

10 March 2023

PO Box 6
Cloverdale WA 6985
Australia

Mr J Dymowski
Assistant Secretary
Aviation White Paper Branch
Domestic Aviation & Reform Division
DITRDCA
GPO Box 594
CANBERRA ACT 2601

Dear Jason

Perth Airport Ltd (Perth Airport) welcomes the opportunity to comment on the Department of Infrastructure, Transport, Regional Development, Communication and the Arts' (the Department) Aviation White Paper Terms of Reference (ToR). Some introductory comment is first provided before addressing specific elements of the ToR.

Perth Airport is Australia's fourth largest airport and provides a critical link for the people of Western Australia (WA) to the rest of the nation and the world, operating 24 hours a day, seven days a week. The relative isolation of Perth as an Australian capital city and the large distances between major population centres makes air travel and Perth Airport indispensable to the people of WA and to the State's economic, social and cultural development.

In 2018–19, Perth Airport welcomed 14.5 million passengers and handled 132,000 aircraft movements for a population of about 2.4 million people. It is estimated that by 2040, Perth Airport will contribute about \$9 billion to the WA economy each year and generate almost 37,000 direct and indirect jobs.

Perth Airport's contribution over Covid-19

During the Covid-19 pandemic, Perth Airport maintained its operations to ensure the State's fly in/fly-out (FIFO)-dependent resources sector continued to operate, freight and medical supplies could arrive, and to allow tens of thousands of Australians to return home safely from overseas.

WA was highly reliant on the commercial flights by international airlines who continued to operate throughout the pandemic in maintaining critical international passenger and freight corridors. We worked closely with them in supporting returning Australians and freight operations. Managing the return of Australians from overseas from the arriving aircraft and through the airport was an extensive and arduous process for all involved, including passengers, airport and airline staff and operating crew.

We provided this critical service despite the enormous financial cost to our shareholders, who represent the retirement savings of some eight million Australian workers. Perth Airport declared a loss of \$64.5 million in 2020–21, but this was necessary because Perth Airport is vital public infrastructure that must continue to serve airlines and the Australian people.

Like other players in the aviation sector, Perth Airport is currently in a rebuilding phase, and we seek to re-establish international connections and assist our domestic airline partners in restoring interstate capacity.

Federal Government support of aviation development

The continued growth of aviation is critical to Australia's economic development and to the social well-being of its people.

The Aviation White Paper seeks to consider trends in aviation to 2050 and the policy framework and decisions needed to support growth over that period.

Under the *Airports Act 1996*, Federally leased airports are required to prepare a Master Plan every five years. This plan is a 20-year strategic vision for the airport site which must be approved by the Federal Government.

A 20-year strategic vision stretches out over multiple electoral cycles.

An essential outcome from the White Paper would be a recognition that the Federal Government needs to be an active supporter and proponent for growth in the aviation.

This should include an explicit recognition that aviation delivers enormous economic, social, and cultural benefits to the entire community. The Federal Government should play a role in communicating and promoting these benefits to the community.

In turn, these benefits to the community should be a primary consideration in any issues which could limit or halt the growth of aviation.

In essence, having performed its role as regulator in approving an airport's Master Plan, the Federal Government should become a (non-financial) partner with the airport in its delivery to ensure the maximum benefit for the broader community.

At times, this will require the Federal Government to partner with airports to make decisions and deliver messages which may not be welcomed by some sectors of the community.

Economic regulation of airports

Perth Airport notes that the economic regulation of airports is not within the scope of these ToR, and we agree that these matters are already adequately covered through the periodic reviews by the Productivity Commission. It is a long-standing convention that regulatory systems should not be reviewed by regulators. As such, a Productivity Commission inquiry, as an independent and impartial process, is the only appropriate vehicle for any review airport economic regulation.

Successive Federal Governments have endorsed the "light-handed" economic regulatory approach to Australia's major airports. This system of regulation has been subjected to regular five-yearly inquiries by the Productivity Commission. In its most recent report (2019) the Productivity Commission found that light-handed regulation remained fit for purpose and delivered timely investment in infrastructure, delivering tangible benefits to passengers and the community¹. The Commission's findings were endorsed by the then Federal Government.

¹ Economic Regulation of Airports: Productivity Commission Inquiry Report, June 2019

Airports provide the infrastructure services necessary to facilitate competitive and responsive air transport services by domestic and international airlines. Constraints in airport services, especially in runways and terminals, means the full benefits of aviation cannot be realised and instead the industry is shaped through constraints in airport services.

