

FUTURE OF AVIATION REFERENCE PANEL

02.03.2021

The Honourable Michael McCormack MP
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister,

On 12 December 2020 you formed the Future of Aviation Reference Panel (**Panel**) and specifically tasked the Panel to engage with Chief Executives and other senior members of the aviation industry (**senior industry leaders**) to better understand the pressures that they were facing, and to canvas their ideas for the future of the sector. In undertaking this task, the Panel's overarching aim has been to identify and explore convergent themes, in order to provide advice to Government on policy options to help shape the future of aviation in Australia. Administrative support has been provided by the Department of Infrastructure, Transport, Regional Development and Communications (**Dept**).

Preparatory work commenced immediately using industry responses to the *'Future of Australia's Aviation Sector'* issues paper as a reference point for discussions¹. Industry input to other parallel consultation activities was also studied. Engagement with senior industry leaders commenced in mid-January and was planned for some several weeks. In early February, panel members were advised by the Dept of a significantly truncated, requiring the Panel's industry engagement to be completed by mid-February.

During the time available, Panel members have conducted interviews with 28 senior industry leaders², in most instances as a full Panel. Also, in light of the diverse nature of the Australian flight training industry an online 'townhall' style seminar was conducted with a representative cross section of flight schools, universities that provide pilot education, and larger flight training airports.

Several consistent key themes emerged from the interviews and the Panel now takes this opportunity to present these for consideration. Due to the truncated reporting timeframe and following discussions with the Dept and your Aviation Advisor, it was agreed that the report of the Panel will be in the form of this letter, together with its annexe.

By way of context, in its Economic Impact Analysis of 10 February 2021, the International Civil Aviation Organisation (**ICAO**) stated that the impact on 2020 world scheduled passenger traffic compared to the original baseline is an overall reduction of 2,699 million passengers (minus 60%) and a potential loss of gross passenger operating revenues for airlines of USD 371 Billion. In this report, ICAO predicts that the airline industry recovery will be *'slow and shallow'*³.

Given ICAO's predictions, it is therefore not surprising that the consensus amongst those senior industry leaders interviewed by the Panel, was that it will take much longer than initially projected for the Australian aviation industry to return anywhere close to pre-pandemic levels of traffic.

¹ It should be noted that several reviews and enquiries into varying aspects of the Australian aviation sector are running parallel to the Panel's work. Where possible, the Panel has sought to avoid duplicating the work of those reviews and enquiries.

² The Department are able to provide a list of those senior industry leaders who made themselves available to the Panel for a one-on-one interview or the flight education and training industry townhall.

³ Ref: https://www.icao.int/sustainability/Documents/COVID-9/ICAO_Coronavirus_Econ_Impact.pdf

For the immediate to mid-term outlook, the predominant theme of all of the Panel's discussions with senior industry leaders was that, notwithstanding planned vaccine roll-out programs, continued uncertainty surrounding the potential length and depth of the COVID-19 pandemic and the fluid nature and variability of State border controls were extremely problematic for both immediate day-to-day operations and long-term recovery. Interviewees placed significant emphasis on the challenges that continually changing border controls presented to their operations including the need for dedicated resources to ensure their operations were reactive to short-notice changes impacting their operations. The clear message that the Panel took away from the interviews was that until border stability is achieved, anything other than short-term planning is almost impossible and will continue to be a major barrier to recovery for the industry. Perhaps unsurprisingly, in view of this, senior industry leaders interviewed unanimously called for the urgent implementation of a national framework for border closures so that the industry can transition from the pandemic with the confidence of the Australian flying public.

The devastating effects of the pandemic on the Australian airline industry have been the most visible. However, the entire aviation eco-structure in Australia, from the regulator and air navigation service provider, to airports, maintenance organisations, ground handling providers, general aviation, and associated training industries have all been (and continue to be) significantly impacted. The survival of many aviation industry participants continues to be at risk, and there have been many organisations that have simply chosen to leave the industry.

The pandemic has exposed the viability of the current activity-based funding model for CASA and Airservices Australia. There is real concern amongst senior industry leaders that this is symptomatic of the potential fragility of the whole aviation eco-structure. The concerns are not only associated with safety generally, but also more broadly on the sustainability of the industry associated with a widespread loss of skills and expertise, as a consequence of a protracted and uncertain period of recovery. Indeed, there was general consensus amongst interviewees that the pandemic has and continues to significantly affect employment, working conditions, morale and associated mental health, as well as other social aspects of the industry, although it is impossible to provide a consolidated quantitative view of the extent.

A very clear and strong theme which did emerge in the context of the immediate to short-term, was that the various forms of Government assistance to the aviation industry, originally planned as short-term measures, would need to continue until it became clear that a meaningful and sustainable recovery was underway. There was a multiplicity of views expressed about the likely size and shape of the industry post-pandemic, some of which were clearly aspirational, and some were openly tabled as best guesses.

Australian Aviation has for many years been a strong, stable, and independent industry; it plays a critical role in 'enabling' a wide range of other Australian industries from tourism, freight and agriculture to education and resources, as well as providing important social connections, and employment for the broader good of Australian society. Its value to the Australian economy cannot be understated yet, despite this, there was a strong feeling amongst those senior industry leaders interviewed that, until this pandemic, aviation was so ingrained as a part of Australian life it was, to an extent, taken for granted.

Despite that view, all senior industry leaders agreed that the pandemic has resulted in a strong coming-together of the aviation industry and presents an outstanding opportunity for the Government to **be bold** with its five (plus) year plan for the Future of Aviation in Australia. Several means of achieving these emerged and, in the view of the Panel, all have considerable merit and are worthy of consideration.

A suggestion tabled by several executives and widely supported by all senior industry leaders interviewed was the establishment of a high-level “think tank”, comprising experts from both within and outside of aviation, to provide insight and ideas, and to interrogate, explore and develop strategic solutions to the challenges and questions facing Australian aviation.

A Centre of Aviation Excellence, perhaps with a geographically dispersed model, similar to the Australian Institute of Sport, was put forward by a number of senior industry leaders and carried broad support. It was suggested that development of this institute could be aligned with reopening of international borders. One of its key roles would be encourage innovation and sustainability in the aerospace industry with an example being the coordination of research efforts and national advancement in the development of sustainable aviation fuels, electric aircraft engines and other low emission alternatives. Another important role would be to support and promote the well-respected Australian flight training industry both domestically and internationally. The Centre could be a point of focus in coordinating research and development into the Remotely Piloted Aircraft Systems (RPAS) sector. Such an institute would also form a repository of aviation knowledge, experience, and expertise that many interviewees feared would be lost due to a large exodus from the industry due to the pandemic.

Another suggestion that gained broad support was the establishment of the role of an aviation ombudsman, with a wide and roving remit.

Several other specific themes emerged during consultation and all are detailed in the annexe to this letter. Two types of recommendation are made in the Annex. Firstly, there are ‘*recommendations*’ that are suggestions of a strategic nature associated with policy settings, some of these having long-term and, in some cases, cross-portfolio implications. However, there are also a number of suggested tactical interventions (described as ‘*quick wins*’) that can be implemented quickly allowing the Government to materially assist the industry both in the short term but also into the future.

In summary, the Panel consulted as widely as the timing of its brief has allowed. Panel members are pleased that, despite the devastating effects of the pandemic on the aviation industry, executives were generally positive and broadly aligned in thematic discussions on the future, informing a number of practical recommendations to be made, both of a tactical as well as strategic nature.

