Aviation White Paper

Post Green Paper Submission

November 2023

BCA
Business Council of Australia

Contents

Overview

In a nation with such large distances between major centres, and that is so geographically isolated from the rest of the world, Australia is and will remain for the foreseeable future reliant on aviation to bridge the tyranny of distance. That is what makes aviation so central to the national economy. It moves people for business and leisure, facilitates our tourism industry, and moves high value freight.

The Business Council of Australia (BCA) represents Australia's largest employers from across the economy, including in the aviation, tourism, and transport industries.

As the Green Paper outlines, the industry has faced truly historic challenges over the last three years, with the closure of both national and then state borders directly impacting the ability for the industry to operate. BITRE data shows that domestic traffic is only now just reaching pre-pandemic levels, while international traffic is still rebounding, and will likely return to pre-COVID levels by mid-2024.

The government must ensure that aviation continues its recovery from the COVID pandemic as a strong, viable industry for the benefit of the nation. There are clearly areas where government regulation, such as airport constraints like curfews and movement caps, need to be revisited and reformed to help this and to deliver productivity dividends without significant cost to taxpayers.

There are also emerging challenges such as decarbonisation that will need to be tackled, particularly for a country which is dependent on air travel for tourism and trade. These challenges however come with opportunities for Australia as the world moves to a low carbon future. The current labour market also presents challenges in attracting and retaining highly skilled talent, a global issue that is impacting the industry. Areas of broader public policy being pursued by the government around migration reform and education and training are likely to play an important role in the sector and are generally supported by business.

Ultimately, we welcome the government's commitment to aviation; and hope that the White Paper puts forward policies that will deliver improvements for customers, workers, industry participants, and the nation more broadly.

Key recommendations

Decarbonisation

- The government should move forward with implementing the actions from the CSIRO's Sustainable Aviation Fuel Roadmap. This should include:

    – prioritising certification and integration with carbon accounting.

    – consideration of subsidy or credits for SAF production.

    – a data and development focus on feedstocks.

    – government aviation usage of SAF

- Consider the introduction of a SAF blending mandate.

Airport operating restrictions

- No further restrictions on aircraft movement should be imposed at Australian airports.

- At a minimum, the recommendations of the Harris Review to unlock unusable slots and provide flexibility to address major incidents should be implemented at Sydney Airport.

- Overnight curfews, where they are in place, should be reformed and adapted to provide productivity improvements for the freight industry.

Consumer protections

- The ACCC should refine its data collection methods with airlines and align its airline data requirements with those for airports.

- BITRE should create a consumer-friendly portal for key information.

- The Airline Consumer Advocate should be strengthened, with the inclusion of all airlines operating regular passenger services in Australia.

Competition

- The Harris Review recommendations that address slot management at Sydney Airport should be implemented.

Workforce

- The government should move forward with the reform of the migration system so that employers can fill key skills and experience gaps in a timely way, including removal of migration occupation lists for jobs above a high-income threshold, and simplification/alignment with the Jobs and Skills Priority List below that.

- Expand and fast-track international qualification recognition so skilled migrants in the aviation sector can join the Australian workforce immediately.

- Higher education and VET funding approaches should be reworked, and aviation's approach to recognition of Work Integrated Learning should be built upon.

- Support the aviation sector to develop Registered Training Organisations to provide fully accredited industry led training and micro-credentials to upskill the existing workforce.

Manufacturing

- Enhance the Research and Development Tax Incentive by, for example, introducing a premium of up to 20 per cent to incentivise collaborations between industry and publicly funded research organisations and universities, including a focus on advanced manufacturing (such as in aviation) and low carbon fuels (such as Sustainable Aviation Fuel).

- Increase resources for the Australian Research Council to ensure additional funding for basic research.

- Government should take a precinct approach to supporting advanced manufacturing, including in aviation.

Freight

- Changes should be made to curfews to continue to allow a limited number of freight flights to operate subject to noise profiles rather than based on specific aircraft type.

- The ability for freight services to operate during the curfew period should be retained at Sydney Airport, even after Western Sydney Airport opens.

Emerging technologies

- As commercial operation of drones expands, Australia's regulatory regime will need to evolve to ensure safety and control the noise impact of operations. This must be done in a way that does not stifle innovation.

- The current digital identity program should prioritise business access particularly from the aviation sector.

Disability access

- Further guidance work should be undertaken by government in partnership with industry to cover accessibility requirements across the passenger journey.

Airport development

- The government should reform the Major Development Plan process to tackle the significant inefficiencies, by streamlining how it operates.

- The federal government should continue to invest in rail infrastructure that supports the nation's major airports.

Decarbonisation

As the Green Paper describes, aviation is estimated to make up around 2.5 per cent of global emissions. Both Qantas and Virgin Australia are covered by the government's safeguard mechanism. At present, the main credible methods for reducing emissions from the passenger aircraft fleet are:

- The uptake of Sustainable Aviation Fuels (SAF), which can see emissions reduced significantly depending on feedstock and production pathway.

- Updated technology, such as new aircraft fitted with next generation engines burning less fuel compared to their immediate predecessors. For example:

    - the Boeing 737-8 with its LEAP-1B engines produces around 20 per cent less carbon emissions compared to the previous generation 737-800 it replaces[1].

