AUSTRALIAN AIRPORTS ASSOCIATION

AVIATION GREEN PAPER

AUSTRALIAN AIRPORTS ASSOCIATION RESPONSE

NOVEMBER 2023

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Foreword

I am pleased to present to you our Aviation Green Paper response on behalf of the Australian Airports Association (AAA).

This comprehensive document reflects the collective voice of airports across Australia and how they aim to shape the future of aviation policy to be safe, secure, sustainable, and competitive.

This submission has been developed through extensive consultations with a wide range of AAA membership. A diverse range of AAA members were engaged, including:

- 676 individuals
- 94% of member airports
- Subject matter experts from member airports across seven AAA committees and working groups

I would like to thank the membership for providing extensive feedback and engaging with the AAA in developing a comprehensive submission covering the needs of a diverse set of stakeholders including major, metro, regional, and remote airports.

The future of aviation policy in Australia is a critical subject that demands careful consideration and strategic planning to meet future forecasts in a sustainable way. AAA's Green Paper response aims to provides a roadmap that not only addresses these challenges but also leverages them as opportunities for growth and progress.

I am confident that the insights and recommendations presented herein will serve as a valuable resource for policymakers and stakeholders involved in shaping the future of the aviation sector in Australia.

I look forward to the continued collaboration and engagement with the Australian Government as we work towards a sustainable and prosperous future for the aviation industry.

KYM MEYS

AAA Chair

EXECUTIVE Summary

STATEMENT

The AAA is the national voice for airports, representing the interests of more than 340 airports and aerodromes across Australia. It also represents more than 150 corporate members supplying products and services to airports and the wider aviation industry.

Our response to the Green Paper is a once in a decade opportunity for policy reform in the aviation sector. This important process presents itself during a period of significant change for Australia's airports as the sector faces the challenges of reaching net zero emissions targets by 2050 while also ensuring a viable aviation sector.

Australia's airports are vital to the economic and social wellbeing of all Australians. Airports are critical infrastructure, providing services that generates substantial employment and increases connectivity within Australia and internationally. Airports are also key drivers of the economy. Recent analysis published by Deloitte, found that in 2022 Australia's airports contributed $105 billion in value added (VA) to the national economy, supporting 690,000 full time equivalent jobs. The economic activity at and facilitated by airports, contributed around 5% of Australia's gross domestic product (GDP) and supported 6% of full time equivalent (FTE) jobs in 2022 .

This important economic contribution to Australia's economy could be at risk from increased regulation and a lack of clear policy pathways to enable further investment.

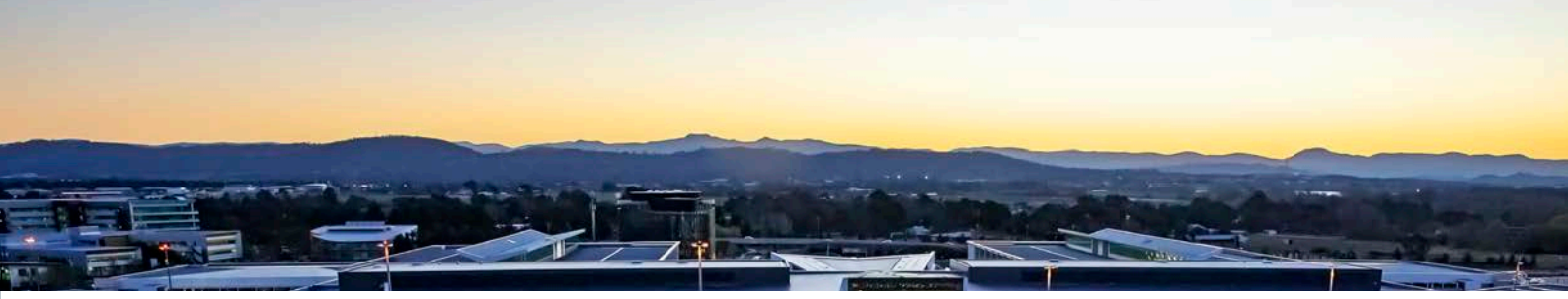
This submission outlines AAA's position across key areas of the Green Paper based on extensive consultation across our sector. AAA's key recommendations to the Government are:

Competition, consumer protection and disability access:

- That the Government direct the Australian Competition and Consumer Committee (ACCC) to conduct an inquiry into anti-competitive behaviour in domestic aviation.
- To increase domestic airline efficiency, the Australian Government should examine further avenues to incentivise new entrants in the domestic airline sector to improve competition and quality of service to consumers.
- The Government should consider an independent, Airline Ombudsman to improve consumer confidence.
- The Government should implement the recommendations of the Harris Review as a matter of priority.

Regional and remote aviation services:

- The Australian Government should reinstate the Regional Airports Program (RAP) and Remote Aerodrome Upgrade Program (RAUP) grant program to close the infrastructure gap by funding safety critical aeronautical infrastructure at regional and remote airports.
- To aid the mid-sized airports who are ineligible for existing Australian Government grant programs due to their ownership models the Government should set up a Mid-Sized Airport Program (MAP) to bring forward essential regional and national level upgrades to aviation safety critical aeronautical infrastructure at key regional and metro airports.



Maximising aviation's contribution to net zero:

- The development of a viable and scalable domestic Sustainable Aviation Fuel industry is fundamental to the decarbonisation of Australia's aviation industry and requires the Government to set a viable target for the SAF industry before moving towards a mandate.
- To secure Australia's long overseas fuel supply chains that exposes the country to both geopolitical and climate risks, particularly for airlines with only a domestic footprint, the Government should fast track and incentivise a domestic SAF industry as a priority.

Airport development planning processes and consultation mechanisms:

- Increasing the Major Development Plan (MDP) monetary trigger to at least $50 million (as proposed in the Green Paper) in the short term and reform of MDP rules in the longer-term would ensure only airport developments with genuinely significant impacts are subject to a full MDP process.
- Support more precinct-level MDPs to improve overall efficiency of the planning processes and enable greater certainty for on-airport development, particularly where such precinct-level developments are already approved in an airport's Master Plan.
- The Australian Government and the state and territories must adopt the National Airport Safeguarding Framework in all jurisdictional planning system to better protect all airports from inappropriate development and land-uses.

Fit-for-purpose regulatory environment:

- Undertake a review of the current aviation agencies (ASA and CASA) and regulatory settings to ensure a fit-for-purpose regulatory environment out to 2050.

Aviation security:

- Develop and implement a sustainable, long-term funding mechanism for regional aviation security screening and ensure cost support is passed through to passengers through lower airfares.
- Alteration of the transport security regulations to require security screening of passengers and baggage for all Scheduled Air Transportation and open charter services (regardless of aircraft weight or seating capacity) prior to departure from a Designated, Tier 1 or Tier 2 security-controlled airports.

Emerging Aviation Technology:

- Support and encourage emerging aviation technologies and their safe and effective integration into the aviation network, including funding to support infrastructure at metro, regional and remote airports.

The AAA has put forward a positive and meaningful reform ideas to deal with many of the issues facing the aviation sector currently and would help increase investment through to 2050. This is an important moment for the Australian Government to bring the aviation sector together and make important changes to ensure continued investment, more jobs, and better regional connectivity continues to 2050.

The AAA would welcome the opportunity to discuss this submission and recommendations in more detail and we look forward to the release of the final Aviation White Paper in the first half of 2024.

LIST OF Recommendations

Chapter 3 – Competition, Consumer Protection and Disability Accessibility Settings

RECOMMENDATION 01

Australian Government direct the Australian Competition and Consumer Commission to conduct an inquiry into potential anti-competitive behaviour in the domestic airline market.

RECOMMENDATION 02

The AAA recommends that the Australian Government examine further avenues to incentivise new entrants in the domestic airline sector to improve competition and quality of service to consumers.

RECOMMENDATION 03

The AAA strongly supports the application of the competition framework to airports in its current form, noting that airports continue to be some of the most heavily regulated entities within Australia's transport system.

RECOMMENDATION 04

That the Government implement the recommendations of the Harris review as a matter of priority.

RECOMMENDATION 05

The Government trial cabotage on some regional routes as a means of improving competition.

RECOMMENDATION 06

BITRE should provide near real-time airfare monitoring information to enable greater access to consumers to find the best fare of the day.

RECOMMENDATION 07

Continue with the current airport monitoring framework, including the application of Airport Pricing Principles and without the use of regulation and the ability of parties to negotiate without a compulsory arbitration mechanism.

RECOMMENDATION 08

The Government implement an independent airline ombudsman to improve consumer confidence.

RECOMMENDATION 09

The Australian Government standardise and streamline Disability Access Facilitation Plans templates for use in the aviation sector – ensuring suitable representation for individuals with disabilities.

RECOMMENDATION 10

The Ministers for Home Affairs and Infrastructure convene a roundtable with industry stakeholders to ensure a harmonised and standardised approach to disability access across the Australian aviation sector.

Chapter 4 – Regional and Remote Aviation Services:

RECOMMENDATION 11

The Australian Government should reinstate the RAP and RAUP grant program to close the infrastructure gap by funding safety critical aeronautical infrastructure at regional and remote airports.

RECOMMENDATION 12

The Australian Government should extend its full funding for RAUP projects under $300,000 to future rounds of RAP grants.

RECOMMENDATION 13

The Australian Government should set up a Mid-Sized Airport Program (MAP) to bring forward essential regional and national level upgrades to aviation safety critical aeronautical infrastructure at key regional and metro airports.

RECOMMENDATION 14

The Australian Government implement a nationally consistent framework for subsidising Australian intra-state aviation services underpinned with state and territory government support.

RECOMMENDATION 15

The Government provides fee-free education options for regional and remote Australians wanting to be trained as Remotely Piloted Aircraft Systems pilots.

RECOMMENDATION 16

Update existing regional and remote airport funding criteria to enable viable investment in SAF programs.

RECOMMENDATION 17

The Australian Government to provide guidance on assessing and managing climate risks through a climate risk assessment and management framework specifically designed for regional airports.

RECOMMENDATION 18

The Australian Government to incorporate climate resilience criteria in existing and future regional airport grants program guidelines.

RECOMMENDATION 19

The Australian Government expand existing and future regional airport funding frameworks to include criteria for decarbonisation infrastructure projects.

Chapter 5 – Maximising Aviation's Contribution to Net Zero:

RECOMMENDATION 20

The Australian Government fast track and incentivise a domestic SAF industry as a priority.

RECOMMENDATION 21

The Government set a target for SAF before transitioning to a SAF mandate for aviation fuels in-line with best practice and international alignment.

Chapter 6 – Airport Development Planning Processes and Consulting Mechanisms:

RECOMMENDATION 22

The AAA recommends a return to the pre-2008 process where a draft Australian Noise Exposure Forecast should be exhibited alongside a Federally-leased airport's Preliminary Draft Master Plan.

RECOMMENDATION 23

The AAA recommends the Australian Government incentivises State and Territory governments to incorporate alternative noise metrics as outlined in Guideline A of the National Airport Safeguarding Framework (NASF) into their planning systems.

RECOMMENDATION 24

The Australian Government should initiate a review to develop a standard suite of supplementary aircraft noise measures to develop a new standard of aircraft noise measurement.

RECOMMENDATION 25

The AAA recommends referral triggers between the Airports Act and EPBC Act should be proportionate to the scale of environmental disturbance. Where small projects create relatively low levels of disturbance on airport land, the AAA believes referrals could be minimised or streamlined.

RECOMMENDATION 26

The Australian Government should work with the states and territories to ensure the NASF Guidelines are adopted into jurisdictional planning systems as soon as possible ahead of the current 2027 target.

RECOMMENDATION 27

The National Airport Safeguarding Advisory Group (NASAG) should include airports as part of its membership so that airports can be involved in strategic decision making on airport safeguarding.

RECOMMENDATION 28

Governance of the Aircraft Noise Ombudsman should be made independent of Airservices Australia (while not losing its focus on Airservices Australia).

Chapter 7 – General Aviation:

RECOMMENDATION 29

Airservices Australia should adequately staff towers at General Aviation airports to provide the ATC service levels stated in the En Route Supplement Australia, until the full implementation of OneSky, when better management of GA traffic becomes possible using Automatic Dependent Surveillance -Broadcast (ADS-B) and Satellite Based Augmentation System (SBAS).

Chapter 8 – Fit-for-purpose agencies and regulations:

RECOMMENDATION 30

The Australian Government undertake a review of the current aviation agencies and regulatory settings to ensure a fit-for-purpose regulatory environment out to 2050.

RECOMMENDATION 31

The Australian Government removes the aviation transport security functions from Department of Home Affairs and re-integrates them with the transport policy areas in the Department of Infrastructure, Transport, Communications, Regional Development and the Arts.

RECOMMENDATION 32

The Australian Government examines the present and future levels and composition of funding for bodies regulating the sector (Airservices Australia, CASA, Home Affairs, Infrastructure) to adequately provide staff with the necessary skills and expertise to meet the current demands of capital and operational investment cycles and emerging regulatory challenges from new aviation technology and a changing social licence for aviation.

RECOMMENDATION 33

The Government develops and implements a sustainable funding mechanism to ensure regional aviation security screening can be placed on a sustainable long-term footing.

RECOMMENDATION 34

That the Government amend regulations so that there is consistent screening of passengers and baggage departing from that airport's terminal on all SAT and open charter services, regardless of the size or seating capacity of the aircraft.

RECOMMENDATION 35

The Australian Government should reinvest a proportion of the PMC surplus into improving border processing and biosecurity services at current and emerging international airports.

RECOMMENDATION 36

That the Australian Government prioritise border and visa processing arrangement with a trial of new technology to enable seamless travel.

Chapter 9 – Emerging Aviation Technologies:

RECOMMENDATION 37

The Australian Government should support airports in infrastructure and skills required to support a domestic Emerging Aviation Technology (EAT).

RECOMMENDATION 38

The Infrastructure and Transport Ministers Meeting (ITMM) should endorse CASA and Airservices to develop a regulatory regime to support safe deployment of EAT systems in Australia.

Chapter 10 – Future Industry Workforce:

RECOMMENDATION 39

As part of any future Australian Government reform to vocational education and training (VET), the aviation sector should become its own industry-specific skills cluster alongside the space sector which share similar technology and training requirements for safety and regulatory compliance.

RECOMMENDATION 40

Governments should look to incentivise training for First Nations people for aviation roles. The government could do this by supporting AAA led traineeship program.

Chapter 11 – International Aviation:

RECOMMENDATION 41

The Australian Government reshape its processes for bilateral air services agreements to consult widely and provide greater transparency around decision making.

INTRODUCTION –
The Value of Airports

Australia's airports are a vital part of Australia's economic and social fabric. Our network of airports connects Australia to the world, and indeed given our geography, provide the only practical means of travel for many journeys.

The AAA commissioned Deloitte Access Economics to undertake an analysis of the economic and social impacts of airports. This report, *Taking Flight: The economic and social contribution of Australia's airports*, demonstrates the economic importance of Australia's airports in 2022 in terms of value added to the national economy and supported employment, capturing activity associated with airport precinct activity, and facilitated tourism and trade.

The analysis found that in 2022 Australia's airports contributed $105 billion in value added (VA) to the national economy, supporting 690,000 full time equivalent jobs. The economic activity at and facilitated by airports contributed around 5% of Australia's gross domestic product (GDP) and supported 6% of full time equivalent (FTE) jobs in 2022.

Beyond commercial aviation services, airports also provide critical infrastructure and services to support a range of general aviation activity. Airports, particularly secondary metro airports, are key to providing the infrastructure necessary for the training of new pilots, facilitating 337,000 training hours in 2022. Regional airports provide the infrastructure necessary to support medical and emergency response operations and training, and to facilitate other aerial work and charter services, crucial to supporting Australia's primary industries and connecting workers.

ECONOMIC
Contribution of Airports

Australia's airports are significant contributors to the economy and major employers of local communities.

In 2022, 3,700 FTE jobs were directly supported by core airport activities. This captures those employed by airports and involved in the day-to-day operations and management of the business, such as ground staff, management, marketing and administration.

Major airports are highly productive, capital-intensive operations, thereby returning significant value relative to their labour requirement. In 2022, the ten major airports directly contributed more than $2.7 billion in value added to the economy, equating to $1.2 million in value added per direct employee, more than six times as much as the national average of $176,300 value added per employee across all industries[2].

Of this contribution, more than 83% was contributed by the 10 major airports, with a further 11% being contributed by 33 large regional airports. This means that over 94% of the contribution of airport core operations came from just 43, or 23% of all airports in Australia. These airports are structurally different to the smaller airports that have less traffic, fewer employees and lower revenues.

While smaller airports do not make a substantial economic contribution from core activities, they are nevertheless vitally important to their communities-providing a rapid, reliable link to the rest of Australia for freight, emergency and medical services. This contribution is not captured in the calculation of a traditional economic contribution study but makes a substantial impact on the communities that benefit.

Airports contribute indirectly to the economy through the purchase of intermediate goods and services to facilitate their operations.

In 2022, the indirect contribution of airports was $967 million in value added to the national economy, supporting 7,100 FTE jobs. Most operational expenditure requirements of airports flows to the services and utilities, security and property sectors-the key services required to carry out the day-to-day operations of the airport. The result of this upstream activity is two indirect FTE jobs supported for every direct FTE employee. This reflects the unique nature of major airports' business operations-providing a workplace for a range of labour-intensive businesses and organisations that deliver aviation allied services under contractual arrangements with airports.

Airports provide a base and infrastructure to support a range of industry activity.

A wide range of businesses and services operate from airport precincts, including aircraft maintenance, warehouse and logistics, hotels, cafes and restaurants, and professional services. As major hubs of business and employment, airport precincts contribute significantly to the economy. For example, in the ACT, 4% of employment is located in the airport precinct, with Western Australia (1.6%) also having a high concentration of precinct-based employment due to the substantial commercial developments located at Canberra and Perth Airports.

The most common industries of precinct employment were transport and storage, government services and retail. The significant transport and storage workforce component

[2] Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 16.

suggests that a large share of precinct employment is directly related to airport operations and logistics, however airports also serve as hubs for business and government activity, as well as provide space for retail trading, ranging from standard on-airport retail options to discount factory outlets to high-end brands.

In 2022, around 91,800 FTE employees were directly employed in airport precincts, supporting a further 69,500 indirect FTE jobs through purchases of inputs to production, resulting in a total employment contribution of more than 161,000 FTE employees.

In 2022, the total economic contribution of airport precincts was more than $23 billion in value added to the national economy, roughly evenly split between the direct ($12.0 billion) and indirect ($11.3 billion) activity.

The analysis of Australia's airport precinct contribution reveals that, in 2022, 1.4% of Australia's employment was supported by the activity located on airport grounds. This is comparable to the number of people employed in the entire food retailing industry (168,000 people in 2022) [3].

Australia's airports provide an intricate transport network to support domestic travel demands.

In 2022, Australia's airports facilitated 24 million domestic overnight trips, and 1.1 million domestic day trips. Overall, one in five domestic visitor trips (21%) and more than one in four visitor nights (27%) were facilitated by Australia's airports, although this trend varies across jurisdictions. In 2022, airports in the Northern Territory (55%) and Tasmania (40%) recorded the highest share of facilitated domestic visitors, while airports in NSW (16%) and Victoria (21%) had the lowest share as would be expected given the geographic positioning of those jurisdictions. Of the 200 million daytrips in 2022, only 1.1 million or around 0.5% involved air travel, with airports in the NT (3%) and ACT (2%) facilitating a relatively higher share of the daytrip market [4].

In total, domestic tourism activity facilitated by Australia's airports in 2022 contributed $10.5 billion in direct value added and $10.6 billion in indirect value added to the Australian economy, supporting an associated 110,000 direct FTE jobs and another 50,000 indirect FTE jobs. To put this in context, the contribution of facilitated domestic tourism is comparable to that of airport precinct activity which contributed $23.2 billion in value added to the national economy, supporting 161,300 FTE jobs.

Table 1: Economic contribution of air-facilitated domestic tourism, 2022

	Direct	Indirect	Total
Domestic tourism contribution from Australia's airports			
Value add ($m)	$ 10,469	$ 10,609	$21,079
Employment (FTE)	110,100	50,200	160,300

[3] Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 17.

[4] Ibid.

This important economic contribution to Australia's economy could be at risk from increased regulation and a lack of clear policy pathways to enable further investment.

As a major tourist destination and heavily reliant on-air travel, the contribution of air-facilitated tourism in Queensland was the largest of any state and territory in 2022 representing $6.5 billion in value added, or over 30% of the total tourism contribution facilitated by Australia's airports. NSW and Victoria, despite attracting more visitors overall, saw a smaller contribution due to lower mode share for air travel, together contributing just under $9 billion in 2022.

Due to differences in wages, productivity and industry structure in different states, the relationship between GVA and jobs varies across the country. In particular, Tasmania with relatively lower wages than the rest of the country, is the only state to produce less than $100,000 in GVA per employee, while Victoria ($150,000), the Northern Territory ($139,000) and NSW ($131,000) produced the most.

Airports facilitate many aspects of the freight supply chain from handling, storage, refuelling and transport.

In 2022, Australia's airports facilitated 914,000 tonnes of air freight, at a value of $138 billion. The export component of that air freight activity, equating to 383,000 tonnes and a value of $51 billion, makes a significant contribution to the national economy and the import component equates to 531,00 and $87 billion. The role of airports in facilitating freight exports extends beyond simply transportation services, to freight handling, storage and processing activities. Australia's complex network of airports, and associated freight transport and storage facilities, ensures regions all across the country are connected to the global market consisting of 433 global destination ports.

Air freight services provided by Australia's airports are a crucial method of transportation of high-value or perishable Australian products.

By weight, Australia's air exports are predominantly high-value perishable agriculture goods sent to Asian markets, accounting for two thirds of exports in 2022[5]. These type of goods rely on air freight to reach other markets, as sea freight would risk spoiling. By value, gemstones and precious metals make up the majority of Australia's air freight exports. These ultra-high value goods rely on the security benefits and connectivity of airport freight services.

In 2022, air freight made up 13% of the value of Australia's exports, despite being only 0.01% of the tonnage, demonstrating Australia's airports' role in supporting the transport of high value goods to key destination markets.

Overall, in 2022, air exports contributed $14.6 billion in direct value added and $28.3 billion in indirect value added to the Australia's economy

This equates to a total of 87,700 direct FTE jobs and 172,300 indirect FTE jobs supported by Australian airports.

Table 2: Economic contribution of air freight exports, 2022

	Direct	Indirect	Total
Domestic tourism contribution from Australia's airports			
Value add ($m)	$ 14,582	$ 28,291	$42,883
Employment (FTE)	87.700	172.300	260,000

[5] Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 24.

SOCIAL
Contribution of Airports

Far beyond their economic impact, airports soar as vital hubs, supporting local communities by facilitating a diverse spectrum of aviation services.

Australia's airports make a crucial contribution to the social fabric and welfare of their local communities. Though airports' social contribution can be, in many cases, difficult to quantify in monetary terms, the broader services enabled and supported by airports are highly valued by local communities.

Airports enable the connection of individuals, families and industries across and throughout the globe. In Australia, airports are crucial for overcoming geographical challenges that are caused by the vastness and remoteness of many parts of Australia. Additionally, airports allow for the efficient delivery of goods and rapid response to emergencies that cannot necessarily be achieved without aviation.

Emergency support and remote air freight

Airports provide the infrastructure and technology necessary to facilitate a range of emergency response services, such as fire services, the Royal Flying Doctor Service (RFDS), Police air services (PolAir) and State Emergency Service (SES). These services support all parts of Australia, however, regional and remote regions are the focus, as they often are out of reach of rapid road-based response services.

Airports provide infrastructure that is crucial in emergency response and management. For example, aircraft are used to quickly identify bushfires, and can then be used for early response, or control in areas that are difficult to access. Regional airports enable this, by providing infrastructure dedicated to emergency support, such as high flow water pumps and dedicated hangars. For example, Cessnock Airport played a crucial role in the 2019/20 bushfires by supporting helicopter water bombers with bushfire designed water storage facilities.

Medical services are also supported by aircraft, with organisations such as the RFDS relying on the support of aircraft to be able to deliver crucial medical services and supplies to anyone in Australia at any time. Aeromedical services require airports to have specialised staff and rapid responses so that aircraft can be operational, fuelled and ready to fly. The RFDS relies on airports of all sizes, which both allow them to get as close to remote communities as possible and deliver them to state-of-the-art medical facilities in capital cities.

Connecting individuals

The primary role of airports is to connect people. 28% of Australia's population is born overseas, 48% have at least a parent who is born overseas, and many have close family in cities other than where they live [6]. Airports create an option for people to remain connected with family and friends across Australia and overseas.

Airports in Australia act as a bridge between Australia's cities and towns, particularly for those that are separated by large distances, where other transport methods would be prohibitive such as Sydney to Perth.

Within Australia, airports can help bridge the gap between cities, regional and remote regions, thereby enhancing labour mobility, regional tourism, economic prosperity and the vibrancy of regional and remote life.

[6] Australian Bureau of Statistics (2021), Cultural diversity: Census, ABS Website, accessed 28 November 2023.

Community support and non-aeronautical services

Many airports work with the local community to provide social support through both aviation and non-aviation services. For example, Port Hedland airport runs recycling of waste that is collected in its airport and uses the proceeds to sponsor local community organisations.

Bankstown Airport is the "largest and most complex emergency medical services (EMS) base in Australia"[7], and as such has provided large amounts of in-kind support to a variety of EMS organisations such as the RFDS. Part of this is enabled by the airports' partnerships with the broader community, such as its relations with other on-precinct businesses.

Aviation skill training

The aviation industry relies on a highly skilled workforce to keep travellers and cargo safe and affordable. Airports and other aviation professionals are critical for the provision of practical training options for pilots, aircraft engineers, mechanics, cabin crew, air traffic control and other airport operational roles.

Secondary airports are particularly key in the training of pilots, providing infrastructure for small planes and other training facilities. Many, have relations with tertiary institutions that offer commercial aviation degrees.

Skill training is also important in the context of emergency services, where small airports play a key role. Airports such as Western Australia's Djarindjin airport[8] allow for RFDS pilots to practice landing, in all conditions, in a typical rural environment that would be part of their day-to-day roles.

[7] Bankstown Airport
[8] Djarindjin Airport is owned and operated by the traditional owners, Djarindjin Aboriginal Corporation.

CHAPTER 1 –
Setting the scene

The COVID-19 pandemic severely affected Australia's aviation sector and its effects continue to be felt as the sector moves toward a 'new normal' concept of operations.

While the decision in March 2020 to close Australia's international borders was undoubtedly the right choice from a public health perspective, it also hastened the aviation sector's rapid decline.

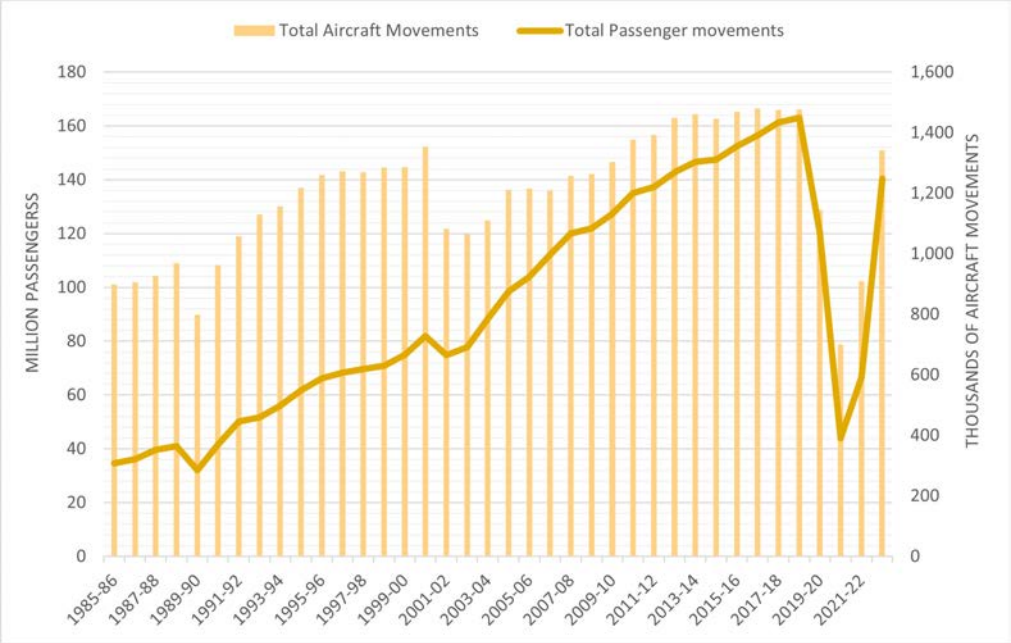


Chart 1: Movements of passenger and aircraft at Australian airports FY 1985/86 - FY 2022/23.

