



SUBMISSION BY THE VICTORIAN STATE GOVERNMENT

NATIONAL AVIATION POLICY STATEMENT

GREEN PAPER

Introduction

The Victorian Government welcomes this opportunity to comment on the *National Aviation Policy Green Paper*.

In its submission in response to the *Towards a National Aviation Policy Statement Issues Paper*, the Victorian Government noted the importance of the aviation industry to the Victorian economy.

The Victorian aviation and aerospace industry is a significant source of economic activity, employment and export revenue in its own right. The Victorian aviation and aerospace industry exports more than \$250 million worth of aircraft, systems and components per annum and generates of more than \$600 million of economic activity every year. Melbourne and Avalon airports are another significant source of economic activity for the State. For the year ended December 2008, Melbourne Airport catered for almost 20 million domestic and over 4.8 million international passengers, and currently Avalon handles more than one million domestic passengers per annum. Melbourne and Avalon airports employ over 13,000 people, while an additional 7,000 people are employed in aviation related activities across Victoria. An extensive network of regional airports catered for hundreds of thousands more travellers.

Airlines including Jetstar and Tiger contribute to the Victorian economy through significant head office operations and expanding services. These carriers together with Qantas, Virgin Blue and a range of international carriers also contribute to aviation support activities such as booking and catering services as well as extensive aviation maintenance and related services.

However, the industry also plays a significant role as a facilitator of business more generally, and in improving connectivity for the community. International and interstate tourism, trade and investment activities in particular are heavily reliant on air transport services, and the quality of aviation connections and facilities is of major importance to their performance.

The Victorian Government has recognised the strategic significance of the aviation sector through a number of broader industry and infrastructure policy measures underpinned by the Government's vision statement *Growing Victoria Together*, including noting the competitive advantage offered by Melbourne and Avalon Airports' curfew free status.

The Victorian Government consequently supports the four broad principles which provide the framework for the Commonwealth Government's Policy, specifically those of safety, recognising aviation as a driver of broader economic prosperity, a coordinated approach to airport infrastructure investment and a responsible approach to managing the impacts of aviation.

The Victorian Government recognises the wide range of issues required for consideration in the development of a National Aviation Policy, and in this submission has commented on many of the issues raised in the Green Paper. However, the Victorian Government believes the current process has highlighted three key issues which it believes require further consideration in the development of the

final White Paper. These key issues will be critical to the success of the White Paper in delivering a policy framework which maximises the sustainability of, and broader economic benefits deriving from, the Australia aviation industry.

First, the Victorian Government notes that international air services continue to be subject to a complicated and prescriptive international regulatory framework. This framework continues to constrain the productivity and efficiency, and ultimately sustainability, of the international air services sector. As a critical facilitator of international economic activity, this also affects the productivity and efficiency of Australian industry as a whole. This environment stands in contrast to the highly competitive and responsive domestic Australian sector, which has enjoyed a liberalised regulatory framework for a number of years.

The Victorian Government recognises that a number of bilateral agreements over recent years have provided scope for increased services on a number of key international routes. The Victorian Government also recognises that Australia cannot unilaterally remove restrictions which prevent the development of an open international aviation market.

However, the ongoing competitive distortions created by the current regulatory environment should be considered a priority for action. The Victorian Government consequently believes that Commonwealth Government policy underpinning international air services negotiations should recognise that existing restrictions are, by default, against the broader national interest. In addition, Commonwealth Government policy should recognise that regulatory and taxation arrangements in other countries, which may benefit their international airlines, should not act as a barrier to liberalisation. Instead, and as has already happened with many other sectors, liberalisation should be considered an opportunity to encourage the development of more efficient and productive Australian international carriers.

Consistent with this priority, the Commonwealth Government can immediately facilitate further liberalisation by modernising foreign ownership provisions and setting a timetable for considering new third country access to the Pacific route.

The Victorian Government believes Australia can also play a greater role in leading the development of a more liberalised international aviation environment. In particular, the Victorian Government believes the Commonwealth Government should prioritise multilateral liberalisation in regional fora.

Second, the Victorian Government believes the final White Paper will need to give greater consideration to a holistic vision for the aviation industry in terms of its contribution to the economy, employment, exports and broader economic benefits. While the Green Paper provides detailed consideration of the role and importance of specific sectors, there is no articulation of the whole of industry contribution to the economy, its role within the national transport policy directions being developed with States/Territories through the Australian Transport Council and its potential to generate further economic benefits for Australia. The Victorian Government believes that such a vision will be critical to delivering a White Paper which fosters overall industry growth and infrastructure planning and investment and provides greater clarity on the policies which will support this growth. In this respect, a clearer

articulation of the relationship between the White Paper, and the current development of the National Transport Policy and National Tourism Strategy will be critical.

Third, the Green Paper highlights the need for closer engagement between jurisdictions in a number of areas related to airport planning and development. These issues include security, safety, aircraft noise and infrastructure. While the Victorian Government welcomes the Green Paper proposals to work more closely with State and local governments in these areas, it notes that these issues are symptomatic of the more general issue of tensions between airports subject to the *Airports Act 1996* and land use planning provisions relating to their surrounding areas. The Victorian Government believes that such tensions will continue until mechanisms are established to ensure consistency across Commonwealth, State and local government regulatory and policy settings. The Victorian Government is keen to work with the Commonwealth on options to ensure this consistency occurs and looks forward to discussing this matter in further detail.

