

360 Aviation Group

Who are we are. We are an innovative nimble Aviation team who have had an aviation lease at Essendon Airport since 1992. We are leaders in specialised the field of airwork. We perform charter and specialised work in Victoria, QLD, NSW, Northern Territory, and Tasmania

Our team of people combined have decades of experience and have been here since before privatisation of our Aviation Infrastructure. We have had to fight repeatedly, and have spent thousands of hours to maintain our lease. We have been repeatedly subjected to unconscionable conduct and abuse of market power.

We see this as the primary issue effecting pilot and engineering supply.

This submission deals with various issues that currently impact the performance of aviation in the Australian landscape.

We note the terms of reference. We provide the practical view of the issues and remedies.

Parts - Increased cost

Challenge - Lack of availability of good-quality used aircraft

Used aircraft are sold generally requiring further standardisation engineering work, the operators must heavily invest in maintenance by replacing the parts and meeting safety standards.¹

Australia has no Aircraft Manufacturing. Approved parts come from the other side of the world with increased lead times, freights costs and the challenge of the low Australian dollar.

Parts

Parts have been steadily increasing in cost since covid, this is influenced by the following factors; high demand, supply chain issues², inflationary pressures, the low AU dollar exchange and sharp increases in freight charges³

¹ <https://www.technavio.com/report/used-aircraft-market-industry-analysis>

² <https://www.aviationpros.com/engines-components/article/53060096/magnetic-mro-us-aviation-supply-chain-challenges-parts-shortages-rising-costs-labor-resource-crunches>

³ <https://www.abs.gov.au/articles/spotlight-recent-trends-freight-costs>

INELASTICITY OF DEMAND

A product is said to be inelastic when there is a small change in demand yet a large change in price. An easy example to grasp would be gasoline – as the price of gasoline increases, the quantity demanded stays consistent.

Similarly, let's say that you're shopping for a particular part for your Cessna 172 Skyhawk. Six years ago, that part may have been \$250 or so – presently, it's \$1800, although the demand for the part has stayed generally consistent.⁴

The aviation industry is a niche market with low production numbers and almost complete inelasticity of demand. This means a manufacturer can charge at a premium.

All of the parts for Cessna are manufactured in the United States, this means there is an increased transportation, importation cost as well as pressure from an unfavourable exchange rate with the Australian dollar conversion.

Airlines and aircraft repair shops are increasingly relying on used and generic parts to keep aircraft flying, a symptom of the rising costs and supply-chain shortages plaguing the aerospace industry⁵

Fuel - Increased cost

War in Europe created an energy crisis in many parts of the world as oil and gas prices rose significantly, sometimes threefold, increasing costs for businesses and individuals. Although prices cooled toward the end of 2022, the situation remains unstable. The oil price chart shows both the volatility of the crude oil price during 2022 but also the rising and historic high cost of jet fuel as refining capacity remained under pressure. The crack spread - the difference between a barrel of crude oil and the refined petroleum product - has been at a historically high level throughout the year, which has put pressure on airline fuel bills. Latest forecasts from the US Energy Information Administration (EIA) predict that the Brent crude oil price will average \$92 per barrel in 2023.⁶

⁴ <https://inflightpilottraining.com/2021/09/why-are-aircraft-parts-so-expensive/>

⁵ <https://www.reuters.com/business/aerospace-defense/airlines-repair-shops-n-america-eye-used-generic-parts-keep-aircraft-flying-2023-04-13/>

⁶ <https://assets.kpmg.com/content/dam/kpmg/ie/pdf/2023/01/ie-aviation-leaders-report-2023-new-horizons.pdf>

The above global issues with the cost of fuel have continued to impact the Australian fuel market - along with the increased cost in delivery due to higher wages and inflationary impacts of airport leasing and storage.

Airports

Leaseholders (with the commonwealth) of airports have increased Hangarage fees fourfold in a five period to date. Leases were transferred over as site leases under the Airports Transitional Act 1996. These leases were mandatorily converted to building leases by the new privatised airport operators, tenants were advised that if they didn't agree, (and notwithstanding the lessee's written right to renew (at site lease), the sub-lessee would not be able to continue at the airport, the leases would not be renewed. Tenants were then charged for the buildings they had built, purchased, funded and their improvements, when government were put on notice about this, by hundreds of stakeholders in separate letters, successive governments wrote back to tenants on a standard proforma - stating in short, that it was a private leasing matter.

The writer of this report has put the case to government (together with other stakeholders), that it is, in fact, an aviation infrastructure matter and there has been no regulation of the airports by government to stop Market Power Abuse.⁷ Further, there has been no monitoring of the Transitional Act 1996, and the leasing instruments together with the FAC policy transferred under the power of the transitional act. There has been no new policy to support this economic action contrary to FAC policy the leases were under supporting the continuance of the site leases under the Airports Transitional Act 1996.