    - Qantas is introducing the Airbus A220 and A321XL, which have a 28 per cent and 17 per cent lower fuel burn per seat respectively compared to the aircraft they are replacing[2].

- Improved operational efficiencies, including aerodynamic modifications to existing fleet, as well as more efficient routing and management of aircraft by air traffic control.

Zero-emissions technology, like electric and hydrogen powered planes, are still many decades away. Other measures being undertaken in Europe such as banning short distance flights (as has occurred in France), are simply not feasible in Australia which lacks both the requisite infrastructure but also has significantly longer distances between major population centres.

Airlines in Australia are already moving forward with the modernisation of their fleet, which will drive down emissions per aircraft and per passenger kilometre. The Qantas Group for example is committed to introducing 194 new aircraft, which will enable older generation aircraft to be phased out and replaced with more fuel-efficient modern planes and engines.

SAF remains the primary near-term method for large scale reductions in carbon emissions from the aviation industry, however it has a significant cost premium over traditional jet fuel of at least 1.5 times the cost, if not greater. Given the lack of alternative means of large-scale decarbonisation, domestic airlines have made commitments to introduce SAF into their fuel mix; with Qantas pledging 10 per cent of its fuel use to come from SAF by 2030 and around 60 per cent by 2050.

Australia has large amounts of feedstock that can be used for SAF production, but no domestic production capability. Currently, where SAF is used, it is sourced from overseas hubs. This is not to say that local operators are not interested in establishing facilities locally. Fuel providers such as:

- AMPOL and its venture partners are exploring opportunities to establish local biofuels production, with a proposed 500 million litre per annum facility being examined at the Lytton refinery in Queensland.

- BP is exploring the opportunity to produce biofuels at its Kwinana refinery in Western Australia.

A key risk for Australia is that the nation misses the opportunity to become a SAF producer, and instead is relegated solely to the role of feedstock exporter. There is an opportunity with SAF to reduce Australia's dependence on overseas fuel imports, using locally produced feedstock to produce biofuels in country for local use.

Australia's fuel security architecture could also be reformed to recognise domestic production of SAF and biodiesel sourced from local feedstock. Australia must be mindful of the potential risk of not being able to access sufficient SAF, if and when it becomes mandated internationally. As an island country, located a long way from many of our major trading and tourism markets, access to a reliable source of SAF will be critical issue in coming

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[1] Boeing
[2] Qantas, Investor Day 2023

decades. There may be an opportunity for Australia to play a regional role, such as in partnership with New Zealand and the Pacific, to ensure that we can develop and access sufficient fuel supplies.

The BCA broadly supports the Sustainable Aviation Fuel Roadmap developed by the CSIRO with Boeing, which outlines the actions required to energise local SAF usage and production.

In particular, in discussion with other members, some of the immediate actions that should be a priority include:

■ Certification methods for biofuels including sustainability verification of SAF production, and integration with carbon accounting and reporting.

■ Consideration of subsidy or tax credit options to incentivise SAF production in Australia.

■ Improved data and development of SAF feedstocks, for use in Australian production.

The government aviation fleet should be leading the way in adopting SAF to help drive local demand (as put forward in the CSIRO roadmap). A number of BCA members also support the introduction of a SAF blending mandate, to support domestic demand and drive reductions in carbon emissions. Work on the detail of this by government should be undertaken in consultation with relevant segments across the industry.

Recommendations

■ The government should move forward with implementing the actions from the CSIRO's Sustainable Aviation Fuel Roadmap. This should include:

– prioritising certification and integration with carbon accounting.

– consideration of subsidy or credits for SAF production.

– a data and development focus on feedstocks.

– government aviation usage of SAF

■ Consider the introduction of a SAF blending mandate.

Airport operating restrictions

Four Australian airports have operational curfews in place, one of which is Australia's largest and busiest airport – Sydney. Uniquely, Sydney Airport is also subject to a legislated hourly movement cap of 80 movements an hour counted in 15-minute rolling intervals. It also has a 'regional ringfence' arrangement that secures a select number of slots for flights to and from regional NSW.

These restrictions, put in place in the mid-1990s, artificially limit capacity of Sydney Airport. This means that a major national asset is restricted from being used to its full and best capacity due to legislative hurdles put in place almost 30 years ago.

Since these restrictions were enacted, there has been significant advances in aircraft, with modern planes having substantially lower noise profiles than those that were operating in the 1990s. For example, the latest Boeing 737 MAX reduces operational noise footprint by around 40 per cent when compared with the previous generation of 737NG aircraft[3]. Even these older aircraft, which were introduced in the 1990s, had a reduced noise profile in comparison with the first generation 737 'classic' that were operating when the curfew was put into place. Similarly, the A320neo family (with new engine option) which is being introduced by the Qantas Group, is up to 50 per cent quieter than the preceding A320ceo family[4].

As the BCA submission to the review into these restrictions conducted by Peter Harris AO pointed out, a typical year-round international service has been estimated to generate $122 million in economic activity and create 1,300 jobs. A daily year-round A380 service from China is estimated to generate $470 million in economic activity and create 5,200 jobs.[5] This means significant value to the Australian and NSW economies is being left on the table with each service unable to operate due to these restrictions. To be clear, this is economic benefit foregone due to the regulation imposed on the airport, which prevents the infrastructure being operated to its full potential.

