



Australian Government

Department of Infrastructure, Transport,
Regional Development and Communications

The Future of **Australia's Aviation Sector**

Flying to Recovery



Issues Paper
2020

© Commonwealth of Australia 2020
August 2020 / INFRASTRUCTURE

Ownership of intellectual property rights in this publication

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia (referred to below as the Commonwealth).

Accreditation of images

Cover: Dr. Victor Wong/shutterstock.com

Executive Summary: Blue Planet Studio/shutterstock.com (pg 2); Seth Jaworski/shutterstock.com (pg 5)

Part A: cvotography/shutterstock.com (pg 7);
Ryan Fletcher/shutterstock.com (pg 10);
Sean Heatley/shutterstock.com (pg 12)

Part B: Ryan Fletcher/shutterstock.com (pg 13);
SC23IMAGES/shutterstock.com (pg 14);
A Periam Photography/shutterstock.com (pg 15);
Advo/shutterstock.com (pg 16);
PomInPerth/shutterstock.com (pg 17);
Aurelien Docus/shutterstock.com (pg 18);
Blue Planet Studio/shutterstock.com (pg 19);
Ymgerman/shutterstock.com (pg 21);
Bmphotographer/shutterstock.com (pg 22);
King Ropes Access/shutterstock.com (pg 23);
Seth Jaworski/shutterstock.com (pg 25);
Andrea Izzotti/shutterstock.com (pg 27);
scotto72/shutterstock.com (pg 30)

All other images and graphs: the Department of Infrastructure, Transport, Regional Development and Communications

Disclaimer

The material contained in this publication is made available on the understanding that the Commonwealth is not providing professional advice, and that users exercise their own skill and care with respect to its use, and seek independent advice if necessary.

The Commonwealth makes no representations or warranties as to the contents or accuracy of the information contained in this publication. To the extent permitted by law, the Commonwealth disclaims liability to any person or organisation in respect of anything done, or omitted to be done, in reliance upon information contained in this publication.

Creative Commons licence

With the exception of (a) the Coat of Arms; and (b) photos and graphics; copyright in this publication is licensed under a Creative Commons Attribution 4.0 Australia Licence.

Creative Commons Attribution 4.0 Australia Licence is a standard form licence agreement that allows you to copy, communicate and adapt this publication provided that you attribute the work to the Commonwealth and abide by the other licence terms.

Further information on the licence terms is available from <https://creativecommons.org/licenses/by/4.0/>.

This publication should be attributed in the following way:
© Commonwealth of Australia 2020.

Use of the Coat of Arms

The Department of the Prime Minister and Cabinet sets the terms under which the Coat of Arms is used. Please refer to the Commonwealth Coat of Arms — Information and Guidelines publication available at www.pmc.gov.au.

Contact us

This publication is available in PDF format. All other rights are reserved, including in relation to any Departmental logos or trademarks which may exist. For enquiries regarding the licence and any use of this publication, please contact:

Director — Internal Communications and Creative Services
Communication Branch
Department of Infrastructure, Transport, Regional Development and Communications
GPO Box 594
Canberra ACT 2601
Australia

Email: creative.services@infrastructure.gov.au

Websites:

www.infrastructure.gov.au
www.communications.gov.au
www.arts.gov.au

Contents

2 Executive Summary

- 3 Part A: COVID-19 Response
- 3 Part B: Future of Aviation:
The Government's Five-Year Plan
- 6 Have your say

7 Part A: COVID-19 Response

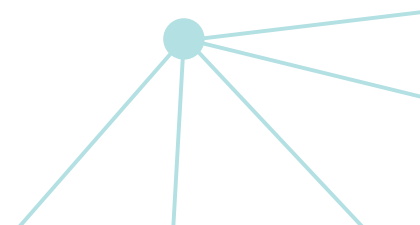
- 7 The Australian Government's objectives
- 10 COVID Objective 1:
Maintaining essential air connectivity
- 11 COVID Objective 2:
Preserving critical aviation capacity
- 12 COVID Objective 3:
Maintaining supply lines for air freight
exports and imports