Aviation Safety

The Victorian Government supports the Green Paper's proposal for a strong focus on safety in air services policy. The Victorian Government also supports proposals to strengthen the governance arrangements and operational capability of the Civil Aviation Safety Authority (CASA).

The Victorian Government's submission in response to the *Towards a National Aviation Policy Statement* Issues Paper noted the need for both CASA and Airservices Australia to engage more closely with State and local authorities on matters relevant to aviation safety and air traffic management issues.

In particular, the primary focus of CASA and Airservices Australia communication and consultation activities is stakeholders in the aviation industry. However, State and local planning policies and activities can potentially impact on CASA and Airservices Australia activities.

In addition, local governments may also require a greater understanding of the implications of aviation operations and safety requirements in relation to their decisions on building and planning permits.

For example, the recent development of wind farms across regional areas may have implications for flight paths to nearby airports. In this context, CASA could better articulate its requirements for aviation obstacle lighting for wind turbines greater than 110m. While CASA has produced a circular on the requirement, there is uncertainty regarding who should be responsible for the lighting.

Victoria suggests that there be increased liaison between the State Government and CASA, and between CASA and the development industry to identify opportunities to translate CASA objectives and requirements into the planning system, and eliminate inconsistencies. This should include both agencies undertaking further work to consult on, and disseminate information in relation to, implications of their policies and plans at the regional and local level.

Aviation Security

The Victorian Government notes the substantial increase in Commonwealth Government aviation security activities over recent years, and the necessity of these activities in protecting the general community as well as the aviation industry.

However, the Victorian Government believes the current approach to aviation security could benefit from further consideration of the broader context in which it operates. To date, there has been a strong focus on direct counter-terrorism measures. While this approach has appropriately reflected the challenges arising since 2001, there is now an opportunity to more fully consider the relationship between these activities and broader elements of criminality which can occur anywhere within the aviation industry, and the relationship with other interfacing transport modes.

The Victorian Government consequently welcomes the Commonwealth Government's proposal to review its approach to businesses operating in the supply

chain. The Victorian Government believes that this work should be broadened to include consideration of interactions of air freight transport with other modes and processes along the supply chain. Given the increasing integration of freight and logistics businesses along the supply chain and across modes, this aspect of security will be increasingly important into the future.

In this context, while the Victorian Government believes there has been useful work done in mass transit security, discussions regarding front-of-house issues for ports and ferry services has been less conclusive. The boundaries between terminal, terminal related activities and non-terminal activities and developments are becoming increasingly blurred. There is no reason to assume that the matter is any easier to resolve in the aviation sector, particularly as terminals become increasingly linked to other non-terminal developments and activities in both major cities and regional centres.

The Victorian Government believe there is scope for earlier and closer engagement between jurisdictions in these areas. In this context, the Victorian Government notes the Green paper references a review of the Aviation Security Identification Card, and believes early engagement with the States and Territories on this and related reviews would support more consistent and productive outcomes.

Cost of Passenger and Baggage Screening

The Victorian Government does not support proposals to move toward network pricing for security screening activities.

The Victorian Government notes that, due to economies of scale, the provision of screening and other security related activities at smaller airports entails a proportionately larger per passenger cost. Arguably, these smaller airports are also those where the risk of security incidents is lower.

However, the use of network pricing would not result in a lower overall cost for security screening, but a transfer of expenses from less efficient to more efficient airports. Dependent on the design of such a scheme, this approach has the potential to create market distortions and reduce incentives for the most efficient provision of services.

The Victorian Government consequently believes this matter should first be dealt with through the development of security policies and procedures which have regard to the relative size and risk associated with smaller airports. Consistent with previous practice, where there is a public interest in facilitating airport uptake of increased security measures, it would be appropriate that the responsible jurisdiction (in this case the Commonwealth) consider supporting such airports through direct assistance.

Comments in relation to the Passenger Movement Charge are provided under passenger facilitation below.

International Aviation

The Victorian Government's submission in response to the *Towards a National Aviation Policy Statement* Issues Paper noted the critical role that direct international services play in supporting the Victorian economy. In particular, there is a direct relationship between air access and performance in trade, business and tourism.

An August 2006 study *Decision Factors Influencing MNE's Regional Headquarters Location Selection Strategies* ranked "frequent and efficient international flights" as the fifth most important criteria (from 39) for multinational enterprises in deciding where to locate regional headquarters. This was above criteria such as "economic stability" and "local market growth potential".

However, trade in international air services is subject to restrictive regulation when compared to trade in most other goods and services. It is standard practice for national carriers to be an influential member of negotiating teams and in setting priorities for negotiations. As a result, liberalisation is most commonly achieved where there is no direct conflict between the commercial priorities of national airlines, rather than in the broader national interest.