Yours faithfully,

Professor Patrick Murray (Chair)

Ms Shannon O’Hara

Ms Adrienne Fleming OAM

Mr Andrew Drysdale

SCHEDULE OF RECOMMENDATIONS IN ANNEX

REF NO.	RECOMMENDATION	PAGE
1.	Australian Aviation Think Tank A <i>Think Tank</i> tasked to stimulate conversation, conceptualise new projects that translate growth for the benefit of both the aviation eco-system and Australia, would put Australia at the forefront of global aviation industry innovation and transformation.	5
2.	Aviation Centre For Education, Innovation and Technology (ACEIT) A model based on the Australian Institute of Sport, for the development and promotion of the Australian aviation industry through research, training, education, mentoring and skill-based initiatives.	5 - 6
3.	Aviation Ombudsman Options for the implementation of an Aviation Ombudsman with an appropriately wide and roving remit, available to all of the aviation industry, to assist in dealing quickly with matters as they arise.	6 - 7
4.	Sustainable Industry Funding Existing government support programs should continue, and the Government should allow these programs to taper down in an organic way as Australia's scheduled vaccination program is rolled out and consumer confidence in aviation, in particular interstate domestic (followed by international) air travel returns.	7
5.	Australia's Green Aviation Investment Plan A comprehensive policy framework to promote the development, production, and industry uptake of locally produced sustainable aviation fuel and to incentivize industry to transition to a low-emission aviation fleet of the future has the potential to see Australia leading the aviation world.	8 - 10
6.	COVID Safe Travel A standardised process for pre-travel testing, vaccination requirements and documentation necessary for international travel should be urgently developed in consultation with the industry and medical experts; it should be publicised widely and quickly to restore confidence in aviation travel.	10 - 11
7.	Aviation Legislation Suite Review & Modernisation To ensure Australia's suite of aviation legislation is a contemporary reflection of the industry, is harmonious with international best practice and, importantly, fit for purpose in a post-pandemic Australia, a priority review list of the suite of aviation legislation should be generated together with a reasonable review timetable.	11 -12
8.	Civil Aviation Safety Authority - Easing the Regulatory Burden Australia's aviation sector continues to be burdened by regulations drafted in overly prescriptive terms; the forthcoming implementation period for CASA's flight operations suite requires reframing given the industry continues to grapple with the impacts of the pandemic; and timeliness in the delivery of regulation is critical to the viability of the industry. Multiple 'quick wins' and 'recommendations' are made in this section of the Annex.	12 - 14
9.	Aviation Futures: Flight Training, Education & Funding Australia's aviation training and education sector has been significantly impacted by the pandemic. Immediate quick wins and long-term opportunities for Government to assist widely in this sector are explored in this section. There are also significant cross-opportunities to connect recommendations 1, 2, 5, and 12 with this section of the Annex.	15 - 20
10.	Airports The airport sector has been hard hit by the pandemic and there are immediate opportunities for Government to create certainty, and incentivise planning, development, and industry investment in the Airport sector. This section of the Annex provides several options for Government consideration from exercising lease options to variations to the <i>Sydney Airport Act</i> .	20 - 22
11.	Aviation Alternative Dispute Resolution Productive commercial relationships in this sector are imperative; options for an alternative dispute resolution model for the airport / airline sector are explored in this section of the Annex.	22 - 23
12.	Regional Aviation: Development and Growth Regional aviation is critical in a country as geographically dispersed as Australia; it is a sector which lacks the throughput of the capital cities but remains vital to the provision of essential services as well as connecting the people of Australia. In this section of the Annex, the Panel makes several recommendations and quick wins to support the future of regional aviation.	23 -24
13.	Freight and Ground Handling The pandemic has highlighted the importance of Australia's freight industry, but it has also shown the vulnerabilities in this sector. As travel resumes following the COVID19 vaccine roll out, quick wins and recommendations to support the freight and ground handling industries in meeting the demand are outlined in this section of the Annex.	24 - 25
14.	Aviation Security The Government has mandated enhanced security screening in Australia; transparency and accountability on security charges, and support for Australia's airports via the RASI program could be addressed now, to steer the sector into recovery and in advance of the normalisation of domestic (and eventually international) passenger demand.	25 - 27

1. AUSTRALIAN AVIATION THINK TANK

It is recommended that an aviation think tank, ideally comprised of strategic thought leaders from both inside and outside the Australian aviation eco-system, be formed to provide a continuing source of high-level strategic advice to the Government on the development and support of Australian aviation, during the potentially volatile pandemic recovery period and into the future.

The aims of the think tank would be to promote conversation that leads to potential projects that translate into industry stimulation and growth for the whole industry, from general and sports aviation through to international regular public transport. A key focus would be on innovation across all sectors of the industry including (but not limited to) freight and handling, education and training, sustainability, and technological change.

The Think Tank should provide Australia with the stimulus to be at the forefront of global aviation industry innovation and transformation. It would be shaped by a team of strategic thinkers, including bright young minds, tasked to produce an annual or bi-annual industry white paper, supported by prototypes, plans and concepts supporting and/or demonstrating the case for the innovating and forward-thinking ideas.

Recommendation 1

The Government should establish an Australian aviation think tank in order to convene new ideas, research and innovation, to inspire technological growth and opportunities for Australia to be a world leader in the industry, and to facilitate multi-stakeholder exchanges on key issues of strategy, policy development and communications for the benefit of both the Australian aviation industry and Australia as a whole.

2. AVIATION CENTRE FOR EDUCATION, INNOVATION AND TECHNOLOGY (ACEIT)

It is recommended that formation of an Aviation Centre for Education, Innovation and Technology to develop and promote the Australian aviation industry through research, training, education, mentoring and skill-based initiatives, would be of major benefit to the country. A model based on the learnings of the Australian Institute of Sport would be a consideration. Many of the senior industry leaders interviewed by the Panel provided firm support for this proposal.

Examples of the kind of potential offerings and opportunities the ACEIT may provide included (but were not limited to):

- government funded [or co-funded with industry] world class training technologies for fixed, rotary-wing and emerging technologies (i.e. simulators, augmented and virtual reality)
- remote accessibility to bring those from regional Australian operations into the classroom irrespective of their location
- an innovation mentoring hub with a view to providing new and innovative operators / start-ups across Australia with opportunities to connect, learn, engage and enter mentoring programs to up-skill their staff and their businesses
- a sustainable aviation fuel research and development centre [**recommendation 5**]

- an aviation industry introduction program tailored to assist new industry entrants understand ‘*industry basics*’ or an ‘*industry 101*’; ideally this type of educational offering would be directed to airport / government / industry management level entrants, local governments with responsibility for regional airports and aerodromes etc.

Favourable impacts from the suggested ACEIT offerings include:

- generating access for the wider aviation industry to technology-based training currently reserved for only a limited portion of the Australian industry
- reducing high-risk but necessary training manoeuvres or space restricted training operations for example, helicopter hover training which can be limited in urban settings due to airfield space limitations, firefighting ground simulation training, stall emergency procedure training, and inadvertent IFR training
- providing an opportunity for the industry to train Australians, in Australia, by removing the infrastructure barriers which give rise to the need for offshore training and recurrency training and a reduction in the associated significant costs attached to offshore training.

Recommendation 2

It is recommended that the Government establish an Aviation Centre for Education, Innovation and Technology to promote and develop the Australian Aviation Industry through research, training, education, and coaching initiatives. A model based on the learnings of the Australian Institute of Sport would be a consideration.

Recommendation 2.1

Once established, it is recommended the Government provide incentives (both financial and non-financial) to aviation industry participants who utilise the training facility for the purpose of initial and continued education and training, recurrency and development and ongoing support of enhanced safety training / culture for their workforce.

3. AVIATION OMBUDSMAN

The industry is diverse, as are the variety of day to day issues that arise and need resolution. There is no single pathway for resolution of matters that frequently involve more than one portfolio. While the largest organisations have Government relations departments that interact with Government departments and sometimes their ministers, the majority of operators do not. Matters often involve agencies or authorities such as CASA and often do not come to the fore until they become critical. The existing role of the CASA Industry Complaints Commissioner is acknowledged but is not considered by industry as truly independent as it is contained wholly within CASA.

It is recommended that the role of an Aviation Ombudsman is established, with an appropriately wide and roving remit, available to all of the industry, who would assist in dealing with matters as they arise. It is envisaged that this would be a remunerated role.

It is important to note it is not proposed that the Aviation Ombudsman would replace the role of the Administrative Appeals Tribunal but would rather connect industry and aviation service providers with dispute resolution options as an alternative source for cost effective and speedy resolution.

It is considered that there would be significant value in the Aviation Ombudsman reporting to Government on an annual basis to assist in understanding consistent trends / industry concerns.

Recommendation 3

It is recommended that the Government consider options for the implementation of an Aviation Ombudsman with an appropriately wide and roving remit, available to all of the industry, to assist in dealing with matters as they arise.

4. SUSTAINABLE INDUSTRY FUNDING

A package of critical industry funding models were implemented by the Australian Government in 2020 in response to the pandemic the Domestic Aviation Network Support (**DANS**) program which is currently providing support to ensure continued connectivity between capital cities and major regional centres; the Regional Airline Network Support (**RANS**) program which is providing support to ensure minimum air connectivity to over 110 airports in regional and remote Australia.

Both programs received unanimous praise from the senior industry leaders interviewed by the Panel. The programs are slated to continue until late March 2021 but not beyond. There was significant and strong support from senior industry leaders for the continuation of these two schemes until the aviation industry's pandemic recovery is well-established and the programs can be tapered down organically (noting there are mechanisms inbuilt into each scheme to facilitate this) as each segment of the aviation eco-system system recovers.

