

13 November 2020

Director, Project Strategy Unit
Department of Infrastructure, Transport, Regional Development and Communications
GPO Box 594
CANBERRA ACT 2601

Dear Director Project Strategy Unit

Re: Submission – The Future of Australia’s Aviation Sector

It is no doubt the Australian Aviation industry will find its new form as we work our way through the COVID-19 pandemic. Government will play a key role in shaping the industry, as it has demonstrated through the rapid delivery of essential support schemes in response to the unprecedented fall in traveller demand flattened by global and domestic travel restrictions.

We appreciated the opportunity to provide feedback on the Future of Australia’s Aviation Sector Issues Paper.

Please find attached the submission from NT Airports (Darwin International Airport, Alice Springs Airport, Tennant Creek Airport).

Yours sincerely



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Northern Territory Airports

Part A: COVID-19 Response

COVID Objective 1: Maintaining essential air connectivity

The Domestic Aviation Network Support (DANS) and Regional Airline Network Support (RANS) provided assistance to airlines so that minimum connectivity was maintained during the period immediately following the COVID-19 induced mass state/territory border closures within Australia.

This action by the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) benefited the Australian public by not only allowing essential travel, but also movement of high value freight and health related supplies. This was particularly important for cities such as Alice Springs and Darwin, which are aviation hubs to regional communities and are positioned geographically a great distance from other significant population centres which made road transport was not a suitable alternative to air travel. The Australian public should be the focus of any subsequent support as Australia moves into COVID-19 recovery.

Future support needs to shift from minimum connectivity to minimum competition. The International Air Transport Association (IATA) predicts air travel will not return to pre-COVID-19 levels until at least 2024. This gradual recovery will create challenging environments on routes which have historically had just two operators offering low frequency services. Without external support, the Australian domestic network will see a greater number of routes operating in monopolistic conditions.

Failure to maintain this competition would be a detriment to the Australian public as residents living outside major metropolitan centres will experience less choice and monopolistic pricing. As barriers to entry will be heightened on monopolistic routes, residents will not likely see competition on these routes until significant recovery has been realised.

Government support should focus on minimum RPT competition on routes that are identified being 'at risk'. This could be defined as routes that, in 2019, were operated by only two airlines (or groups, ie: Virgin/Tiger, Qantas/Jetstar) with one operator operating no more than 7 flights per week (in lowest week).

Additionally, on routes that are under government support, scheduling restrictions should be in place to provide greater range of service to the public. There are cases, for example Perth-Darwin, where there were 4 flights on 2 days. A more sensible government supported schedule would be 4 flights over 4 days.

The support trigger could mirror conditions placed under the current DANS/RANS schemes, where once a certain threshold is surpassed (eg 3 flights per week) the airline ceases to receive government support.

COVID Objective 2: Preserving critical aviation capacity

Australian airports bear the cost of essential capital works to be able to facilitate air services for its communities. These are recovered in passthrough costs collected from passengers through airfare ticket taxes. Generally these are classified as Safety and Security Charges (SSC), passenger facilitation charges (PFC) and landing charges (LC).

Although the Australian Airline Financial Relief Package (AARFP) has provided relief for domestic SSC during most of 2020, this did not provide airports with the enormous under-recovery of PFC and LC. In addition to this, as a result of significantly lower passengers expected in January 2021 onward, Airports will under-recover all charges, including SSC when the AARFP is scheduled to cease.

With the termination of available government support, coupled with increased SSC costs due to COVID-19 cleaning requirements, NTA predicts an increase to its SSC charges to be threefold commencing January 2021.

To ensure passengers do not experience significant increases in airfares, during a time when affordable airfares are essential in stimulating economic recovery, government should extend the AARFP, until June 2021, for domestic aviation safety and security charges.

Part B: The future of Aviation: The Government's Five-Year Plan

Reducing the Regulatory Burden: Airspace Management

Current airspace management, particularly for airports under a Joint User Agreement or Deed, prioritises defence movements over civilian air traffic under a 'mutual inconvenience' arrangement. OneSky is expected to greatly improve airspace management at these ports and effort should be made to bring forward the operational commencement date.

Since initial development of OneSky, there has been significant technological advancements in stratospheric operations with emerging high-altitude balloon and rocket industries. This is particularly true in the Northern Territory, where geographic location and atmospheric conditions support the operation of these innovations. Consideration for airspace management of localised stratospheric operations, ahead of mass operations, is required.

Drone technology has been on the rise and have been impacting airports globally. At Alice Springs Airport, the attraction of the Asia Pacific Aircraft Storage facility has attracted an increase in unauthorised drone operations within the no-fly zone surrounding the airport. Advancement in drone disabling technology or greater regulatory capabilities are required to ensure safe, and uninterrupted operations at Australian airports.

Reducing the Regulatory Burden: Facilitating new and emerging technologies

Financial support, through grants, interest free loans and tax incentives, motivating airports to invest in renewable energy projects will also support the innovation and growth of the emerging electric aircraft industry. Electric aircraft will play an important role in reducing aviation carbon emissions, particularly within the general aviation sector.

Additionally, Australia should adopt a similar model, to what exists in Scandinavia, where intergovernmental agreements with a shared agenda exists to reduce carbon emissions, development of plant electrification and progression to biofuels. Government play a key stakeholder role in reducing any impeding regulatory barriers.

To ensure current regulations are not hindering development of new innovations within the aviation sector, a comprehensive review of the regulatory environment should be conducted.