Notwithstanding that the previous Commonwealth Government claimed a progressive liberalisation agenda, aviation remains one of the most regulated trade areas when compared to other goods and services. In this respect, previous Commonwealth Government policy settings continued a historical pattern of using regulatory measures such as ongoing restrictions on specific routes and regulation of Australian international airlines.

Of particular note, delays and restrictions on liberalisation that work to the advantage of Australia's national carriers may also involve economy-wide costs that have not been fully appreciated. In addition, noting that Sydney is often the first preference for foreign carriers wishing to establish a presence in Australia, a limit on entitlements may limit the earlier establishment of services to Melbourne, Brisbane or Perth that may have otherwise have been pursued.

The Victorian Government notes that a number of bilateral agreements over the past two years have removed many of the immediate capacity restraints on specific routes. It is also important to note the limitations inherent in the international trade of air services rights. However, the above approach has previously prevented timely access for several foreign carriers that provide links to large tourism, business and export markets. In this respect, in 2006-07 the Department of Innovation, Industry and Regional Development engaged Access Economics to assess the economic impact of increased air services on the Victorian tourism industry. Over the period 2004 to 2010, the study estimated that a specified number of new air services would contribute a net \$901 million in value to the Victorian economy, with 2,346 new jobs created.

Any future approach based on a perpetuation of current international and national regulation is likely to see a continuation of current market distortions. That is, an international aviation market which is characterised by too many marginal international carriers and poor profitability relative to other industries. This stands in

contrast to the liberalised domestic market, which enjoys robust competition and growth. Under these conditions, governments, including in Australia, can realistically expect continued broader economic costs as well as ongoing requests for both direct and indirect assistance for airlines.

An accelerated liberalisation agenda provides the only realistic, long term opportunity to reduce market distortions and the call on governments for indirect and direct assistance.

Liberalising Access to International Markets

Restrictions on the Pacific Route are of particular concern to the Victorian Government. Some 25 per cent of Victorian passengers to and from the United States travel via Sydney, compared to an average of nearly 15 per cent of international visitors to Victoria making a connection to get to the State.

This situation can place Victorian industry at a competitive disadvantage compared to industry in New South Wales. Additional costs and time may make United States based investment and export opportunities comparatively less attractive. A return flight from Melbourne to Los Angeles via Sydney, for example, can add an additional eight hours travelling time in comparison to a direct flight. The tourism industry is particularly affected, with travelling intentions highly responsive to changes in cost and travelling times.

From a Victorian perspective, it is unclear whether the Australia-United States open skies agreement will result in substantive change in this area. While new V Australia services are welcome, new Delta Air Lines services are likely to further increase the diversion of traffic through Sydney. Given the current global aviation environment, it is also not certain that either of these new carriers will provide substantial new competitive pressures on the medium to long term.

In this context, the Victorian Government believes that Commonwealth Government policy underpinning international air services negotiations should recognise that existing restrictions are, by default, against the broader national interest. In this context, consideration should only be given to maintaining restrictions on access by a foreign carrier if it can be demonstrated that such access would harm the national interest.

In addition, Commonwealth Government policy should recognise that regulatory and taxation arrangements in other countries, which may benefit their international airlines, should not act as a barrier to liberalisation. Successive Governments have recognised that liberalisation should be considered an opportunity to encourage the development of more efficient and productive Australian operations. This approach has facilitated the development of contemporary Australian industry, and the aviation sector should not continue to be excluded.

The Victorian Government also reiterates its belief that it would now be appropriate for the Commonwealth Government to set a timetable to allow an interested third country carrier entry to the Pacific route.

In the longer term, the Victorian Government notes the need to pursue a more liberal global regulatory regime. International regulation of air services has become progressively separated from international arrangements for the trade of other goods and services. While key drivers for these historical arrangements are progressively being eroded, and in particular the prevalence of Government owned national airlines, regulatory arrangements continue to support restrictive trading practices.

While recognising Australia is only one participant in this process, the Victorian Government believes it can play a greater role in leading liberalisation, particularly in the South East Asian region. In this respect, the Commonwealth Government could identify aviation liberalisation as a priority issue in engagements through the Association of South East Asian Nations and Asia-Pacific Economic Cooperation Forum.

Air Freight

Air freight is a significant issue in relation to international air services. In particular, while air freight only represents 0.1 per cent of Australia's total physical exports in tonnes, it represents 25 per cent of physical exports by value.

The Victorian Government consequently supports the current liberalised approach to international cargo services. However, the Victorian Government notes that that 90% of airfreight is carried under the feet of passengers. This reliance on commercial passenger services underlines the importance of broader economic impacts being considered in setting international air service negotiation priorities.

In the Victorian context, Melbourne and Avalon Airports' curfew free status and "on apron/tarmac" land availability is also important in supporting these activities and the Victorian Government welcomes the Green Paper's proposal to continue this status.

The Regional Package

If the Commonwealth Government is to continue the Regional Package policy, it is the Victorian Government's view that Avalon airport should be granted 'Regional Package' status.

Over recent years Avalon airport has rapidly developed as an alternative transitional point for domestic travellers in the western part of Victoria. While Avalon is not yet receiving international flights, this network has significant potential to develop into an international distribution point for Victoria and neighbouring areas.