An additional but also critical piece of industry funding which received universal support from all senior industry leaders interviewed⁴ was the Government's Job-Keeper program. Like DANS and RANS, this program is due to wind-up in March 2021, however there is strong industry support for the continuation of a similar scheme to ensure that all sectors of the aviation eco-system can retain the critical and highly specialist staff required by all segments of the sector to ensure the continued operation of Australia's aviation eco-system as Australia's scheduled vaccination program is rolled out and consumer confidence in interstate domestic (and ultimately international) travel returns.

Finally, there was strong support from senior industry leaders within the Airline sector for an additional continuation of the Australian Airline Financial Relief Package (**AAFRP**) and the International Freight Assistance Mechanism (**IFAM**) programs into 2021.

The AAFRP is seen as both a critical safety net for the industry but also a mechanism which allows the airlines to rebuild their networks and stand workforces back up quickly, as consumer confidence in the sector builds and domestic air traffic (at least) starts to normalise with the roll-out of the COVID vaccine in Australia and around the world.

The IFAM has ensured the security of Australia's vital global supply chains impacted by pandemic's effect on international passenger services. All senior industry leaders interviewed by the Panel together with the written submissions of key players in the freight and ground handling industry, supported the continuation of the IFAM program (or a modified version of same) until such time as there is additional capacity in the global freighter fleet, or international air freight capacity to and from Australia can return to a level deemed acceptable by industry in a post-pandemic landscape.

Recommendation 4

It is recommended that existing government support programs be maintained as the sector continues to rebuild and aviation markets normalise into 2021, and that the Government should allow these programs to taper down in an organic way as Australia's scheduled vaccination program is rolled out and consumer confidence in interstate domestic (and ultimately, international) air travel returns.

⁴ Note this also includes the written submissions received from the freight and ground handling industry as to their views in support of the Job-Keeper program.

5. AUSTRALIA'S 'GREEN AVIATION' INVESTMENT PLAN

There was near unanimous agreement amongst senior industry leaders interviewed by the Panel, that Australia has within its grasp an opportune moment in history to take the lead on global aviation sustainability and decarbonisation and to do so with the support of the aviation eco-system.

The Panel was encouraged and, in some cases urged, to recommend development of an environmentally sustainable aviation investment plan for Australia; focused on the development of a strong, and world-leading sustainable aviation fuel (**SAF**) industry, combined with Government backed incentive schemes for the aviation sector to invest in, and transition, Australia's fleet of aircraft to a low-emission fleet.

5.1. Sustainable Aviation Fuel

Senior industry leaders identified an urgent need for a comprehensive national policy framework to promote the uptake and deployment of sustainable aviation fuel. The Panel supports this view, and considers that through adequate funding, investment and a supportive policy framework, there is potential for Australia to develop a world class industry through the development and production of locally produced sustainable aviation fuel.

While a local SAF industry would be the primary contributor to the reduction in airline emissions over the medium to long term, it also has positive ancillary benefits such as creating employment opportunities across the country and in a range of sectors (not just the aviation industry). There are also financial benefits such as mitigating price volatility for Australian operators, development of export quality SAFs, and a technological knowledge and expertise base which can also be exported to countries also choosing to move toward a decarbonised aviation fuel industry. Infrastructure development, building and repurposing and benefits for improving Australia's fuel security, an issue which came into focus during the pandemic in 2020, are just some of the other opportunities which a SAF industry opens up to Australia.

There is a strong need for Government to take the lead on the development of a SAF industry, and that includes both direct and indirect financial support and structural incentivisation for industry to take up SAFs. By way of example the United States, United Kingdom and the European Union have all committed and started to make significant progress in the SAF sector.

- In the UK measures such as usage mandates were implemented with flow-on into loan guarantee support programs for the development of SAF production facilities
- In the USA, Californian SAF facilities have been developed with the assistance of government rebates and tax concessions to producers
- In the EU, a recent *Aviation Round Table*⁵ proposed models including options for public investment in SAF production facilities enabling the necessary de-risking required to debt finance projects as well as the execution of off-take contracts with aircraft operators; support to private investment in SAF production and research and development into new SAF feedstock and production pathways via grants and/or loan guarantees and development of a progressive SAF blending mandate, enabling the aviation sector to gradually increase the use of SAF without compromising its competitiveness

Many of the senior industry leaders with whom the Panel consulted well understood the programs and incentives outlined above and were supportive of the Government looking to implement similar programs in Australia.

⁵ <https://a4e.eu/wp-content/uploads/aviation-round-table-report-16-11-2020.pdf>

There was also general support for opportunities to utilise existing pathways to support a SAF industry such as via the Clean Energy Finance Corporation; and expansion of Australia's Renewable Energy Agency to include SAFs. There is also a real opportunity for strong links to be created in the SAF space with the Panel's recommended Think Tank [**Recommendation 1**] and ACEIT [**Recommendation 2**].

5.2. Fleet Modernisation and Renewal Incentive Scheme

Australia has an aging aircraft fleet. The impact of this from an environmental perspective is not only the detrimental environmental footprint from the continued use of aging equipment and aviation-specific fuels such as Jet A1 and Avgas, but also that it leaves Australia's aircraft fleet lagging in its ability to decarbonise and transition to SAFs.

The development of electric engines, initially in small training aircraft, is well advanced. There are significant opportunities for the Government to provide support in continued research and development in this area.

The Panel's consultation with senior industry leaders indicated that important factors causing industry reticence to renew aircraft and modernize fleets are the various barriers associated with financing new aircraft versus the rate of return. The panel heard that for those industry participants capable of securing a financier willing to support capital investment in aviation assets, the stringent repayment expectations present further challenges with operators being required to pay off new asset purchases over very short periods. (Periods as short as five years were suggested to the Panel). It was generally agreed that these time periods are wholly unrealistic and virtually impossible for industry to meet without access to large security in the first instance. A relevant factor in this significant barrier to fleet renewal and modernisation is the fact that aircraft operators generally do not possess fixed assets to secure the financing of new aircraft. Many aviation businesses have their operational bases on Commonwealth leased airports, where they are unable to purchase land, which precludes use of fixed assets as security for loans.

In order to offset these pressures and encourage modernisation (and an associated uptake in SAFs) a fleet renewal incentive and financing scheme was unanimously supported by all senior industry leaders and thought to be a driver which could positively encourage growth in literally all sectors of the aviation eco-system.

From a sustainability perspective, a fleet renewal incentive and financing scheme has the potential to produce an outcome which will see reduced CO2 emissions, which contribute to Australia's zero net emissions target for 2050, will support the development and growth of a SAFs industry, and has the capacity to reduce aircraft noise footprints around Australian airports with the associated long-term benefits for communities.

QUICK WIN

The government should embark on development of an industry-led roadmap for the establishment of an Australian SAF industry. In parallel, it should develop financial and non-financial incentives for an Australian fleet modernization program aligned with the utilization of Australian produced SAFs.

Recommendation 5

It is recommended that the Government should develop a comprehensive policy framework to promote the development and production of locally produced sustainable aviation fuel and to incentivize industry through financial and non-financial means to uptake and deploy sustainable aviation fuel.

Recommendation 5.1

The government should develop a plan for providing security or longer-term loans for operating aircraft ownership together with an additional financial incentive program to specifically support or finance the transition to low-emission technologies across the entire aviation eco-system.

The object of this finance program being to create meaningful incentives for fleet modernization and retirement. Specific assistance options should also be considered for mid-tier and regional aviation operators willing to invest in fleet modernization and the transition to low emission technologies.

6. COVID SAFE INTERNATIONAL AIR TRAVEL

Australia's national COVID vaccine rollout is now underway and is expected *in due course* to facilitate the re-introduction of international travel. Some industry commentators have suggested that, upon reintroduction, there is potential for an initial surge from pent-up demand. However, any surge and ultimately a return to pre-pandemic flight levels, will be strongly linked to public confidence in COVID vaccines and ultimately, the safety of air travel (from a health perspective). Should confidence fall, it is possible that a slump in international demand may extend well into the next five years as highlighted by the following organisations:

- *'Nike Swoosh' bounce back sharply but blunt quickly* (Brookings Institution/WEF)
- *'While pent-up demand exists for VFR and leisure travel, consumer confidence is weak in the face of concerns over job security and rising unemployment, as well as risks of catching COVID-19. They now forecast the return to be in 2024.'* (IATA)
- *'We now also foresee a more gradual recovery to pre-COVID-19 levels by 2024.'* (S&P Global Ratings)

The impact of the scenarios described above are likely to be financially damaging to airlines who have stood up their operations to accommodate the initial demand, but who then need to again stand down their operations and workforce at a time when the balance sheets are already significantly burdened with unprecedented levels of debt. To that end, there is the potential for Government to be called upon for a return of financial support measures.

