

RESPONSE TO AVIATION GREEN PAPER TOWARDS 2050

Burnie Airport (YWYY)

Burnie Airport is located on the northwest coast of Tasmania (In the Township of Wynyard). We serve Rex and QantasLink Airlines on the Burnie Melbourne route and Sharp Airlines on the King Island, Launceston route. We supply services to Aeromedical Services, fire fighting, flight training and local General Aviation.

The Airport is in a region classified as outer regional area of Australia in accordance with the ABS Remoteness classification ¹.

Regional and remote airports policy development

The Green Paper does not really define the regional and remote airport segments of the airport sector and refers to them variously in discussion about semi-metropolitan airports, regional aviation and general aviation, the latter not usually a term used in relation to airports.

Although not necessarily setting out to do so the Aviation Green Paper highlights a policy vacuum in relation to the regional/remote airport sector of the aviation industry.

This may be due in part to a long-standing interpretation of the Australian Constitution as giving state and territory governments power over regional aviation as it is regarded largely as being an issue of intra-state trade.

On the other hand, the Green Paper acknowledges that the Australian Government's Regional Investment Framework could be utilised to support investment in regional/remote airports, in keeping with its objectives to enable "the Australian Government to support people, the places they live in, the services they rely on and the regional industries and local economies that are vital to the nation's prosperity."

In this context it is imperative that the Australian Government identifies and commits to financial support for a strategic network of regional/remote airports that provide essential services and support strong and sustainable regions especially where no suitable road network exists or where distance is a barrier. Regional and remote airports connect Australia and in many places replace the road system. This may also be the case when road systems are impassable as a consequence of natural disasters and air access is the only possibility for emergency relief.

¹ ABS (2021): Map of ASGS Edition 3 Remoteness Areas for Australia, as accessed 30 November 2023, <https://www.abs.gov.au/statistics/standards/australian-statistical-geography-standard-asgs-edition-3/jul2021-jun2026/remoteness-structure/remoteness-areas>

Some regional/remote airports are privately owned, but the majority are owned and operated by local governments following their forced transfer under a programme implemented by the Commonwealth Government. The majority have no passenger transport service/s, which are universally recognised as the primary driver of aviation revenues for an airport, and no opportunity for non-aviation revenue generation.

The Green Paper notes that prior to this “deregulation” initiative that was pursued in the 1990s, there were 278 regional/remote airports with passenger services, and this number has fallen to 142 (-49%). In the same period the number of regional airline routes fell from 458 in 1989 to 251 (-45%) in 2019 and the number of remote routes from 264 to 163 (-38%).

These significant reductions are hardly surprising outcomes of the resulting market forces triggered by ownership transfer as many routes proved to be too “thin” to allow the new owner/operator to levy the charges necessary for economic survival.

Many regional and remote airports are not commercially viable. If these airports are not viable they do not have the funds to provide safe operations and to achieve other targets such as net zero emissions.

In many respects the Green Paper downplays these consequences, preferring to focus on the successful privatisation of the 22 Leased Federal Airports (LFAs) and the subsequent investment in airport infrastructure at those locations – primarily the capital cities and adjacent regional centres.

While this privatisation did include a few smaller regional/remote airports these were privatised as part of a package that allowed subsequent cross-subsidisation by their owners from their linked LFAs.

It is also true that a number of regional airports transferred to local authority ownership are operated as successful business entities, but these are located in larger “inner regional” population centres and primarily along the eastern seaboard of Australia.

It is notable that even these airports are dependent on government grant programmes and/or subsidies to undertake major capital works projects, as examples \$60m in state/Commonwealth funding to construct an Alliance Airline maintenance hangar in Rockhampton, \$35m Victorian government funding of the Ballarat [Airport] West Employment Zone, \$60m Commonwealth and \$10 Tasmanian government funding for the runway upgrade at Hobart Airport, and \$5m Tasmanian government funding for the Launceston terminal upgrade.

A recent study commissioned by the Australian Airports Association² – the Deloitte Report - identified that while airports are a significant contributor to GDP this is mostly the result of economic activity at these major city and inner regional airports. Both their direct and indirect economic benefits – those generated as a result of core airport activities, and those resulting from other activities within the wider airport precinct - are significant and generate further economic activity within the major cities and/or regions in which they are located.