While the business case for Western Sydney Airport is predicated on capturing some of this demand and the economic benefit that it delivers, it acknowledges and makes plain that the existing airport will remain the preferred destination for full-service carriers[6].

The status quo is not only a poor utilisation of existing assets, but it has major flow on implications to the rest of the national aviation network. The design of the movement cap in particular prevents recovery from disruptions such as those caused by serious weather events or other delays. This lack of flexibility impacts on airlines and passengers not just flying into and out of Sydney, but also at other airports around the nation as onward legs of aircraft are impacted by flow on delays. This issue was highlighted by four other airports around the nation - Adelaide, Brisbane, Canberra, and Melbourne - in their submissions to the Harris Review.

To this end, the BCA is of the view that:

- The current movement and curfew restrictions placed on Sydney Airport are outdated, cost Australian jobs and economic growth, and impact on flexibility and operational efficiency to the detriment of passengers.

- Given the economic cost, there must be no new curfews or movement cap restrictions imposed in Australia. This includes resisting calls for restrictions on the new Western Sydney Airport, on Brisbane Airport where a new runway has come into operation, or on Melbourne Airport where a third runway is planned.

The Harris review explicitly excluded examination of changes to the legislated curfew and movement cap, instead focusing on the implementation of the movement cap and slot allocation. The review recognised that the implementation of the movement cap prevented the airport from achieving even the 80 movements per hour legally allowed.

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[3] Boeing
[4] Airbus
[5] BCA submission to the Sydney Airport Demand Management (Harris) Review, 2020
[6] Western Sydney Airport Business Case Summary, 2016

The recommendations made by the Review are broadly supported by industry, and yet still two years later government has not moved on these.

The BCA therefore calls on the government to move forward with the recommendations of the Harris Review, including the following implied recommendations which will improve in small measure the implementation of movement restrictions at Sydney Airport:

■   Move known peak period stranded slots within any 15-minute period to a subsequent 15-minute period, to achieve a more usable number of slots while remaining within an overall allocation of 80 movements per hour.

■   Airservices Australia should be given the ability, for up to two hours after an incident is formally declared, to operate movements into and out of Sydney Airport at the maximum rate necessary to aid the early return of air traffic to normal schedule after a major incident or serious weather event.

The operation of freight aircraft into and out of Sydney Airport is allowed, under restricted conditions, during the curfew period. The ability for some freight services to operate overnight is particularly important, because during the day airport congestion and the priority of passenger aircraft in the terminals can limit the ability for dedicated freight aircraft to operate. Operating restrictions should be adapted to ensure that there are productivity improvements for the freight industry. This is discussed in further detail later in the submission.

Recommendations

■   No further restrictions on aircraft movement should be imposed at Australian airports.

■   At a minimum, the recommendations of the Harris Review to unlock unusable slots and provide flexibility to address major incidents should be implemented at Sydney Airport.

■   Overnight curfews, where they are in place, should be reformed and adapted to provide productivity improvements for the freight industry.

Consumer protections

Australian airline customers are afforded rights as laid out in general consumer law. Individual airlines terms of carriage are typically supported by a compensation or refund policy that applies when a flight is significantly delayed or cancelled. The Airline Customer Advocate, which Australia's largest carriers participate in and fund, provides an external point of contact for customers if necessary.