In all scenarios, in order to see the Australian international aviation sector rebound from the pandemic, the restoration of public confidence is critical. IATA has indicated that *'the availability of rapid COVID-19 testing along with the availability of a vaccine or a treatment for COVID-19 is among the top three signals that travellers will look to for reassurance that travel is safe.'* At the time of conducting interviews with senior industry leaders, AUSGOV's COVID19 Vaccination Policy covered the rollout of the vaccine but was silent as to what happens after that.

Qantas has stated clearly, and publicly, that it will require all incoming and outgoing international passengers to produce evidence of vaccination before they will be permitted travel on Qantas. The stated rationale is not only to protect consumer confidence in travel, but also Qantas' duty of care to its employees.

Whilst all senior industry leaders acknowledge the positive nature of the vaccine rollout, there was unanimous agreement that there is an urgent need for the Government to set a clear policy for COVID-19 travel, pre-flight testing and the presentation / use of globally harmonious vaccination certificates for use by both airlines and the airports via which international passengers enter and exit Australia.

It is important that this done quickly and promoted widely, to help restore the confidence of the public and corporate sectors and to encourage passengers to make forward bookings and plans for the resumption of international travel.

Finally, there is also merit in ensuring that clear policies on post-pandemic and long-term requirements for the wearing of masks, airport and aircraft cleaning, and international crew protocols also be developed and promoted widely, however these are subsets to the main confidence building issues of pre-flight testing and vaccine certificates.

Recommendation 6

It is recommended that Government, in consultation with the industry and medical experts, urgently provide a clear and widely communicated policy in respect to pre-flight testing, COVID-19 vaccination requirements, and a globally harmonious vaccination certificate policy for international travel. This should be publicised widely and as quickly as possible to restore confidence in the public and corporate international travel sectors and to encourage passengers to make forward bookings and plans for the resumption of international travel.

7. AVIATION LEGISLATION SUITE REVIEW AND MODERNISATION

The suite of Acts and associated Regulations that underpin the various aspects of Australian aviation are either significantly outdated or have been in the process of ad-hoc amendment for several years. It is acknowledged that CASA is transitioning to new Civil Aviation Safety Regulations (See recommendation 8). However, the Panel received consistent feedback from senior industry executives that the entire suite of legislation underpinning aviation⁶ requires a wholesale review and modernisation.

As the Australian aviation industry transitions from the pandemic into rebuilding and ultimately a return to pre-pandemic aviation demand, it appears that now is an opportune time for the Government to commence a phased review of the various acts and regulations that underpin aviation so as to ensure that each of the legislative regimes are fit for purpose and continue to encourage growth and vitality in the sector as we transition toward a post-pandemic Australia.

Australia has a liberal Air Services Agreement regime. The Panel's interviews with senior industry leaders revealed no support for change to this policy. There was unanimous agreement that cabotage was not necessary and would cause significant damage to an already fragile Australian domestic aviation sector.

⁶ For example: *Civil Aviation Act 1988 (Cth)*; *Airports Act 1996 (Cth)*; *Aviation and Transport Security Act 2004 (Cth)*; *Air Navigation (Aircraft Noise) Regulations 2018 (Cth)*

Recommendation 7

It is recommended that the Government (1) identify a priority list for review and modernisation of its suite of Acts and Regulations that affect aviation; and (2) develop a reasonable review timetable to be made available to industry for transparency in delivering the review.

A major focus for the review process should be to ensure the suite of Acts and Regulations are a contemporary reflection of the industry, are harmonious with international best practice and, most importantly, are fit for purpose in a post-pandemic Australia.

Recommendation 7.1

The Panel recommends no change to the current Air Services Agreement policy on cabotage.

8. CIVIL AVIATION SAFETY AUTHORITY

8.1. Regulatory Burden / Delays

8.1.1. Civil Aviation Regulations & Safety Regulations

Over a period of many years, Australia's *Civil Aviation Regulations*⁷ were made complex via the ad-hoc incorporation of hundreds of exceptions and exemptions to the Regulations. Rewriting these regulations in the form of the *Civil Aviation Safety Regulations*⁸ (CASR) under the motto of "Safety through Clarity" has been a lengthy project, but over the past five years has accelerated.

Logically, if safety is enhanced through clarity of regulation, then unclear, ambiguous, or overly complex regulations must detract from safety. Unfortunately, some of the earlier tranches of the CASR met all three of these undesirable criteria, largely attributable to their drafting with little or no industry consultation. Their complexity and ambiguity gave rise to differences in interpretation of intent, both within industry and within CASA, resulting in inconsistent implementation. Recognition of the complexity of CASR drafts is best illustrated by the work of the CASA Stakeholder Engagement Division in producing "plain English guides". This work was applauded by many interviewees and is known by Panel members to be regarded favourably within industry, although the fact that it is necessary at all illustrates the point.

There was universal acknowledgement that regulations continue to be drafted in overly prescriptive terms, inhibiting continuous improvements to safety that could be gained through implementation of contemporary research findings and new technology. There was acknowledgement that some of the new CASR have improved in this regard, however many are still overly prescriptive in nature.

Framing aviation regulations in *outcome or performance-based* terms leads to simpler regulations and enhanced safety through continuous improvement. It was put to the Panel that in an ideal scenario, regulations would simply specify 'the desired outcome' and associated guidance material would 'illustrate a way (but not the only way) of achieving that outcome'. Operators wishing to comply with the specified safety outcome via a different means should be encouraged to do so as this develops a mature consideration of risk, and risk mitigation strategies, rather than simply a purely compliance-based attitude. Feedback to the Panel indicated that while CASA has made some improvements in this regard, consideration of alternative means of compliance varies throughout CASA and often results in unnecessary complexity and considerable time delays, even in simple areas.

⁷ 1988 (Cth)

⁸ 1998 (Cth)

The ground-handling sector in their written submissions to the Department's Future of Aviation paper, noted that approximately 90% of ground handling operations in Australia are now conducted by third party suppliers rather than airlines, but despite this, airlines are still required to have their own unique documented ground-handling procedures for each aircraft type. This results in some ground-handling businesses needing to comply with more than thirty (30) separate procedures thus increasing complexity, cost, and risk. This example underscores the impact of unnecessary regulatory complexity and burden faced across the aviation sector (and not just with operators). It also potentially serves as a timely opportunity for CASA's stakeholder engagement team to establish communication processes with the Freight / Ground handling sectors so that the impact of CASA regulations on this integral part of the aviation sector can be understood.

Interviewees acknowledged that while the regulatory permission process has improved in recent times, there continues to be a considerable administrative burden associated with virtually all regulatory interactions with CASA.

QUICK WIN

Currently, CASA's processes are developed without involvement or input from industry end-users. The Panel recommends the formation of a working group (or groups) comprising both CASA and industry representatives with the remit of working cooperatively to reduce unnecessary "red-tape" in all areas of CASA's interaction with the aviation industry.

A key example of unnecessary complexity is the suite of pilot licencing and associated flight training regulations⁹. Amongst those senior industry leaders interviewed, there was strong agreement that these regulations add '*significant complexity and expense for no tangible safety benefit*'. This tranche of CASR continues to present operational and financial barriers to all operators involved in the Australian flight training sector, from small flight schools through to large airlines. With the pandemic having exposed this sector of the aviation eco-system to significant vulnerability, the burden of ill-fitting regulations is compounding the crisis in the sector and will inhibit future growth in the post-pandemic recovery phase.

QUICK WIN

The licencing and flight training regulations¹⁰, are quoted as acting as a 'stranglehold on the industry with no tangible safety benefit'; an immediate review of these CASR is recommended in full consultation with industry.

8.1.2. Flight Operations Suite – Implementation Period Reframing Required

The latest tranche of regulations planned for implementation by CASA relate to the so called '*six-pack of flight operations*'.¹¹ While these Regulations have been produced in consultation with industry and are therefore generally better understood, significant effort from an already stretched sector will be required to actively implement them. With a planned December 2021 start date, the Panel received feedback from the majority of involved operators that there is a very real concern that the pressures arising from the pandemic will result in insufficient time for industry to plan and implement the changes in the time available.

