routes (due to low volumes) to profitable markets both domestically and internationally.

Domestically, driven by growing population, and lack of connectivity (particularly in regional-regional and regional-metro routes), these new generation aircraft can be expected to connect previously unserved or underserved routes. Bonza's model of servicing previously unserved routes in the Australian domestic market with a Boeing 737 MAX 8 (186 seats) is an indicator of regional demand being met through direct point-to-point services. If successful, the low-cost carrier model can be expected to

³ <https://www.oag.com/en/on-time-performance-airlines-october-2023> (9 November 2023).

grow to connect more unserved or underserved domestic markets leading to more traffic at major airports, particularly on the eastern seaboard.

These aircraft are in the order of 25 percent more fuel efficient and have noise levels up to 50 per cent quieter than previous generations, which will help offset increases in flight volumes as demand increases.

As a result, Australian airports can expect to serve a new passenger demographic, one that was previously inclined to travel by road or rail, resulting in increased passenger volumes.

Our perspective on supply side drivers:

Growth in air freight market:

Although not widely documented, approximately 80 per cent of all international air freight imported to or exported from Australia by volume, is transported in the cargo hold of Regular Passenger Transport (RPT) services i.e., passenger aircraft. Dedicated freighter aircraft account for the remaining approximately 20 per cent.

Freight carried on aircraft tends to be of higher monetary value compared to sea freight. Despite representing less than one percent of all freight volume, air freight represents more than 21 per cent of monetary value of Australia's international trade. In FY2017-18, this equated to 1.15m tonnes or \$109 billion of international trade passing through Australia's airports.

The freight sector's resilience, and its role within the aviation sector, was shown to be critical as import and export industries maintained operations during the pandemic (albeit with government-funded support mechanisms), thereby sustaining not just airlines but also farmers, producers, logistics operators and other associated businesses throughout Australia.

With an unprecedented rise in e-commerce leading to customers wanting their orders delivered sooner, safer and in a more sustainable manner, the air freight sector in Australia is expected to grow, driven by a strong inbound market.

Freight operators globally are investing in systems, infrastructure, and innovation across the value chain, including testing deliveries via drones (in international jurisdictions) with varying degrees of success. In time, as the regulatory frameworks, infrastructure requirements, airspace management models and operating models are refined, Australia can expect to see a similar approach deployed domestically, particularly in regional areas. However, the increased use of drones will also trigger the need for facilitating charging infrastructure, apron space and airspace management.

Furthermore, from an international air freight perspective, freight and logistics businesses operating within airport business precincts play a key role in consolidating domestic supply from multiple states prior to exporting internationally. Seasonal demand for Australian meat and produce, which requires logistics facilities to be prepared to support handling of high volume, time-critical exports, can at times put distribution centres and other infrastructure under pressure.

Workforce availability and resourcing:

The impacts of COVID-19 on the aviation sector included a significant loss of staff across all areas of the industry, including technical skills like aircraft maintenance, airport operational staff, service providers and even retail staff. Furthermore, whilst various technology enhancements will continue to improve processing in some areas, the aviation industry will still rely on numerous manual processes, for example for baggage handling and aircraft servicing and turn-around. The availability of human workforce for

increasing volumes of activity is a risk that may require government assistance to address. Further discussion on other aspects of this topic are captured in our response to Chapter 10. Future industry workforce.

Our perspective on Sustainability drivers:

APAC has adopted an industry-leading approach towards maintaining sustainable airport operations, sustainable growth, and decarbonisation. We believe the key drivers to ensure long-term sustainability of our industry will rely on the following drivers: Sustainable Aviation Fuels (SAF), introduction of new aircraft types, efficient flying operations, and a favourable policy landscape.

SAF:

The largest pillar within our plan to reduce our Scope 3 emissions are emissions linked with flying, with addressable emissions of ~350,000 tonnes linked to fuel burn from aircraft. SAF is widely accepted to be the best option to address these emissions between now and 2050. To that end, APAC is of the view that a domestic SAF industry will be fundamental in decarbonising Australia’s aviation industry.

Our perspective on this this key driver towards a sustainable aviation sector are captured in depth in our response to Chapter 5. Maximising aviation’s contribution to net zero.

New aircraft types:

In addition to the ongoing introduction of new, more efficient variants of turbofan aircrafts to the Australian market (Virgin Australia and Bonza’s Boeing 737 MAX, QantasLink’s Airbus’ A220 and Jetstar’s A321neo), Rex’s investment in electric propulsion aircraft introduces the prospect of existing turboprop aircraft retrofitted with electric turbine engines operating domestically in Australia in the near term.

Electric-powered aircraft which will be powered by a combination of batteries and hydrogen are likely to contribute to significant reduction in noise and emissions compared to turboprop engines current installed in Rex’s fleet of Saab 340s. These aircraft, some of which operate from Melbourne Airport to regional destinations, have been identified as potential candidates for the retrofit, with expected entry into service within this decade.

Such sustainability-driven innovations, whilst beneficial for the environment through reduced carbon emissions, present significant challenges in airport planning and operations including, but not limited to, land use planning (e.g., storage, liquefaction, possible production), airside development plans (e.g., refuelling equipment), utilities and infrastructure redevelopment (e.g., to produce and transport), safety, security, and staff training.

Deployment of such technologies (i.e., introduction of hydrogen fuels in an operational environment) requires government agencies to allocate effort and resources and work collaboratively with airport operators and airlines to develop the necessary frameworks and protocols that aid safe and timely rollout of these technologies.

Efficient flying operations - other areas where government can support decarbonisation include:

Removal of strict gateway allocations of services bilateral air services agreements. As an example, this specific measure can currently result in international carriers with movement caps to conduct domestic ‘ghost flights’ which contribute unnecessary carbon emissions into the atmosphere.

Improvements to Air Traffic Management procedures utilising latest technology and protocols to optimise flight paths, plus arrival and descent profiles. This will help improve efficiency of aircraft operations and reduce noise and emissions.

Further discussion of potential improvements to Airservices are included in our response to Chapter 8. Fit for purpose agencies and regulations.

Our perspective on emerging aviation technologies:

Advanced Air Mobility (AAM):

AAM is expected to be a major disruptor to the Australian aviation landscape within the coming decade. Depending on the product, the technology will be capable of carrying freight and/or passengers to a range of 200+ kms in a crewed or autonomous flight. Although there is some debate surrounding its adoption timeline and early use cases, there is broad consensus within the Australian aviation community around key features and requirements of AAM.

AAM deployment in Australia is imminent and integrating this technology within the existing ecosystem will require an overhaul of our airspace and safety regulations.

The sector will need to build its social licence as a priority to enable wider community acceptance. We expect this will come through deployment in aeromedical, critical freight supplies, emergency services, and in regional areas which can also provide an ideal testbed for new testing new protocols and regulatory frameworks for airfield design, air traffic management, noise management, and charging infrastructure requirements.

Upon reaching maturity, AAM uptake will lead to much busier skies due to volume of aircraft, and therefore requires regulation and mechanisms to protect safety, integrity and capacity of airspace associated with airports. This will include greater resourcing and upscaling of Airservices and CASA capacity and capability to facilitate and manage change in a timely manner.

With long lead times associated with renewal and/or development of new protocols and regulation, delivery, and certification of infrastructure in line with the new regulation, and various other phases of testing and approvals, the time is now for relevant departments, regulatory bodies and other agencies to direct attention and resources to developing a roadmap, in conjunction with industry stakeholders such as airports, that supports integration of the AAM ecosystem.

AAM integration into an airport precinct will, at a minimum, necessitate airspace integration, land availability for vertiports, charging infrastructure and safety. Unless there is coordinated intervention from the sector, Australia risks having to compete for investments and workforce skills to advance AAM.

Airport processing technology enhancements:

The evolution of terminal processing and security technology continues to progress at pace, providing significant opportunity to increase throughputs and provide more secure operating environments. What may have previously been considered as 'futuristic' technology like high-speed facial recognition and baggage scanning imagery, is proven and out of R&D today.

The rapid development of artificial intelligence programming provides further opportunity to significantly improve capabilities. But whilst the technology is available and evolving, progress towards implementation is wholly linked to enabling change to regulations and protocols. Security screening is one significant example of where the

implementation of technology has been limited by out of date government processes and requirements. Changes to these would help facilitate air travel enhancements such as frictionless biometrics and the amalgamation of check in and security.

Frictionless biometrics enables things like arrivals scanning of bags and passengers as well as quarantine facial recognition to bag matching based on inbound screening findings. This will not only result in quicker and more efficient throughput of passengers through arrival processing, but it also gives rise to the opportunity for 'fast transfer' connections from international to domestic flights, through 'tail to tail' bag transfers rather than passenger re-checking. This is being implemented in airports around the world, such as Singapore, Brussels, and Calgary.

Off-site baggage check-in either at dedicated facilities or such as 'home check-in' valet style programs already operating overseas, like those by Emirates Airlines, Etihad Airways and British Airways and Qantas in London via providers such as Airporter. With this technology already in use around the world, enabling off-site baggage check-in would help improve airport efficiency by freeing up gates and reducing congestion.

3.
**Competition, consumer
protection and disability
access settings**

3. Competition, consumer protection and disability access settings

- The current 'light handed' regime for the economic regulation of airports remains fit for purpose and continues to provide the necessary framework for the successful negotiation of commercial agreements between airports and airlines.
- The Aeronautical Pricing Principles (APPs) are practical and proportionate in their current form and provide appropriate flexibility to account for the significant differences between airports such as terminal configuration, customer presentation and capital plans.
- Improving the accessibility of airport infrastructure and ensuring there is equitable access to air travel for all Australians is a priority. APAC is working with accessibility experts to identify and address challenges and deliver better outcomes for people with disability.

3.1 A competitive aviation sector

What types of data and analysis should the Australian Government produce to support aviation competition outcomes?

APAC supports the work of the Bureau of Infrastructure and Transport Research economics (BITRE), which publishes domestic and international aviation statistics. However, there are aspects of the data that BITRE releases that could be enhanced to better support the aviation industry, including:

- **More timely reporting of domestic and international aviation statistics:** the current system operates on a significant time delay (approximately three to four months) that limits the usefulness of data. For example, airport traffic data is published approximately six months behind, domestic aviation activity is between two and three months behind and international airline activity is approximately three months behind.
- **Explore near real-time monitoring:** BITRE should explore additional near real-time monitoring arrangements that would provide better and more timely information for consumers and industry.
- **Improvements to domestic airfare index methodology:** the current approach 'smears' the cost of airfares across the network which hides the underlying issue of lack of competition on most routes. The data also shows the best fare that a person can access however it is unlikely that most travellers will be able to travel on these fares.
- **Additional detail in freight data:** the National Freight Data Hub is a useful tool but would benefit from greater granularity in the data available on both the value and volume of domestic and international air freight.
- **International cancellations and on time performance:** in the same way that domestic cancellation and on time performance data is reported, the industry would benefit from this information being gathered and published on international flights.

- **Incorporation of Avalon Airport:** with multiple carriers now flying to Avalon Airport it follows that it should report on its domestic aviation activity like other regional Australian airports.

Would the Australian Government’s publication, in consultation with industry, of a decision-making framework and guide for short term cabotage dispensations support clarity of current processes to manage future decisions to implement longer-term cabotage arrangements?

APAC would support steps by the Australian Government to provide greater transparency in its decision-making processes including in relation to short term cabotage dispensations. However, outside the European Union, there are minimal examples of where cabotage has had a meaningful impact. In the Australian context, cabotage is often raised in relation to rural and regional destinations, which are currently underserved. In the medium to long-term, improved competition in the Australian market to allow for new market entrants and the uptake of new aircraft with greater range, like the 737 MAX and the A321XLR, are more likely to improve connectivity to underserved markets than changes to cabotage dispensations.

What should the Australian Government take into account in designing the terms of reference for the proposed Productivity Commission Inquiry?

APAC supports the recommendation of the Senate Rural and Regional Affairs and Transport References Committee that the Productivity Commission undertake a public inquiry into the determinants of domestic airfares on routes to, and between, regional centres in Australia. APAC recommends the following matters are included in the terms of reference for the proposed Productivity Commission inquiry:

- **Role of government regulation:** The cost of security compliance is a significant burden on regional airports and in many instances, appears to be incongruent with the risk profile of these locations and the services they facilitate. Onerous compliance requirements in regional locations results in structural escalation of the cost base for these airports which is passed onto to airlines and then to consumers.
- **Cost structuring of government services:** The cost structuring of air traffic control and Aviation Rescue Fire Fighting Services (ARFFS) from Airservices Australia is also a concern as it is directly linked to passenger volumes. Lower passenger volumes at regional airports means the price per passenger is higher which flows into airfares.
- **Limited competition:** Structural changes to the Australian domestic airline market in recent years has resulted in less overall competition. For example, Virgin Australia is no longer a ‘regional’ player given the rationalisation of its fleet. This lack of competition has undoubtedly had an impact on regional airfares.
- **Market power of airlines:** Regional airports have little to no market power. They are capacity takers and thus price takers. The passenger risk is also much higher for regional airports as there is a limited ability for them to price that risk into their aeronautical charges.

Furthermore, in light of the evidence produced during the Senate Select Committee inquiry into Commonwealth bilateral air service agreements combined with the surge in customer complaints (the Australian Competition and Consumer Commission (ACCC) received 1,740 complaints about Qantas in 2021-22, more than any other

company⁴), it would be timely for the Productivity Commission to expand the scope of this inquiry. APAC recommends the government direct the Productivity Commission to investigate the determinants of all domestic airfares in Australia and the direct impact high levels of domestic airline market concentration has had, and continues to have, on airfares and competition.

In addition, APAC recommends the government make the ACCC airline monitoring report permanent as has been the case for the airport monitoring report for many years. This would signal to the industry that addressing high airfares and the conduct of airlines is a priority for the government.

3.2 Consumer protections

Should the Australian Government look to revise current consumer protection arrangements and, if so, through existing or new mechanisms?

Domestic aviation is one of the most concentrated industries in Australia, with Qantas Group and Virgin Australia accounting for approximately 95 per cent of the market. This has led to poor outcomes for consumers specifically in relation to airfares rising above pre-pandemic levels (surpassing inflation-adjusted prices) and significant regression in both cancellation and delay rates when compared to long-term averages for the industry⁵. What this amounts to is travellers paying more for less.

APAC supports the government's investigation of enhanced consumer protection mechanisms as a means of improving outcomes for the travelling public. Comparable jurisdictions around the world have different forms of consumer compensation schemes including New Zealand, the United States of America, Canada, the European Union and the United Kingdom. There are various strengths and weaknesses of the schemes in each of these jurisdictions that need to be properly reviewed and considered if Australia is to establish its own airline consumer compensation scheme.

APAC does not have a specific view on the model that should be adopted in Australia. However, if a model is adopted it should be legally mandated, provide recourse to customers for flights that are delayed or cancelled for reasons within an airlines control and include an independent airline ombudsman scheme to review claims. If the government decides that a consumer compensation scheme is appropriate, APAC recommends consultation with consumer groups, airlines, airports and other industry stakeholders is undertaken to inform the development of the scheme.

In addition to the consideration of a potential consumer protection scheme, the government must address fundamental issues with Airservices Australia relating to air traffic control that are the cause of many delays experienced by passengers. Further detail on this is provided in our response to Chapter 8. Fit for purpose agencies and regulations.

⁴ Australian Competition and Consumer Commission, Airline competition in Australia, March 2023, p 8.

⁵ Australian Competition and Consumer Commission, Airline competition in Australia, June 2023, p 26.

Would an expanded remit for the Airline Customer Advocate to educate customers on their legal entitlements be useful?