The light-handed economic regulatory environment supports confidence by shareholders and investors that, in acting in a commercially reasonable manner, they can continue to invest in airport infrastructure without being subject to intrusive 'heavy handed' economic regulation.

Stricter forms of airport economic regulation are largely about a transfer of income away from airports (and the retirement savings of working Australians) to airlines while increasing the riskiness of investments in airport infrastructure. It also opens the way for 'regulatory gaming' by airlines, potentially distorting airport investment towards those airlines with the resources to effectively lobby for outcomes that serve their interests over rival airlines.

Given the extra profits and strategic influence on offer, it is to be expected that some airlines and industry bodies will try to turn the White Paper process into another review of airport economic regulation, rather than its intended purpose in reviewing the issues that will deliver a sustainable, competitive and responsive aviation industry for the travelling public.

It would be a mistake to allow the important work of the White Paper process to be commandeered by vested interests seeking to prosecute a de-facto review of airport economic regulation for their own profitability goals. It is also unclear what expertise and resources the Department could apply that exceeds that available to the Productivity Commission in examining the merits of different approaches to the economic regulation of airports.

Specific comments on the Terms of Reference

Perth Airport provides the following response to the ToR:

1. **aviation's role in economic development, trade and the visitor economy – general, domestic, regional and international aviation;**

Perth Airport's pivotal role in underpinning the operations of WA's FIFO-dependent resources sector during the Covid-19 pandemic provides an excellent case study for the importance of aviation in economic development and trade.

Looking forward to 2050, the White Paper should address barriers and obstacles faced by airports in delivering the infrastructure required to support future growth in industry areas such as the resources sector. The resources sector is planning significant expansion in new projects which will require a corresponding expansion of the FIFO workforce and flights to and from Perth Airport. Perth Airport will need to provide a new runway to meet this additional demand. Despite receiving a Major Development Plan (MDP) approval for a new runway in 2019, Perth Airport's plans remain at a standstill due to the unreasonable approach being taken by Federal Environment officials.

The White Paper should assess how the future growth plans of aviation-reliant industries can be translated into future planning for airport infrastructure and capacity. It should then examine the role and responsibility of government to ensure this infrastructure can be delivered in a timely and cost-effective manner.

As international aviation continues to recover from the impact of the pandemic, global competition for a reduced supply of aviation resources (aircraft, crew, engineering & maintenance) is strong. Australia must work to position itself as a destination of choice for international airlines and much of this relates to the size of the market opportunity. Perth Airport is well-located in proximity to key markets in Asia and the South-Asian Subcontinent, with a significant population and a rising middle class with an appetite to travel and spend. To unlock the economic and trade benefits from these markets, Australia must minimise barriers to entry, including reviewing the cost, processing times and length of stay/repeat visits permitted when granting visas. In addition, airline growth from several key markets is constrained by bilateral agreements relating to air services. A review and early start on negotiations to alleviate restrictions, moving towards open skies agreements wherever possible, will provide favourable market conditions for the growth of international aviation in Australia.

2. **how to maximise the aviation sector's contribution to achieving net zero carbon emissions including through sustainable aviation fuel and emerging technologies.**

Perth Airport has engaged in discussion around the establishment of Australian Jet Zero-style Council.

Perth Airport is broadly supportive of the comments made by the Australian Airports Association (AAA) in its submission (dated 10 March 2023) on the ToR. In particular, we note that the adoption of sustainable aviation fuels is a matter for airlines, airports will play a crucial role in providing the appropriate infrastructure for this transition.

Perth Airport's focus has been on the reduction of Perth Airport-only Scope 1 and Scope 2 emissions by:

- at least 70% by 2030 from a FY2018 baseline with the remainder to be offset, ensuring carbon neutrality by 2030,
- achieving Net Zero by 2040,
- and a target of 50% Renewable Energy across all of Perth Airport Estate by 2030 (incl. tenants and operators)

3. **changing aviation technologies and ways to position our policies, regulations, and systems to encourage uptake and manufacturing of new, more efficient, transport technologies.**

Perth Airport supports the comments made by the AAA in their submission on this ToR.

4. **airport development planning processes and consultation mechanisms that consider the impact and changing nature of aircraft noise and related expectations on the role of noise sharing and noise mitigation.**

While supportive of this ToR, Perth Airport notes that there is already significant scope and indeed a requirement for community engagement as part of the approvals process for major projects.