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

- 17 Reducing the Regulatory Burden:
General Aviation
- 18 Reducing the Regulatory Burden:
Demand management at Sydney Airport
- 19 Reducing the Regulatory Burden:
Airspace Management
- 20 Reducing the Regulatory Burden:
Airline access to domestic and international routes
- 21 Reducing the Regulatory Burden:
Facilitating new and emerging technologies
- 22 Reducing the Regulatory Burden:
Safe, secure and environmentally sustainable aviation
- 24 Reducing the regulatory burden & greater
local decision making: Federally-leased airports
- 26 Greater local decision making:
Local government owned aerodromes
- 27 Targeted assistance:
Funding of regional airports
- 29 Targeted assistance:
Aviation skills and workforce development
- 30 Targeted assistance:
Sustainable funding for Australian aviation services

32 Appendices

- 32 Appendix A:
Consolidated questions for consideration
- 33 Appendix B:
Privacy Statement





Executive Summary

Aviation is central to Australia's economy and quality of life. Aviation underpins Australian business: transporting workers, tourists and high value freight.

The sector directly employed over 90,000 people and contributed \$20 billion to the economy before COVID-19. Furthermore, the sector indirectly enables the tourism, mining, manufacturing and higher education sectors (see Inset 1).

Aviation provides a critical connection between Australian communities and the world, with international aviation being vital to Australia's tourism sector. Domestic flights provide vital key business, leisure, family and health connections

for Australians in cities and particularly regional and rural Australia. Aviation is often the only regular access very remote communities have to time-critical goods and services.

COVID-19 continues to seriously negatively affect Australian aviation (see Inset 2). Public health measures necessary to mitigate against COVID-19 — including rapid response travel bans and border closures — affect aviation more than most industries. While demand for domestic travel will return, recovery will be slow. With international border closures likely to remain in force for the foreseeable future, international aviation will take longer than domestic aviation, and the broader economy, to return to strength.

The restoration of confidence will be at the core of the recovery of the aviation sector and the economy more broadly. Travellers, whether for leisure or business, need to know that flights to their desired destinations will be available when needed, and that air travel is COVID-safe. The Government is committed to working with the aviation sector to promote this confidence and demand for travel that will see aviation returned to strength.

This Issues Paper sets out challenges and opportunities for Australian aviation, and seeks stakeholder feedback on policy options under consideration. It proceeds in two parts:

- **Part A** addresses Australian Government support for aviation during the COVID-19 crisis, and how best to manage, and ultimately withdraw, support as the economy and sector recovers
- **Part B** addresses longer-term policy and reform options, for implementation over five years, to strengthen aviation once COVID-19 restrictions are lifted.

Part B canvasses a wide range of aspects of aviation policy, but focuses on areas where COVID-19 may lead to enduring structural changes and the policy responses most relevant to these changes.

Part A: COVID-19 Response

The Australian Government has acted decisively during COVID-19 to:

- maintain essential air connectivity without subsidising commercially viable services.
- preserve critical capacity so a competitive aviation market can restart as the economy emerges from COVID-19 and COVID restrictions are lifted; and
- maintain supply lines for air freight exports and imports, including essential medical supplies and equipment.

Inset 3 below outlines the Government's aviation sector support measures. These complement the Government's broader COVID-19 support for Australian businesses including the JobKeeper Payment, cash flow support for eligible small to medium-sized businesses, and the 50 per cent wage subsidy to help eligible businesses retain apprentices and trainees.

The Government is continuing to provide significant support to the aviation sector in the volatile COVID-19 environment, including reviewing and adjusting policy as needed. More than \$1.3 billion has been committed to maintaining operations across the sector and supporting jobs. Support for aviation will continue to be flexible and scalable to respond to changing public health measures and border restrictions. Assistance will be reviewed regularly and ultimately withdrawn as services return to commercial viability.

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

There were challenges in the aviation sector before COVID-19, particularly in regional Australia. Regional Australia is where one in three Australians live, work and study, yet many regional air routes, airlines and airports struggle to remain financially viable. As a result, many regional communities do not enjoy the same level of air service, air ticket price competition and flexibility as Australia's cities. Like other industries, aviation also faces the ongoing challenges of shifting global economic conditions, changing consumer demands and technological disruption.

COVID-19 has exacerbated many of these challenges and accelerated changes in the structure of the aviation sector. Even after travel restrictions are lifted and the economy has reopened some businesses, routes and services will almost certainly no longer be viable. COVID-19 has affected charter flights and General Aviation (GA) differently, but poses a challenge across all these industries.

The aviation sector, as well as the Commonwealth, state, territory and local governments, will need to make significant decisions about the future of air routes and airports, especially in regional Australia. Aviation is a key issue in the National Cabinet process.