In real terms the bulk of Australian airports – numerically representing some 97% of our airport network - that serve outer regional, remote and very remote localities, are notable primarily because of their social importance. While both the Green Paper and the Deloitte Report acknowledge the typical outer regional, remote and very remote airport “not only connects regional communities, but contributes positively to local economic growth, social cohesion and productivity” this can be difficult to quantify in monetary terms and not so readily comparable with their larger counterparts.

While their local owners may attempt to operate these airports in accordance with normal business principles they will generally operate in deficit, with the deficit funding being justified by the local owner’s social or community service obligations.

Most regional and remote airports suffer from deteriorating infrastructure as most were “gifted” to local communities in the middle 80s and these airports are not generating enough funds to replace these essential local and national assets.

The Green Paper itself notes that total demand for air travel is much lower in regional areas, with the average regional route carrying about 5% of the annual passengers on an average “metro route” and that due to thin markets, regional routes typically have fewer services, less competition, and higher fares.

As an aside, this highlights an ongoing problem with inconsistent use of terminology in discussing market dynamics as “metro route” is not a commonly used or defined term in aviation parlance. Any policy development initiatives adopted as a consequence of this Green Paper consultation should seek to derive and adopt a set of commonly agreed terms.

We are concerned that government policy is framed primarily in the light of airport privatisation outcomes and a handful of successful local ownership transfers, and so-called “light touch regulation” rather than by analysis of the airports serving their local communities by providing services to regional and general aviation.

² Deloitte Access Economics (November 2023), Taking Flight: The economic and social contribution of Australia’s airports.

The Green Paper acknowledges that details are lacking about “specific circumstances of particular regions” and suggests that an enquiry may be justified as recommended by the Senate Rural and Regional Affairs Transport References Committee in 2019 into determinants of airfares on routes to and between regional centres in Australia. It goes on to state that “any enquiry could, via a detailed economic analysis, investigate the feasibility of increasing operational subsidies and introducing other price control alternatives to address the high cost of regional airfares and consult with regional communities to determine whether additional routes should be subject to regulation, to help ensure competition settings are right for the aviation sector to foster the continued growth of our regions.”

We agree that such an enquiry is warranted but should be expanded in scope and not be restricted to an analysis of market forces in those outer regional, remote and very remote airports serviced by regional airlines. It is vitally important to gain an understanding of the full extent of regional and general aviation activity at these airports. The scope of the enquiry should include financial modelling of typical representative airports to gain an understanding of cost burdens, potential aviation incomes (if any), and the financial subsidies required to support their ongoing operation, maintenance and reasonable capital expenditure programmes.

In the interests of future standardisation – or consistency in terminology - this enquiry should be informed by a 2019 BITRE project which analysed the spatial distribution of population across Australia, identifying 2450 cities, towns and villages (CTVs), defining these as both a population and a service centre.³ Of these 33 were categorised as major cities or as population centres with more than 50,000 people, and a further 36 CTVs were identified as population centres in inner regional Australia with populations of 20-49,999 people. This core group of LFAs and larger airports transferred from Commonwealth to local government ownership are likely to be associated with these CTVs.

The remainder – 2381 of 2450, or 97.2% of the identified CTVs – are population centres with fewer than 20,000 people located either in outer regional, remote or very remote areas of Australia. Of these, the vast majority – 2258 or 94.8% - are population centres with less than 5,000 people.

It is worth noting that the number of CTVs identified corresponds closely with the total number of airports/airstrips that support aviation in Australia. The BITRE study should be updated and extended to identify which CTVs are directly associated with an airport.

This data base could be cross-referenced to the CASA register of certified aerodromes, and to BITRE aviation statistics of airport traffic data for Australian airports with scheduled passenger services.

It should be possible to establish a linkage between population as the catchment of demand for an airport, passenger numbers as the primary basis for aviation revenue, CASA certification as the primary determinant of operating costs, and the resultant ability or inability for an airport to be financially self-sufficient.

³ BITRE (2019), Information sheet 96: An Introduction to where Australians Live.

Terms of reference for this enquiry should therefore include:

- determine which airports/airstrips are located within or associated with CTVs classified as outer regional, remote and very remote in accordance with the ABS Remoteness classification⁴;
- determine the population of the relevant CTV (or CTVs in the case of population clusters);
- determine which of these airports/airstrips are required to be certified under CASA regulations;
- determine which of these airports/airstrips support regional airline services and quantify the number of annual passenger movements;
- create generic financial models for a range of representative airports – for example population base less than 5,000 people, with no regional airlines services provided, and CASA certification required - to identify the likely financial assistance needed to support normal operating and maintenance costs with a reasonable provision for future capital works;
- identify a strategic network of outer regional, remote and very remote airports required to deliver the Australian Government’s economic objectives to all Australians; and
- recommend an ongoing basis of funding to achieve this objective.

