



**INTERIM SUBMISSION**

**TOWARDS A NATIONAL AVIATION POLICY STATEMENT**  
**ISSUES PAPER**

**JUNE 2008**

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## **Summary of Recommendations**

*1. That the Commonwealth establishes a new Airport Infrastructure Fund to assist rural, regional and remote communities to establish, upgrade and maintain their airport infrastructure to enable the following services:*

- *Regular Passenger Transport and charter operations;*
- *Regular freight supplies; and*
- *Emergency health access for the Royal Flying Doctors Service (RFDS).*

*2. That the Commonwealth provides new specific funding for Local Government to implement asset management plans and to undertake business and master planning for airports.*

*3. That the Commonwealth continues the Remote Aerodrome Inspection Scheme.*

*4. That the Commonwealth continues support for the Aviation Rescue and Fire Fighting Services (ARFFS).*

*5. That the Commonwealth, in partnership with State and Local Government, undertake a similar approach to air transport services as that undertaken in land transport via 'AusLink' in order to encourage better advice, planning, decisions and infrastructure.*

*6. That the Federal and State Governments engage with Local Government in the development of a strategic framework for remote, rural and regional aviation. The purpose of this framework is to provide clarity regarding the access for populations / catchments to regional air services and to provide a basis for Local, State and Commonwealth investment decisions. This Framework will consider:*

- *The definition of a minimum level of service for remote, rural and regional populations; and*
- *The role of regulation and community service obligations to support service provision to remote, rural and regional communities*

*7. That the Commonwealth in partnership with other spheres of Government establishes a regulatory model for interstate and intrastate aviation that facilitates the development of sustainable air services routes in regional WA.*

*8. That consideration is given by Government to the integration of charter services and RPT service to enhance regional air services.*

*9. That there is the development at a national level of regional impact assessments of regulatory and policy changes - The impact assessment would estimate the cost of these changes to remote regions in WA and the need for compensation and/or ensure the development of long-term strategies should these changes be implemented.*

10. *That the Commonwealth continues the Enroute Charges Rebate Scheme to support small regional operators by meeting the cost of their Airservices Australia enroute charges and the larger aircraft operating in regional Western Australia.*

11. *That the Commonwealth continues the Remote Air Services Subsidy Scheme.*

12. *That the Commonwealth and State Governments encourage decentralization and facilitates more intrastate routes removing the reliance on Perth as the hub.*

13. *That the Commonwealth and State Governments in partnership with Local Government develops a framework that clarifies the needs of remote, rural and regional communities for aviation services and the role of regulation and community service obligations to meet these needs.*

14. *That the Commonwealth consults with Local Governments in WA to discuss what alternative efficient and effective security measures could be adopted for regional airports.*

15. *That the Commonwealth provides a commitment to consult with regional airports prior to the decision to develop and implement new security measures.*

16. *That the delivery of national security outcomes will be based on an individual based risk assessments.*

17. *That the Commonwealth funds 100% of ECS and EDC equipment to **all** Local Government airports where it is deemed that this equipment is required, including the capital infrastructure requirements to accommodate this new equipment.*

18. *That in relation to non-aviation developments at airports, the Minister be required to consult with the relevant Local and State Government on any planning/development decision to be made under the legislation, as to whether the proposed development is, or is not, consistent with State and Local government planning schemes. Reasonable measures should be employed to minimize the negative impacts caused by non aviation proposals on State and Local Government planning schemes and if proposals are not consistent with these Schemes the Commonwealth, explain and justify why agreement has been given to the proposal.*

19. *That the aviation authority be financially responsible for upgrading the affected State or local road network as a result of any increase in traffic volumes due to commercial developments or increased service levels on airport land.*

20. *That Local Government is enabled to apply standard rates, charges and development contributions to commercial developments on airport land.*

*21 That emissions reductions strategies are considered by the State and Federal Government for the aviation industry, but that any regulatory framework takes into account the community impacts.*

## **1. Background - West Australian Local Government Association (WALGA)**

The West Australian Local Government Association (WALGA) is the voice of Local Government in Western Australia. As the peak industry body WALGA is an independent, membership-based group representing and supporting the work and the interests of 142 Local Governments.

The Association provides an essential voice for almost 1,300 elected members and over 11,000 employees of Western Australia and Christmas Island and Cocos (Keeling) Island Councils. WALGA also provides professional advice and offers services that provide financial benefits to the Local Governments and the communities they serve.