The Airline Customer Advocate (ACA) is an industry-based complaints body that is funded and run by Qantas, Virgin Australia, Jetstar and Rex. Consumer feedback about the efficacy of the ACA has been overwhelmingly negative. The ACA's 2022 Annual Report found that only 27 per cent of customers who responded to its satisfaction survey said that they either agreed or strongly agreed with the comment "I was treated fairly, with respect and honesty."⁶ Furthermore, only 43 per cent of complaints were resolved by the ACA in 2022.⁷ The ACCC also found that the ACA "is generally ineffective"⁸. The Australia and New Zealand Ombudsman Association (ANZOA), the peak body for Ombuds-people also noted that "the airline customer advocate doesn't meet the criteria of an ombudsman. (It) is overseen by a committee of airline representatives and can't be called independent of the organisations that it oversees."⁹

Given the inherent issues with an industry-based scheme of this nature and the numerous concerns with the ACA over a number of years, expanding its remit is unlikely to result in better consumer outcomes. Instead, as suggested by the ACCC, a truly independent external dispute resolution ombudsman scheme with the power to make binding decisions should be implemented by government if the intention is to deliver the best outcomes for consumers.

Would policies pursued in other jurisdictions - such as a Passenger Bill of Rights or a stronger ombudsmen model - deliver benefits in Australia's aviation sector?

Other industries across the Australian economy such as telecommunications, financial services, energy and water, and public transport have industry based, independent ombudsman schemes, which are empowered to resolve consumer complaints.

APAC supports the establishment of a travel and tourism industry ombudsman that should be mandatory for all airlines, large travel agents and large travel and tourism suppliers. The most important elements of this scheme are that it is independent and that it has the power to issue binding determinations and decisions. Without this power, the scheme would likely be ineffective in the same way as the current ACA.

3.3 Disability access

APAC recognises the profound importance of ensuring that all individuals have equal and dignified access to, and a positive experience when, visiting an airport. APAC is committed to promoting a more inclusive and accessible environment for all passengers, guests and visitors.

⁶ Airline Customer Advocate, 2022 Annual Report p 13.

⁷ Ibid p 4.

⁸ Australian Competition and Consumer Commission, Airline competition in Australia, June 2023 p 29.

⁹ <https://www.escape.com.au/news/living-nightmare-airline-customers-call-for-independent-ombudsman/news-story/b89f27b88ee7586a6210411cbd672a05> (23 October 2023).

In Australia, approximately 18 per cent of the population has some form of disability and another 22 per cent has a long-term health condition. Together, these groups account for 19 per cent of the total domestic trips in Australia each year¹⁰. However, the number of people who have some level of accessibility need can also include older adults, people travelling with young children and people from culturally or linguistically diverse backgrounds. Considering these groups of travellers, it is evident there is a significant number of passengers using Australian airports every day who require some form of assistance, either through the built environment, operations, technology, or communications.

In late 2022, APAC engaged Get Skilled Access (GSA) and Morris Goding Access Consulting (MGAC) to conduct a comprehensive review, consultation, and analysis of the existing visitor experience and airport journey for people with disability or accessibility needs at Melbourne Airport. This work included:

- An extensive series of discovery sessions with airlines, service providers, passengers and visitors as well as Melbourne Airport staff.
- A desktop review of complaints processes, online information, ticketing processes, parking, transport and flights.
- Technical and operational audit of carparks, transport options, terminals and staff.
- Development of both inbound and outbound customer journeys

A preliminary report provided to Melbourne Airport outlines the findings of work and details recommendations designed to improve outcomes for people with disability who use Melbourne Airport. APAC is currently working with GSA and MGAC on the implementation of these recommendations.

What further improvements can be made to the Disability Standards for Accessible Public Transport to accommodate the unique requirements of air travel?

The Disability Standards for Accessible Public Transport (DSAPT) set the requirements for public transport operators and providers to make services accessible and remove discrimination against people with disability¹¹. The DSAPT is a broad, general standard that applies to all modes of public transport and is primarily focused on the measurement of various accessibility criteria. There is little on the unique operations and nature of air travel contained in the DSAPT. Specific issues relating to things like website bookings, gate tags and communication with staff are not included in the DSAPT. APAC supports the government reviewing the DSAPT to ensure it better reflects the unique requirements of air travel and better meets the needs of people with disability.

¹⁰ [The accessible tourism opportunity | Austrade](#) (6 November 2023).

¹¹ <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/transport-accessibility/transport-disability-standards> (8 November 2023).

What improvements can be made to aviation accessibility that are outside the scope of the Disability Standards for Accessible Public Transport?

Most airports are complex 'systems of systems' that bring together a wide range of organisations to deliver services to passengers. This inherent complexity has meant at times, there are situations where people with disability who wish to use air travel, experience severe challenges. Recently, the understanding of needs of people with disability has improved significantly and, in many instances, public transport operators and infrastructure providers have needed time to meet this new reality. It was with this in mind that APAC engaged GSA and MGAC to undertake a comprehensive audit of the passenger journey at Melbourne Airport and provide recommendations on how accessibility can be improved.

Outside of the DSAPT, there is an important role for all players in the aviation industry to play to improve the accessibility of air travel. APAC will continue to engage with disability groups, airlines, services providers and government agencies as part of our ongoing commitment to continuous improvement of disability access.

What are the specific challenges faced by people with disability wishing to travel by air in regional and remote areas?

Air travel to regional and remote locations poses unique challenges for people with disability given the nature of these locations and limitations in infrastructure and services. While many of these challenges may also exist in metropolitan locations, they are generally more acute in regional and remote areas.

- **Accessible Infrastructure:** There is often a lack of necessary infrastructure and facilities that are appropriate for passengers with disability in regional and remote airports. This includes accessible restrooms, ramps, service point heights, aerobridges, lifts and designated seating areas. Without these in place, passengers may have their mobility impacted and the overall traveller experience can become significantly more challenging.
- **Transportation:** Public transport options are often more limited in regional and remote locations and the difficulty this poses can be exacerbated by the long distances many people need to travel to airports in these areas.
- **Airline Services:** Airlines operating to and from some regional and remote airports may use smaller aircraft that are not capable of accommodating some people with disability. These aircraft may not have the equipment or staff capability to safely facilitate the transfer of some people who require assistance to and from aircraft which limits options available to these passengers.
- **Communication:** Access to information can be a problem in remote areas. Booking flights, receiving timely updates, and communicating special requirements may be more challenging, as many regional airlines have limited online services and customer support infrastructure.
- **Medical Facilities:** In remote areas, access to medical facilities can be limited. For people with disability who may require medical assistance or accommodations, the lack of nearby medical facilities could be a major deterrent for utilising air travel.

Addressing these issues will require strong collaboration between government, airlines, airports and people with disability. Governments should prioritise improving

infrastructure, ensuring accessible transportation options, and encouraging regional airlines to offer comprehensive services for people with disability.

How can Disability Access Facilitation Plans by airlines and airports be improved?

Disability Access Facilitation Plans (DAFPs) in aviation are a vital instrument in the efforts of airports and airlines to ensure equitable access to air travel for people with disability.

DAFPs are intended to be used as a communication tool between airline and airport operators and the travelling public to provide information on the availability and accessibility of services for passengers with disability. They are intended to cover the total travel experience from making a reservation through to arriving at the final destination.

As part of APAC's recent accessibility audit with GSA and MGAC, a series of consultation sessions were undertaken with people with disability, airlines, airport service providers and government to better understand the issues facing people with disability at Melbourne Airport. Ongoing engagement with these stakeholders will be vital to ensuring that DAFP's are, and continue to be, compliant and truly address the needs and concerns of people with disability.

Government can support the work of industry by developing a well-defined template that serves as a guiding framework for the design and implementation of the DAFP based on an airports configuration, customer presentation and landside access, all of which differ at each airport. This template should outline clear expectations for compliance to ensure consistency in plan development and execution. The template should also focus more on the passenger journey as a whole rather than only on the specific responsibility of organisations. By adhering to a standardised structure, individuals and organisations can more effectively address various needs and requirements.

Consistency in plan formulation is essential to streamline processes and promote effective implementation. A template can help by offering a structured approach, making it easier to account for various factors and considerations. Additionally, government's role in supporting people with disability is key, with ultimate responsibility to ensure people's needs are adequately met and integrated to effectively foster a more inclusive and accessible air travel experience.

How should the AAF be restructured to be more effective and better able to drive and enforce change to address issues faced by travellers living with disability?

The restructuring of the Aviation Access Forum (AAF) to enhance its effectiveness in addressing the concerns of individuals with disabilities is crucial for ensuring inclusive and accessible air travel. To achieve this, the AAF should undergo a comprehensive transformation that centres around clear aspirations, guidelines, self-assessment mechanisms, and robust reporting.

- **Revised core function:** Core functions should focus on collecting structured input (including formal feedback), identifying themes from these inputs, and prioritising the issues that have been raised. The forum should regularly discuss how the industry is performing in delivering on these priorities.

- **Clear Terms of Reference:** The AAF should establish clear Terms of Reference (ToR) that define the scope of activities to be undertaken by the forum and detail outcomes that are specific, measurable and time-bound, serving as a roadmap for driving change. The ToR should be developed in consultation with key stakeholders, ensuring broad representation on the forum.
- **Comprehensive guidelines:** As its next deliverable, the AFF should develop a set of comprehensive guidelines that outline the expectations for airlines, airports, and other industry participants. These guidelines should cover areas such as infrastructure and design, staff training and communication. They should be precise and provide practical recommendations to enhance air transport accessibility for people with a disability.
- **Self-assessment framework:** The AAF could introduce a self-assessment framework for airlines, airports and service providers. This would provide guidance for how these stakeholders should regularly assess their performance against these guidelines and report their findings. This self-assessment approach can be a valuable tool for identifying strengths and weaknesses and encouraging industry accountability.
- **Reporting and maturity assessment:** To maintain transparency and motivate industry to adhere to these guidelines, a mechanism for reporting and maturity assessment should be established. The government could consider an approach similar to the UK where an independent body periodically evaluates the industry's progress in addressing accessibility issues and publish its findings. This public assessment can drive positive competition among airlines and airports to improve their accessibility services.
- **Resource development:** The AAF should offer a repository of resources, including templates and best practices for design, capability building, and decision-making. These resources can serve as practical tools for industry players to implement the guidelines effectively.

3.4 Economic regulation of Australian airports

What measures should be taken to ensure Australian aviation markets operate efficiently, improve competition settings, and deliver optimal consumer outcomes?

Australian airports are a vital part of the country's economic and social fabric, that connect Australians with each other and the world. Australia's 1,700 airports contribute approximately \$105 billion to the national economy and support 690,000 full time equivalent (FTE) jobs. This equates to around five per cent of Australia's gross domestic product (GDP) and six per cent of total FTE¹². Melbourne Airport is Victoria's primary international gateway, contributing approximately \$18 billion to the economy with 18,000 FTEs across the precinct and indirectly supporting 146,000 jobs across the state.¹³

¹² Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 2.

¹³ Melbourne Airport, 2023 Economic and Social Impact Report, September 2023, p 5.

During the COVID-19 pandemic, the fundamental role of airports as an essential service could not have been clearer. Despite passenger travel being severely curtailed during this time, airports across the country continued to operate, facilitating the repatriation of Australians from overseas as well as enabling the transportation of critical freight, including vaccines and vital medical supplies. Major airports are a volume-based business that felt the brunt of the decline in passenger volumes and hence, made significant losses in revenue. Despite this, airports like Melbourne were able to provide financial relief to airline partners and tenants to support their continued operation during this unprecedented time.

It should also be noted that the current light-handed regime for the economic regulation of airports has been affirmed for more than 20 years, with the Productivity Commission stating in its most recent inquiry report that “the current approach to airport regulation benefits passengers and the community and remains fit for purpose¹⁴”. Australia’s largest airports are also subject to annual monitoring by the ACCC, regular reviews (usually every five years) by the Productivity Commission and are subject to ACCC Quality of Service Indicators, which provide mechanisms for transparency into their performance. This regular scrutiny and accountability is proportionate to the role airports play in the Australian economy.

APAC welcomes the recent direction from the Minister for Infrastructure, Transport, Regional Development and Local Government to reinstate the monitoring of domestic air passenger services by the ACCC. This had almost universal support across the aviation industry and is needed now more than ever, given the ongoing issues in the domestic aviation market that have come to light over recent months. This will act as a disincentive to airlines to misuse market power as well as providing a more detailed evidence base for the development of industry policy. However, it should be noted this is only temporary for three years and risks a further imbalance in the scrutiny that is applied to the entire aviation sector when airports have a permanent, ongoing ACCC monitoring report. To address the concerns of consumers and industry, the ACCC’s monitoring of domestic air passenger services should be made permanent. There is also an opportunity for the government and ACCC to revisit the information that is collected from airlines, such as customer satisfaction, to ensure that there is proportionality between the two parts of the industry and that government has a clearer understanding of how airlines are performing.

A key first step for the government to improve competition and consumer outcomes is to liberalise bilateral air service agreements with a view to taking an ‘Open Skies’ approach. Attracting international airlines is an area of significant competition between airports and facilitating capacity ahead of demand not only allows airports to plan infrastructure investment but also enables airlines to plan procurement and deployment of aircraft. More international airlines entering the Australian market increases competition, reducing airfares and provides more choice for consumers. Further detail on APAC’s recommendations relating to bilateral air service agreements is included in our response to Chapter 11. International aviation.

Also related to international aviation is the need to ensure competitive neutrality among all international airports. Airports compete with each other in international markets for

¹⁴ Productivity Commission, Economic Regulation of Airports Inquiry Report, June 2019, p 2.

new and existing capacity. In Australia this occurs primarily with eastern seaboard airports, but also includes airports overseas. Airports also compete for international services through state government partnerships and aviation attraction funds. Airports and state government's fund airline attraction programs to provide an incentive for international airlines to open a service in state jurisdictions, which stimulates economic growth. Australia's bilateral air service arrangements must continue to operate on a neutral basis whether that relates to Avalon Airport (AVV) or WSI which will both compete with each other for international services as well as with the other international airports in their respective regions. In addition, regulatory requirements at AVV and WSI should be consistent with the requirements in place at other capital city airports across the country, specifically in relation to passenger processing.

Are the Aeronautical Pricing Principles fit-for-purpose? How could they be improved? Should they be mandated?

While there have been calls in recent times by some stakeholders to increase levels of economic regulation on airports. A case for change has not been made. Proposals to increase regulation when the existing mechanisms fail have rarely been called upon, are short-sighted and self-serving. They would increase the risk of regulatory error and threaten the efficient delivery of infrastructure to facilitate growth. The current light-handed regulatory regime, including the Aeronautical Pricing Principles (APPs) have found to be fit for purpose by four successive Productivity Commission reviews since the privatisation of airports in 1997. The APPs inform APAC's approach to negotiating with airlines and have resulted in mutually beneficial commercial agreements between airports and airlines for the supply of aeronautical services, which are increasingly mature and sophisticated.

In its 2019 inquiry into the economic regulation of airports, the Productivity Commission acknowledged the importance of a balanced approach to regulatory intervention in aeronautical price setting and that a credible threat of additional regulation exists to balance the market power held by Australia's major airports¹⁵. This additional regulation could come through a range of mechanisms including deeming certain infrastructure services to be declared for the purposes of the National Access Regime under Part IIIA of the *Competition and Consumer Act 2010* (CCA) or directing the ACCC to conduct a price inquiry under Part VIIA of the CCA into the activities of a particular airport¹⁶. These potential interventions serve as a safeguard against potential market power abuses.

While negotiations between airports and airlines are complex and at times lengthy, history shows that APAC has concluded Aeronautical Services Agreements (ASA) in a transparent and fair manner. Although airlines have the option to seek declaration under Part IIIA, this has been rarely exercised. For instance, Virgin Blue declared domestic airside services at Sydney Airport in 2005 but did not seek renewal after the initial declaration expired. Tigerair sought declaration of terminal services at Sydney Airport in 2014 but withdrew its application after reaching a commercial agreement

¹⁵ Productivity Commission, *Economic Regulation of Airports Inquiry Report*, June 2019, p 6.

¹⁶ Ibid.

with the airport. This demonstrates that the existing regulatory framework is effective in addressing disputes and market power issues.

In its response to the 2019 Productivity Commission inquiry, the Australian Government made clear that it “expects all airports and airport users to have regard to the Aeronautical Pricing Principles when negotiating future airport services and to be cognisant of their legal obligations, including to not breach provisions that proscribe anticompetitive conduct contained in the *Competition and Consumer Act 2010*¹⁷”. Since this time, this has largely been the case across the country.