A refreshed policy agenda is needed for aviation beyond COVID-19. In recent years, the Government has focused on building on the major structural reforms of the 1990s to maximise efficiency and community benefit. The Government will now set out the policies needed to navigate the current challenges, with a focus on building the sector's strength and sustainability.

The Australian Government is committed to working with state, territory and local governments, and with industry, to transition the aviation sector to a more sustainable long-term basis, while avoiding the loss of essential connectivity.

Broad policy areas that the Australian Government is considering are:

1. **Reducing the regulatory burden** to reduce costs for aviation businesses, encourage greater competition and local investment, and lower prices for Australian travellers — while ensuring our regulatory objectives are met.
2. **Greater local decision making** by ensuring state and local governments have the flexibility and autonomy to determine local aviation priorities, and respond to the changing needs of their communities.
3. **Targeted assistance** for critical strategic aviation infrastructure and services to improve connectivity and essential service delivery.

The Australian Government will release its Five-Year Plan for Aviation in 2021, setting out the Government's objectives and actions for strengthening and sustaining aviation out of the COVID-19 crisis. Stakeholder feedback is welcome on any aspect of aviation policy. However, the focus of this Issues Paper and the Five-Year Plan will be on the policy responses needed to adapt to the long-term impacts of COVID-19.

Inset 1: The importance of aviation to the Australian economy and society

Aviation underpins Australia's economy and society: transporting workers, tourists, and high value produce as well as connecting Australian communities with each other and the world.

In 2018, the aviation sector directly contributed around \$20 billion to the economy (1% of GDP), and employed around 90,000 people. However, COVID-19 has had a devastating impact on the sector. For more information, see Part A of this Issues Paper.

Australia is a great place to fly and Australians are great flyers. In 2017 there were three flights per year for every person living in Australia, double the European Union (Chart 1).

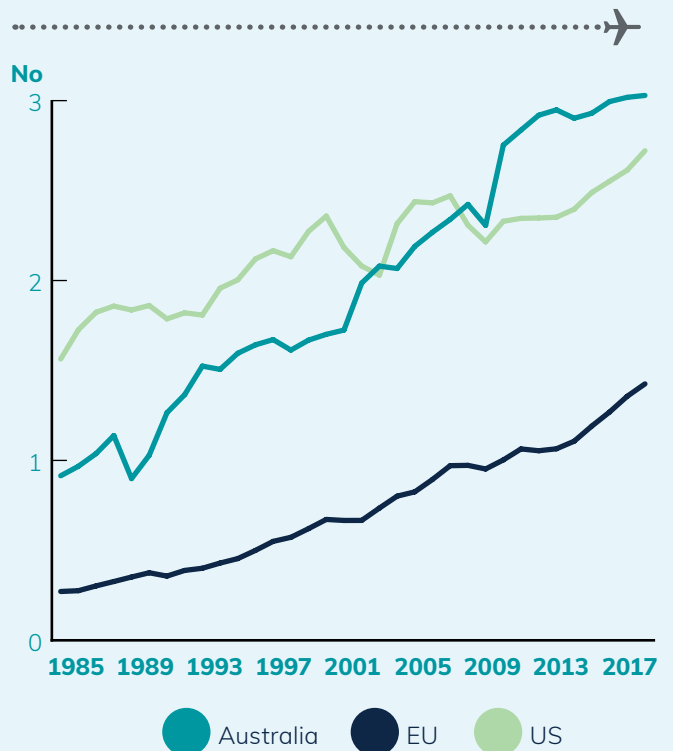
Australian aviation has become more efficient since deregulation with lower airfares, greater passenger volumes, and improved service quality and airline productivity.

Domestic aviation passengers carried increased from around 13 million passengers in 1985 to around 61 million passengers in 2019 (Chart 2).

Aviation travel has become more important over time, previously accounting for around 16 per cent of total domestic passenger kilometres travelled (Chart 3).