## **2. Background National Aviation Policy.**

The Commonwealth announced the development of a National Aviation Policy Statement or White Paper. An Issues Paper has been prepared by the Commonwealth as a basis for consultation and engagement. Based on feedback received the Government will release a Green Paper in September 2008 outlining possible policy directions, settings and reforms providing opportunity for further public input. Following this consultation, the Government will finalise the White Paper. The aim for the White Paper is to provide greater planning and investment certainty for the industry and provide clear commitments for users of aviation services and communities affected by aviation activity. Information is available at <http://www.infrastructure.gov.au/aviation/nap/index.aspx>.

The Broad Categories addressed in the Issues Paper are:

1. The Australian aviation industry
  - 1) International services
  - 2) Domestic Services
  - 3) Regional and general aviation
  - 4) Addressing skill needs in the aviation industry
2. Aviation infrastructure
  - 1) Airport planning and development
  - 2) Air traffic management
3. Aviation safety
  - 1) Safety and regulatory reform
4. Customer and community protection including;
  - 1) Aviation emissions and climate change

- 2) Aircraft noise
  - 3) Consumer protection
  - 4) Disability standards
  - 5) Compensation arrangements in the event of an accident
5. Aviation security.

### **3. Air Service Provision in Regional Western Australia – A Unique Landscape**

Aviation is subject to economies of scale, especially where Regular Public Transport (RPT) flights are concerned. The tendency towards larger, faster jet aircraft serving busy routes has reinforced this. Large aircraft can carry more people per unit of fuel burned, per crew member, and relative even to the higher capital costs. The logistics of booking and meeting the needs of large numbers of people over a period of time are improved if there is a significant number of aircraft flying a large number of seats over a busy route.

For this reason, flights even on long distance international routes and trunk domestic routes are inevitably lower in cost to the individual passenger than flights in small aircraft over relatively short regional routes. Consequently, the costs per passenger kilometre are higher for regional services than they are for most domestic trunk and international services. Because the routes are long and passenger numbers limited, it is inevitable that the costs of travel will be high relative to more populated centres with less distance to cover. This may mean that it is more expensive to fly within WA on smaller aircraft than to fly interstate or overseas.

The advantages of economies of scale do not stop here. Capital city and international airports handle hundreds of aircraft and thousand of passengers a day, especially when they are hubs being fed by a number of smaller spokes, or handling transit traffic between other major cities. As a result, the costs per head of air traffic control, ground handling services, security and runway maintenance are invariably lower than on a small airport with a limited runway and facilities.

A number of features of the structure of air services in WA provide a substantial challenge for the provision of efficient and profitable airline services. These include:

1. The long average route lengths;
2. The decline in routes served exclusively by domestic airlines over the past decade (i.e. the transfer of routes from domestic carriers to regional airlines); and
3. The large number of routes with limited passenger numbers.<sup>1</sup>

In particular, the dispersed nature of demand for aviation services in regional WA, and the nature of the communities underlying them, and their variable economic progress provides a challenge to deliver services to regional WA.

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<sup>1</sup> [http://www.dpi.wa.gov.au/mediaFiles/aviation\\_intraservrevtechrpt200211.pdf](http://www.dpi.wa.gov.au/mediaFiles/aviation_intraservrevtechrpt200211.pdf).

Aviation has to meet quite different needs and provide significantly different services to communities and community related business and government activities, to the mining sector, and to tourism. An ongoing challenge to the development of a policy framework is the support of a system, and services, that can accommodate these needs and build on separate sources of demand to achieve economically sustainable services.

Growth in regional passenger transport sector driven by growth in resource / commercial passenger volumes. Mining, tied to specific localities provides strong, geographically specific demand for travel, providing a substantial collective demand in the Pilbara Region, in particular, and more dispersed demand in Kimberley and Goldfields-Esperance.

Major upgrades of regional airports are increasing in order to service an increased number of operators, the changing type of aircraft servicing the resources sector and more frequent usage. The increased usage is illustrated by statistics provided by the Department of Consumer and Employee Protection showing that in the resource sector, the number of fly-in fly-out (FIFO) employees to remote mine sites has increased by 39% between 2004/05 and 2005/06. In the iron ore sector, the increase in FIFO employees over the same period is 107%.

In addition, skill shortages in WA, in particular in regional WA in communities driving the resources boom, are impacting on the capacity of airport operators to attract and retain staff for airport operations. Also recent increases in fuel prices have reinforced the volatile input cost to air service provision. The uncertain economic environment leads airlines to develop competition strategies which may not take into account the need to provide sustainable services within WA.

