



**REGIONAL EXPRESS RESPONSE TO THE
ISSUES PAPER**

TOWARDS A NATIONAL AVIATION POLICY STATEMENT



INTRODUCTION

Regional Express (Rex) was formed in 2002 and was essentially the merger of two well established regional air carriers in Australia, namely Hazelton and Kendell Airlines. Although part of the Ansett Group, these two regional airlines had been operating largely as separate businesses until their merger under Rex and had between them over 80 years of regional aviation experience.

Rex is Australia's largest independent regional airline and operates 41 SAAB 340 turbo prop, 34 seat passenger aircraft throughout South Eastern Australia. With its subsidiary Air Link it operates to 30 regional centres from 3 capital city hubs and in the last 12 months carried 1.5 million passengers. In Australia, regional passenger numbers have grown some 800,000 in the past five years and it should be noted that almost 700,000 of these are accountable to Rex. For 30 rural and regional communities it provides the essential link to metropolitan centres for important services such as medical, legal, education and financial services.

Since its formation Rex has grown with the acquisition of Air Link and Pel-Air and the creation of the Australian Airline Pilot Academy. The Rex Group now operates 87 aircraft in total and in addition its airline operation covers such diverse activities as medi-vac, corporate jet charter, night freight operations, mining charters, specialist contract work for the Defence Department and flying training. The Rex Group is a publicly listed company employing around 950 people, many in regional Australia, and has a turnover of \$225 million p.a.

CHALLENGES FACING THE REGIONAL INDUSTRY

Rex welcomes the Minister's initiative in providing an industry discussion paper and is responding in those areas where it has relevant knowledge and expertise.

However, Rex feels that there are certain critical areas for regional aviation that are either left out of the proposed range of issues or are not properly articulated in the questions and we would like to take this opportunity to highlight what we view are critical issues for urgent consideration. If today's hostile aviation environment is to continue, it is our considered view that many more regional operators will be out of business within 18 months if urgent steps are not initiated forthwith.

1. Federal Government oversight of regional airports

The federal government divested its responsibility over all the regional airports by gifting the airports to the local Councils. Thereafter the government no longer funded any development of regional air service infrastructure in contrast to the billions spent every year on road and rail development.

The result is that every Council is left to fend for itself. All Councils have taken the approach of levying a head tax on passengers to help defray the cost of operations of the airport. While this practice is today the norm, one has to bear in mind that a regional airport is no different to regional trunk roads and it would be unthinkable for Council to levy a toll for the upkeep of such essential transport infrastructure.

A natural outcome of the head tax levy is that councils soon see the airport as a profit centre rather than a valuable community asset that helps to enhance the socio-economic benefits of the community. For communities where air traffic is considerable, Council soon sees the head tax revenue as an easy source of subsidy for other less efficient activities. Also the ready source of revenue invariably incites Councils to build grandiose terminals, which in turn necessitates an increase in passenger head tax to fund.

At the other extreme, there are communities, and this is the majority in Rex's network, where the traffic will never generate sufficient revenue for the maintenance of the airport. Such communities may be tempted to delay major infrastructure works and repairs due to budget constraints.

It is too late to turn back the clock on the regime of regional airports. However the government should set aside a specific part of its infrastructure fund for the development of regional airports. This fund could be used to co-fund the capital expenditure of the airports while the Councils would have the full responsibility for the day to day running cost of the airport.

2. Re-regulation of Capital City Airports

With the privatisation of all the capital city airports, the federal government has adopted a light handed approach in their regulation. This has proven to have a disastrous effect on aviation, especially for the small regional operators that do not have much bargaining power.

While it is true that there are still some pricing controls left in place, the power that the large airports exercise is such that they can literally make or break the smaller airlines. Some actual examples of such abuses are:

Allocation of lounges and gates: Rex was allocated gates (in a brand new airport) that required a walk of around 500m under a tin roof with no air conditioning that heated up unbearably in summer and offered no protection from the cold in winter. Rex's competitor did not have any such disadvantage. Such conditions constitute a major commercial disadvantage.

Security screening: Rex was forced to take on additional security screening charges (as a regional operator, security screening is not needed) when a jet operator was assigned to its gate. The irony of the situation is that Rex ended up paying hundreds of thousands more every year for screening it does not need while the jet operator benefited by sharing the screening cost with Rex. This particular airport did not adopt the general practice of all operators sharing all the security costs relating to the Common User Terminal.

Pricing of Facilities: Rex was served notice that its hangar at a major airport was situated in a zone that the airport had earmarked for other activities. No other facility was offered and Rex was informed that it would have to cease maintenance on the airport or be forced to use a third party provider. The airport also arbitrarily increased the rent on the site by 30% resulting in a long period of dispute and no extension of the site lease. Rex is unable to develop its maintenance activities at this airport due to the uncertain future of the site. The airport has consistently tried to raise the rent to a level that other operators (like executive charter operators) are willing to pay for the site. Similarly the airport has tried to price the lease of extra passenger lounge areas to the same level that shops are willing to pay for a similar location. Airlines should not be required to pay these exorbitant rates for essential airline operations as considerable passenger facilitation charges are already paid. Furthermore, airlines are the entities that bring in the millions of passengers to provide revenue for the airport's shops and carparks.

To ensure that the interests of the small regional operators are protected, it will be necessary to have a system such as an ombudsman where disputes could be resolved in a fair and equitable manner without incurring vast amounts of legal fees and wasted time.

3. Retention of skilled labour

Pilots and engineers are in short supply everywhere in the aviation industry but the issue is particularly acute in the regional sector which is a fertile ground for poaching by the bigger operators that are able to pay substantially higher salaries and offer far better job prospects. In Rex, the attrition rate for pilots in this current FY is above 50%.

The government should set aside a specific budget to provide loans for aspiring pilots and licensed aircraft engineers to undertake their training. These loans could be partially forgiven if they choose to spend the first 5 years of their career in a regional operation so as to encourage a bigger supply of trained professionals for that sector.

Another effective way of achieving a good outcome is to mandate that any major carrier employing a pilot from a regional airline is obliged to compensate that operator with a standard fee of, say \$100,000. This will ensure that the major carriers train their own pilots rather than take the easy way out and in the process wreck the smaller carriers. This system has been in place for many years in China.

Below are specific responses to the questions that Rex has chosen to answer and which in the main have some bearing on Rex:

INDUSTRY

DOMESTIC SERVICES

Does the deregulated domestic airline market remain the best model for delivery of Australia's interstate air services? Are there any constraints on the ability of Australian-owned airlines to remain competitive with foreign-owned airlines in the Australian market?

Rex feels there are no constraints on the ability of Australian airlines to remain competitive with foreign airlines in the Australian market.

Deregulation remains the best model as it has proven to provide benefits to consumers through competition. However some state governments still practice some form of regulation of their intrastate routes.

Rex sees no value in regulation even at the regional level. This is evident in Rex's approach taken with the NSW licensed intrastate routes. When the NSW Ministry of Transport called for industry feedback regarding the NSW licensing arrangements Rex put forward that the licensing arrangements be abolished as the arbitrary 50,000 annual passenger thresholds were meaningless.

REGIONAL AND GENERAL AVIATION

What should be the basis of government and industry policy towards air services to regional and remote communities?

The issue of infrastructure provision is critical. It has long been policy in aviation that the user should pay. While this approach may be seen as effective in areas where high levels of aviation activity produce significant cash flow, it does not hold true for some areas of regional and rural aviation where low profit levels do not allow for such investment. Aviation's role in the regions is vital in terms of the support and economic benefit it provides to local communities and if it is to grow and develop, modern up-to-date infrastructure is critical. Infrastructure for other forms of transport such as road and rail has long been funded by Commonwealth and State governments as they are seen as essential services. Regional aviation also provides an essential service to regional communities and the user pays principle is not always appropriate or practical. The need for government support to sustain the infrastructure necessary for these services should be thoroughly examined

Are security and safety measures adopted for major capital city trunk routes appropriate for regional and remote services? If not, what alternative measures could be adopted?