⁹ Referring to CASR Parts 61, 141 and 142

¹⁰ IBID

¹¹ Referring to CASR Parts 91, 119, 121, 133, 135 and 138

Additionally, despite acknowledgement that some parts of these regulations bring improvements in safety, there was a general view expressed that further refinement is desirable and further, that despite the planned implementation date, there continues to be no guidance material available to industry (and CASA inspectors) with respect to the interpretation, implementation and application of the Regulations.

QUICK WIN

*It is recommended that implementation of the Air Transport Suite of Regulations¹² be delayed. Conservative estimates are that the industry will need 12 clear months, without distraction, to implement these regulations **after** appropriate guidance material is produced. Significantly, this period is considered necessary for CASA (as well as industry) to prepare for transition to the new regulations.*

It is recommended that a revised implementation date is set for 12 months after guidance material is made available to industry. In setting any new implementation date, consultation with industry must occur to consider industry capability as the country progresses out of the Pandemic.

8.1.3 Timeliness in the Delivery of Regulations

The Panel received feedback that the timeliness in the delivery of regulations was wanting, with various senior industry leaders indicating to the Panel that certain pieces of regulatory amendment, considered critical by industry, have effectively been incomplete for several years and with no indication as to when delivery and implementation could realistically be expected. The view of those senior industry leaders canvassed on this issue was that the ongoing lack of timeliness in the delivery of regulation by CASA was ‘holding the industry back’ from moving forward.

QUICK WIN

It is recommended that CASA conduct an urgent review of all outstanding amendments and regulations and undertake to prioritise delivery of any regulatory suite which has been consulted with industry and due for completion for an ‘unreasonable’ period of time, and clearly articulate the timetable to industry.

Recommendation 8

It is recommended that an industry acceptable time period be established through consultation for the preparation, completion and delivery of all regulations impacting the aviation industry together with a mechanism to fast-track regulatory developments where necessary which should be capable of being triggered by both CASA and industry.

In association with this, it is accepted that complex regulations and associated standards, despite consultation, are unlikely to be perfect upon initial release. A specific timeframe should be set for a thorough post-implementation review of each regulation as it is introduced in order that appropriate amendments based on operational experience may be processed in a timely way.

¹² IBID

9. AVIATION FUTURES: FLIGHT TRAINING, EDUCATION & FUNDING

Immediately prior to the COVID-19 pandemic, there was a global shortage of aviation personnel, with the Asia Pacific region being the worst affected. As the world emerges from COVID, current projections indicate an even greater shortage due to accelerated retirements etc. The quality of Australian training for aviation pilots, engineers and other professionals has an excellent reputation internationally. However, the development of international trade and marketing of aviation training is left to individual businesses, sometimes with limited support from State Governments.

Australia has the potential to have a vibrant flight training industry for domestic and international markets and, through the Panel's consultation with senior industry leaders, several future thinking initiatives emerged in the innovation, training, and education space.

9.1. Sector Specific Career Pathways Promotion

Feedback provided in both the written submissions to the Dept's paper on the Future of Aviation, and to the Panel during its interviews with senior industry leaders, made it plain that there is a need for rebuilding of career confidence in the Aviation sector as consequence the impacts of the pandemic on the sector but in particular ensuring that school leavers and early career entrants continue to funnel into the critical roles required to support the Australian aviation eco-system into the future.

For example, many of the relevant senior industry leaders interviewed, shared a view that there is a shortage of Licenced Aircraft Maintenance Engineers (**LAMEs**) and an ageing demographic in their ranks. A shortage of LAMEs in the Australian sector negatively impacts industry, it results in longer turn-around for aircraft inspections which results in lost revenue and service, together with detrimental opportunity costs, for operators. Any shortage of personnel puts undue stress on a sector but particularly so where it is already fragile.

Workforce and skill shortages are not however confined to the maintenance sector, many other, sometimes less-obvious, sectors of the industry are ill equipped to take Australian into the future. For example, aviation loss adjusting in Australia has little to no workforce pipeline and no new early career entrants; aviation law is taught only on an intermittent basis at the range of Australian universities; airside operations opportunities are not marketed as 'skilled' roles, despite being highly specialized, and aviation specific entry level corporate vacancies are not catered for in a way to ensure there is a baseline understanding of the fundamentals of aviation.

Aviation Management is another critical area with middle and senior executives leaving the industry for new careers. The pandemic has undoubtedly brought the problem to a head, however, as has been confirmed in the Panel's CEO interviews, this shortfall in management skills in all sectors of the industry is not new - it is longstanding, systemic, and serious.

Within the airlines, shortfalls exist in areas such as flight operations, scheduling, crewing, catering, airport operations, finance, yield management, strategic planning, marketing, fleet planning, cargo, and human resources.

There will be a need to rapidly fill that skills gap as the industry returns to pre-COVID-19 levels. As with pilots, larger players will draw on the smaller airlines and industry suppliers for skilled staff. Thus, the skills gap moves down the chain to ultimately lie in Regional and General Aviation.

At least six of Australia's Universities offer degree programs in aviation management however these are generally three - year programs aimed at entry level students although some postgraduate programs are also offered as are some skill-specific supervisor and management courses. There is some management and supervisory training offered within the TAFE's but, with one or two notable exceptions, these are general in nature and the focus tends to lie outside aviation.

Overall, the problem lies both in the availability of training programs and also in the lack of people accessing them. The situation is complicated by the lack of data to quantify the extent of this problem and thus to determine the most appropriate response.

Whichever path forward is taken on this issue, ultimately the direct feedback received by the Panel from senior industry leaders is that one of the most significant barriers to a strong workforce pipeline in Australia is a lack of appropriate guidance and information which meaningfully steers school leavers, and early career entrants into sector specific career pathway.

QUICK WIN

There is an immediate opportunity for Government to promote, and create incentives, for school leavers and early career entrants to take up education and training opportunities across the a diverse range of roles within the aviation sector on the basis that the sector is rebuilding now, and demand for a skilled workforce will return in the mid-term.

Direct marketing opportunities pitched via educational institutions and social media sources which appeal to this demographic are suggested.

Recommendation 9

In the mid-term, the Government should develop information and/or guides for clear pathways into sector specific aviation employment opportunities and these should be disseminated widely and via multiple sources including via social media options. In the delivery of this recommendation, it is imperative that there be a wide lens applied to pathways across the entire aviation eco-system from general aviation to the airlines, from regional to city airports, and from small local businesses to large multinational aviation businesses.

Recommendation 9.1

Should the Government take up the Panel's recommendation regarding the establishment of ACEIT and/or a high-level Think Tank, it may be appropriate for this issue to be tasked to either or both of those bodies. Whichever path is taken on this issue, ultimately the direct feedback received by the Panel from senior industry leaders is that one of the most significant barriers to a strong workforce pipeline in Australia is a lack of appropriate guidance and information steering school leavers, and early career entrants onto the right sector specific career pathway.

Recommendation 9.2

It is recommended that the Government, should convene a meeting of appropriate parties to determine the quantum of the aviation management skills shortfall.

Recommendation 9.3

A review of aviation training capability in Australia has demonstrated that obtaining information on course content and cost is time consuming and difficult. There is presently no coordinated centre where an individual aspiring to work in the aviation eco-system can go to find the information needed.

The Panel considers there is a need establish a central repository of career pathway information and for that information once gathered to be readily available (and simple to follow) for distribution to individuals wishing to pursue a career in aviation or to upgrade their skills. It is recommended that either of the Think Tank or ACEIT [recommendations 1 and 2] may be suitable vehicles to address this issue in both the short and long term.

9.2. Skills in the General Aviation and Regional Aviation Sector

During any period of aviation industry expansion, there is a migration of pilots towards the airlines. The same is true for LAMEs, albeit to a lesser extent. Senior industry leaders from the regional airline, charter and flight school sector consistently reported to the Panel that significant challenges exist for them in the retention of staff, maintaining fixed employment periods with skilled workers, and avoiding short notice departures from general and regional aviation to the airline sector. The issues involve the high cost of training, proficiency and currency when those staff are lost from the sector.

In order to retain skills in the general and regional aviation sector, the Panel considers there to be an opportunity for Government in the immediate to mid-term to utilize the Panel's proposed high level Think Tank and/or ACEIT to research practicalities and options for attracting and retention of skilled workers in the general and regional aviation sectors. One area of focus may be to research and consider the practicalities of applying inbuilt conditions to Government funded student loans for pilot training students to serve for a minimum period of time in a particular industry sector or geographical region as pilots or instructors, prior to moving to into the large airlines.