Although the APPs are currently not legally enforceable, what the outcome of the *Perth Airport Pty Ltd v Qantas Airways Ltd* showed is that the APPs in their current form are relied upon as a basis for determining binding pricing between airports and airlines. This demonstrates that the current regime provides flexibility and allows for practical resolutions to pricing issues.

Melbourne Airport has consistently reached agreements with airlines regarding access to, and use of, aeronautical services under the existing pricing framework. Our track record showcases the current regulatory environment encourages productive negotiations and fair pricing practices. The most recent ASA agreed by Melbourne Airport features a number of elements which increase the input and influence of airlines into the capital planning process and increases accountability on the airport for service delivery. For example, it includes:

- A Capital Consultation Group (CCG) that involves airlines in the scope of major projects, such as new gates. In addition to representatives from across the airline community, the CCG process includes an Independent Engineer (IE) review of major project costs for pricing purposes, to ensure that infrastructure is delivered efficiently.
- A Quarterly Consultation Forum to specifically review quality of service issues and share data on airline on-time performance (OTP). Melbourne Airport chairs the forum and ground handlers are included, noting their critical impact on day of operations.
- An Immediate Service Failure Rebate if Melbourne Airport’s equipment is not available for use and causes an OTP issue in excess of 15 minutes.
- A commitment to the Airport Collaborative Decision Making (A-CDM) process to improve the airline turnaround and pre-departure sequencing process. A-CDMs are used in Europe to improve operations outputs.

These new features are adapted from, and build upon, the best elements of deals struck elsewhere by participating airlines. This approach is resulting in the continual evolution of the negotiation process, without the need for further regulatory intervention. An increase in regulation or the threat of it (such as the proposal for deemed declaration) could disrupt the progress being made within the existing framework.

The regime has resulted in efficient prices, with Melbourne Airport's average return on aeronautical assets being within the range of reasonable estimates for a benchmark provider of aeronautical services. The right amount of infrastructure is being provided

¹⁷ Australian Government, Response to the Productivity Commission Inquiry into the Economic Regulation of Airports, December 2019, p 7.

at the right time; Melbourne Airport has no incentive to under-invest, while the countervailing market power of airlines ensures that over-investment or ‘gold plating’ has not occurred.

Quality of service has been maintained at an efficient level while at the same time strong passenger growth has required expansion of capacity to meet demand from passengers and the needs of airlines, all within Melbourne’s 24/7 operating environment.

The bespoke commercial outcomes resulting from the light-handed regulatory regime also reflect that any market power held by airports in commercial negotiations is significantly constrained for a number of reasons, including:

- the strong countervailing power of airlines – particularly in circumstances where the Australian aviation industry is structurally dependent on two dominant airlines.
- international airlines are authorised by the ACCC to collectively negotiate with airports.
- airports are required by their Commonwealth leases to provide access to airlines.
- the ability and practice of airlines to withdraw or reduce the number of services operated from any airport; and
- a degree of competition from other airports – domestic and global.

These factors are in turn supported by the regulatory framework, which provides transparency and accountability in the supply of aeronautical services, and a genuine threat of additional regulation should market failure issues arise. Transparency and accountability are provided by the ongoing monitoring of prices, costs, profits and quality of service by the ACCC, and the threat of more heavy-handed regulation through the price inquiry and notification provisions of Part VIIA of the CCA and the National Access Regime under Part IIIA of the CCA. These provisions further limit any ability of airports to charge excessive prices.

As previous Productivity Commission reviews and other research have noted, airport charges have little effect on airfares. Research commissioned by Airports Council International Europe finds that airport charges are not passed directly through to consumers, that airline ticket prices are driven by supply and demand factors, and that revenue managers set ticket prices largely without cost in mind. The Productivity Commission, too, has previously concluded that “airport charges make up such a small proportion of total airfares that even large increases in these charges are unlikely to have significant welfare effects, and will largely represent a ‘distribution’ between airlines and airports.”¹⁸

The current light-handed regulatory regime allows airports and airlines to negotiate pricing arrangements tailored to their specific circumstances. Mandating the APPs would limit this flexibility, potentially hindering innovative pricing solutions that meet the unique needs of individual airports or airlines. This could lead to suboptimal investment decisions as airports may struggle to adapt to changing market dynamics. Investments in the aviation sector often require a long-term perspective and a willingness to take calculated risks. A mandated pricing framework could deter airports from pursuing ambitious projects due to concerns about sustainable profitability that

¹⁸ Productivity Commission, Inquiry into the economic regulation of airport service, 2011, p 72.

underwrites future investment and adherence to prescribed pricing guidelines. This could stifle innovation and infrastructure development. A mandated pricing regime may deter new entrants from investing in airport infrastructure or services, as they may be concerned about their ability to compete in a market constrained by fixed pricing guidelines. This could hinder the growth and competitiveness of the aviation industry.

Any consideration to review, change or mandate the APPs should be undertaken through a comprehensive and robust process rather than through a policy review process like the Aviation White Paper. In the past, the APPs have been reviewed through the Productivity Commission inquiry into the economic regulation of airports and APAC strongly contends that this is the most appropriate forum for their potential review in the future.

5.

Maximising aviation's contribution to net zero

5. Maximising aviation's contribution to net zero

- The development of a viable and scalable domestic SAF industry is fundamental to the incremental decarbonisation of Australia's aviation industry and requires the implementation of a comprehensive and timely suite of policy measures by government.
- These measures are likely to include the establishment of a 'book and claim' system, integration into the National Greenhouse and Energy Reporting (NGER) scheme, incentives and targets.
- Airports play an important role as infrastructure providers and work collaboratively with airlines, fuel producers and government to facilitate the uptake of SAF in Australia.

5.1 Opportunities and challenges in decarbonising aviation

How can Government work with industry to ensure a strong and sustainable aviation sector that supports emissions reduction targets while growing jobs and innovation?

Achieving net zero in Australian aviation requires collaboration between all sectors of the industry with a clear role for government in setting the policy direction and implementing measures that incentivise private sector investment. The establishment of the Jet Zero Council is an important step that brings together stakeholders from across the industries to provide coordinated advice to the government on policy and regulatory issues related to facilitating the industry's transition to net zero. APAC supports the work of the Jet Zero Council and looks forward to contributing to its program over the coming years. Across Australia's major airports, APAC is at the forefront of airport decarbonisation and is well placed to assume the rotating airport seat on the Council for the coming year. APAC's commitment to net zero Scope 1 and 2 emission by 2025, is one of the most ambitious carbon emissions reduction plans of any capital city airport. Central to these efforts is Melbourne Airport's 12-megawatt solar farm¹⁹ (which will soon be expanded to 20-megawatts), world first onsite organic waste recycling system²⁰ and GreenPower Network certification²¹.

The most likely near-term option for the aviation industry to achieve its net zero targets is the large-scale uptake of Sustainable Aviation Fuel (SAF). The government has a key role to play in developing and communicating the long-term Australian SAF strategy and policy approach²² and implementing both demand and supply side measures to

¹⁹ <https://www.melbourneairport.com.au/community/solar> (30 October 2023).

²⁰ <https://futurealternative.com.au/melbourne-airport-first-to-use-onsite-insect-food-waste-processing-via-goterra/> (30 October 2023).

²¹ <https://www.melbourneairport.com.au/corporate/melbourne-airport-greenpower-network> (30 October 2023).

²² CSIRO, Sustainable Aviation Fuel Roadmap, 2023 p 66.

stimulate the development of a local SAF industry. However, government must be realistic about the timing of the transition and aspirations for the local SAF industry given Australia is a remote continent that relies heavily on air travel as an essential service. Further detail on these potential options is provided in our response to Chapter 5.2 Sustainable aviation fuel.

Given there are a number of measures that industry and government could pursue to help achieve net zero by 2050 in aviation, are there specific measures that more emphasis and support should be given to?

Aviation is commonly accepted to be a hard to abate sector and it is likely that a suite of measures will be required to achieve net zero by 2050. The work of the Jet Zero Council will be of particular importance to provide advice to government on the long-term policy settings required to achieve decarbonisation in aviation. While many of the likely mechanisms to reduce emissions are long term propositions, specifically new propulsion technologies, there are some initiatives that can be implemented by government quickly to continue to build the momentum towards net zero.

Inefficiencies in bilateral air services agreements are one no cost and low friction option available to government to reduce aviation emissions. By removing strict allocations of services to specific ports in air services agreements, the incentive for airlines to fly so called 'tag' routes to smaller airports which are often flown at very low load factors no longer exists. These 'ghost flights'²³ do not serve any purpose other than to allow airlines additional services into major gateways where demand exists. Removing the restrictions that have resulted in this behaviour will have an impact on reducing unnecessary emissions from the sector.

Another short-term option for immediate consideration by government is optimisation of Air Traffic Management (ATM). As outlined in the *Aviation White Paper Scenario Analysis* prepared by L.E.K. Consulting, improvements to ATM may deliver modest environmental benefits (c.5-10% emissions reduction on short haul routes) coming from free route airspace, improvement collaborative decision making and AI-enabled dynamic route planning²⁴.

Furthermore, investment in the development of a domestic SAF industry should also be an immediate priority for government. APAC's views on this are provided in our response to Chapter 5.2 Sustainable aviation fuel.

What should be included in relation to aviation in the Australian Government's Transport and Infrastructure Net Zero Roadmap and Action Plan (including for sectors such as GA and airports)?

There is a significant amount of work being undertaken with respect to decarbonisation of the aviation sector through industry led targets and initiatives, the Jet Zero Council and the Aviation White Paper process. It is vital that aviation is properly reflected in the

²³ <https://www.theguardian.com/world/2023/aug/09/ghost-flights-qatar-airways-flying-near-empty-planes-in-australia-to-exploit-legal-loophole> (30 October 2023).

²⁴ L.E.K. Consulting, *Aviation White Paper Scenario Analysis of the Future of Australian Aviation*, 2023, p 15.

Government's Transport and Infrastructure Net Zero Roadmap and Action Plan and that what is included is consistent with the work of the Jet Zero Council. Without a terms of reference for the Transport and Infrastructure Net Zero Roadmap and Action Plan it is difficult to provide specific suggestions however, the items identified in the Green Paper are a logical place to start.


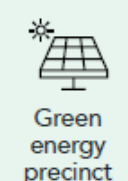


How can the Australian Government ensure all emitters in the aviation sector play a role in meeting Australia's emissions reduction targets?

For Australia's aviation sector to meet its emissions reduction targets, all market participants will need to contribute. APAC takes the challenges posed by climate change and the need to reduce absolute emissions seriously. In January 2021, APAC became the first Australian capital city airport operator to commit to net-zero (Scope 1 and 2) emissions by 2025.

In October 2022 the assembly of the International Civil Aviation Organization (ICAO), which represents 193 nations, agreed to a target of net-zero carbon emissions for international flights by 2050.

In June 2023, APAC finalised its strategy for addressing Scope 3 emissions²⁵, which make up the bulk of greenhouse gases associated with airport operations. A large component of APAC's Scope 3 emissions are attributed to fuel burn from aircraft. APAC's Scope 3 strategy is anchored by four pillars and recognises the significant challenges in decarbonising aviation and the need for government and industry collaboration to achieve these goals. It is designed to deliver foundational action and set the stage for innovation. APAC is committed to working with airlines, ground transport operators, government and other suppliers to make progress wherever possible. A snapshot of the key components of this strategy is provided below.

²⁵ <https://www.melbourneairport.com.au/corporate/carbon-strategy> (23 October 2023)

Pillar	Our Action Plan	Our Aspiration	Addressable Emissions (CO ² -e)
 <p>Sustainable flying</p>	<ul style="list-style-type: none"> Support decarbonisation in flying Promote the development of alternative fuels and flight technology 	<ul style="list-style-type: none"> Play our part by working with our Airline partners to achieve industry Net Zero by 2050 Partner with Airlines and ground handlers to minimise on-ground emissions Advocate for the introduction of a domestic Sustainable Aviation Fuel (SAF) supply chain 	~350k tonnes (LTO cycle, APU)
 <p>Green energy precinct</p>	<ul style="list-style-type: none"> Provide Partners (such as Airlines, ground transport, retailers and other tenants) with green energy 	<ul style="list-style-type: none"> Make green (renewable) energy available to our embedded network customers, and our electric vehicle charging Continue to grow our solar farm and rooftop solar network 	~100k tonnes
 <p>Electrify operations</p>	<ul style="list-style-type: none"> Support the electrification of petrol / diesel transport across our precinct 	<ul style="list-style-type: none"> Supply EV charging to our travellers and operational partners to encourage the transition to low-emission and electric vehicles (EVs) Use of green (renewable) energy in vehicle charging 	~150k tonnes
 <p>Sustainable design, construction and procurement</p>	<ul style="list-style-type: none"> Greener buildings, infrastructure and construction Sustainable procurement standards (services and projects) 	<ul style="list-style-type: none"> Consider sustainable performance across every construction project Our major projects are a focus for sustainable innovation Ensure procurement policies and supplier selection considers sustainable performance 	~250k tonnes

*LTO = Landing and Take Off, *APU = Auxiliary Power Unit

Figure 1. APAC Scope 3 Plan

While it is necessary for all stakeholders in the aviation industry to play their part in reducing emissions, it is vital that measures taken by government are targeted and proportionate to the relevant levels of emissions generated by each stakeholder group. Airports across the country have demonstrated a commitment to net zero through emissions reduction targets and voluntary accreditation under the Airports Council International (ACI) Airport Carbon Accreditation (ACA) scheme. The scheme “independently assesses and recognises the efforts of airports to manage and reduce their carbon emissions through 6 levels of certification.²⁶” There are currently 14 Australian airports accredited under the ACA including the four largest airports. It should be recognised the majority of emissions from the aviation sector come from airlines, which is why the immediate focus on developing a domestic SAF industry is necessary.

²⁶ <https://www.airportcarbonaccreditation.org/about/what-is-it.html> (23 October 2023).

5.2 Sustainable aviation fuel

What are the benefits and risks associated with updating the NGER scheme and/or other policy mechanisms to enable unique claims on SAF sourced through common infrastructure? How can risks be managed?

A well designed, integrated and functioning system for accounting for SAF is fundamental to realising the environmental benefits of SAF uptake as well as incentivising necessary engagement from industry. This is likely to require implementation of a transparent market for trading SAF credits (i.e., a “book and claim” system) and integration with the National Greenhouse and Energy Reporting scheme (NGER) managed by the Clean Energy Regulator.

A key component of the overall sustainability of SAF is the sustainability of its supply chain, particularly when the transportation of SAF to specific airports may not be possible or may result in higher greenhouse gas emissions²⁷. The book and claim model is standard practice in Europe “where a sustainability claim made by a company is separated from the physical flow of these goods.”²⁸ In this context, it may mean that SAF is not physically transported to a particular airport for use in a specific aircraft, but instead goes into the fuel system at an airport located closer to the SAF production facility. The volume of SAF is tracked and verified so that the corresponding carbon emission factors are calculated and allocated to the organisation that has paid for that premium²⁹.

There are several reasons why a book and claim system would be appropriate for SAF:

- **Sustainability of supply chains:** As current SAF production is limited to a few locations around the world, the efficiency of the supply chain should be optimised. This can be done by entering SAF into the fuel systems of airports in close proximity to production facilities so that the emissions produced by the SAF supply chain are minimised.
- **Reduction of costs:** SAF is currently more expensive than conventional jet fuel, so it is necessary to keep supply chain costs down where possible. The strict separation of the SAF supply chain would require new infrastructure. This would be inefficient and increase cost, putting upward pressure on the price of SAF.
- **Location/Airline agnostic:** A robust book and claim system allows for SAF to be sourced based on total aviation activities in a single transaction rather than being reliant on each individual airline or airport. This means SAF can be sourced out of airports or for flights with airlines that do not have SAF supply available.
- **Greater levels of reductions possible:** A book and claim system enables purchasers to source any volume of SAF that they desire without technical or physical limitations.

The book and claim system will be an important interim solution while Australia establishes a domestic SAF industry. Effort should still be dedicated to supporting local SAF production, otherwise Australia will be at risk of stagnation while Europe, Asia and

²⁷ <https://skynrg.com/book-claim-explained-what-is-book-and-claim/> (11 October 2023).

²⁸ Ibid.