#### **4. A Policy Framework**

The recommendations in this paper are based upon the following policy framework:

- The importance of airports as an element of the national economic and social infrastructure;
- Effective and efficient transport links to regional areas of the WA have a significant role in sustaining the long term economic growth and prosperity of the state and Australia as well as creating viable and sustainable rural or remote communities;
- The basis of Government policy towards air services to regional and remote communities must be within a regional development framework premised on transport access and equity for remote and regional communities with an appropriate and agreed service levels for air transport;
- Fostering sustainable services and
- Fostering competition and consumer choice.

## 5. WA Local Government Airport Interests

Local Governments in Western Australia are a significant partner in the provision of regional air services. Local Government airports can be classified broadly as:

1. Airports that receive Regular Public Transport (RPT) Services; and
2. Airports with no Regular Public Transport Services.

Local Governments in WA own and manage a number of different types of airports:<sup>2</sup>

### Certified Aerodromes

Certified aerodromes have a runway that is suitable for use by aircraft having maximum passenger seating capacity of more than 30 seats; or a maximum carrying capacity of more than 3400 kilogrammes; and is available for use in regular public transport operations or charter operations by such aircraft. The following certified aerodromes are operated by WA Local Governments;

Busselton	Carnarvon	Derby	Esperance
Fitzroy Crossing	Geraldton	Halls Creek	Kalbarri
Kalgoorlie	Karratha	Kununurra	Laverton
Leonara	Meekatharra	Mount Magnet	Newman
Onslow	Port Hedland	Ravensthorpe	Wiluna
Albany			

### Registered Aerodrome

The Shire of Wyndham East Kimberley owns and manages the Wyndham registered aerodrome. Aerodromes are registered when specified standards and quality assurance criteria met. This provides pilots with assurance of their safety status. The same physical standards as a certified aerodrome apply. There is no requirement for a safety management system of aerodrome technical inspection.

In addition, Local Government is responsible for a number of airstrips.

## 6. Local Government Airport Infrastructure and Services

Local Government airports, aerodromes and airstrips are funded through a mixture of fees and charges, Commonwealth grants and subsidies including;

- Charges to airport users;
- Commonwealth general purpose grants;
- Rates revenue;
- Commonwealth subsidies; and

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<sup>2</sup> <http://casa.gov.au/aerodromes/categories.htm>.

- State Grants.

The Australian Government has a suite of subsidy and grant schemes accessed by Local Governments including:

- Remote Air Services Subsidy Scheme (RASS);
- Remote Aerodrome Inspection Service (RAIS);
- Remote Aerodrome Safety Programme;
- Enroute Charges Rebate Scheme;
- Financial Assistance Grants - untied grant to Local Government; and
- Enhancing Aviation Security Package: a raft of grants including the Regional Airports Funding Programme

The Commonwealth does not have a direct role in funding airport infrastructure or ongoing maintenance and capital upgrades at regional airports.

The WA State Government since 1994 has contributed to the development of regional airports through the Regional Airports Development Scheme (RADS). RADS, a competitive grant scheme, provides;

- \$2M per annum;
- Funding for runway lighting, airstrip upgrades, storage facilities, and maintenance;
- Grant for up to 50% of costs.

A 2005 audit of the State Government Regional Airports Development Scheme (RADS) funding requests outstrip supply. It revealed that the total airport infrastructure demand for three years commencing 2005/06 inclusive totalled \$20M. In addition, a Department of Planning and Infrastructure Study undertaken in 2006 into the cost of airside maintenance over a 10 year period to 2016 was estimated at 8M. This survey did not include all airports in WA, which suggest the figure would be higher.<sup>3</sup>

There is a significant difference between Local Governments in their capacity to undertake appropriate asset management practices including the ability to generate sufficient revenue to set aside funds for periodic maintenance and developments. In particular the airports with no RPT services are primarily used by general aviation aircraft and emergency services. A large number of remote aerodromes and airstrips generate virtually no revenue but are nevertheless necessary to provide community access to essential services of all kinds. As they often cannot generate sufficient revenue to provide for their major maintenance and development requirements as well as day-to-day maintenance and operating costs, they are reliant on Local Government resource, priorities and capacity to fund.