Security measures are expensive and resources are limited. Effective security measures are those that are designed to counter the assessed risks to each particular area or operation.

The application of broad measures employed to counter the full range of security threats at major airports is financially supported by a large number of aircraft movements and passengers and the cost to individuals is consequentially lower.

At airports which may receive a small number, or even one Regular Public Transport air service per day, the small number of passengers cannot support such measures as full screening (including checked bag screening), airport policing and airside inspections. The introduction of these measures to counter threats which do not exist at certain airports is a significant waste of limited resources and will result in costs that the local passenger base would not be able to cover.

The introduction of such measures will result in the cessation of some aviation services due to the lack of economic viability.

Regional Express contends that all security measures applied at each airport should be designed to counter the assessed risks to that locality and type of operations and that resources should not be wasted on countering threats that do not exist.

How has micro-economic reform impacted on general aviation businesses and what strategies need to be put in place to ensure that access to airport infrastructure does not impede industry viability and growth? Do the needs of general aviation operators warrant any changes to airport regulatory and planning arrangements?

The major micro-economic reform with regard to airports used by General Aviation has been their privatisation over the past decade. This has resulted in a negative impact on General Aviation businesses in many cases driving them out of the larger airports through either the non renewal of leases so that the space can be converted to commercial development or by forcing up rents to the point where they are unsustainable for smaller businesses.

Government needs to acknowledge the key role played by smaller General Aviation businesses in providing the training ground for skills needed in the wider industry. For example the currently critical area of pilot training has suffered at the hands of secondary airports that put profit ahead of the future needs of the industry.

Government needs to regulate to ensure space at affordable rentals is made available under a regulatory regime to ensure that the lack of infrastructure does

not impede industry. For example, in Sydney regional airline slots were ring fenced to protect access for regional services to Sydney's main airport but without the guarantee of access to key infrastructure such as maintenance facilities, passenger gates, lounges and crew facilities regional airlines will eventually be driven out by high rents as they cannot compete for space with the larger carriers.

Without Government intervention at both major and secondary airports much of regional aviation and General Aviation could well cease to exist at these locations and the services they provide and the associated training grounds for larger operators will cease to operate. It should be noted in this context that Sydney has lost two of four secondary airports in the Sydney basin and activity at Bankstown, once the busiest airport in Australia, has been severely curtailed. Additionally the only North South runway has been closed to make way for commercial development. Developing new airports is impossible to achieve hence what is lost is lost forever. Only Government intervention through regulation can stop this process.

What role should all levels of government have in protecting secondary airport infrastructure and in providing for new infrastructure?

Government can legislate to enshrine aviation activity and industry and prevent inappropriate non aviation development and discourage entrepreneurs from turning airports into residential and industrial property developments

With the growth in aviation major city airports will become congested. Overflow activities will be increasingly relegated to secondary airports.

Flying training, maintenance and aviation service industries need affordable access to airports located near capital cities to sustain the industry.

Major city secondary airports are forcing up rents to make it uneconomic for smaller aviation operators and service industries to continue to operate at these locations.

It appears that some airport owners are putting up prices to deliberately drive smaller businesses from the airport thus freeing up real estate for higher returning commercial development. This was not the intended purpose of the privatisation of these airports.

How can the general aviation industry provide the necessary investment to renew the ageing aircraft fleet? Is there a role for governments?

In reality increased depreciation or other tax incentives similar to those used in the United States until recently are the only effective ways in which the

Government can have an immediate impact on the renewal of the fleet. Other than that this is a commercial issue best left for the private sector.

Are additional measures required to ensure the continued safe operation of ageing aircraft?

Ageing aircraft are not a problem per se and a clear distinction should be made between those aircraft that are supported by the manufacturer and have defined life limits and a structural inspection programme that addresses the aging issue and those that are not. As the world's fleet ages most manufacturers have developed an expertise in this area and inspections, intervals and life limits are continually monitored. As long as operators follow these procedures and CASA enforces them then safety is not compromised. In the Rex fleet for example the SAAB 340 and Beech 1900 are covered by prescriptive ongoing airworthiness programmes.

Where aircraft are widely used in commercial operations and not covered with an inspection program CASA may need to assist in the development of a practical and affordable programme. A balanced approach is essential as many services in remote areas could cease if a responsible approach is not taken.

ADDRESSING SKILL NEEDS IN THE AVIATION INDUSTRY

What strategies should the industry adopt to attract, retain and plan for their future skills needs to remain competitive in a tight labour market, and how can these be improved?

The industry needs to get more involved in selecting and training its own staff. Many aviation operators have been content in the past to let smaller operators and General Aviation be the de facto training school for professional staff. While there will always be some progression for skilled staff whether they be pilots, engineers, scheduling staff or operations staff to bigger operators, it cannot be assumed that the supply is infinite. Continued unabated recruitment in this sense will reduce the skill levels dangerously at the lower end of the industry and impose an unacceptable training burden on lesser resourced operators. In other industries such as manufacturing and mining, professional staff are often nurtured from the start of their tertiary education and this is a model that the aviation industry could examine.

Rex has introduced a pilot cadet programme in order to combat the shortage of pilots and it has been enthusiastically received by aspiring pilots. In return for financial assistance in the combination of low interest loans and grants Rex will

train pilots who will then have a financial incentive to remain in the company for 5 or 6 years rather than disappear as soon as they have been fully trained. Similarly Rex has long operated a very active apprenticeship programme to train Licensed Aircraft Maintenance Engineers with over 22% of its engineer workforce being composed of apprentices. Rex regularly conducts training courses for CASA licences for engineers in the Rex group and provides assistance with funding for these courses.

Industry can set up such training schemes but they come at a cost and the professionals trained in such schemes are a vital part of the nation's workforce. This cost could be too prohibitive for most regional operators (Rex finances \$60,000 of the \$80,000 needed to train each pilot) and the Government should step in to invest in this skilled workforce in the same way that it invests in the training of other professions and trades through the funding of University and TAFE courses.

What are the long-term training needs for the Australian aviation industry? Where will the future pressures lie? How do we ensure the industry remains internationally competitive in retaining key staff and in attracting new entrants to the workforce?

Pilots, engineers and air traffic controllers are currently in short supply and the overall long term demand is predicted by IATA and the two major aircraft manufacturers to be sustained for the next twenty years. If this proves to be the case then the pressure will be on industry to provide adequate means to train the necessary numbers.

Apart from the current demand levels Australia has a population of engineers with the average age now well into the fifties and retirement will soon start to make inroads into the availability of LAMEs. Additionally, unlike pilots, it takes many years to train an apprentice to LAME standard.

If funding mechanisms are made available there is no problem in attracting new entrants into the workforce. Rex has had over 2000 applicants for its cadet scheme which demonstrates that the problem in finding recruits is not a lack of interest but simply the very high cost of the training. Training to Air Transport Pilot Licence standard with the necessary ratings for airline employment typically costs well over \$80,000 and is a huge barrier to entry for would be pilots.

Rex does not feel that there is an outflow of key staff from the industry and therefore incentives are not needed to keep staff within aviation but rather the problem lies with individual companies struggling to retain staff and some countries possibly suffering an outflow of key staff.

Some form of orderly career progression would help in retaining skilled staff with smaller operators for longer periods. Rex has discussed a combined training scheme with other operators where pilots and other skilled personnel could

spend a minimum length of time with a regional airline before moving to a large carrier. This would allow for the draining of essential skills to be done in a controlled manner with less impact on operations and safety.