Source: AAA analysis of Bureau of Infrastructure, Transport & Regional Economics (BITRE) data.

The pandemic's effect on Australian airports during 2020 and 2021 was little short of catastrophic with both passenger and aircraft movements plunging dramatically to levels last seen during the early 1990s, as shown in Figure 1.

Globally, the pandemic dealt a major blow to the aviation industry, wiping out 30 years of growth in a few short months during 2020, along with the loss of 2.3 million jobs, representing 21% of the global aviation workforce by 2022.[5] The aviation industry's recovery from this shock was lengthy as shown in Figure 1, unlike the shorter 'V' shaped recovery after the 1989-90 Australian pilot's strike or the 'U' shaped recovery after the combination of the 9/11 terrorist attacks and SARS pandemic between 2001-2003.

Figure 2 below shows the levels of domestic and international passenger movements from the end of 2019 to October 2023. Domestic aviation's recovery, based on the stalled recoveries in 2020 and 2021 and a lack of consumer confidence in 2022 saw passenger numbers fluctuating before a full domestic recovery began to be felt by late 2023. International travel's recovery has been slower and more complicated, with the flatter 'J' curve recovery based on the closure of Australia's international borders for over 18 months and the shortage of international aviation capacity in and out of Australia. Scenario modelling developed by the International Civil Aviation Organisation (ICAO) outlined a range of scenarios for recovery of aviation in the Asia-Pacific, with more optimistic scenarios forecasting return to pre-pandemic traffic levels being overtaken by a more subdued recovery where domestic traffic returns to pre-pandemic levels in 2023 and 2024-5 for international traffic.

[5] Deloitte, Taking Flight: The economic and social contribution of Australia's airports, November 2023, p 24.

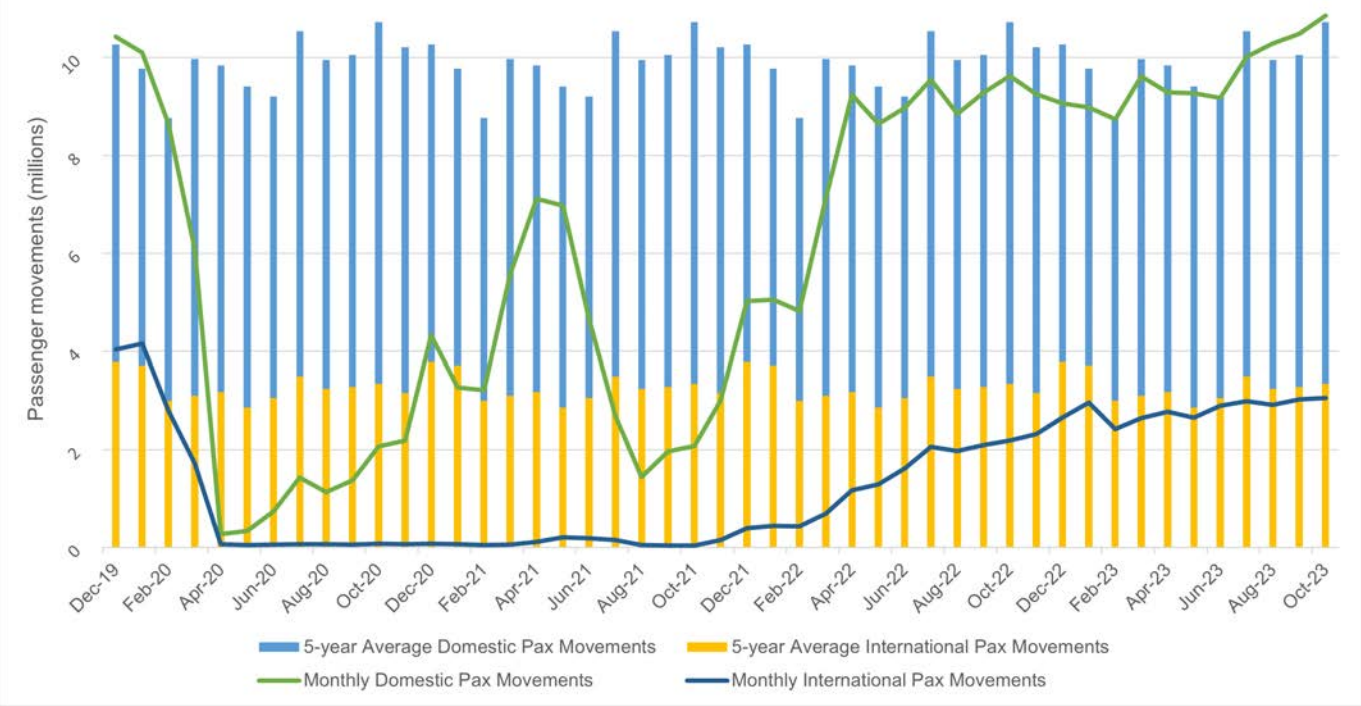


Chart 2: Domestic and international passenger movements at Australian airports Dec 2019 – Sep 2023

Source: AAA analysis of BITRE data and airport data

Despite the disruption from the pandemic, growth in Australia's aviation industry was flattening out in the years prior, with year-on-year passenger growth in the aviation industry was one of the first parts of the Australian economy to feel the pandemic's effects and will also be among the last to recover. In the last financial year before the pandemic, year-on-year passenger growth of 1.1%, was already below the five-year (2.2%) and 10-year (2.9%) average annual growth rates.

This slowing of aviation sector growth before the pandemic was largely due to low wages growth, a softening Australian economy and mature travel and tourism markets. The long-term effects on Australia's aviation from pandemic and economic headwinds continues to be felt, with shortages of skilled airport operating staff, deferment of capital investment and continued impacts of reduced aviation activity on tourism and other aviation dependent sectors of the economy.

CHAPTER 2 –
Likely future directions out to 2050

This section presents forecasts of domestic and international aviation demand and insights from the survey of airports on future trends impacting the industry. The AAA commissioned Deloitte Access Economics to undertake a forecast of the industry to 2030. While this modelled time period is not exactly aligned to the Green Paper's 2050 timeframe, we felt the forecast would be more illustrative of industry trends to a 2030 timeframe.

The outlook for aviation in Australia: A steady recovery, but an uncertain future

The aviation industry in Australia and globally was significantly disrupted by the COVID-19 pandemic, with travel restrictions, economic turmoil and supply chain constraints all impacting different areas of the sector. While travel restrictions have been largely lifted, there remains uncertainty about the outlook for the sector, the speed and trajectory of recovery and longer-term risks and opportunities.

This section presents key international and domestic aviation forecasts from Deloitte Access Economics' Aviation Forecasting Model, informed by Deloitte Access Economics' Business Outlook macroeconomic and demographic forecasts (Figure 5.1). The forecasts cover international and domestic passengers and aircraft movements.

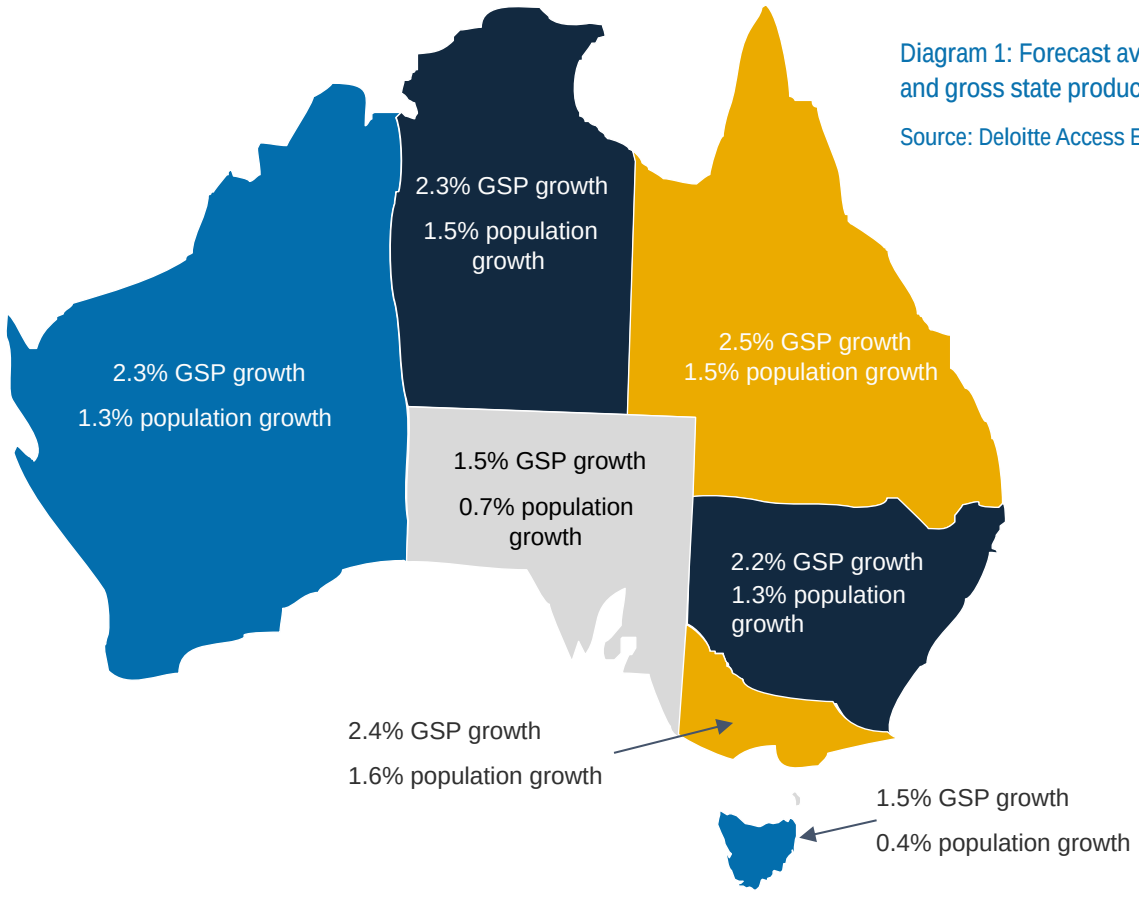


Diagram 1: Forecast average annual population and gross state product (GSP) Growth, 2023-2030

Source: Deloitte Access Economics Business Outlook

Deloitte Access Economics' base forecast is for domestic travel to return to pre-covid levels in 2023 and international travel to recover in 2025.

Key drivers of this forecast area are short-run weakness in economic growth domestically, slowing population and economic growth in China and steady demand from traditionally strong markets the USA, New Zealand and the UK.

As well as the inherent risks and uncertainty in forecasting, the current forecast has some elevated uncertainty for the aviation industry. Supply chain constraints, macroeconomic turmoil and uncertainty as to aviation sector trends mean that there are both upside and downside risks to this outlook. Reflecting this uncertainty, two scenarios are explored for these forecasts.

Scenario 1: Macroeconomic uncertainty - This scenario reflects ongoing uncertainty and risks in the macroeconomy, modelling the impacts of global economic growth being lower or higher than the base forecasts.

Scenario 2: Aircraft size decline - This scenario explores a gradual decline in aircraft size, motivated by a trend towards smaller, more fuel-efficient aircraft in recent orders placed by airlines, and the rise of ultra long-haul routes only possible with smaller aircraft.

In addition, this section explores insights from the survey of airports, including airports' perceptions of key challenges and opportunities for the sector, and priorities for the future of their airports.

Domestic aviation demand forecasts: Strong recovery and a stable long-term growth outlook

Domestic passenger numbers are forecast to recover to 2019 levels in 2023 and continue to grow strongly throughout 2024.

In the long run, passenger numbers are forecast to grow at 2.3% per annum, reaching more than 180 million trips by 2040. Growth is forecast to be faster for major airports, due to relatively stronger income and population growth expectations, than those in regional and remote Australia. This is a reversal of the pre-pandemic trend, with passenger growth slightly faster at non-major airports (2%) than majors (0.8%) from 2012-19.

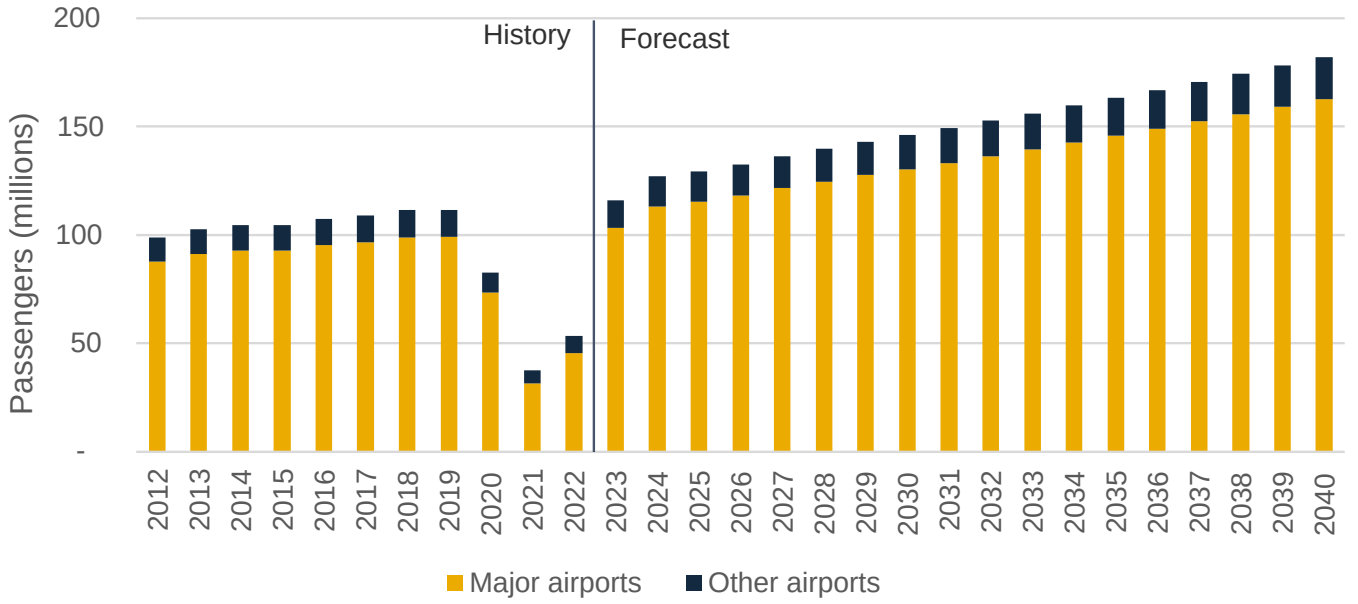
Table 3: Forecast average annual growth of domestic aviation demand

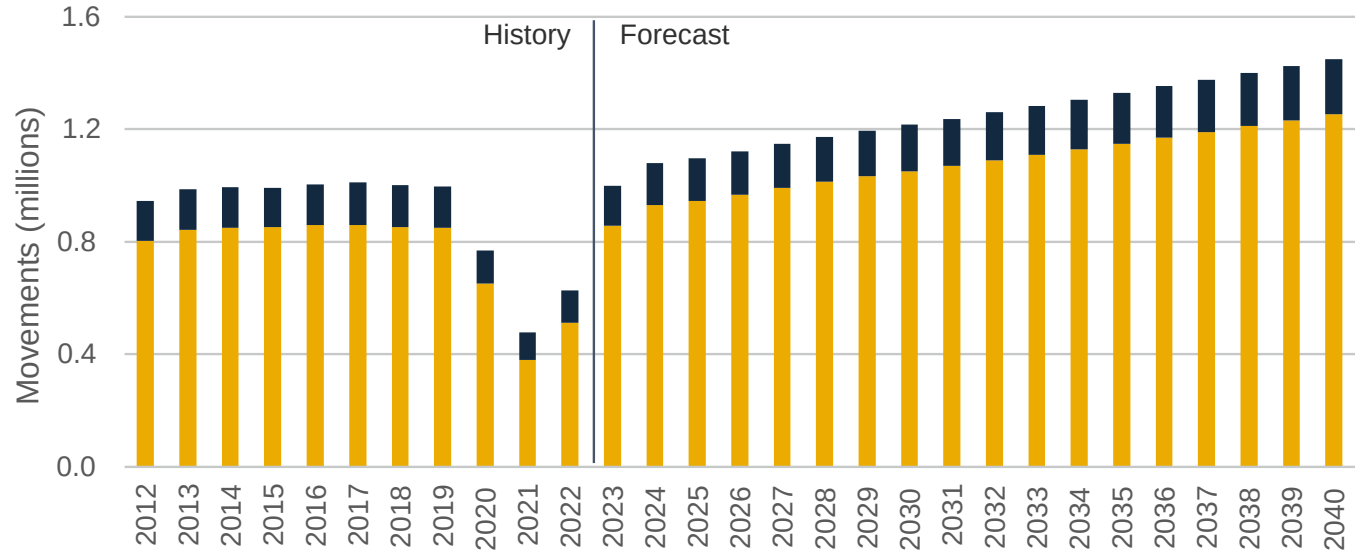
		2012-19	2023-30	2025-30	2025-40
Major airports	Passengers	1.7%	3.4%	2.5%	2.3%
	Movements	0.8%	3.0%	2.1%	1.9%
Other airports	Passengers	2.0%	2.9%	2.3%	2.2%
	Movements	0.4%	2.1%	1.8%	1.7%

This is aligned with Deloitte Access Economics' expectations for the Australian economy. After significant volatility during the COVID-19 pandemic, the Australian economy is forecast to see relatively slow growth for the remainder of 2023 and 2024. Over the long run, growth is expected to stabilise at slightly above 2% annually, similar to the rate seen prior to the pandemic.

Due to capacity constraints and health restrictions causing lower load factors during the pandemic impacted years, movements did not fall as far - reducing by about half, compared to two-thirds for passenger numbers. The normalisation of this trend will temper movement growth, with movements forecast to grow slightly slower than passengers over the forecast horizon as growth is counterbalanced in part by increasing load factors. Despite this, by 2040, there is forecast to be just shy of 1.5 million domestic aircraft movements, an increase of approximately 1.9% annually from 2025.

Charts 3: Forecasts of domestic aviation demand 2012-2040 financial years
Source: Deloitte Access Economics Business Outlook





International aviation demand forecasts: A lagged recovery and steadying longer term growth rate

The recovery of international travel has been slower than domestic travel, driven by border closures, ongoing supply chain and capacity constraint issues, and prolonged travel hesitancy which is just starting to show signs of recovery. Overall, international passenger numbers were still 43% lower than FY2019 levels in FY2023.

As a result, international passenger numbers are forecast to recover to 2019 levels in late 2025. Following a period of catch-up growth, passengers are expected to continue to grow at a slower rate than was achieved prior to the pandemic, at slightly below 3% a year from 2025-2040 compared to 5.6% from 2012-2019. This is driven by economic disruption, changing travel patterns and structural changes in key source markets and visitor segments.

Movements are forecast to grow slightly slower than passengers, as pandemic-era falls in load factors normalise and capacity constraints continue to bind in the short-term, resulting in growth in demand being accommodated with fewer, fuller aircraft. Despite this slower growth, the lower trough in 2021 means that movements are also forecast to reach 2019 levels in 2025.

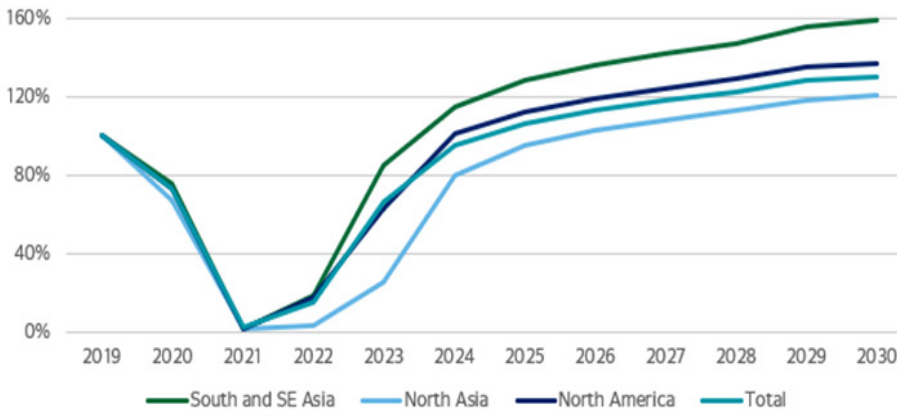


Chart 4: Forecast international aviation demand, selected source markets, % of 2019

Source: Deloitte Access Economics aviation demand forecasting model

With travel restrictions retained longer in North Asia (particularly China), this region is forecast to recover more slowly, reaching pre-covid levels in 2026. South and South-East Asia are expected to grow rapidly, exceeding 2019 levels in 2024.

We note that the Australian Government has a lot of controls when it comes to international aviation, such as with bilateral agreements with other nations, visa approvals, and markets through Tourism Australia, which could help diversify the visitor economy with new markets and increase the aviation recovery.

Chart 5: Forecasts of international aviation demand, 2012-2040 financial years

Source: Deloitte Access Economics aviation demand forecasting model

FORECAST SCENARIO 1: MACROECONOMIC UNCERTAINTY: SCENARIO CONTEXT AND RATIONALE

There are substantial ongoing uncertainties for the Australian and global economies. Locally, the impacts of supply chain disruption and associated high inflation leading to rapid increases in interest rates from the Reserve Bank of Australia are still working through the economy. Overseas, similar dynamics are playing out, with central banks fighting to bring inflation down at the minimum economic cost. The outlook for China, one of Australia's key travel source markets, is particularly uncertain, with a creaking property market and high unemployment contributing to slowing growth. While these factors are considered in the economic forecasts underlying this section, this scenario explores the implications of both a 'downside' and 'upside' outcome for the macroeconomy.

Specifically, these scenarios demonstrate the impact on aviation demand from global economic growth being 0.75pp lower or higher each year over the forecast period.

Table 4: Passenger growth forecast scenarios (CAGR) 2023-2030 financial years

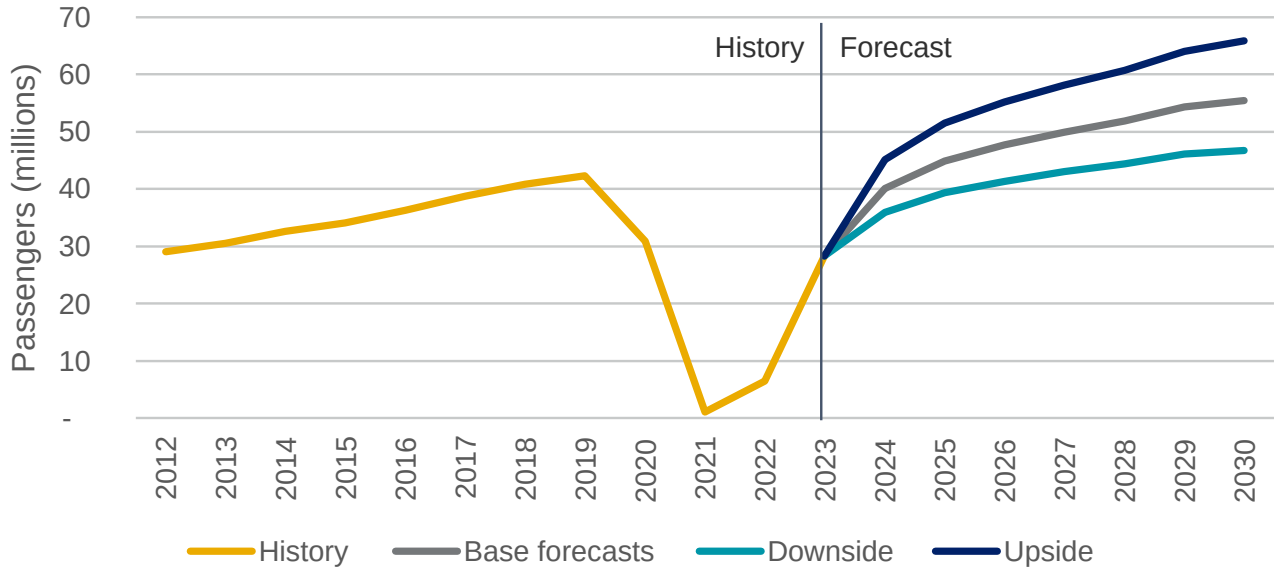
	Base Forecasts	Downside	Upside
International	10.0%	7.4%	12.7%
Domestic	3.4%	2.9%	4.2%

Scenario results

With a greater share of international visitors being economically-sensitive leisure travellers, international demand is more substantially impacted by both the upside and downside scenarios. Under the upside scenario, growth is significantly higher than the base forecast, reaching almost 66 million travellers in 2030, or around 10 million additional travellers than the base forecasts, with numbers exceeding 2019 levels as early as 2024. Under the downside scenario, growth is slower by a similar amount, with only 47 million travellers in 2030. Under the downside scenario, the recovery to pre-covid levels would be delayed until 2027.

Domestic travel has a higher share of travel for the purpose of business or visiting friends and relatives, which are less sensitive to economic conditions. As a result, the domestic market is less affected by the economic changes in this scenario, with the upside scenario seeing only 9 million more travellers, or a 6% increase by 2030. The downside scenario sees a reduction of half this amount- 4.5 million fewer travellers, or a 3% decrease.