This outcome would place Victoria on equal footing with other gateways which have internationally capable regional airports which complement capital city airports, including the Gold Coast-Brisbane and Newcastle-Sydney pairs.

Foreign Ownership Rules

Consistent with a broader liberalisation agenda, the Victorian Government supports a relaxation of foreign ownership rules for Australian international carriers. Current restrictions increase the cost of credit for Australian carriers and are inconsistent with the Commonwealth Government policy of seeking to negotiate bilateral agreements

on the basis of “principal place of business”. The Victorian Government also sees no sound basis for treating Qantas separately to any other airline designated as an Australian carrier for international purposes.

However, the Victorian Government notes the need for an ongoing capacity for sovereign control of Australian international carriers to meet international treaty obligations. In this context, Australia’s policy of seeking a “principal place of business” designation provides an appropriate framework for the legislative criteria applying to Australian international carriers. The Victorian Government believes this designation is most appropriately defined by removing quantitative foreign ownership limits on Australian international carriers, but including a requirement to:

- locate their head office in Australia;
- locate their principal operational centre in Australia;
- locate significant maintenance activities in Australia; and
- be incorporated in Australia.

It is expected that these provisions would facilitate more sustainable Australian international carriers by maximising share values and improving access to international credit. At the same time, operational criteria would ensure that significant operational and maintenance activities would continue to occur in Australia. As appropriate, national interest and consumer issues would continue to be protected through oversight of major new foreign investment proposals by the Foreign Investment Review Board and Australian Competition and Consumer Commission.

The Victorian Government notes that these arrangements would also enable Tiger Airways Australia to seek designation as an Australian international carrier.

Passenger Facilitation

The Victorian Government supports work undertaken to streamline and improve passenger facilitation activities at international airports. Over the medium to long term, pressures on border facilitation will continue to grow, and these and future initiatives will be critical to ensuring these activities do not act as an impediment to the international movement of passengers and goods.

In this context, the Victorian Government is interested in the announcement of new principles and guidelines for the provision of passenger facilitation services at new international airports. In particular, the Victorian Government believes it is important that any such arrangements should not directly or indirectly act as a barrier to the establishment of new international services. The Victorian Government may make further comments once the details of the new principles and guidelines are made public. More generally, however, as new international airports could be established on land not subject to the *Airports Act 1996*, State and Territory processes will need to be considered within a properly co-ordinated framework of principles, approval processes and guidance material.

In relation to the funding of passenger facilitation services, the Victorian Government is very concerned regarding the potential for further increases in the Passenger Movement Charge (PMC).

While the original purpose of the PMC was as a cost recovery mechanism for customs, immigration and quarantine processing for passengers entering and leaving Australia, it is no longer clear what its policy objectives are. In most respects it is treated as a general taxation measure, and is paid into general revenue. Nonetheless, increases in the PMC have generally been justified on the basis that it is a cost recovery mechanism.

However, the treatment of the PMC is substantially different to most other cost recovery activities in that there is no reconciliation of expenses against revenue collected. As a result, policy objectives relating to most cost recovery activities are lost, including sending appropriate price signals as well as encouraging efficiencies in operations.

Of particular concern has been a propensity in recent years to broaden the areas for which the PMC is intended to recover costs. In particular, there are increasing suggestions that the PMC may cover some of the costs of border security activities. This development has occurred without any substantial discussion of the potential responsibilities of governments and industry for specific activities and whether such activities serve a broader public good.

Proposals to increase the PMC in response to increased biosecurity activities, as suggested in the *One Biosecurity* review paper, threatens to further confuse the policy objectives of the PMC. This approach could potentially expose travellers, airports and airlines to costs for activities which are more appropriately considered a public good.

In this respect, the Victorian Government also notes that there was a substantial increase in the PMC, of \$9 to \$47, introduced as part of the 2007-08 Budget. At the same time, there has been a substantial weakening in international travel over the second half of 2008 due to the current global environment.

The Victorian Government consequently believes it would be inappropriate to further increase the PMC at this time without a proper review of its purpose and scope.

Domestic and Regional Aviation

The Victorian Government supports current policy settings which entails minimal regulation of airline market functions, including allowing foreign ownership of domestic airlines. These arrangements have facilitated increased competition and substantial productivity increases in the industry, which has in turn delivered substantial real savings for consumers and strong growth in domestic services. The Victorian Government believes these reforms have also delivered an industry which, on the whole, is better positioned to respond to both changing consumer preferences and economic challenges.

The Victorian Government notes that accelerated liberalisation in relation to international services is likely to bring similar improvements. The Victorian Government position in relation to this issue is outlined in greater detail above.

Regional Aviation

The Victorian Government supports the continuation of the Remote Air Services Subsidy Scheme and the Remote Aerodrome Safety Program. However, it should be noted that relatively few aerodromes in Regional Victoria meet the eligibility criteria of these two programs, and in particular the definition of “remote”.