There is no easy answer to competing for skills internationally as some aviation industries, particularly in the Middle East, have the capacity to offer huge financial incentives. It is just not possible to match this type of money dollar for dollar.

How should the Australian Government and industry work together to ensure the needs of the aviation industry are taken into account in its broader skills framework?

The Government has already made places readily available under the employer nominated long term work visa plan and this has assisted in attracting pilots and engineers from overseas to Australia. Currently under the Government's immigration programme Licenced Aircraft Maintenance Engineers are awarded 60 points towards attaining Permanent Residency status and this should be extended to pilots as well.

At the moment HECS fees are available for the non flying component of a degree course that is associated with aviation but that does not help with the expensive flying training component. Additionally airlines cannot afford to wait the length of time it takes to finish a university degree. Flying training can obtain funding through the FEE-help programme by incorporating a Certificate IV aviation course into the flying training syllabus, usually through a TAFE or tertiary education institution. This is clumsy and also adds time and cost to the pilot training course as a Certificate IV Course is not needed to become a professional pilot. What is needed is a similar programme that identifies eligible courses for training professional pilots through an approved training organisation or RTO and which concentrates on the essential pilot qualifications. This training can be accomplished in 6 to 12 months depending on the training programme and graduates can then quickly progress to an entry level job in the industry.

Another area where the Government can assist is by providing financial incentives for the industry to set up training organisations. Aviation Australia is a specialist training organisation that was set up with assistance from the Queensland government but is run by industry. This has been a success and now provides training in many different aviation careers for the industry, including licenced engineers and flight attendants. Whilst direct involvement on this scale may not be practical in all cases the Government could have some affect by way of tax incentives or grants per student as is currently administered under the Australian Apprenticeships Scheme.

INFRASTRUCTURE

AIRPORT PLANNING AND DEVELOPMENT

Are the planning and development mechanisms under the Airports Act working effectively?

The planning and development mechanisms under the Airports Act following privatisation resulted in local consultation whilst retaining full Commonwealth Government control. It is essential that the Commonwealth retain control otherwise if left in the hands of local and state Governments inconsistent standards would apply putting at risk the industries long term national infrastructure needs for the sake of short term parochial concerns.

The aviation is a national resource and its governance and development should be controlled with the national interest foremost.

Rex feels that the planning and development mechanisms under the Airports Act are appropriate for a national industry that crosses state borders. Some of the decisions made under this process are arguable, for example using precious and irreplaceable land at major city airports for developments such as DFOs on airside locations, however that does mean that the mechanisms are wrong or inappropriate.

How can we better integrate investment on airports with the funding and construction of improved road and rail links to and from our airports?

Airports need to integrate their development plans with local infrastructure controlled by State Governments otherwise access to and from the airport will be choked to the detriment to all airport and the wider community. Airports are a monopoly and privately funded infrastructure such as road and rail access links should not add further to that monopoly. Airport owners should not be allowed to control or own the infrastructure leading to their airport as it will further extend the monopoly of the airport to the detriment of the consumer.

How can the regulatory regime better ensure non-aeronautical developments do not compromise the aeronautical requirements of airlines and airports?

The Commonwealth needs to have overriding development power for any developments that may affect the safe operation of the airport even if that development is outside the airport boundary. For example, Sydney airport has in the past been threatened with overheight buildings possibly affecting the safe operation of aircraft at the airport. It is essential that the Commonwealth has the power to impose development control when aircraft safety is involved.

Airside land is highly valued and irreplaceable and is essential to the development of the industry for future generations. Non aviation commercial developments should not be permitted on airside land. Additionally land within the airport boundary but not airside needs to be preserved for airport related activities rather than the construction of a supermarket or a Krispy Kreme donut factory. Rather than building these sorts of non aviation developments on this land it should be preserved for associated airline and airport activity such as training facilities, staff car parking and airline and airport administrative facilities.

Non aviation activities should be barred from these areas, in particular at Sydney airport which has limited available land unlike airports like Brisbane which have considerably more.

What are the current and future pressure points in relation to airport capacity?

There are no significant pressure points at regional airports as regional airline flight frequency can be spread across the entire day as an extremely efficient and cost effective use of the infrastructure. If a regional airport has the capability to manage a single flight frequency each day it is generally by default able to manage increased frequency as evidenced at Port Lincoln Airport in South Australia where Rex operates up to 10 return services each day with the 34 seat Saab 340 turbo-prop aircraft.

One pressure point that can exist at regional airports relates to security screening as evidenced at a regional airport following the commencement of jet services. The airport mandated that all security charges relating to the jet services were to be spread across all operators including the existing turbo-prop services which are not required to be screened. This was untenable to Rex due to the additional costs and this subsequently forced Rex to reschedule services outside of the Government legislated jet operational window of 30 minutes before each jet arrival and 30 minutes post each jet departure. With Rex operating 8 daily return services at this airport, this created a significant pressure point with very little scheduling flexibility at this airport. Rex can accept the inconvenience of unnecessary security screening, but it cannot accept additional costs. All security

costs should be met by the jet operator, however this is not a consistent view adopted by regional councils and airport owners and this is can create a significant pressure point at regional airports.

The current and future airport pressure points for regional airlines, largely rests with the capital city airports. By way of example, Rex operates some 16 Saab 340 aircraft through a single departure and arrival gate at Sydney Airport with departure and arrival separations at extremely tight 5 minute intervals through the peak periods of operation. Whilst the peak periods at Sydney airport are slot limited due to the legislated 80 movement cap, the Sydney Airport infrastructure is insufficient to handle increased activity. From this single departure and arrival gate at Sydney airport, bussing is required to move both departing and arriving passengers from the airport gate to the aircraft located on remote parking bays. The bussing creates a challenging environment for on-time-performance and subsequent adherence to slots compliance. The additional bussing comes at a direct cost to the airline of approximately \$1M per annum and sits outside of the charges imposed by the airport.

The capping of movements at Sydney Airport through the Sydney Airport Demand Management Act is a significant limitation and one which rules out the commencement of any new regional air services. This is due to no slot availability in the peak a.m. and p.m. periods. To service the demand of a regional market, the aircraft has to over-night in the regional port. This requires a peak arrival slot in the a.m. and peak departure slot in the a.m. for the return flight. The reverse is required in the p.m. peak period.

The ring-fencing of NSW regional slots has been and continues to be critical for regional communities to maintain essential access to Sydney Airport. The capping of the NSW regional slots back in 2001 is now a significant limitation on future regional growth with all of the peak allocations being fully exhausted. Regional ring fenced slots are now only available between 11.00 a.m. and 3.00 p.m., in addition to post 8.00 p.m. and these are generally non usable off peak slots that cannot commercially support regional flight frequencies. We have seen significant regional passenger growth over the past last 6 years, due largely to Rex's approach however with NSW regional ring fenced slots capped at historic 2001 levels, further growth is almost impossible. Sydney Airport has already influenced the capping of NSW regional ring fenced slots and this general temptation to further reduce still exists today.

Can the growing use by civil aviation of joint user or Defence owned airports be safely and effectively accommodated?

Rex has some experience of operating at joint user and Defence owned airports like Darwin, Nowra and Tyndall through its Pelair operation. It feels that there is no impediment to joint user facilities being further expanded and additionally sees value in Air Traffic Control being further integrated between military and civil ATM providers. This has been successfully done overseas in places like the UK. Rex supports the aim of the Project GENESIS initiative as endorsed by the Airspace Policy Group in combining the ATM resources of civil operations and Defence into one unit as much as possible.

As the aviation industry grows and changes with the advent of low cost carriers and other innovative service providers, should changes be made to the regulatory framework for the pricing of airport services and monitoring of service quality?

