

27 November 2020

Director, Project Strategy Unit
Strategic and Economic Policy Projects
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Via electronic submission – aviationconsultation@infrastructure.gov.au

Dear Sir/Madam

The Future of Australia’s Aviation Sector- Flying to Recovery- Issues Paper

Thank you for the opportunity to provide a submission on this Issues Paper. This submission is provided on behalf of both Adelaide Airport Limited and Parafield Airport Limited (“**together AAL**”) as operators of Adelaide and Parafield Airports. AAL purchased the operating leases for Adelaide and Parafield Airports in May 1998, to operate both airports for the next 50 years with an option for a further 49 years. Adelaide Airport is the aviation gateway to South Australia. Prior to COVID-19 impacts on the aviation sector, Adelaide Airport was the fifth-largest domestic and international airport in Australia processing more than 8 million passengers in 2019. It is the State’s largest single site employment precinct directly employing more than 10,000 people on and off airport, and contributing to the generation of a further 12,700 jobs. Adelaide Airport has transitioned from an aviation and infrastructure facility to a broad-based economic activity node, encompassing a variety of aviation and non-aviation services, facilities and developments. It is also a critical transport hub connecting South Australia with global and domestic markets.

Parafield Airport is South Australia’s premier general aviation airport and is a major world standard international training airport. The provision of commercial, retail and industrial activities contribute to the viability of the airport as a business enterprise and provide an economic core and employment centre for the northern suburbs of Adelaide and beyond.

COVID-19 has had an extraordinary impact on the aviation industry and a significant opportunity exists to reshape Australia’s aviation policy framework to ensure the aviation sector has a strong and enduring recovery.

Rather than address each question for consideration outlined in the Issues Paper, we have provided our overarching views on the objectives outlined in Parts A and B of the Issues Paper and can provide further detail as required.

This submission is to be read in conjunction with the submission from the Australian Airports Association (AAA) and AAL endorses the positions outlined in the AAA submission.

Part A: COVID-19 Response

We acknowledge the Government aviation sector support measures provided to date including the Domestic Aviation Network Support and Regional Airline Network Support programs, ex-gratia land tax relief and broader Government support for businesses through the JobKeeper payment. It is critical that this



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Government support for the aviation sector continues and that specific support is provided to airports to endure this crisis and form an important part of the recovery. We endorse the implementation of the Aviation Relief and Recovery Package as outlined in the AAA's submission. As international border restrictions will be prolonged, Government support on security screening charges will be vital to cover the shortfall between the fixed costs of providing domestic and international security screening and the actual amounts recovered from passengers whilst volume recovers.

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

Policy reform will be crucial to navigate both the current COVID challenges and to ensure a Framework is in place to rebuild the aviation sector's strength and endure future challenges. It is our view that the following should be considered:

Exercise Early Lease Renewal Option

Airports should be provided the opportunity to exercise their right to extend their head lease term as soon as possible. The initial term has less than 30 years to expiry making it increasingly restrictive on airport development plans. Property development at airports allows airports to diversify their revenue streams increasing resilience to shock events. Developers and their financiers require certainty around AAL's right to extend its lease with the Commonwealth when considering whether to invest on airport land. An early lease renewal option would be at no cost to the Commonwealth and would provide certainty for projects and investors and would allow jobs and economic growth to be created to stimulate the local construction industry, local tourism industry and the economy and employment markets in general.

National Approach to Border Control

To ensure a unified and consistent approach to border control and health protocols, the Commonwealth must assume control of domestic border policy during a crisis such as a pandemic. Throughout the COVID pandemic, the aviation sector has suffered greater impacts due to the States and Territories varying positions on border control. This inconsistency has diminished travellers' confidence due to uncertainty around being locked in or out of a State or Territory at short notice. For example, in response to South Australia recently introducing new restrictions to prevent a potential COVID second wave, the majority of States and Territories closed their borders to South Australia at very short notice (some with immediate effect), requiring travellers to either quarantine at their port of arrival, return back to South Australia or be unable to return home - all at their cost. The border closures were enforced when South Australia did not meet the agreed definition of a national hotspot. This has had an exceptional impact on both the aviation sector and economy. By having the Commonwealth take control of national borders through regulation and override state legislation by proclamation in an emergency, these emergency measures would be in the best interests of the national economy and the aviation and tourism sectors. It would also reduce any conflict around overlapping Commonwealth/State responsibilities and divisions between clinical health practitioners and public health policy makers.