While the ACCC reported earlier this year that airlines were experiencing a high number of complaints, the context of this is that Australia's international borders only reopened last year, and industry had to also contend with closed domestic borders, both of which cause severe disruption. Indeed, S&P Global found that airlines were the industry most impacted by the COVID-19 pandemic[7]. The withdrawal of Tigerair Australia from the market and the entry into voluntary administration of its parent Virgin Australia exemplify this. Airlines have had to restart operations that were largely frozen, bringing back staff and reactivating aircraft after many months out of action. Domestic passenger numbers, as shown below, have only recently reached pre-COVID averages, and are still below the previous growth trajectory.
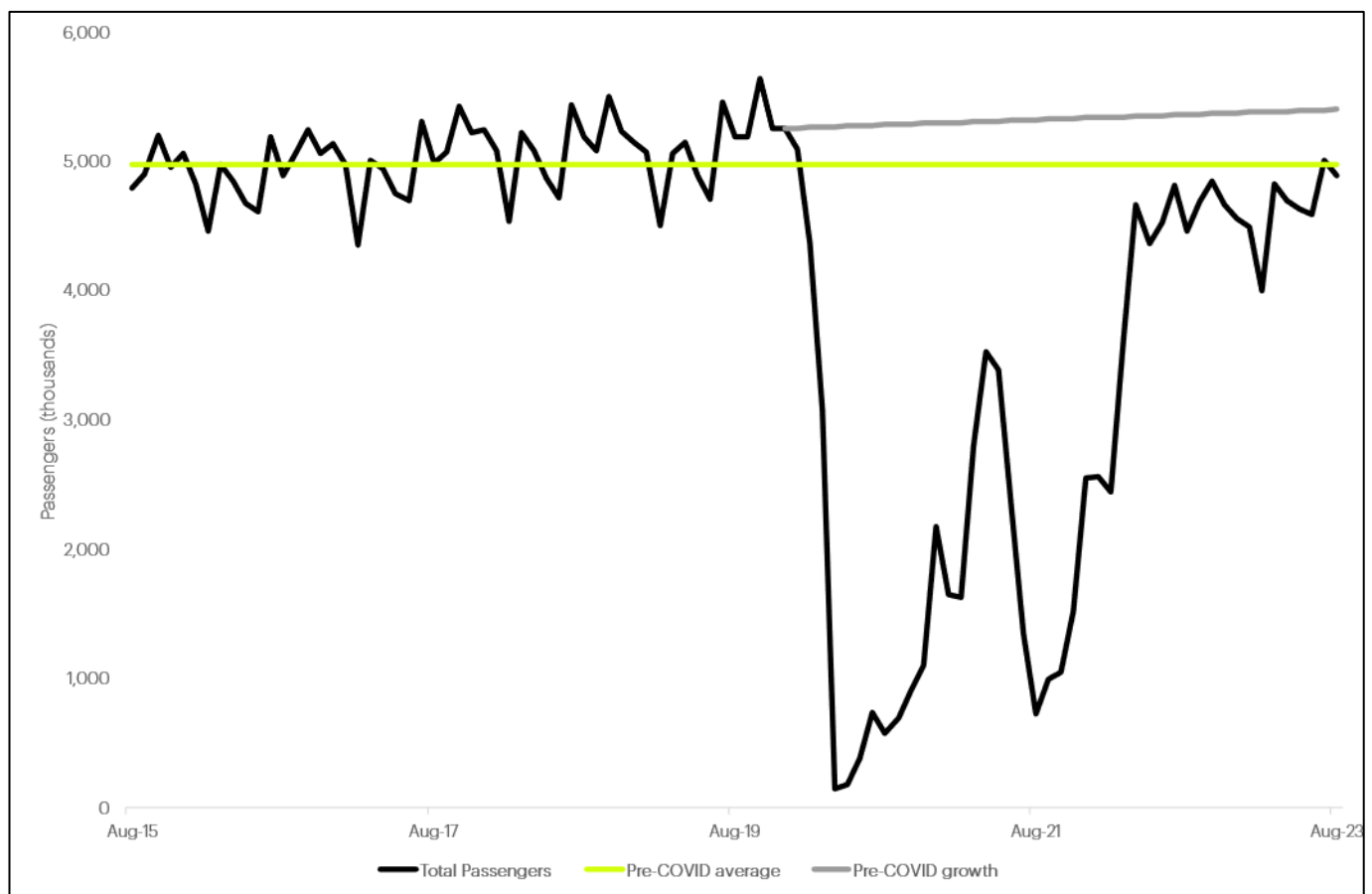
Domestic Passenger Numbers
Source: BITRE

Having said that, there is an expectation that industry participants provide reasonable customer aligned outcomes.

It is important that there is an appropriate balance between ensuring customers are afforded reasonable and transparent consumer protection, and the regulatory and cost burden that would come from an overly prescriptive consumer protection regime. For instance, it is the BCA's view that the European Union's air passenger compensation regulations are not the appropriate path for Australia to follow. This type of regulation is likely to lead to higher costs for carriers and consequently higher fares for customers, while not necessarily

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[7] Industries Most and Least Impacted by COVID-19 from a Probability of Default Perspective, January 2022 Update, S&P Global

achieving the customer outcomes sought. Any changes to regulation should be focused on delivering outcomes that are positive for airline passengers, and do not layer on inefficiencies, costs, and bureaucracy, which is what the European scheme imposes.

Instead, first and foremost, transparency and clarity of existing rights should be pursued. We note the recent decision of the federal government to fund the ACCC's domestic airline monitoring work.

- The ACCC should refine the data collection and related processes in discussion with airlines, so that costs imposed by the monitoring are minimised. Reporting requirements should align with those imposed on airports (i.e. annually), so they are no more onerous than requirements placed on other elements of the industry.

- The BITRE should develop a consumer-friendly performance dashboard for publication of key results that will be of interest to customers – such as delay, cancellation, and average fare data. The current format with additional spreadsheets may be useful for policy professionals and media scrutiny but is not consumer friendly.

It may also be appropriate to strengthen the role of the Airline Consumer Advocate (ACA). This could include additional information made available by the ACA online, as well as direct links from airline websites to the ACA website for customer clarity on escalation points. There should also be an expectation that all airlines that operate regular passenger services in Australia join the scheme; for example, currently Qantas, Virgin, Jetstar, and Rex participate, while international airlines and most regional carriers do not.

Aviation is of course not the only section of the broader travel and tourism industry that is customer facing. Accommodation providers, travel agencies (including online booking services), cruise operators and the like all form part of the overall visitor experience. While the BCA does not believe it is necessary for a consumer 'ombudsman' to be established in aviation, moving away from the existing advocate model, if that is the direction the government decides to pursue, then there is a reasonable argument that this should be extended beyond aviation to cover the broader tourism and travel industry.