Rex invests considerable management time in negotiating with both capital city and regional airports in relation to airport charges. In our experience there is little or no consultation from the Airports and no consideration of the substantial activity growth (both passenger numbers and flight activity) that should negate the need to annually increase per unit charges.

There is no consistency with approaches adopted by airports (both capital city and regional) and no transparency when it comes to airports justifying and validating price increases.

Rex is currently negotiating with a major capital city airport regarding a potential 70% increase in outbound security screening charges and this comes on the heels of newly implemented inbound screening charge of approximately \$500,000 per annum. Should this increase materialise, Rex's security related passenger screening costs will have sky-rocketed from \$500,000 per year to more than \$800,000 per year in a short space of 18 months. Such increases are communicated to the airline with little warning and no consultation. It is then left to the airline to invest considerable time into the negotiations and subsequent disputes. Particularly at the regional airline level, negotiating power is extremely limited in any dealings with capital city airports.

In the past 6 years Rex has worked hard to establish partnership arrangements with the local councils (airport owners) and the airport charges are a significant part of these regional partnerships. Regional airports are a vital piece of community owned infrastructure, that when combined with a regional air service bring many social and economic benefits to a regional community. In many instances the catchment area for a regional airport can spread hundreds of kilometres to neighboring councils, cities and towns.

It has been very clear to Rex that many regional councils do not fully understand the importance of this infrastructure and there have been many and varied approaches adopted by regional councils. Automated and non justified annual increases in airport charges without any acknowledgment of the passenger and activity growth is a common outcome, in that council simply adopts a clinical “council approach” as it does with other fees and charges. Other councils adopt a regimented business approach whereby the airport is operated as a stand alone business and must fully cost recover through its airport revenues and in some cases the airports must return a profit for Council. In our experience this approach is generally not possible due to the limited passenger volumes that simply cannot sustain full cost recovery without significant increases to the passenger head tax and subsequently the fully inclusive ticket price paid by the passenger.

There are also those council’s that fully acknowledge the benefits that are derived from having a regional air service. These are often the smaller regional airports that have insufficient passenger volumes for cost recovery that need to draw on council / ratepayer revenue to cover the basic operating costs of the regional airport.

Rex services 23 regional airports which can be broadly classified into the below categories:

1. High passenger volumes with high passenger charges that are generating significant revenue and excessive profits. (170,000 – 250,000 annual passengers)
2. Medium passenger volumes with high passenger charges that are generating sufficient airport revenue for full cost recover and additional revenue for sinking funds. (60,000 – 150,000 annual passengers)
3. Medium passenger volumes with medium passenger charges that are able to meet the basic operational costs, but are unable to cover the heavier infrastructure items such as runways, taxiways and aprons. (40,000 – 80,000 annual passengers)
4. Low passenger volumes that cannot achieve cost recovery. These airports rely on other council / ratepayer funds to meet the basic operating costs and have no hope of covering the heavier infrastructure investments that are required. (5,000 - 40,000 annual passengers)

The vast majority of Rex served airports fall into categories 3 and 4.

The Government needs to invest in regional airport infrastructure. Regional councils / airport owners should be responsible for the basic maintenance and upkeep however there needs to be Government assistance with heavier infrastructure spend for runways, taxiways and apron facilities. This investment

in regional airport infrastructure should be funded by Government in the same way that roads and bridges are funded.

Industry should be consulted as to ways of achieving this, such as applying a simplified and consistent regional airport passenger tax that is managed centrally and disbursed by Government. This would alleviate the significant airport profiteering at the top end, which could be shared with those airports that are unable to generate enough revenue to meet the basic operating costs.

Rex has seen many instances where councils impose exorbitant management fees on the airport accounts as a means to siphon off money from the airport operations to fund other activities. In the context of the regional airports being gifted to the regional communities, the airport should not be turned into a profit center at the expense of greater social-economic benefits to the regional community with affordable air travel.

In the Rex network we have regional airport revenues ranging from \$70K to more than \$3M per annum which is a significant spectrum considering that Rex operates a single fleet type in the Saab 340 meaning that we have the same operating requirements at all regional airports.

With both capital city and regional airport charges and regulations, there should also be system of ombudsmen so that the smaller regional operators could have a fair hearing and treatment when there is an injustice especially when they have to deal with the massive machineries of the capital cities airport. Otherwise negotiations with monopoly infrastructural providers will become next to meaningless for the small airline operators.

Is there sufficient transparency in the setting of charges for services at those airports that are not subject to price or quality of service monitoring?

The major issue faced is in the justification of charges with airports not sharing operating cost information to validate airport charges. Rex sees countless increases in the per unit rates (passenger head taxes and landing fees) that should not be necessary when consideration is given to significant passenger and flight activity growth. What is important is total airport revenue, however local government process is often fixated on annual CPI (or greater) increases that are simply not justified. Many regional airports do not run adequate accounts for the airport, with airport revenue being channeled into general council revenue to fund other council activities.

Along with transparency must come accountability and control. Even if all information is provided in a transparent manner and it is known that an airport is making huge profits, nothing prevents it from continuing raise charges. This is the classic problem of a monopoly infrastructure provider and unless there is some

regulatory leverage over the airport operator, no amount of transparency will solve the problem.

In other countries, major monopoly infrastructure items like Telecoms, Water Supply, Airports etc are privatized or sold only after a National Regulatory body or suitable anti trust laws are set up that has extensive powers over the operator.

This is why Rex has submitted that as a minimum a system of ombudsman be set up to regulate disputes.

At the capital city airports, particularly in common user areas, there is insufficient transparency in relation to the setting of the charges that relate to the sharing of costs between different airlines. Airports hide behind airline confidentiality agreements in disclosing passenger through-put however it is the overall passenger through put through common user areas that is the most significant driver of unit costs. Such information can hardly be viewed as commercially sensitive, particularly without route specific data being disclosed. Where charges are a calculated based on volume sharing, all relevant activity volumes should be transparent to ensure full disclosure in the setting of airport charges. The larger carriers are able to negotiate charges based on significantly higher volumes, however all of the volume through common user facilities should be considered equally.

AIR TRAFFIC MANAGEMENT

How can Australia's air traffic management system best take advantage of new and emerging satellite navigation technologies? What is the role of government in the take up of the new technologies? Are there any regulatory impediments to maximising the use of new and emerging surveillance and navigation technology?

Rex fully supports the shift to satellite based technology in Air Traffic management. Overseas the FAA and the EU have adopted a satellite based system as being the only way to cope with the forecast traffic levels in the coming decades. While Australia does not have the same traffic densities there are advantages in cost efficiency and safety. ADSB technology has the ability to provide affordable secondary surveillance radar throughout the whole country for the first time with obvious air traffic efficiency and safety benefits.

It has been acknowledged that the primary advantage of ADSB technology is the replacement of expensive en route radars with satellite surveillance through the mandating of ADSB OUT. Obviously for this to be effective all aircraft subject to surveillance must be suitably equipped with ADSB compatible transponders. Rex supports the proposal that all aircraft operating that are currently required to carry

transponders be required to have ADSB OUT capability. There is a clear role for Government in that such a system will require legislation.

Rex also supports the move toward a form of satellite based augmentation and favours the European GALILEO system. While this is a decade away from being realised in Australia it is seen as the eventual best option and one requiring the least investment in new avionics for aircraft operators. Rex does not favour ground based augmentation systems which may require expensive avionics to be fitted to aircraft. The eventual ability to carry out Approaches with Vertical Guidance (APV) at regional airports is seen as increasing the safety and effectiveness of the current GNSS approaches.