International Borders

The Commonwealth's ability to manage Federal borders would benefit by increased investment in technology, data, processes and information sharing with other nations to ensure that there is improved capacity to manage risk in a targeted and individually focussed manner. This would reduce the need for blanket international border closures and enhance the Commonwealth's ability to make informed and risk based decisions on border management.

Health Security Measures

The Commonwealth may seek to mandate new pre- and post-travel health security measures for international travellers. It is important that any security measures do not impose additional cost or burden on airports or airlines and are funded by the Commonwealth.

Regulatory Framework of Airports

It is AAL's strong view that Federal regulation of airports must continue. The regulations made under the *Airports Act 1996* (Airport Regulations) provide a consistent and efficient approach to addressing airport issues, rather than relying on varying approaches taken by State and Territory Governments. There should be a comprehensive review undertaken by the DITRDC to update the current regulatory framework to ensure that it is fit for purpose and responds to changing circumstances since the Airport Regulations were enacted, improvements in technology (such as Required Navigation Performance (RNP) approaches in Airports (Protection of Airspace) Regulations 1996), and consideration of best-practice in various aspects. Federal planning legislation should be aligned to State planning legislation to ensure consistency and competitive neutrality and should incorporate the National Airport Safeguarding Framework (NASF). There are opportunities to consider a number of efficiencies under the Airport Regulations such as increasing the threshold for Major Development Plans and streamline approaches under this regulatory framework to ensure that airports are not disadvantaged comparative to off airport lessors. AAL is strongly opposed to incorporation of another set of State laws (i.e. South Australian laws or the laws of another State jurisdiction) to airports. Such an application would be create numerous issues both for AAL and its relevant stakeholders, particularly where commercial agreements have been negotiated with the Federal regime in mind (for example incorporation of environmental obligations into leases with tenants).

Reduction of Airport Costs

To encourage travellers to return to flying, it is critical that the Government consider ways in which policy or regulation reform can reduce airports' costs, which are in turn passed onto airlines and then the passenger. Airports are required to implement the new Government mandated security requirements through the introduction of the latest generation screening equipment. This is costly for airports and Commonwealth support should be provided, through grants for capital works, rebates for fixed security screening costs and deferrals in implementation of the new security regimes. Globally there has been deferral of CT passenger screening such as in the European Union to assist airports to remain viable whilst there is a significant downturn in traffic. AAL's passenger charges have had to increase following the decline in international passengers and any further increase to this as a result of the implementation of new equipment to meet the new security regime would place an additional burden on the sector and passengers. Airports retain a strong security outcome which is aligned to the national threat level, through existing screening processes and it is recommended the Government works with airports to define an appropriate transition period for the implementation of the new regime, given the additional challenges the aviation sector faces on the road to recovery.

PFAS

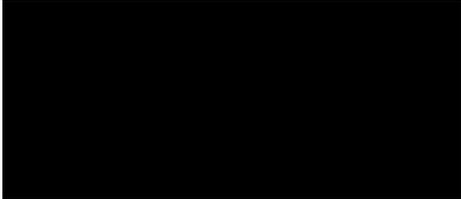
The Government must take leadership in PFAS given that airports have inherited this legacy issue. Greater support must be provided to hold the polluter (Airservices Australia and its predecessors) responsible, rather than pushing back the cost of managing this issue onto airports. Airports have had to incur significant costs in order to comply with the PFAS National Environmental Management Plan including when undertaking developments.

Conclusion

Restrictions on aviation have been utilised as a shock absorber to protect Australia from the health impacts of COVID. In order to return travellers to the skies as soon as possible and have a strong and sustainable recovery for the aviation sector, ongoing Government support for the aviation sector through recovery is critical as well as a revised policy framework underpinning the sector. If you have any queries in relation to the above, or require any additional information, please do not hesitate to contact me.

Yours sincerely

ADELAIDE AIRPORT



Mark Young
MANAGING DIRECTOR

