



The Future of Australia's Aviation Sector

Issues Paper 2020

Executive Summary – COVID-19 response

Regional Aviation Association of Australia

The RAAA represents aviation across Australia. It has over 100 members and its Air Operator Certificate (AOC) holding members directly employ over 2,500 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turn over more than \$1.5 billion, carry well in excess of 2 million passengers and move over 23 million kilograms of freight. Our Regional Airport members also provide and manage critical infrastructure across Australian.

Aviation is central to Australia's economy and quality of life. Aviation underpins Australian business: transporting workers, tourists and high value freight. The sector directly employed over 90,000 people and contributed \$20 billion to the economy before COVID-19. Furthermore, the sector indirectly enables the tourism, mining, manufacturing and higher education sectors.

Domestic flights provide vital key business, leisure, family and health connections for Australians in cities and particularly regional and rural Australia. Aviation is often the only regular access very remote communities have to time-critical goods and services. COVID-19 continues to seriously negatively affect Australian aviation. Public health measures necessary to mitigate against COVID-19 – including rapid response travel bans and border closures – affect aviation more than most industries. While demand for domestic travel will return, recovery will be slow.

The aviation sector is integral to many freight supply chains. Air freight represents a small proportion of Australia's international freight task by mass (0.1%) but represents around 20 per cent of trade by value. Some agricultural exports are highly dependent on aviation, with almost 80 per cent of seafood (by value) exported by air.

Aviation is key to the tourism sector which accounts for around six per cent of GDP and is Australia's fourth largest export industry. Total international passenger traffic increased by around 75 per cent over the past 10 years to 2019.

The aviation sector acts as a crucial enabler across mining, construction, manufacturing and higher education. More than 60,000 people work more than 350 kilometres from their usual place of residence, the vast majority are likely to travel by air. Thousands of fly-in-fly-out (FIFO) workers serve the mining, construction, and oil and gas industry. A large majority (about 86 per cent) of FIFO workers work in a remote or very remote areas.

COVID Objective 1:

Maintaining essential air connectivity

Providing a minimum domestic network

- What constitutes a minimum RPT network in Australia?

Regional and remote areas of Australia require connectivity to regional and capital cities for health, education, food supplies and commerce. Travel is essentially carried out on a need's basis. It is difficult to define the minimum RPT network as due to our sparse continent there is no one size fits all proposition. The Government should consider integrating or merging the Regional Airline Network Support (RANS) with the long running Remote Air Services Subsidy (RASS) Scheme as part of the Australian Government's Regional Aviation Access Programme (RAAP).

RASS subsidises a regular weekly air transport service for the carriage of passengers and goods such as, educational materials, medicines, fresh foods and other urgent supplies to communities in remote and isolated areas of Australia. Due to the distances involved and with road access to many communities often cut for several months during the wet season, a regular air service offers the only reliable means of transport. Mail is carried on these flights under a separate contract with Australia Post.

As a minimum the RAAA believes that the current Regional Airline Network Support (RANS) should be continued to provide shortfall subsidies to eligible airlines to maintain a minimum air transport network during the COVID-19 recovery. The RANS will ensure that airlines can continue flying routes when passenger numbers are below commercial levels but historically were financially viable prior to the pandemic.

- Are there options to improve the effectiveness of governments' support for maintaining a minimum RPT network?

In consultation with its members the RAAA would like to see the continuation of government support past the current end date of 28th March 2021. Many regional and remote communities are still recovering from the effects of the pandemic and there is a real fear that a hard stop to the current COVID support will see many aviation businesses fail. Considering the \$100m's that has been spent on maintaining a basic aviation services in Australia it would be catastrophic if support was removed fully. The RAAA would ask the government to provide a staggered scaling back of support by a continuation of the RANS based on historical passenger and freight data.

The Australian Airline Financial Relief Package (AAFRP) is problematic in that the scheme has allowed airports the ability to recover "reasonable" security costs from the AAFRP at levels well above existing airport security charges already captured and paid for via the normal security head tax mechanisms. Thus, airlines are receiving back charged invoices for security costs. The Airports explain that they would not expect the airlines to cover these costs if we were unable to recover these additional costs from our allocated AAFRP grant amount. However, our issue is the mechanism for facilitating that support shouldn't be via the airlines or this scheme and we have concerns that once implemented these security cost increases will be a deterrent for Regional Aviation recovery.

- What is the best way for the Government to scale back support as the aviation sector recovers at a different pace for different routes?

The RAAA is promoting a staggered scaling back to the current COVID-19 support package with a continuation of the RANS beyond the 28th March 2021 on a case-by-case basis.