Reducing the Regulatory Burden: Safe, secure and environmentally sustainable aviation

Airports bear significant costs associated with PFAS contamination management and remediation, despite not being the source or cause of the pollutant. These costs are wrongfully borne by the aviation sector resulting in the industry not operating as efficiently as possible and ultimately results in higher costs to the travelling public.

DITRDC should exercise their regulatory powers under the Airports Act and Environmental Regulations and request polluters to clean up PFAS contamination at Airport sites (ie Airservices).

Financial support, through grants, interest free loans and tax incentives, motivating the electrification of airports through renewable energy investment will reduce airport carbon emissions and provide capabilities for airlines to reduce their carbon footprint through utilising innovations including electric Ground Support Equipment (GSE) and Pre-Conditioned Air Units.

Reducing the regulatory burden & greater local decision making: federally-leased airports

In 2018, amendments made to the Airports Act 1996 extended the master plan submission cycle for 'secondary' federally leased airports like Darwin International Airport and Alice Springs Airport from 5 years to 8 years. NT Airports welcomed this transition to an 8-year master plan cycle, as it reduced some of the regulatory burden on both airports.

The master plan is a blueprint for the development of the airport. It is both a regulatory requirement and an important strategic planning tool that outlines the vision for projected growth and development at the airport over the next 20 years. The preparation of the airport master plan is a very resource intensive exercise that typically takes two years to complete, effectively resulting in a 6 year gap between master plans rather than 8 years. Added to this is the significant financial cost required to produce the document.

NT Airports believes there is potential to further improve and reduce this regulatory and financial burden by extending the delivery of airport master plans to a 10 year cycle for smaller federally leased airports like Darwin and Alice Springs, where development activities generally occur at a slower pace compared to the larger federally leased airports.

Greater local decision making: Local government owned aerodromes

The 2016 ACIL Allen study, commissioned by the Australian Airports Association, found that 'on average 61% of regional airports had budget deficits in 2014-15'. In addition to this their average costs exceeded revenue by 46%. Furthermore, expected future performance was expected to continue over the next 10 years with 40% of regional ports expecting ongoing budget deficits.

Aerodrome ownership and operations by local government has and will be a continuing financial burden. This drain on economic resources are borne by local council and its residents.

A more practical solution is for local non-RPT aerodromes to be managed and financed by the respective State/Territory Governments.

Targeted assistance: Funding of regional airports

Although existing RASI, RAP and RAUP Commonwealth Government grants have been targeting key priorities for regional airports, this funding is competitive and not guaranteed. As suggested in the previous section, all regional airports should be funded by state/territory government, and not reliant on competing for limited grant funding.

If a state/territory funding regime is not in place, funding programs should be expanded to cover costs in totality, particularly where they relate to national security initiatives at smaller regional airports. These smaller ports experience low passenger numbers, and therefore, are required to recover, or absorb, additional operational and maintenance costs relating to required upgrades of aviation security equipment. Therefore, existing RASI, RAP and RAUP grant funding should be revised to include not only the purchase or upgrade of equipment, but the installation and ongoing operational costs.

Targeted assistance: Aviation skills and workforce development

COVID-19 has accelerated the need for aviation skills and training to be delivered in the Northern Territory. The growth in the Asia Pacific Aircraft Storage business (currently over 100 aircraft parked at Alice Springs Airport) in Central Australia, has increased the need for specialised and highly technical aviation skills. Although this surge in demand has occurred relatively quickly, it is anticipated many of these aircraft, particularly those with larger capacity, will remain at this site for many years. As a result, this has enabled graduates from the VET in Schools Program to have the opportunity to obtain jobs within the Territory.

The absence of an adequate aviation skills and training facility in the Northern Territory results in limited education pathways for Territorians in the aviation and aerospace sectors. This also results in great inefficiencies and costs, often borne by the students/trainees, who are required to travel interstate to sit relatively short exams.

Targeted financial support is required to establish dedicated training infrastructure and acquire enabling training technology to further develop the capability and capacity of Australia's aviation skills and training sector. This is particularly key in Northern Australia which is best positioned to attract international students from the lucrative South East Asian markets.

An Aviation Skills Academy, like that in Cairns, would be a suitable model to follow. Currently, a founding committee is being formed to establish an association and in turn, constitution and strategic objectives. Once financial support has been acquired, this association will secure an anchor tenant who will manage the delivery of aviation skills training.

Establishment of an Aviation Skills Academy would enable the Northern Territory's aviation skills training sector to be able to deliver necessary skill development and succeed in growing student demand to the point of being commercially viable and provide ongoing economic and social benefits for Northern Australia. This would be achieved through:

- Improved aviation skills training capabilities,
- More efficient training and accreditation,

- Attract highly specialised service providers in Aviation, Aerospace and Defence industries, and
- Increased volume and length of stay of international students from South East Asia and beyond.

Targeted assistance: Sustainable funding for Australian aviation services

Review of government fees should be conducted and under-recovery of costs borne to airports should be acknowledged and rectified. Airports across Australia are required to provide premium leased areas and buildings to agencies such as Border Force and Air Services Australia, either free of charge, or at rates far below market value.

Safety and Security Charges range from airport to airport and it has been widely recognised that low passenger volume airports are required to pass through high per passenger charges to travellers. These costs should be nationalised and passed through to the passenger via an Australian wide charge; collected by the airline and passed through to the government. Under this model, airfares to regional Australia would come down, airlines would have greater certainty and harmony of safety and security charges, and airports would not be burdened by continual and ongoing disputes with airlines over validity of charges.