Perth Airport recognises that aircraft noise is a significant issue for the community and understanding community expectations is a key element in developing cost-effective mitigation strategies.

Aircraft noise is managed by all levels of government, presently involving a combination of community consultation within a set of fixed rules and requirements. Rules and requirements can include movement caps, curfews, and prescribing the aircraft types which may undertake particular operations.

The White Paper could consider the merits of more 'outcome focussed' frameworks used to manage aircraft noise, including those already in place overseas. This could include measures such as noise metrics for individual aircraft, operational flexibility to reduce noise and fuel burn, and 'noise budgets' for each airport. The goal here is to best leverage ongoing advances in aircraft and air navigation technologies to enable modern aircraft to operate as quietly as possible.

Consistent with our opening comments, Perth Airport believes the Aviation White Paper needs to make a clear statement about the importance to the whole community of the aviation sector, along with an acknowledgment that there will always be an impact on some parts of the community from aviation operations.

There is significant concern that this ToR may inadvertently raise expectations within the community of a right of veto on aviation growth through the imposition of curfews or caps. This is not a realistic expectation.

The sections of the White Paper focussed on the economic development aspects of aviation should be used to state and highlight the massive net community benefit from aviation growth.

Perth Airport also sees great value in using this ToR to review the current MDP process by raising the current financial trigger and by reducing the consultation process for projects with no impact on aircraft noise or flight paths (eg building a multi-storey carpark on top of an existing at level car park.) As major airports pay ex gratia rates and taxes consistent with local and State Government rates, approvals processes for non-aviation projects should be consistent with development approvals processes and timelines at State and local government levels.

The White Paper should also consider the lack of timeliness, transparency and consistency in environmental approvals applied to airport projects because they are located on Federal land. The MDP process is both lengthy and costly. In particular, consideration must be given to ensuring environmental requirements remain consistent over that process and are not subjected to changed interpretations as the airport works through the approvals process. Timelines for departmental responses should also be inserted within the *Environment Protection and Biodiversity Conservation Act 1999* with "deemed approved" clauses similar to those contained within the *Airports Act 1996*.

5. how to support and regenerate Australia's general aviation sector.

Perth Airport supports this ToR but notes the major challenge for major airports is one of capacity. At Perth Airport, General Aviation area has seen significant operational growth with airlines servicing the resources sector, increasingly upgrading to larger aircraft more suited to terminal operations, but still wishing to operate from the general aviation area.

6. future industry workforce skills and training requirements.

Perth Airport supports the comments made by the AAA in its submission.

7. appropriate consumer protections and access to services.

Major airports have delivered significant improvements in passenger services and amenity under the current light-handed regulatory approach.

In recent years, Perth Airport has made significant investments to improve access and facilities for passengers with special needs.

There is significant scope to consider how the Federal Government can take account of the requirements of passengers with special needs when drafting or formalising regulations around the operations of airports. For example, recent major changes to security screening regulations have had a significant impact on some passengers such as breast cancer survivors.

8. maintaining fit-for-purpose aviation safety, air navigation and aviation security systems and service delivery agencies.

Perth Airport supports this ToR and endorses the comments of the AAA in its submission.

9. the role of airlines and airports in supporting regional economies.

Perth Airport plays a critical role in keeping WA's regional communities connected to Perth and the nation.

Most regional airports run at a significant operating financial loss each year; a situation exacerbated by the Covid-19 pandemic. This financial loss is usually carried by the broader community through increased rates (where the airport is run by local government).

There can be pressure from airlines and government on these airports to reduce their charges on the presumption it will provide for cheaper airfares for regional residents. Reductions in these airport charges likely has no impact on the airfares offered but rather represents an income transfer from local residents to airlines. It does this by exacerbating the financial losses incurred by the airport that must then be paid for by local residents through higher rates.

The White Paper should address the economics of regional aviation to ensure regional airports can generate a return sufficient to provide for the ongoing maintenance and operations of the airport, and to invest in future capacity where required.

Perth Airport thanks the Department for the opportunity to provide these comments and we look forward to playing an active and constrictive role in this ongoing process.

For further information, please feel free to contact me on matt.brown@perthairport.com.au or +61 8 9478 8411.

Yours sincerely



Matt Brown
GENERAL MANAGER CORPORATE AFFAIRS