COVID Objective 2:

Preserving critical aviation capacity

Supporting airlines and airports

- What critical components of the aviation sector need support during the COVID-19 crisis?
 - Regional Airlines
 - Charter Company's
 - Maintenance and Repair Organisation (MRO's)
 - Independent Simulator Training Centres
 - Independent privately owned Flying Schools.
 - Regional Airports.
- Are there options to improve governments' support for critical aviation connectivity and capacity during COVID-19?

The Government should consider integrating or merging the Regional Airline Network Support (RANS) with the long running Remote Air Services Subsidy (RASS) Scheme as part of the Australian Government's Regional Aviation Access Programme (RAAP).

- What is the best way for governments to scale back connectivity and capacity support to allow commercial airline operations to resume as the regional and domestic economies recovers?

The RAAA is promoting a staggered scaling back to the current COVID-19 support packages with a continuation of the RANS beyond the 28th March 2021 on a case-by-case basis.

The RAAA supports additional assistance to industry support services i.e., MRO's, independent Simulator Training Centres, Flying Schools and Regional Airports.

COVID Objective 3:

Maintaining high value freight supply lines

Freight Supply Lines

- Are there options to improve governments' support for maintaining international air freight capacity during COVID-19?

The International Freight Assistance Mechanism (IFAM) has been a vital investment by government to maintain aviation supply chains during the COVID-19 crisis. The RAAA works closely with its members and other industry partners across the aviation sector to develop solutions that can support supply chains in Australia and across neighbouring countries such as in the Pacific islands. As the sector emerges from the pandemic, further government support to boost investment and kick-start exporting industries will help aid broader economic recovery.

- What is the best way for governments to scale back international air freight support to allow commercial air freight operations to resume as the regional, domestic and international economies recovers?

The RAAA supports a staggered scaling back rather than a hard finish date on the IFAM. Policy makers should also be mindful of the need to support international air freight capacity whilst international borders remain highly restricted. The dramatic reduction in international passenger aviation has greatly reduced international air freight capacity in and out of Australia through belly freight in these aircraft. International air freight will be critical in supporting the recovery of high-value export sectors as well as ensuring the supply of critical goods into Australia. For example, air freight will likely play a key role in ensuring the supply of some COVID-19 vaccines, which may require rapid importation into Australia at very low temperatures (such as -50°C).

Part B: Future of Aviation:

The Government's Five-year Plan for Aviation

Reducing the Regulatory Burden - General Aviation

- The Government understands the key challenges facing the GA industry. Given the impact of COVID-19, are there other areas where governments should be focusing to support GA?

GA is an important industry as a provider of skilled personnel to the Regional Aviation sector. The sector missed out on many of the support programs that were available to the Regional Airlines. We would ask the government to extend cash flow assistance to the General Aviation sector as they recover from the COVID-19 crisis.

The RAAA has concerns for the following sectors.

- Maintenance and Repair Organisation (MRO's)
- Independent Simulator Training Centres
- Independent privately owned Flying Schools.

The RAAA suggests that the following initiatives be considered by Government to assist essential support services for the regional aviation industry to survive the emergency and be available for the post COVID-19 recovery:

Consider access to a funding assistance programme similar to that provided for regional airlines and charter operators providing essential regional air services: The continued operation by regional operators due to the regional assistance programmes will help to some extent in that they will need to use essential service providers. However, the scale of operations will be so small compared to pre-emergency activity that many support services will struggle. This is particularly so for flying schools that will not be needed until the recovery phase. If critical MROs or simulator centres are closed, then it will prevent the smaller operators without in-house expertise from operating. Any assistance would of course only be needed once the avenues of the Jobseeker Programme and other initiatives were exhausted.

Assign VET Student Loans to the student rather than through the University or TAFE system: This would allow students more flexibility in selecting a training institution and would funnel more business into the smaller schools. It would open opportunities to regional students to undertake aviation studies through bespoke providers at a faster completion time frame. Courses through tertiary institutions as per the current VET funding scheme can sometimes take 3 to 4 years to produce a pilot. This will not be quick enough in the post pandemic recovery phase once demand starts to pick up again.

Part B: Future of Aviation:

The Government's Five-year Plan for Aviation

Reducing the Regulatory Burden - General Aviation (cont.)

Consider funding for setting up online pilot training: Aviation training providers have had to be agile with the recent government guidelines and have moved classes online. This has come at a cost. A fund that operators could utilise to upskill staff and acquire both hardware and software to minimise capex burdens in their business would allow cashflow to be utilised for keeping staff in jobs and the business viable. This could be part of the funding assistance programme suggested above and would allow schools to attract student to carry out the non-flying part of their training whilst still self-isolating.