Accordingly, many regional and rural airport improvements in Victoria are supported by the Victorian Government’s Regional Infrastructure Development Fund. In addition, Regional Development Victoria is currently working with a number of regional councils to establish priority projects under the Regional and Local Community Infrastructure Program. Some of these include aviation projects and will seek Australian Government contributions. The Victorian Government would welcome the opportunity to discuss these projects further.

General Aviation

The Victorian Government notes the importance of the general aviation industry, both in its own right and as an important enabler of broader economic and social activity.

Australia is well placed to take a lead in the provision of aviation services to the domestic and international market, with pilot training for the international airline industry a prime example. Providing the correct environment for this to happen will create jobs and career pathways for instructor pilots, generate employment in the aircraft maintenance and component overhaul sector while also providing opportunities for flight training schools to reinvest in new aircraft and to upgrade facilities and equipment.

The Victorian Government therefore supports in principle measures to encourage the expansion of the General Aviation Training environment, and notes the positive effect that communities can receive through the location of such facilities in regional areas.

The Victorian Government also acknowledges that ageing aircraft are a feature of the General Aviation market and would support any move by the Commonwealth to enable operators to upgrade their fleets appropriately. This could include, for example, low interest loans or better consideration of depreciation on assets.

Industry Skills and Productivity

The Victorian Government welcomes the Green Paper’s recognition of the importance of a skilled aviation workforce to the future of the industry. In particular, ensuring that industry has access to a skilled workforce is critical to ensuring it can meet existing workforce requirements as well as capitalise on new business opportunities as they arise.

It is vital that all sectors of the education stream, from secondary school to TAFEs and university, are encouraged to work together to ensure all tiers of Aviation are adequately catered for through training facilities.

The Victorian Government urges the Commonwealth to consider specific funding increases for Aviation Training to stimulate interest in careers in the sector, and to ensure that recent labour shortages are not repeated.

Consumer Protection

The Victorian Government notes the Green Paper references a review of carriers' liability and insurance arrangements, as well as transport standards under the *Disability Discrimination Act 1992*.

The Green Paper identifies a number of issues which will require further consideration in relation to these matters. The Victorian Government supports their further consideration through the proposed reviews, and looks forward to the opportunity to contribute to the review process and respond to their outcomes.

The Victorian Government also supports the establishment of the proposed Aviation Disability Access Working Group. The Victorian Government believes the role of the Working Group should be clarified, and that it should operate under existing public transport committees established to improve access to public transport for people with disabilities. This approach would minimise duplication or inconsistency in the development and implementation of policy and regulation.

Aviation Infrastructure

The Victorian Government notes that a key theme being addressed through the Australian Transport Council in development of a National Transport Policy is that of Infrastructure Planning and Investment with a strong principle around the integration of transport and land use planning. This principle was integral to the *National Charter of Integrated Land Use and Transport Planning* (2003) which had the endorsement nationally of both Ministers for Planning and Ministers for Transport. The Victorian Government believes the Green Paper needs to better reflect how a national aviation strategy can be integrated with a national transport policy and the Charter.

The Victorian Government supports the general principles outlined in the Green Paper in relation to improved arrangements for planning and development on airports, and developing cooperative arrangements with State and local governments.

The Victorian Government also supports the Green Paper's intention not to deter investment through overregulation. Leased Commonwealth airports in Victoria should continue to appropriately develop as airports.

However, the Victorian Government considers that the Green Paper does not provide enough detail on the proposed improvements to enable a more detailed response by the State. This includes, for example, the composition and responsibilities of the Planning Advisory Panels. Further discussion will consequently be required once the Commonwealth determines its preferred approach to these matters. The Victorian Government offers the following comments on planning matters within this context.

Victorian Planning context

State, Territory and local governments have previously raised a number of concerns through the Local Government and Planning Ministers Council about the inadequate assessment processes for land use planning, infrastructure and environmental impacts of substantial non-aviation developments at airports. There is also a clear need for a consistent approach to on and off-airport development and decisions between airports.

Within the Victorian context, a key land use planning policy is to concentrate development in Activity Centres and more recently, freight and logistics precincts. These areas are centres for business, shopping, employment, leisure and community facilities with good links to the Principal Public Transport Network.

The Victorian Government's *Melbourne @ 5 million* policy focuses on distributing employment in and closer to growth areas, through the designation of Central Activities Districts and a number of employment corridors, to help reduce congestion and provide for more equitable access to employment. The designated employment corridors will encourage growth in employment, housing, and education through improved transport connectivity. One of three employment corridors being given priority attention by the Victorian Government is the corridor linking Avalon Airport to Werribee, Melton, Melbourne Airport and Donnybrook.

The Victorian Government is also well advanced in reviewing its retail planning policy, having released a Discussion Paper in 2008. The guiding principles for this review include stronger policy support for well located retail development inside the Activity Centre network. It is also intended that planning policies not distinguish between or favour particular forms of retail unless there is a clear public policy case for doing so. Importantly, the State's Discussion Paper sets out the case for potential changes to planning controls applying to 'restricted retail premises', or bulky goods trailing, to be more consistent with controls applying to general retailing.

These policies can be undermined when commercial development is allowed outside these centres on Commonwealth land, such as the Direct Factory Outlets (DFO) at Essendon and Moorabbin Airports.