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<sup>3</sup> *Regional Aviation Issues*, Paper for Consideration by the Standing Committee of Transport and the Australian Transport Council, 2006, p 15

Demand in the resource sector has not only initiated the need for the development of longer, sealed airstrips, but larger aircraft and the high level of usage increases wear and tear on existing infrastructure, increasing the demand for maintenance and renewal funding. The impact is not just on airstrips but associated infrastructure upgrades required such as the terminus, access roads and car parking. Cost increases for airport infrastructure development can be more extreme than other construction. For example, the costs for specialist aviation consultants and engineers have increased considerably in recent times due to the demand for private airport facilities, primarily for mining operations using fly-in-fly-out services.<sup>4</sup>

The escalation of construction costs in regional areas of the State has placed enormous pressures on Local Government budgets to deliver regional airport infrastructure. Using statistics from the ABS for 'Non-residential Building Construction – Western Australia' series there has been a 85% rise in non-residential construction costs over the last 10 years and a 65% rise over the past 5 years alone<sup>5</sup>. The Western Australian Department of Treasury and Finance predicts further growth in construction costs in 2008-09 and 2009-10 of 10% per annum, decreasing to 5% per annum thereafter.

Particularly in remote regions such as the Pilbara and Kimberley, the largest inflation of cost is due to the increased rates to mobilise equipment, which is estimated by a private consulting company to be approximately 30% of total project cost. In this economic climate, all construction resources are in high demand and this places greater pressure on small Shires or privately-owned airstrips when it comes to competing with the mining industry for equipment.<sup>6</sup>

In addition, skill shortages in WA, in particular in regional WA in communities driving the resources boom, are impacting on the capacity of Local Government to attract and retain staff for airport operations. The cost of employing staff, in particular the requirement to provide staff housing and regional location allowances, increases the cost of running an airport in the regions.

*Recommendations:*

*1. That the Commonwealth establishes a new Airport Infrastructure Fund to assist rural, regional and remote communities to establish, upgrade and maintain their airport infrastructure to enable the following services:*

- *Regular Passenger Transport and charter operations;*
- *Regular freight supplies; and*
- *Emergency health access for the Royal Flying Doctors Service (RFDS).*

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<sup>4</sup> Department of Planning and Infrastructure, *The Impact on the Regional Airports Development Scheme from Inflation and Escalating Construction Costs 1997 to 2007*, p 4.

<sup>5</sup> Australian Bureau of Statistics Cat No 6427.0

<sup>6</sup> Department of Planning and Infrastructure, *The Impact on the Regional Airports Development Scheme from Inflation and Escalating Construction Costs 1997 to 2007*, p 3.

2. *That the Commonwealth provides new specific funding for Local Government to implement asset management plans and to undertake business and master planning for airports.*

3. *That the Commonwealth continues the Remote Aerodrome Inspection Scheme.*

4. *That the Commonwealth continues support for the Aviation Rescue and Fire Fighting Services (ARFFS).*

## **7. Strategic Planning for Airport Infrastructure and Services**

There is no overarching Commonwealth, State or Local Government strategy to guide airport investment.

The regulatory environment provides some level of certainty of services to regional airports. However the demand driven nature of air services, in particular in a resource driven sector such as regional WA, provides a level of long term uncertainty to airport infrastructure requirements. An issue for Local Government is the level of strategic investment in airport infrastructure and the need to ensure that there no over investment of funds in infrastructure.

There is a need for strategic planning to occur between Commonwealth, State and Local Government and industry to underpin the provision of airport services and infrastructure. The definition of basic service levels for regional aviation, in the same way that has been undertaken for telecommunications, would facilitate long term planning and an assessment of areas of need. This would guide the capital, operational and financial planning necessary to address deficiencies.

### *Recommendations*

5. *That the Commonwealth, in partnership with State and Local Government, undertake a similar approach to air transport services as that undertaken in land transport via 'AusLink' in order to encourage better advice, planning, decisions and infrastructure.*

6. *That the Federal and State Governments engage with Local Government in the development of a strategic framework for remote, rural and regional aviation. The purpose of this framework is to provide clarity regarding the access for populations / catchments to regional air services and to provide a basis for Local, State and Commonwealth investment decisions. This Framework will consider:*

- *The definition of a minimum level of service for remote, rural and regional populations; and*
- *The role of regulation and community service obligations to support service provision to remote, rural and regional communities*

## 8. WA Regulatory Landscape

All aircraft operating intrastate air services in Western Australia are licensed with State authorities who are able to impose a range of conditions on each license. There are two networks of regulated turbo-prop serviced routes. The Coastal Network consisting of the following regulated airports: Albany, Carnarvon, Esperance, Exmouth (Learmonth), Geraldton, Kalbarri, and Shark Bay and the Northern Goldfields Network consists of the following regulated airports: Geraldton (limited access), Laverton, Leinster, Leonora, Mt. Magnet, Meekatharra, and Wiluna. The only jet route that is regulated is Perth to Derby (Curtin).