Waive CASA Regulatory Service Charges: These are a small part of the CASA budget but constitute a significant expense for flying schools. This will be especially so for those that incur extra costs from CASA due to staff changes involved with downsizing and then rebuilding at a later date as a result of the COVID-19 virus.

Allow the entry into Australia of non-operational air crew for the purposes of simulator recurrency training as soon as possible: For countries like Papua New Guinea and some Pacific island nations the grounding of domestic services will have a dramatic impact. Air Niugini is one operator whose pilots can no longer carry out recurrency training due to the travel ban. Any lifting of restrictions could be done with the same safeguards currently applied to transiting operational flight crew.

Part B: Future of Aviation:

The Government's Five-year Plan for Aviation

Demand Management at Sydney airport

The RAAA will be making a submission to the Sydney Airport Demand Management - Discussion Paper.

Airspace Management

- What issues need to be considered in shaping future airspace protection polices and regulations?

The RAAA would like to see the full financial benefit promised from the OneSKY program delivered to industry as promised.

The RAAA would welcome a review of Airspace Management at Melbourne Airport and why it has not introduced a slot scheme similar to those that operate at most major city airports in Australia.

We also have an interest on behalf of our Flying Training members in the impacts of Western Sydney Airport on Sydney airspace (Bankstown and Camden). We currently have an RAAA director on the Forum on Western Sydney Airport (FOWSA) and will be advocating on behalf of our members.

- How can airspace protection balance the needs of the aviation industry with those of landowners and surrounding communities?

The RAAA supports the guidelines set out by the National Airports Safeguarding Framework (NASF) for airspace near airports.

Airline access to domestic and international routes

Whilst the RAAA generally supports free trade it does not support cabotage of the domestic airline market in Australia, particularly as the industry struggles to immerge from the COVID-19 pandemic.

Facilitating new and emerging technologies

- Are there barriers to the take-up of innovative technologies in the aviation sector?

The RAAA believes that CASA should allow organisations with a mature SMS to manage new and emerging technologies through their Safety Management System (SMS). This should be recognised as an acceptable means of compliance (AMOC) by CASA and will facilitate the Operator adopting a risk managed approach. The Regulator can observe/audit implementation without the red tape of an approval process.

CASA should also be more open to accepting overseas ICAO certification for new types. This will again reduce the red tape and cost and compliance burden on the industry.

Safe, secure and environmentally sustainable aviation

Safe air travel

- Are there options for governments to improve aviation safety governance and consultation processes?

It is the RAAA's position that CASA must adhere to Directive 02-0057 effective July 2019 - Development and Application of Risk-Based and Cost-Effective Aviation Safety Regulations. This Directive reaffirms CASA's commitment to ensure that regulatory changes are justified on the basis of safety risk and do not impose unnecessary costs or unnecessarily hinder participation in aviation and its capacity for growth. It also extends the principles underlying this commitment to the application and administration of the regulations by CASA, to the fullest practicable extent consistent with the interests of safety.

The RAAA supports the current industry consultative process within CASA through the many industry technical working groups (TWG's) and the ASAP (Aviation Safety Advisory Panel).

Secure aviation

- Are there approaches that governments could pursue to improve aviation security governance and consultation processes?

The RAAA maintains the position that any security requirements for regional airports and their passengers must be based on actual and not perceived risk. If a funding model is adopted which covers the cost of regional security without a significant impact on the cost of airfares, then that should not be used as an excuse to ramp up regional security requirements simply because the economic penalty has been reduced. Such rules must always have a basis in fact.

This is the philosophy applied by the Civil Aviation Safety Authority in promulgating new rules and regulations and it is just as appropriate to apply it to security arrangements for regional air passengers. It should be noted that some airlines are already incurring a cost burden under security regulations with the requirement for airline aircraft with 30 seats or more to be fitted with hardened cockpit doors. The RAAA also strongly believes that security charges should not be levied on airlines where they are not required by law or not agreed to by the air service operator. Currently some regional airports are charging airlines with aircraft of less than 40 seats for security screening which is not required and, in most cases, not wanted. This is a case of profiteering by those particular airports and is against the spirit of the security legislation promulgated in February 2020. As part of a sustainable screening regime this levying of unnecessary extra costs should be eliminated. This includes not imposing any type of network cost on those aircraft that are exempt from screening requirements.

Further information can be found in our recent submission to Sustainable Security Screening at Regional Airports industry discussion paper September 2020.

Environmentally sustainable aviation

- Are there options to improve environmental outcomes while maintaining an efficient and effective aviation sector?