Chart 1: Flights per person

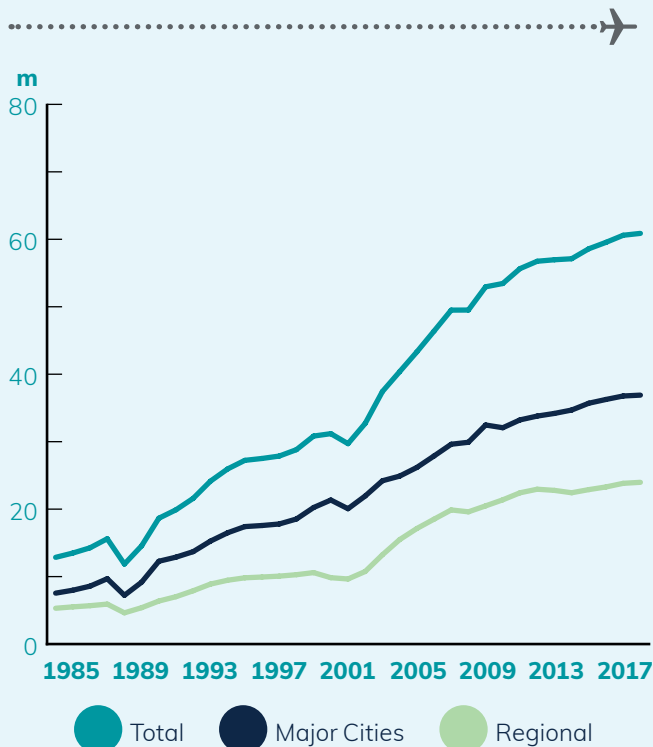
Annual flights per person



Source: The World Bank, World Development Indicators.
Note: Passengers carried includes both domestic and international

Chart 2: Domestic passengers carried

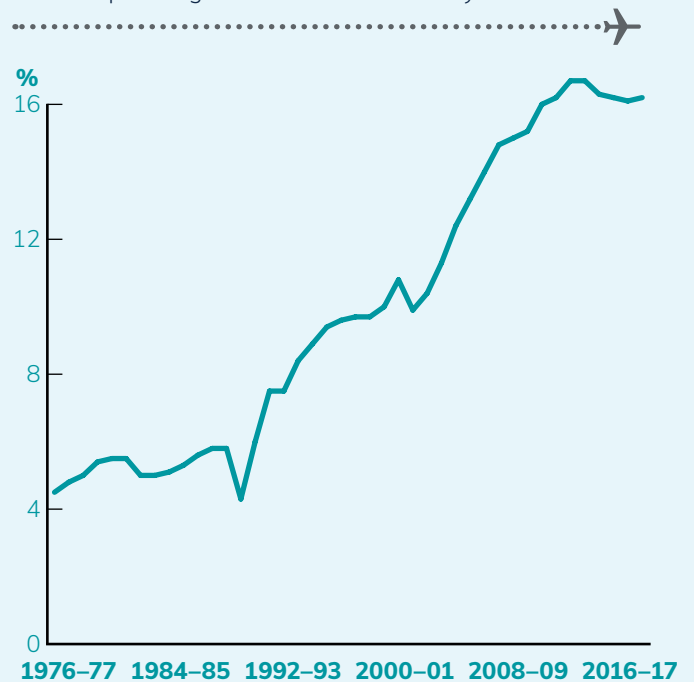
Persons



Source: BITRE unpublished

Chart 3: Aviation's share of domestic travel

Share of passenger kilometres travelled by air



Source: BITRE Yearbook 2019

The aviation sector is integral to many freight supply chains. Air freight represents a small proportion of Australia's international freight task by mass (0.1%), but represents around 20 per cent of trade by value. Some agricultural exports are highly dependent on aviation, with almost 80 per cent of seafood (by value) exported by air.

Aviation plays an important role servicing the needs of regional and remote communities across Australia by providing and maintaining access to air services that include transport and freight, medical, search and rescue, social and law enforcement, and business/tourism travel.

Aviation is key to the tourism sector which accounts for around six per cent of GDP and is Australia's fourth largest export industry. Total international passenger traffic increased by around 75 per cent over the past 10 years to 2019.

The aviation sector acts as a crucial enabler across mining, construction, manufacturing and higher education. More than 60,000 people work more than 350 kilometres from their usual place of residence, the vast majority are likely to travel by air. Thousands of fly-in-fly-out (FIFO) workers serve the mining, construction, and oil and gas industry. A large majority (about 86 per cent) of FIFO workers work in a remote or very remote area.



Have your say

The Australian Government is interested in your views on responses to the COVID-19 crisis and on policy issues that will inform the Government's 2021 Five-Year Plan for Aviation.

Community and industry views will be gathered through virtual consultation forums, a new Future of Aviation Reference Panel (the FAR Panel) and written submissions responding to the Issues Paper.

The Government is aware that stakeholders have expressed views on a number of the issues discussed in this document through previous consultation processes. The Issues Paper process is an opportunity to revisit these issues, taking into account the impacts of the health crisis on the sector, in order to shape the development of the Five-Year Plan. We also welcome the re-submission of comments made to previous consultations.