Regular Passenger Transport (RPT) airlines typically operate networks of routes. Not all routes are profitable on a fully costed basis. However, once profitable routes have been served, spare capacity can be allocated to marginal routes that cover the direct costs of operations or allocated to the charter market if this was both more profitable and allowable under the regulations. It is argued that by regulating networks of routes, the RPT operator achieves higher aircraft utilization while passengers on marginal routes receive services that would not otherwise be available. An important implication is that if margins are cut on the profitable routes, due to competitive pressure for example, the operator's ability to cross subsidise declines. Preserving strong routes, then, is one way to sustain operations on marginal routes.

At present there is an underwriting of services to marginal routes. The current network sufficiency model has enabled RPT services to be provided to a number of communities that without another form of market intervention could not sustain air services.

The Queensland Government's regulatory regime, selected for comparison as like WA it is a large, sparsely populated state with a strong dependence on resource and pastoral sectors in remote and regional areas. The Queensland Government permits three levels of airline entry:

1. Deregulated routes, with no entry or pricing controls;
2. Entry-limited routes, where airlines bid for exclusive rights on certain routes; and
3. Subsidised routes, where airlines are granted exclusive rights and a subsidy contribution based on a closed tender process.

These are seen as essential services to retain business and community links. They are typically served by a "milk-run" using smaller aircraft which do not promote tourism growth.<sup>7</sup> An aspect of the Queensland air services environment is the statement of a minimum level of service access; all Queenslanders should live within 200 km of an airport providing a scheduled air service. WA has no such criteria.

The move by Airservices Australia to location-specific charging means that costs on regional routes increased substantially relative to trunk routes between capital cities.

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<sup>7</sup> [http://www.dpi.wa.gov.au/mediaFiles/aviation\\_intraservoverview200211.pdf](http://www.dpi.wa.gov.au/mediaFiles/aviation_intraservoverview200211.pdf)

Some options to consider to ensure regional communities have access to air services include:

- Encouraging decentralization and subsidies more intrastate routes removing the reliance on Perth as the hub; and/or
- Ensuring that the needs of communities for aviation services can be met at the margin by building on services provided for larger communities, mining needs, and local business.

The current State Government regulatory approach and cross subsidization model has led to underperforming routes being subsidized by performing routes. This has ensured air access to a number of regional communities. There are different options as to whether this has resulted in overall fares being higher. The two regulated route networks in WA are protected against competition in order to ensure a level of service to otherwise non viable destinations. On these regulated networks any additional costs of providing services on non profitable sectors is borne by passengers on other parts of the network. This raises the questions of whom, if the decision is made to provide a service on an unprofitable route, should subsidize service provision – the general taxpayer or the travelling public. Also it raises the question of the role of a Community Service Obligation in the provision of air services on non viable routes.

Market failure and a non-interventionist State and Commonwealth approach has led many Local Governments in the regions to become involved in the provision of airports which are normally undertaken by the private sector. Government has a raft of policy instruments ranging from the free market to a highly structured interventionist approach to foster regional development. Because a competitive market economy cannot deal efficiently with the provision of air services in the regions, a challenge is posed for government to undertake political action to supply air services along with their regulation and co-ordination role.

#### *Recommendations*

*7. That the Commonwealth in partnership with other spheres of Government establishes a regulatory model for interstate and intrastate aviation that facilitates the development of sustainable air services routes in regional WA.*

*8. That consideration is given by Government to the integration of charter services and RPT service to enhance regional air services.*

*9. That there is the development at a national level of regional impact assessments of regulatory and policy changes - The impact assessment would estimate the cost of these changes to remote regions in WA and the need for compensation and/or ensure the development of long-term strategies should these changes be implemented.*

*10. That the Commonwealth continues the Enroute Charges Rebate Scheme to support small regional operators by meeting the cost of their Airservices Australia enroute charges and the larger aircraft operating in regional Western Australia.*

*11. That the Commonwealth continues the Remote Air Services Subsidy Scheme.*

*12. That the Commonwealth and State Governments encourage decentralization and facilitates more intrastate routes removing the reliance on Perth as the hub.*

*13. That the Commonwealth and State Governments in partnership with Local Government develops a framework that clarifies the needs of remote, rural and regional communities for aviation services and the role of regulation and community service obligations to meet these needs.*

## **9. Aviation Security**

The then Deputy Prime Minister and Minister for Transport and Regional Services announced in May 2007 that the Government would extend checked bag screening to 26 regional airports to boost airline security. Checked bag screening will extend to all airports that handle regular jet services. These airports are required to:

- screen checked baggage using explosive trace detection equipment from 1 December 2007; and
- Undertake full x-ray screening of the baggage from 1 December 2008.