International



Domestic

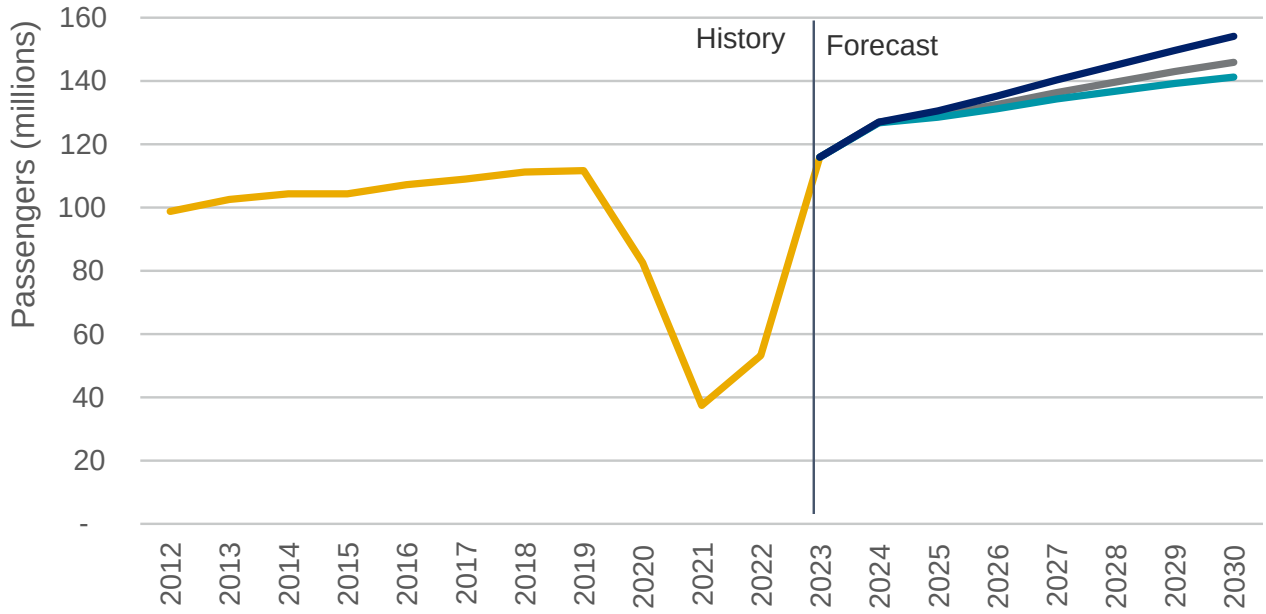


Chart 6: Aviation demand forecast scenarios, 2012-2030 financial years

Source: Deloitte Access Economics aviation demand forecasting model

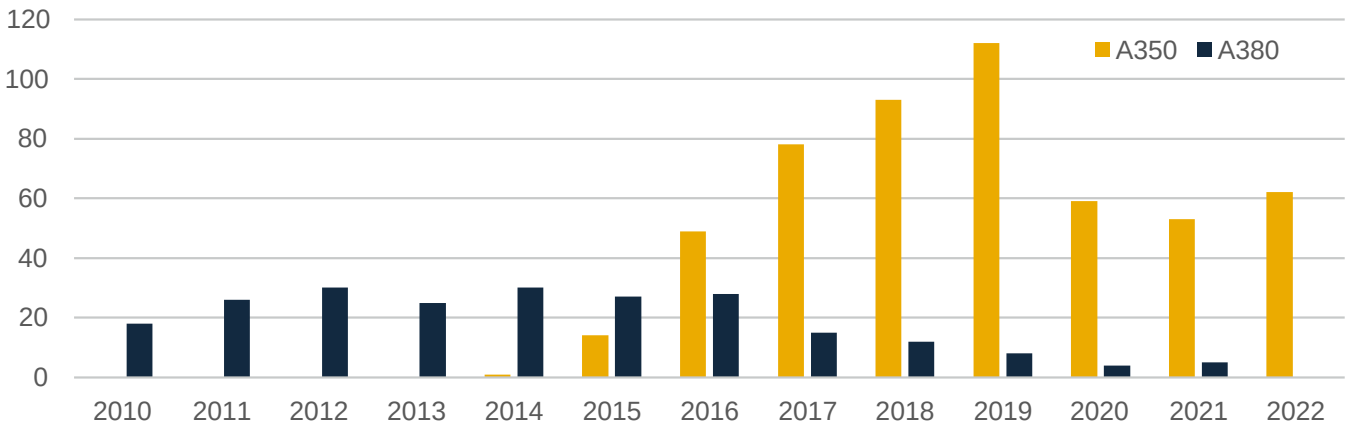
FORECAST SCENARIO 2: REDUCED AIRCRAFT SIZES SCENARIO CONTEXT AND RATIONALE

From 2010 to 2017, aircraft sizes on Australian international routes increased steadily, rising by 30 seats or approximately 15% to 257 seats per aircraft on average in 2017. In response to high fuel prices, increased sustainability considerations and changing consumer preferences, aircraft sizes peaked in 2017, followed by modest declines prior to the pandemic.

With aircraft sizes on domestic routes relatively stable, this scenario only impacts the forecast for international travel.

Chart 7: Airbus deliveries of A380 and A350 aircraft, 2010-2022

Source: Airbus



The base forecast expects aircraft sizes to stabilise at around 250 seats, however given trends observed just prior to the onset of the pandemic and general user sentiment, there is a possibility for further declines. Indeed, Airbus has no outstanding orders for its largest aircraft, the A380, with airlines instead purchasing smaller, more fuel-efficient aircraft.

1. Qantas has announced that its 'project sunrise' ultra long-haul aircraft will have only 238 seats, with a greater emphasis on premium seating.
2. This scenario could be thought of as these changes precipitating a broader trend in the industry.

Scenario results

With smaller aircraft sizes, the same number of passengers will need to be accommodated by more movements. Under this scenario, movements grow slightly more than 1% faster than the base forecasts, at 5% annually over the medium term. In the longer term, growth is more moderate, with a smaller difference between the base and scenario outcomes than in the medium term.

It is worth noting that this scenario raises some interesting discussion points on future trends, including the potential trade-offs in the aviation sector versus emissions and potential impacts on social licence from increased movements and pressure on airport infrastructure and air traffic management.

	2019	2025	2030	2040	CAGR 2025-30	CAGR 2025-40
Base forecast	210,212	210,818	256,262	317,257	3.9%	2.8%
Smaller aircraft scenario	201,212	222,403	283,983	353,424	5.0%	3.1%

Table 5: International aircraft movement forecasts
Source: Deloitte Access Economics aviation demand forecasting model

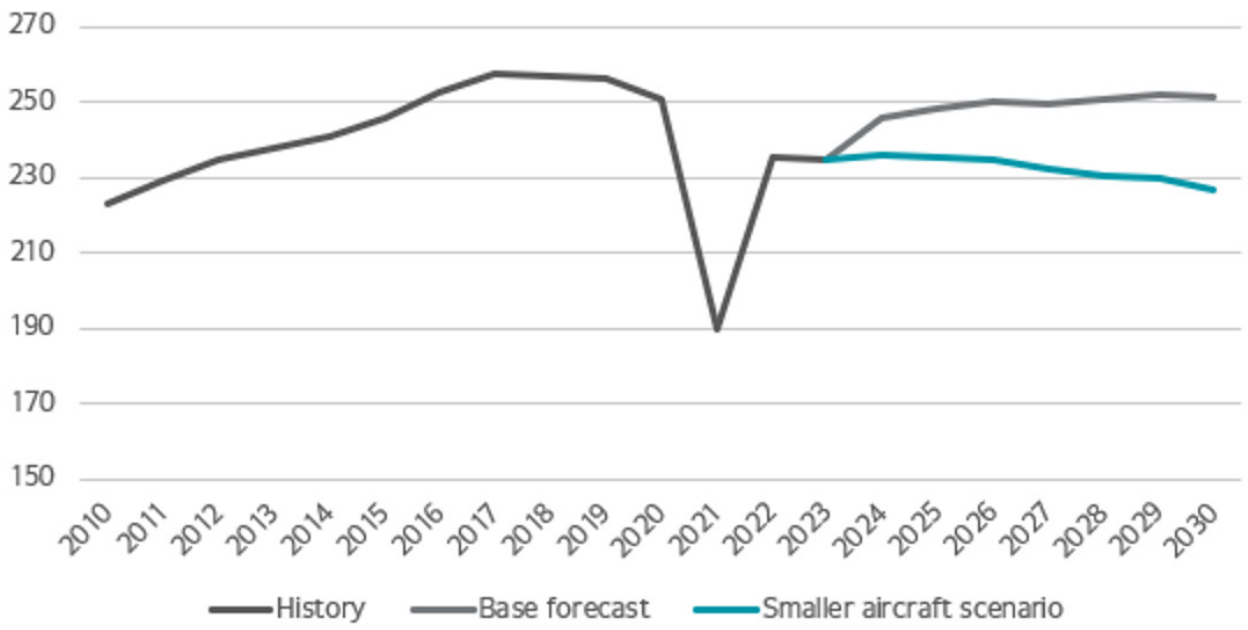


Chart 8: Aircraft **sizes on Australian international routes, 2010-2030 financial years**
Source: Deloitte Access Economics aviation demand forecasting model

Industry trends into the future

The chart set below demonstrates the aggregate feedback, across all airport categories, in the survey of airports regarding the key opportunities, challenges and strategic focusses for their airport and industry across the next five years. Overall, airports recognised infrastructure investment and precinct and capacity expansion as key areas of opportunity in the coming years, both of which contribute to revenue growth and employee engagement as key focus areas.

Regulation was identified by 61% of airports as a significant challenge in the future. Of the airports who provided further context to their response, for minor/remote airports compliance costs were more prominent than competition regulation, which was more important for major airports.

Results varied widely between airport types; however, some trends were observed across all categories. Airports of all types rank revenue growth as one of their top three focuses, and regulation as a key challenge. While, notably, sustainability was consistently recognised as an emerging focus area across all airport types.

Unsurprisingly, major airports had different views on the opportunities ahead, with international capacity expansion emerging as the key opportunity. Indeed, capacity constraints were noted as a primary challenge for major airports, but not noted as an issue for other airport types; a reflection of relative land availability and value between metropolitan areas compared to regional and remote areas.

Chart 9: Top 5 opportunities, challenges **and focuses over the next five years**
Source: Deloitte Access Economics survey of airports

CHAPTER 3 –
Airlines, Airports and Passengers – competition, consumer protection and disability access settings

COMPETITION

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

In this chapter, we will first outline some of the competitive issues with airlines in Australia, before examining airports role within the sector.

Australia's domestic airline sector is a duopoly.

Following the pandemic, domestic aviation has become one of the most concentrated markets in Australia. Qantas Group and Virgin Australia account for 95% of market share in the domestic aviation market. Compared to other sectors of the economy, the domestic aviation market is highly concentrated. For example:

- Australia's two top banks (CBA and Westpac) control 47.3% of the mortgage lending market. The Big Four Banks control 75.2% of the Australian market.
- Coles and Woolworths have 64% of the market share for food and groceries. Qantas alone has a greater market share (66%) of domestic aviation than Coles and Woolworths' combined market share in food and groceries.
- In telecommunications, Telstra and Optus control 81% of the market – there is also an independent third player that controls 18% of the market.[9]

forecasts (Figure 5.1). The forecasts cover international and domestic passengers and aircraft movements.

For the major routes, such as Sydney to Melbourne, the ACCC concluded that increased competition lowers prices, based on the reduction in fares upon the entrance of Rex into these routes and strong investment in the face of capacity constraints[10]. For many minor routes, such as routes from capital cities to regional towns, or inter-regional routes, the ACCC notes that airlines can have monopolistic or duopolistic market power. The minor markets are often only serviced by Rex and/or Qantas.

In general, having only one airline serve a given market (i.e. a monopoly) gives that airline market power to set prices to customers above efficient costs or to negotiate lower landing fees. While noting this it may also be the case that regional airports may only have sufficient demand to support a single airline.

Since the pandemic disruptions there has been a notable drop in service quality in the domestic market, as measured by the frequency of cancellations and delays and record high airfares. There are record levels of complaints against airlines.

[9]AAA analysis of industry concentration data in key sectors of the economy.

[10]ACCC Competition in Australia (2023), ACCC Airline Monitoring report June 2023, ACCC Website, accessed 28 November 2023.

There are significant competition issues resulting from this highly concentrated market structure. The ACCC found in its June 2023 report on Airline Competition in Australia 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.For example, airfares in Australia have increased by 22.6% between 2019 and 2022. Domestic airfares have increased 19.3% between Q1 2020 and Q1 2023. Domestic on-time performance for April 2023 was 71.8%. This is well below the long-term industry average of 81.5%[11].

The increase in costs of airfares, however, is happening at a time when key input costs are falling in the global aviation industry. For example, jet fuel, often cited as a key factor contributing to record high airfares, dropped to US$137 per barrel in May 2023. This is a fall of almost half in real terms since the price of jet fuel hit a record high of US$259 per barrel in June 2022. In contrast, airport charges increased by only 3% internationally between 2019-2022 and are only a small percentage of the average international airfare[12].

The ACCC concluded by stating:
"The 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[13]."

The ACCC noted that the cancellation rate for domestic services reached a high of 6.4% in July 2022, with 45 % of flights being delayed. This has since improved to 4% of flights being cancelled and 28 % of flights delayed in April 2023. This is slightly up from January 2023 where the cancellation rate was 3% and 23% of flights were delayed. In December 2019, 25 % of flights were delayed and 2% were cancelled. Some routes, such as Canberra to Sydney are perennially affected, with over 50 cancellations a month on average and an average cancellation rate over 11.5% by one carrier for the period July to September 2023 including a high-water mark of 14.8% in August 2023. This activity of frequent cancellations give rise to 'slot hoarding' where airlines game the slot system in order to freeze out competition from other airlines.

[11]ACCC Competition in Australia (2023), ACCC Airline Monitoring report June 2023, ACCC Website, accessed 28 November 2023, p.2.
[12] Ibid
[13] Ibid

Airline market benchmarking

To provide an international perspective, a range of data has been sourced to benchmark the Australian airline market against comparable jurisdictions. The comparable jurisdictions were identified based on the presence of a similar domestic aviation market (multiple large cities with smaller regional centres), and economies with a similar level of income per capita.

The benchmarking measures focus on number of airlines, market share, average airfares and measures of operating margins. The table below sets out the findings in relation to the number of airlines, market share and average airfares. In terms of the number of major airlines serving the domestic market, while Australia has two major airlines so does Canada and New Zealand. While the US has significantly more airlines, it is also a much larger market. Other jurisdictions do show greater competition on their major routes with five airlines competing on the Toronto to Vancouver route and nine on the Los Angeles to Las Vegas compared to just three on the Sydney to Melbourne route.

Table 6:Airline benchmarking: Number of airlines, HHI and average airfares (AUD)[14]

		Australia[15]	Canada[16]	New Zealand	US[17]
Number of airlines (>5% market share only)	Domestic (incl. regional)	2 major airlines with 1 regional provider: Qantas Group (Qantas Airways and Jetstar Airways) Virgin Australia Rex Airlines (Regional focus)	2 major airlines with a long tail of smaller carriers: Air Canada WestJet	2 major airlines: Air New Zealand Jetstar Airways	Multiple major carriers: American Airlines Delta Air Lines Southwest Airlines United Airlines Alaska Airlines JetBlue
	Busiest domestic route	Sydney to Melbourne (Operated by 3 carriers)	Toronto to Vancouver (Operated by 5 carriers)	Auckland to Wellington (Operated by 2 carriers)	Los Angeles to Las Vegas (Operated by 9 carriers)
HHI (Higher = market share that is more concentrated)	Domestic (incl. regional)	4,890	3,064	6,851	1,250
	International	1,109			
Average airfares ($AUD)	Domestic	$348 (December 2022, Sydney to Melbourne)[18]			$588 (Q4 2022) $299 (Q4 2022 New York (all) – Chicago)[19]

[14] All currencies have been converted to AUD as of 06/07/2023

[15] BITRE, International airline activity – Monthly Airline Performance, (20 June 2023); BITRE, Domestic airline activity – Monthly Airline Performance, (3 July 2023) Australian Competition and Consumer Commission, Airline Competition in Australia June 2023, (June 2023)

[16] Statistics Canada, Civil aviation operating statistics, by sector (20 May 2022) <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2310022001&pickMembers%5B0%5D=3.1&cubeTimeFrame.startYear=2015&cubeTimeFrame.endYear=2020&referencePeriods=20150101%2C20200101>

[17] Bureau of Transportation Statistics, TranStats – Airline Domestic Market Share (12 June 2023) <https://www.transtats.bts.gov/>

[18] BITRE, Domestic Air Fares, (December 2022) <https://www.bitre.gov.au/statistics/aviation/air_fares>

[19] Bureau of Transportation Statistics, Air Fares, (18 July 2023) <https://www.bts.gov/air-fares>

Based on the Herfindahl-Hirschman Index (HHI) – HHI is a measure of market share calculated by squaring the market share of firms in the market – the Australian domestic aviation market appears to be more concentrated than Canada and the US but less concentrated than New Zealand. The HHI for the Australian domestic market is 4,890. The ACCC merger guidelines[20] indicate that a preliminary indicator of the potential for a merger to impact competition in a sector is where the HHI after a merger is above 2000, which indicates that this level of concentration is reasonably high.

By comparison, Australia's international aviation market is less concentrated than the domestic market with 44 carriers operating in 2022. The combined market share of Qantas Group and Virgin Australia is approximately 32% compared to 95% in the domestic market. The HHI for Australia's international aviation market is only 1,089.

This concentration can also be seen in the revenue gained from heavily trafficked routes, such as Sydney and Melbourne, which is regarded as generating more revenue than any other route in the world[21]. This route generated revenue of $US1.21 billion ($1.9 billion) in the first six months of this year, surpassing that from flights between New York's John F. Kennedy airport and London's Heathrow.

ACCC Monitoring

AAA notes that airline monitoring was undertaken by the Australian Competition and Consumer Commission (ACCC) under government directive from 2020 to 2023. In line with the directive, the ACCC monitored capacity, prices, costs, profits and consumer complaints relating to domestic airlines. Reinstating regular monitoring not only serves as a disincentive to an abuse of market power, but through a continuous dataset, allows for a better evidence base from which to develop industry policy into the future.

We note that airports have already been subject to an extensive monitoring regime by the ACCC for more than two decades (further detail in next section). This monitoring regime covers both financial and quality of service data collected over 12 months across various datapoints. We are of the view that monitoring is necessary to build public confidence in our conduct as a major infrastructure asset, and to provide regulators better insights into how complex infrastructure assets are operated for both commercial and community benefits.

Notwithstanding the reinstatement of monitoring, we believe that it is critical for the ACCC to undertake any reviews in a fair and impartial manner. Despite evidence to the contrary, previous airline monitoring reports have not held airlines accountable to the same standard as airports. It is crucial for the integrity of the process that approaches to monitoring are evidence led, with resultant commentary reflecting a balanced view of insights gained.

AAA supports the recommendation of the Senate Select Committee on Commonwealth Bilateral Air Service Agreements to undertake a public inquiry into potential anti-competitive behaviour in the domestic airline market.

RECOMMENDATION 1: Australian Government direct the Australian Competition and Consumer Commission to conduct an inquiry into potential anti-competitive behaviour in the domestic airline market.

On 18 October 2023, the Australian Government announced the resumption of the ACCC monitoring of domestic air passenger services. The AAA called for the Government to resume this important function from June 2022 when the Government was elected and welcomes this development. ACCC monitoring of airlines should become a permenant feature of the ACCC's work program.

[20] ACCC 2017, Merger Gudelines, available from: https://www.accc.gov.au/system/files/Merger%20guidelines%20-%20Final.PDF
[21] Ayesha de Krester, 'Sydney to Melbourne route generates the highest revenue in the world', Australian Financial Review, 10th November 2023, viewed 28 November 2023

The Select Committee on Commonwealth Bilateral Air Service Agreements heard consistent and concerning evidence of the effects of lack of competition in the Australian aviation market. It is now important that the Government continues to explore further avenues to improve airline competition in this sector which will provide greater choice, lower airfares and better outcomes for consumers.

RECOMMENDATION 2: The AAA recommends that the Australian Government examine further avenues to incentivise new entrants in the domestic airline sector to improve competition and quality of service to consumers.

What should the Australian Government take into account in designing the terms of reference for the proposed Productivity Commission Inquiry? (into determinants of domestic airfares on routes to and between regional centres)

Regional and remote airports in Australia play a crucial role in providing essential connectivity to sparsely populated areas, fostering economic development, enhancing access to healthcare and education, and promoting social cohesion - the economic and social benefits of affordable air travel extend beyond convenience, with regional communities relying on air travel for medical appointments, education, and employment opportunities.

Many regional towns are affected when a regional services is withdrawn due to the air service operator prioritising services to more lucrative routes, conflicting community pressure, viability issues, pilot/aircraft shortages (pilots not being replaced on regional services in favour of major routes, regional services are the first affected when services are withdrawn, cancelled, delayed or consolidated when there are pilot shortages – this costs local businesses & communities in additional overnight stays and costs to replace staff and services when flights are cancelled or frequency reduced).

Elevated regional fares pose a substantial barrier to economic growth and development in sparsely populated areas. Consistently high fares hinder trade, tourism, and investment in these regions, limiting their economic potential. An economic analysis by the Productivity Commission would provide valuable insights into the precise impact of high fares on regional economies.

The Australian Government must support an economic assessment and investigate the feasibility of enhancing operational subsidies and other means to ensure that high regional fares do not disadvantage those who live outside of capital cities.

Exploring operational subsidies and alternative measures aligns with the government's commitment to equitable access to essential services, including healthcare, education, and social connectivity. Reducing regional fares can improve access to healthcare for remote populations, bolster educational opportunities, and strengthen social cohesion by bringing communities closer.

Enlisting the Productivity Commission to conduct an in-depth economic assessment and explore options to mitigate high regional fares is a pragmatic and responsible course of action. The Productivity Commission's involvement is essential to ensure an objective and unbiased evaluation and it can provide data-driven recommendations based on extensive research, fostering transparent decision-making.

Airports are not holding back aviation industry growth

Airports are not holding back aviation industry growth. Major Australian airports are subject to a competition framework centred upon the monitoring of aeronautical and non-aeronautical prices, costs and profits to ensure that its market power is not exercised at the expense of passengers and the community. There are also additional regulatory requirements on foreign ownership and cross-ownership of major airports covered under the Airports Act 1996. We believe that this monitoring framework is critical to maintain public confidence in the airport regulation regime.
This framework has been developed and evolved over time since airports were deregulated. It's important to understand this evolution and why successive governments have taken these decisions on the back of four inquiries by the Productivity Commission (PC).

History of market dynamics: Establishment of the Federal Airports Corporation through to the privatisation of major capital city airports

The Australian Government established the Federal Airports Corporation (FAC) in 1988 to manage and improve the commercial operation of Australian Government-owned airports. The FAC determined runway tariffs for these airports based on an aircraft's maximum take-off weight. Over the period between 1997 and 2002, the FAC began the sale of 99-year leases for 17 of its 22 airports.

Between 1997 and 2002, airports that were leased from the federal government were subject to price regulation, as the airports were found to have high market power. In 2001 the ACCC conducted a review into price regulation that found that price caps were distorting business and investment decisions, and therefore recommended that they be dropped,[22] which was echoed in a subsequent PC review[23]. In a subsequent review in 2006 after price caps were ended it was found that airports had not exercised market power[24]. Sydney, Melbourne, Brisbane, Perth, Adelaide, Gold Coast, Hobart, Launceston, Alice Springs, Canberra, Darwin and Townsville were designated as 'core regulated airports'. Price regulation of these 12 airports included price notification, price monitoring, price cap arrangements and special provisions for necessary new investment.

Smaller airports were not subject to price-based regulation (a situation that continues today). Many are owned by local governments, face a high degree of competition from other airports and rely on services from a single airline giving the airline significant bargaining power in the context of negotiations. Given these considerations, successive governments have not sought to impose competition-based regulations on regional airports. The PC found that airports with low levels of market power, which can be due to the availability of modal substitutes, high elasticity of demand, countervailing power from airlines and/or competition with nearby airports, do not require strong regulation or monitoring[25] .

[22] Stephen P. King, 'Market power and airports' (25 January 2001), Report for the ACCC, accessible from: https://www.accc.gov.au/system/files/Airports%20Report%20by%20Professor%20King%20-%20Market%20Power%20and%20Airports.pdf

[23] Productivity Commission 2002, 'Price Regulation of Airport Services', Productivity Commission, accessible from: https://www.pc.gov.au/__data/assets/pdf_file/0004/19714/airports.pdf

[24] Productivity Commission 2006, ' Review of Price Regulation of Airport Services', Productivity Commission, accessible from: https://www.pc.gov.au/__data/assets/pdf_file/0019/20638/airportservices.pdf

[25] Productivity Commission 2002, 'Price Regulation of Airport Services', Productivity Commission, accessible from: https://www.pc.gov.au/__data/assets/pdf_file/0004/19714/airports.pdf

In 2000, the Australian Government asked the PC to conduct an inquiry into the price regulation of airports, including the price cap regime. The PC found that price caps lead to 'inefficient use of aeronautical assets and distort[ed] signals for investment'[26]. The Australian Government implemented the PC's recommendation that the economic regulation of airports move to a light-handed approach with price monitoring. This approach remains in place today.

Further reviews conducted by the **PC in 2006 and 2011 confirmed the** appropriateness of a light-handed regulatory approach

The 2006 and 2011 inquiries found that price monitoring had been successful and recommended its continuation. The 2006 inquiry included the recommendation that Darwin and Canberra airports be removed from the monitoring regime as they were relatively small and faced competition from other airports or modes of transport. In 2011, the PC recommended Adelaide Airport also be excluded from the regime.

Some airports are also leased from the federal government with certain conditions, which can act as an additional level of regulation. State and territory governments typically take a light-handed approach to airport regulation and only rarely intervene. When state governments do intervene, its typically in regional and remote airports, where a state may fund and request upgrades to support the states' activities, which does not typically occur in the major airports.

Current market dynamics - Findings from the June 2023 ACCC Report into Airline Competition[27] and 2019 PC Inquiry into the Economic Regulation of Airports[28]

The regulatory regime views Australian airports in three main categories to recognise differing levels of potential market power:

- Monitored airports, which include Sydney, Melbourne, Brisbane and Perth Airports
- Second tier, or self-monitored airports, which include Adelaide, Canberra, Darwin, Gold Coast and Hobart Airports[29]
- The remaining airports, which are typically small and may voluntarily report if they desire.

[27] Australian Competition and Consumer Commission, Airline Competition in Australia June 2023, (June 2023) <https://www.accc.gov.au/system/files/Airline%20competition%20in%20Australia%20-%20June%202023%20report.pdf>

[28] Productivity Commission, Economic Regulation of Airports (21 June 2019) <https://www.pc.gov.au/inquiries/completed/airports-2019/report/airports-2019.pdf>

[29] Cairns Airport voluntarily provides financial information to the ACCC without legislation saying that it must self-monitor, so could be considered in the second tier as it also accounts for a large number of flights, international and domestic.

The four monitored airports receive the most regulatory scrutiny in line with their size and passenger demand. These airports are required to report their financial and quality of service information to the ACCC, who regularly monitor their market power. The second tier of airports handle a significant number of flights but have been identified as having less market power due to the availability of modal substitutes, high elasticity of demand, and/or competition with nearby airports.

The PC Inquiry recommended that the second-tier monitoring regime be discontinued as these airports do not possess significant market power

The PC also recognised the financial challenges faced by Australia's regional airports and concluded that these airports do not possess market power that might justify some form of regulation. These airports face less market power as some, such as Adelaide and Gold Coast, have a higher proportion of leisure passengers who are more price elastic which reduces the scope for these airports to raise prices. Canberra Airport was identified as having strong competition from other modes of transport, such as driving and rail, as their closest connection is Sydney, where these travel modes are viable. On the other hand, the PC noted that Adelaide, Darwin and Gold Coast Airports have landing fees comparable to the monitored airports, which provides a justification to include them in the monitoring regime.

All monitored airports, and a selection of self-monitored airports, operate on leases from the Commonwealth government, adding a secondary layer to their regulation

There are certain lease conditions that airports must uphold. These typically stipulate that airports must supply services to air transport operators, invest in infrastructure to meet demand and obtain ministerial approval for major developments.

Airport regulation attempts to balance incentivising investment with keeping costs low. That is, it seeks to create incentives for airports to undertake an efficient level of investment, that is a level that is in line with customer's willingness to pay for that investment. If an airport underinvests, this could have adverse outcomes for competition and consumers by constraining capacity or reducing customer satisfaction. On the other hand, over investment increases the level of the asset base. Since aeronautical prices are in part determined by an asset base, over investment can result in aeronautical charges being too high to recover the cost of these investments if higher prices materially reduce demand for landing slots or passenger volumes.

Airports have a wide customer base, including:

- airlines, which it charges services such as landing fees and hangar rentals;
- travellers, who are charged for services such as parking; and
- external businesses, who it can charge for in-precinct leases.