²⁹ Ibid.

North America will continue to move ahead in terms of the SAF supply chain, leaving Australia behind with fossil fuels in the long-term.

The NGER scheme was designed to be “a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production, energy consumption and other information specified under NGER legislation³⁰”. APAC supports the updating of the scheme to account for SAF sourced through common infrastructure to ensure simplicity, accountability and transparency.

It is vital that updates to the NGER scheme are in line with international industry standards. APAC recommends consultation with international aviation industry stakeholders is undertaken as part of the review and updating of the NGER scheme.

What types of arrangements are necessary to support industry confidence in the quality standards and sustainability certification of SAF?

Many countries are much further advanced than Australia in the development of their domestic SAF industries. As such, significant work has already been undertaken with respect to quality standards and sustainability certification of SAF. APAC recommends that Australia utilise existing international framework under the ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) which provides standards for the monitoring, reporting, verification and emissions reductions of both SAF and lower carbon aviation fuels³¹.

Should policy and regulatory settings be refined to support development of domestic SAF production capability and industry take-up of SAF?

SAF is the primary pathway to the credible decarbonisation of the aviation industry in the medium term given that blended SAF can be accepted by airport fuel infrastructure and by current aircraft without modification. At the same time, Australia has a global competitive advantage in its farming capability and land availability which results in significant levels of potential feedstock for domestic SAF production. In its *Sustainable Aviation Fuel Roadmap*, CSIRO notes there is sufficient feedstock to supply almost 5 billion litres of SAF production in Australia, or around 50 per cent of forecast jet fuel demand in 2025³².

Given the potential of this level of feedstock, Australia could be well placed to become a globally significant producer of SAF and other renewable fuels. With significant volumes of a variety of SAF feedstocks, the transition to clean fuels presents a significant 'clean economy' refining opportunity for Australia.

By extending Australia's participation in the clean fuels supply chain to refining, there is a window of opportunity to develop new high value-add industries and jobs. If this opportunity is missed, Australia's feedstock as well as these high value-add industries will be ceded to other countries which are competing to attract capital, decarbonise

³⁰ <https://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme> (11 October 2023).

³¹ <https://www.icao.int/environmental-protection/CORSIA/Pages/CORSIA-Eligible-Fuels.aspx> (30 October 2023).

³² CSIRO, *Sustainable Aviation Fuel Roadmap*, 2023, p 63.

their economies and scale up net zero industries. There is a significant risk that Australia misses this opportunity which will have a major impact of aviation's ability to effectively decarbonise as a hard to abate sector.

There is an important role for the Australian Government to play in establishing effective policy and regulatory settings to support the development of domestic SAF production capability and industry take-up of SAF. There is also a role for state and territory governments, particularly in relation to ensuring legislation relating to potential SAF refineries is adequate.

The first step of the initiatives that should be implemented are the establishment of a book and claim system for trading SAF credits and proper integration of SAF sourced from common use infrastructure with the NGER scheme (detailed above). After this, policy initiatives required on both the demand and supply side to provide necessary signals and certainty to the market the role SAF plays in Australia's decarbonisation journey.

A clear demand side signal from government could take the form of a SAF mandate or a Fuel Carbon Intensity Standard in line with best practice. SAF mandates such as targets (e.g., an agreed percentage SAF blending standard by 2030) are "internationally recognised as critical to SAF deployment and scaling³³" and should be a component of Australia's efforts in this area. The World Economic Forum notes that SAF mandates "should be set at such a level each year that it supports the development of SAF productions capacity in line with a net-zero trajectory...[b]ut the blending level should not expose the sector to excessive technological and financial risk, nor create any risk of insufficient supply in the face of growing demand that would drive prices up³⁴". APAC supports the introduction of a SAF target in the first instance, ramping up to a mandate over time, as a clear demand signal to the market.

The second component of the demand side measures is the establishment of an emissions intensity scheme. These schemes are designed to reduce the emissions intensity of fuels relative to a specified benchmark over time. As outlined by BioEnergy Australia, "[o]ver time, as SAF costs drop, the required reductions would increase as a greater impact can be achieved at the same price.³⁵" Most importantly, emissions intensity schemes are a market-based metric which allows the market to determine the most cost-effective way to reduce emissions.

On the supply side, some type of government incentive will be vital to support the development of a domestic SAF industry. The government should consider providing funding or co-financing to encourage the development of commercial SAF refining capability in Australia immediately given the multi-year lead time required for its establishment. The government should also consider the implementation of a tax credit scheme as part of the enabling architecture for supply-side measures. One example to consider is the United States of America's Sustainable Aviation Fuel (SAF) Tax Credit which provides a tax credit of \$1.25 per gallon of SAF produced. This SAF must reduce

³³ BioEnergy Australia, Submission to the Aviation White Paper Terms of Reference, 2023.

³⁴ World Economic Forum, Guidelines for Sustainable Aviation Fuel Blending Mandate in Europe, 2021.

³⁵ BioEnergy Australia, Submission to the Aviation White Paper Terms of Reference, 2023.

greenhouse gas emissions by at least 50 per cent and SAF that reduces emissions by more than 50 per cent is eligible for an additional \$0.01 per gallon for each percent the reduction exceeds 50 per cent up to \$0.50 per gallon³⁶.

Strong policy leadership from government through a full suite of measures, including the implementation of incentives, will be crucial to the potential development of a domestic SAF industry in Australia. Without this, the aviation industry will struggle to meet its 2050 net zero ambitions.

What are the current and future challenges in developing an Australian SAF production industry, including challenges associated with growing, refining and consuming feedstocks?

The Australian domestic aviation sector (particularly airlines with only a domestic footprint) cannot decarbonise without a local SAF market. In addition, Australia's long overseas fuel supply chains expose the country to geopolitical, fuel security and climate risks.

Without a near-term pathway for SAF refining in Australia, there is a high risk that Australian feedstock export agreements are extended well beyond 2030, which will further entrench overseas dominance in SAF production and limit the potential of local industry development.

For the airport sector, inaction will challenge our social licence to grow. Over time, this will negatively impact travellers through greater commercial challenges in attracting new international airlines, which may favour destinations with an established source of SAF to meet their own emissions reduction targets.

Airlines (other than purely domestic operators) will have a global choice of where to adopt SAF and this decision will be price and volume driven. Currently, without clear government policy in Australia, both major domestic Australian airlines are likely to seek to buy SAF in overseas markets with attractive subsidy mechanisms.

Without interest in domestic SAF offtake from major airlines, Australian feedstock will continue to be exported and refined and purchased offshore. Shipping unrefined Australian feedstock into Europe, the US or Southeast Asia for it to be refined and flown back by airlines frequenting Australian airports is a sub-optimal outcome from an environmental, economic and fuel security perspective. This presents a potential medium-term risk to Australian airports' Scope 3 reduction efforts as carbon reduction from SAF is likely to be calculated from the point of origin.

Importantly, the supply of SAF is unlikely to require significant alterations to existing joint user hydrant infrastructure (JUHI). Where required and within our control, APAC is able to facilitate SAF blended offsite as a drop in fuel without any additional modifications to jet fuel infrastructure.

³⁶ US Department of Energy, Sustainable Aviation Fuel (SAF) Tax Credit, 2022.

5.3 Electric and hydrogen powered aviation

How can policy and regulatory settings support research and development and subsequent investment in emerging low and zero emission technologies and related infrastructure?

While the immediate priority for government should be the implementation of a comprehensive suite of policies that support the establishment of a domestic SAF industry, achieving net zero in Australia's aviation sector will also require the proliferation of alternative propulsion technologies. The role of government in this area is to set a clear strategy, create the enabling environment and introduce policy measures that accelerate uptake of new technologies.

Alternative propulsion technology strategy

There needs to be a clear strategy for alternative propulsion in aviation set out by government. The foundation of this strategy should be a clear understanding of Australia's "market segments, the size of aircraft typically serving those markets, airport infrastructure and the future supply of, or potential for, renewable electricity or hydrogen."³⁷ From this starting point, government can set clear goals and milestones as well as setting the framework to identify priority areas for policy development and industry engagement, noting that these types of aircraft are likely to be more suitable for short-haul flights and will necessitate financial support for regional airport infrastructure.

Creating the enabling environment

In addition to supporting ICAO initiatives, the government can provide support for research and development activities for battery-electric and hydrogen powered aircraft. Government should also review and update necessary regulatory frameworks "to ensure they are technology-neutral and do not present unintended barriers to the introduction of alternative propulsion aircraft"³⁸.

Policy measures to accelerate uptake

Perhaps the most important role for government will be the implementation of policy measures to accelerate the uptake of alternative propulsion technologies. These are likely to include both financial incentives (e.g., subsidies and low-interest loans) as well as mandates and restrictions to encourage a shift away from more polluting technologies.

APAC generally endorses the recommendations included in the World Economic Forum's *Government Policy Toolkit to Accelerate Uptake of Electric and Hydrogen Aircraft*³⁹ as a path forward for the Australian Government to consider in supporting alternative propulsion technologies.

³⁷ World Economic Forum, *Target True Zero: Government Policy Toolkit to Accelerate Uptake of Electric and Hydrogen Aircraft*, 2023, p 5.

³⁸ Ibid

³⁹ World Economic Forum, *Target True Zero: Government Policy Toolkit to Accelerate Uptake of Electric and Hydrogen Aircraft*, 2023, p 5.

What information and guidance is needed to support regional aviation's net zero transition in the context of these emerging technologies?

Before providing any information or guidance to industry, government needs to set a clear strategy for alternative propulsion technologies and effectively communicate this to all stakeholders. While information on infrastructure requirements for regional airports will be important, it is likely that many regional airports are likely to need some level of financial support from government to effectively transition to emerging technologies.

6.

Airport development planning processes and consultation mechanisms

6. Airport development planning processes and consultation mechanisms

- A government-led review of Australia’s noise metric system is recommended. The review must produce a best practice framework for assessing and presenting aircraft noise in line with contemporary community expectations.
- The NASF Guidelines should be promoted to regulation applicable to planning authorities.
- Airports are in the best position to engage with communities about aircraft noise and should have the overarching responsibility for community consultation and engagement. Airservices should be required to support this through transparent and timely data sharing.
- The Major Development Plan monetary threshold is no longer fit for purpose and should be removed in favour of impact-based triggers.
- Resourcing of the Airport Building Controller must be improved to support airport capital development programs.
- The option to exercise the extension of Melbourne Airport’s lease should be brought forward so that long term infrastructure investments and developments of state and national significance can be undertaken.

6.1 Noise

The Melbourne Airport Third Runway (M3R) project along with its associated Major Development Plan (MDP) and Supplementary Report, provides APAC with contemporary experience relating to modern aircraft noise metrics, community impacts, consultation processes and the relationship with our social licence. The M3R MDP process included public exhibition of the project to more than 900,000 households across Melbourne and the presentation of the outcomes of our consultation and engagement program in the M3R Supplementary Report. The draft M3R MDP and Supplementary Report are currently before the Minister for Infrastructure, Transport, Regional Development and Local Government for consideration. These documents contain recommendations for the Aviation White Paper that are further detailed in this submission.

APAC wishes to specifically acknowledge repeated statements in the Green Paper that the government will not impose new curfews or movement caps on any Australian airport. This is an important recognition of the valuable role of unrestricted airport operations play in the Australian economy and is strongly endorsed by APAC.

What are appropriate, modern noise metrics that should be used to communicate aircraft noise impacts?

The current range of metrics used to communicate aircraft noise impacts in Australia is complex and difficult for the general public to understand. When airports and government agencies present noise information to the community, this complexity can lead distrust in the accuracy, intent and integrity of this information.

An example of the range of formats used to present noise information, the M3R MDP included this information in the following formats:

- ANEC
- ANEF
- ANEI
- N-above (60, 70 for 5-200+ scenarios)
- L_{Aeq} , L_{Amax}

The use of such a large number of different metrics has become necessary to provide information across the impact measures that are mandated or have become the norm to report on (e.g., annoyance, sleep disturbance, communication interference, childhood learning, etc.). This issue persists as there is no core measurement that consolidates the full range of noise impacts.

The current ANEF system is based on research that is more than 40 years old. Aviation industry stakeholders and the Australian community are concerned that it no longer reflects current societal expectations or available best practice. Submissions received during the 2022 public exhibition for M3R highlighted that the ANEF system was dated and unreliable. Some submissions suggested that the World Health Organisation's (WHO) 2018 *Environmental Noise Guidelines for the European Region* should be adopted along with use of C-weight penalty applications. This publication uses metrics that appear similar to the ANEF system to discuss health and social impacts and arrives at recommendations that appear to be more conservative than their Australian equivalents.

APAC supports and would actively contribute to a government-led review of the ANEF system with a view to updating and modernising the current approach to noise metrics in Australia. Consideration of the WHO framework would be valuable to this exercise and would help to address community scepticism of current Australian metrics.

APAC also advocates for a review of available and appropriate metrics for a nationally consistent approach for community education about mitigation where buildings may be subject to aircraft-induced vibration.

How could the Australian Noise Exposure Forecast, and use of the ANEF in Government planning processes, be improved? What can be done to proactively mitigate noise impacts by better informing residents and land-use planners? How can governments better communicate with potential purchasers of properties which will be affected by aircraft noise in the future?

General development controls and restrictions off-airport are the responsibility of relevant Local Government Authorities (LGAs) or the state government. APAC does not have the authority to improve development controls or restrictions off-airport other than in relation to prescribed airspace. For Melbourne Airport, APAM is the referral authority for developments that fall within the Melbourne Airport Environs Overlay (MAEO) and where it is required, we may request conditions for developments in order to safeguard the airport, including noise amelioration. Ultimately, it is the relevant LGA or the Victorian Minister for Planning who makes the final decision regarding approval of these developments and any associated conditions that will be imposed.

In APAC’s experience, there is significant inconsistency in how LGA planning officers apply the planning requirements of airports. For example, planning applications for developments that penetrate prescribed airspace have been approved without engagement with Melbourne Airport. LGA’s also apply different AS2021-2015 methodologies (i.e., assessments applying different fleets to determine attenuation requirements) being applied to developments. The MAEO mandates building compliance with AS2021-2015 and responsibility for application and assurance of this requirement rests with the LGA, but Melbourne Airport has no insight into the application or effectiveness of this system.

APAC deploys resources to identify erroneous approvals and build the capacity of LGA planning officers. However, there is a need for enhanced systems, standards and oversight from state governments, potentially facilitated by the Australian Government.

The current MAEO for Melbourne Airport was enacted in 2021. It is based on the 2018 ANEF and was issued shortly before the ANEF was formally updated in 2022. Greater efficiency and regularity in the process of turning ANEF into an effective MAEO would also be welcomed by APAC.

APAC recommends that measures to ensure AS2021-2015 compliance be adopted.

Do these processes provide sufficient opportunity for impacts on the community to be identified and taken into account? How can they be improved?

Health and social outcomes for communities impacted by aviation activity, particularly overflight noise, are a critical consideration and an area that is inadequately addressed in the Green Paper.

APAC has observed inaccurate use of health impact assessments (particularly the WHO Environmental Noise Guidelines for the European Region) in recent community engagement activities and is of the view that these inaccurate representations have resulted in undue public concern.

To address this emerging issue, APAC recommends that an industry review and revision of noise metrics is undertaken. This should include related research into community health and social impacts and should be transparent, collaborative and extensively shared with communities that experience aircraft noise.

What else can airlines and airports do to support better management of aircraft noise?

The management of aircraft noise requires collaboration between government, airlines and airports. APAC has identified three specific challenges that government should address to improve this collaboration and enable better outcomes for communities.

- **Access to Airservices data for community engagement:** A challenge faced by airports is access to reliable operations data to support their ongoing engagement with the communities in which they operate. Airservices Australia often holds this data and the process for airports to access it is costly and time consuming. Airservices requires a significant waiver of liability and payment before it provides this information. In addition, there is often a lengthy delay in the processing of

these information requests with APAC waiting for over a year in some instances. APAC recommends that steps are taken to support greater access to Airservices data in order to facilitate more effective community engagement activities.