In addition to increasing the leasing costs, outgoings, the costs of landing fees and aircraft parking is also increasing, and at some airports is \$75 per landing.

*Access by aircraft operators objective: The objective of ensuring airport access on reasonable commercial terms to aircraft owners was addressed by insertion into the leases of core-regulated airports of a requirement that the lessee provide for access to the airport by intrastate, interstate and international air transport. Lessees of the non-core regulated airports are required to provide for access to the airport by intrastate and interstate air transport.*⁸

NET ZERO

We must as an industry look to what we can do now - tree planting, working smarter and more efficiently. We must table all of the tasks required to be performed and mitigate accordingly. It is not a one size fits all fix. Currently the government demonstrate they are out of touch and lack expertise in industry understanding to develop framework to successfully mitigate climate change.

⁷ <https://raaa.com.au/wp-content/uploads/RAAA-Submission-Economic-Regulation-of-Airports.pdf>

⁸ [Phase 2 of the Sales of the Federal Airports \(anao.gov.au\)](#)

Dedicated Minister

The industry requires a dedicated aviation minister who is independent and objective about the challenges and solutions.

Engineers and Pilots - increased staffing and training costs

Pilots

The industry is facing challenges due to shortages in qualified and experienced Australian pilots, this is a direct impact of Covid, and the retraining of the pilot aviation sector worldwide, this has meant that many of the larger airline pilots have been offered lucrative positions in the overseas market - leaving the local operators scrambling for talent, as well as the supply chain issues that have persisted from last year.⁹

What this means for the smaller operators is the larger airlines and the businesses operating bigger jets, are accepting pilots with lower hours than ever before.

General Aviation and its smaller twin engine planes are considered a training ground for pilots who almost always aim to fly the bigger Jets as a career path. This means the smaller operators have had a sharp increase in training costs as the struggle to keep pilots beyond 1300 hours experience despite paying higher than award to attract consistent quality talent and have a flow through of more pilots in a compacted time, due to retention and market issues at play.

Aviation businesses have had to increase the salaries across the board to maintain pilots who are offered a higher salaries through these measures we have managed to maintain all pilots but for the larger airlines who are offering sign on bonuses, lower time entry level, and actively poaching from the smaller operators.

The cost of maintaining pilot instrument proficiency checks and maintain qualifications is always borne by the operator as per the Pilots Award. The employer also meets the training cost to check each pilot to line in accordance with our high safety standards and operational requirements.

“13.2 *Where the employer requires an employee to reach and maintain minimum qualifications for a particular aircraft type in accordance with this award, all facilities and other costs associated with attaining and maintaining those qualifications will be the responsibility of the employer.”¹⁰*

We estimate the costs in this regard have doubled given prior covid retention rate was an average of 2.4 years. It is now around 12 months.

Aircraft Engineers

⁹ <https://www.accc.gov.au/system/files/Airline%20competition%20in%20Australia%20-%20June%202023%20report.pdf>

¹⁰ [FWO - Award Viewer - MA000046 \(fairwork.gov.au\)](#)

Australia has high quality engineering and design skills within the aerospace sector. Business owners and senior staff are seen to have significant knowledge of the aviation platforms and a passion for the industry. However, industry representatives have indicated that retaining aviation specialists is proving to be a challenge, as the talent within the industry is not utilized to its full potential and they are often recruited by the prime contractors¹¹

The GA sector is also facing increasing maintenance costs associated with an ageing VH-registered aircraft fleet, with an average age of 32.3 years,¹² which is increasing expenses for businesses. The Aircraft Manufacturing and Repair Services industry is grappling with a shortage of technical talent, expected to worsen in the future. Stakeholders indicate that it is getting increasingly difficult to attract and retain young apprentices in the (already limited) training and apprenticeship programs. It is also believed that current education and training for the new workforce could be better aligned to industry needs. A shortfall of skilled engineers and mechanics is a challenge for businesses.

Industry pays a higher hourly rate now for engineers in the General Aviation Space. The rate engineers charge has risen in some states by as much as seventy dollars per hour. Further, engineers can charge a premium due to the lack of a competitive market. When Covid lockdowns were implemented, many engineers were stood down, younger engineers sought to re-qualify in other industries. The writer of this report is currently working with government and participating in roundtables and submissions for the Aviation White paper together with other industry stakeholders, to put forward the challenges experienced by industry and assist with community objectives to better meet these challenges, together with a net zero objective, a modernised aviation sector, meeting critical staffing needs and with increased government support for relevant aviation skills training programs.