Airlines have a degree of countervailing power in negotiations with airports to ensure that the prices that they face are not excessive. Countervailing power is particularly apparent for small airports, where only Qantas and Rex may be viable, which limits the power of smaller airports to set excessively high prices. International carriers will choose to send their limited aircraft to destinations they deem profitable – Australian international airports need to be able to compete worldwide for these airlines.

There are mechanisms to keep aeronautical prices low, including the business model of airports (volume business), regulatory threat, competition and complementarity of non-aeronautical services

Major airports are incentivised to keep aeronautical prices low by the threat of heavier regulation, competition from other transport modes and constant competition from other airports, particularly on international routes where competition for airlines is fierce.

Competition from other airports is likely to be higher for leisure locations as leisure travellers may be looking for a certain environment or activity that is not limited to one location. For example, tourists interested in a tropical holiday may be willing to substitute holidays between Cairns, Townsville and Mackay depending on airfares. This reduces the market power of these airports compared to the business hubs of Sydney, Melbourne, Perth and Brisbane as they must compete to attract tourists. Some airports may also compete for passengers where their potential customer catchments partially overlap e.g. South-East Queensland (Brisbane Airport, Gold Coast Airport, and Sunshine Coast Airport).

Many regional airports are owned by local councils (and often run at a loss), which have additional complementarity of airport services, as more travellers may mean a stronger tourism industry and bring additional benefits to the respective regional communities and by extension, its residents. A stronger tourism industry may increase revenue to local councils through increasing the profitability of local businesses, which therefore further incentivises council-owned airports to keep their prices low.

AIRPORT AERONAUTICAL CHARGES

Airlines have often complained that Australian airports have high aeronautical charges by international comparison and that they represent a considerable proportion of their costs. Airports typically charge for landing, take-off, aircraft parking, passenger counts and security. Airports negotiate directly with airlines to set the prices for aeronautical services through a process that may take up to three years. The negotiations typically build up charges based on expected costs (building block model-see below), where a free flow of information is seen as key to ensuring a fair negotiation. The negotiations often involve Key Performance Indicators of service quality under which airports are incentivised to provide a high-quality service.

Landing charges reflect a variety of factors, including costs, high levels of service, and low capacity alongside high demand. Having prices meet costs is not necessarily desirable, as airports need to manage the demand of airlines to ensure that infrastructure is not being used beyond its capacity.

Australian airports landing fees are in line with many of their European counterparts, such as Heathrow in London and Charles de Gaulle in Paris. Many of Australian airports exhibit the same capacity constraints as European airports which would explain the comparable fees.

Importantly, the existence of high landing fees could be reflective of high levels of investment and service delivery e.g., increased security services provided by a given airport. It could also be consistent with a degree of rationing where there are geographical limits to expansion.

Finally, it is worth noting that overall aeronautical charges make up a small proportion of airfares. The average passenger revenue received from the four monitored airports averaged at around $22 per passenger[30]. This figure represents revenue, not profit and includes all components including security costs. These charges are negotiated with airlines and are fixed in place over the life of that agreement – they are not able to take account of changing circumstances (or risk) and capture high demand events similar to airlines (e.g., football grand finals or pop-star concerts). In many instances these fees remain the same over a number of years, with airports taking on the passenger risk on their long-term investments.
In 2019, the Productivity Commission review into the Economic Regulation of airports, found that the current approach to airport regulation was fit for purpose, and that airlines had a significant degree of counter-veiling power to ensure that aeronautical charges remained low.

Negotiations between airports and airlines around aeronautical charges typically use a building block model

Airports negotiate directly with airlines to set the prices for aeronautical services through a process that may take up to three years. The negotiations typically build up charges based on expected costs (building block model), where a free flow of information is seen as key to ensuring a fair negotiation. The negotiations often involve Key Performance Indicators of service quality under which airports are incentivised to provide a high-quality service.

While the building block model is used by many major airports, negotiations between airports and airlines is a commercial negotiation between two parties. There was significant evidence over the years at the PC Inquiry in 2019, the ACCC, and the Senate Select Committee on Commonwealth Bilateral Air Service Agreements, which outlined that some carriers do not sign new service agreements with airports and then 'short pay'. This practice often then results in court action in order to resolve the dispute.

AAA considers that the case to change the status quo has not been made

In four successive inquiries into economic regulation of airports, the PC has concluded that on most indicators of operational efficiency, aeronautical charges and profitability, airports have not abused market power, and the current competition framework remains fit for purpose to meet government objectives for the sector.

Recent research undertaken by the Airports Council International (ACI) has highlighted that airport charges comprise a nominal amount of total ticket prices. In fact, while air traffic in Australia has declined 18% compared to 2019, airfares have increased on average 6.9% for domestic markets, and 30% for long haul markets[31] . The largest drivers of increased airfares have included:

- Macroeconomic and global causes, such as inflation, currency fluctuations and fuel (with long haul fuel costs adding 23% to the price of a ticket)
- Airline related causes, including operating costs, market dynamics, sector concentration (with higher concentration leading to higher ticket prices)
- COVID, including travel restrictions, capacity limitations, health and safety measures; and
- Government charges, such as the Passenger Movement Charge and other turnaround costs, including Airservices Australia navigation and Aviation Rescue Fire Fighting Services (ARFFs) charges.

[30] ACCC Competition in Australia (2023), ACCC Airline Monitoring report June 2023, ACCC Website, accessed 28 November 2023.

[31] Analysis from Airports Council International.

Increases in airfares were not found to correlate with a change in airport charges (with airport charges representing a small proportion of airline costs). In fact, Airport charges increased below CPI after COVID in both domestic and international markets, with 3% growth in domestic markets and -4% in international markets[32].

In Australia, the most recent ACCC Airport Monitoring Report (August 2023) revealed that per passenger aviation revenue across the four major airports averaged at around $22 (page 10). This is revenue, not profit.

In fact, despite significant challenges, airports have continued to work constructively with airlines and the wider industry to ensure a sustainable recovery for the sector in a highly challenging operating environment.

The AAA's view is that the current regulatory regime provides extensive protection to airlines, which, as large commercially astute entities, have significant countervailing market power, can negotiate commercial outcomes in a fair, transparent and commercially sound manner. Airports apply the Building Block Model to inform discussions on aeronautical charges. We are confident this approach, and the inputs to it, are consistent with the Aeronautical Pricing Principles that have been established by the Australian Government and developed by the PC over successive public inquiries dating back to 2002.

RECOMMENDATION 3: The AAA strongly supports the application of the competition framework to airports in its current form, noting that airports continue to be some of the most heavily regulated entities within Australia's transport system.

[32] Ibid

SLOTS AND DEMAND MANAGEMENT AT SYDNEY AIRPORT

Sydney (Kingsford Smith) Airport (Sydney Airport), Australia's largest and busiest airport, operates under a unique framework of operational restrictions and regulations, which are more stringent than those applying to other Australian airports or to other airports globally.

The demand management framework – or 'slot regime' – is the regulation that requires the most urgent reform. Sydney Airport is the only airport in Australia that is subject to a 'slot regime'. Under the regulatory framework that was introduced in 1997, Sydney Airport is restricted to no more than 80 movements (take-offs or landings, for which a 'slot' is required) per rolling hour. This restriction has not been updated or reconsidered since 1997. Practically, Sydney Airport reaches this 80 movement limit less than 1% of the time. There are a number of reasons for this, but the consequences are that it restricts the Airport's ability to meet airline and passenger demand, reduced competition amongst airlines, less choice and higher airfares for consumers, greater noise and emissions, and less economic benefit to NSW and Australia. Further, the regime is outdated and does not reflect recent developments in noise management technologies.

This regime also entrenches inefficiency as it is open to manipulation by airlines and permits slot misuse. Addressing inefficient slot allocation and slot misuse is critical to ensuring competition amongst airlines, efficient use of critical infrastructure, and value for consumers and the Australian economy.

Given that inefficiencies in the demand management regime at Sydney Airport have a significant negative impact on consumers through lower quality of service, high cancellations, high airfares, and limited airline competition, and a significant impact on the entire network given the size and central role played by Sydney Airport. AAA calls for the Government to accept the recommendations contained in the independent review of demand management at Sydney Airport (the *Harris Review*)[33].

RECOMMENDATION 4: That the Government implement the recommendations of the Harris review as a matter of priority.

[33] Peter Harris AO, Review of the Sydney Airport Demand Management Scheme (February 2021), available online at: https://www.infrastructure.gov.au/sites/default/files/documents/sydney-airport-demand-management-review.pdf

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?

Cabotage is the right of a foreign airline to carry domestic passengers in another country. It is not a right that is normally granted in bilateral air services agreements. As a general rule, the Australian Government does not permit cabotage (with the exception of New Zealand airlines). Over previous years the Government has left the door open to consider greater cabotage arrangements, such as in the previous Aviation White Paper in 2009, and in the Competition Policy Review in 2015 (Harper Review).

Given the current market structure of the domestic aviation industry is so concentrated, AAA considers that a pilot program of cabotage could be Trailled in some routes. For example, where there is limited competition or where the government is concerned that consumers could benefit from better choice. In any instance, AAA considers that cabotage should be transparent.

RECOMMENDATION 5: The Government trial cabotage on some regional routes as a means of improving competition.

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

The Bureau of Infrastructure, Transport, and Research Economics (BITRE) provides a solid platform of aviation information to the industry, government and consumers. That said, much of the information lags about 3-4 months and there is little information regarding the outlook ahead. Information regarding airfares, cancellations and delays are a useful guide to the state of the industry and promotes a discussion about the efficiency of the domestic network.

The purpose of BITRE's domestic air fare index is to monitor changes over time in the price of Australian air travel. Fares are collected monthly for the top 70 routes in the Australian domestic network. BITRE's methodology is:

- "The lowest fare available for the last Thursday of the current month in each fare class is recorded for each route. The survey is conducted three weeks ahead of the hypothetical travel date. All fares are one-way except for the best discount fare which is a return fare based on a return travel date two weeks after the departure date.[34]"

[34] BITRE, Air fares collection methodology, accessed 28 November 2023

The AAA does have concerns about the methodology and reporting of BITREs air fare index, which:

- 'obfuscates' the costs of airfares across the network, hiding the underlying problem of lack of competition on routes;
- essentially shows the best fare someone can travel on – it's unlikely that most consumers will travel on these fares. For example, a Jetstar flight from Sydney to Perth (3 weeks ahead on a Thursday, return economy class) is listed at $721. Flights on the same route can be as high as $2,579;
- generates the airfares from 'the last Thursday of the current month' which is often the cheapest airfares of the week.

Consumers and the ACCC should have access to the latest information regarding the network. We would encourage BITRE to examine further near real-time monitoring arrangements which could provide better consumer information. This in turn could be used by third parties, similar to fuel monitoring applications, to provide consumers with timely information to find the cheapest fares of the day.

RECOMMENDATION 6: BITRE should provide near real-time airfare monitoring **information to enable greater access to consumers to find the best fare of the** day.

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

Should the Australian Government mandate use of the Aeronautical Pricing Principles? Why or why not?

The ACCC provides a set of principles for negotiations and a variety of dispute resolution options (external arbitration and access through the National Access Regime). The ACCC has a set of pricing principles that airports and airlines are instructed to maintain for good faith bargaining:

- Prices should be set such that prices at least meet costs and include a return on investment in tangible assets
- Pricing regimes should provide incentives to reduce costs
- Prices should be established through good faith negotiation and reflect sharing of risks and returns
- Price structures should allow multi-part pricing/price discrimination if it improves efficiency
- Service outcomes be consistent with expectations
- Asset revaluations should not provide a basis for higher prices
- Airports with significant capacity constraints may charge peak period pricing.

These principles assist airlines to negotiate more effectively with airports on airport access charges and allows the Government to determine if further investigation into an airport's pricing behaviour is required. [35]Aeronautical Pricing Principles (APPs) have guided pricing negotiations between major airports and airlines for over a decade. As mentioned above, many major airports pricing negotiations are also informed by the building block model, allowing airlines to thoroughly scrutinise charges based on expected costs.

Airports agree that negotiations with airlines are complex and may not result in an immediate agreement between parties. However, as mentioned above, there is a history of negotiating and constructing Air Services Agreements. Where there are commercial disputes, they are handled between parties. We would note that there has been no case made for government intervention in this arrangement between airports and airlines. In other sectors, where government intervention is required, it is often a considerable body of behaviour and misuse of market power that informs that decision-making. In this case, there is no imbalance of market power between airports and airlines – in some cases, our domestic airlines would have considerable counter-veiling power against airports.

As such, AAA questions the utility of mandating the use of APPs, given that these principles are already extensively used with airlines over many years. Indeed, despite claims made to the contrary by the airline sector, airports have continued to demonstrate adherence to the APPs, as outlined in numerous Productivity Commission Inquiries. We note that the ACCC, in its June 2022 Airport Monitoring Report, acknowledges this fact:

> "The PC has the option of recommending reform to airport regulation should it find that an airport operator had breached their APPs in a material way (for example, by setting unduly high aeronautical charges, earning excessive profits or conducting commercial negotiations in breach of the APPs. In each of its four inquiries to date, the PC has found that monitored airports have not systematically exercised their market power.[36]"

The AAA also has concerns about how mandating the APPs would work in practice, with questions over compliance and monitoring likely to make the process bureaucratic and legalistic.

The AAA also rejects the continued push by airlines towards mandatory arbitration framework that would give airlines direct access to arbitration without first seeking a declaration under the National Access Regime. In line with the Productivity Commission's previous commentary on this issue, such a regime would impose additional obligations on airports despite no evidence that airports have exercised market power and done so to the detriment of the community. [37]Such an approach would also not include access to administrative and judicial review, available under the National Access Regime. Lastly, the introduction of this proposed regime would likely distort airport investment decisions and could result in a reduction of competition between airlines that impacts the passenger.

[35] Productivity Commission, Report on Airport Price Regulation 2002, Joint Press Release no. 24, 13 May 2002.

[36] ACCC Competition in Australia (2022), Airport Monitoring Report 2021-2022, ACCC Website. Accessed 28 November 2023, p. 27.

[37] Productivity Commission, Report on Airport Price Regulation 2002, Joint Press Release no. 24, 13 May 2002, p. 26.

RECOMMENDATION 7: Continue with the current airport monitoring framework, including the application of Airport Pricing Principles and without the use of regulation and the ability of parties to negotiate without a compulsory arbitration mechanism.

Consumer protections

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

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

Previous consultation processes have **explored options to refine the passenger** liability and insurance framework under the Civil Aviation (Carriers' Liability) Act 1959 – do stakeholders still consider amendments to this framework are needed?

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

Airports, as a volume business, want to ensure that every airport consumer has the best experience possible when they travel. It's in their business interest that consumers are happy – happy consumers take advantage of retail offerings and travel more. The AAA is very aware of consumer dissatisfaction with airlines, which is a result of a concentrated market and a lack of competition. The ACCC monitoring of airlines will go some way to ensuring that consumers are not ignored moving forward.

The ACCC's monitoring role has also been complementary to its enforcement of competition law under Part IV of the Competition and Consumer Act and consumer rights under the Australian Consumer Law (ACL). The ACCC has undertaken investigations into conduct within the industry over this time, which have arisen from concerns raised by the public, industry participants, and identified by the ACCC through its analysis of monitoring information.

In its latest ACCC report in June 2023, airline cancellation and delay rates have gotten worse and remain poor compared to the long-term industry averages.

Several factors can impact service reliability, including the capability of the airlines, airports, air traffic control as well as external factors such as the weather.

The airlines have reported that air traffic control staff absences have impacted reliability, particularly at Sydney Airport.[38]As the busiest and most connected hub, delays at Sydney Airport have flow on effects on other major airports. Data published by Airservices Australia disproves these claims and shows it was responsible for around a third of total ground delay hours at Sydney Airport in February. This improved to 6% in March and 4% in April. In many instances, the delays and cancellations give rise to 'slot hoarding' behaviour from some airlines who seek to game the slot system and freeze out competition.

The ACCC report in June also outlined that airlines level of customer service has been declining. Even accounting for the disruption to the airline industry from the pandemic, consumer dissatisfaction with the airline industry has been rising over the years. The ACCC notes that complaints to the ACCC about the airlines have been trending upwards since January 2018, particularly in 2022 following pandemic related travel restrictions and lockdowns being lifted[39].

The Green Paper focused on whether a consumer compensation scheme could work in Australia, particularly to hold airlines to account for their level of service.

AAA analysis across key countries and aviation markets outlines that there is no perfect system (the table below refers). We have analysed schemes against:

- whether they are legally mandated;
- is compensation paid if the delay/cancellation is within the airline's control;
- whether this compensation is paid for delays or cancellations outside of the airline's control;
- whether an airline independent ombudsman can review compensation claims;
- if the government in this jurisdiction actively proposing stricter guidelines;
- does the compensation scheme impact airfares; and
- does the jurisdiction have low-cost carriers? (i.e., they have a good degree of competition).

Many of the schemes were derived as the industry emerged from COVID and driven by poor consumer outcomes. The United States, Canada and the United Kingdom are seeking to further tighten their existing measures and improve transparency. In nearly all instances they are opposed by airlines, who claim that airfares will rise – we note that this relationship isn't clear, especially where there are low-cost carriers, which would keep competitive pressures on airfares.

The EU regulatory regime is the most comprehensive, but also had widespread criticism where there are unintended consequences, such as potential safety concerns with meeting regulatory requirements (especially by low-cost carriers).

Country	Compensation scheme legally mandated	Compensation to be provided if delay/cancellation within airline control	Compensation to be provided if delay/cancellation outside airline control	Airline-independent ombudsman to review compensation claims	Government actively proposing stricter guidelines on compensation	Compensation Law Impact on Domestic Airfares	Do they have independent and competitive (frequency, routes) Low Cost Carriers?
United States	Yes	Yes	No	Yes	Yes	No	Yes
Canada	Yes	Yes	No	Yes	Yes	No	Yes
Australia	No	No	No	No	No	Not Applicable	No
New Zealand	Yes	Yes	No	Yes	No	No	Yes
European Union	Yes	Yes	Yes	Yes	No	No	Yes
United Kingdom	Yes	Yes	No	Yes	Yes	No	Yes

Table 7: AAA Comparison of Consumer Compensation Schemes

[38] Data from Airservices Australia

[39] ACCC Competition in Australia (2023), ACCC Airline Monitoring report June 2023, ACCC Website, accessed 28 November 2023

While the AAA is not against a consumer compensation scheme, it would be preferable to fix the underlying issues causing cancellations and delays. Any consumer compensation scheme would need to be carefully considered and implemented to avoid unintended consequences.
The issue of who is to blame for delays and cancellations would be vexed, given that across any given day delays and cancellations can occur on a network for legitimate reasons (such as weather or safety issues). Should the Government proceed down this path, an independent agency would need to be established to examine fault of delays and cancellations, given that Airservices Australia, the air traffic operator, would be obviously conflicted. AAA would be concerned if a new scheme would result in a 'cottage industry' of legalistic blame within the aviation industry – which would be a poor result and unlikely to lead to greater consumer confidence.

RECOMMENDATION 8: The Government implement an independent airline **ombudsman to improve consumer confidence.**

Disability access

Australian airports have a high level of regulatory maturity in the accessibility space. Not only do airports comply with the obligations outlined in the relevant accessibility regulations, but they have also proven to go further to increase the accessibility of their facilities. This includes the provision of services such as changing places bathrooms, provision of apps that provide auditory support, wayfinding and quiet/ sensory spaces and rooms.

The AAA has supported members with airport guidance to help members identify the standard they should be aspiring to and to drive consistency for the traveller. One recent example is the Hidden Disabilities Airport Guidance which was co-created by members and associations representing those with lived experience .

The AAA welcomes the Australian Government's commitment to test ideas about how travellers living with disability can be better served in their interaction with the aviation sector.

The acknowledgement that further measures to meet this aim will require substantial additional and ongoing investments by the sector must form part of any recommendations to make services accessible and ensure legal compliance with human rights obligations.

The AAA does not believe creating an aviation-specific transport standard is required as it exposes the Department to inconsistencies in standards.

Airports that host Scheduled Air Transport (SAT) services comply with applicable accessibility regulations, including the *Disability (Access to Premises - buildings) Standards 2010* (the Premises Standards) and the Building Code of Australia.

Through the AAA, airports are engaged with the Department's *Aviation Access Forum* (AAF) and actively participated in the *National Accessible Transport Taskforce*. This engagement allows airports to engage in the exchange of information between disability sector organisations, the aviation industry, and Australian governments to further improve disability access across the industry.

As customer-focused businesses, airports are committed to creating inclusive environments across the country for individuals of all abilities, providing facilities and programs above and beyond regulatory requirements.

There are many options to promote an accessible and inclusive environment in airports – Australian airports have proactively adopted the Hidden Disability Program to assist in providing passengers with a predictable travel experience – no matter the destination or their abilities.

The *Hidden Disability Program* and guidance documents were developed by the AAA in conjunction with Aspect[40], and recognise the importance of inclusivity at airports, while promoting industry best practice. The guidance materials provide AAA airport members with practical information for planning and implementing a hidden disability program.

Hidden disabilities initiatives are part of the worldwide accessibility and inclusion movement that recognises the barriers in both the physical and social environments. As adoption of initiatives to reduce barriers to travel increase, so does meaningful inclusion, consistency, and successful navigation of the experience across airports nationally and globally, increasing confidence in air travel[41].

Airports continue to work with the broader aviation industry, including government agencies and other stakeholders that operate at airports, to share information so it can continue to promote inclusive and consistent practices. For example, the AAA's representations to the Department of Home Affairs ensured consistent, people-centred guidance is included in their draft Aviation Screening Notice 2023 directing security screeners to ensure security screening of people with disabilities (including people travelling with assistance animals or carers, people with mobility impairments or hidden disabilities) is undertaken sensitively and with dignity while maintaining security outcomes.

Unlike other modes in Australia's public transport network, most airports are a 'system of systems' where a range of industry participants operate to deliver services to passengers.

For example, airports directly employ staff who operate the airport, along with contracted staff undertaking security screening and other services such as cleaning. Airline tenants on the airport may also employ contractors to provide terminal services, baggage handling and ground operations. Third parties are also involved in other aspects of airport operations including parking, car rental and ground transport, including taxis and rideshare.

In this environment, the ability for the aviation industry to provide a wholly accessible journey remains challenging, particularly where interfaces between industry participants exist, including:

- Interface 1: the 'kerbside' interface between ground transport and the arrivals/departures area,
- Interface 2: the 'landside' interface at check-in/ baggage drop and baggage collection,
- Interface 3: the 'airside' interface at the security screening point and the departures area, and;
- Interface 4: the 'gateside' interface between terminal and aircraft.

[40] Autism Spectrum Australia (Aspect) is one of Australia's largest service providers for people on the autism spectrum.

[41] Developing and Implementing a Hidden Disability Program, Australian Airports Association, 2022

together and communicating between the industry, the disability experience could be significantly improved.

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

The development and assessment of regulations should be driven by the pursuit of genuine, meaningful impacts on people's lives and the clear direction they offer to airports as a business. These standards and measures should be dynamic and responsive to evolving circumstances - ensuring that they are not only fit for their intended purpose but also effective in delivering tangible, meaningful outcomes.

For example, well-defined benchmarks of success will guide governments and the aviation sector towards improved outcomes.

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

Enhancing aviation accessibility is a critical objective for airports, encompassing not only compliance with Disability Standards for Accessible Public Transport (DSAPT), but also addressing aspects that fall outside this scope. While DSAPT provides a foundational framework, airports continue to proactively take various measures to further improve accessibility for people with disabilities, including:

- Incorporating universal design principles in infrastructure projects. This means considering the needs of all passengers from the outset, resulting in facilities and layouts that are inherently accessible.
- Coordinating with local transportation providers to ensure that passengers with disabilities have accessible options for getting to and from the airport is crucial. This could involve accessible shuttle services, improved public transport connections, services such as off-site check-in operators, or partnerships with ride-sharing companies offering accessible vehicles.

- Implementing innovative, accessible communication tools, such as mobile apps which allow the user to select their preferred communication method to receive real-time updates on gate changes, flight delays, and baggage collection, can empower passengers with disabilities to stay informed and better plan their journeys.

- Training and development of personnel – suggest that industry and the community work together to continue to develop and implement standardised training programs, accessible to all regardless of scale or resource. e.g., hidden disabilities (as outlined below) which has worked well.

- Improved collaboration and information sharing between airlines and airports e.g., sharing (de identified) data on customers who have identified accessibility needs. Revisiting the role of Disability Access Facilitation Plans and their effectiveness as a tool for airports and airlines to collaborate would be welcomed.

As previously outlined, many Australian airports have proactively implemented Hidden Disability and Customer Assistance Programs that extend beyond the baseline regulatory mandates. These programs are a commitment from airports to increase inclusivity, offering tailored support to passengers with disabilities and facilitating a more seamless airport experience.

Without harmonised and standardised service levels across airlines operating within the national network, the diversification of programs across airports, can inadvertently lead to inconsistencies in service quality and experiences for passengers with disabilities[42]. There is a pressing need for greater alignment and standardisation in practices across airlines operating in, and flying into/out of Australia.

The aviation sector is undergoing a rapid technological transformation, and these advancements present an invaluable opportunity to bolster the accessibility of air travel for all passengers, including those with disabilities. In this digital age, the design and functionality of apps and websites have a profound impact on the overall travel experience. These digital platforms could be crafted to ensure accessibility for people with disabilities. This includes features like screen readers, voice commands, and alternative text for images, catering to individuals with varying needs, such as visual or hearing impairments.

Moreover, airports are increasingly integrating assistive technologies to enhance the traveller's journey. Wayfinding apps, for instance, guide passengers through complex terminal layouts, offering step-by-step directions and information about facilities, which can be especially beneficial for those with mobility or vision impairments. Accessible kiosks equipped with touchscreens, tactile interfaces, and audio outputs provide efficient check-in and information retrieval options for passengers with disabilities.

The integration of such technologies can not only improve the overall travel experience but also fosters independence and confidence among passengers with disabilities. It demonstrates a commitment to inclusivity within the aviation industry, aligning with the principles of universal design and ensuring that air travel is a seamless and enjoyable experience for all. As we move forward, continued investments by governments and industry in technology, both digital and physical, will play an important role in advancing accessibility and making air travel a more equitable for all.

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

It is essential to recognise the specific challenges faced by people with disabilities, in regional and remote areas, wishing to travel by air. These challenges are rooted in the very nature of such locations, where limited infrastructure and services compound the difficulties of individuals with disabilities.

Accessibility: Regional and remote airports often lack the necessary infrastructure and facilities to accommodate passenger with disabilities. This includes accessible restrooms, ramps, service point heights, and designated seating areas. The absence of these features can hinder mobility and make the travel experience significantly more challenging.

Ground Transportation: Getting to and from regional airports can be particularly challenging for people with disabilities. Limited public transportation options and long distances to travel can pose significant obstacles, especially for those with mobility issues.

[42] Autism Spectrum Australia (Aspect) is one of Australia's largest service providers for people on the autism spectrum.

Airline Services: Some regional airlines may have smaller aircraft that are not capable of accommodating individuals with disabilities or have the equipment or staff capability to safely facilitate their transfer to/from the aircraft, which can limit options for passengers. Additionally, the availability of in-flight assistance or special services may be limited, making air travel less feasible.

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 travellers with disabilities who may require medical assistance or accommodations, the lack of nearby medical facilities could be a major deterrent for accessing air travel.

Additionally, promoting better communication and information dissemination can empower individuals with disabilities to plan their journeys effectively and improve the predictability and self-management of the experience. These measures are essential to ensure that air travel in regional and remote areas is truly accessible to all, regardless of abilities.

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

DAFP in the aviation sector represent a critical component of ensuring equitable access to air travel for individuals with disabilities.
DAFPs are intended to be used as a communication tool between airline and airport operators and the travelling public on the availability and accessibility of services for passengers with disability—ideally covering the total travel experience from making a reservation through to arriving at the intended destination[43].