- **Noise Abatement Procedures:** Airlines and Airservices have roles in the effectiveness of Noise Abatement Procedures. APAC engaged with the community on Noise Abatement Procedures during the M3R public exhibition and received feedback raising potential compliance concerns. Airservices does not report on this subject despite its importance in terms of community noise expectations and impacts. APAC recommends that Airservices commences reporting on Noise Abatement Procedures in line with community expectations.
- **Fleet modernisation:** Airports have a role in supporting airlines to modernise fleets by ensuring these new aircraft can operate safely and effectively at airports (stand capability, aerobridge capability etc). APAC notes that some fleet renewal of domestic freighters (e.g., Bae146) is limited due to the curfew regulations at Sydney and Adelaide airports. This limitation impacts all airports where these services occur. APAC would support a review of regulations to allow fleet renewal of these critical services.

What can be done to facilitate increased adoption and implementation of the National Airports Safeguarding Framework principles for land planning to optimise land-use activity and reduce community impacts?

The NASF Guidelines do not carry the weight of regulation though they address safety subjects that arguably warrant such authority. It is APAC's experience that regulators apply the guidelines as mandatory, but conflict and confusion can occur around their practical applicability.

For example, *NASF Guideline I Public Safety Areas*, purports to safeguard against the risk of an aircraft crash, but does not mandate a calculation methodology, is not applied retrospectively and has no authority in LGA planning systems. This disconnect in application is erroneous and causes great concern for people affected. Another example is *NASF Guideline C*, which has been interpreted by some in the community as empowering airports to cull birds off-aerodrome.

Effective promotion of the NASF frameworks to regulation should be supported by thorough review and updating to ensure they are sufficiently robust for agency enforcement, practical application and community understanding.

APAC suggests an industry-led review of the NASF Guidelines with a view towards codifying some (or all) as regulations. The review and any subsequent actions should be conducted with clear information and instruction to community and government planning agencies.

Could governance arrangements for the Aircraft Noise Ombudsman be improved to provide greater independence, including publishing its findings and reports?

APAC supports calls for greater independence of the ANO, including the suggestion that for “increasing independence of the ANO by making it separate from Airservices Australia and having it report directly to the relevant Minister⁴⁰.”

The current isolation of the ANO’s jurisdiction to Airservices has had the consequence of assigning authority to Airservices for noise as well as the associated consultation. This situation does not always result in the best outcomes for industry or the community. In APAC’s experience, the current situation can result in Airservices seeking to avoid ANO scrutiny rather than actively seeking the optimal results for stakeholders. Making the ANO independent of Airservices would acknowledge the role that other stakeholders have in noise outcomes and empower the ANO to make recommendations that are more impactful.

Cumulative Noise - due to proximal airports and flight paths

Australia’s major cities all have multiple airports which results in interrelated flight paths and operations. For example, the Melbourne Basin has four commercial aerodromes (Melbourne, Essendon, Moorabbin and Avalon) and the Royal Australian Air Force Base Point Cook, with a high volume of RPT and GA activity. Virtually all of greater metropolitan Melbourne is overflowed to some degree, with large sections of the city overflowed by a network of flight paths serving multiple airports, compounding noise impacts. These impacts are further exacerbated where leisure flight and emergency services operations occur.

APAC recommends that government noise policy consider how cumulative noise effects could be addressed to meet community needs, including consideration of methods for presenting and sharing overlaid noise data that is accessible and easily related to community health and social outcomes.

Are there opportunities to improve transparency by publishing information about other decisions made by CASA, Airservices or airports around flight paths, and how aircraft approach and depart airports?

The transparency, availability and sharing of data are ongoing issues for both industry and the community, particularly with respect to Airservices. As part of our community engagement for M3R, APAC received numerous submissions which highlighted Airservices’ poor track record of engaging with communities who have been impacted by changes to flight paths. The various public tools provided by Airservices, such as ‘Aircraft in your Neighbourhood’ and ‘Flight Path Change Hub’ are also antiquated and difficult to use.

Since 2016, Airservices has gradually reduced the amount of information that it shares with the community on flight paths. For example, the information provided on ‘Aircraft in your Neighbourhood’ does not cover the full extent of flights which are shown in the M3R MDP. As of November 2023, the site includes four investigations for

⁴⁰ Australian Government, Aviation Green Paper: Towards 2050, 2023, p 97.

Melbourne Airport however only one of these included a date (2013). Although detail on historic flight path changes is available on 'Flight path Change Hub', the tool is unintuitive and makes finding specific information very difficult.

APAC firmly believes that airports are best positioned to engage with their local communities that are impacted by overflight noise. APAC's planning and community engagement functions are well resourced, better understand our local communities and the role the airport plays in the broader economy. To this end, APAC has been pursuing a data sharing agreement with Airservices since early 2023. However, various challenges on the part of Airservices have delayed the progress of this agreement.

The failure of Airservices to effectively share information with airports compounds the challenges associated with the national approach to community engagement that Airservices employs. In many circumstances, impacted communities are engaged by Airservices personnel who are not from their city, not consistently available and not intimately familiar with the operations and impacts that matter to the community. Further detail on community engagement is provided in our response to Chapter 6.2 Community consultation mechanisms.

APAC recommends that Airservices provides greater transparency on any investigations it completes and ensures that public information is updated in a timely manner.

How can new and different types of noise impacts from projected growth in drone use best be managed?

APAC contends that this is a matter for consideration by government, including Airservices Australia and CASA, as the drone industry is unlikely to be centralised around aerodromes.

6.2 Community consultation mechanisms

Airports are typically actively engaged with their local communities and bear the most immediate and significant reputation risk in the event of adverse community impacts. They should be empowered to design, implement and lead community engagement programs that reflect the unique social expectations of the communities they operate in.

APAC therefore supports the following statement from the Green Paper:

"the Australian Government notes the airport-lessee companies are responsible for developing and implementing their own noise mitigation programs within their communities along the lines of previous Government policy⁴¹."

However, we do not support the statement:

⁴¹ Australian Government, Aviation Green Paper: Towards 2050, 2023, p 101.

“Airservices Australia is preparing a Community Engagement Standard for flight path and airspace design changes, which is an important step towards developing a consistent and improved process for community engagement⁴².”

The now published Airservices Community Engagement Standard is not a positive outcome for the aviation industry or for community engagement. APAC has serious concerns about the consultation process undertaken to develop the Standard which was far below industry and community expectations. The fact that Airservices outsourced the consultation of their own consultation standard illustrates how ill-equipped Airservices is to deliver on its aspirations.

Melbourne Airport, along with other airports and the Australian Airports Association, lodged submissions to the Standard’s consultation process that cited very serious concerns about overreach and over-commitment by Airservices, both in relation to its authority and in consideration of its track record in community engagement. There is no evidence that any of these matters were considered as they were not addressed in the public draft or the final version of the Standard.

The final content of the standard falls well short of delivering on its presumed intent. Airservices have positioned themselves as the arbiter of best practice community engagement despite their consistent failure to demonstrate good execution. This is evidenced by the range of ANO investigations and reactive programs where community outrage has resulted from changes Airservices has made without adequate consultation or engagement. It is evident to airports that Airservices have introduced this standard to placate the ANO rather than to effect meaningful improvement of community outcomes.

How can the existing consultation framework be improved to facilitate efficient planning and development, while preventing environmental harm and ensuring continued access for aviation users?

The Airports Act requires airports to undertake public exhibitions for Master Plans and Major Development Plans. These are the only formal regulatory requirements for consultation regarding airport planning and development. Any consideration of consultation mechanisms should consider both of these instruments; however, these are not referred to in the Green Paper.

As stated earlier, airports are uniquely positioned to engage with the communities most affected by aviation development. Ongoing preservation of the industry’s social license relies on meaningful and transparent discourse about noise, environmental impacts as well as the role airports play in the economy. Melbourne Airport’s website, Master Plans, Community Aviation Consultation Group (CACG) and targeted engagement (e.g., with First Nations groups, Planning Coordination Forums, other airports, industry forums) go a long way to support these interests but could be complemented by wider industry initiatives and participation.

Scope 3 emissions are an example of opportunity for improved engagement leading to improved social and environmental outcomes. Flight operations are central to the aviation industry’s Scope 3 emissions. It is therefore vital that government understand

⁴² Australian Government, Aviation Green Paper: Towards 2050, 2023, p 101.

this and apply proportionate effort to consultation and engagement from the airline sector.

The Airports Act and *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) interact where requirements apply to secure offsets for impacted flora and fauna. Offset requirements are not specific to airports. For example, when APAC seeks to secure offsets related to development projects it joins a cohort of private and government organisations seeking similar resources. Suitable offset environments for many of Melbourne Airport’s environmental assets are increasingly rare and thus becoming costly and difficult to secure, which risks the viability of necessary developments. Constraints on offset availability will only deteriorate under current arrangements. APAC recommends that government directs DCCEEW to consider how environmental objectives that are currently served by offsets might better be achieved for the aviation industry.

Are CACGs working for the community? What are good aspects, and what can be improved?

APAC is proud that the Melbourne Airport Community Aviation Consultation Group (CACG) is a leading example of this format of community engagement.

Membership of the Melbourne Airport CACG is drawn from a wide range of community groups, businesses and private citizens who collectively contribute a diverse and balanced set of perspectives on the airport’s operation, plans and impacts.

We enjoy positive engagement and contribution with our representatives and are pleased with the discourse it produces.

6.3 Land use planning on-site at airports

How could the Australian Government improve regulation to facilitate efficient planning and development while preventing environmental harm and protecting airports for aviation use?

APAM operates Melbourne Airport under a long-term Commonwealth lease. The duration of this lease is 50 years with option for a further 49 years. As this option cannot be exercised until 2037, this restricts APAM’s ability to assure prospective tenants of continuity for developments beyond the current lease end (currently 2047) which in turn is discouraging long term infrastructure investments and developments of state and national significance. This is a substantial impediment to major commercial developments and will continue to worsen as the remaining years on the lease decrease.

APAM must, in accordance with the terms of its ALC lease, operate the airport efficiently and deliver a reasonable return on investment. One of the lease’s most important obligations is:

“Throughout the Term the Lessee must develop the Airport Site at its own cost and expense consistent with a Major International Airport having regard to:

- a. *the actual and anticipated future growth in, and pattern of, traffic demand for the Airport Site.*
- b. *the quality standards reasonably expected of such an airport in Australia; and*
- c. *Good Business Practice.*

In addition, the Lessee must at all times provide for access to the airport by intrastate, interstate and international air transport."

We therefore recommend the current limitation of lease duration be reviewed by the White Paper to enable developments that support the airport's operational and commercial objectives.

The ABC is an important function that oversees the quality delivery of airport developments. This function, however, has been inadequately resourced and become a constraint on projects for at least two years. APAC have engaged with the Department over this matter repeatedly with the objective of improving this service so that the airport has sufficient capacity to cope with demand, and the passenger experience continuously improves. APAC understands part of the challenge is the disconnect between the ABC funding mechanism and building activity on the airport. This disconnect means that APAC and other tenants requiring building or works permits are paying for a service they do not receive. Resolution of this issue is urgent and ongoing. APAC wishes for it to be pursued through all possible avenues, including the White Paper.

Is a monetary threshold still an appropriate mechanism for determining a 'major airport development' requiring an MDP? What other significance tests could the Australian Government consider?

Land use planning and development on Australia's major airports is governed by Master Plans and MDPs. Supplementary to these are functions of the EPBC Act and certain applicable state planning regulations and frameworks.

APAC recommends that a more strategic policy framework around development planning be developed, given the breadth of opportunities pursued by major airports. The current framework has ostensibly not been reformed in more than 25 years and no longer reflects its original objectives or the current operating environment for Australia's airports.

Practical and economic challenges for airports render the current MDP framework no longer fit for purpose. To maintain existing levels of complexity and regulatory burden increasingly deters functional growth at major airports. Airports are now at a significant competitive disadvantage in their property markets because of the timeframe, expense and uncertainty associated with the current MDP process. The following elements should be considered by government to address this issue:

- **Monetary threshold:** The current \$25 million monetary threshold for production of an MDP is impractically low, subjective to determination at construction commencement and does not reflect current construction cost escalations due to supply chain disruptions, increased costs of materials or the restricted labour market. Furthermore, the monetary threshold has no regard for the fact that an airport development project may have no or minimal impact on the community.

APAC considers that the monetary threshold is not functional and should be removed entirely in favour of impact-based thresholds.

- **Community impact thresholds:** Modernising and streamlining planning requirements for development projects that have minimal community or stakeholder impact should be prioritised. This effort should also consider defining thresholds for impact, as the current framework's use of 'development' and 'significant' is subjective and ambiguous. This invites inconsistent evaluations which risk failure to meet community expectations.

The Green Paper is silent about community health and social impacts. Ongoing social license for aviation will rely upon thorough, consistent and transparent assessments and communication of these important community experiences and outcomes.

APAC recommends that more detailed definition of impact thresholds, including health and social subjects, be developed and applied to the industry.

- **Environmental impact assessments and interactions with the EPBC Act:** Airport developments often qualify for consideration by DCCEEW under the EPBC Act according to guidance and thresholds that are not clearly defined. This process is not subject to statutory timeframes and often results in extended and unpredictable cycles of evaluation and review. Melbourne Airport has direct experience of several serious delays to approvals and projects due to opaque and unconstrained DCCEEW processes.

APAC recommends that the interaction between the Airports Act and EPBC Act be reviewed for opportunity to improve processes and maintain (or improve) environmental and development outcomes.

APAC also supports the introduction of a statutory time limit on the consideration of MDPs by the Minister for the Environment to bring it in line with the requirements imposed on the Minister for Infrastructure as highlighted in the Green Paper.

- **Exemptions for developments of strategic State and/or National importance:** APAC contends that the MDP process is unwarranted for a range of projects that are broadly required or supported by government or aviation industry interest. Examples include vaccination facilities, data centres and aircraft maintenance facilities.

Melbourne Airport developed the Seqirus CSL manufacturing facility during the COVID-19 pandemic on a site with a 'pre-approved MDP' and with the government's support via a 'Letter of Comfort' (to assuage CSL concerns around the end of the current Melbourne Airport lease and the duration of their own lease on airport land). This project would not proceed under the current system (no pre-approved MDPs, no further letters of comfort regarding the lease) and is therefore an example of how the Airports Act jeopardises strategic development.

- **Approval durations:** MDP approvals are subject to a condition that the development be 'substantially completed' within five years, with extensions available. This timeframe is intended to ensure that developments are undertaken

within reasonable validity of related impact assessments but is simply not practicable for very large projects (such as M3R) or precinct-scale developments.

APAC recommends that the duration condition for major development approvals be reviewed and potentially removed. The review should consider equivalent planning frameworks off-airport.

- **Variations to projects:** Airports would benefit from improved definitions for project changes that would necessitate variation to an MDP approval. At present this process is somewhat vague and subjective and thus inconsistently applied.
- **Independence of impact assessments and review/approval processes:** The topic of 'independent assessment' featured in public responses to the M3R MDP consultation, as did the independence of the Minister for Infrastructure in her role as Minister for the aviation industry and approval authority for MDPs.

APAC is not in a position to address these concerns but does recommend that the White Paper consider community concern about the independence (and presumably trustworthiness) of development assessments and approvals.

APAC supports and would actively participate in a government-led review and update of the MDP framework to address these matters and establish a modern and efficient airport development planning framework.

8. **Fit-for-purpose agencies and regulations**

8. Fit-for-purpose agencies and regulations

- The aviation industry would benefit from a comprehensive review of the roles, jurisdictions and accountabilities of government agencies including Airservices Australia, Civil Aviation Safety Authority, Department of Climate Change, Energy, the Environment and Water and FlySafe to ensure that they are modernised to reflect the current realities of all industry participants.
- The introduction of a risk-based oversight model for aerodromes that recognises entities that have a mature safety culture, and an effective safety management system would be a benefit to the industry.

8.1 Role of government and agencies

Do you have concerns with current arrangements of roles and responsibilities within the Australian Government? Are there opportunities to improve these arrangements?

APAC faces significant challenges with a range of industry participants, regulators and government agencies. This submission is made in the interest of supporting mutual improvement with a view to achieving better efficiency, service and outcomes for all parties.

