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Aviation White Paper  
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**SUBMISSION TO THE DEPARTMENT OF INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT,  
COMMUNICATIONS AND THE ARTS : AVIATION GREEN PAPER**

Dear Madam / Sir

Thank you for the opportunity to provide a submission to the Aviation Green Paper on behalf of the North Queensland Airports Group (NQA), owner and operator of Cairns Airport and Mackay Airport.

These airports are critical gateways for regional Queensland, providing wide-reaching social, economic and leisure connections through safe and environmentally responsible operations.

Cairns Airport in particular, is the gateway to the Great Barrier Reef and is a critical piece of infrastructure in the region, supporting domestic and international tourism. Cairns Airport currently has international flights from Japan, Singapore, Bali, New Zealand, and PNG, with flights from Shanghai recommencing in Feb 2024. Additional International destinations will likely be announced in 2024.

We wish to note that we have contributed extensively to the comprehensive Australian Airports Association (AAA) submission on this topic, and further detailed rationale on the following matters is reflected in the AAA paper.

Our submission discusses the key issues that impact our airports:

- A competitive Aviation Sector;
- Economic Regulation of Australian Airports;
- Sustainable Aviation Fuel;
- A Growing general aviation sector; and
- International Aviation.

**3.1 A competitive aviation sector**

“Competition is good, more competition is better”. North Queensland Airports supports a regulatory environment which encourages competition, and which lowers barriers to entry. NQA is supportive of ACCC airline monitoring and case by case cabotage arrangements. NQA is also supportive of the implementation of the findings of the Harris Review into slot allocation at Sydney Airport (It is worth noting that capacity in October 2023 from all capital cities into Cairns is above pre-covid levels except Sydney).

All airports, but regional airports in particular benefit when consumers have more choice. Competition leads to lower prices, and we have certainly experienced yield management by major airlines where capacity is held back to lift or hold up overall prices. In a tourism focussed city like Cairns, this has a wide reaching economic impact on the Tourism Industry, as the region misses out on the overall visitor spend. If domestic airfares are high, a city like Cairns misses out on three key tourism groups:

- Domestic tourists opt for cheaper overseas destinations (e.g. Bali);
- Conference Groups. Cairns becomes uncompetitive vs. destinations that are cheaper to reach. Conference Groups also struggle to get sufficient numbers of seats on aircraft; and
- International visitors who enter Australia via a Capital city airport and who then has to purchase expensive domestic airfares, may opt not to travel to Cairns. This was raised directly to me by the travel industry on a recent trip to China.

As noted above, we support increased airline competition, which provides greater choice to customers. We believe removing barriers to entry is the optimal way to achieve this, as opposed to provision of extra incentives such as funding. Enabling more airlines to commence and maintain operations is a sustainable and long-term approach.

### **3.2 and 3.3 Consumer Protection and Disability Access**

We wish to also highlight our support, in general, for the establishment of an ombudsman or like body to advocate for the consumer on perceived airline discrepancies. We are also very supportive of improving access to airports for people with disabilities. NQA are already supporters of the “sunflower program” for people with hidden disabilities. It would be good to clarify who is responsible for different elements of the passenger journey. Issues can often arise when a passenger who needs assistance isn’t met at the requested spot, and its unclear who is responsible for assisting them. Is it the airline or the airport?

### **3.4 Economic Regulation of Australian Airports**

We support the current light-handed regulatory framework that has been endorsed by successive Productivity Commission Reviews. While the current airline and airport pricing structure may not be preferred by all, it has clearly enabled our airports to grow and create jobs. It is imperative that regions such as Cairns and Mackay preserve their ability to engage in socially responsible negotiations, in order to serve as the entry point to these destinations. We have been able to successfully conclude negotiations with major airline carriers under this framework.

As mid-sized regional airports, a light-touch framework with guiding principles is our preferred option. It is also highly relevant to consider that airports in Australia are owned and operated by different entities, including the resources sector, council-owned and private enterprise. Each entity has its own operating model, capital structure, debt financing and capacity to raise capital.

***The following examples demonstrate how a low-touch approach is best for the industry:***

**Airport 1:** A council-owned airport in a large regional tourism town is able to use ratepayer monies to subsidise passenger service charges, and to encourage and stimulate airline capacity. They only require a small rate or neutral return, can access lower finance rates and are more likely to gain state or federal grant funding for capital projects. These factors contribute to this airport being able to offer below or at the lower end of any fair rate of return. Pricing discussions between this airport and airlines should be low risk.

**Airport 2:** A privately-owned airport of comparable size in the same region would have to fund any subsidies directly from the operating budget, raise capital through debt financing and be required to provide a reasonable rate of return to shareholders. These factors make it more difficult for the airport to compete with its peer. Therefore, the airport may have to either accept a lower fair rate of return to remain competitive, enter prolonged negotiations with its airline partners or be creative in terms of incentives for sustainable growth.