QUICK WIN

Government (or the Panel's proposed Think Tank [recommendation 1] / ACEIT [recommendation 2]) work with industry to determine a suitable and fair means of recruitment from the general and regional aviation sector including the viability of developing a recruitment 'code of conduct'.

An alternative model suggested by senior industry leaders from the sector, was the possible introduction of a penalty system, similar to international sporting models, where release fees attach to employee transfers. Notably, some countries apply six-month 'no objection certificates' to employees enabling smaller aircraft companies some time to prepare for employee movements and ensure there are not 'unexpected staffing shortfalls' which cannot be gap filled.

Another area linked to the subject of attracting and retaining skills in the general and regional aviation sector is the issue of attracting students to regional training locations in the first instance. The Panel heard from senior industry leaders in the regional airline, charter and flight school sector that the cost for students seeking to relocate from urban / city locations to regional Australia for flight training / employment is prohibitive, and cost of living in regional areas is also a disincentive to take up training and fixed employment opportunities in regional areas.

In effect the general feeling amongst the senior industry leaders in this sector can be best summarised as follows: *'if we can attract students to regional Australia, then we have a foot in the door at keeping them in regional Australia, at least for a portion of their careers'*. A key opportunity identified by the sector during the Panel's interviews, was to extend VET Student Loan funding, or create a parallel funding model, for the student accommodation and meal costs while attending full service regional training facilities

The retention of experienced flight training staff is critical to the sustainability of the Australian flight training industry. The sector has been seriously impacted by the effects of the pandemic, particularly the closure of Australian borders and an absence of international students. Many of the participants in the Flight Training Town Hall (FTTH), indicated that a number of businesses in the sector are on the brink of survival and that financial and non-financial incentives by Government, in support of the ongoing viability of this sector would be welcomed. Senior industry leaders in the sector emphasised the importance of this as the aviation industry moves into, and beyond, recovery and industry demand for pilots returns.

An option proposed by the participants in the FTTH to respond to this situation, included removing the key barriers which see training officers leave the industry in the first instance. For example, Flight instruction is often used as an entry level job for a pilot career. It is widely accepted that a new entrant is hired en-route to another part of the industry with larger sized aircraft, thus creating a transient workforce. To minimise the flow through of staff there are some airline cadet courses that give their staff a seniority number on completion of the Commercial Pilot Licence (CPL), so a pilot who remains in the flight training section of their business instructing, does not lose their seniority when compared to their fellow graduates. This only works where there is a dedicated pathway between flight instructor and employer. For the majority of flight schools, the industry pathways are not in place and fresh graduates are left to find work post-CPL and Flight instructor rating.

A further option pertains to the quality of Australian flight training, accepted globally as being '*world class*'. The FTTH participants unanimously considered this presents the Government with multiple opportunities to promote and encourage growth internationally in respect of both flight training and staff retention.

QUICK WIN

There is an opportunity for Government to ignite the international flight training market now, in advance of Australia transitioning out of the pandemic and into the reopening of international borders, via the coordination and provision of an international marketing campaign to promote and sell Australia's world leading flight training industry.

The financial investment of a CPL student is upwards of \$100,000 spread across a period of approximately 18-months. For international students, as the qualification is at diploma level, it does not attract any post-graduate work visa opportunities, however options may exist in this space to bolster the flight training sector workforce whilst also providing an additional boost to Australia's regional sector and economy. Specifically, it was suggested that offering flight training students / graduates, a fixed-period '*regional aviation work visa*' (12-months) would incentivise international flight training students to select Australia as their training country of choice, and would give Australia a competitive advantage over its competitors in this space (i.e. New Zealand, the USA, Canada and South Africa). Furthermore, working in a regional area for a fixed period would also provide a buffer for the general aviation and flight school sector to the potential skills drain that is expected to return when the aviation industry normalises and reaches pre-pandemic levels while at the same time presents real economic advantages for regional Australia.

The Government currently supports ab-initio pilot training in the form of Vet Student Loans (VSL) for the Diploma of Aviation- Commercial Pilot, Diploma of Aviation - Instrument Rating. A similar scheme (HECS – HELP) is available for university programs where the student obtains a pilot qualification as part of a broader degree program. In the Flight Training 'town hall' as well as in other interviews with senior industry leaders, the Panel heard that many of the graduates from CPL courses are not '*job ready*', with a number of middle-tier charter operators indicating that they actively do not employ these graduates until they have obtained further industry experience.

While the HECS-HELP system remains relevant in broader university programs, the VET Diploma is simply seen as a mechanism to tie the Government funding to the pilot licence training through VSL and is perceived not to add any value to the pilot graduate. However, the VET Diploma and associated VSL add a significant amount of extra bureaucracy to the existing administrative load of meeting CASA requirements, with associated costs being passed to the student in the form of much higher course costs.

Some flight training schools suggested that dropout rates for motivational reasons are higher than in self-funded students. The pre-requisites for candidates to undertake the courses varies between flight schools.

It was put to the Panel that there may be efficiencies and opportunities which can be achieved in the flight training sector by adapting the existing VSL scheme to allow the VSL to be assigned to the student, rather than through the University or TAFE system. It was submitted that this would allow flight training students greater flexibility in selecting a training institution with the potential to open up greater opportunity for the smaller schools to compete in this space.

In addition, it has the potential to generate opportunities for regional aviation students to undertake aviation studies through bespoke providers at a faster completion timeframe, as opposed to university programs that can potentially take three to four years to produce a pilot, and which will not be quick enough to meet demand for pilots in a post-pandemic world.

Recommendation 9.5

It is recommended that consideration should be given to researching practicalities of applying inbuilt conditions to Government funded student loans for pilot training students to serve for a minimum period of time in a particular industry sector or geographical region as pilots or instructors, prior to moving to into the large airlines.

Other options may be possible, however in the time available to the Panel these could not be explored further, although it may be a suitable subject matter for the consideration by the Panel's proposed 'Think Tank' [recommendation 1] or ACEIT [recommendation 2].

Recommendation 9.6

Government should consider extending existing student financial aid / support to include the cost of student accommodation expenses whilst undertaking education at regional flight training facilities, together with financial and non-financial incentives for students to remain in the general and regional aviation sector (including as flight training staff).

Recommendation 9.7

Government should investigate opportunities for the development and promotion of a fixed period 'regional work visa' for international flight training students / graduates timed for release to the international student market in alignment with the planned reopening of Australian borders to international students.

Recommendation 9.8

It is recommended that Government consider options for adapting the existing VSLs system to allow the VSL to be assigned to the licencing outcome, rather than through the ASQA VET Diploma system. The objective should be to allow students greater flexibility in selecting a training institution, to reduce costs associated with unnecessary administration and to spread opportunity for growth across the entire sector.

Recommendation 9.9

It is recommended that consideration of existing training content to improve "job-readiness" of newly qualified pilots may be a suitable subject for consideration by the Panel's proposed ACEIT [recommendation 2].

Recommendation 9.10

It is recommended that Government consider a common set of criteria for the selection of “suitable” candidates, this could include the pre-requisite of holding a Recreational Pilots Licence, in order to demonstrate commitment and basic skills competencies, it may also eliminate early dropout rate of candidates.

Additionally, the Government may wish to explore options for linking VSL funding to service conditions such as where a graduate must spend a length of time in a regional area. This option would likely provide certainty to regional employers of time in service and a stable workforce as well as help boost regional economies.

9.3. Export Opportunity – Flight Training

Globally, Australian pilot training is considered to be a world class product. Several international airlines recognise this and have set up or entered in agreements with flight training organisations to train their current and future workforce of pilots. Australia’s current border closures are restricting these operators and placing significant pressure on the ongoing viability of those of Australia’s training services providing services to the international sector.

Many senior industry leaders expressed the view that the Government needs to act urgently to ensure further erosion of the flight training sector (with associated skills loss and unemployment) is avoided.

It has been proposed that the Government should develop a model in which international students travelling for aviation specific training can enter the country, be quarantined at their own, or their employers, expense and commence their flight training. Many senior industry leaders indicated that the Australian flight training sector is ‘enabled’ to meet this need with accommodation and educational facilities already in place that could made fit for purpose in the current environment.

It is expected that these settings would enable the ongoing viability of operators in this sector of the aviation industry and would avoid the international aviation community losing faith in Australia’s ability to continue delivering world class pilot and aviation training to the rest of the world. In the absence of Australia’s ongoing ability to service this market, there is a real risk that contracts, and future forward opportunities will be lost to the Australian flight training and education industry.