The industry would benefit from a comprehensive review of the roles, jurisdictions and accountabilities of the government organisations that operate in aviation. This should include airports, airlines, Airservices and CASA with a focus on the interests of the industry and a clear delineation of roles and responsibilities.

Airservices Australia

Major airports must work with Airservices, as the designated Air Navigation Service Provider (ANSP) and Aviation Rescue Fire Fighting Service (ARFFS) provider as well as the relevant authority for remediation of per- and poly- fluorinated alkyl substances (PFAS) contamination. Airservices also has a role in supporting the industry's effective functioning, performance and growth. Though Airservices signals good intent towards airports, in reality it far too often falls critically short of delivering to industry and community expectations.

APAC is aware that many other Australian airports share these same concerns regarding Airservices' functions and performance. APAC recommends that a root and branch review of Airservices' structure, functions and accountabilities is necessary to move it towards a more constructive, participatory and collaborative culture.

This review should include:

- **Airservices' role:** Airservices' 2023 Annual Report contains a section titled 'Our Role' which states their primary functions (as defined under the *Air Services Act 1995*) are the provision of air traffic services, ARFFS, aeronautical information, radio navigation and telecommunication services, and to promote and foster civil aviation in Australia and overseas. There is no mention of noise, community engagement, supporting industry growth or PFAS remediation. These services are vital, and their

omission is concerning. As such, Airservices should have defined responsibilities and accountabilities that properly reflect their role in the industry.

- **Legacy behaviours:** APAC's experience with Airservices indicates a strong tendency towards a traditional authoritarian positioning over industry. The review should consider how these legacy behaviours impact Airservices' ability to properly discharge its functions and how it can transition to a more modern stakeholder partnership and 'service provider' model.
- **Organisational cohesion:** It is evident that departments within Airservices are not well aligned. A recent example comes from Airservices' draft proposal to the ACCC seeking service price increases, in which headline commitments are made for community engagement without aligned funding. This means that the highly aspirational Community Engagement Standard can only be delivered through delegation to airports and airlines (see also our related comments in our response to Chapter 6. Airport development planning processes and consultation mechanisms
- **Resourcing:** Inadequate resourcing of airport-related functions within Airservices appears to be the norm. Cost, delay, reputational damage and transfer of responsibility to APAC where Airservices is not an effective partner or service provider are now expected in all projects, community engagements and airspace assessments. Ongoing Air Traffic Control (ATC) resourcing shortages have drawn expertise back to towers. This takes away from industry consultation and working groups, which previously benefited from Airservices' representation.

This has also been a significant issue in relation to the remediation of PFAS. Presumably due to resourcing issues as well as misalignment around role and the impact of the legacy behaviours described above, Airservices has not met its responsibilities in remediating PFAS contamination at both Melbourne and Launceston Airports. It was only after the Launceston Airport Environmental Officer (AEO) issued an Environmental Remediation Order (ERO) to Airservices in relation to PFAS contamination that Airservices committed to remediation works some 13 years after initially making contact regarding PFAS contamination at Airservices lease areas at APAC airports.

- **Data sharing and transparency:** As detailed in our response to Chapter 6. Airport development planning processes and consultation mechanisms Airservices holds data that APAC values for operations monitoring and community consultation but does not readily share without the signing of liability waivers and payment. APAC has been actively seeking agreement for data collaboration with Airservices for approximately one year with no notable progress.

APAC notes the Green Paper commentary about a 'data-sharing initiative' and agrees that a government-led initiative to establish effective data collaboration is urgently needed. An ideal outcome would see APAC and Airservices empowered to share data that supports our understanding of our operations and their impact more readily and in a timely manner.

The cumulative effect of these issues is significant negative impacts on numerous APAC projects. Airservices processes, internal resourcing and project coordination have serious deficiencies, which result in changing expectations and objectives. We have several examples of projects that have been delayed and budgets overrun because

Airservices has withheld its cooperation or approval after introducing unforeseen 'requirements' at the last minute. Airports have virtually no ability to influence this behaviour and Airservices has no functional accountability for its performance.

Airservices' lack of motivation or ability to share operational data about Melbourne Airport's operation does not support APAC's ability to meaningfully engage with our stakeholders or community. APAC endorses the Green Paper's position that airports should play a larger role in community engagement but asserts that Airservices must support our ability to do so. See also our response to Chapter 6. Airport development planning processes and consultation mechanisms

Civil Aviation Safety Authority (CASA)

APAC's partnerships with CASA are generally well-defined and reliable. There are, however, opportunities for clarity and performance improvements:

- **Transparency of assessments:** Processes and requirements for CASA's technical evaluations are not shared which results in APAC often providing submissions to reviews into which we have no insight. Because we have no knowledge of CASA's workings, assessment results and related conclusions, decisions can seem unjustified, arbitrary and/or subjective.
- **Timeliness of assessments:** When submissions are lodged to CASA's opaque assessment processes, cost, delay and reputational damage (to both APAC and CASA) are almost always incurred. Because APAC has no insight or influence in CASA's process and no timeframes are available, we must shoulder the impacts to related tasks and projects. For example, as of November 2023, APAC is awaiting the assessments of seven safety cases, the oldest of which was submitted in September 2021.
- **Regulations vs Guidelines:** CASA's role and remit for regulating compliance is clear and undisputed, however their application of guidelines as mandatory does not reflect the non-binding nature of those instruments. Of particular relevance to APAC is the mandate of NASF Guidelines, which is confusing outside of the aviation industry. It becomes problematic when legal challenges to the application of the guidelines arise, particularly in planning matters. See also our response to Chapter 6. Airport development planning processes and consultation mechanisms

Department of Climate Change, Energy, the Environment and Water (DCCEEW)

The Airports Act and EPBC Act often interact in relation to airport projects, resulting in DCCEEW evaluations of environmental and community (due to noise) impacts. Referral tasks lodged according to the Airports Act are not subject to statutory timeframes or defined processes and so almost always become unpredictable and protracted. Melbourne Airport has direct experience of several serious delays to approvals and projects directly attributable to opaque DCCEEW processes. See also our response to Chapter 6. Airport development planning processes and consultation mechanisms

Airports (Protection of Airspace) Regulations and FlySafe

APAC provided a submission to the 'Modernising Airspace Protection' process in 2023. APAC wishes to raise the following concerns and suggestions with regards to this regulation:

- **Enforcement of Regulation:** Airports face challenges with the enforcement of these important protections. This challenge is enhanced when there is a lack of penalties applied when breaches occur.
- **Responsibility of Airservices:** Airports have a number of responsibilities that require appropriate sharing of data by Airservices.
- **Timeframes of assessments:** Airports are required to provide an assessment within seven days to agencies, however there is no timeframe for agency assessments. APAC have examples of assessments taking over 10 weeks.

Airport Building Controller (ABC)

Please see our response to Chapter 6. Airport development planning processes and consultation mechanisms which discusses the impact of the ABC resourcing model on airport development.

8.2 Safety regulation

Do you have any suggestions to improve current reform processes?

Australia has a strong safety culture, with high standards and performance. For the most part, CASA activities are risk based, proportionate and appropriate, with activities and findings driving improvements to aviation safety. However, one area for improvement would be CASA's ability to keep pace with regulatory approvals.

APAC supports the proposed risk-based oversight model, in the case of aerodromes that would recognise entities that have a mature safety culture and an effective safety management system. APAC envisages that the model would focus on effectiveness of Safety Management Systems (SMS) and see mature airports able to submit safety cases to CASA for noting and acceptance rather than approval. An airport would then have its SMS (and safety cases) tested for effectiveness during annual review activities. The current model sees many aerodromes currently in limbo, with safety cases submitted more than 12 months ago awaiting approval by CASA.

APAC would also like to see more proactive engagement, collaboration and sharing of information regarding aviation safety and operating models from Airservices. Current arrangements rely heavily on incumbents in key positions in Airservices and industry to ensure sharing of information and collaboration. There have been instances of safety incidents occurring and the airport is not informed until several weeks later, ultimately resulting in a restricted ability for the airport to assess the incident and take appropriate action. Further, there have been recent examples of proposed significant changes to ARFFS operating model with limited consultation. Given the changes would have seen a significant reduction of services provided at select airports, with no time to arrange alternate arrangements to ensure safety of passengers, a more fulsome and frequent level of consultation is necessary.

8.3 Airspace regulation and management

What should the Australian Government consider in adopting technology to fully utilise airspace and ensure access for different parts of the sector?

APAC supports adopting technology to facilitate improvements in the management and utilisation of airspace. APAC cautions against any changes to technology or procedure without appropriate consideration of impacts to local communities and the environment. APAC supports clear definition of roles and responsibilities for the management of any impacts in any change process.

8.4 Agency funding and cost recovery approaches

What should the Australian Government consider when determining cost recovery arrangements to ensure a safe, equitable and accessible aviation system?

APAC have been approached to comment on two examples of cost recovery change proposed by Airservices. These are:

Airservices Cost Recovery Submission to the ACCC

APAC was invited to one industry briefing in May 2023 to provide feedback on Airservices' 'Draft Pricing Proposal' in advance of its submission to the ACCC. We were advised in that briefing to expect further information and an invitation to lodge a submission, which was not provided. APAC thus comments upon the Airservices proposal without knowledge of its status but to illustrate concerns with the content and approach (see also our comments on Chapter 6. Airport development planning processes and consultation mechanisms):

- There is some positive narrative about bringing major airports into the group Airservices considers 'customers' (and thus incorporated in their customer satisfaction scoring, with commitment to improvement).
- Melbourne Airport is specifically referred to in context of change programs (most specifically as a major contributor to 30 per cent national Air Traffic Movement increase) but there is no consideration of cost recovery (or other framework) for major projects, most notably M3R.
- PFAS is explicitly excluded from the proposal, but there is commentary about Airservices' intent to recover related expenses from industry. APAC strongly objects to being asked to cover Airservices' costs to remediate its damage that was caused by Airservices. This is absolutely contrary to why cost recovery mechanisms are in place and demonstrates a lack of accountability on the part of Airservices as it relates to their role in causing damage to lease areas across Australia's airports.
- Though commitment to community engagement is repeatedly mentioned, there is no correlation with Airservices' Community Engagement Standard, performance measurement or meaningful funding. The paper commits \$2 million per annum through to 2032, which would cover only a fraction of its commitments.

ARFFS Capability and Uplift Program

APAC is prepared to work with Airservices on change, but our objective is to ensure risk to people, assets and the environment has been considered during any transition from ARFFS to state and territory emergency services.

Despite requests, APAC has not been briefed on the program's strategic objectives but instead has been engaged on several tactical-level initiatives that align to it. Discussions have been on reducing service levels and cost while increasing airline fees. We are unsure of the 'uplift' for customers. Engagement is sporadic, organised by different Airservices teams, discussing overlapping topics.

Airservices issued a bulletin without consultation and with immediate effect, that included the direction that ARFFS were not to respond to any fire landside. The bulletin has since been retracted after rejection by Fire Rescue Victoria and the Union. However, the incident highlighted no risk assessment or transition plan was considered by Airservices. APAC is willing to support Airservices to develop a transition plan for some buildings once state and territory fire authorities have agreed to take on Airservices' role.

8.5 'All hazards' regulatory approach

Do you support the Australian Government introducing enhanced security obligations?

APAC supports the move to an 'all hazards' approach on the principle that the model is focused on high consequence events that could stop the airport from delivering on its core function, impacting the operation of the country. However, it is important that it is risk-based and proportionate focusing on hazards that will cause significant disruption, whilst also acknowledging overlap with other obligations such as CASA and state-based requirements for emergency plans (Airport Emergency Plans).

8.6 Security screening

Do you have any comments about current security screening arrangements?

APAC agrees that a strong security framework is key to a viable aviation sector, but also believes it is essential to Australia's national interests. Whilst APAC continues to support the increased security settings for aviation, including the mandated technology upgrades, the significant cost of the upgrades nearly disrupted the efficacy of the commercial system. Any future changes should be considered within this context, and if a rapid increase is required, then government should consider how it might support funding initiatives to ensure timelines are achieved.

The Australian Government's review of Aviation Security, undertaken by Proximity and Kerri Hartland was timely, robust and well executed. The detailed report provided a list of recommendations to improve aviation security in Australia. APAC believes this review should continue to be utilised as a roadmap for opportunities to improve, and that the review should be considered as part of the White Paper recommendations. It is important that the Aviation Security Regulator, Cyber and Infrastructure Security Centre (CISC) continues to collaborate and co-design with industry and looks to shift from its current 'need to know' approach to a 'responsibility to share' model for threat information relevant to aviation.

8.7 Passenger facilitation

Are there any specific initiatives that should be supported globally, regionally and nationally to continue improvement in international passenger facilitation? How can Government optimise partnerships with industry to streamline the movement of passengers and modernise the border, while also enhancing security?

Australia's inwards border protections are inefficient and resource intensive. Most international borders, such as the US and throughout Europe, have a single control point, followed by a green (nothing to declare) lane, and a red (self-declare) lane. These green and red lanes are monitored, however interactions with every passenger does not occur a second time like Australian Secondary Checkpoint.

APAC recognises the importance of protecting our borders, however if our current inefficient processes are to remain, modelling needs to be undertaken to ensure staff levels are commensurate with passenger numbers, or better, adoption of technology to reduce the resource strain on agencies.

Australia's inbound border experience is among the slowest in the world and this is predominantly due to the secondary inspection line, where the vast majority of passengers are sent to the green lane post an interaction and check by an ABF officer, sometimes after lining up for 30-60 minutes. Notwithstanding the above, the local ABF and Department of Agriculture, Fisheries and Forestry (DAFF) teams are exceptional at making the best of the situation they are in and working with the processes and people they have.

8.8 Air cargo facilitation

In the air cargo environment, how could industry and Government better work together to leverage advances in technology as well as industry investments in infrastructure and technology to streamline movement of cargo?

Approximately 30 per cent of the nation's air freight market over the last decade flows through Melbourne Airport's precinct with air freight being a small but high value portion of the nation's overall freight task. Victoria's significant airfreight industry was worth more than \$3.4 billion (pre-COVID-19). The vast majority (~80 per cent) of air freight is carried on passenger aircraft, enabled by the extensive passenger network at Melbourne Airport. Melbourne Airport's 24-hour operation, and the increasing number of international services returning to Melbourne means new opportunities for exporters in south-east Australia to access potentially lucrative international markets.

Freight and logistics operations are supported by the Melbourne Airport Business Park (MABP), being Australia's largest business park spanning in excess of 500 hectares. Melbourne Airport, and the broader north-west industrial market, is a high-demand region for both air and land freight logistics operators with low vacancy rates and a strong future development pipeline. To meet this growing demand, the airport has committed to its largest pipeline of warehousing development to date, with 265,000 square metres in developments due for completion by 2025.

The ongoing growth in Melbourne's air cargo demand will place increasing demand on arterial road networks, which will require coordination between APAC and the Victorian Government. Effective promotion of this need and support for achieving

suitable outcomes would benefit from engagement by the Australian Government in support of airport initiatives.

9. **Emerging aviation technologies**

9. Emerging aviation technologies

- Airport interfaces with advances in aircraft fuel and propulsion engineering will largely be focused on supporting infrastructure and thus led by other sectors within the aviation industry.
- Airport operators will need to partner with industry to facilitate adoption of world-leading safety and efficiency technologies through airport infrastructure and systems.
- Government and industry must collectively identify and support timely investment in skills, incentives and governance to enable Australia's aviation sector to establish and maintain knowledge-based industry leadership.
- The operating frameworks for drones and AAM will be a matter for consideration by government (including Airservices Australia and CASA) as the drone industry, by its nature, will not be centralised around aerodromes.
- The identification of clear roles and responsibilities across the industry will help manage potential adverse social impacts of drones and AAM.

9.1 Emerging technologies: a leadership role for Australia

How can we build on Australia's strengths to ensure that Australian industry in this sector is able to be competitive internationally?

Australia has an outstanding record of leadership in the aviation industry. Research, innovation and training are all strengths, and our well-developed regulatory systems makes Australia one of the safest operating environments in the world. Though Australia's geographical location and relatively high costs have meant we are not a large-scale manufacturer, we maintain skills-based leadership in aerospace R&D and advanced manufacturing. APAC firmly believes our industry offering for future technologies should leverage these knowledge-based strengths.