Rex understands that Australia's Strategic Air Traffic Management Group (ASTRA) is to be placed under the Aviation Implementation Group and fully supports this concept. ASTRA has done a lot of work with regard to Australia's future ATM needs and the application of new technology and this should now be evaluated and where applicable put into action. ASTRA has languished through having a lack of authority and defined reporting framework. Rex also supports the proposal to appoint an industry Chair.

How do we enhance both air traffic management safety and capacity and efficiency?

Rex believes the initiatives long contemplated by Airservices Australia with regard to User Preferred Routes, Continuous Descent Approaches and RNP procedures all bring benefits in these areas along with the use of upper level ADSB.

For regional operations the introduction of straight in GNSS approaches a decade ago was a huge leap forward in safety and efficiency. Rex sees the introduction of ADSB surveillance for regional operations and APV capability as being equivalent steps in these directions. The ATLAS programme for low level ADSB surveillance need to be revived and instituted forthwith if the full benefits of ADSB technology are to be realised for regional operators.

More efficient use of airspace must now be an urgent priority for Australia's Air Navigation Service Provider. Whilst the use of RNP technology is progressing well by world standards, other areas are sadly lacking. The current crisis in world oil prices no longer means that improvements in Air Traffic Flow Management efficiency are just highly desirable; they are critically essential for airlines struggling to cope with fuel costs that have quadrupled in recent years. Apart from commercial considerations, it is now incumbent upon the ANSP and the airlines to reduce carbon emissions as much as possible. Particularly critical is the airspace around Sydney where an enormous amount of unnecessary track miles are flown every day at low level with a resultant criminal waste of fuel. The

forcing of aircraft down to altitudes way below normal descent profiles on arrivals and then requiring them to power up and fly level for many track miles is inefficient and wasteful as well as producing unnecessary noise. Similarly the sustained low levels on departures burns more unnecessary fuel. Continuous Descent Approaches and more expeditious departures have been discussed for years without result and the time has now come to put them into place. Other mechanisms such as Land and Hold Short Operations (LAHSO) at Sydney should be introduced. This used to be practiced at Sydney in the form of simultaneous operations and is now commonplace at Melbourne and Adelaide but is prohibited at Sydney. In general the rules governing allocation of runway use at Sydney do not allow capacity to be maximised and we can no longer afford this.

How effective have Australian regulatory agencies been in pro-actively assessing the Australian air traffic management system and setting clear risk-based safety and efficiency outcomes requirements, having regard to international developments?

In general Rex believes that Airservices Australia has been effective in providing safety outcomes by world standards. Where problems have arisen that compromise risk based safety assessments such as the NAS project they were due to factors outside the control of the ATM provider. Improvements in efficiency can still be made as referred to in the answer to the previous question.

Are we effectively aligning airspace classifications and the level of services and facilities provided to reduce risk to passenger transport operations? Can we better identify risk factors?

Rex supports the Airspace Policy Statement released by the former Government and the risk based approach to airspace classification. Due process must be followed with proper risk based assessment of airspace requirements. In the case of the NAS project this was not the case and wholesale changes were made without proper risk analysis or a proven safety case. The only risk assessment carried out was on the introduction mechanisms of the NAS and not on its design features. This must not be allowed to happen again and Rex feels that the current system of having airspace classification and the level of services associated with it administered by the Office of Airspace Regulation is correct. Rex supports the Office of Airspace Regulation being embedded in CASA with its mandate to concentrate on the safety aspects of airspace classification.

AVIATION SAFETY

SAFETY REGULATION AND REGULATORY REFORM

Are there ways in which the approach to Safety Management Systems could be enhanced?

CASA is currently drafting the new Part 119 which will define the approach to Safety Management Systems (SMS) in the future. Rex has been a part of the industry consultative process with respect to the new regulations and supports the overall concept.

The approach taken by CASA has been to formulate a simple set of rules within the ICAO framework to provide for outcome based legislation rather than prescriptive legislation. It is important that this concept be adhered to and that the resultant legislation is workable for all sectors of the industry and not just the large operators. The challenge for CASA is to introduce these principles into the lesser resourced sectors of the industry without imposing undue regulatory burden. This sector has more to gain by increased safety awareness through the successful introduction of safety Management System principles but it is also the most vulnerable in terms of its ability to supply the necessary resources.

CASA has appointed new safety systems advisors and is moving towards a risk based surveillance system along the lines of the FAA system. Rex is fully supportive of such an approach to system safety but this must be integrated with an expert knowledge of the industry and a practical approach to safety. Too great an emphasis on the theoretical side of safety management could be counter productive. The system must be outcomes focused and not a bureaucratic encumbrance.

Should the governance arrangements for CASA be strengthened to better support the role of the safety regulator?

Rex supports the move to re-instate the CASA Board. It also supports a concept that the Board be comprised of the CEO and Independent Directors. This means that the Directors must be not involved with the industry itself nor be a part of any self-interest group or lobby group.

A part of good 'corporate' governance the Board should not get too involved with operational matters but should set strategic guidelines and policy direction in order to achieve the best safety outcomes. Through consultation with the Minister, it should be the vehicle for ensuring that CASA is sufficiently resourced and provide input on high level regulatory reform.

How can CASA strengthen the way it relates to industry while meeting the community expectations of a firm regulator?

CASA needs to maintain its consultative process in order to ensure that industry understands the direction that it is taking with respect to surveillance and regulatory reform. It is more desirable to solve compliance and safety issues through the development of a good working relationship with operators rather than simply enforcing regulatory compliance. CASA and industry should see themselves as partners working toward the same objective. Consultation with major industry players and representative bodies at a senior level should be a regular feature of industry relations.

This partnership requires a mature approach from operators and a degree of trust on both sides. However it is not incompatible with CASA meeting community expectations on safety standards.

CASA must remove some of the bottlenecks that are present in the system with regard to Regulatory Services. These are not only expensive under CASA's cost recovery programme but can be extremely slow and inefficient. Regulatory Services should be devolved to industry where practicable as they currently consume too much of CASA's resources often for no tangible safety outcome. This has been foreshadowed by CASA for several years now but progress in this area has been non-existent. It needs to be put in place

One effective way of removing bureaucracy and bottlenecks within CASA is to compel CASA to abide by clear service quality KPIs. For example, it should clearly state its target for the approval of various permits like a pilot's medical and it should receive a penalty for not complying in the form of a rebate of the fees for each day it exceeds the promised deadline. Since there is a full cost recovery regime in place for regulatory services, it is only right that minimum service levels are delivered.

CASA has still not managed to remove the inconsistencies between different regions and even between different offices. This is a major source of industry complaint and frustration and should be a focus for CASA.

The emphasis on outcome based regulation as embodied in Part 119 should be continued as prescriptive legislation tends to mean that CASA officers focus on enforcement with little regard to actual safety outcomes. Many regulations are outdated and not in accordance with accepted international practice. The result is expenditure of resources by both operators and CASA personnel on such regulations, often with little demonstrated safety outcome. While the philosophy of risk based surveillance and safety management systems is expounded at senior level far too often it does not percolate through to field office level and individual CASA officers still concentrate obsessively on regulatory trivia to the detriment of CASA's objectives in this area. This is a waste not just of CASA's resources but also of industry's.

How can the Australian Government and industry ensure CASA completes its long running regulatory reform process as soon as possible, to give clarity to industry and to clear the way for new approaches to meeting the regulatory challenge?

CASA have continually cited the Office of Legislative Drafting and Publishing (OLDP) as being an extreme bottleneck in the promulgation of new regulations. Resources are either not available or other tasks take priority. Key elements of the new regulations are being held up simply by the inability of the OLDP to draft them. Some consideration should be given to contracting this work to dedicated legal draftsmen for the purposes of this new legislation even if they are embedded in the OLDP for the duration of this process. Ideally CASA would set up its own legal drafting service for this purpose.