Airlines and airports should work and engage with disability advocates and organisations (as well as each other) when developing and revising DAFPs. This will ensure that the plans are not only compliant with regulations but also truly address the needs and concerns of passengers with disabilities.

The creation of plans should be accompanied by a well-defined template that serves as a guiding framework. This template should outline clear expectations for compliance to ensure consistency in plan development and execution. 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 individuals with disabilities is key, with ultimate responsibility to ensure individuals needs are adequately met and integrated to effectively foster a more inclusive and accessible air travel experience.

RECOMMENDATION 9: The Australian Government standardise and streamline Disability Access Facilitation Plans templates for use in the aviation sector – ensuring suitable representation for individuals with disabilities.

[43] Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Disability Access Facilitation Plan, accessed on 28 November 2023.

How should the Aviation Access Forum (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.

The AAF's core functions should focus on collecting structured input, including formal feedback, categorising these inputs into themes, and prioritising issues. Regular discussions within the forum should focus on how well industry is delivering on these priorities.

The AAF should establish clear and agreed-upon Terms or Reference (ToR). These ToR must be specific, measurable, and time-bound, serving as a roadmap for driving change. This should be done in consultation with disability advocacy groups, travellers, airports and industry stakeholders - ensuring broad representation and commitment.

Once the ToR are defined, the AAF should create a set of comprehensive guidelines that outline the expectations for airlines, airports, and other industry players. These guidelines could cover everything from infrastructure and design to staff training and communication. They should be precise and provide practical recommendations to enhance air transport accessibility for people with a disability.

In conclusion, most of Australia's aviation passengers will pass through major airports, where infrastructure and services are being continuously upgraded to meet and exceed the requirements of the DSAPT and other accessibility standards. However, the ability of airports to provide consistent levels of compliance and disability passenger facilitation at all SAT airports will remain challenging, particularly at low-volume regional SAT airports, while there is no standardisation of service delivery across the Australian airline network.

RECOMMENDATION 10: The Ministers for Home Affairs and Infrastructure convene a roundtable with industry stakeholders to ensure a harmonised and standardised approach to disability access across the Australian aviation sector.

CHAPTER 4 –
Regional and Remote Aviation Services

Regional airports play vital roles in sustaining regional economies and communities, enabling access to specialist health, education, commercial and recreational facilities, and facilitating social connections. Regional airports are also a key facilitator of tourism, which is a significant economic driver for many regional communities[44].

Scheduled Air Transport flights originating from regional airports play a pivotal role in expediting the growth of Australia's natural resources. On a weekly basis, they transport a substantial number of Fly-In, Fly-Out (FIFO) workers to remote mining and development sites, drawing personnel from both major cities and other regional hubs.

Regional airports serve as crucial lifelines, supporting critical functions such as medical evacuations, the swift transportation of organ donations, and the execution of search and rescue missions. These airports are instrumental in safeguarding Australia's physical assets, particularly in areas where ground transportation proves impractical or too time-consuming, notably in firefighting efforts.

Beyond their essential roles, regional airports also act as catalysts for economic development. They foster increased competition by providing easier access to alternative suppliers, nurturing innovation through broader access to diverse skill sets and human resources, fostering a more adaptable labour market, and facilitating more efficient collaboration between various levels of government.

Regional airports play a substantial role in bolstering the economic vitality of local and regional areas. Their economic contributions extend beyond the immediate expenditures they make, encompassing the ripple effects generated by these disbursements.

Key challenges faced by regional airports

Despite their vital role, regional airports in Australia confront substantial challenges in upholding the services they offer to their local communities. Australia's regional airports grapple with substantial challenges when it comes to upholding the services they offer to their local communities. Many regional airports in Australia consistently operate at a deficit each year, relying heavily on financial support from their local government owners who are confronted with numerous competing demands on their limited financial resources. Instead of passive assets, airports necessitate active and proficient management[45].

Compliance with regulatory requirements for maintaining and operating airports can exert a substantial financial burden on airport operators. Runways and taxiways need to be maintained to exacting standards, and require refurbishment, upgrading or replacement as air traffic increases and heavier aircraft look to utilise the airport. Airport lighting and navigation aids must also be consistently maintained and upgraded to ensure the safety of air navigation. Consequently, the expense of maintaining regional airport aeronautical capability is high, particularly under local government budgetary constraints. Costs tend to escalate as the distance from major urban centres increases.

[44] Regional Airports, Facts, Myths and Challenges, Australian Airports Association (ACIL-ALLEN), 2016

[45] Regional Airports, Facts, Myths and Challenges, Australian Airports Association (ACIL-ALLEN), 2016

Keeping regional airport infrastructure in a state of good repair provides a significant challenge to local governments in delivering their communities' expected levels of service. In 2016, AAA research indicated the declining state of regional airport infrastructure equated to a $170 million shortfall in essential infrastructure and maintenance funding at regional airports over the next 10 years.[46]Part of the infrastructure deficit at regional airports is the cyclical challenge occurring every 10-15 years as runways reach the end of their operating life, requiring re-surfacing and rejuvenation. These projects are usually the highest cost capital project for regional airports and are often unaffordable for local government airport operators without both State/Territory and Australian government funding.

The pandemic accelerated the airport infrastructure deficit as local governments deferred or reprioritised spending on maintaining and upgrading aviation assets, particularly in the wake of bushfires, flooding and severe storms between 2019 and 2023. The Australian Local Government Association's (ALGA) *National State of the Assets 2021* report indicates local government airport assets in 'Poor' condition have increased from $155 million (or 5% of the total council airport asset base) in 2017 to $414 million (or 13% of the airport asset base). [47]This decline in the state of airport assets has occurred at a time when Australian Government grant funding programs for regional airports have been wound up, with the final round of the Regional Airports Program (RAP) occurring in 2022 and the uncertain future of the Remote Aerodrome Upgrade Program (RAUP).

The AAA recommends reinstating funding for another four-year round of RAP ($100 million) and RAUP ($50 million) to help deal with the shortfall in local government infrastructure maintenance funding and to meet aviation standards.

RECOMMENDATION 11: **The Australian Government should reinstate the RAP and RAUP grant program to close the infrastructure gap by funding safety critical aeronautical infrastructure at regional and remote airports.**

The AAA also recommends full grant funding of future RAP projects under $300,000 dollars, similar to the full funding of RAUP projects below the same threshold. This will support regional and remote councils to better allocate funding on safety and capacity-related projects to manage major asset renewals like runway and apron replacements.

RECOMMENDATION 12: The Australian Government should extend its full funding for RAUP projects under $300,000 to future rounds of RAP grants.

[46] ACIL Allen (2016), Regional Airport Infrastructure Study, Economic Contribution and Challenges of Regional Airports in Australia, September, p. IV.
[47] Australian Local Government Association (2021), The 2021 National State of the Assets Report, accessed on 28 November 2023

More attention for 'mid-sized' airports which serve many parts of regional and urban Australia, hosting passenger, freight and emergency aviation facilities. This group of 24 mid-sized airports consists of:

- 17 regional SAT airports serving high productivity, economically diverse regions in the Northern Territory, NSW, Queensland, Tasmania and Western Australia. In 2019, these airports moved over 11.5 million passengers, collectively making them the fifth largest airport by patronage in Australia; and
- Seven 'metro' airports that provide valuable capital city access for general aviation, charter and emergency services operations. Airports such as Essendon Fields and Moorabbin in Melbourne, Bankstown in Sydney are significant generators of aircraft movements as often-overlooked gateways for passenger charter flights, also providing significant urban bases for flight training, emergency services and firefighting aircraft.

The diverse range of ownership models and activity levels at mid-sized airports make them either ineligible for existing Australian Government grant programs or constrain their access to long-term capital for investment in essential infrastructure.

The AAA has identified 21 shovel-ready projects in four states worth $100 million to either upgrade or expand critical aeronautical infrastructure at mid-sized airports. These projects include airfield lighting, runway, taxiways and apron pavements, drainage, fuel storage and other aviation-related infrastructure. Initial project evaluation by the AAA indicates at least 900 direct jobs would be created during the construction phase, up to 10,000 ongoing jobs would be supported and $14 billion in economic benefits generated across the life of the 21 projects.

Projects at mid-sized airports could be brought forward and new projects developed through a targeted infrastructure grant program of $150 million over four years.

RECOMMENDATION 13: The Australian Government should set up a Mid-Sized Airport Program (MAP) to bring forward essential regional and national level upgrades to aviation safety critical aeronautical infrastructure at key regional and metro airports.

In the longer-term, the Australian Government should set up ongoing funding for a 'Regional Aviation Infrastructure Fund' to provide certainty of funding and a less 'boom and bust' grant funding cycle for regional and remote airports.

NET ZERO:

Advanced Air Mobility (AAM), Sustainable Aviation Fuels (SAF), and hydrogen-electric technologies have emerged as the centrepieces of sustainable aviation. The Australian Government should be focussing on the role regional and remote airports (including metro airports that often act as the city 'anchors' for regional and remote aviation) can play in contributing to Net Zero goals.

AAM, which includes electric vertical takeoff and landing (eVTOL) aircraft, offers the promise of efficient, point-to-point transport, reducing the reliance on traditional, carbon-intensive aviation methods. SAF, derived from renewable sources, and hydrogen-electric technologies have the potential to significantly reduce aviation's carbon footprint.

Funding programs directed at regional, remote and metro airports could support infrastructure, research, development, and deployment of these technologies within Australia's regions. By taking these steps, governments can ensure that regional airports and their communities remain at the forefront of sustainable aviation and contribute to the broader national goal of net-zero emissions.

AFFORDABLE AIRFARES

Affordable airfares are fundamental in sustaining the vitality of regional communities. Regional airports serve as lifelines for those in remote areas, connecting them to critical services, economic opportunities, and essential resources.

The expansion of regional air services subsidy schemes should be a top consideration. By subsidising airfares or implementing targeted pricing mechanisms, policymakers can ensure that regional air travel remains affordable and accessible for residents.

The economic and social benefits of affordable air travel extend beyond convenience - regional communities rely on air travel for medical appointments, education, and employment opportunities.

Traditionally, subsidies for intra-state aviation services have been carried by state and territory governments. Does this remain the best structure?

The provision of operating subsidies for intra-state aviation services in Australia has traditionally been the responsibility of state and territory governments. While this model has merits, there is a strong case to be made for establishing a nationally consistent framework. Such a system would ensure better coordination, uniformity, and efficiency in supporting essential air services across the country.

A nationally consistent framework for aviation operational subsidies, facilitated by state and territory governments, would address the current issues of inconsistency and fragmentation in the support provided. Under this structure, there would be a harmonised approach to determining subsidy levels, eligibility criteria, and service standards. This would result in more efficient allocation of resources, with a focus on areas that need it the most, while eliminating duplicative efforts and streamlining administrative processes.

A key objective of any national framework for aviation subsidies is to improve connectivity across Australia. State and territory governments, working together, can strategically plan and implement policies that enhance air travel options, particularly in remote and underserved regions. A nationally consistent approach ensures that connectivity is not compromised[48].

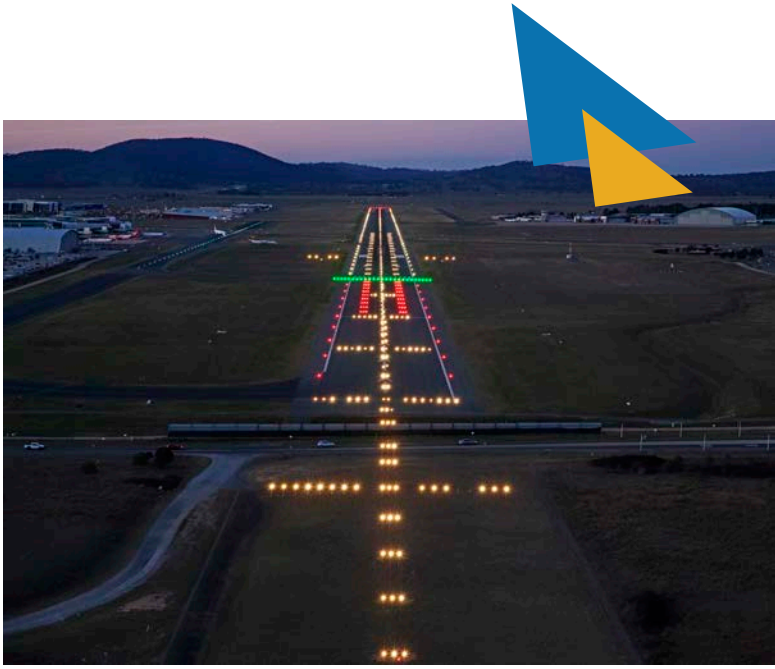
Intra-state aviation services are not merely transportation but also a driver of economic development. By creating a consistent national framework, state and territory governments can better coordinate their efforts to foster economic growth. Such coordination can lead to shared goals, investment in infrastructure, and attracting businesses and tourism to regional areas[49].

A nationally consistent framework for subsidies ensures that all Australians, regardless of their location, have equitable access to essential air services. In this model, state and territory governments can prioritise affordability, frequency, and availability of flights based on a shared commitment to social equity. This approach prevents regional disparities in service quality and accessibility[50].

While state and territory governments underpin the framework, a national approach to subsidies allows for cost-sharing arrangements, reducing the financial burden on individual jurisdictions. The federal government could play a role in assisting with funding and overseeing the implementation of these subsidies.

A nationally consistent framework for aviation subsidies would also facilitate coordinated disaster and emergency response efforts. State and territory governments could pool resources and coordinate air services efficiently during natural disasters, medical emergencies, and other crises, ensuring timely assistance to affected regions.

In conclusion, a nationally consistent framework for subsidising Australian intra-state aviation services, underpinned by state and territory governments, has the potential to overcome the current challenges of inconsistency, inefficiency, and fragmentation. By coordinating efforts and sharing resources, this model can enhance connectivity, promote economic development, support social equity, and facilitate coordinated responses to emergencies.



RECOMMENDATION 14:

The Australian Government implement a nationally consistent framework for subsidising Australian intra-state aviation services underpinned with state and territory government support.

[48] National Remote and Regional Transport Strategy, Northern Territory Transport, and Infrastructure Council

[49] AAA Submission, Inquiry into Regional Aviation Services, March 2014

[50] National Remote and Regional Transport Strategy, Northern Territory Transport, and Infrastructure Council

What opportunities do emerging aviation technologies present for regional and remote Australia?

The alignment of funding programs with governments regional investment framework and the promotion of AAM, SAF, and hydrogen-electric technologies will pave the way for greener, more efficient, and accessible regional airports. Additionally, the expansion of regional air services subsidy schemes is crucial for ensuring that air travel remains affordable, ultimately enhancing the well-being and development of regional communities. These measures will contribute to a more sustainable and inclusive future for regional aviation.

One of the primary avenues for realising the potential of these emerging technologies is through funding programs allocated via the governments existing regional investment framework. These programs should be designed to facilitate the integration and development of cutting-edge technologies into the operations of regional airports. This alignment with the government's commitment to achieving net-zero emissions is not just a necessity but a moral and strategic imperative.

Advanced Air Mobility (AAM), Sustainable Aviation Fuels (SAF), and hydrogen-electric technologies have emerged as the staple of sustainable aviation. The Australian Government should be focussing on the role regional and remote airports can play in contributing to Net Zero goals.

AAM, which includes electric vertical take-off and landing (eVTOL) aircraft, offers the promise of efficient, point-to-point transport, reducing the reliance on traditional, carbon-intensive aviation methods. SAF, derived from renewable sources, and hydrogen-electric technologies have the potential to significantly reduce aviation's carbon footprint.

Funding programs directed at regional airports could support infrastructure, research, development, and deployment of these technologies within Australia's regions. By taking these steps, governments can ensure that regional airports and their communities remain at the forefront of sustainable aviation and contribute to the broader national goal of net-zero emissions.

As aviation technologies advance, emerging technologies in regional and remote Australia are becoming more common. Remote Piloted Air Systems (RPAS) are helping bridge the vast distances in Australia's remote areas and are being used for everything from delivering vital medical supplies to remote communities and farms, to monitoring and managing vast agricultural landscapes[51].

As regional and remote Australia embraces emerging aviation technologies, there are opportunities for:

- economic growth,
- healthcare,
- education; and
- employment.

Australia is experiencing a significant surge in career opportunities for RPAS pilots, commonly known as drone pilots - the rapid growth in this field is driven by a multitude of applications across various industries, creating a strong demand for skilled and certified professionals[52].

RPAS pilots are instrumental in precision agriculture, assisting farmers in monitoring crops, soil conditions, and livestock. In the resource sector, they are responsible for geological surveys, monitoring environmental compliance, and enhancing safety by inspecting remote and hazardous areas – they also play a vital role in wildlife management, enabling study and conservation, without disturbance.

As the demand for skilled RPAS pilots continues to grow, this field presents promising education and career opportunities for individuals in regional and remote Australia.

RECOMMENDATION 15: The Government provides fee-free education options for regional and remote Australians wanting to be trained as Remotely Piloted Aircraft Systems pilots.

[51] Asian Aviation Staff, 'Australia plans medical drone system for remote communities' Asian Aviation, 11 February 2021, viewed 28 November 2023

[52] Drones for Hire (2023), Jobs for drone pilots, accessed on 28 November 2023 .

RECOMMENDATION 16: Update existing regional and remote airport funding criteria to enable viable investment in SAF programs.

What are the challenges faced by regional and remote aviation and airports posed by our changing climate?

Regional and remote aviation and airports are facing increasing challenges due to climate change. The damage to infrastructure, increased vulnerability, and the financial burden of adapting to climate-related issues all pose serious threats to the reliability and functionality of Australia's transportation hubs. To address these challenges, it is essential for the Australian Government to provide support through guidance, funding, and incentives that enable regional airports to better prepare for and respond to climate extremes. This will not only enhance the resilience of these airports but also ensure that remote communities can continue to rely on them for essential services and economic growth.

The vulnerability of airports in regional and remote areas is increasing due to climate change. Rising sea levels and more frequent and severe flooding events can threaten coastal airports, especially in low-lying regions. [53]Inland airports are not immune either, as changing weather patterns can lead to increased erosion and shifting ground conditions. These vulnerabilities can result in prolonged airport closures and decreased reliability of air services to remote regions. This could have severe consequences for remote communities that depend on these airports for medical emergencies, transportation of goods, and access to essential services.

There is also increased risk of bushfires. Climate change has been linked to the exacerbation of wildfires[54], which can pose a severe threat to regional and remote airports. As wildfires become more frequent and intense, there is a growing need for these facilities by emergency services for firefighting efforts, evacuations, and relief operations. However, many local governments, which often oversee these airports, struggle to recoup the high costs associated with maintaining and ensuring the operational readiness of these facilities for such operations. This financial burden can further strain regional economies and affect the overall resilience of these communities.

To address these challenges, support from the Federal Government is crucial. The government can play a pivotal role in enhancing the resilience of regional and remote airports. This support should include the provision of guidance on assessing and managing climate risks through a climate risk assessment and management framework specifically designed for regional airports. Such a framework would help airport operators identify vulnerabilities, develop mitigation strategies, and allocate resources more effectively to respond to climate-related challenges.

The incorporation of climate resilience criteria in regional airport grants program guidelines can incentivise and assist airport operators in making necessary improvements. By linking funding to climate resilience efforts, airports will have the means to invest in infrastructure upgrades, emergency response plans, and adaptation measures to better withstand climate impacts.

RECOMMENDATION 17: The Australian Government to provide guidance on assessing and managing climate risks through a climate risk assessment and **management framework specifically designed for regional airports.**

RECOMMENDATION 18: The Australian Government to incorporate climate resilience criteria in existing and future regional airport grants program guidelines.

[53] Aaron N. Yesudian and Richard J. Dawson, 'Global analysis of sea level risk to airports', Climate Risk Management, volume 31(2021).

[54] This is not normal, climate change and the increased risk of bush fires Climate Council, ''This is not Normal': Climate Change and Escalating Bushfire Risk', 12 November 2019, accessed on 28 November 2023./

In addition to financial support, the government can encourage research and development in aviation technologies that are more climate friendly. This includes exploring alternative fuels and energy-efficient airport operations. Developing and promoting sustainable practices can help reduce the aviation industry's contribution to climate change, mitigating its own challenges in the long term.

What are specific issues experienced by the regional and remote aviation sector in the context of decarbonisation? What elements should the Transport and Infrastructure Net Zero Roadmap and Action Plan include to recognise the specific circumstances of the regional and remote aviation sector?

The decarbonisation of regional and remote airports and aerodromes is critical to national and global efforts to reduce carbon emissions by 2050, however, the sector recognises the specific challenges faced by regional and remote airports, from limited access to SAFs and infrastructure constraints to financial limitations and geographical difficulties.

One of the most universal challenges for decarbonisation of Australia's regional and remote airports is aging infrastructure. Regional and remote airports grapple with outdated facilities and technologies that are inherently carbon intensive. Modernising these airport's infrastructure is an essential step in improving the efficiency, safety, and overall sustainability of air travel in these areas - in many cases, upgrading aging infrastructure could save regional and remote airports up to 70% in their annual emissions[55].

As discussed earlier, regional, and remote airports, typically serving smaller populations and fewer flights, operate at a deficit - investing in green technologies and infrastructure improvements will require substantial financial resources that most do not have. Government initiatives, incentives and funding that help alleviate these financial constraints are essential.

RECOMMENDATION 19: The Australian Government expand existing and future regional airport funding frameworks to include criteria for decarbonisation infrastructure projects.

[55] Clean energy and infrastructure: pathway to airport sustainability, Clean Energy Finance Corporation, 2020 https://www.cefc.com.au/media/402338/cefc-pathway-to-airport-sustainability.pdf

CHAPTER 5 –
Maximising aviation's contribution to net zero

It is vital for Australia's aviation sector to play its part in achieving the Australian Government's net zero emissions (NZE) target by 2050, particularly to reach the early goal of a 43% reduction in emissions below 2005 levels by 2030. The deployment of sustainable aviation fuel (SAF) is a key emissions reduction measure for the aviation industry. Therefore, the AAA and airports need strong representation on the Jet Zero Council to ensure the views of a key part of the SAF value chain are heard.

Airport Scope 1 and Scope 2 emissions form a relatively small proportion (around 5%) of aviation sector emissions. Reducing airport Scope 3 emissions by the adoption of Sustainable Aviation Fuel (SAF) by airlines and greater electrification of ground handling equipment and ground transport to and from airports will be essential in decarbonising the sector.

Airports will play an important role in helping Australian reach its NZE target, working in across a range of areas in the airport business to reduce emissions and move the sector toward a more circular economy in the following ways:

- Increased use of recycled/recovered materials in pavements – Infrastructure Australia's recent Replacement Materials Report identified significant opportunities for replacing at least 27% of 'virgin' materials (asphalt, concrete and crushed glass) in road pavement, potentially rising to 43% with updated road standards and materials technology. The Australian Government has previously identified setting standards and targets for recycled materials in transport projects by 2025 as part of its National Waste Policy Action Plan (NWPAP). As road pavements and airport runways and taxiways share similar materials and construction techniques, extending the NWPAP target to the aviation sector to increase use of recycled materials at airports (while ensuring aviation safety outcomes) has strong potential to reduce the airport sector's 'Scope 1' emissions.

- Energy & water efficient airport buildings and equipment – In 2020, Australia's commercial building stock consumed around 24% of electricity consumption and 4% of gas consumption, accounting for 10% of national greenhouse gas emissions. The vast majority of this energy consumption involves heating and cooling of buildings and water. Ensuring the stock of buildings and aeronautical infrastructure on airports have a clear path to improved energy and water efficiency as part of an NZE strategy is essential, while financial support to similarly upgrade regional and remote airports would ensure no airport is left behind in reaching NZE targets.

- On-site renewable energy generation and storage – Australian major airports have already begun to invest in onsite renewable energy generation to reduce their Scope 2 emissions, with significant 'solar farm' operations at Adelaide, Brisbane, Darwin and Melbourne airports, generating over 24mW of electricity at full capacity. Developing a renewable energy generation capability at across major, regional and remote airports would allow decarbonisation of key airport operational infrastructure and should be part of any 2050 NZE strategy. The storage of renewable energy for use at night or in bad weather is the missing piece of a renewable electricity strategy at airports. A 2050 airport NZE strategy should address storage as well as generation of renewable energy.

Emerging technologies for alternative aviation fuels (such as hydrogen and battery-electric) and renewable energy are still at early stages of development. Concentration on electrification of as much as possible of the current and future stock of buildings and equipment at airports along with renewable energy generation and storage should be a priority.

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 Australia's aviation sector will require collaboration between all sectors of the aviation industry with a clear role for government in setting the policy direction and implementing measures that incentivise private sector investment and activity. The establishment of the Jet Zero Council is an important step which brings together stakeholders from across the aviation industry to provide coordinated advice to the government through the Minister for Infrastructure, Transport, Regional Development and Local Government, on policy and regulatory issues related to facilitating the aviation industry's transition to net zero. AAA supports the ongoing work of the Jet Zero Council and looks forward to contributing to its work program over the coming years.

It is clear that 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 approach[56] and implementing both demand and supply side measures to stimulate the development of a local SAF industry. Further detail on these potential options is provided in section 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

[56] CSIRO, Sustainable Aviation Fuel Roadmap, 2023 p 66.

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' 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), especially in the Sydney basin. 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 through free route airspace, improvement collaborative decision making and AI-enabled dynamic route planning[57].

Furthermore, investment in the development of a domestic SAF industry should also be an immediate priority for government.

RECOMMENDATION 20: The Australian Government fast track and incentivise a domestic SAF industry as a priority.

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 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 formal terms of reference for the Transport and Infrastructure Net Zero Roadmap and Action Plan it is difficult to provide specific suggestions, however 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?

In order for Australia's aviation sector to meet its emissions reduction targets all market participants will need to do their part. All airports take the challenges posed by climate change and the need to reduce absolute emissions seriously.

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.

[57] L.E.K. Consulting, Aviation White Paper Scenario Analysis of the Future of Australian Aviation, 2023, p 15.

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 vital 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 emissions[58]. The book and claim model is a standard practice "where a sustainability claim made by a company is separated from the physical flow of these goods.[59]" With respect to SAF, this may mean that SAF is not physically transported to a specific airport for a specific aircraft, but instead goes into the fuel system at an airport that is located closer to the SAF production facility. The volume of SAF is tracked and verified so that the corresponding carbon emissions factors are calculated and allocated to the organisation that has paid for that premium[60].

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

1. SUSTAINABILITY OF SUPPLY CHAINS

As current SAF production is limited to very few locations around the world, to ensure the maximum level of sustainability of SAF, the efficiency of the supply chain should be optimised. This can be done by entering SAF into the fuel systems of airports in closer proximity to production facilities, the emissions produced by the SAF supply chain are minimized.

2. REDUCTION OF COSTS

SAF is currently more expensive than conventional jet fuel so the ability to keep costs down is vital to the ultimate development of the SAF market. 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.

3. 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 that SAF can be sourced out of airports or for flights with airlines that do not have SAF supply available.

4. GREATER LEVELS OF REDUCTIONS POSSIBLE

A book and claim system also enables purchasers to source any volume of SAF that they desire without any technical limitations. 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 legislation[61]".

[58] Skynrg, Book & Claim Explained: What is Book and Claim, accessed on 28 November 2023

[59] Ibid.

[60] Ibid

[61] National Greenhouse and Energy Reporting (2022), About the National Greenhouse and Energy Reporting Scheme, 23 August 2022, viewed on 28 November 2023

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

No response

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 comparative advantage in its farming capability and land availability which results in the availability of 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% of forecast jet fuel demand in 2025[62].