With the introduction of these requirements WA Local Governments raised concerns that this policy did not take an evidence based approach and was not based on individual risk assessments of the security threats at regional airports. Other concerns of WA Local Governments were that prior to this decision that there was a:

- Lack of understanding of the economic conditions and availability of contractors in regional Western Australia;
- Lack of time to implement new requirements;
- No risk assessment studies undertaken in relation to increased security threats at airports;
- No consultation or discussion with Local Government;
- No cost implication analysis to Local Government; and
- No draft regulations to facilitate discussion and planning.

Local Government welcomed Commonwealth funding for regional airports towards the purchase of the ETD and EDS machines. However, funding did not consider or fund infrastructure modifications required to install the new machines, nor the ongoing operational cost of staff to undertake the screening.

Without ETD and EDS equipment, RPT jet services cannot operate into a regional airport. A perverse outcome of this policy is that it may limit the expansion of jet services to regional airports if an airport owner is unable to fund or install this equipment.

Increased charges, needed to compensate for the increased costs of capital and staffing make regional airports less attractive due to the charges that they have to apply. An option could be the introduction of a standard charge and rebate for security services similar to Air Services Fire Service Charge.

#### *Recommendations*

*14. That the Commonwealth consults with Local Governments in WA to discuss what alternative efficient and effective security measures could be adopted for regional airports.*

*15. That the Commonwealth provides a commitment to consult with regional airports prior to the decision to develop and implement new security measures.*

*16. That the delivery of national security outcomes will be based on an individual based risk assessments.*

*17. That the Commonwealth funds 100% of ECS and EDC equipment to **all** Local Government airports where it is deemed that this equipment is required, including the capital infrastructure requirements to accommodate this new equipment.*

### **10. Airport Land Use Planning and Development**

The *Airports Amendment Act 2007* came into effect in May 2007. The key areas where the Act amended the Airports Act 1996 included<sup>8</sup>:

- Permitting non-aeronautical developments at leased airports, provided such development is consistent with the airport lease and approved master plans;
- Refining the planning and development approval regime attaching to airport master plans and major development plans; refining the regulatory framework for environmental matters; and
- Clarifying and refining processes associated with the current noise management arrangements applying at the leased federal airports.

Under the Airports Act the key mechanisms to control planning and development are the Airport Master Plans (renewed every five years) and Major Development Plans. Approval of plans can have significant implications for planning around the airport and for the provision of transport and other infrastructure. State and Local Government authorities are consulted during development of these plans, but the final decision rests with the Minister for Infrastructure in the Australian Government.

The airports covered by the *Airports Act 1996* were established, in some cases more than 50 years ago, on Commonwealth land on the outskirts of major cities. The growth of cities since then has meant that in some case these airports are now surrounded by urban

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<sup>8</sup> [http://www.infrastructure.gov.au/departments/about/doc/DOTARS\\_annual\\_regulatory\\_plan\\_0708.doc](http://www.infrastructure.gov.au/departments/about/doc/DOTARS_annual_regulatory_plan_0708.doc).

developments and have become major generators of transport demand. In recent years there has been a significant shift in the use of airport land from purely aeronautical purpose to other commercial developments. These commercial developments are in fact no different to commercial developments elsewhere in our cities yet are excluded from normal State and Local Government planning processes.

Whilst the *Airports Amendment Act 2007* aimed to address the consultation issues associated with these developments it did not change the fundamental concern of Local Government that there are large tracts of land located within or near urban areas on which major commercial developments are taking place outside State and Local Government planning systems.

## **11. Planning and Development**

The planning and development mechanisms under the Airports Act are not working effectively. The utilisation of State and Local Government planning schemes would better facilitate genuine long-term co-operation between airport operator companies and State and Local Governments on land use planning around airports.