To be internationally competitive as technologies advance, Australia's regulatory environment should capitalise on our mature safety systems by supporting industry freedom to explore with light-handed oversight.

There is a particular opportunity for Australia to lead in the development of AAM and drones. Australian resources should focus not only in areas that have historically been strengths, but also towards operations, maintenance and repairs, infrastructure development, and green energy in the decades to 2050. These objectives can be supported through:

- **Workforce development:** High quality training offered by tertiary and higher education institutions in the fields of technology, advanced manufacturing, robotics, cyber security, and supported by opportunities to gain industry experience through internships.
- **Skilled migration:** Pathways for attracting skilled workers from jurisdictions outside of Australia should include aviation technologies.

- **Sovereign capability and intellectual property:** Government and industry funded R&D programs should actively promote Australian innovation.
- **Investment:** The commercial viability of emergent AAM and drone technology needs to be supported by attractive investment conditions, which should be fostered by government incentives.

9.2 Enabling the manufacture and uptake of emerging technologies

What skills are needed for the emerging aviation technology sector workforce?

The Australian aviation industry needs to foster and strengthen its skill development pipelines across a wide range of roles that will be needed to support emerging technologies. This array of skills is much wider than traditional aviation roles (e.g., programmers, developers, production engineers, designers, testers, avionics specialists) and will need to come from technology (including hardware, software and cybersecurity), telecommunications, robotics and automation, advanced manufacturing, avionics, and propulsion fields.

It is crucial that the government collaborate with stakeholders through the design, manufacturing and operations value chains to identify the specific skill requirements of the sector, particularly where skills shortages are anticipated. The government should actively design programs to address these gaps to promote Australia's knowledge and skill leadership position in the future of aviation.

What regulatory roles in particular do stakeholders see as critical for the Australian Government to lead to enable the advantages of new technologies while managing the risks? How will priorities of government agencies need to evolve as the uptake of emerging aviation technologies continues? How do we achieve a balance between mitigating the negative impacts of drones and AAM while realising the potential benefits?

APAC encourages government to adopt a light-handed approach to regulating technology systems and development in order to avoid stifling creativity and innovation. Australia has a mature aviation safety environment which can be relied upon to govern progress responsibly and sustainably.

Future technologies will rely largely on support infrastructure and equipment that require integration or supplementation into existing networks and environments. There will also be a need for land and airspace use coordination across and beyond existing jurisdictions, as the Green Paper acknowledges:

"Vertiports could be built on the sites of existing airports but also in both urban and regional locations not easily accessible by conventional aviation⁴³."

"Drone detection: to form policy facilitating drone detection capabilities to protect assets (including critical infrastructure), activities and events (in air and on land). This work explores requirements for a coordinated national system and legislative options.

⁴³ Australian Government, Aviation Green Paper, 2023, p 165.

A national platform could enable data sharing where appropriate and strengthen existing and future detection capabilities.⁴⁴

Technology innovation in the aviation industry would benefit from a thorough modernisation review of the roles, jurisdictions and accountabilities of agencies, regulators and commercial organisations. This should include the collective of airports, airlines, Airservices and CASA with a core objective of clear authority delineation and an overall focus on mutual industry interests. See also our response to Chapter 8. Fit for purpose agencies and regulations.

What frameworks does the Australian Government need to ensure community acceptance as the sector continues to develop, and particularly if it reaches some of the more optimistic growth projections?

APAC recommends that a review of the *Air Navigation (Aircraft Noise) Regulations 2018* should be undertaken and include investigation of new aircraft technologies where they will significantly change the profile and/or distribution of flights. This will apply to drone and AAM systems, which will introduce new 'aircraft' noise where previously only conventional flight paths have occurred.

The 2009 Aviation White Paper indicated "the time has come for industry to move away from the use of aircraft which fail to meet Chapter 4 noise standards⁴⁵". This logic, though originally intended to limit use of noisier aircraft in Australia, applies also to new technologies. Conventional aviation industry growth could be adversely affected if these new technologies curtail the social license for flight.

An industry review and update of noise implications must include related research into community health and social impacts (see also our response to Chapter 8).

⁴⁴ Australian Government, Aviation Green Paper, 2023, p 167.

⁴⁵ Australian Government, Aviation White Paper, 2009, p 214.

10.

Future industry workforce

10. Future industry workforce

- Successive governments have focused almost exclusively on pilots and aviation engineering skills when reviewing aviation skills and training requirements, with little emphasis on vital airport roles that are necessary to service future passenger demand.
- The Australian Government should take a leadership role in coordinating industry to ensure that the aviation workforce is positioned to support the transition to a net zero economy from a workforce, skills and training perspective.
- An airport specific review into future skills and workforce needs would be welcomed by the industry.
- The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA) “Women in Aviation” initiative should be broadened to include airport roles.

10.1 Current challenges and outlook

The aviation industry was uniquely affected by the COVID-19 pandemic, including from a workforce perspective as large numbers of workers left the industry. It is estimated that 21 per cent of the global aviation workforce across airports, airlines and civil aviation bodies, lost their jobs during the pandemic. Anecdotally, a similar phenomenon was experienced in Australia with many workers never returning to the industry. As the aviation industry continues its transition from recovery to more normal growth, significant workforce challenges remain.

The skill shortage has been felt acutely across airports. Although the Australian Government provided significant support to retain skilled airline workers during the pandemic (approximately \$3.22 billion in financial assistance⁴⁶), airports experienced difficulties retaining their skills base, with losses falling particularly in safety and security-critical roles.

How can government policy enable industry to support the net zero economy and the future skills, training, and workforce needs that entails (including future fuels)?

Collaboration between industry, government and the community will be necessary for an effective transition to a net zero economy particularly as it relates to future skills, training and workforce needs. This is likely to include the creation of a clear skills, training and workforce strategy, establishing foundational training programs, setting clear diversity targets and formulating a transition framework that identifies the needs of workers and how these fit into the jobs of the future.

Government needs to take the lead in this area and coordinate input from all relevant areas of the private sector to ensure that a comprehensive and well-informed approach

⁴⁶ Australian Airports Association analysis of Australian Government data on support for the aviation industry.

is undertaken. Establishing net-zero workforces and supply chains, demands a considerable, sustained, and extended investment commitment from governments, with a focus on expanding current skills within the Australian workforce and supply chains, particularly amidst intense global competition for skilled professionals and specialised equipment. This work needs to be undertaken with a clear understanding that the development of a local SAF industry in the short to medium term is the most important initiative for the decarbonisation of Australia's aviation industry.

Would an analysis of future skills and workforce needs help position the aviation industry to pre-emptively respond to emerging needs?

The last major review of the skills and training was the 2018 *Report on the Expert Panel on Aviation Skills & Training*⁴⁷ which aimed "to identify strategies for supporting adequate training and retention of aviation professionals and maintaining Australia's position as a leading exporter of aviation training and skills services."⁴⁸ This report focused almost exclusively on pilots and aviation engineering skills and this trend has been repeated by successive Australian Governments and in this Green Paper. An airport specific review would be welcomed. This should focus on the full range of roles at airports and include forward looking matters such as the future of work, technological development and changes to skills and training.

Artificial intelligence is likely to have a significant impact on aviation in areas such as aircraft operations, air traffic management and maintenance. Ensuring the aviation workforce is ready to meet the challenges and opportunities of AI needs to be considered in any analysis of future skills and workforce needs.

Airport Master Plans also provide an insight into the future workforce needs of the industry, particularly from an airport development and construction perspective. At the time of this submission, Melbourne Airport is embarking on one of its largest ever capital investment programs, which will see the deployment of \$10 billion during the next decade. As foreshadowed in the Melbourne Airport 2022 Master Plan, significant construction workforce capacity will be required in Victoria to enable the airport's vision to be realised.

10.2 Regulatory and cultural barriers

How can industry and Government help industry to attract a more diverse workforce, and increase the number of women and young employees who pursue aviation careers?

APAC fosters a culture that celebrates inclusion and diversity and encourages employees to be themselves. APAC has embedded gender diversity targets into its business and is on track to achieve its goal of 40 per cent male, 40 per cent female and 20 per cent of any gender by 2030. APAC is working to meet this target by 2025 for the Executive Leadership team and Board.

⁴⁷ <https://www.infrastructure.gov.au/media-centre/publications/report-expert-panel-aviation-skills-and-training> (30 October 2023).

⁴⁸ Ibid.

To highlight the growing number of airport roles being filled by women, Melbourne Airport partnered with Virgin Australia, Airservices Australia and Brisbane Airport on International Women’s Day for a flight from Melbourne to Brisbane that was crewed and managed end to end by females⁴⁹.

Data from the Workforce Gender Equality Agency shows that on average eight per cent of technical roles at airports are filled by women and approximately 27 per cent of management and professional roles were held by women. Although this is ahead of the broader Transport, Postal and Warehousing sector, there is still clearly a need to attract and retain more women into airport careers.

The department’s current ‘Women in the Aviation Industry’ initiative generally focuses on pilots, aviation engineers and air traffic controllers rather than airport roles. DITRDCA should aim to expand the focus of this program to include airport roles, as well exploring funding options for current airport workforce initiatives by industry.

In addition, APAC supports the following recommendations that have been made by the Australian Airports Association (AAA):

- **Ensure aviation is a specific industry skills cluster:** As part of any future Australian Government reform to vocational education and training (VET), the aviation sector that is fundamentally an essential service given Australia’s remoteness, should become its own industry-specific skills cluster alongside the space sector that share similar technology and training requirements for safety and regulatory compliance.
- **Develop legible airport career pathways:** Many current airport workers have ‘fallen’ into a career in airports through other roles in the transport industry or local government. There is not a clear career path for management roles at airports in terminal operations, security, or ground handling, compared to those for pilots or aircraft engineers. Identifying, developing, and promoting clearer paths for the range of careers available at airports will help improve attraction and retention, provide avenues for upskilling existing workers, and better align existing training programs to industry needs.
- **Appreciate practical realities of training:** The unique operating environment of airports means that for specific aviation roles, such as security, training, onboarding and obtaining an Aviation Security Identification Card (ASIC) can take a number of months to complete which necessitates significant planning and preparation to better smooth the demand pipeline.
- **Increased First Nations participation:** Many safety and regulatory roles, particularly for Airfield Reporting Officers (AROs), are difficult to fill at airports in outer regional and remote Australia. AROs are essential to ensuring airfields operate safely and comply with CASA regulatory requirements and is an airfield job facing major skills shortages, particularly in regional and remote Australia. With low barriers to entry to an ARO credential, training and developing First Nations people for ARO roles in regional and remote communities is a meaningful way to provide ‘on country’ employment and provide a valuable and portable skill required at every airport.

⁴⁹ <https://www.melbourneairport.com.au/corporate/flying-high-on-international-women-s-day> (30 October 2023).

- **Improve the skills and expertise of aviation regulators:** APAC also recommends recruitment, retention, and training regimes at key aviation bodies (Airservices, CASA, Home Affairs, Infrastructure) can provide staff with the necessary skills and expertise to meet the current and emerging regulatory challenges facing the aviation sector.

What role can reforms to skilled migration pathways play in addressing immediate aviation personnel shortages?

Unlike other parts of the economy, increased overseas migration will not necessarily solve the shortage of people and skills in aviation over the short-term. Many operational roles in the aviation industry have requirements for Australian citizenship or Australian residency and working rights as a requirement to be employed in airside roles and to obtain an ASIC. While the return of international students to Australia will go some way to dealing with short-term workforce pressures at some capital city airports, more substantial change will be required to build a strong, sustainable pipeline for the aviation workforce out to 2050.

As a first step, better aligning aviation to the portfolios responsible for Australia's annual skilled immigration targets as well as to Skills Australia priority jobs list. This simple but effective step would help to ensure critical roles in demand are accommodated through the supply of ongoing skilled migration intakes.

AVIATION GREEN PAPER SUBMISSION
NOVEMBER 2023

11. **International aviation**

11. International aviation

- Australia should liberalise its bilateral air service agreements through an 'Open Skies' approach to enhance Australia's connectivity with global aviation networks, improve international airline competition and provide more choice for passengers.
- Bilateral air service agreements should be negotiated ahead of time, with greater coordination between government priorities and enhanced transparency with respect to the process and the reasons for decisions.

11.1 Bilateral settings

Are there other issues or concerns associated with the Australian Government's approach to negotiating aviation bilateral agreements that you wish to highlight?

The Australian Government's current approach to negotiating bilateral air service agreements adopts a just-in-time policy approach, which limits the ability of airlines and airports to undertake future focused planning. Put simply, the current approach is opaque, ad-hoc and lacks transparency. While successive governments have supported the notion of negotiating capacity ahead of demand, the reality is that this has not occurred. In recently published data from DITRDCA, we can see that there are currently at least 10 international markets that are either close to or at their current bilateral capacity including Hong Kong, Malaysia, Qatar and Vietnam⁵⁰. In the interests of the aviation sector and the Australian travelling public, the policy and process should be modernised.

The liberalisation of bilateral agreements through an 'Open Skies' approach would significantly improve Australia's connectivity with the global aviation network. It will also improve outcomes for passengers by encouraging international airlines to actively compete in our market to provide the best price, deliver enhanced service levels and improved service reliability for customers. Since 2019, international airfares have increased by 51 per cent⁵¹ which is due to many factors including a lack of competition. An open skies approach would provide passengers with more choice and more destinations. Greater international competition further benefits home-based carriers with access to the domestic feeder market increasing demand for domestic services.

Australia currently has open skies agreements with only seven countries: China, India, Japan, New Zealand, Singapore, the United States of America and the United Kingdom. This is in stark contrast to many of our international peers. The US has open skies agreements with more than 100 countries, Singapore has more than 60 and Canada

⁵⁰ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Growth Potential for Foreign Airlines, November 2023.

⁵¹ Australian Competition and Consumer Commission, Airline Monitoring Report June 2023.

has 23 such agreements⁵². While the recent release of Australia's *Southeast Asia Economic Strategy to 2040* and its recommendation for the "Australian Government to prioritise updates to air services agreements and explore reciprocal open skies agreements with interested Southeast Asian partners where in the national interest⁵³" is a positive step, the government should do more to accelerate the liberalisation of bilateral air services agreements with a view to open skies which will enhance airline competition, increase choice and drive down airfares for consumers.

The attraction of international airlines is one area where there is significant competition between Australian airports. New airlines often establish in one market to start, and airports compete to secure this status and the economic opportunity, jobs and growth that it brings (analysis by Ernst and Young has found that a single daily international flight to Melbourne generates \$154 million per year of economic activity for Victoria⁵⁴). In the interests of competitive neutrality amongst Australian international airports, on the path to full open skies, airports such as Avalon Airport and Western Sydney International Airport should be included in bilateral capacity allocation. Exclusion of these, and other international airports, from the bilateral system acts as a market distortion as it forces airlines away from where the demand exists and into less favourable markets.

The majority of the aviation industry, including domestic and international airlines, along with airports, have highlighted the lack of transparency in the process followed by DITRDCA in negotiating bilateral air services agreements. In the current system, select stakeholders are requested to provide comment on the need for additional services to particular markets. It is unclear which stakeholders are invited to provide comment and if these stakeholders are consistent for each market that is being considered by the department. After comments are provided, there is often no further engagement or insight into decisions or timelines provided by the department.

The lack of transparency in the reason why decisions regarding air traffic rights are made is also a source of significant confusion and frustration for the industry. While it is appropriate for negotiations to remain on a country-to-country level and confidentiality on matters of national security should be maintained, the invocation of 'the national interest' without further explanation does not accord with need to maintain public trust in government decision making. Without providing insight into the reasons for these decisions, outside of simply 'the national interest', there is a risk that Australia's international reputation as an open and attractive aviation market is damaged.

⁵² <https://theconversation.com/under-open-skies-the-market-not-the-minister-would-decide-how-often-airlines-could-fly-into-australia-213214> (5 October 2023).

⁵³ Department of Foreign Affairs and Trade, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, 2023.

⁵⁴ Melbourne Airport, *2023 Economic and Social Impact Report*, September 2023, p5.

What opportunities exist to improve the approach to international negotiations?