Given the potential availability 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, these high value-add industries will be ceded to other countries which are competing to attract capital, decarbonise 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 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. The first two 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, there are policy initiatives required on both the demand and supply side to provide necessary signals and certainty to the market.

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 (e.g. 10 % SAF blending standard by 2030) are "internationally recognised as critical to SAF deployment and scaling[63]" 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 up[64]". AAA supports the introduction of a SAF target to begin with before transitioning to a SAF mandate 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.[65]" Most importantly, emissions intensity schemes are a market-based metric which allows the market to determine the most cost-effective way to reduce emissions.

[62] CSIRO, Sustainable Aviation Fuel Roadmap, 2023, p 63.

[63] BioEnergy Australia, Submission to the Aviation White Paper Terms of Reference, 2023.

[64] World Economic Forum, Guidelines for Sustainable Aviation Fuel Blending Mandate in Europe, 2021.

[65] BioEnergy Australia, Submission to the Aviation White Paper Terms of Reference, 2023.

On the supply side, some type of government incentive will also 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. 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 Sustainable Aviation Fuel (SAF) Tax Credit which provides a tax credit of $1.25 per gallon of SAF produced. This SAF must reduce greenhouse gas emissions by at least 50 % and SAF that reduces emissions by more than 50 % is eligible for an additional $0.01 per gallon for each percent the reduction exceeds 50 % up to $0.50 per gallon[66].

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.

RECOMMENDATION 21: The Government set a target for SAF before transitioning to a SAF mandate for aviation fuels in-line with best practice and international alignment.

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 both geopolitical 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 entrenching overseas dominance in SAF production and limiting the potential of local industry development. For the airports sector, inaction will challenge our social licence to operate and 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 in order to meet their own emissions reduction targets.

Airlines (other than purely domestic operators) will have a global choice of where to adopt SAF – 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.

[66] US Department of Energy, Sustainable Aviation Fuel (SAF) Tax Credit, 2022.

Without interest in domestic SAF offtake from major airlines, Australian feedstock will continue to be exported to be 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 perverse 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.

On the positive side, the supply of SAF is unlikely to require significant alterations to existing joint user hydrant infrastructure (JUHI). However, where required and within our control, it is likely that airports are able to facilitate SAF blended offsite as a drop in fuel without any additional modifications to jet fuel infrastructure.

Conflicts between renewable energy and aviation: As part of Australia's broader energy transition from fossil fuels to renewables, airports have identified significant emerging concerns on the continued safe operations at regional aerodromes from renewable energy projects such as windfarms This situation is most prevalent in Victoria, with windfarm developments in western Victorian and Gippsland and the associated transmission infrastructure potentially affecting the long-term future of general aviation (GA) airports.

As part of its recommendation in Chapter 6, the AAA recommends bringing forward the adoption of NASF and its Guidelines into state and territory planning systems as soon as possible ahead of the current 2027 target to improve protection of airports from a range of competing developments, including renewable energy.

PFAS remediation: Contamination of soil and groundwater with Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) at many Federally-leased airports remains a significant environmental issue. Identifying and managing PFAS contamination constrains on-airport development to a major extent. Defence has investigated, assessed, and accepted liability for managing PFAS contamination at RAAF bases and joint civil/military airports, progress has been significantly slower at civilian airports. We also consider that the Australian Government should likewise accept liability for the legacy contamination at airports across Australia.

To deal with this significant environmental and human health issue which affects the social licence of airports, the AAA considers the Australian Government invests in a long-term pilot program evaluating innovative technology solutions for on-site remediation of PFAS at airports. This program would be a useful complement to investigation work and trial PFAS remediation action already underway at civilian airports.

CHAPTER 6 –
Airport development planning processes and consultation

Airports are already one of the most heavily regulated parts of the Australian economy. This chapter deals with the land use conflicts between airports, many of which have been operational since the 1920s and other parts of the built environment, particularly residential development in our major cities. Competing pressures to develop land to its highest, best use, including residential redevelopment around airports is leading to significant encroachment pressures, often expressed through aircraft noise complaints. Greater co-ordination of land-use, transport and infrastructure planning between all levels of government are required to resolve these conflicts involving airports.

The AAA appreciates the statement in the Green Paper where: "The Australian Government is not considering imposing any additional constraints on airports such as curfews or movement caps".[67]

The Australian Government's 2018 Inquiry into *Freight and Supply Chain Priorities* identified the safeguarding of existing airports (and other freight facilities) against encroachment of non-compatible land uses and the protection of land for future facilities and corridors such as airports as a priority area for action by governments across Australia[68]. However, stakeholder feedback during the inquiry identified that jurisdictional strategies for protecting freight corridors and strategic facilities from encroachment were inadequate[69]. The AAA views safeguarding of land and airspace around airports to permit relatively unrestricted passenger and freight operations as vital to the efficiency of Australia's national and international transport links.

In discussing the theme of *airport development planning processes,* a wider discussion on sensible and proportionate reform of airport regulation out to 2050 should take place as part of the White Paper to meet the intent of the Airports Act 1996 (the Act) to provide access to airlines and supply the required infrastructure to meet forecast demand. Areas the Department should examine during the White Paper include:

Better application of the Australian Noise Exposure Forecast (ANEF) in planning processes at all levels of Australian government: For Federally-leased airports, the use of the ANEF has become more complicated in Master Planning processes since 2008, with the requirement for an endorsed ANEF (instead of a draft ANEF) to be exhibited in an airport's preliminary draft Master Plan (PDMP). This change demonstrates a lack of understanding on noise issues and the use of the ANEF. A return to the pre-2008 requirements (draft ANEF in a PDMP) would:

a. streamline approval processes with ANEF and PDMP progressing together rather than in parallel;

b. reflect the operational activity set out in a PDMP, instead of an approved ANEF estimating the noise profile in an approved Master Plan (MP); and

c. reduce the need to modify an approved ANEF to conform with the final approved MP.

[67] Aviation Green Paper, p. 8.

[68] Department of Infrastructure, Transport, Cities and Regional Development (2018), Inquiry into Freight and Supply Chain Priorities, Canberra, p. 12.

[69] Ibid..p. 26.

RECOMMENDATION 22: The AAA recommends a return to the pre-2008 process where a draft Australian Noise Exposure Forecast should be exhibited alongside a Federally-leased airport's Preliminary Draft Master Plan.

Using a combination of noise metrics to better communicate aircraft noise effects: The ANEF is deficient as a means to describe the impacts of aircraft noise on affected communities. There are a suite of metrics other than ANEF used by airports to communicate aircraft noise effects, including:

a. the Australian Noise Exposure Concept (ANEC);

b. the Number Above 'N' measure; and

c. the maximum noise level (LAmax) single event noise measure.

This suite of aircraft noise metrics were used by the Department in framing aircraft noise exposure in Western Sydney Airport's 2016 Environmental Impact Statement[70].

While Federally-leased airports must use the ANEF noise measure due to the Master Plan requirements under the Act, the vast majority of airports lack a standard noise metric to communicate potential noise exposure to their communities. This issue is complicated by the different references and which type of airports they relate to. Currently, AS2021:2015 *Acoustics – Aircraft Noise Intrusion – Building Siting and Construction* (AS2021) is recognised in some (but not all) jurisdictional planning systems as a noise measure, however AS2021 and ANEF are inconsistent in nature and can cause confusion when applied by council-owned or privately-owned regional airports.

The issue of how to ensure jurisdictions incorporate NASF Guideline A into their planning systems remains, therefore it is critical that state governments bring forward adoption of NASF Guideline A into state and territory planning systems as soon as possible ahead of the current 2027 target.

RECOMMENDATION 23: The AAA recommends the Australian Government incentivises State and Territory governments to incorporate alternative noise metrics as outlined in Guideline A of the National Airport Safeguarding Framework (NASF) into their planning systems.

Consideration is needed to a more nuanced approach to aircraft noise exposure through a combination of 'ANEC', 'N' and 'LAmax' more than ANEF alone. This will also have the benefit of improving the communication of potential exposure of aircraft noise to communities now and into the future. A useful outcome for the industry from the Aviation White Paper process would be an Australian Government-led review of aircraft noise systems supplementary aircraft noise information measures perhaps with an aim to develop a suite of standard aircraft noise measures that reflect modern metrics and measurement techniques.

RECOMMENDATION 24: The Australian Government should initiate a review to develop a standard suite of supplementary aircraft noise measures to develop a new standard of aircraft noise measurement.

[70] Department of Infrastructure, Transport, Regional Development and Communications (n. d.) Western Sydney Fact Sheet: Measuring aircraft noise at Western Sydney International Airport. Accessed on 16 October 2023 from: https://www.westernsydneyairport.gov.au/sites/default/files/documents/2020-factsheet-measuring-aircraft-noise.pdf
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- **Airport development planning:** Particular areas of concern involving airport development planning includes:
  a. Increasing the Major Development Plan (MDP) threshold for Federally leased airports at the next 3-year gateway from the current $25 million to a figure accounting for current and future cost escalation in the civil construction industry. The AAA supports the Australian Government's Green Paper proposal to lift the MDP threshold to $50 million in 2024. This is sufficiently forward looking to ensure the MDP threshold is fit for purpose out to at least 2030.

  b. The current triennial opportunity for the Minister for Infrastructure to adjust the MDP threshold does not account for cost escalation in the construction sector. Pegging the MDP threshold to a more regularly updated measure such as the Australian Bureau of Statistics' Producer Price Index would better allow the MDP threshold to move in line with construction costs.

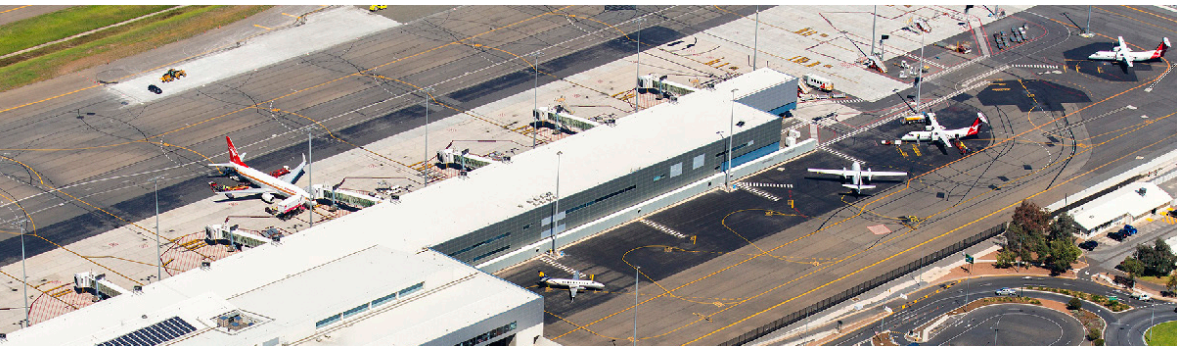
  c. Reducing the complexity and cost of MDPs for proponents is also vital. The MDP process can take up to 18 months from lodgement to approval. This is significantly out of step with equivalent state and local government approval processes across Australia, placing on-airport developments at a significant disadvantage to identical developments off-airport.

- **Streamlined interactions between the Airports Act 1996 and Environment Protection and Biodiversity Conservation Act 1999:** There continues to be significant concerns over the increased time and money costs incurred by airports from lengthy and complex interactions between the two Acts controlling planning and environmental consents at Federally-leased airports. The complexity is most clearly observed by the time taken in referrals between the two Acts in MDP and Master Plan processes.

For example, a draft MDP, already publicly exhibited and assessed by the Infrastructure Minister under the Airports Act 1996 can then be referred to the Environment Minister under s. 160 of the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). This referral means repeating exhibition and assessment process, with the duplicated evaluation process effectively 'stopping the clock' on the approval process under the Airports Act and starting a parallel process under the EPBC Act, imposing time and money costs for airports and increasing project delivery risks.

Of further concern are issues related to the effect of the EPBC Act on airports, including design and approval of flightpaths by Airservices Australia referred to the Department of Energy, Environment, Climate Change and Water (DEECCW) and at regional airports where EPBC Act approval processes are often disproportionate, demanding the same level of documentation for minor works as for major projects, similar to a Federally-leased airport's MDP.

RECOMMENDATION 25: The AAA recommends referral triggers between the Airports Act and EPBC Act should be proportionate to the scale of environmental disturbance. Where small projects create relatively low levels of disturbance on airport land, the AAA believes referrals could be minimised or streamlined.



- **Improving airspace safeguarding regulations:** Past decisions in state and territory-based land use planning systems created challenges for aircraft noise mitigation with approvals of inappropriate off-airport developments infringing on airport buffer zones. The 2021 Review of the National Airspace Safeguarding Framework (NASF) called for a national approach to airport safeguarding. NASF currently struggles with conflicts between state and local governments and airport requirements to maintain safe flight operations.

  The AAA recommends the Australian Government, working through National Cabinet processes brings forward adoption of NASF and its Guidelines into state and territory planning systems as soon as possible ahead of the current 2027 target. The AAA considers there is strong potential for the Australian Government to use financial incentives to drive this vital national level regulatory reform to protect airports from conflicting land uses.

RECOMMENDATION 26: The Australian Government should work with the states and territories to ensure the NASF Guidelines are adopted into jurisdictional planning systems as soon as possible ahead of the current 2027 target.

The AAA also recommends airport representation on the National Airport Safeguarding Advisory Group (NASAG) to ensure decisions made on airport safeguarding have airports 'in the room'.

RECOMMENDATION 27: The National Airport Safeguarding Advisory Group (NASAG) should include airports as part of its membership so that airports can be involved in strategic decision making on airport safeguarding.

In terms of questions asked in the Green Paper on Planning and Community Consultation, the AAA's submission offers the following responses, with an important caveat on the role of government, which at levels could do more to communicate potential aircraft noise issues, a role that is often left to airports to undertake.

- **How can governments better communicate with potential purchasers of properties which will be affected by aircraft noise in the future?** Communication to noise affected property owners will always be difficult, particularly for new property owners. Despite the existing range of tools, including real estate websites, notices on property titles and signage in housing developments, noise complaints still occur. Community outreach on aircraft noise is important, both for existing housing developments, but also for new build developments and residential infill areas.

- **Do consultation processes provide sufficient opportunity for noise impacts on the community to be identified and considered?** The recent emphasis on enhanced community consultation processes has seen parallel processes put in place by airports and Airservices, particularly in the case of Brisbane Airport's new runway and design of flightpaths. However, as these community consultation processes over noise are still in its early days, it is still too soon to tell, but continuous updating and monitoring of successes and shortfalls in these consultation mechanisms is essential.

- **How can new and different types of noise impacts from projected growth in drone use best be managed?** Managing the noise impacts of drones may be just as difficult, if not more difficult as managing aircraft noise and present a clear challenge to the social licence of the drone industry. A particular issue is that drone noise is likely to be more diffused and less confined to airports. There is also the likelihood that increasing off-airport use of drones will also lead to privacy concerns and challenge the drone industry's social licence.

- **How can the flight path design principles be improved?** Airservices's flightpath design guidelines have not had a strong start since the commencement of operations on Brisbane airport's parallel runway and potentially with the recently released draft flightpaths for Western Sydney Airport. The AAA views two key areas where these flightpath design principles can be improved as:

  - **Incorporating emissions reduction considerations in flightpath design** – This is seen by industry as a lacking element in flightpath design. Recognition of the role of flightpaths in reducing emissions could be achieved through:

    - Mandating continuous climb operation/ continuous descent operations (CCO/CDO) into airspace/flightpath design and management to reduce fuel burn alongside greenhouse gas and noise emissions, and;
    - Ensuring Airservices' traffic management techniques emphasise the need for air traffic controllers taking every reasonable step to avoid aircraft 'loitering' and excess fuel burn.

  - **Wholistic airspace design across major cities and regions** – The growing complexity of airspace management and growing levels of activity over Australia's major cities and some regional areas highlights the need for a more wholistic approach for the long-term management of flightpaths.

    Airservices must commence wholistically redesigning airspace across key regions in Australia, including the Sydney Basin (covering Bankstown, Camden, Mascot and Western Sydney), Greater Melbourne (including Avalon, Essendon, Moorabbin and Tullamarine), South East Queensland/Northern NSW (covering Ballina, Brisbane, Coolangatta, Maroochydore and Toowoomba) and the mining and civilian aerodromes in Western Australia's Pilbara Basin.

In terms of what airlines and airports can do to support better management of aircraft noise, the Australian Government holds the most significant tools to support better management of aircraft noise. Airservices Australia as network manager can and should mandate the use of CCO/CDO operations to mitigate noise levels for aircraft take-offs and landings. This would have a significant effect in managing aircraft noise, alongside significant environmental benefits as mentioned above.

The Australian Government also has significant power to manage aircraft noise both proactively and reactively:

- The Australian Government could manage noise proactively by driving greater adoption of NASF by state and territory government to reduce or mitigate the noise effects from conflicting development around airports. Ensuring Federally leased airports become referral authorities under jurisdictional planning systems would also give airports more tools to effectively deal with land use planning around airports.

- Noise could be managed reactively by using existing Commonwealth legislation to mitigate the worst aircraft noise hot spots by using existing legislation[71] to fund insulation and double glazing or acquisition and demolition of affected properties through a levy on air tickets.

On whether governance arrangements for the Aircraft Noise Ombudsman (ANO) could be improved, the AAA makes the following comments:

- Greater independence of the ANO is supported, including the Department's suggestion for "increasing independence of the ANO by making it separate from Airservices Australia." Rather than having the ANO report directly to the relevant Minister, the ANO could potentially report to the Parliament under the Commonwealth Ombudsman to place it at arm's length from Government.
- The current reporting structure of the ANO (reporting to the Board of Airservices) has limited its independence and effectively subordinated the ANO's role to investigation of aircraft noise complaints to Airservices. This situation does not always result in the best outcomes for industry or the community.
- 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 have greater effect and weight. It would be important to ensure that the focus of the Noise Ombudsman should remain on Airservices and their role in aircraft noise is not lost.

RECOMMENDATION 28: Governance of the Aircraft Noise Ombudsman should be made independent of Airservices Australia (while not losing its focus on Airservices Australia).

Regarding measure to facilitate increased adoption and implementation of NASF to optimise land-use activity and reduce community impacts, the AAA recommends the Australian Government undertakes the following actions:

- Use incentives to drive adoption of NASF by state and territory governments – The use of financial incentives by the Australian Government could be used to help meet Recommendation 5 of the NASF Review for adoption of NASF in state and territory planning systems by 2027.[72]
- Ensure NASF is given effect in Commonwealth legislation – The 2021 NASF review recommended the "Australian Government… include provisions relating to consideration of the NASF in legislation at the 22 federally leased airports by 2027". As part of post White Paper legislative reform, serious consideration should be given to incorporating NASF within regulations.
- Educate land use planners on NASF – Developing a NASF education program for land use planners in each jurisdiction to be delivered either in initial education for planners or as continuous professional development for qualified planners.

On the question of whether Community Aviation Consultation Groups (CACG) work for the community. CACG's are a legacy of the last Aviation White Paper and are currently established at 19 Federally leased airports. While CACG's provide a level of community participation in airport matters and provide a forum for discussing community issues, it is likely they have been superseded at some airports by more substantial consultation mechanisms that go over and above the minimum standard represented by the CACGs.

[71] The relevant legislation includes the Aircraft Noise Levy Act 1995 and Aircraft Noise Levy Collection Act 1995.

[72] National Airport Safeguarding Advisory Group (2021), National Airports Safeguarding Framework 2019 Implementation Review, p. 4. Viewed on 26 October 2023 at: https://www.infrastructure.gov.au/sites/default/files/documents/nasf-ir-report.pdf

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

The Airports Act 1996 and Regulations have reached the limits of what it can achieved after almost four decades of being amended and patched over time. To ensure the Act and Regulations are fit for purpose, significant legislative reform is required to modernise airport protection and development planning, master planning and environmental protection.

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

In regard to Major Development Plan (MDP) process, the first principle is for the Australian Government to acknowledge the existing process is complex, time consuming, costly and involves the preparation of four separate MDP versions: an exposure draft MDP; a preliminary Draft MDP; a draft MDP; and a final MDP. This process can take at least 18 months and further approvals are then required under the Airports Act before work can begin. This is extreme given that, for most state and local governments across Australia, exhibition and stakeholder consultation timeframes are between 21 and 28 days, including for many major developments. This is a significant competitive neutrality issue between on airport and off airport developments.

In terms of the monetary trigger, in the short term, increasing the trigger to at least $50 million (as proposed in the Green Paper) is a pragmatic option for Government and airports, providing sufficient headroom for further escalation of construction sector costs while a more permanent, long term solution is developed by the Australian Government. Ideally, this would see the monetary trigger removed and replaced with a trigger where only projects with significant environmental or other effects are subject to the level of scrutiny equivalent to the MDP system. While this would require legislative change to the Airports Act 1996 to give effect to a change of this magnitude, it would restore a measure of competitive neutrality between on airport developments at Federally-leased airports and equivalent off airport developments .

Some proposals for longer-term reform of the MDP process at Federally leased airports include:

- Allow for a series of individual 'major airport developments' to be managed on a 'precinct' basis. When developing specific areas or precincts within the airport, several individual developments may be proposed for the precinct, with each development potentially triggering an MDP process. This lengthy (and costly) process could be streamlined by allowing airports to prepare and submit an MDP across the entire precinct including a number of individual major airport developments.

- Increase the passenger terminal **floor area trigger for a major airport** development. Currently, the MDP trigger for a new or upgraded passenger terminal involves either a floor greater than 500m² for a new build; or an increase in gross floor area by more than 10% for an extended building. These thresholds are very low and could result in low impact, non-controversial terminal expansions being subject to the MDP process. Increasing or waiving these thresholds is appropriate, especially if the new or upgraded terminal is already included in an approved Master Plan.

- Clarify MDP triggers for environmentally **significant areas** by making it clear that only developments likely to significantly affect these areas require an MDP. The Act currently states developments which "affect" an environmentally significant area is a major airport development, requiring MDP preparation and approval. This potentially captures very minor developments, subjecting them to the MDP process. Changing the trigger from "affect" to "significantly affect" an environmentally significant area is recommended.

- **Expand the Minister's ability to exempt airports from MDP preparation** in specific circumstances. On application by the airport, the Minister may determine a limited number of specific development types are not major airport development, thereby removing the need to prepare an MDP. However, this exemption applies to only 4 out of 16 possible types of major airport development. The Minister can only exempt a development if satisfied it will not change the flight paths, or change the patterns or levels of aircraft noise, or unduly increase the noise heard by, or unduly cause a nuisance, to the community adjacent to the airport. It is recommended the list of potential developments should be expanded to include all 16 types of major airport development.

- **Streamline approval timeframes by allowing 'dual track' assessment of draft MDPs.** When airports submit a draft MDP to the Minister for consideration, it is automatically approved if the Minister neither approves nor refuses the draft MDP within 50 business days. However, if the draft MDP is referred from DITRDCA to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) for assessment, the 50 business day period does not re-commence until it responds, effectively 'stopping the clock' on processing. It is also notable, there is no statutory timeframe for DCCEEW to undertake the referral. This can unnecessarily extend the approval timeframe by several months. Assessments by both departments should be done in parallel, rather than sequentially. This is because issues likely to be relevant to DCCEEW are likely to be a relatively narrow subset of the issues relevant to the MDP.

- **Replace "substantial completion" test in MDPs with "substantial or physical commencement" and extend the relevant period from 5 to 10 years.** All MDPs are approved subject to being "substantially completed" within 5 years. Acknowledgement of substantial completion is important as airports must reach it or be in breach of the Act and subject to penalties. The substantial completion test is not supported under the Act or in case law, creating uncertainty. The equivalent test in state planning laws is "physical commencement" and is well understood and supported by case law. Using this well understood test would create more certainty for airports. Extending the period to achieve commencement should be extended from 5 to 10 years and for further simplicity, allowing the Minister to delegate their power to the Department would be useful.

- **A better process for withdrawing an approved MDP**. The Airports Act allows airports to give the Minister a 'withdrawal notice' if it decides to not proceed with an MDP, or certain developments in an MDP if substantial completion is not achieved. This can only be done with "exceptional circumstances beyond the airport's control" that have made proceeding with the development "unviable". The AAA believes the test for issuing a withdrawal notice should be simplified and made less onerous. For example, the circumstances should be required to be "reasonable".

Currently Master Planning processes do not adequately account for climate risk. As part of their internal Environmental, Social and Governance (ESG) reporting, climate risks are already reported on by some Federally-leased airports. However, the current Master Plan system does not require evaluation of climate risk and it does not mesh well with the emphasis on spatial development at the heart of the Master Plan. The Master Planning process should be updated to include climate risks to ensure the system faces forward to the climate of 2050 and beyond.

CHAPTER 7 –
General Aviation

General Aviation (GA) forms an important part of Australia's aviation sector. GA has a strong presence at many airports, particularly capital city 'metro' airports and regional airports with significant GA activity built around:

- flight training businesses,
- charter operations,
- emergency and aeromedical aviation,
- recreational and business flying, and
- industrial aviation which supports agribusiness, mining and land management.

There is also significant activity on airport precincts from businesses serving GA in aircraft maintenance and repair, nurturing technical skills in aviation engineering.

'Metro' GA airports due to their location in major cities and their proximity to large populations and skilled workforces are also playing leading roles in bringing advanced aviation technologies to Australia, including:

- Design and development of hydrogen-electric powered Vertical Take Off and Landing (VTOL) aircraft for a range of uses, including aeromedical and emergency services;
- Conversion of Avgas-powered fixed wing aircraft to hydrogen fuel cell or electric power;
- Introduction of electric-powered aircraft for flight training operations, and;
- Electric charging and storage technologies for electric-powered aircraft.

In light of the role GA airports are playing in bringing innovative aviation technology to Australian airspace, there is a task for government for co-investment in infrastructure projects at GA airports supporting the take-up and training of flight and ground crews on emerging technologies. More detail on these proposals is provided in Chapter 9 of the AAA's response.

In the decade and a half since the 2009 Aviation White Paper, GA continues to face the same issues now as it did then, namely[73]:

- Tensions between aeronautical and non-aeronautical development at airports
- Access to airspace
- An ageing GA aircraft fleet
- Workforce constraints (both demographic and skills-based)
- Compliance with air safety regulations
- Support for domestic and export GA manufacturing and services markets.

[73] Department of Infrastructure, Transport, Regional Development and Local Government (2009), National Aviation Policy White Paper: Flightpath to the Future, Canberra, p. 62-69. Viewed on 6 March 2023 at: https://www.infrastructure.gov.au/sites/default/files/migrated/aviation/publications/files/Aviation_White_Paper_final.pdf

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Do policy and regulatory settings adequately facilitate the General Aviation sector's evolving role in Australian aviation?

Given the issues that continue to face the GA sector, the AAA views the policy and regulatory settings do not adequately facilitate airports to service GA operations. A key issue is provision of air traffic control (ATC) by Airservices Australia at key metro and regional GA airports, as outlined below.

At Metro airports with large GA footprints the inability of Airservices Australia to consistently provide air traffic control (ATC) services through the local towers has effectively reduced these airports' capacity to conduct flight training operations across a full span of operating hours. This has led to:

- A 'shadow' slot management system for training flights at these airports during business hours, which means;
- Training flights now take place outside business hours, either early in the morning and late at night when airspace is less congested, creating an aircraft noise issue for nearby communities, challenging these airports' social licences.
- This 'shadow' slot management system has also created arbitrary capacity constraints and increased safety risks at these airports.

Regional airports with substantial GA movements alongside Scheduled Air Transport (SAT) flights (such as Albury, Alice Springs, Ballina and Karratha) face similar challenges where ATC towers are not staffed for the full span of hours, including:

- 'Bunching' of GA flights to operate within compressed ATC hours, leading to more crowded airspace, runways and aprons to accommodate SAT and GA movements creating potential and actual safety risks, and
- Effectively pushing responsibility for safe operation of runways, taxiways and approaches to the airport and its Aerodrome Reporting Officers (AROs).