The *Airports Amendment Act 2007* did not address the fundamental concern of Local Government that major commercial developments on airport land in urban areas can proceed without reference to state or local government planning or policy.

WALGA is not proposing that the national infrastructure element of airports, namely the aeronautical aviation capacity, be subject to state and local planning provisions. WALGA's concerns relate to commercial developments e.g. shopping facilities and hotels which are no different to developments elsewhere and, in WALGA's view, should not be exempt from the same planning provisions. Commercial developments on airport land have impacts on surrounding communities including traffic management and environmental impacts such as noise and emissions which are similar to commercial developments on non-airport land that are subjected to planning provisions. It could be argued that this provides an unfair commercial advantage to developments on airport land which contravenes the principle of competitive neutrality. Furthermore in order to avoid adverse impacts on the State commercial planning framework consultation with both State and Local Governments should be carried out at the beginning of any commercial proposal to determine how it can best incorporate with the State and Local Government planning framework This has the potential to minimize the impacts on the surrounding commercial/retail activity centres. Also there must be consideration of infrastructure requirements outside airport land needed to support these activities.

Airport Operators should be required to take consideration of State and Local Government planning Schemes and should automatically forward their draft Master Development Plans (MDP) to the affected local government for advice/comment on the planning issues associated proposed development. There is no legislative requirement for airport operators to do this and it has been up to the local government to get informed through other means i.e. advertising by airport operators. A protocol should be

established between the airport and local government when an MDP is proposed which provides for local government input into the preparation and processing of structure plans, the processing of subdivision and development applications including parks and landscaping design and construction standards for infrastructure.

Also consideration should be given as to how a development impact on external to site traffic flows within the surrounding area. There should be provision of documentary evidence of recent traffic studies for the area prior to the development and projections for traffic flows after development.

If in relation to non-aviation developments at airports the Minister were required to consult with relevant Local and State Governments in any planning decision under the legislation whether a proposed development is, or is not, consistent with State and Local government planning and if not consistent explain and justify why agreement has been given to the proposal, Ministerial decision making would be more transparent without taking decision making power away from the relevant Commonwealth Minister. It would require the Minister to give reasons for any decision to allow developments, not consistent with state and local government planning, to proceed.

#### *Recommendation*

*18 That in relation to non-aviation developments at airports, the Minister be required to consult with the relevant Local and State Government on any planning/development decision to be made under the legislation, as to whether the proposed development is, or is not, consistent with State and Local government planning schemes. Reasonable measures should be employed to minimize the negative impacts caused by non aviation proposals on State and Local Government planning schemes and if proposals are not consistent with these Schemes the Commonwealth, explain and justify why agreement has been given to the proposal.*

*19. That the aviation authority be financially responsible for upgrading the affected State or local road network as a result of any increase in traffic volumes due to commercial developments or increased service levels on airport land.*

Local Government revenues rely to a large extent, on raising rates on land within their municipality. Commonwealth land, such as airports are exempted from Local Government rates. Whilst WALGA accepts that there may be a case for key national infrastructure, such as aeronautical facilities, to be exempted from the payment of local government rates and charges, there is no logical reason why a commercial facility on airport land should be exempt. This is uncompetitive and inequitable for similar facilities and businesses located on non airport land which would be required to pay rates. The question of rates may be addressed within the lease between the Federal Government and the Airport Lessee, with the lessee required to pay an amount equivalent to the rates payable on all commercially developed lands on which there is a financial or trading undertaking. Local Government must be able to receive rates payments.

Additionally it is common practice for councils and states to seek development contributions when approving major facilities to help pay for the necessary upgrading of any associated infrastructure that might be required as a consequence of the development. This of course is not possible for developments on airport land yet there is an expectation that Local Government will provide the necessary infrastructure. Indeed it could again be argued that this is contrary to the principles of competitive neutrality providing a financial benefit that it is not available to developers on non-airport land.

### *Recommendation*

*20 That Local Government is enabled to apply standard rates, charges and development contributions to commercial developments on airport land.*

## **12. Aviation Emissions and Climate Change**

It has been noted that while air transport emissions present a relatively small percentage of transport emissions it is likely to be one industry that presents a ‘growing’ issue for climate change management.

A recent report released by the Australian National University has found that the substantial increase in aircraft emissions around the world is not being offset by improvements in fuel efficiency. The Centre for Climate Law and Policy estimates that carbon dioxide emissions from planes will rise by around 140-per cent over the next two decades. At present, according to the paper, gains being made through technological advances and operational improvements are being negated by the exponential increase in the size of the market. (A. Macintosh and C. Downie, *Aviation and Greenhouse Gas Emissions in the ACT*, Report for The Australia Institute, The Australia Institute, Canberra, January 2008).

