



NORTHERN TERRITORY RESPONSE PAPER TO THE NATIONAL AVIATION GREEN PAPER

Prepared by the
Northern Territory Aviation Committee

February 2009

Introduction

- 1.1 The Northern Territory (NT) is large, remote and the most sparsely populated jurisdiction with the highest proportion of Indigenous Australians. Air transport is crucial to the NT due to the distance from major population centres and markets and the wide geographical dispersion of communities and industry. Air services support the social and economic development of the NT, tourism (the major employer in the NT), the resource sector, Indigenous improvement and the defence of Northern Australia.
- 1.2 The NT acknowledges the release of the National Aviation Policy Green Paper by The Hon Anthony Albanese MP, Minister for Infrastructure, Transport, Regional Development and Local Government in December 2008 and that it is planned to release a White Paper in the second half of 2009. The closing date for comments on the Green Paper is 27 February 2009. An extension to the closing date has been granted until 11 March 2009. This response follows the headings as laid out in the Green Paper.
- 1.3 The NT provided input, through submission, to the Issues Paper in June 2008 as an opportunity to contribute to the development of a National Aviation Policy. The NT welcomes the continuation of existing Australian Government aviation policies and programs as advised in the Green paper. However, it is surprising that very few new policy directions or initiatives are canvassed in the Green Paper, particularly in regard to Regional and General Aviation.

2 Aviation Safety

- 2.1 The Australian Government needs to ensure the regulatory reform process is completed by the timeline of the end of 2010, to provide stability for the industry.

3 Aviation Security

- 3.1 The high cost of security charges at regional airports due to relatively low passenger through-put acts as a disincentive for airlines considering the viability of new or increased services. This is especially so for low cost carriers. Security charges at Darwin and Alice Springs are particularly high compared with other CTFR (Counter Terrorism First Response) airports. This has a detrimental impact not only on the airports, but also the surrounding communities.
 - 3.2 The extent of the impact has been quantified by Access Economics, in a study commissioned by the NT Government to assess various policy options to improve air access to the NT. To illustrate the extent of the impact, one option is summarised here: reducing security costs at Darwin and Alice Springs airports to zero through direct government assistance. The economy-wide impacts from the increased visitor expenditure alone would generate 110.3 million in Northern Territory GSP over five years from 2009 to 2013 (net present value). This compares favourably with an estimated cost to government of \$76.4 million over the five years. The report by Access Economics is at Attachment A.
-

- 3.3 For alleviating airport security costs charges at regional airports such as Darwin and Alice Springs, the NT proposes two broad policy options: network pricing or direct funding assistance from the Australian Government. Network pricing could either be designed to fully equalise security costs across all CTRF airports, or only across airports outside the four “major gateways”. Direct funding assistance could take the form of full funding for airport security, an ongoing partial subsidy or funding of capital expenditure only.
- 3.4 While passengers are the proximate beneficiaries of airport security, airport security is increasingly becoming national security. Airport security benefits the entire Australian community, and there is therefore an argument for the Australian Government to bear some of the cost, especially given the effect of the policy as shown above. Direct funding would recognise the aviation industry’s role in Australia’s national security agenda, as well as recognising the adverse impacts the existing framework has on regional airports’ ability to compete for air services.
- 3.5 The case for direct funding of security charges at Alice Springs is heightened by the fact that its designation as CTRF is anomalous as it has a low passenger throughput compared with other CTRF airports, and lower than some airports that have a lower level of security designation. Its inclusion is likely due to its proximity to the Pine Gap Joint Defence Space Research Facility. The recommendation from the Wheeler Review to review the status of all CTRF airports appears to have been dismissed.
- 3.6 There is no clear policy framework or guidelines setting out the security designation process and how security designation decisions are reached. Airports are grouped into three broad categories, regardless of their individual characteristics or risk profile, creating a blunt and inefficient policy instrument. There could be gains from a more differentiated model, tailoring security requirements to airports’ specific circumstances based on an objective risk assessment.