Recommendations

- The ACCC should refine its data collection methods with airlines and align its airline data requirements with those for airports.

- BITRE should create a consumer-friendly portal for key information.

- The Airline Consumer Advocate should be strengthened, with the inclusion of all airlines operating regular passenger services in Australia.

Competition

Commercial aviation is a capital heavy industry that operates with relatively thin margins. While the major domestic carriers in the Australian market are privately owned (with Qantas and REX ASX listed, and Virgin and Bonza owned by private equity), many of their international counterparts and competitors are owned by foreign governments and have access to lower cost bases (including lower labour costs, and more competitive tax and regulatory regimes) than exist in Australia.

The Australian government has a central role in the control of competition in the aviation industry through agreements with other countries for the operation of flights, regulation that controls slots at major airports, and licencing of Australian-based carriers.

The Australian government must tread the difficult balance of ensuring Australian companies are able to successfully operate in an environment where competitors may be funded by other governments and have lower costs by virtue of differing regulatory and labour environments, while also ensuring a wide range of services are available for consumers, supporting other parts of the aviation and tourism sector and the broader economy that benefit from additional air traffic.

Ultimately, the BCA believes that competition is important to keep prices affordable and to drive quality for customers across the whole aviation ecosystem.

As with the issue of consumer protection, transparency and data is important in demonstrating a competitive landscape, and in providing accurate information on the current situation, particularly given the central role of government in this industry. The temporary extension of the ACCC's monitoring of the competitive landscape is noted, as the industry continues its emergence from the COVID pandemic.

The issue of slot management at Sydney Airport is another topic that is raised in the Green Paper that relates to competition. The Harris Review addressed this, with recommendations around changed definitions for new entrants and handling of historical slot preferences, scrutiny of cancellations, and improved online information. There is no reason why the government should not move forward with these recommendations.

Recommendations

- The Harris Review recommendations that address slot management at Sydney Airport should be implemented.

Workforce

As of October 2023, Australia's unemployment rate was 3.7 per cent, which remains near record lows[8]. Meanwhile in September, Jobs and Skills Australia released an updated version of the Skills Priority List. The list shows that there are now job shortages across a number of key roles in the aviation industry, including:

- Aeroplane Pilot
- Aeronautical Engineer
- Aircraft Baggage Handler and Airline Ground Crew
- Aircraft Maintenance Engineer (Avionics)
- Aircraft Maintenance Engineer (Mechanical)
- Aircraft Maintenance Engineer (Structures)
- Air Transport Professionals
- Flight Attendant
- Flying Instructor

As the Green Paper points out, there is significant global demand for aviation jobs, with overseas carriers noted as poaching Australian pilots.

We welcome the establishment of the Industry Skills Australia Jobs and Skills Council to help drive workforce development and training capability in the transport sector, including in aviation. Although relatively new, given the skills shortages at play across both aviation and the wider transport sector, its outputs will be keenly anticipated.

The BCA has strongly and consistently advocated for improvements to the nation's higher education and vocational education and training system. This includes tailoring subsidies for courses based on demand, reflecting the public need, and removing the distortions in the current funding model that encourage higher education over vocational training. In particular, because of the need for access to aircraft, there should be recognition of the high cost of pilot training. We also advocate for the establishment of a nationally consistent approach to Work-Integrated Learning, noting that in some aspects, aviation is a leader in this area.

Accredited micro-credentials could also assist to upskill or reskill the aviation workforce to ensure existing talents are fully utilised. The aviation sector could do this through partnerships with universities and Vocational Education and Training institutions or develop Registered Training Organisations within the sector.

BCA members are acutely aware of the skills shortages at play and are investing in the training of new workers for the industry. For example:

- In 2019 Qantas launched its Group Pilot Academy in Toowoomba, which provides purpose-built classroom facilities, student accommodation, and hanger facilities. The academy offers scholarships for women and Indigenous Australians, to support a diversity of students and future pilots. Qantas is also moving to establish a Group Engineering Academy in Melbourne and Brisbane from 2025, with the intention to train up to 300 engineers a year.

- This year Boeing Australia welcomed its largest intake of apprentices, who undertake maintenance on the Australian Defence Force's Super Hornet and Growler aircraft. There are currently 44 apprentices working across Boeing Australia.

Migration also needs to play a part in this picture, especially in terms of attracting highly skilled talent that is already trained and can make an impact on the workforce needs of the sector straight away. This means that the

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[8] Australian Bureau of Statistics

nation's migration settings need to be fixed, so Australia is competitive in attracting new talent. As an example, despite the recent Skills Priority List showing pilots in demand across the country, the skilled occupation lists that inform the migration system (which dictate what jobs are eligible for sponsorship) only provide for temporary skilled migration of pilots to regional areas, demonstrating they are not up to date with the latest industry shortages. This prevents the major Australian carriers from seeking highly skilled pilots from overseas. The proposals contained in the Review of the Migration System released earlier in 2023 would help address this issue by removing the requirement for occupation lists for high paying, highly skilled jobs. At a minimum the occupation lists should be updated and consolidated to remove regional restrictions and reflect current market needs.

Failure to address workforce issues will constrain industry's ability to ramp up to meet passenger demand, which then flows on to the cost of flights for passengers.