At present the only requirement on airport lessees to involve State and local governments in airport planning is that lessees must seek State and local government comments on draft Master Plans, on a five yearly cycle. The Victorian Government considers that the issues raised to date through this process have not always been satisfactorily addressed.

For example, there is inadequate vehicle access, car parking provision, public transport access, unsafe pedestrian access and circulation, poor urban design and site layout at the Essendon and Moorabbin Direct Factory Outlet sites.

The impact of the scale of the retail developments at DFO sites has also been an issue for nearby Activity Centres. In effect, new activity centres have been created without an assessment of their impact on the existing network. For example, the Essendon Airport DFO draws on local catchments of surrounding Activity Centres at Keilor Road, Niddrie, Westfield, Airport West, Moonee Ponds and North Essendon, thereby adversely affecting their viability.

The Victorian Government also notes the recent Commonwealth approval of the Essendon Airport Master Plan included the establishment of a Working Group to address noise and other issues around Essendon Airport. However, it does not include State or local government representation. The Victorian Government would welcome the opportunity to regularly contribute to the Essendon Airport Working Group and any other Working Groups or consultative committees established as a result of the Green Paper process.

The Victorian Government consequently welcomes the Green Paper proposals for improved coordination across jurisdictions. In particular, the State considers that improved coordination with the Commonwealth will enable non-aeronautical uses and development at airports to be strategically planned to integrate with the airport's surrounding region, having regard to relevant State and local planning laws, policies and objectives. This includes consideration of economic and transport development objectives for the broader region.

Airport Land-Use Planning Requirements

As indicated above, it is critical that airport development proposals, and particularly non-aeronautical developments, include proper consideration of off-site impacts.

The Victorian Government welcomes the Green Paper proposal to examine the impact of airport development on surrounding transport and community infrastructure and how leased Commonwealth airports might contribute to this infrastructure. The Victorian Government also supports the principle of improved certainty in planning for future airport sites through improved arrangements for Master Plans and other Development Plans. However, this is not in itself a guarantee of good planning or community consultation outcomes.

The Green Paper makes little mention of airport precinct planning, beyond the proposed introduction of Ministerial powers to call for, consider and approve precinct plans for non-aeronautical development. This work needs to be integrated with non-airport land use and transport planning (including freight and logistics planning) if it is to contribute to a shared commitment to development of airport sites.

The Victorian Government would consequently support extending the work in transport and infrastructure impacts to the development of Commonwealth land-use planning guidelines at each airport. This approach would provide greater certainty and consistency regarding appropriate uses at the site, in manner analogous to a planning scheme, and without the imposition of additional regulation. This approach would also facilitate meeting the *Airports Act 1996* requirement that airport master plans address their consistency with relevant State or local planning schemes

The Victorian Government would also support requiring any proposal for retail and commercial activities at airports not associated with terminal or maintenance operations to include a full economic analysis. Such analysis would include consideration of retail and commercial demand to adequately meet the needs of the projected working population, and the level of additional retail and commercial activity that can be provided without inappropriately affecting surrounding centres.

While the Victorian Government supports the prohibition of inappropriate non-aeronautical uses, it notes this will require clear definition of those uses which comprise appropriate uses and those which do not. The Victorian Government would welcome the opportunity to provide input to these definitions.

Planning Advisory Panels

The Victorian Government supports the establishment of Advisory Panels to assess airport Master Plans and Major Development Plans.

As indicated above, more detail is required regarding this proposal, including the role of States and Territories in this process. However, the Victorian Government would be concerned if the Panels were not constituted as independent bodies and simply delivered specialised information into existing decision making processes. It is the Victorian Government's view that the latter approach will not deliver the required consistency of approaches across jurisdictions. The Victorian Government also notes that State and local government input will be critical to the success of the Panels.

The Victorian Government has previously highlighted the benefits of a fully independent panel process. In its view, elements which would allow such Panels to optimise their contribution to the decision making process, include:

- constitution as fully independent Panels;
- appropriately qualified members;
- diversity in membership, including nomination of some members by key stakeholders, including State Governments;
- standing terms of reference which incorporate consideration of State and local planning policies, including economic, transport and environmental analysis; and
- a public process for engaging with stakeholders, communicating panel work and its use in Commonwealth decision making.

In this respect, Planning Panels Victoria and the Victorian Priority Development Panel (in terms of development facilitation) could serve as useful models on which to base the proposed Panels. Planning Panels Victoria's established model includes the mechanisms for Panel member nomination and appointment, terms of reference, and for the assessment of proposals for which Victoria already receives accreditation under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*.

Proposed Ministerial Call-in powers

The Victorian Government supports the Green Paper proposals for enabling the Minister to call for additional detail for areas proposed for non-aeronautical development.

The Victorian Government believes it is important that there be public criteria and reasons given for calling in and making a decision under this mechanism. This could include a criterion regarding the off-site impacts of airport proposals and the extent to which they contribute to State and local planning policy.