WALGA assumes that the Transport sector will be a ‘covered’ sector when the trading scheme is launched in 2010, and that aviation will be included as part of the transport sector generally. Inclusion in a National Emissions Trading Scheme (NETS) is likely to be the most effective and efficient market-based mechanism for the reduction of costs and greenhouse gas emissions from aviation, and there will be some value in letting the ‘cap and trade’ mechanism create incentives for emissions reduction.

This will also enable the aviation industry to utilise the same ‘alternatives’ that will be available to the stationary energy and waste sectors, creating industry equity (assuming the ‘cap and trade’ system operates identically for the aviation industry as for the rest of the transport sector). For example: if an airline anticipates that their emissions will exceed their allowances (or cap), they can either take measures to reduce their emissions or they can buy additional emission allowances on the market. Conversely, if their actual emissions are lower than their allowances, they can sell their surplus allowances on the market or else ‘bank’ them to cover future emissions (or trade).

However there are many practical efficiency measures and research options that can be undertaken prior to the development of the NETS for Australia. Below are some examples of greenhouse management strategies which the Australian aviation industry could implement in order to reduce emissions prior to the NETS, which would reduce costs for airlines when the scheme is launched.

- Efficient Air Traffic Management offers potential for greenhouse gas emissions reductions via more direct flight routes, less queuing of aircraft etc. For example, when an aircraft is heading for a major destination where traffic is heavy and delays are being experienced, a five minute delay on the ground can avoid over 600 kg of CO<sub>2</sub> emissions on a typical Melbourne to Sydney flight.
- Flexible altitude reduces fuel burn and emissions because aircraft burn less fuel at high altitude than they do at low altitudes.
- Flexible routes that are optimised for the prevailing weather could allow aircraft to take advantage of wind speed and direction, reducing flying time, fuel burn and consequently emissions.
- Some airlines are currently reducing their flying speed in order to cut fuel consumption, which consequently reduces emissions.
- Research and development into alternative (clean) aviation fuels needs to be undertaken in order to further reduce emissions and increase efficiency.
- Research and development into aircraft improvements which might increase efficiency and reduced fuel consumption and therefore reduce emissions.
- Carbon offsets for air travel are already being offered by some airlines but extending this to all airlines through an integrated process of incentives (subsidies) and regulation (hard targets and relevant legislation) would be of value in reducing emissions.
- Progress towards the consistent, wider application of fuel taxation to all aircraft fuels and the removal of perverse subsidies/legal obstacles to taxing fuel would also prompt energy efficiency.

While WALGA has a strong position on emissions reductions and climate change and continues to work towards a whole of Local Government policy position on this issue, it also acknowledges the need for a balanced approach to emissions reduction. Research into the impacts of aircraft on the climate should be strengthened, but balanced against the impacts that reduction of airline travel will have on one of Australian's major industries and employers – tourism. It is likely that airlines will pass on the price increase for any carbon regulatory regime to consumers and that this may affect the industry and its many employees.

There are several actual or proposed mandatory greenhouse gas reduction requirements which have the potential to impact on tourism. The objective of these measures is to reduce emissions by requiring industries or consumers to change their behaviour – they legally prohibit behaviour rather than provide incentives to avoid it (as carbon taxes and an NETS would). Some actual or proposed examples are:

- Requirements for a minimum use of renewable energy for electricity supply (Mandatory Renewable Energy Targets).
- Reduced emissions standards for motor vehicles.
- Green fleet requirements.
- Limits on air travel (as proposed in Europe).

Some of these will affect tourism directly – for example, lower vehicle emissions standards, which raise the cost of car-based travel and limit the number of flights taken to tourist destinations.

Others affect tourism indirectly – for example, renewable energy targets for electricity add to the cost of the electricity that tourism based businesses, like airlines, buy. These mandatory requirements add to the cost of tourism and subsequent price rises make tourism less attractive for potential tourists.

For our regional centres, many of which rely in part on the tourism dollar, it is important to consider the cost of greenhouse gas mitigation strategies, and ensure that there are resourced appropriately.

### *Recommendation*

*21. That emissions reductions strategies are considered by the State and Federal Government for the aviation industry, but that any regulatory framework takes into account the community impacts.*

### **13. References**

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