What steps can the aviation industry as a whole take to ensure it maintains safety standards as it grows and diversifies?

As mentioned above Rex sees the maintenance of safety standards as much the responsibility of the industry as that of CASA. It is a partnership. The move towards active, company specific Safety Management Systems for passenger operations will allow industry operators to concentrate on maintaining safety standards as they expand or change the scope of their activities.

Ideally industry should work together on all safety issues through industry forums and share trends and results from SMS databases. Unfortunately the spectre of litigation has meant that incident reports are no longer as widely promulgated even internally through safety newsletters let alone to other companies.

What steps should be taken to ensure Australia maintains a high standard of aviation safety in the context of global developments?

Australia has an enviable safety record but that does not mean it cannot learn from overseas experience. As referred to earlier, many of Australia's regulations are dated and Rex supports CASA's move in adopting some of the EASA legislative framework. In this sense CASA should move to complete its regulatory reform programme, in particular the long overdue 'classification of activities', along the lines of the EASA model. This will allow CASA to concentrate its surveillance resources where they are most needed and will significantly reduce the non productive (in a safety sense) Regulatory Services functions.

One area where there is interest overseas is that of crew fatigue and while CASA has long identified the need for modern legislation in this area it has so far been unable to come up with a suitable model and Fatigue Risk Management Systems are still promulgated as an exemption under CAO 48.

CASA is active in international forums with some involving emerging technology such as ADSB. This should continue with involvement in ICAO forums and with liaison with other regulators.

What issues should a 21st century aviation regulator be focused on?

Rex considers major regulatory issues in this century that will need to be confronted be:

- The global skill shortage and the potential safety impact this will have on Australian operators, in particular the smaller passenger carrying operators.
- The climate change debate and the emergence of new technologies to combat global warming
- The lack of production of any new airline or commuter class aircraft less than 42 seats and the effect this will have on the future fleets of the small operators.

Is self-administration a key factor in the growth of recreational aviation? Is there more scope for some parts of the industry to self-administer? What are the opportunities and risks for the industry, regulators and the community in greater 'self-administration'?

Self administration has been successful in recreational aviation and has allowed it to grow. Self administration in the recreational area is possible through the use of volunteer labour and the existence of unifying bodies such as the GFA and RAAus. This has meant that it is done at considerably less cost than would be the case through a Government or industry body.

It would be difficult to attain the same degree of self regulation in the wider industry due to the lack of such bodies and the generally fragmented nature of private and non passenger carrying commercial aviation. Some areas such as agricultural aviation would seem to be suitable for self administration but there would have to be a willingness for industry to take on this role.

While Rex sees many problems for the regulator in moving self administration into commercial areas there is still the potential to devolve many regulatory service functions to industry delegates and substantially reduce the amount of administration by the regulator.

CONSUMER AND COMMUNITY PROTECTION

AIRCRAFT NOISE

Could the ANEF system be improved or be supplemented by other planning tools to better explain the impact of aircraft noise? Should State and local governments play a greater role in aircraft noise management? What should be the responsibilities of airports?

Rex has no problem with the ANEF system and will leave the question of improvements to experts in this field. Rex feels that noise management must be regulated on a national scale without local differences influenced by parochial concerns. Local and State Government should be engaged in the consultative process but the final system of noise management should be controlled at a Commonwealth Government level to ensure uniformity throughout the national aviation system.

Should emphasis be given to airport/community partnership approaches, for example, based on locally negotiated agreements rather than generic legislative approaches?

As stated above, Rex firmly feels that a generic approach to noise legislation at the Commonwealth Government level is required. As part of the regulatory design process Rex supports consultation with consultative groups such as the Sydney Airport Consultative Forum but the overall guidelines for aircraft noise need to be uniform.

Can techniques for sharing information on aircraft noise impact be further developed to improve the supply of information to potential property purchasers and other affected parties?

Potential property purchasers should have free access to all available noise information, possibly through a public, linked web site to Real Estate offices and Conveyancing firms. The more information the consumer has at the time of purchase, the more he is protected and there is less chance of subsequent complaint if there is forewarning at the time of purchase. For properties near airports this information could be a part of the Conveyancing process. Additionally Councils and State Governments should not be approving new developments near airport boundaries or within certain levels of noise footprint. Despite well intentioned planning controls this still occurs.

Which airports in Australia need to remain curfew free and under what conditions? Can operations at airports be better managed to ensure the community is protected while at the same time providing for night time access?

With modern aircraft becoming increasingly quieter noise curfews should be carefully examined before being introduced at any additional airports. In particular Melbourne should remain curfew free as it supports a large night freight operation. Perth airport also would suffer unduly were a curfew to be introduced due to a lack of alternatives for night operations. In general Rex believes that the question of night operations at curfew affected airports in large capital needs to be re-examined with a view to using noise abatement procedures rather than a total curfew. The current curfew procedures at Sydney airport for approved aircraft allows for approaches and departures over housing free areas and with modern noise reducing technology the impact of new generation aircraft is far less than those that were in operation when the curfew was introduced. The practice of noise sharing by switching to a single runway at Sydney results in flight disruption, extended CTMS delays, limitation of airport capacity, extra holding and unnecessary fuel burn and aircraft emissions. The new technology (which sees giant aircraft like the A380 making less noise than smaller narrow bodied aircraft) coupled with extensive work done by the Government to noise proof residential areas near the airport means that the environment is a lot different to that in existence when noise sharing practices were introduced. Rex asks that this practice be re-assessed, taking into account environmental impact.

How effective are the current noise enquiry and noise complaint services? Are there more effective ways to deal with people's complaints and requests for information? Can the services be better provided?

Rex operates a fleet of quieter turbo prop aircraft and is not the subject of noise complaints like jet aircraft operators. Rex offers no opinion on the noise complaint services.

CONSUMER PROTECTION

Are existing consumer protections and airline procedures adequate in dealing with these challenges? Is it possible to improve passengers' travel experiences without adding unnecessary costs to airlines that would inevitably need to be passed on to all passengers?

This is an area that generates many customer complaints and is an obvious source of concern to the traveling public. The consumer is subject to the Conditions of Carriage when he/she pays for a booking with an airline. These Conditions become part of the contract with the consumer. Rex believes that this system is adequate and provides a means for the consumer to pursue compensation if the airline does not live up to its part of the contract. This is no different to the protection that is available through organisations such as the Department of Fair Trading for the purchase of all consumer goods.

In general the public has an expectation with regard to air travel that it does not have for other modes of travel. For example it is common for passengers to demand accommodation or other form of compensation when a flight is delayed or cancelled due to circumstances outside the operators control such as weather or unforeseeable mechanical failure. This type of compensation may have been expected when air travel was only for the well off but is not applicable in the age of the Low Cost Carrier. Any such compensation would inevitably add to the ticket price of air travel and would disadvantage the bulk of travelers who are delivered to their destination safely and on time. The margins in the highly competitive airline industry are far too tight to allow any extra costs to be absorbed and they would be passed on to all travelers.

Rex does not support the introduction of statutory penalties for delayed or canceled flights as has recently been the case in Europe. This would add to costs and Rex feels that given a choice most travelers would prefer a lower ticket price rather than pay for additional benefits that they would rarely use. Most airlines have a form of travel insurance available to cover disrupted travel experiences and perhaps this is an avenue that could be explored to provide enhanced benefits.

In summary Rex feels that the airline industry should be treated no differently than other forms of transport, or indeed other consumer products, when it comes to consumer protection and that existing arrangements are adequate.

How can airlines ensure passengers are appropriately informed about restrictions? Furthermore, are existing airline terms and conditions reasonable?