Another key issue is the lack of planning controls that regulate off-airport developments affecting the ability of airports to operate effectively (see Chapter 6 for more details). **Growth and densification in capital cities** places pressure on GA airports from development proposals approved by state and local governments which encroach into airport Obstacle Limitation Surfaces (OLS) and would create dangerous levels of turbulence or other hazards affecting GA aircraft operating under Visual Flight Rules. These pressures are felt particularly keenly by the capital city metro airports whose main business is General Aviation (GA) activity such as flight schools.

Urban growth and renewable energy projects in regional cities also affecting the ability of GA airports to function effectively. The challenge from renewable energy is a particularly live situation in Victoria, where state efforts to decarbonise the energy grid sees a proliferation of wind farm developments. GA airfields around Greater Geelong, western Victoria, along the southwest coast and in Gippsland are all facing OLS intrusions and windshear effects from approved or proposed windfarms and associated transmission infrastructure.

The incorporation of the NASF guidelines into state and territory planning systems as noted previously in Chapter 6 would go some way to control development in safety critical location at the approach and departure ends of runways at GA airports.

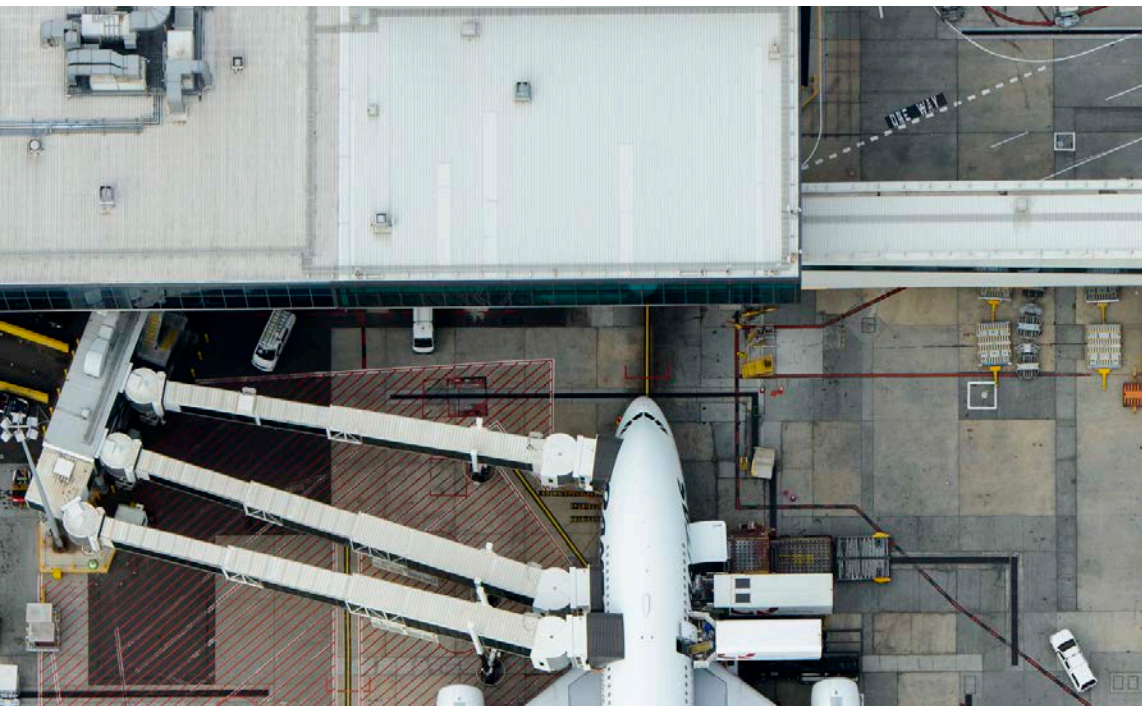
Are there any changes to policy and regulatory settings that might facilitate the GA sector's evolving role in Australian aviation including through protections at GA airports and supporting the transition to a sustainable, net zero GA sector?

Should the Australian Government choose to make changes to policy settings that facilitate an evolving role for GA, the AAA makes the following recommendation:

- On ATC issues, ensure that in the short term, Airservices ensures that it staffs ATC towers at GA airports to the service levels set in its En Route Supplement Australia (ERSA). In the longer-term, the Australian Government should leverage off the introduction of the OneSky civilian ATC system to continue promoting uptake of Automatic Dependent Surveillance Broadcast (ADS-B) equipment on GA aircraft and to expedite the full deployment of the Satellite-Based Augmentation System to enable better identification and management of GA traffic.

RECOMMENDATION 29: Airservices Australia should adequately staff towers at General Aviation airports to provide the ATC service levels stated in the En Route Supplement Australia, until the full implementation of OneSky, when **better management of GA traffic becomes possible using Automatic Dependent** Surveillance -Broadcast (ADS-B) and Satellite Based Augmentation System (SBAS).

- In terms of planning, the Australian Government should drive changes to state and territory planning systems to safeguard GA airports. Using its leadership position in national transport bodies including the Infrastructure and Transport Ministers Meeting and its Senior Officers Council to restart implementation of the National Airport Safeguarding Framework (NASF) and Guidelines into each jurisdiction's planning system. This will benefit all airports, but particularly GA airports. In addition, NASF Guidelines covering windshear (Guideline B), wind turbine towers (Guideline D) and intrusions into protected Airspace (Guideline F) should be updated as a matter of urgency.



CHAPTER 8 –
Fit-for-purpose agencies and regulations

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

The regulatory systems governing Australia's aviation sector has remained largely the same over the past 30 years since the formation of the safety regulator (CASA) and the airspace manager (Airservices) in the mid-1990s. Similarly, the regulatory systems governing the planning and administration of airports have remained essentially static after the Australian Government divested itself of airport ownership to the private sector and local government during the 1990s. Regulation of aviation security has continued to evolve in the face of a changing threat environment, particularly after the 9/11 terrorist attacks.

The AAA has significant concerns that the ability of the Australian Government's existing institutional frameworks in aviation to function effectively have been undercut by government policies and external events such as the pandemic, adding significant burdens to the effective operation of the aviation network. For example:

- Airservices' staffing issues and its consolidation of air traffic control (ATC) functions into fewer, larger facilities has disrupted and degraded the capacity of the network to operate at its full capacity, both at capital city and regional airports,
- Recent regulatory changes by CASA with the introduction of the MOS 139 reforms has added significant new compliance costs for airports,
- Emerging aviation technologies and the need to decarbonise aviation are threatening to disrupt Government's ability to fund CASA by eroding the current fuel excise-based funding model, along with the limited ability of regulators and policy makers to effectively manage introduction of the new technologies and;
- Attraction and retention of staff with the right mix of technical skills and abilities at aviation bodies remains a constant challenge.

The AAA is concerned by the dilution of aviation security skills and capability within the Department of Home Affairs (DHA) with the broadening of responses from a 'traditional' counter-terrorism focus to the emerging 'all hazards' focus. The step-change to the 'all hazards' methodology along with the incorporation of transport security functions within the Cyber and Infrastructure Security Centre (CISC) at DHA occurred alongside a significant regulatory change to aviation security infrastructure and service delivery.

As the highly specialised aviation (and maritime) security have been continually diluted since CISC's expansion to cover 10 additional sectors of the economy other than transport under the Security of Critical Infrastructure Act 2018, (the SOCI Act) the AAA views the current aviation security arrangements as no longer fit for purpose, and the aviation (and maritime) security functions currently in CISC should be returned to DITCRDA.

RECOMMENDATION 30: The Australian Government undertake a review of the **current aviation agencies and regulatory settings to ensure a fit-for-purpose** regulatory environment out to 2050.

RECOMMENDATION 31: The Australian Government removes the aviation transport security functions from Department of Home Affairs and re-integrates them with the transport policy areas in the Department of Infrastructure, Transport, Communications, Regional Development and the Arts.

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

The Australian Government should consider the following ways and areas for technology adoption to better utilise airspace and improve access for the entire aviation sector:

- On ATC issues, ensure that in the short term that Airservices staffs its ATC towers at airports to the service levels set out in Airservices' ERSA.
- The Australian Government should leverage off the introduction of the OneSky civilian ATC system to continue promoting uptake of ADS-B) equipment on GA aircraft and expedite full deployment of Satellite-Based Augmentation System (SBAS) to enable better identification and management of GA traffic.
- In terms of planning, the Australian Government should drive changes to state and territory planning systems to safeguard GA airports. Using its leadership position in national transport bodies including the Infrastructure and Transport Ministers Meeting and its Senior Officers Council to restart implementation of the National Airport Safeguarding Framework (NASF) and Guidelines into jurisdictional planning systems.

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

Prior to the pandemic, user charges (mostly the 3.556 cents/litre fuel excise) accounted for roughly two-thirds (66%) of CASA's revenue. Since the pandemic, the proportion of CASA's revenue from fuel excise has dropped to between 42-54%, requiring further appropriations from Government from 2023-24 and across the forward estimates to cover the shortfall in fuel excise revenue. It is unclear how the introduction of sustainable aviation fuel (SAF) will affect CASA's fuel excise take. Furthermore, the revenue impact of widespread introduction of alternative aircraft propulsion sources such as electricity and hydrogen are likely to have a similar effect on aviation as the introduction of electric road vehicles is having on fuel excise.

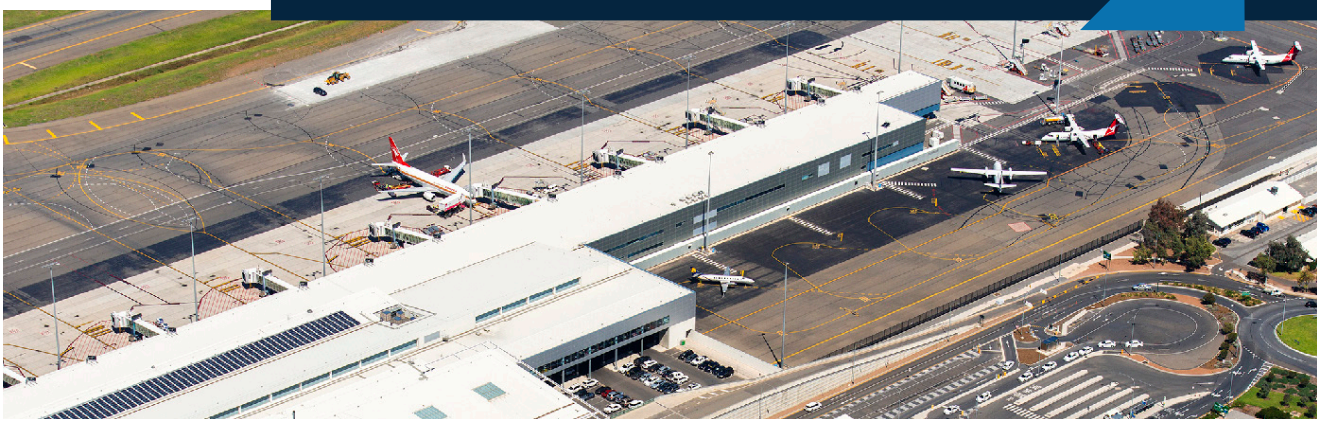
There are also significant concerns from airports regarding the drivers for cost recovery by Airservices Australia to fill its revenue shortfall from reduced 'airways charges'. During 2021-22, these charges were half of pre-pandemic revenues and required a government top-up to maintain Airservices' operating budget. Airservices' recently announced its draft 3-year pricing schedule, proposing an 18% increase in charges for enroute navigation, terminal navigation and aviation rescue and fire-fighting services to take effect from April 2024.

However, Airservices has subsequently varied its pricing notification and has signalled it intends to further review pricing in 2027 more "holistically" with the Western Sydney International Airport operation and service expansion at Perth and Melbourne airports with their new runways.

Further concern has been raised with the recent DITCRDA proposals to move toward full cost recovery for providing Airport Building Controller (ABC) and Airport Environment Officer (AEO) services to federally-leased airports. The provision of these services is unable to be procured elsewhere in the market. The pricing reform for the ABC proposes significant increases for projects below $3 million of between 40% and 319%, while for projects above $50 million, proposed increases are between 9% and 59%.

The relatively weak linkages between increased government charges and the benefits to airports will be an ongoing issue as technological change and new or emerging threats to aviation both undercut existing forms of revenue, but also requiring government to mandate or deliver new services and facilities on the aviation industry.

RECOMMENDATION 32: The Australian Government examines the present and future levels and composition of funding for bodies regulating the sector (Airservices Australia, CASA, Home Affairs, Infrastructure) to adequately provide staff with the necessary skills and expertise to meet the current demands of capital and operational investment cycles and emerging regulatory challenges from new aviation technology and a changing social licence for aviation.



Do you support the Australian Government introducing enhanced security obligations?

The AAA and its members have been closely engaged with Government on the introduction of enhanced security requirements since industry was formally advised of the changes in May 2018. The AAA took a pro-active role to work with its members to identify the challenges associated with that transition process, so that potential solutions could be adopted to both; minimise the impact on industry; and meet the Government's objectives.

The AAA supports a safe and secure aviation industry governed by fit for purpose regulations. This includes ensuring any regulatory burden is appropriate to safety and public interest. In 2014 the former Department of Infrastructure and Regional Development and Cities estimated the cost to the aviation industry of Commonwealth government regulations at over $400 million per year[74]. The 2018 reforms to aviation security have undoubtedly increased these costs.

The regulatory cost of aviation security is ultimately borne by passengers through ticket prices along with other aviation sector participants such as general aviation operators.

[74] Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 'Audit Results by the Transport Sector' viewed on 28 November 2023 https://infrastructure.gov.au/department/deregulation/files/Regulatory_Audit_Results_by_Transport_Sector_Paper.pdf

Regional Airports

The Government's implementation of an enhanced security screening framework before consulting with industry, resulted in several regional airports having to introduce Electronic Trace Detection (ETD) and metal detection screening of passengers and bags, in situations where it only facilitates a single SAT service three to four times a week and some irregular open charters.

Typically, these airports have annual departing passenger numbers of 6000 or less and are often in quite remote locations where readily available resources to conduct screening are simply not available. While the Government committed to provide capital funding to assist with screening equipment procurement, the most significant challenge for these airports remains the ongoing operational expenses associated with employing staff to undertake screening functions.

As a result, many small regional airports were faced with staffing a screening point for only one to two hours a day, for perhaps only three days a week, requiring trained and qualified screening staff. In several instances these airports operate in towns with populations of less than 500 people and are located hundreds of kilometres from the nearest major city centre.

In these situations, establishing screening services without incurring significant operational costs was impossible, and in many instances, jeopardised the economic feasibility of that SAT service continuing.

The regulatory cost of aviation security is ultimately borne by passengers through ticket prices along with other aviation sector participants such as general aviation operators. The Government must ensure the regulatory cost burden does not fall disproportionately on sectors of the industry least able to afford to bear the cost burden – regional airports.

Given the cost-sensitive nature of the aviation industry and the importance of its viability in supporting both national and local economies, it is imperative that the Government and industry continue to take an intelligence driven, risk based, outcomes focussed approach to airport security regulation. This approach recognises that not all airports are the same and taking a more tailored approach to the implementation of security measures at regional airports is prudent, effective, and efficient.

Do you have any comments about current security screening arrangements?

Major Airports

In May 2018, the government mandated measures to strengthen Australia's aviation security screening regime after the disruption of an alleged aviation terror plot in July 2017. Major airports committed to these upgrades so Australia can remain a trusted destination in the global aviation network and a world-leader in aviation and national security.

The size, scope and scale of this upgrade is of once-in-a-generation magnitude and one that had to be delivered within a timeframe not previously experienced by the sector. Previous security upgrades at major airports were delivered through two funding models: either a publicly funded solution with direct Australian Government investment; or a privately funded solution where major airports used their own resources, with costs recovered through commercial arrangements between airports and airlines.

The COVID-19 demand shock disrupted the high passenger volumes the industry relies on to generate and recoup the necessary capital. Given the scale of cost and scope for the enhanced security upgrades, industry conditions of low passenger numbers, and the prospects of a slow and uneven recovery (post COVID-19), meant the application of such a model to fund these upgrades remains impossible.

Despite the pandemic, the threat of terrorism to the aviation industry did not change. Major airports found themselves in the middle of a 'perfect storm' where the ongoing terrorist threat and the implementation dates for security upgrades coincided with a severe and prolonged downturn in passenger numbers. This affected the ability of airports to raise capital and recoup the costs of delivering an upgrade of such size, scope, and scale in a commercially viable timeframe.

Given these circumstances, the AAA proposed to the Australian Government in November 2021 a co-contribution funding solution where major airports would honour the existing model as far as possible to ensure airports can both meet the mandate and keep Australia's aviation network secure. This request was not entertained by Government, meaning major airports were required to absorb over $1.2 billion in capital costs to meet the mandate. In requesting support from the government, it is important to note this was not a contribution to improve the bottom line of major airports. Rather, it was for a contribution from government to deliver its own mandated program that improves Australia's national security.

Regional Airports

The 2017 mandated upgrades to aviation security added several regional airports into the aviation security system for the first time. This provided a unique set of challenges to these airports to maintain regional aviation security in a cost-effective way. With fewer passengers to spread operating costs, as well as the added operating expenditures of maintaining dual-screening for aircraft that fall below the new Government-mandated threshold, regional airports have forecast at least a 40% increase to their operational expenditure to maintain enhanced security screening regulations.[75]

The Government's implementation of an enhanced security screening framework before consulting with industry, resulted in several regional airports having to introduce Explosive Trace Detection (ETD) and metal detection screening of passengers and bags, in situations where it only facilitates a single RPT service three to four times a week and some irregular open charters.

RECOMMENDATION 33: The Government develops and implements a sustainable funding mechanism to ensure regional aviation security screening can be placed on a sustainable long-term footing.

[75] AAA internal communications with regional airport members

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DETERMINING ELIGIBILITY FOR SECURITY SCREENING FINANCIAL SUPPORT

A financial support model that arbitrarily sets eligibility requirements may ultimately mean that passengers using some regional airports will pay a disproportionately higher cost for screening under Government mandated regulations than passengers at other regional airports.

Again, the AAA supports a model that fully subsidises the cost of security screening at all regional airports. The AAA recommends full Government funding of all costs directly connected to the provision, implementation, and maintenance of security screening equipment, as well as the associated operational expenses at regional airports.

The scope of Government funding in this scenario would include:

- Procurement of regulated security screening equipment
- Maintenance of screening equipment
- Costs of contracted security screening staff; and
- Replacement of life-expired security equipment.

Airport security screening services are provided under a contract arrangement. In the case of most regional airports, services are obtained through a market tender process to ensure the best value for money. The tender process makes it easy for the Government to identify the costs associated with ongoing operation of security screening.

Specialised screening maintenance, safety testing and servicing and calibration costs would also be acquired through a tender process, allowing for clear delineation and transparency of any costs incurred by the Government.

Screened and un-screened services at regional airports

With a change in policy to how security-controlled airports are categorised (or tiered), there are essentially three tiers of security-controlled airports, each with differing security screening requirements depending on the number of departing passengers.

There is also a new secondary security screening trigger which relates to aircraft size. Previously, the trigger for an airport to establish security screening was the operation of any Scheduled Air Transport (SAT) or open charter aircraft with a maximum take-off weight of 20,000 kg or more. Under the revised proposal, this trigger has been changed to an SAT or open charter aircraft with a capacity of 40 seats or more, with a secondary consideration of passenger numbers to determine the appropriate level of screening.

While in principle the AAA acknowledges and accepts the rationale behind this change to the categorisation and trigger process for security screening, it fails to address a fundamental operational security challenge facing regional airports across Australia.

Throughout the Government's deliberations and consideration of potential changes to airport security, the AAA made it clear that one of the critical issues was the situation facing several regional airports that currently operate both screened and un-screened SAT services from the same terminal and operational apron. This results in passengers at these airports departing from certain regional airports are only subjected to security screening depending on the size/seating capacity of the aircraft they are boarding.

It is the AAA's firm view that if an airport has an established security screening regime, then passengers and baggage departing from that airport's terminal on all SAT and open charter services must be subjected to the same security screening regardless of the size or seating capacity of the aircraft.

RECOMMENDATION 34: That the Government amend regulations so that there is consistent screening of passengers and baggage departing from all SAT and open charter services, regardless of the size or seating capacity of the aircraft.

There are several regional airports across the country that currently have to manage this dual process where some passengers in the same terminal are security screened and others are not, simply depending on which aircraft they are boarding. This has become even more difficult and costly with the introduction of a 40-seat trigger, as some regional airlines operate aircraft with multiple seating configurations (above and below 40 seats).

A regional airport operator does not know which aircraft seating configuration an airline will be operating on any given service until it arrives at the airport. Understandably, a situation like this would make it impossible to efficiently staff a screening point, leading to significant cost increases from needing to maintain an operational screening point just in case it may be required.

The current situation forces some regional airports to accommodate these different services by establishing segregated security screening or terminal configurations depending on which operator's aircraft they board – even though in many instances both services will be enroute to the same capital city destination.

The AAA has no objection to passengers already departing from airports without security screening continuing to do so, where no security screened aircraft services currently operate. In this situation, the Government has made a risk-based decision that screening is not justified at the airport due to the limited number of passengers and aircraft operating from that airport being below the 40-seat trigger. This is a pragmatic and intelligence-driven approach supported by the AAA. However, imposing differential treatment of passengers and baggage at airports where the Government has determined screening is warranted for some services and not others is not acceptable.

The AAA recommends that the Government require all SAT and open charter services to be security screened (passengers and baggage - regardless of aircraft weight or seating capacity) prior to departure from an airport terminal with an established security screening point.

In making this minor adjustment to the airport security screening requirements, the Department will remedy a fundamental operational security challenge that has been facing at least 18 regional airports across the country for many years. More importantly a significant gap in the current aviation security framework will be closed and concerns from the travelling public around differential treatment will be greatly reduced.

Are there any specific initiatives that should be supported globally, regionally, and nationally to continue improvement in international passenger facilitation?

Year by year, the flow of passengers and goods crossing Australia's borders is on the rise, reflecting the country's sustained prosperity and its commitment to global connectivity and engagement. This surge in international passenger and cargo activity is fuelling the emergence and enhancement of international airports and seaports.

As these facilities seek to cater to the increasing demands of international travel – the improvement of passenger facilitation has never been more important. The AAA's view is that there are areas where the Government can make significant improvement to Australia's international passenger facilitation efforts.

Passenger Movement Charge (PMC):

The PMC was introduced in 1995, replacing the previous Departure Tax. The PMC was originally designed to recover the cost of delivering border services (customs, immigration and quarantine processing) to travellers and fully offset the cost of issuing short-term visitor visas. The initial rate for the PMC was $27.00. After a series of increases in 1998, 2001, 2008, 2012 and 2017, the PMC now sits at $60.00, one of the highest departure taxes levied in the developed world. The 2023-24 Federal Budget signalled an increase for the PMC to $70.00 on 1 July 2024.

Over time, the link between the PMC and cost recovery of delivering border services has been broken, with PMC funds flowing into Treasury as consolidated revenue. Prior to the pandemic, the PMC generated over $1.2 billion in revenue in FY 2018-19, considerably more than the $436 million of expenditure on border services by the Department of Home Affairs and the Department of Agriculture's biosecurity services. This gap is expected to rise to $1.3 billion of revenue against $447 million in spending by FY 2026-27.[76]

Airports are supportive of strong border protection and biosecurity measures and acknowledge the PMC plays a key role in funding this protection. However, rather than using the PMC as a revenue raising tool, the AAA wants to see some of the surplus PMC funds re-invested in the provision of border services at current and emerging international airports.

RECOMMENDATION 35: The Australian Government should reinvest a proportion of the PMC surplus into improving border processing and biosecurity services at current and emerging international airports.

[76] Based on information provided by the Australian Federation of Travel Agents.

Emerging international ports:

A feature of the post-pandemic aviation recovery has been the willingness by international carriers to pioneer new routes. In particular, new 'point to point' routes to Australian destinations from hubs in fast-growing travel markets in North-east, South-east and South Asia, often incentivised by state or territory government aviation attraction funding.

Beyond Australia's seven 'Major' international airports which have border services available to all scheduled and non-scheduled services, there are a further 20 'Restricted Use' and 'Alternate' airports with border services available with prior approval. [78]While some of this second category of airports currently accept regular international flights (Canberra, Gold Coast, Townsville), other airports either have infrastructure available to regularly support international flights but no staff, or require both border services infrastructure and staff to support regular international flights.

'Emerging' airports lacking border services infrastructure and staff face significant barriers to achieve an international capability, particularly as the Australian Government's policy advice to emerging ports states that airports must assume the revenue risk for both attracting international carriers and establishing the Australian Government's border services facilities. Government advice states that: "…Port operators are advised they are responsible for costs associated with relevant infrastructure and facilities required to support international services. This includes any costs associated with establishing or redeveloping a border services capability at the port incurred by the Australian Government".[79]

This policy decision works against Australian Government efforts to attract international services to new airports by creating significant upfront costs to route development. In terms of operating costs for emerging ports, there are also issues of resourcing by Australian Border Force (ABF) that hold back emerging ports with international facilities from facilitating new routes, particularly in northern Australia.

The following case study indicates how ABF staff limitations in northern Australia constrain the ability for regular international air services to recommence without substantial additional costs to airports and airlines. To service the return of a pre-COVID international route to a Pilbara airport for one flight a week, ABF specified that six to nine staff would need to be flown from Perth and accommodated at the expense of the airport and airline. The situation was complicated by the

presence of ABF to provide maritime border services at the seaport in the same city, which has also created competing priorities for local ABF staff in serving international air charter operations over maritime operations, a situation compounded by understaffing of the maritime ABF post, with 11 vacant positions from an approved establishment of 14.

Seamless border facilitation

In 2020 the promotion of best practices in facilitating seamless travel[80] and enhancing the overall traveller experience was recognised as one of the two key pillars within the global aviation and tourism agenda. This emphasis on seamless travel was deemed crucial not only for fostering future growth in, industry but also for yielding a myriad of additional benefits[81].

[80] Working definition: The provision of a smooth, efficient, safe, secure, and enjoyable travel experience from a traveller's point of origin to a destination, and back again.

[81] OECD (2020), 'Safe and Seamless Travel and Improved Traveller Experience', Viewed on 28 November 2023.

Four key topic areas encompass the critical aspects of seamless travel and provide a framework for addressing the associated challenges while also capitalising on opportunities to enhance international passenger facilitation.

Visa Requirements: This area encompasses challenges related to visa processes and requirements, such as streamlining visa acquisition procedures, improving visa policies to facilitate easier travel, and promoting visa-free or visa-on-arrival arrangements. Opportunities may include enhancing international cooperation on visa policies and technologies to expedite the process for travellers.

Digital Traveler Identity, Biometrics, and Security: Issues within this category involve the adoption of digital identification methods and biometrics for travellers, ensuring data security and privacy, and combating identity fraud. Opportunities can include the development of secure, standardised digital traveller identity systems and biometric verification, enhancing cybersecurity measures, and promoting international collaboration on secure travel documentation.

Multi-Modal Transport and Connectivity: Challenges related to multi-modal transportation include coordinating various modes of travel, ensuring seamless connections between different transportation systems, and improving overall transportation infrastructure. Opportunities lie in investing in integrated transportation networks, creating user-friendly travel hubs, and promoting sustainable and efficient transportation options.

Visitor Handling, Information, and Management: In this area, the focus is on improving the management of travellers, providing them with necessary information, and enhancing their overall experience. Challenges may involve crowd management, communication, and the availability of real-time information. Opportunities include the use of technology for visitor management, the provision of information through mobile apps and other digital platforms and adopting smart solutions for crowd control and destination management.