Recommendations

The Australian Government should reduce the burden of security costs on regional airports such as Darwin and Alice Springs. This could be done through network pricing or direct funding assistance.

The Australian Government should assist in the funding of Alice Springs Airport’s CTRF capability, given that the airport’s requirement to have this capability stems from its proximity to Pine Gap Joint Defence Space Research Facility.

4 International Aviation

- 4.1 As previously stated, the Regional Package offered in bilateral negotiations has not prompted foreign carriers to take up routes to the regional ports although the NT supports the continued offer in all future air service agreements. Other policy settings and incentives need to be considered to promote international services to the regional gateways such as discounted taxes and charges. A review is required, bringing together relevant stakeholders, to canvas further policy options that support the development of
-

regional gateways and the dispersal of international visitors. Due weight should be given to regional development and equity arguments, especially considering the NT's proportion of Indigenous Australians and that tourism is one of the few industries that provide an avenue for these Australians to engage with the market economy.

- 4.2 The Passenger Movement Charge (PMC) has been shown to over-recover the costs of Customs, Immigration and Quarantine (CIQ) and therefore is part cost recovery, part tax. A large part of the services covered by the PMC benefit Australian society as a whole, rather than international travellers. The PMC undermines regional development as it is felt disproportionately at regional airports, where the greater reliance on short-haul services (where the PMC, as a proportion of the total fare, is greater) and leisure-orientated travellers (who are relatively more sensitive to price) accentuate its impact. Darwin is arguably most affected by the administration of the PMC, with the average international fare estimated at less than half that of Australia overall and nearly four-in-five passengers travelling for leisure purposes. The PMC should be reduced to reflect the costs of CIQ, and the fact that the true beneficiary of CIQ services is Australian society as a whole.

Recommendations

The regional package should be offered in all future air service agreement negotiations. Other policy settings and incentives also need to be considered to promote international services to the regional ports.

The PMC should be reduced to reflect the costs of CIQ and the fact that the true beneficiary of CIQ services is Australian society as a whole.

5 Regional Services

- 5.1 The Executive Summary of the green paper states that "the Australian Government is committed to ensuring access to regular air services in regional and remote areas, where regular flights are essential for communities, regional development and social services." While the Remote Air Service Subsidy (RASS) scheme is an important program which provides good outcomes in the NT, it is not capable of delivering on the stated commitment. For example many RASS services in the NT are not capable of carrying passengers. RASS routes are largely based on historical grounds rather than demonstrated need. RASS is one of the areas where a partnership approach between governments would lead to improved access for remote Australians. It is proposed that an Indigenous RASS scheme be considered by key stakeholders including the Department of Families, Housing, Community Services and Indigenous Affairs, and all health and education agencies.
- 5.2 The Green Paper also states that the Australian Government "will consider options to work cooperatively with the States on models for assistance for regionalservices". It is hoped that this also includes working with the NT. It is not clear what this statement actually means, however the NT will

continue to work collaboratively at all levels to improve transport services and access for regional and remote Australians.

6 General Aviation

6.1 The decision not to provide support to General Aviation in transition is considered short sighted and will most likely be reconsidered as market failure causes increasing real cost to Government.

7 Industry Skills and Productivity

7.1 The NT seeks an agreed commitment to build stronger relationships between the Australian Government and Northern Territory training providers and further define how the Australian Government will improve marketing of aviation careers in the Northern Territory. Also an equitable allocation of the \$2.1 Billion Productivity Places program to ensure additional training places for the aviation sector in the Northern Territory.

8 Air Traffic Management

8.1 Air Services' charging regime is of particular importance at regional airports which are characterised by a relatively low number of users. The NT calls for a network charging approach across Australia. At worst, the existing Airport Rescue and Fire Fighting hybrid network model should be retained and extended to approach and terminal navigation charging at regional airports. The enroute subsidy is important and should continue with ongoing consideration of special charging arrangements for aircraft operations of less than 5.7 tonne.