While the Green Paper proposes continuation of the existing funding policy for airport security – namely site specific funding with per passenger costs recoverable from the airlines – this policy should also be reviewed, either independently or as additional terms of reference for the enquiry. We agree with the Regional Airlines Association in its submission that this policy adds an unacceptable increment to airfares on regional routes. An alternative mechanism, preferably to fund airport security operating costs by Australian Government levy applied equally on all airfares, with reimbursement of site specific cost to airport operators, should be investigated in the interests of equity pricing for these regulated requirements.

The Green Paper does not address the anti-competitive nature of the security screening cost recovery system. We understand that security screening at airports like Sydney and Melbourne cost maybe up to \$10 a passenger. It is estimated that operation expenses (i.e wages) for security screening, would at Burnie Airport add at least \$60 on an outbound ticket. This figure does not include any charges for equipment or building upgrades, both of which would incur substantial costs and add to the ticket price charge. Regional and remote airports do not screen to protect their local areas. They screen to protect the large metropolitan areas such as Melbourne and Sydney which are hubs for their regional air services. Therefore passengers in the large metropolitan areas should contribute to the cost of screening at regional and remote airports. This could be done quite easily by the implementation of a network / passenger charge.

The current system is truly anti-competitive and should be reviewed by the ACCC.

⁴ ABS (2021): Map of ASGS Edition 3 Remoteness Areas for Australia, as accessed 30 November 2023, <https://www.abs.gov.au/statistics/standards/australian-statistical-geography-standard-asgs-edition-3/jul2021-jun2026/remoteness-structure/remoteness-areas>

Airports are one of the most highly regulated sectors of the Australian economy. In general terms there needs to be a move away from the model that one size fits all. The regulatory burden on regional and remote airports is disproportionate as must comply on the main with the same regulations and rules as applied to airports with millions of passengers or high volume of aircraft movements.

The Green Paper also deals with future strategies to achieve net zero emissions by 2050, such as the adoption of alternative electric or electric/hydrogen propulsion systems for regional aircraft, the wider use of sustainable aviation fuel (SAF) and/or the provision/use of sustainable power generation/supply at Australian airports.

Battery powered aircraft most likely will have a greater weight on landing when compared to fuelled aircraft who use up fuel during the flight and consequently would land at a lighter weight. The ageing infrastructure at regional and remote airports will most likely not be able to accommodate this extra loading demand and consequently damage will be done to runway, taxiway and apron infrastructure.

While commendable and necessary initiatives they may well require considerable and additional infrastructure investments for Australia's outer regional, remote and very remote airport network.

The financial modelling as proposed in this submission will need to be regularly reviewed and updated to take account of these increased capital investments and consequent increase in ongoing operating/maintenance cost to remain valid through to 2050.

While foreshadowing the adoption of alternative aircraft propulsion technologies and the widespread possibility of drones and air aviation mobility (AAM) systems in regional aviation, the Green Paper nevertheless acknowledges that their full adoption may not be realised before 2050, and that existing regional airline turboprops – currently 30-40 years old - will need replacement in this timeframe.

The Green Paper acknowledges that given the range of aircraft currently in production this inevitably means aircraft upsizing and additional cost burdens for regional and remote airports, as their introduction may require infrastructure upgrades and/or increased wear and tear and associated maintenance costs for existing infrastructure.

Larger aircraft will also trigger passenger screening.

This also needs to be factored into the financial models developed to inform the quantum of funding for the strategic outer regional, remote and very remote airport network.

The Green Paper states that in relation to supporting regional economies:-

Smaller population centres in regional Australia are not commercially viable markets for regular passenger transport air services by commercial operations nor do they generate significant revenue for airports.

There needs to be a government policy that supports ongoing specific funding for regional and remote airport infrastructure.

The Green Paper needs to consider and recommend a policy to government on the importance of regional and remote Aviation (in addition to airports generally). The need for this is highlighted by the fact that in Tasmania over 88% of the people arriving in Tasmania, arrive by air. This situation is mirrored in many regional centres across Australia especially in WA, NT, QLD and NSW.

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