The Victorian Government would welcome the opportunity to be consulted on the development of objective criteria for the proposed Ministerial call-in powers. In this context, the Victorian general practice note on *Ministerial powers of intervention in Planning and Heritage matters November 2004* sets out the circumstances in which the Victorian Minister for Planning will consider exercising the Minister's powers of intervention and the principles that will apply in considering a request for intervention. This could serve as a useful model.

Public Safety Zones

The Victorian Government supports the Green Paper proposal to work with State and Territory governments to develop a clear policy on the definition of a public safety zone. However, the Victorian Government notes that the extent of any public safety risk will first need to be determined before referencing it in planning schemes.

The Victorian Government also notes that the Victoria Planning Provisions already refer to the need to restrict incompatible land use and development in the vicinity of airfields, but does not refer to public safety. In this context, the Victorian Government believes that if a buffer is required, such as for public safety or some other hazard, the required buffer should first be provided for by the land use requiring the buffer. The Victorian Government also notes that any impacts on land adjacent to airports should be carefully considered as part of any requirements for potential Public Safety Zones

Land Acquisition at Melbourne Airport

The Victorian Government notes that there remains uncertainty around land acquisitions required for a third runway at Melbourne Airport. The Victorian Government's *Freight Futures: Victorian Freight Network Strategy* (December 2008) specifically addresses the need to monitor land required for future runway development at Melbourne Airport and to work with the Commonwealth to ensure that the airport operator has access to the land when it is required for runway development. While the runway is not required before 2026, the Secretary of the Victorian Department of Transport formally monitors planning applications in the area to ensure that any development does not prejudice the future of Melbourne airport.

The Victorian Government considers that these uncertainties need to be resolved. In particular, in the recent past the Commonwealth has declined to accept responsibility for acquiring the private properties that will be required to develop the future runway. The Victorian Government notes that Commonwealth acquisition will be needed if this land is to be treated consistently with other airport land.

Defence-Owned Airports

The Victorian Government notes that the Green Paper does not include discussion on future policy in relation to development at Victorian Defence airports currently used for civil aviation, namely Avalon Airport, RAAF Williams Point Cook and RAAF East Sale. The Green Paper focuses only on those airports subject to the Airports Act.

These airports leverage other economic opportunities for their regions, and the Victorian Government and local councils have interests in the future development of these sites. For example, Wellington Shire is supporting the development of aviation engineering and training facilities at the RAAF East Sale and the Greater Geelong City Council passenger and freight services at Avalon Airport. In 2008, the Department of Defence rejected an application for a new international terminal at Avalon, supported by both the Victorian Government and the Council, risking an important regional opportunity.

Defence force activity ceased at Avalon Airport over two years ago. Consistent with other inactive Defence-owned sites in Victoria, the State planning law has been applied to the airport (Greater Geelong Planning Scheme). However, it is understood that the Commonwealth may be considering regulating Avalon Airport under Commonwealth law.

In this context, the Victorian Government has had enquiries from other jurisdictions where the Department of Defence is seeking to develop airport land for non-Defence purposes and seeking to use State planning law on the basis that the land was no longer activity used for Defence purposes. The Victorian Government believes this is the appropriate option for such airports, and would welcome the opportunity to be consulted on any intended changes.

Victorian Government is also currently in discussions with Avalon Airport and the Greater Geelong City Council regarding possible modifications to the existing planning controls. The Victorian Government understands that Avalon Airport wants more flexibility to be able to better respond to commercial opportunities as they arise and not be constrained by a Master Plan approach which is prescriptive in relation to various land uses and developments.

Avalon Airport aims to resubmit a revised international terminal proposal to the Commonwealth Government in March 2009. The Victorian Government welcomes continued involvement in this matter.

Community Consultation

The Victorian Government supports the inclusion of formalised community engagement processes as outlined in the Green Paper.

The Victorian Government notes that current consultation proposals do not provide for active feedback beyond the airport concerned – comments are received and summarised by the airport operator and provided to the Commonwealth Minister prior to a decision being made. However, there is no obligation for the Minister or airport operator to provide an explanation of how the comments have been addressed in the decision.

The current system where the airport operator acts as an intermediary between the Minister and submitters does not inspire public confidence in the process. The Victorian Government consequently believes the community consultation process will require direct channels of communication with Commonwealth authorities.

The Victorian government would also welcome the opportunity to provide more detailed advice on appropriate engagement approaches as more details of proposed consultative arrangements are made clear.

Economic Regulation of Airport Services

The Victorian Government notes that the current price monitoring approach has in part facilitated substantial new private investment in international airports. This investment has been critical to the capacity of international airports to adequately prepare for growth and new technological developments. However, noting the public importance of these facilities and the potential for the exercise of substantial market power, the Victorian Government believes it is appropriate that there continues to be appropriate regulatory oversight.

The Victorian Government consequently supports the current price monitoring approach and the continuation of quality of service monitoring. The Victorian Government also supports the extension of price monitoring to car parking prices. Car parking is directly related to the provision of aeronautical services and public interest and market power considerations are consequentially equally relevant. However, the Victorian Government notes that such an arrangement would be dependent on proper integration of airport and broader planning policies. Without such integration, there is a danger that this approach may affect consumer preferences for private and public transport usage without proper consideration of the potential impacts on relevant public transport and transport infrastructure.