Engineering support in Tasmania.

One of the largest operators in Tasmania -is sending its feet to Queensland for G.A Maintenance in accordance with the fleet maintenance schedules.

This adds to an increase in ferrying costs, and increases pilot travel costs when returning to base while the aircraft is in maintenance.

There is no established engineering support for scheduled maintenance (100 hourly and higher in Tasmania) for fixed wing.

¹¹ Prime contractor refers to large multinationals in the aerospace industry that manage contracts and integrate the work of many different businesses.

¹² https://www.bitre.gov.au/publications/2017/cr_001 - Australian Government infrastructure Department General Aviation Study

There is limited engineering support with basic matters. Operators can send engineers over to the aircraft for basic matters and this is also an added travel cost.¹³

Accommodation

Is seasonal and costs fluctuate increasing more than 100 percent in some cases depending on the season and place while many hotel operators seek to recoup covid losses by charging higher rates¹⁴.

We often have to fly pilots in one direction for shift changeover with higher airline prices - when the fare is not booked two weeks in advance - which is not possible to do with a fluid operation.

Conclusion

Due to the above factors outside the operators control the operator must charge accordingly.

The community including government agencies don't want to pay the actual costs. Many operators undercharge and go backwards.

We have empirical evidence of accounts of Airports colluding and conspiring against tenants, manipulating landing data.

Government agencies have not developed any matrix to measure the actual requirements and realities of the industry as a whole and have not analysed the question of why landing data is decreasing in a direct correlation to the airport privatisation program. This has been a disaster for industry as a whole.

The big fish (large aircraft) require the small fish (small aircraft) - without the smaller aircraft training pilots and performing critical infrastructure services Australia wide the big fish (larger aircraft) -don't get fed - this equates to a pilot and engineering shortage.

The actions of the airports and resulting negative effects on aviation, has directly correlated with inability for smaller operators and engineers to survive - the Federal Airport Corporation created policy in that regard - the policy was a transferrable instrument under the Airports Act, the Leases were too. No new policy was developed with government to govern the protection of the site leases and the assessments of lease values.

Successive governments have failed to meaningfully acknowledge this issue. Further successive governments have sent the same letter template to tenants who have sought assistance. In essence these letters, some of which are available to the public, stated it is a private leasing matter. We submit it is not it is an infrastructure

¹³ <https://www.acc.gov.au/media-release/domestic-airfares-fall-but-prices-remain-above-pre-pandemic-levels>

¹⁴ <https://www.australianpropertyjournal.com.au/2023/03/01/hotel-room-rates-rebound-from-covid-tipped-to-rise-further/>

matter. It is a matter which effects in some direct and indirect correlation every aspect of aviation.

We call for a Royal Commission into the conduct of the airports and government in the mandatory acquisition of site leases, abuse of market power and the subsequent destruction and decimation of whole sectors of industry.

We call for a tribunal to be set up and hear the stories of the tenants and what happened to them, the conduct of the airport, the examples of how the market power has been abused, how they did not have the funds to fight the airport, or alternatively the airport ran them out of funds, and the flow on effect on the ability to operate which *then* affected the landing statistics and was used to justify the further decimation of our airports and infrastructure - with *non-aviation* development in the master plans.

The current system does not work. It is submitted that any renewed legislation in the framework of the current light hands/hands-off, unregulated regulation environment will not work.

We submit that grandfathering clauses were not intended to be used post breach of airport splay (OLS) regulations which governs the volume and dimension of operation of airspace that should be kept free of obstacles to aircraft operations being conducted under VFR or during the visual stage of IFR operations, the OLS includes a series of surfaces in the airspace surrounding an airport. The OLS defines the airspace to be protected for aircraft operations during the initial and final stages of flight or when manoeuvring in the vicinity of the airport. Grandfathering was not designed to as a mechanism for airports to escape consequence of these safety requirements. Yet, this was allowed to happen¹⁵.

The Airports Transitional Act 1996 has been ignored by airports and government aside from the initial sale of the leases.

Rights in leases have been ignored. Whole sectors of industry have been discriminated against by airports predominately aircraft below 5700kg due to the fact that they are unable to produce significant landing parking and hangar fees on top of the fees they also don't produce high fuel usage (due to lower fuel consumption) and maintenance invoices.

This situation is compounded by successive governments who with a demonstrated 'no ears' policy.

This approach is largely contributed the disaster we now face, engineering, pilots, and aviation as a whole.

Yes, we had a pandemic - but the trajectory was in place since airport privatisation.

¹⁵ https://www.atsb.gov.au/publications/investigation_reports/2017/aair/ao-2017-024