Recommendation 9.11

Government to explore opportunities to promote Australia as a pilot training destination including the development of feasible solutions to quarantining international students upon arrival into Australia for flight training.

10. AIRPORTS**10.1. Lease Renewal Option**

During discussions with senior industry leaders, particularly from the airport sector, the Panel received strong support for the Government allowing federally-leased airports to exercise the 50-year option to extend their leases in order to provide greater certainty for planning, development and industry investment in the sector.

Given Australia’s federally- leased airports have not been immune to the impacts of the pandemic on the sector, it is considered that this proposal represents an economic, and social quick win for the Government, particularly given it is a ‘no cost’ action.

QUICK WIN

There is an immediate opportunity for Government to create certainty, and incentivise planning, development, and industry investment in the Airport sector by allowing federally leased airports to exercise the 50-year option to extend their leases now should they choose to do so.

10.2. Night-time freight operations at KSA

The *Sydney Airport Curfew Act 1995 (Cth) (Act)* imposes a curfew on aircraft movements at Kingsford Smith Airport (**KSA**). KSA is a key port for the domestic freight market, with a large volume of freight moving through KSA at some stage during overnight freighter operations.

Most commercial passenger aircraft and large freight aircraft are prohibited from operating during that the KSA curfew period. Currently only BAe146 aircraft are permitted to operate without dispensation, however there are current dispensations for some BAe146 aircraft to be replaced with B737 and A320 freighters. B737 and A320 freighters using *noise abatement procedures* are accepted as being more efficient than existing aircraft operating during the curfew period.

Senior airline industry leaders interviewed by the panel (and written submissions from the freight sector in response to the Government's Future of Aviation Paper) unanimously called for adjustments to the Act to reduce the impact of the significant constraints placed by the Act on the efficiency of the national supply chain; this would also support the aviation and freight industry and the wider economy as Australia transitions out of the immediate pandemic crisis and into the new normal. Three key areas of focus were identified as being particularly suitable for consideration for review.

Firstly, the adoption of noise-based criteria for determining which aircraft are permitted to operate during the curfew rather than the current prescribed list of aircraft types. An amendment reflecting this criteria variation would support the aviation industry during and beyond the current crisis faced by the industry, which in turn would also support future growth of the broader Australian economy.

Secondly, amending the Act to permit more readily available aircraft such as A320s and B737-700/800s to operate without dispensation creates efficiencies in crew resourcing, training, day to day operations control, engineering support and ground support. This can be contrasted with the current dispensation model which creates uncertainty, and acts as a substantive disincentive to the acquisition of modern, fuel efficient, freighter aircraft.

Third, the implementation of *RNP-AR Procedures* would allow specific departure and arrival tracking to minimise the effect of aircraft noise; RNP-AR approaches are able to use a continuous descent profile which further reduces emissions and mitigates noise during the approach.

Finally, there was at one point a requirement that night-time take-offs and landings do not exceed a total of 80 per week. Western Sydney Airport (**WSA**) is designed to be a major freight entrepôt. This current pressure on night-time freight operations at KSA can be expected to be mitigated once WSA is operational.

Recommendation 10

The panel recommends that the Act be amended to allow other freight aircraft to operate without dispensation through Sydney Airport during the curfew period together with implementation of RNP-AR procedures to allow specific departure and arrival tracking, and continuous descent profiles to minimise the effect of aircraft noise.

There should be cap on the number of such movements.

The amendment is to be reviewed once Western Sydney Airport is operational.

10.3. Aerodrome Local Ownership Plan (ALOP)

The Panel heard from a variety of senior industry leaders from across the sector that infrastructure at many of Australia's small council owned aerodromes has deteriorated over many years, principally because of these facilities running at losses for multiple years.

However, the ongoing viability and safety of local council aerodromes remains vital; they support a range of essential aviation services and give a 'home' to Australia's general aviation industry, but importantly present opportunities for the development and use of new environmentally and economically efficient aviation technologies such as short-range hybrid and electric aircraft, remotely piloted aircraft and the like.

Recommendation 10.1

It is recommended the Government engage with a stakeholder group to determine a suitable grant funding model to upgrade infrastructure of local council aerodromes under the ALOP (or other Commonwealth aerodromes). The funding would be attached to KPIs (similar to Black Spot road funding initiatives) in line with positive growth of aviation at the aerodrome and with an emphasis on support for those aerodromes engaged in opportunities to innovate, encourage and develop the use of new environmentally and economically efficient aviation technologies.

11. AVIATION ALTERNATIVE DISPUTE RESOLUTION

11.1. Airports & Aviation Users

There are strong economic and social reasons why productive commercial relationships between Tier 1 airports and airlines and airport aviation users are important, encouraging investment, infrastructure development and valuable consumer outcomes. Intractable commercial disputes have the opposite effect and underscores why many senior industry leaders interviewed by the Panel are calling on government to assist with access to an efficient and effective dispute resolution mechanism for Tier 1 airports, airlines and airport aviation users.

Unlike other specialist and niche industries, there is currently no mechanism for efficient, and cost-effective approaches to the resolution of disputes between Tier 1 airports, airlines, and airport aviation users. Rather, the disputes process is funnelled into the existing legal system, which in some cases have taken years to progress. Complex and costly legal processes are a financial drain on an industry now crippled from the effects of the pandemic and which is likely to be carrying significantly increased debt to be paid down long into recovery of the sector. There is also a negative impact on consumer outcomes while commercial relationships remain fractured.

The Panel received several proposals from senior industry leaders supporting the development and implementation of a commercial arbitration model with arbitration rules tailored specifically to aviation's highly specialist sector. The model adopted by Australia's oil and gas sector (i.e. via the Perth Centre for Energy and Resources Arbitration) was cited by several senior industry leaders as being a useful starting point for the aviation industry to take guidance from in looking to develop its own model.

Another simpler option, focusing more generally on industry cooperation, and good faith, was a proposal for development of an industry Code of Conduct to act as a best practice model for good faith dealings between both airports and aviation airport users.

It is considered that both suggestions for intervention in this space ought to be explored.

Quick Win

It is recommended that a stakeholder reference group be established to consider suitable commercial arbitration models and rules (including an Industry Code of Conduct as an alternative) tailored to the sector but with a specific focus on a model with the efficient, cost-effective approach to the resolution of disputes between Tier 1, Australian airports and Apex airlines and Tier 1 airport aviation users.

Recommendation 11

The Government should implement the recommendations and findings of the stakeholder reference group for establishment of a specialised airport / airline industry arbitral institution with a dedicated panel of independent expert arbitrators, and publication of a dedicated set of arbitration rules, modified to the needs of this sector.

12. REGIONAL AVIATION DEVELOPMENT AND GROWTH**12.1. Domestic Air Route Market Development Grant**

In both the Australian Airport Association's (AAA) submission to the Government's Future of Aviation Paper, and during the Panel's consultation with the Association, it was noted that domestically airports and smaller Australian RPT operators have pioneered innovative routes during the pandemic serving city pairs with strong seasonal traffic or currently underserved routes.

An excellent example of this is the route between KSA and Ballina Byron Gateway Airport which has seen a significant increase in traffic during the pandemic, and as a consequence has increased tourism and stimulated economic growth in the Byron Bay region and its surrounds. This is an example where 'disruption' in the industry has led to innovation for the benefit of regional airports and airlines, communities service by these new routes opening up, and ultimately the broader travelling public.

In seeking to encourage further innovation in this part of the sector, and to maximise opportunities for continued economic stimulation and employment in the regions, the Panel considers there is merit in the Government engaging with the AAA and industry to explore the development of the AAA's proposed 'Domestic Air Route Market Development Grant' program, with a view to spreading the initial expense of pioneering new domestic air routes, particularly on seasonal or otherwise partially commercial routes which serve high-value regional tourism destinations.

QUICK WIN

There is an immediate opportunity for Government to establish a stakeholder group with the AAA and industry representatives to explore options for the development of a Domestic Air Route Market Development Grant program, with a view to spreading the initial expense of pioneering new domestic air routes, encouraging innovation in this space and with a view to increasing social and economic benefits for the industry and regional tourism centres.

12.2. Regional Specialist Aviation Hubs

The productivity commission inquiry into the Economic Regulation of Airports found that many local government-owned regional airports would benefit from capacity building to largely improve multiple aspects of these regional aviation operations, but particularly the management of the significant aviation infrastructure owned by local governments.