**Airport 3:** This airport, which is privately owned and has an 80 per cent domestic and 20 per cent international mix, is classified as a mid-size international airport. It must generate capital through debt financing and pay a reasonable rate of return to its shareholders, in addition to funding any subsidies straight from the operational budget. In order for the airport to expand responsibly and sustainably, it must establish agreements with its domestic partners to increase connectivity and frequency at a fair rate of return. The downside is, with low volume and frequency from international carriers, the airport has to offer competitive aeronautical charges to encourage carriers to fly to this port.

All scenarios come with their own positive and negative factors, but each of them allow the airport operator to find a solution from a light-touch approach, underpinned by guiding principles. Reports out of the Productivity Commission have also reiterated the benefits of a light-handed regulatory framework.

## 5. Maximising Aviation's Contribution to Net Zero

North Queensland Airports is on track to be carbon net zero by 2025 for Scope 1 and 2 Emissions. We are also working hard to understand the infrastructure requirements to support our customers on their journeys.

### 5.2 Sustainable Aviation Fuel

NQA believes that there is a significant opportunity for Australia to develop a material domestic SAF industry. This is an exciting opportunity for Queensland as we have the feedstock to develop the industry here. It would be a lost opportunity if the raw materials were sent overseas.

Federal and State Government need to get the investment setting correct to encourage the refinery capacity to be built here.

NQA is committed to working with industry partners to provide the required infrastructure to support a domestic SAF industry. Given the costs involved grants or subsidies may be required until the industry is established.

We believe government targets or mandates would be beneficial, on the proviso there is adequate support provided through investment in relevant infrastructure to achieve the SAF volumes required to bring the price of SAF down to more affordable levels.

## 6.2 Community Consultation Mechanisms

The current framework and consultation processes for Airservices Australia, airports and community not only allows for robust discussions, when necessary, but also promotes the responsible management of flight pathways, particularly during takeoff and landing. This is particularly important given the development and introduction of new aircraft, with greater efficiency and lower noise emissions. For these reasons, we would not support any changes to the current processes.

Airports without curfews have effective noise abatement protocols that are generally followed. Airlines that violate these rules should be held accountable and subject to penalties to ensure that compliance standards are followed. The onus should not fall on the airport. Additionally, having a curfew imposed (for example, at

Brisbane Airport), would further reduce competition in the sector. Overall, we support the removal of barriers where possible, to increase demand and subsequently drive fare prices down, ensuring the longevity and prosperity of this vital industry and the many jobs it supports.

### **7.1 A growing general aviation sector**

Both NQA airports have thriving general aviation sectors that have potential for further growth. One of Cairn's tourism operators has already ordered an electric helicopter and electric aircraft have the opportunity to play an important role in the regions given the relatively short flight times for many of the operators.

Cairns also has a significant opportunity to expand Maintenance, Repair and Overhaul (MRO). Covid has demonstrated the importance of having domestic capability in key sectors such as aircraft maintenance. Expanding MRO will create highly paid, skilled jobs in the region. The MRO operators are medium sized businesses and they may need support from both Federal and State Government to expand given their size and the risks involved in supporting airlines who typically only provide short tenured contracts.

#### **11.1 International Bilateral Agreements**

As noted earlier NQA supports increased competition and is therefore supportive of lifting bilateral caps ahead of demand to increase capacity. The process needs to be transparent. It could be argued that the current system is restricting capacity as despite the caps being reached, international airlines are not flying to Tier 2 airports in lieu of a capital city. Airports such as Cairns, the Sunshine Coast, Newcastle, Canberra, Avalon, Adelaide and Darwin should in theory benefit when the cap is reached. However, nearly all of the aforementioned airports have not experienced further growth internationally as a result, with a few exceptions such as DOH-ADL-MEL, DOH-CBR-SYD. If tight caps remain, our proposed solution is to enable airlines to operate under a restricted cabotage arrangement.

*Cabotage:* This has worked in favour of Australian carriers, yet only one international carrier currently has a cabotage arrangement with Australia, being Air New Zealand, and they have not exercised their right. This is to the detriment of the Australian traveller, although Virgin Australia, Qantas and Jetstar have all, at some point in time, operated domestically in New Zealand.

Having an international airline compete on a domestic route is clearly worth investigating. We believe the cabotage framework for the following airports—Darwin, Cairns and Port Headland—needs to be reviewed and changed. These airports are all entry points into Australia and are more than two hours' flying time from any other airport that is subject to bilateral restrictions. Allowing international carriers to carry both domestic and international passengers from these airports to another airport in Australia will increase competition in the domestic market. More importantly, it will bolster the international airlines' economics and expand the amount of international capacity available to the Australian market.

Thank you for considering this submission. As mentioned, further detailed rationale on the topics discussed is available from the AAA.

Yours sincerely



**Richard Barker**

**Chief Executive Officer**

North Queensland Airports

*Operating Cairns Airport & Mackay Airport*