Rex feels that the existing terms and conditions are fair and reasonable as embodied in the Conditions of Carriage for each operator. It is incumbent upon passengers to familiarise themselves with the Conditions and to this extent airlines must ensure that the information is readily available. A very large amount of bookings are done through the internet and this information is available on all airline booking sites. Similarly passengers should be advised of the pertinent terms and conditions when making a booking by telephone or through a Travel Agent.

DISABILITY STANDARDS

Are the current Transport Standards adequate to ensure the removal of discrimination from air travel?

Regional Express supports the Standards in their latest amendment status.

Airline aircraft are not designed and built in Australia and the application of the Standards to aircraft designed and manufactured overseas is not possible. Modifying such aircraft when purchased by an Australian operator is not necessarily practical as such modifications may negate the airworthiness of the aircraft. An example of this is the required width of a doorway.

Exemptions from the standards may be granted for a period of 5 years with a further exemption possible. Each operator must achieve full compliance within a defined period.

Non-compliances caused by aircraft design may not be possible to overcome at any stage due to inherent airworthiness issues and Regional Express submits that the standards should recognise this.

COMPENSATION ARRANGEMENTS IN THE EVENT OF AN ACCIDENT

Are Australia's domestic arrangements for passenger and baggage/cargo liability appropriate in the context of international developments, including the Montreal Convention? Is there a better system or model for compensating people?

A Discussion Paper was sent out in 2001 inviting comments from the aviation industry. The government was then considering the possibility of introducing the Montreal convention – strict liability for carriers with regards passenger/baggage and cargo for international carriage, within the Australian context.

Australia's domestic arrangements for passenger and baggage/cargo liability governed by the Civil Aviation Carriers Liability Act 1959 have a AUD 500,000 cap for death/injury to passengers. Rex believes that it is appropriate for domestic operations to remain governed by Australian law and not to be influenced by international practice and precedent. The original Warsaw convention had a cap on liability until it was replaced by the Montreal convention which removed the cap. Rex does not see the need for unlimited liability for domestic operations as allowed by the Montreal convention.

Are the minimum insurance standards appropriate? Should the system be extended to require insurance for third party surface damage? Does the aviation industry face any difficulties in accessing appropriate levels of insurance to cover their potential liabilities?

The minimum insurance standard for domestic carriers governed by section 4A of the same act above is same as the cap of AUD 500K. Rex thinks that this is appropriate. All of the large airlines including Rex have insurance for third party surface damage which is embedded in the aviation liability policy. The situation may not be so clear for smaller operators who may not want to take this up due additional premiums and perhaps the system should be extended to require insurance for all aircraft operators. The aviation industry does not face any difficulty in getting third party surface damage cover as evidenced by the many airlines which currently have this insurance.

Is the voluntary Family Assistance Code an appropriate measure to ensure airlines meet their responsibilities in the event of an aviation accident and to what extent are airlines complying with the Code?

The voluntary Family Assistance Code has been drawn up in consultation with the civil aviation industry and response agencies and essentially aims to provide advance payment to families in the event that the bread winner of the family is killed in an aviation accident. Rex believes this is appropriate and understands the advance payment is in the region of AUD 15K per bread winner, payable to his/her family. However, due to the good aviation safety record in Australia Rex has no knowledge of this code being applied. The major insurers should be consulted to determine to what they will be able to offer this immediate advance payment in the event of an aviation accident.

AVIATION SECURITY

AVIATION SECURITY

Could Australia improve its approach to protecting air travelers from threats while facilitating quick and efficient travel? How can we improve the system to improve both security outcomes and passenger facilitation through airports?

A number of working groups are currently active under the Aviation Security Advisory Forum. Among the topics being investigated are passenger facilitation, screening, front of house security and technical advances.

Regional Express strongly recommends that these groups are allowed to continue their work and that the recommendations arising from their research and studies is used as a basis for any future changes to the security processes at airports.

Is enough information available for passengers to make well informed choices before they travel in order to comply with security requirements?

Information relating to airport and airline security measures is widely available in the form of various airport and airline web pages and a myriad of pamphlets and signs at airports.

Regional Express submits that the volume of information available is satisfactory.

Should aviation security remain the key focus for government and industry?

Regional Express believes that Aviation Security must remain one of the key focuses of Government, however the level of Industry consultation achieved in the last few years must continue to allow the employment of effective security measures

Should more attention be paid elsewhere?

Regional Express believes that equal attention needs to be paid across the entire aviation regulatory frame work to ensure an efficient and effective aviation

industry. This includes not only security, but also safety, airspace and airport issues.

Is enough being done to enhance security in the aviation sector?

Aviation security has been examined by the Aviation Security Advisory Forum (ASAF) and the Regional Industry Consultative Meeting (RICM). Both of these groups are joint Government - Industry groups and a number of working groups have been established under the ASAF to examine various aspects of aviation security.

Regional Express believes that these groups should be allowed to continue and be given the chance to produce results. One such group has recently completed its task and produced a national aviation security training framework.

Allowing these groups to continue without interference will allow positive and effective aviation security policy recommendations to be forwarded to Government for consideration. A change to this process will waste valuable resources which have been committed during the past two years

Are we thinking broadly enough about the likely threats we may face and how they may be countered?

Much focus on aviation security is centred on anti-terrorist measures and criminal activities within the baggage and cargo sectors. Little attention is being paid to the more common issues of disruptive passengers who are abusive and/or violent.

The main focus of the Federal Police response at airports is toward the screening points while reaction to check-in and boarding gates is often slow when staff are threatened. Reaction from Regional and rural police forces is often slow in attending an arriving aircraft in which a disruptive passenger has caused a major disturbance or even injury to persons or property.

Many disruptive passengers and other persons who breach legislation, when forwarded to authorities for prosecution, are either not prosecuted by authorities or magistrates award minimum sentences, if any. Little support is given to airport and airline staff in protecting themselves and the passengers.

Aviation security must have effective measures to protect crew, staff and passengers from any assessed threat. Appropriate prosecution and sentencing must be followed and be seen to be applied as a deterrent to disruptive passengers and persons who willfully breach legislation

Could government spending on security be spent more efficiently? Could more focused security measures provide a higher level of security?

Effective security measures are those designed to counter an assessed threat and thus produce a positive security outcome for a particular location. Security measures introduced to counter threats which are not assessed as probable in a location are a waste of resources and do not provide any security outcome. Such a measure would be the introduction of airside inspections at small regional airports.

All resources directed toward aviation security must be allocated to counter applicable threats at each individual location.

Is the current charging regime for provision of security screening services equitable between major metropolitan airports and regional airports? Should alternative arrangements be put in place?

Major airports have a large passenger and aircraft movement base to pay for the cost of screening. The cost is spread among a large number of passengers, thus remain relatively low for the individual.

Regardless of the location of screening, the cost of screening per staff member/hour will not change. This is in addition to the installation, maintenance and upgrading of equipment. Small Regional airports do not have sufficient passenger and aircraft movement rates to recover these costs at the same cost per passenger as the larger airports. If all costs are forwarded to the passenger, the regional passenger will pay a significantly higher cost than the passenger in the major airport.

If screening is legislated for small regional airports, the Commonwealth must offset any inequity in costs to the passenger.

Whether current passenger security screening requirements based around jet aircraft should be extended to non-jet aircraft of similar capacity, speed and weight?

Regional Express disagrees with the extension of mandatory screening for turbo prop aircraft.

Smaller jet aircraft and larger turbo prop aircraft are entering the market. The delineation of passenger capacity has faded and some turbo prop aircraft have a greater capacity than some regional jet aircraft.

Extending mandatory screening to larger turbo prop aircraft, 50 seats or more which equates to regional jet aircraft that are or may operate in Australia, will require a significant number of regional airports to establish screening. In many

cases this will require a complete redesign of the terminal building to cater for both passenger and checked bag screening. In addition to the establishment costs for screening this will require a significant investment for the airport authority which may never be recovered due to low passenger numbers. The end result of this may be the cessation of air transport services to many regional areas.