Recommendations

- The government should move forward with the reform of the migration system so that employers can fill key skills and experience gaps in a timely way, including removal of migration occupation lists for jobs above a high-income threshold, and simplification/alignment with the Jobs and Skills Priority List below that.

- Expand and fast-track international qualification recognition so skilled migrants in the aviation sector can join the Australian workforce immediately.

- Higher education and VET funding approaches should be reworked, and aviation's approach to recognition of Work Integrated Learning should be built upon.

- Support the aviation sector to develop Registered Training Organisations to provide fully accredited industry led training and micro-credentials to upskill the existing workforce.

Manufacturing

The availability of low-skilled, low-paid workers no longer determines where production is based. Manufacturing – particularly high-value manufacturing as is the case in the aviation space – relies on highly skilled and educated workers using new technologies.

This shift is to Australia's advantage, given our highly educated, highly skilled population. The fragmentation of supply chains provides exciting new avenues for Australia to tap into world trade opportunities.

An excellent example of the opportunities available are demonstrated by Boeing's global supply chain for the 787 (below).
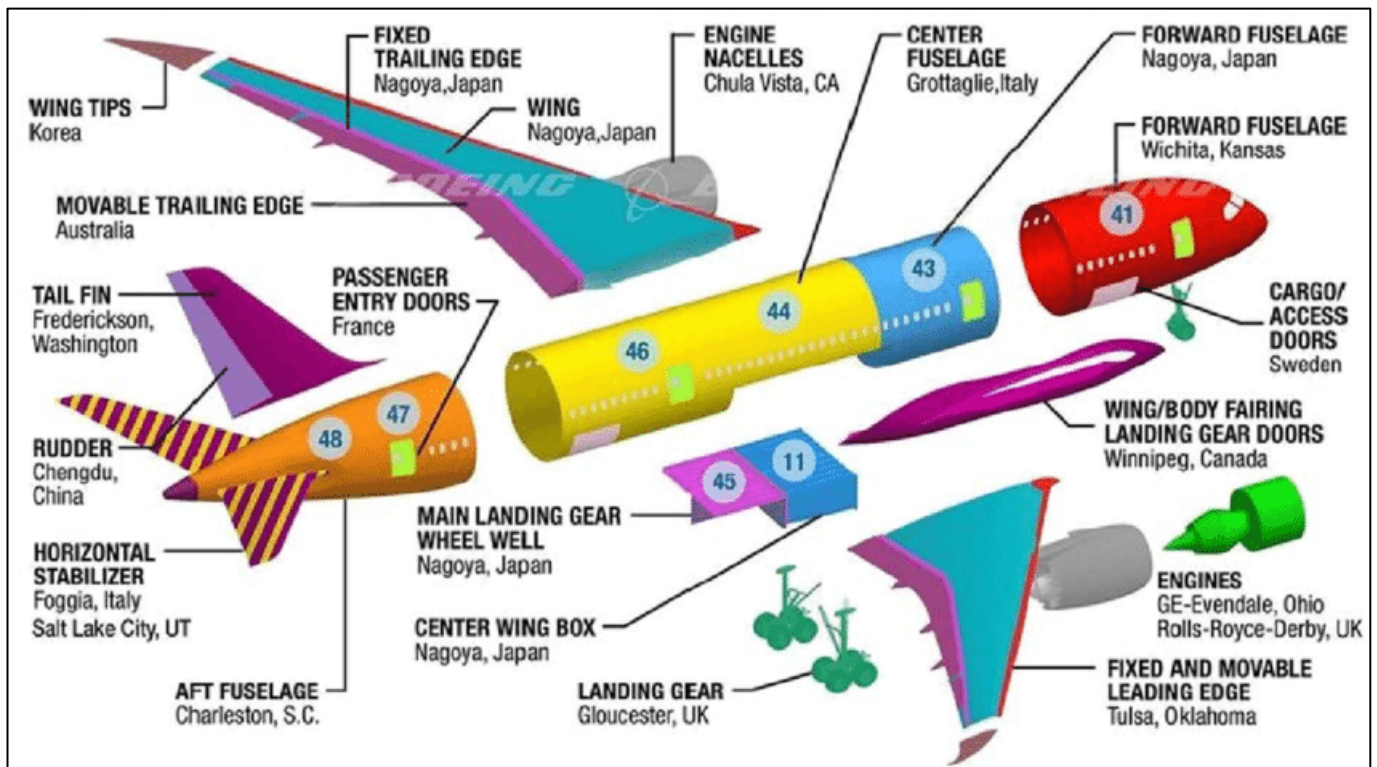
Boeing 787 global supply chain
Source: Journal of International Management

With components made across the world, Australia plays a part in manufacturing sections for the aircraft, which occurs at the Boeing facility at Fishermans Bend in Melbourne. This facility not only produces the moveable trailing edge for the 787, but also rudders, winglets, and ailerons for the 737 and cove lip doors, elevators, and rudders for the 777.

This manufacturing work is supported by significant research and development expenditure in Australia, which has led to the development of carbon fibre production technology in Victoria, employed in the manufacturing process.