There are a number of major opportunities to improve Australia's current approach to bilateral air service agreement negotiations that will deliver better outcomes for travellers, for industry stakeholders and for government.

Ahead of time not just in time

Liberalising Australia's bilateral air services agreements to an open skies approach will have a significant impact on consumer choice, airfares and Australia's connection to the rest of the world. Recent data from DITRDCA shows that there are at least 10 international markets that are already at capacity which is a failure of the current approach. Moving away from the current just-in-time policy approach and instead providing certainty in aviation routes (capacity) ahead of time (demand) allows both airlines and airports to plan more strategically and undertake additional investment across Australia.

When negotiating these agreements, major stakeholders, such as airports, should be included early and often in an advisory capacity. Airports are in a unique position to advise the department on growth trajectories and markets which are at risk of reaching their allocations early, opening opportunities for dialogue between nation states ahead of time and not when markets have reached their peak. Airports can advise on current scheduling within existing arrangements and signal to the department when the allocation will be exhausted. Major airports also take a long-term view when they consider investing in future infrastructure and seek to build capacity ahead of demand to ensure the customer experience continuously improves.

Greater consultation should coincide with additional detail on the process being followed by the department. With the lack of insight currently provided to stakeholders, the external experience is that the process is opaque and ad hoc. Further consultation with stakeholders, along with clarity from the department on the process that is being followed, would be a significant improvement to the current approach.

Improve coordination between the Commonwealth and State regarding priority markets

As part of the post-pandemic recovery, state and territory governments across the country have provided significant funding for the attraction and retention of air routes in line with each jurisdiction's trade, investment and economic development priorities.

Greater alignment between the Australian Government in its role negotiating air service agreements and state and territory governments offering incentives could result in accelerated growth in air services to Australia while also improving competition by jurisdictions for limited numbers of slots that are available under current and future arrangements.

A more coordinated approach that is focused on the international trade and investment strategies between state governments and the Australian Government would help to advance Australia's economic interests in key international markets.

Alignment with broader government policy objectives

Bilateral agreements are an important lever the government can utilise to support the achievement of its objectives in areas such as migration, education, tourism and trade.

For example, the ability of Australia’s targeted skilled migration policy (as well as the Pacific Labour Mobility scheme) to meet Australia’s skills shortage is dependent on aviation capacity into Australia from relevant countries. In a similar vein, the international education industry also requires sufficient capacity from major source markets of international students. The key industries of tourism and education, which are supported by the operations of Melbourne Airport, contribute more than \$20 billion to the state’s economy⁵⁵.

More coordination across government to ensure that there is input from areas such as migration, education, tourism and trade when these agreements are negotiated will enable more economic value to be realised from a wide range of government initiatives.

Enhanced transparency in the reasons why bilateral decisions are made

The Productivity Commission has noted that in relation to air services agreements, there have been significant concerns raised about the lack of transparency in the decision-making process of government and how trade-offs between the interests of the Australian aviation industry and the broader Australian community are made⁵⁶. This sentiment is echoed by the broader aviation industry, with significant frustration and confusion on how and why these decisions are made.

There is an opportunity for the government to provide clarity to the aviation industry by improving the level of stakeholder engagement undertaken during the negotiation process as well as providing further insight into the rationale for decisions taken by the Minister on future bilateral capacity.

11.2 Foreign investment in Australian international airlines

Are there problems or potential improvements related to the Australian Government’s approach to managing foreign investment in Australian international airlines?

Australia has one of the most concentrated domestic aviation markets in the world, with approximately 95 per cent of the market shared between Qantas Group and Virgin Australia. Following the pandemic, this has resulted in significant competition issues, which have been highlighted by the ACCC in its final report on Airline Competition in Australia⁵⁷ which found that:

- Airfares have risen above pre-pandemic levels, surpassing inflation-adjusted prices; and
- The most recent cancellation and delay rates have regressed, indicating continued underperformance compared to long-term averages within the industry.

⁵⁵ <https://tourism.vic.gov.au/research-and-insights> (17 October 2023).

⁵⁶ Productivity Commission, Inquiry into Commonwealth bilateral air service agreements submission 2023.

⁵⁷ Australian Competition and Consumer Commission, Airline competition in Australia, June 2023.

The ACCC concluded its report by stating “[t]he duopoly market structure of the domestic airline industry has made it one of the most highly concentrated industries in Australia, other than natural monopolies. The lack of effective competition over the last decade has resulted in underwhelming outcomes for consumers in terms of airfares, reliability of services and customer service.”⁵⁸

Changing the government’s approach to managing foreign investment in Australian international airlines must be viewed through the prism of domestic market concentration and the need for more competition. Any potential changes the government may make in this area need to be balanced with the need to promote competition and for Australia to be seen as an attractive place for international firms to do business.

11.3 Aviation International Engagement

What areas should Australia target through its international aviation programs? Are there opportunities for improvement and where would the greatest benefits be achieved?

Since its inception, Australia has contributed significantly to ICAO, demonstrating a strong commitment, dependability and leadership in the international civil aviation sector⁵⁹. APAC recognises the importance of this ongoing leadership and the impact it has had on Australia’s ability to influence the priorities of ICAO to benefit our national, regional and international interests.

The continued promotion of aviation safety is critical to Australia’s position as a leader in our region and APAC supports the continued focus on enhancing Australia’s long-term aviation support in the Pacific with a view to enhancing regional safety, connectivity and sustainability outcomes.

We would welcome the Australian Government involving major airports in future trade and investment delegations given our role as an economic enabler for trade, tourism and jobs as well as attracting key international markets.

11.4 International airport designation and development

What issues should be considered in changing the Framework for the Provision of Border Services at New and Redeveloping International Ports?

While the Australian network of international airports has increased from nine in 2009 to 16 in 2019, only six per cent of Australia’s international seat capacity operates outside the four largest international gateways⁶⁰ (Sydney, Melbourne, Brisbane and Perth). Smaller ports across Australia do not have the catchment size to support international

⁵⁸ Australian Competition and Consumer Commission, Airline Competition in Australia June 2023.

⁵⁹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/international-aviation/multilateral-forums/icao> (5 October 2023).

⁶⁰ Cirium, Scheduled Seat Capacity by Australian Airports, 2023.

services in their own right or the domestic network connectivity that enables international passengers to efficiently connect to their target destination.

The major gateways provide both the market size (Melbourne has a population of over five million) and connectivity to the regions (Melbourne Airport connects travellers to 37 domestic destinations) that is necessary to underwrite the business case for international services. As a result, it is necessary and appropriate that border agencies need to continue to focus on major gateways to ensure adequate service levels are provided for the overwhelming majority of passengers arriving into and departing the country.

If the government has identified the need to further support New and Redeveloping Ports with respect to resourcing of border agencies, it should ensure that the requirements of border agencies can be updated to better reflect the commercial reality of these ports while ensuring that there is not cross-subsidisation across the industry.

AVIATION GREEN PAPER SUBMISSION
NOVEMBER 2023

Appendix A: **Summary of** **recommendations**

Appendix A

A. Summary of recommendations

3. Competition, consumer protection and disability access settings

Recommendation 1: The Bureau of Infrastructure and Transport Research economics (BITRE) should enhance the data that it provides including more timely reporting of domestic and international aviation statistics, exploring near real-time monitoring and improving its domestic airfare index methodology.

Recommendation 2: The Australian Government should provide greater transparency in its decision-making processes including in relation to short term cabotage dispensations.

Recommendation 3: The Australian Government should accept the recommendation of the Senate Rural and Regional Affairs and Transport References Committee to direct the Productivity Commission to undertake a public inquiry into the determinants of domestic airfares on routes to, and between, regional centres in Australia. This inquiry should be expanded to investigate the determinants of all domestic airfares in Australia and the impact that high levels of market concentration has had, and continues to have, on airfares and competition.

Recommendation 4: The Australian Government should investigate enhanced consumer protection mechanisms as a means of improving outcomes for the travelling public. Review of such schemes in comparable jurisdictions should be part of the government's consideration. Fundamental issues with Airservices Australia should also be addressed which will have a direct impact on cancellations and delays faced by travellers.

Recommendation 5: The Airline Customer Advocate should be replaced with an independent external dispute resolution ombudsman scheme with the power to make binding decisions.

Recommendation 6: The Australian Government should review the Disability Standards for Accessible Public Transport to ensure it better reflects the unique requirements of air travel and better meets the needs of people with disability.

Recommendation 7: The Australian Government should develop a template Disability Access Facilitation Plan to serve as a guiding framework for the design and implementation of the DAFP.

Recommendation 8: The Aviation Access Forum should undergo a comprehensive transformation that centres around clear aspirations, guidelines, self-assessment mechanisms, and robust reporting.

Recommendation 9: The Australian Competition and Consumer Commission (ACCC) monitoring of domestic air passenger services should be made permanent and the scope of information that is collected should be expanded to ensure that the government has a clear understanding of how domestic airlines are performing.

Recommendation 10: To ensure competitive neutrality between Australia's international airports, Western Sydney International Airport and Avalon Airport should be included in the bilateral air service agreement system.

Recommendation 11: The current light-handed regulatory regime for airports remains fit for purpose and should be maintained. The Aeronautical Pricing Principles should also retain their current status.

Recommendation 12: Any consideration to review or mandate the APPs should be undertaken through a comprehensive and robust process rather than through a policy review process like the Aviation White Paper

5. Maximising aviation's contribution to net zero

Recommendation 13: The Australian Government should remove strict allocations of services to specific ports in bilateral air service agreements to eliminate the incentive for airlines to fly so called 'ghost flights'.

Recommendation 14: The Australian Government should support the establishment of a domestic Sustainable Aviation Fuel (SAF) industry through the implementation of a comprehensive and timely suite of policy measures. This should include a functional system for accounting for SAF, integration with the National Green House Energy Reporting scheme as well as demand and supply side measures to incentivise industry uptake.

Recommendation 15: Australia should utilise existing international framework under the ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) which provides standards for the monitoring, reporting, verification and emissions reductions of both SAF and lower carbon aviation fuels.

Recommendation 16: The Australian Government should set a clear strategy, create the enabling environment and introduce policy measures that accelerate uptake of new propulsion technologies such as electric and hydrogen powered aircraft.

6. Airport development planning proves and consultation mechanisms

Recommendation 17: The Australian Government should undertake a review of the ANEF system with a view to updating and modernising the current approach to noise metrics in Australia. Consideration of the WHO framework would be valuable to this exercise and would help to address community scepticism of current Australian metrics.

Recommendation 18: The Australian Government should undertake a review of available and appropriate metrics for a nationally consistent approach for community education about mitigation where buildings may be subject to aircraft-induced vibration.

Recommendation 19: Measures to ensure compliance with AS2021-2015 should be adopted.

Recommendation 20: An industry review of noise metrics should be undertaken and include related research into community health and social impacts and should be transparent, collaborative and extensively shared with communities that experience aircraft noise.

Recommendation 21: The Australian Government should direct Airservices Australia to support better industry access to data in order to facilitate more effective community engagement activities.

Recommendation 22: Airservices Australia should commence reporting on Noise Abatement Procedures in line with community expectations.

Recommendation 23: The Australian Government should review regulations that currently inhibit airline fleet renewal including the curfews at Sydney and Adelaide airports.

Recommendation 24: An industry-led review of the NASF Guidelines should be undertaken with a view towards codifying some (or all) as regulations. The review and any subsequent actions should be conducted with clear information and instruction to community and government planning agencies.

Recommendation 25: The Aircraft Noise Ombudsman should be made independent of Airservices Australia.

Recommendation 26: Government noise policy should consider how cumulative noise effects could be addressed to meet community needs, including consideration of methods for presenting and sharing overlaid noise data that is accessible and easily related to community health and social outcomes.

Recommendation 27: Airservices Australia should provide greater transparency on any investigations it completes and ensures that public information is updated in a timely manner.

Recommendation 28: The Australian Government should direct the Department of Climate Change, Energy, the Environment and Water to consider how environmental objectives that are currently served by offsets might better be achieved for the aviation industry.

Recommendation 29: The current limitation of airport lease duration should be reviewed to enable airports to undertake developments that support operational and commercial objectives.

Recommendation 30: should be reformed to allow airports to engage their own building surveyor to issue building permits in accordance with the National Construction Code.

Recommendation 31: The ABC should be resourced according to airport capital investment programs to enable it to provide a timely service to airports and facilitate improvements to the customer experience.

Recommendation 32: The Major Development Plan monetary threshold should be removed in favour of impact-based thresholds.

Recommendation 33: More detailed definition of impact thresholds for MDPs, including health and social subjects, should be developed and applied to the industry.

Recommendation 34: The interaction between the Airports Act and EPBC Act be reviewed for opportunity to improve processes and maintain (or improve) environmental and development outcomes.

Recommendation 35: A statutory time limit on the consideration of MDPs by the Minister for the Environment should be introduced to bring it in line with the requirements imposed on the Minister for Infrastructure.

Recommendation 36: The Australian Government should undertake a review of the MDP framework to address a range of current issues.

8. Fit for purpose agencies and regulations

Recommendation 37: The Australian Government should undertake a comprehensive review of the roles, jurisdictions and accountabilities of the government organisations that operate in aviation. This should include airports, airlines, Airservices and CASA with a focus on the interests of the industry and a clear delineation of roles and responsibilities.

Recommendation 38: CASA should implement a risk-based oversight model for aerodromes that recognises entities that have a mature safety culture and an effective safety management system. This model would focus on effectiveness of Safety Management Systems (SMS) and see mature airports able to submit safety cases to CASA for noting and acceptance rather than approval. An airport would then have its SMS (and safety cases) tested for effectiveness during annual review activities.

Recommendation 39: Airservices Australia should implement proactive engagement, collaboration and sharing of information regarding aviation safety and operating models.

Recommendation 40: Enhancements to security obligations must be risk-based and proportionate focusing on hazards that will cause significant disruption, whilst also acknowledging overlap with other obligations such as CASA and state-based requirements for emergency plans (Airport Emergency Plans).

Recommendation 41: If rapid changes to security settings at airports are required in the future, the Australian Government should consider how it might support funding initiatives to ensure timelines are achieved.

9. Emerging aviation technologies

Recommendation 42: The Australian Government should adopt a light-handed approach to regulating technology systems and development in order to avoid stifling creativity and innovation. Australia has a mature aviation safety environment which can be relied upon to govern progress responsibly and sustainably.

Recommendation 43: The Australian Government should undertake a review of the *Air Navigation (Aircraft Noise) Regulations 2018* should be undertaken and include investigation of new aircraft technologies where they will significantly change the profile and/or distribution of flights. This will apply to drone and AAM systems, which will introduce new 'aircraft' noise where previously only conventional flight paths have occurred.

10. Future industry workforce

Recommendation 44: The Department of Infrastructure, Transport, Regional Development, Communications and the Arts should expand its 'Women in Aviation' initiative to include airport roles, as well exploring funding options for current airport workforce initiatives by industry.

Recommendation 45: Aviation should be defined as a specific industry skills cluster and work undertaken to develop legible airport career pathways.

11. International aviation

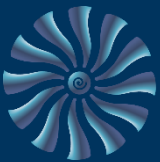
Recommendation 46: The Australian Government should liberalise its approach to negotiating bilateral air service agreements with a view to 'Open Skies' so that capacity is delivered ahead of demand. Given current government priorities, an open skies agreement with ASEAN would be welcomed.

Recommendation 47: The Australian Government should provide greater transparency and enhance consultation with airports in the negotiation of bilateral air service agreements. There should also be greater transparency provided into the reason that decisions are made.

Recommendation 48: Any changes to the government's approach to managing foreign investment in Australian international airlines must be viewed through the prism of domestic market concentration and the need for more competition. Any potential changes the government may make in this area should be balanced with the need to promote competition and, for Australia to be seen as an attractive place for international firms to do business.

Recommendation 49: The Australian Government should involve major airports in future trade and investment delegations given our role as an economic enabler for trade, tourism and jobs as well as attracting key international markets.

Recommendation 50: The Australian Government should ensure that border agency requirements at New and Redeveloping Ports are updated to better reflect the commercial reality of these ports while ensuring that there is not cross-subsidisation across the industry.



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