Many countries are open to increased cooperation and collaboration, particularly in the exchange of information and best practices. They are interested in both bilateral and multilateral agreements, including mutual visa waivers and third-party leverage arrangements - these are trends that reflect a global effort to make air travel more accessible and convenient while ensuring security measures are not compromised. Government and stakeholder collaboration, along with the use of technology are central to achieving these objectives, while also enhancing passenger facilitation.

RECOMMENDATION 36: That the Australian Government prioritise border and visa processing arrangement with a trial of new technology to enable seamless travel.

CHAPTER 9 –
Emerging Aviation Technologies settings

The AAA agrees with the Department's statement at the beginning of this Chapter in the Green Paper, where emerging aviation technology (EAT) is expected to transform the aviation sector. While the timing and pace of deployment are not certain Australia has an opportunity to become a global leader in EAT, particularly for drones and advanced air mobility (AAM).

The AAA also agrees that EAT has a vital role to play in transitioning the GA sector toward Net Zero. The right policy settings and funding support from the Australian Government to encourage EAT's adoption are essential for a flourishing industry that addresses safety, security and community concerns.

Other countries are already moving fast on EAT, particularly in uncrewed aerial vehicles (UAVs), with European regulators recently certifying a cargo UAV with a 500kg payload and a range of 1500 km to begin service in 2024, with a use case delivering mail and parcels to the Greek Islands[82].

Enabling infrastructure for manufacture and uptake of emerging technologies:

The Green Paper forecasts a leading role for GA airports as a launching pad for emerging technologies and locations for manufacturing, research and maintenance of EAT. The AAA sees opportunities for metro and regional GA airports to become innovation and technology hubs to enhance development, collaboration and delivery of such technologies for the benefit of the entire aviation industry.

The AAA looks to government to support this vision by recommending targeted investment in EAT at GA airports beyond the current set of small-scale initiatives including the now closed Emerging Aviation Technology Partnerships Program.[83]This could involve funding significant co-investment with airports to bring forward the necessary skills, infrastructure, facilities and services required to establish and maintain a viable onshore EAT sector.

Airports are the logical location for this , with metro GA airports already acting as urban anchors for EAT, alongside hosting leading AAM companies as on-airport tenants and access to significant infrastructure, labour pools and controlled airspace. Regional and remote GA airports will also play an important role as hubs for basing and deployment of EAT across a range of applications.

[82] John Koetsier (2023), 'Delivery drone carries 800 pounds for 1550 miles coming to the US in 2025', Forbes, 1 September. Viewed on 22 November 2023 from: https://www.forbes.com/sites/johnkoetsier/2023/09/01/delivery-drone-carries-800-pounds-for-1550-miles-coming-to-the-us-in-2025/?sh=308c506c204a

[83] DITCRDA (2023), Emerging Aviation Technology Partnerships Program. Viewed on 22 November 2023 from: https://www.drones.gov.au/policies-and-programs/emerging-aviation-technology-partnerships-program

The AAA views potential funding streams as including a 'General Aviation Airport Innovation Infrastructure Program' to provide enabling aeronautical and energy infrastructure at GA airports, while a 'Flight School Innovation Growth Program' would build on the existing specialisation in flight training at metro and regional GA airports to train pilots and maintenance crews ready for EAT operations – particularly important given the growing global pilot shortage. These funding streams would open up funding from airports to provide support to grow a domestic EAT industry through fit-for-purpose infrastructure and the training of skilled pilots and ground crews.

RECOMMENDATION 37: The Australian Government should support airports in infrastructure and skills required to support a domestic Emerging Aviation Technology (EAT).

Regulating EAT systems: Ensuring safe operation of large or human rated EAT systems at airports and in controlled airspace will be vital to support development of vertiports in urban, regional and remote areas.

A fair amount of work has already been done in CASA and Airservices Australia on possible standards needed to regulate EAT, but limited progress has been made to turn these initial thoughts into reality. A very clear road map from CASA, ASA and the industry need to be agreed, resourced and funded, otherwise Australia will waste a huge opportunity to be at the forefront of this next generation technology.

The AAA supports and encourages EATs and their planned integration and safe operation into Australia's aviation system. This will not come without a cost to industry and government and there must be a clear-eyed appreciation of what the introduction of EAT means, without lessening focus on the core business of safely and efficiently operating SAT, GA, military and other aviation across the national network.

The AAA recommends the Infrastructure and Transport Ministers Meeting (ITMM) endorses CASA and Airservices to develop a regulatory regime to support safe deployment of EAT systems in Australian skies, similar to efforts undertaken by the National Transport Commission under direction from the ITMM to support safe deployment of connected and automated vehicles on Australian roads.

RECOMMENDATION 38: The Infrastructure and Transport Ministers Meeting (ITMM) should endorse CASA and Airservices to develop a regulatory regime to support safe deployment of EAT systems in Australia.

CHAPTER 10 –
Future Industry Workforce

During the pandemic, the airport sector and the aviation industry more broadly suffered a skill drain as many employees either retired or left the industry for other parts of the aviation industry or elsewhere in the economy. As a global industry, aviation suffered severely. It was estimated 2.3 million jobs (or 21 percent of the global aviation workforce) were lost across airports, airlines, and civil aviation bodies, posing significant global challenges to the commercial aviation industry at a time when recovery remains fragile[84].

While the Australian Government invested heavily in the retention of skilled airline workers during the pandemic, as part of its $3.22 billion in financial support to airlines (63.5% of all financial support to the aviation industry)[85], airports were less able to retain their significant skills base, with losses falling particularly heavily in safety and security-critical roles that ensure aviation safety and regulatory compliance. This has affected the status of jobs in the aviation industry as high-status, secure work.

In 2022, 3,700 workers were directly employed in managing core activities of Australia's airports. The current profile of workers at Australia's airports varies across regions and airport types. Overall, approximately 41% of workers directly employed by airports are female, with overall female workforce participation being reasonably consistent across airport categories.

Aboriginal and Torres Strait Islander people make up a higher share of remote airport workforces in line with their higher representation in these communities. However, Aboriginal and Torres Strait Islander people are somewhat underrepresented in major, major regional and metro airports, being between 1% to 3% of the workforce, despite representing approximately 3.8% of the Australian population.

On average, people who identify as disabled make up 2% of Australia's airports' workers. As other sources of reporting on the prevalence of disability in the Australian population vary

Chart 10: Proportion of employees that are Aboriginal and Torres Strait Islander
Source: Deloitte **Access Economics**

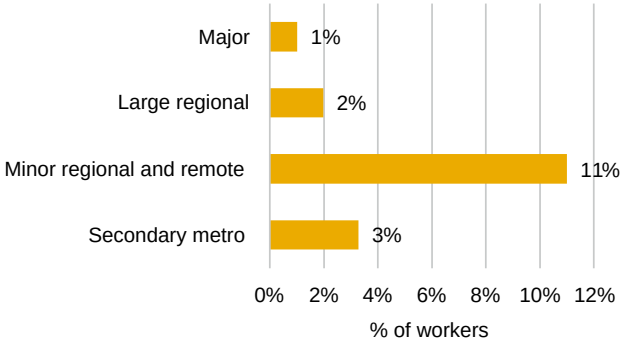
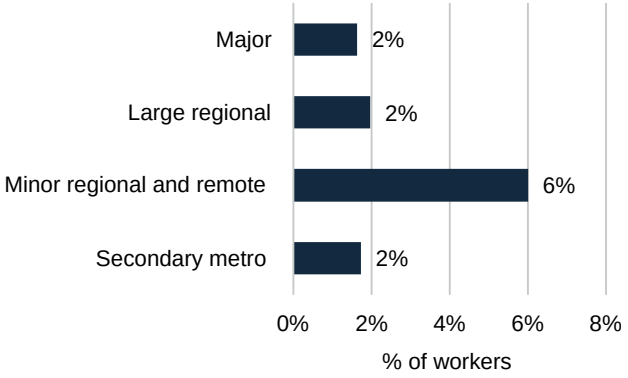


Chart 11: Proportion of employees that are disabled
Source: Deloitte **Access Economics**



[84] Nicholas Fearn (2022), 'Aerospace industry grounded by lost jobs and lack of staff', Financial Times, 20 July. Viewed on 3 March 2023 from: https://www.ft.com/content/93736968-8fcf-425f-b8e5-fcd9736d37f6

[85] 2022 figures based on Australian Airports Association analysis of Australian Government data on its support to the aviation industry.

Australia's airports are taking specific action to improve the skill levels and diversity of their workforce. The survey of airports revealed a strong commitment from airports to provide training and skills development for workers, to incorporate flexible work options, and to promote improved diversity outcomes for their workforce.

Flexible work arrangements, formal internal training and external training were reported as the most effective initiatives to increase skills, qualifications, and experience development of airport staff.

Almost 90% of airport survey respondents reported that internal training programs and external training were somewhat or very effective. Two thirds of the airport survey respondents had explored new sources of workers in the past 3 years, and 78% of these found this to be successful at increasing workforce skills and effectiveness reinforcing the potential to look beyond traditional hiring sources and cohorts.

Airports have taken numerous actions to improve workforce cultural, gender and skill diversity. Some 50% of airport survey respondents in each category have initiatives covering gender equity hiring policies, cultural awareness training and mentoring programs. Diversity targets are less common, with specific quotas implemented at major airports and major regional airports.

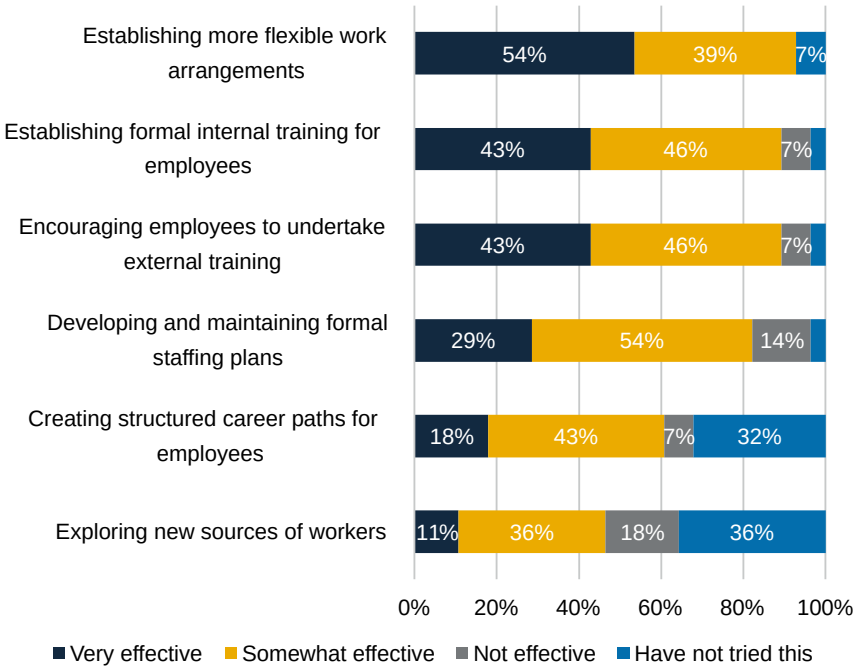


Chart 12: The proportion of surveyed airports that have undertaken programs to increase worker skills, an their effectiveness
Source: **Deloitte Access Economics**

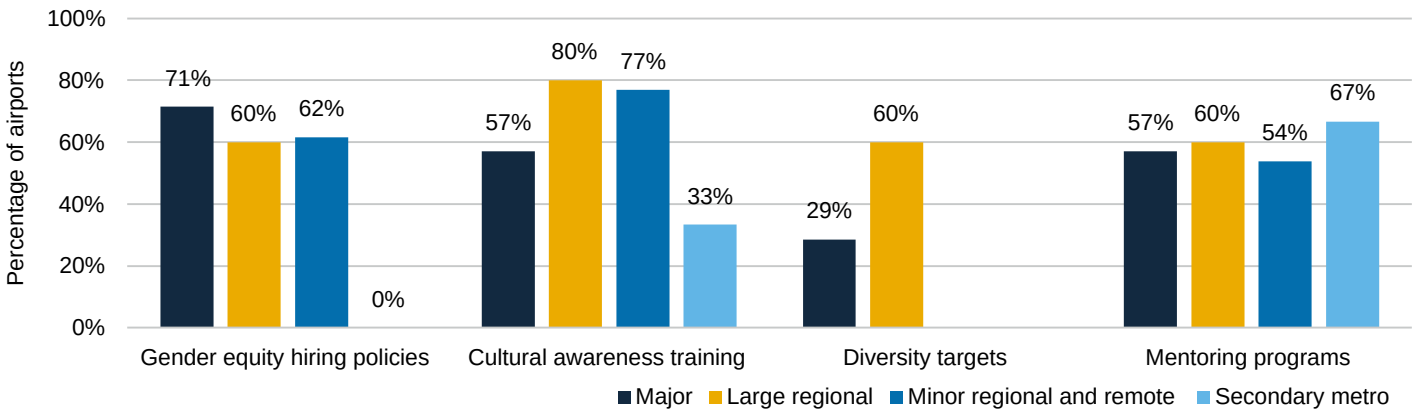


Chart 13: The proportion of airports that undertake the following workforce diversity initiatives
Source: **Deloitte Access Economics**

How should governments and industry prepare Australian workers for the new skills required for the technological transition and net zero fuels?

Net zero workforce transition must be a national priority which needs dedication from industry, government, and communities to ensure equitable distribution of the advantages stemming from clean energy initiatives. This involves establishing fundamental and preparatory training programs, setting transparent diversity objectives, and constructing a transition framework that centres around the needs of workers.

The success of workforce transition hinges on trust in both government institutions and industry. Governments should take the lead in encouraging and orchestrating private sector involvement, also making decisions on cost distribution. 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.

The journey towards net-zero in the aviation sector significantly influences airport safety. The adoption of sustainable practices requires airports to implement new infrastructure, such as electric charging stations and renewable energy sources.

These changes will require significant planning to ensure uninterrupted operations while minimising safety risks. The introduction of eco-friendly aircraft and alternative fuels demands updated emergency response procedures and firefighting capabilities. Enhanced training for airport personnel becomes crucial to manage potential challenges associated with new and emerging technologies.

As airports evolve to support greener practices, a comprehensive approach to ensure government policy, regulation and safety practices are keeping pace to safeguarding both environmental goals and the well-being of passengers and staff.

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?

Australian Government's Workforce Gender Equality Agency's figures show that on average 8% of technical roles at airports are filled by women and around 27% of management and professional roles were held by women[86]. While this is better than the broader Transport, Postal and Warehousing sector, there is still a need to attract and retain more women into airport careers.

Australia's airports are investing in initiatives and strategies to develop the skill levels, experience, and qualifications of their staff. Airports have a strong commitment to increasing the diversity of their airport workforce – providing training and development opportunities, incorporating flexible working options, as well as working to improve overall diversity outcomes for the sector.

Most Australian airports (regardless of size) have reported on initiatives that assist in the attraction and retention of underrepresented groups, with specific Initiatives including changes to recruitment processes, looking beyond traditional hiring cohorts, cultural awareness training and mentoring and training programs.

[86] Workplace Gender Equality Agency (2022), WGEA Data Explorer. Viewed on 2 March 2023 at: https://www.wgea.gov.au/data-statistics/data-explorer

The Department's current 'Women in the Aviation Industry' program tends to focus on pilots, aviation engineers and air traffic controllers rather than airport roles. The Department should aim to target airport roles to women as part of this program, as well at looking at ways to fund current airport workforce initiatives by industry, such as the AAA My Airport Career project, AAA Women in Airports Forum.

RECOMMENDATION 39: As part of any future Australian Government reform to vocational education and training (VET), the aviation sector should become **its own industry-specific skills cluster alongside the space sector which** share similar technology and training requirements for safety and regulatory compliance.

RECOMMENDATION 40: Governments should look to incentivise training for First Nations people for aviation roles. The Government could do this by supporting AAA and traineeship program.

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

As stated previously, Australian Governments have focused almost exclusively on pilots and aviation engineering skills, as was the case in the last major study of skills and training in the sector, 2018's Report of the Expert Panel on Aviation Skills & Training. An airport specific inquiry would be welcomed and focus on the range of roles at airports and include forward looking matters such as the future of work, technological change and changes to skills and training.

What role can reform 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 attain an Aviation Security Identification Card (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.

CHAPTER 11 –
International Aviation

There is an urgent need for Australia's bilateral air services agreement negotiation processes to provide capacity ahead of demand as the principal issues passengers are facing are lack of capacity and high airfares in traveling to and from Australia.

As Australia is geographically disadvantaged sitting at the periphery of the global aviation network, post-covid it faces substantive capacity issues in the number of seats available currently flying in and out of Australia. The knock-on effects of this lack of capacity have led to higher airfares as a function of supply demand – especially post Australia's opening of its borders in February 2022 and Australians took the opportunity to travel overseas. Suppressed demand from two years of closed borders and high household incomes meant that many travelers were less sensitive to price than usual when traveling to visit friends and relatives or leisure travel. Airfares were high, compounded by the slow return of capacity on international routes. Air connectivity and affordable airfares remain critical in ensuring that Australians can travel and visit loved ones overseas.

Alliances

The current state of Australia's international aviation is characterized by lack of competition as Australia's international airline routes are increasingly concentrated both between carriers and in alliances. Lack of competitiveness is directly impacting the cost of airfares as fewer airlines servicing Australia allows them to set their prices unfavourable to the consumer's preferences.

On alliances, due to the dominance of Qantas in the international market as a result OneWorld (which Qantas is a part) is the dominant international alliance accounting for almost half (48.3%) of all passenger movements through Australian airports. Star Alliance accounts for another 28.6% meaning more than three out of every four passengers travels on carriers of both alliances. The remainder travel on either the smaller SkyTeam alliance (6.5%) or non-aligned carriers (16.6%). The figure below highlights Australia's international airline routes are increasingly concentrated both between carriers and in alliances.

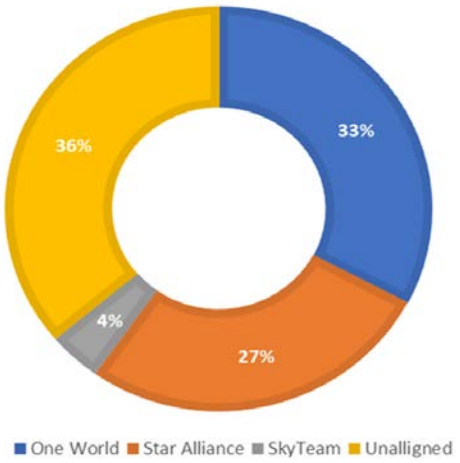


Chart 14: Breakdown of Australian international passenger movements by alliance 2022.
Source: AAA analysis of BITRE and airline alliances data

Air Routes

Market concentration also needs to be analysed by routes as high levels of concentrations have been highlighted in most routes flown in and out of Australia, except US and China. The figure shows recent research by aviation economist Dr. Tony Webber highlighted that only Australia-United States and Australia-China are considered competitive.

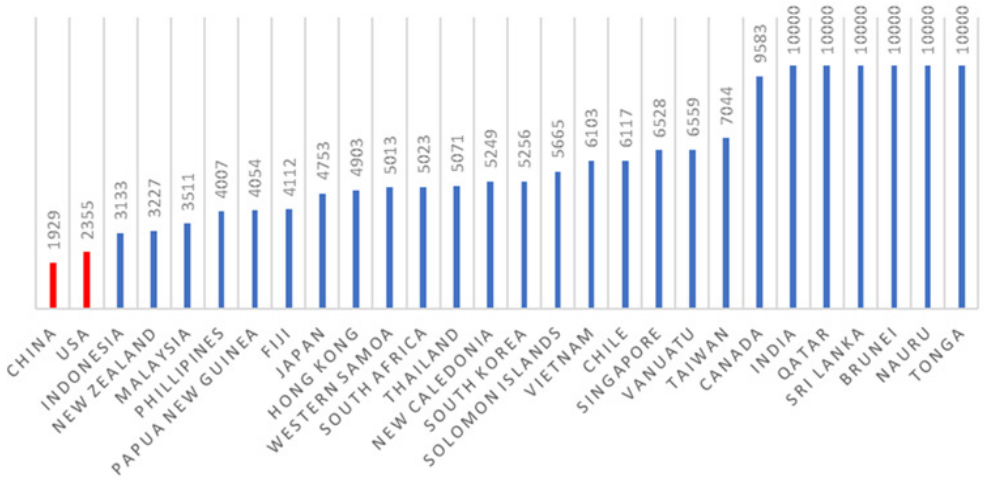


Chart 15: HHI index for key Australian international aviation markets. (Source: Dr Tony Webber)

Dr. Webber's research used the Herfindahl–Hirschman index (HHI), as mentioned in Chapter 3, to plot the levels of market concentration. It is an accepted, commonly used measure to determine competitive markets by the size of the HHI score, A market with an HHI of less than 1,500 is considered competitive, an HHI of 1,500 - 2,500 is moderately concentrated, and an HHI of 2,500 or greater is highly concentrated. Key routes to outbound and inbound tourism growth markets (China, Japan, Malaysia, India, South Korea, Sri Lanka, Vietnam) are highly concentrated, as are key trunk routes to global aviation hubs such as Singapore and Qatar.[87]

Importantly, as migration from particular countries such as India see historic highs, specific international routes should also be made more competitive. While Australia's international airline market share is less concentrated than its domestic market share, key routes such as Australia-India are still less competitive than its domestic market share. The Australia-India route is of particular importance to Australia because India is the only one of the top ten source countries of international arrivals in 2022-23 to excel pre-covid levels, reaching 103% of 2018-2019 arrivals. [88]Meanwhile, China had the lowest rate of recovery, reaching just 17% of the 2018-2019 volumes.[89]

The themes of alliances and air routes both show that market concentration is leading to lesser choice for consumers combined with higher airfares.

Currently Australia has open-skies agreements with just seven countries: China, India, Japan, New Zealand, Singapore, United States and the United Kingdom (UK). In comparison the US has the same agreement with more than 100 countries while Canada has it with 23 countries and Singapore with 60 other countries. [90]Evidently, Australia lags behind its counterparts in establishing agreements on unlimited capacity with other countries. Thus, to promote more competition in the international aviation sector, there needs to be more international carriers flying into and out of Australia.

[87] Dr Tony Webber. Linkedin post. Viewed on 15 September 2023 from: https://www.linkedin.com/posts/drtonywebber_a-journalist-from-the-afr-rang-me-this-afternoon-activity-7104716167486873600-h9lT?utm_source=share&utm_medium=member_desktop

[88] ABS (2023). Overseas Arrivals and Departures, Australia, July 2023 https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/jul-2023

[89] ABS (2023). Overseas Arrivals and Departures, Australia, July 2023 https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/jul-2023

[90] Ian Douglas and Seena Sarram, 'Under 'open skies', the market would decide how often airlines fly into Australia' UNSW News, 12 September 2023, viewed on 28 November 2023

Another potential lever to promote competition in international aviation markets would be to empower the Australian Competition and Consumer Commission (ACCC) to better scrutinise Master coordination agreements (MCAs) between international carriers flying in and out of Australia. These MCAs allow carriers to co-ordinate their passenger, air cargo and ground operations across their networks for a set period. The most recent MCA approved by the ACCC was renewal of the Qantas-Emirates MCA for a further five years to 2028.[91]

Are there other issues or concerns associated with the Australian Government's approach to negotiating aviation bilateral agreements that you wish to highlight? 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. 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 current 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 jurisdictions 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. For example, Queensland's state government and four international airports have pooled in $200 million for an aviation "war chest" to fast track more direct flights into Queensland to boost its tourism sector which was poorly affected by Covid-19 pandemic.

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

[91] ACCC (2023), 'Qantas Airways Limited & Emirates'. Viewed on 23 October 2023 from: https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/qantas-airways-limited-emirates-0

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.

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 made[92]. 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.

RECOMMENDATION 41: The Australian Government reshape its processes for bilateral air services agreements to consult widely and provide greater transparency around decision making.

[92] Productivity Commission, Inquiry into Commonwealth bilateral air service agreements submission 2023.

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

Currently, the existing market concentration especially in the domestic sector has been the main factor behind the poor performance and high airfares. Any changes made to change the foreign investment need to be made keeping in mind the lack of effective competition in the aviation sector. Most importantly, despite significant inflation and rising airfares, airport rates have remained flat. This is significant because airports have also been facing labour shortages and increased prices of cost of building materials yet it has not impacted the airport charges.

Canada has recently changed their foreign investment rules to improve competition as it allowed the entry of low-cost carriers into the market. In 2018 Canada introduced Bill C-49 that eased foreign ownership restrictions for carriers in Canada allowing the entry of new low-cost carriers like Swoop, Lynx Air and Canada Jetlines. Their entry has significantly lowered airfares and increased competition, especially as legacy carriers work on the 'hub-and-spoke' model while low-cost carriers carry out 'point to point' connections making it more efficient to fly the latter rather than the former. Additionally, easing restriction on foreign ownership has also allowed the low-cost carriers to access a larger pool of investment capital in Canada.

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

One way to maximise benefits through its existing international aviation program is to align its strategic and regional priorities. Australia can use its existing expertise and capacity in airport security (focussing on immigration, customs and biosecurity) to assist in capacity building for airports in the Pacific region.

The Pacific region remains a key strategic priority for Australia to engage with and balance the growing presence of China. Australia can use its capacity building initiative in the airport sector for strategic leverage especially as China seeks to grow its presence in the region through its recently signed Comprehensive Strategic Partnership with Solomon Islands.

Events like the Pacific Games, which incidentally are to be held in Honiara this year highlight the challenges faced by Pacific Island Airports in monitoring biosecurity hazards and where Australia can provide assistance. Specifically, it can provide technical assistance through training of the Biosecurity Solomon Islands (BSI) staff under the Australian Border Force in how to manage the risks posed by poor security screening.

Through this assistance, Australia can also demonstrate its commitment to the priorities of the International Civil Aviation Organization (ICAO) and highlight its role as a responsible international actor. Specifically, this assistance could align with ICAO's 'No Country Left Behind' (NCLB) initiative which ensures that Standards and Recommended Practices (SARP) implementation is better harmonized globally so that all states have access to the significant socio-economic benefits of safe and reliable air transport[93].

Assisting the Pacific Airports to streamline their border security will also be in Australia's self-interest. The 'Australian National Aviation Safety Plan 2021-2023' outlines that one of Australia's key priorities is to 'reduce the likelihood of Australians being involved in an aviation accident outside of Australia by supporting and influencing global aviation safety'. [94]Under this priority, the plan outlines assisting ICAO's 'Pacific Small Island Developing States Aviation Needs Analysis' by engaging with Pacific aviation bodies such as the Pacific Aviation Safety Office (PASO). Increasing transport security by engaging bilaterally with regional partners in the Pacific will be an opportunity to plan its international aviation program in a way that combines both national interest.

Consultation

- **676 individual members** were consulted
- **94% of AAA member airports** were consulted
- **7 AAA committees and working groups** provided feedback on individuals chapters and the consolidated draft.
- **210 regional and small regional airports/aerodromes** were consulted.
- **90% of mid-sized airports** provided feedback
- **100% of capital city airports** provided feedback
- **4 metro airports** provided individual feedback.

[93] International Civil Aviation Authority, 'No Country Left Behind', Viewed on 24 October 2023 from: https://www.icao.int/about-icao/nclb/Pages/default.aspx

[94] Australian Government, The Australian National Aviation Safety Plan 2021- 2023, Viewed on 24 October 2023 from: https://www.infrastructure.gov.au/department/media/publications/australian-national-aviation-safety-plan-2021-2023#:~:text=It%20identifies%20initiatives%20that%20are,short%2C%20medium%20and%20long%20term.

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