Beyond commercial aviation, Fishermens Bend is also involved in defence work, including the design and manufacture of the development vehicles for the MQ-28 Ghost Bat uncrewed aircraft. Developed with support from the Royal Australian Air Force, the Ghost Bat draws on over 55 Australian companies to provide components from across the country.

This work does not just create advanced manufacturing jobs at the Boeing facility, but also at suppliers further down the supply chain in Australia.

In order to support the opportunities to locate highly skilled advanced manufacturing jobs in Australia, there needs to be a strong pipeline of highly skilled individuals being produced by Australian universities. The funding

and support for research and development, and PhD level programs in the aerospace engineering sector, are necessary to ensure continued research, development, and commercialisation occurs locally. Measures that the government should be pursuing include enhancing the Research and Development Tax Incentive to incentivise collaboration between industry and publicly funded research organisations and universities; and increase resources for the Australian Research Council to provide additional funding for basic research.

The fact that there are existing facilities and large-scale operators in the aviation manufacturing sector here already means that there are economies of scale and existing talent that can be drawn on, to further build the future for the industry.

The government should take a precinct approach to investing and strengthening advanced manufacturing. This allows for improved collaboration, knowledge flow, and a centralised location for interconnected firms.

A precinct model facilitates a critical mass of firms and researchers, with the potential for appropriate shared infrastructure and spaces. Fishermans Bend in Melbourne, as already discussed, is focused on advanced manufacturing, engineering, and design; with companies such as Boeing located there, as well as a new university campus for engineering and design. The future Bradfield Aerotropolis, located with the new Western Sydney Airport, also presents an opportunity to deliver a new advanced manufacturing and aviation precinct.

These locations are supported by investment from governments and the private sector, working together, to deliver quality jobs and knowledge outcomes for the nation.

Recommendations

- Enhance the Research and Development Tax Incentive by, for example, introducing a premium of up to 20 per cent to incentivise collaborations between industry and publicly funded research organisations and universities, including a focus on advanced manufacturing (such as in aviation) and low carbon fuels (such as Sustainable Aviation Fuel).

- Increase resources for the Australian Research Council to ensure additional funding for basic research.

- Government should take a precinct approach to supporting advanced manufacturing, including in aviation.

Freight

Air freight transports high priority and high value goods, ranging from retail items (in particular supporting the eCommerce industry) to high-value fresh produce, pharmaceuticals, and specialist parts. Whilst tonnage rates are relatively small, the high value of items means that air freight represents 21 per cent of the value of Australia's international trade[9]. Around 80 per cent of air freight travels in the holds of passenger aircraft[10], meaning aviation freight and passenger travel is uniquely intertwined when compared with other modes, which often share the same infrastructure (roads and rail lines) but not the same vehicles.

Air freight is expected to grow substantially across the globe over the coming two decades, with compound annual growth of 3.2 per cent per annum. This will take freight tonne kilometres flown from 250 billion in 2019 to 520 billion in 2042. Express air cargo, boosted by e-commerce, is expected to grow at a higher rate as compared to general air cargo, becoming 25 per cent of the market in that period, up from 17 per cent.[11]

In this context, it is important for government to ensure that industry is well placed to service this growth in freight demand. Government's priority here should be to reform restrictions that place regulatory hurdles on the productivity of the industry.

The BCA reiterates the position put forward in our submission to the National Freight and Supply Chain Strategy earlier this year - the ability for some freight services to operate overnight is particularly important, because during the day airport congestion and the priority of passenger aircraft in the terminals can limit the ability for dedicated freight aircraft to operate. It is incumbent on the government to ensure that these restrictions and conditions are reviewed with an eye to delivering productivity improvements for the freight industry, and to consider advances in modern aircraft noise profiles.

In 2019 the Productivity Commission examined a number of questions around the movement cap and curfew at Sydney Airport, as part of its Inquiry into the Economic Regulation of Airports. The Commission recommended amending the curfew to introduce noise standards for the limited number of freight aircraft that are allowed to operate during the curfew, rather than limiting it to a single obsolete aircraft type.

For example, the *Sydney Airport Curfew Act 1995* limits the operation of overnight freight services to the Bae-146. This four engine jet aircraft dates to the early 1980s and is no longer in production. Given their size, these aircraft have limited ability to move freight in comparison to other jet aircraft in use in Australia. The Bae-146 has around 70 cubic metres of capacity compared to over 130 cubic metres available in a Boeing 737 freighter. By requiring a specific aircraft, irrespective of noise profile, the existing Act limits productivity and forces increased aircraft movements to achieve the same capacity compared to a smaller number of larger aircraft, which is counterproductive to the goal of reducing aircraft noise.

In addition, the ability for limited freight services to operate overnight at Sydney is legislated to expire once Western Sydney Airport becomes operational. This must be revisited. Freight operators will have invested in infrastructure to support their operations at the current Sydney Airport and should be allowed to make a decision driven by efficiency and commercial value as to how they operate in the future.

Recommendations

- Changes should be made to curfews to continue to allow a limited number of freight flights to operate subject to noise profiles rather than based on specific aircraft type.

- The ability for freight services to operate during the curfew period should be retained at Sydney Airport, even after Western Sydney Airport opens.