Major Regional Airports

As reflected in the Green Paper, the capacity of regional local governments to cover the cost of maintaining airports has varied. Many local governments face difficulties in covering administration and maintenance activities from their revenue sources. Increasingly local Governments are seeking State financial assistance for infrastructure upgrades.

As indicated in the Victorian Government submission in response to the *Towards a National Aviation Policy Statement* Issues Paper, dedicated assistance for regional Victorian airport infrastructure has been provided through the Regional Infrastructure Development Fund and Small Towns Development Fund. In addition, the *Victorian Transport Plan*, released on 8 December 2008 by Premier John Brumby, makes provision for \$20 million of investment in regional airport upgrades across the State.

Aviation emissions and climate change

Greenhouse gas emissions from aviation are likely to increase in significance due to the high relative demand growth projections for consumption of air transport and the emerging understanding of the relative potency of greenhouse gas emissions from air transport. It is noted that while there are a range of projected measures to reduce greenhouse gas emissions from aviation, however, these are likely to be at a higher relative cost of abatement than measures from other industry sectors.

The Victorian Government submission to the *Carbon Pollution Reduction Green Paper* outlines its general position in relation to transport and climate change. Of

particular relevance, the Victorian Government supports the inclusion of domestic transport as one of the sectors covered by the scheme, including domestic aviation.

However, the Victorian Government notes that there will be a number of subsidies for alternative modes of travel which will not apply to the aviation industry. These include the cent for cent reduction in fuel taxes for the first three years of the Carbon Pollution Reduction Scheme (CPRS), the CPRS fuel credit for heavy on road transport businesses for one year, and the compressed natural gas and liquefied natural gas fuel credit for one year.

The Victorian Government notes that these modes of travel provide alternatives to aviation transport for both passengers and freight. Consequently there is a risk that the exclusion of the aviation industry from comparable assistance may have the effect of creating a structural competitive distortion in the market for passenger travel and freight. The Victorian Government would therefore support further Commonwealth Government consideration of the implications of the introduction of such a competitive distortion and whether remedial action may be required.

The Victorian Government notes that broader industry can also play a role in supporting aviation mitigation and adaptation activities through improvements in logistics and/or air traffic operations and long term support for continuing improvements in fuel efficient aircraft technologies and short term consideration of credible carbon offset schemes.

The Victorian Government also notes that from 1 January 2012 Australian aviation operators into EU airports will need to implement greenhouse gas reduction measures. It is unclear what impact this may have on the competitiveness of Australian aviation operators.

Noise Impacts

The Victorian Government supports continued work to minimise noise impacts from airports, including through appropriate planning provisions.

In the Victorian Context, the Government has planned since the 1980s to ensure its major airports can operate 24/7 curfew free. The Victorian Government consequently supports the proposed continuation of both Melbourne and Avalon Airports' curfew free status.

The Victorian Government notes that the restriction of sensitive uses, particularly residential, from locations within areas affected by noise due to aircraft operations should be appropriately explored and applied through mechanisms such as the Airport Environs Overlay.

The Victorian Government also notes the variation between Australian Noise Exposure Forecasts undertaken as part of the five-yearly master planning interval, and the way in which this is accommodated in the planning system. Planning controls guide the way people make important life decisions about matters like the location of their house or where to invest in property development. Consequently these controls need to provide a high degree of certainty over time. The inherent changeability of

the ANEF system works against this. A further complication is that the ANEF system of noise contours indicates a gradation in noise impact which planning controls are unable to replicate. These matters will require further consideration in work on ongoing noise management.

The Victorian Government notes that community engagement is an important element of managing noise issues. In this respect, a significant issue relating to aircraft noise complaints appears to be that the airport operator refers these to Airservices Australia, which receives noise complaints and has responsibility for monitoring and reporting on aircraft noise and movements. Consequently, an airport operator may not necessarily see itself, or be perceived, as having a direct responsibility for managing and preventing noise. The Victorian Government would consequently support the community consultation groups providing an avenue for such engagement.

In relation to Essendon Airport, the Victorian Government supports the proposal to publish curfew dispensations. However, the Victorian Government does not support curfew dispensations in general. The Victorian Government also notes the Commonwealth Government's recent statement that it has no current plans to close the airport, but will maintain the established curfew arrangements. The Victorian Government does not support any lessening of the curfew while the airport remains in operation.

The Victorian Government also notes the Green Paper proposal that the Commonwealth Government will seek to work through the Council of Australian Governments and other appropriate forums to ensure a national land-use planning regime is put in place near airports and under flight paths. While this proposal is focussed on the issue of aircraft noise, the Victorian Government notes that there are a number of related issues which require consideration in a planning context. These include, for example, security and safety issues identified in the Green Paper, inconsistent regulatory controls for non-aeronautical development, and the role of airports within a broader transport network. The Victorian Government believes a national planning regime will only be effective if these issues are considered holistically. It is also important to note that a national planning regime would require sufficient flexibility to deal with a range of different airports and surrounds, which may mitigate against the effectiveness of a single national approach. The Victorian Government welcomes the opportunity to discuss these matters further.