It is considered that there is an opportunity for Australia to assess firstly the feasibility of, and secondly the cost/ benefit of, a establishing a planned network of specialist regional airports with a view to serving key sectors of the aviation industry including aeromedical, flight training, military, primary industries and agriculture and emergency services.

There are already multiple examples of specialist regional aviation bases in operation, for example in Dubbo and Bundaberg where the Royal Flying Doctor Service have made significant investments in regional emergency services bases. However, the Panel considers there may be further opportunity for a targeted focus on additional opportunities in this sector and particularly with a view to ensuring that any specialisation is central to stimulating not only growth in the relevant regional community in which the hub is located, but also within Australia's general aviation eco-system.

QUICK WIN

There is an immediate opportunity for Government to establish a stakeholder group with the AAA and industry representatives to gauge interest from local government-owned regional airports, to determine the range of opportunities and locations available / suitable for establishment of specialist hubs, and industry interest from the specialists required effectively as tenants at any proposed specialist hub.

Recommendation 12

*Subject to favourable feasibility enquiries, Government should work with industry to produce a roadmap for the establishment of regional specialist aviation hubs, including appropriate funding models and/or incentivisation opportunities (both financial / non-financial). Subject to timing, there is also a longer-term opportunity to coordinate on this model via the Panel's proposed Think Tank [**recommendation 1**] and ACEIT [**recommendation 2**].*

13. FREIGHT AND GROUND HANDLING

The Panel sought to meet with leaders of the Freight and Ground Handling sector however this was not possible in the truncated timeframe; instead, a review of submissions to the Department's Future of Aviation Paper was conducted. Many of the priority areas identified by the industry are canvassed throughout this Annex as relevant, however the skills shortage and capital constraints of this vital sector deserve to be canvassed individually in this Annex.

In their written submissions, the Ground Handling industry confirm that a significant skills shortage and capital constraint have been flagged for several months. As a consequence of the pandemic, many ground handling businesses stood down their workforce. However, as the COVID-19 vaccine roll-out builds momentum and the aviation industry normalises, the ground handling sector is facing the largest number of critical personnel to recruit, train and reaccredit, noting that many of these employees have not worked since March 2020.

There have been high rates of attrition in the sector with many workers moving out of the industry and into other areas of employment. There has been a significant reduction in job applicants across the sector and this is likely to be driven by uncertainty regarding the likely timing of the aviation industry's rebound and a public perception that jobs in aviation industries such as ground handling are no longer 'good jobs to have'.

These factors, combined with reported administrative bottlenecks associated with accreditation and the delivery of Aviation Security Identity Cards (ASIC Cards) which are reportedly currently taking between six to twelve weeks to be issued, are expected to significantly delay recovery, not only in the ground handling sector, but more broadly across air travel in Australia.

QUICK WIN

The Government should implement a model to fast-track the issuing, reissuing, and renewal of Aviation Security Identification Cards (ASIC) to employees of ground handling companies so as to ensure there is not an industry short-fall of workers to meet demand as operations ramp up.

In regard to workforce in this sector, the industry is calling for action to assist in recruiting people back into the ground handling sector, and to promote the sector as an attractive career choice. There is also an opportunity for the Panel's proposed Think Tank [**recommendation 1**] and ACEIT [**recommendation 2**] to address shortfalls in this space and to make recommendations to industry and Government on initiatives which may reinvigorate employment in the sector in the longer term.

QUICK WIN

There is an immediate opportunity for Government to establish a stakeholder group with ground handling industry representatives to consider options for a sector based support program designed to ensure the retention of Australian workers and to develop opportunities for increased employment as the aviation industry moves from the pandemic into the post-pandemic recovery and beyond.

It is apparent from the written industry submissions, that relying solely on the resources of the ground handling sector to fund its way through recovery from the pandemic will likely see that phase taking longer than the market demands. The industry's written submissions to Government, indicate that while the DANS and RANS programs "cover the cost shortfall for losses incurred on key inter-city and regional regular public transport (RPT) routes without commercial passenger levels", none of that funding has reached the aviation ground handling providers and this oversight neglects the increasingly perilous position of the ground handling industry.

The ground handling sector are calling on Government to consider the provision of financial support to the industry via interest free loans for fixed periods potentially aligned with the aviation industry recovery, but on the basis that those loans be used for investment in training new workers, retraining and certification of remaining workforce and capital investment in infrastructure and equipment required to meet demand into the future.

Recommendation 13

The Government should open a dialogue with ground handling operators to determine whether a financially viable model exists for government assistance aligned with recovery of training, currency and recertification costs of the Australian ground handling workforce, and investment in new capital infrastructure and equipment required to support jobs growth and meet industry demands into the future.

14. AVIATION SECURITY

In its submission to the Department's Future of Aviation Paper, A4ANZ, made the following comment which best reflects the sentiments of many senior industry leaders interviewed by the Panel:

'Once financial support through COVID-related programs is withdrawn, Australia's domestic airlines and airports will be left with increased security screening costs as a result of the Government's mandated enhanced security measures, particularly on low volume regional routes. This will come at a crucial time when the industry needs costs to be as low as possible and will place significant pressure on airfares. On regional routes where services are already marginal due to the poor economies of scale, there is limited ability for airlines to pass on such costs to passengers.'

There was also a general consensus of concern from senior industry leaders in category of airport 'users', that airports will (1) pass the cost of the implementing these enhanced security measures through to airlines, potentially with the addition of a commercial return; and (2) that airports may seek to recover the capital expenditure costs of the security upgrades from airlines in addition to the operating expenditures.

In the time permitted during the consultation period, the panel has not been able to satisfy itself as to whether these concerns are warranted. However, it is clear that the upgrade of existing security screening equipment mandated by the Department of Home Affairs will have implications beyond the cost of the equipment. Examples from Australian airports which were brought to the attention of the Panel included, necessitated capital building works, changes to building services and impacts on surrounding areas of the terminals as a consequence of the mandated upgrades.

QUICK WIN

It is recommended that the Government appoint an industry stakeholder group, to develop and implement a set of pricing principals for aviation security designed to ensure transparency and accountability on the part of both airports and aviation airport users (i.e. airlines, general aviation etc) in the levying of security fees and charges.

The stakeholder group, may also present an opportunity for Government to engage directly with industry on possible funding opportunities / models to assist airports to offset the ongoing costs associated with Government mandated security changes including ongoing maintenance, and replacement life costs etc.

The release and implementation of these principals should be timed to coincide with the expected normalisation of the domestic air travel market as the COVID19 vaccination program is rolled-out across Australia.

The Government should engage in transparent consultation with the industry stakeholder group regarding any future proposed security amendments so as to ensure these are consistent with international security standards, practical and cost-effective for industry.

From a regional perspective, the Panel heard from senior industry leaders in the regional airline sector that security requirements at regional airports should be based on actual and not perceived risk. Relevantly, the AAA in their written submission to the Government's Future of Aviation Paper point out that:

'.. it is imperative that the Government and industry continue to take an intelligence driven, risk-based, outcomes-focused approach to aviation security regulation. This approach recognises that not all airports are identical. Taking a more tailored approach to the implementation of security measures at regional airports is prudent, effective and efficient.'

Senior industry leaders in the regional airline industry expressed a view to the Panel that security charges should not be levied on airlines where they are not required by law and gave examples of some regional airports charging airlines with aircraft of less than 40 seats for security screening costs that are not required for aircraft in that size under the current regulations. The 'Quick Wins' identified above may be a suitable vehicle to mitigate these issues between airports and airlines.

Finally, the Panel understands that the Government's Regional Airports Screening Infrastructure (RASI) program has been extended until 30 June 2021. There were calls from a number of senior industry leaders for Government to consider extending both (1) the length; and (2) the scope of the program.

It was suggested that the scope could be extended to provide additional support for capital expenditure associated with the implementation of Government-mandated security upgrades beyond the '*minimum necessary works*' threshold, but subject to stringent criteria to be mandated by Government in consultation with industry. For an example, a condition that any proposed upgrades or capital works are commensurate with expected and demonstrable passenger demand analysis and fit for purpose in those circumstances.

Continuing to support Australia's airports as the industry emerges from the pandemic will be of significant contribution to the ongoing viability of the sector (particularly in the regions) but will also continue to provide a boost to regional passengers across Australia by ensuring those grant-funded screening costs do not flow through to ticket prices.

Recommendation 14

*The Government should consider options for a (1) time-limited; and (2) scope extension of the RASI program to cover capital expenditure costs associated with the implementation of Government mandated security upgrades beyond the '*minimum necessary works*' threshold, but subject to a stringent criteria to be mandated by Government in consultation with industry.*

END.