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[9] National Freight Data Hub, Department of Infrastructure, Transport, Regional Development, Communications and the Arts, 2022
[10] The role of aviation in Australia's economic recovery, EY, 2020
[11] Global Market Forecast, Airbus, June 2023

Emerging technologies

Drones

Australia has emerged as a test bed for drone delivery operations. Delivery operations by Alphabet's subsidiary Wing are currently performing business-to-customer deliveries in the suburbs around Brisbane. This means Australian customers are able to benefit from world leading technology, with the convenience of delivery to their door, while businesses are able to service a broader range of customers.

Beyond delivery, personal mobility is emerging as a new frontier in drone technology. Small passenger aircraft, capable of vertical take off and landing, and autonomous operation, are in development today by large scale industry players. The Boeing-owned Wisk for example is developing an all-electric, autonomous, four-seat air-taxi; with its 6th generation aircraft intended to be certified for passenger operation.

As these ventures grow, infrastructure will be needed to support their operation, including 'vertiports' with appropriate electrification to charge aircraft. The Aviation White Paper should recognise the scope and opportunity for this type of technology, to ensure it is fostered and able to be expanded in a safe way, where neighbours are not adversely impacted by noise from new localised operations. Regulations will need to evolve to manage these operations, but must be done in a way that does not stifle innovation.

Recommendations

- As commercial operation of drones expands, Australia's regulatory regime will need to evolve to ensure safety and control the noise impact of operations. This must be done in a way that does not stifle innovation.

Digital identity

The Green Paper notes the substantial improvements that may be gained through greater investment and integration of regulatory, digital systems, and data. These will be critical to improving passenger facilitation and improving privacy and security outcomes.

As it stands, airlines need to hold onto certain passport data in the context of sharing advanced passenger information with various government agencies (including overseas) for applications including immigration and border security.

Government must deliver more efficient and safer methods, such as digital identity-like tokens, to streamline passenger movement and improve aviation security (including data security) outcomes. The use of these tokens will ensure the volume of identity data processed or held by industry can be reduced substantially.

To this end, the government should take forward the digital identity program currently led by the Attorney-General's Department and prioritise enabling business' access and use, including in the aviation sector.

Recommendations

- The current digital identity program should prioritise business access particularly from the aviation sector.

Disability access

A whole-of-journey approach is needed for disability access to aviation. Passengers with a disability should be able to arrive at an airport, check in, pass through security/immigration, get to their gate, board their aircraft, fly to their destination (including potential transfers), disembark, pass through immigration, collect their baggage, and exit customs independently.

Each element in a journey may be the responsibility of a different authority, from the origin airport, Border Force, the airline/s in question, and the destination airport. There are clear examples where this has not occurred as well as it should have. The industry should be focused on continuous improvement, and many industry participants are working to that effect. The interaction of aircraft design and safety requirements can complicate matters. It is also important to note that different aircraft and airport infrastructure present different and sometimes unique challenges. For example, it would be impractical and cost prohibitive to require regional airports to be equipped with jet-bridge infrastructure to allow level access to aircraft. The aircraft operating to those airports are also typically smaller and have more limited onboard space in comparison to larger jets servicing capital cities.

The BCA supports further work being done to establish clear guidelines for airline and airport operators, that would cover accessibility requirements and deal with personal mobility aids, as well as any other assistive technology, medical devices etc. The guidelines could include communication protocols for people with disability especially in relation to cancelled/changed flights and cover inflight emergency issues such as evacuation plans for people with disability and provision of emergency aids such as life jackets. Consideration could also be given to creating mechanisms that support Disability Access facilitation plans.

Industry is working proactively with disability advocates and so we do not believe there is a case for additional regulatory intervention. The risk posed by additional regulation is that it is overly prescriptive and does not appropriately reflect the unique elements across different parts of the sector.

Recommendations

■ Further guidance work should be undertaken by government in partnership with industry to cover accessibility requirements across the passenger journey.

Airport development

The development control processes that are imposed on airports are onerous and time consuming. In other development domains, the BCA has been critical of the complexity and inefficiency of processes imposed by state governments or the federal government and called for their reform.

The requirements for the preparation of Major Development Plans at airports however is uniquely burdensome, including the preparation of four separate development plan documents: an exposure draft, a preliminary draft, a draft, and then a final Major Development Plan. This process can take at least 18 months, and further approvals are then required under the Airports Act before work can actually begin. The government must move to reform and simplify this process.

Reforms to improve the process should include:

■   Allowing for a series of major developments to be considered together and approved on a precinct basis.

■   Streamlining of approval processes, as well as withdrawal processes.

The vast majority of the world's largest airports are serviced by passenger rail services. In Australia, Sydney, Brisbane, and Perth airports are serviced by rail lines. The new Western Sydney Airport will also be connected by rail on opening, half funded by the federal government. Rail provides important and convenient ground connections for both passengers and staff.

Federal investment in airport rail services should continue, provided they are backed by strong economic business cases, to both add new services to major airports currently unserved by rail; and to facilitate the upgrade of existing airport rail lines.

Recommendations

■   The government should reform the Major Development Plan process to tackle the significant inefficiencies, by streamlining how it operates.

■   The federal government should continue to invest in rail infrastructure that supports the nation's major airports.

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