The RAAA's vision is to see improved environment outcomes through the Airservices OneSKY Program. Shared use airspace, route optimisation and trajectory-based operations will enable opportunity to decrease noise, save fuel and reduce carbon emissions.

Reducing the Regulatory Burden & greater local decision making:

Federally leased airports

- Are there options to improve the regulation of Federally leased airports, that balance the benefits of local level regulation and management with strategic national level interests?

The imposition of managing airspace under APARs federal legislation that is not supported by state legislation leaves airport operators exposed. Breaches of controlled activities has no state MOU to support airport operators, all the airport operator can do is manage the risk.

Smaller airports which rely on non-aviation development for their viability should have a lighter touch of regulation. E.g., Sensitive Uses under the Airports Act should be reviewed, such as education, health and certain types of residential such as build-to-rent and residential aged care.

Greater local decision making - Local government owned aerodromes.

- Are there options to improve how Aerodrome Local Ownership Program (ALOP) aerodromes are regulated?

The RAAA and its airport members believe that a new governance and management structure for regional airports needs to be developed. Airports that are typically run by small local councils tend to struggle with traditional local government bureaucracy and commercial management. Also getting access to qualified and experienced staff with commercial airport experience can be challenging.

- Are there other ways the Commonwealth could support state, territory and local governments in their operation and management of regional and local aerodromes?

The Commonwealth should continue to provide infrastructure grants to regional airports, preferably not via a co-contribution model. The Commonwealth could provide a central training offering to ensure that ALOP's have suitably qualified personnel managing these facilities.

Targeted assistance - Funding of regional airports.

- Do current Government airport grants target key priorities for regional airports?

In consultation with our regional airport members the RAAA does not believe that Government airport grants target key priorities. It favours councils with the resources to have off the shelf ready to be constructed projects, regardless of whether it is critical in the national sense. Councils often tie existing projects to grant opportunities regardless of whether there are more deserving projects elsewhere. In addition, the co-contribution funding model is not feasible for the smaller airports/councils in regional and remote Australia.

The range of airports that are supported by grant funding includes airports with no regional or rural air services operating. If the priority is to support connectivity between regional/rural Australia, all airports that provide access to these type of air services should be considered for grant funding, excluding major capital city airports. For example, Essendon Fields is a regional-style airport but has been excluded from regional funding grants due to its location in a metropolitan area.

Reducing the Regulatory Burden & greater local decision making:

Targeted assistance - Aviation skills and workforce development

Australia has a major opportunity to develop a coordinated Federal and State/Territory aviation training program to meet the demand for aircrew, maintenance, airport and related skill over the coming decades. This program is not just to provide skills to our domestic industry, but also the rapidly growing aviation industry in the Asia Pacific.

Targeted assistance - Aviation skills and workforce development

- Are there other or modified options to improve the aviation workforce training framework to better meet the current and future needs of industry, beyond those identified in the Expert Panel Report?

The RAAA strongly believes there is still a latent demand for skilled persons within the aviation industry. COVID-19 has only slowed up the tsunami approaching us, and that urgent action is needed to address the severe shortage of people choosing aviation as a career. The Expert Panel Report highlighted many of the issues facing the industry and rather than start again perhaps a review of the relevancy of the report should be carried out. Some of the report's recommendations have been implemented with positive outcomes.

The RAAA continues to support the Governments vocational education and training (VET) student loans scheme and welcomes the recent increase to \$150,000.

The RAAA also supports the continuation of the Small Business wage subsidy facilitated through the Australian Apprenticeship Support Network (AASN) for small to medium sized businesses of under 200 employees.

- Are there options to improve the longer-term development and/or retention of aviation skills?

ICAO held the Next Generation of Aviation Professionals (NGAP) Global Summit in 2017. At that time the industry supported 63.5 million jobs around the world, contributing more than 2.7 trillion dollars to the global GDP, carrying more than half of the 1.4 billion tourists who cross international borders every year. The NGAP team produced a report which highlights some of the key issues and also offers solutions to developing and retaining aviation professionals.

Targeted assistance - A sustainable and equitable funding base for CASA

- Are there options to rationalise the number of fees and methods of charging the aviation sector?

The RAAA looks forward to consulting with the government on a new funding model for CASA driving greater efficiency, transparency and accountability and reducing appropriation spend.

International flights (including those operated by Australian carriers such as Qantas, Jetstar and Virgin Australia), major airports and Airservices Australia either do not pay the fuel levy or are not fuel users so no levy can be applied. Clearly, a large proportion of CASA's resources are expended on sectors of the industry which do not contribute to CASA funding. The main burden of CASA funding falls on regional and mainline domestic operators and domestic aerial work companies who are paying far more than their fair share under this funding arrangement.