Maintaining screening services at many regional airports will also be problematic due to the shortage of available people. Many areas already suffer critical staff shortages while the local population find employment in industries which can pay significantly higher wages. One example of this is in mining communities where truck drivers are earning wages in excess of \$100,000.

If screening was required in these areas because they were served by turbo prop aircraft aviation services may cease as screening companies are unable to maintain staff.

Regional Express submits that all security measures must be employed commensurate with the associated risk to each individual locality. Regardless of the size of an aircraft operating out of an airport, if less than say 40 passengers utilise the service the requirement for screening must be questioned. This is particularly relevant as those passengers and their baggage are screened on arrival at major airports if they are to continue their travel in higher risk services.

Regional Express believes that the requirement for screening should be location and risk specific rather than aircraft specific.

Is the security infrastructure at airports adequate?

This is an issue which is improving over the last 4 years. Some airports did not have adequate security infrastructure commensurate with their threat, particularly fencing in areas where vandalism was a risk.

With the introduction of the Securing our Regional Sky's program significant improvements have been made.

Regional Express would like to see an increase of CCTV at all regional airports and the introduction of central monitoring, a project in process and headed by Customs.

The current focus of the aviation security system is regular passenger transport services. Should it be extended to include aircraft providing, for example charter services?

Regional express believes that some basic measures should be applicable to charter flights depending on the type of charter. Regional Express will not support any move to make all charter flights screened services. This will require

the establishment of screening facilities at all locations capable of handling any aircraft from 4 seats up, including piston engine, turbo prop and light jet aircraft

Should the cost of aviation security at particular airports be more evident to passengers?

All charges to passengers should be transparent. Just as the cost of fuel is transparent through a fuel levy, the cost of security should also be shown as a separate element of the price of a ticket

Should we introduce new technologies for passenger screening that can improve processes even if they are more invasive or costly?

New technology is being investigated by the Technology Working Group of the ASAF. As continually stated, Regional Express believes that security measures should be commensurate with the assessed risk. Some airports require the highest levels of security and consequentially the more invasive measures are appropriate. At other airports this is not required and no security outcome would be achieved to justify the incurred cost.

The Commonwealth should take active measures to assist in cost reduction by applying pressure to manufacturers or by offsetting some of the high cost of new equipment coming onto the market.

Biometrics are an effective way to manage access arrangements at airports and an improvement on current practice. Is there value in introducing biometrics into Australia's airports for people working there?

Biometrics assists with access control measures and may be applicable at larger airports with significant numbers of employees and tenants. However Biometrics are an expensive solution and does not provide protection against trusted insider threats.

Biometrics does not provide any additional real security outcome over the current access control measures supported by the ASIC regime. Although a person may be able to obtain current swipe cards or keys, to remain in an area without being challenged that person must have a valid ASIC. All staff in security areas which require access control are responsible for ensuring that other persons in the area are correctly displaying an ASIC. When a person is discovered in the area without an ASIC they are challenged and reported.

Any threat from this type of access is negligible and the cost of introducing biometrics into established airports is not supported by any additional security outcomes which may be obtained.

Biometrics should not be introduced to smaller airports where access control is easily maintained and all staff are known to each other.

Should we expect the same security technology standards from all airports regardless of location, the traffic levels at the airport, and the costs?

NO

How can we improve/optimize passenger screening arrangements within Australia?

New training standards have been recently developed which will improve the level of service and commonality across the country.

Regional Express supports a single screening provider which will, when combined with the new training package, ensure standardisation across the industry.

Should special arrangements be put in place to enable frequent travelers who understand security requirements, often business travelers, to move through passenger screening more quickly? What type of special arrangements, if any, would be appropriate?

Regional Express supports the Rapid Passenger Transit project sponsored by ICAO and IATA. This includes special arrangements for frequent travelers.

Regional Express believes that Australia should align with this project and not develop standards and processes separate to those being considered and introduced internationally.

Regional Express submits that rapid passenger transit processes should be emplaced and already partially participates in the process through the use of web check-in.

Regional Express strongly recommends that screening processes, when applicable, should not be varied for frequent travelers. Although special express lanes may be employed, their value will diminish as more passengers use them

Do we adequately address the requirements of people with special needs?

The Disability Standards for Access to Public Transport and current screening practices adequately address the requirements for passengers with special needs

Are we consistent enough in the delivery of services to passengers?

The aviation industry does not provide consistency in the delivery of services to passengers. Many of these inconsistencies are driven by the different capabilities of the aircraft in service and cannot be changed.

Inconsistency in the interpretation of regulations and the policing of the regulations by the appropriate authorities across the various states causes some issues.

An example of this is with screening where one state level regulator insists on ring binders being opened where others do not.

Other inconsistencies exist within state juridical systems, where magistrates in one particular state, or one magistrate in particular, refuse to take aviation security legislation seriously and consistently dismiss cases brought before them. This has made the handling of disruptive passengers and persons who willfully breach security legislation difficult for airlines and airports

Is the current regime too heavy handed? Could it provide a similar level of protection while reducing demands on passengers, industry and workers?

Regional Express does not agree that similar levels of protection can be achieved by reducing demands on passengers.

Are the legislation and regulations in need of simplification?

Current regulations are outcome based. The production of appropriate guidelines which force state based regulators to provide consistent interpretation would allow assist airlines which operate in multiple states to remain confident and consistent in their processes.

Additionally, there are many anomalies in the system which need to be rationalised. Many security measures are impractical. The providing of security fences at airports that do not encompass the whole perimeter, the requirement for airport staff to have ASICs at places like Lightning Ridge and yet not at Bankstown and the need to security screen regional pilots for weapons during aircraft turnarounds at capital city airports when they carry an axe in the cockpit

are examples of misplaced regulation that complicates security regulatory regimes for no purpose. Some common sense needs to be injected.

Has enough been done to enhance air cargo security? Are there alternative approaches to air cargo security that should be examined?

Air Cargo security has undergone significant review and upgrading in the recent past. Regional Express believes that the processes recently developed and the current work being undertaken should be allowed to take effect before any evaluation of them is made any further changes are made.

Is the Australian approach to air cargo security consistent with the highest international standards

Regional Express believes that recent reviews of Air Cargo security bring Australia into line with international best practice.

What can be done to improve the robustness and timeliness of background checks, particularly for applicants from overseas?

Regional Express supports the establishment of AUSCHECK and believes that the service provided will improve as the organisation matures.

Timeliness of background checks from overseas applicants can only be improved by the country providing the information.

Should the ASIC eligibility criteria be further strengthened?

Personnel shortages exist across the country for all aspects of airline and airport operations. Strengthening the eligibility criteria will disqualify a significant number of applicants who might be otherwise suitable for employment.

Eligibility criteria for aviation employees should be based on the risks those people present to the industry. Many civil and even some criminal convictions are for issues which would not, had they been applied to a current employee, provide any risk to the security of the industry. The eligibility criteria should reflect this.

What should be the relationship between 'background checking' of staff and access control arrangements?

Background checking is a system which allows an industry employer to ensure that staff are not expected to create a security risk if they are employed in a restricted area.

Access control ensures that only those persons who are supposed to be inside a restricted area have access to that area.

A company may employ many persons who require an ASIC, but who require access to different areas and do not require access to other areas.

ASIC and access control must remain separate.

Should background checking be extended to include managers/directors of companies with employees who hold an Aviation Security Identity Card?

Regional Express submits that background checking should be extended to all persons who manage ASIC holders who work in restricted areas.

Regional Express does not believe that background checking needs to be applied to non-executive directors however, executive directors who make daily operational decisions should be subjected to background checks.