Virtual consultation forums

To register for a virtual meeting, please go to www.infrastructure.gov.au/aviationconsultation.

Future of Aviation Reference Panel

The Australian Government is establishing the FAR Panel to engage with stakeholders and provide advice on key policy priorities.

Responding to the Issues Paper

The Government acknowledges the difficult environment the aviation sector is operating in currently and appreciates the time stakeholders are taking to respond to this paper.

Boxes throughout this Issues Paper contain specific questions where the Government is seeking stakeholder views. Written submissions are welcome on all or some of these questions, or any other issues related to aviation sector reform. A consolidated list of questions is at Appendix A.

The Issues Paper consultation process will address the issues canvassed in the Regional Aviation Policy Issues Paper released in March 2020 and deferred due to COVID-19. While COVID-19 has had far reaching implications across the regional aviation industry, many of the issues explored in the Regional Aviation Policy Issues Paper remain relevant and stakeholders may wish to also draw on this document when providing feedback on this Issues Paper.

You can provide written submissions on the Issues Paper until COB **Friday 13 November 2020**. This will allow submissions to inform the Five-Year Plan to be released in the first half of 2021.

The preferred method for receiving submissions is electronically to the email aviationconsultation@infrastructure.gov.au.

Submissions may also be made in hard copy to:

Attention:

Director, Project Strategy Unit
Strategic and Economic Policy Projects
GPO Box 594
CANBERRA ACT 2601

Please provide your contact details so the Department can follow up on any issues raised.

Written submissions to this Issues Paper will be shared with the FAR Panel and will be made publicly available unless explicitly requested otherwise. Submissions will be published in full on the Department's website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Any personal information respondents provide to the Department will be used for purposes related to considering issues raised in this paper, in accordance with the Privacy Act 1988 (see Appendix B). You are also welcome to provide submissions confidentially.

Questions?

If you have any questions about the process for responding to the Issues Paper, please contact the Department:

Email: aviationconsultation@infrastructure.gov.au
Phone: 02 6274 7015



Part A: **COVID-19 Response**

The impact of COVID-19, and the associated fast moving border closures and quarantine arrangements, have been devastating for Australia's aviation sector, with air passenger numbers falling around 95 per cent from 2019 levels (see Inset 2).

The Australian Government acted quickly to support the aviation sector during the COVID-19 crisis. Support packages have targeted aviation sector participants including domestic and international airlines, airports, aviation agencies and aviation-dependent services (see Inset 3).

The Australian Government's objectives

The Government's COVID-19 support for the aviation sector focuses on:

- maintaining essential connectivity on regional and major routes without subsidising commercially viable activities
- preserving critical capacity so that a competitive aviation market can restart as the economy emerges from COVID-19 and COVID restrictions are lifted; and
- maintaining supply lines for air freight exports and imports, including essential medical supplies and equipment.

Transitioning Government support

The Government is continuing to review and adjust its aviation policies in the volatile COVID-19 environment. Support for aviation will continue to be flexible and scalable, to respond to changing public health and border measures and regional, domestic and international economies.

The suitable level of support, and which industry participants are in most need, will change as the situation evolves. It is important that the eventual phasing out of direct assistance minimises disruption to the sector as Australia recovers and the domestic aviation sector starts returning to commercial levels.

Inset 2: Impact of COVID-19 on Australia's aviation sector

The short-term impact of COVID-19 on Australia's domestic aviation sector has been unprecedented (Chart 1). The pandemic has hit both supply and demand for air travel services.

Supply has been affected through the impact of government restrictions such as border closures, event gathering restrictions and quarantine requirements.

Demand has been affected through the impact of the pandemic on health concerns (consumer concerns about safety of travelling) and wealth (impact of the pandemic on employment and income and subsequent changes in spending and saving).

In June 2020, the number of passengers carried on Australian regular public transport (RPT) flights decreased by over 90 per cent relative to June 2019 (Chart 2). Passenger movements at regional airports declined by around 87 per cent relative to June 2019. However, passenger demand for fixed wing charter operators increased by around 20 per cent relative to June 2019.

The number of international passengers carried in June 2020 decreased by around 98 per cent relative to June 2019.

The airline industry has moved from a commercially operated network to a government-supported minimum domestic network. Thousands of aviation sector employees have been laid off or stood down.

Chart 1: Domestic airline sector shocks

Passenger %; months to recover to pre-shock level



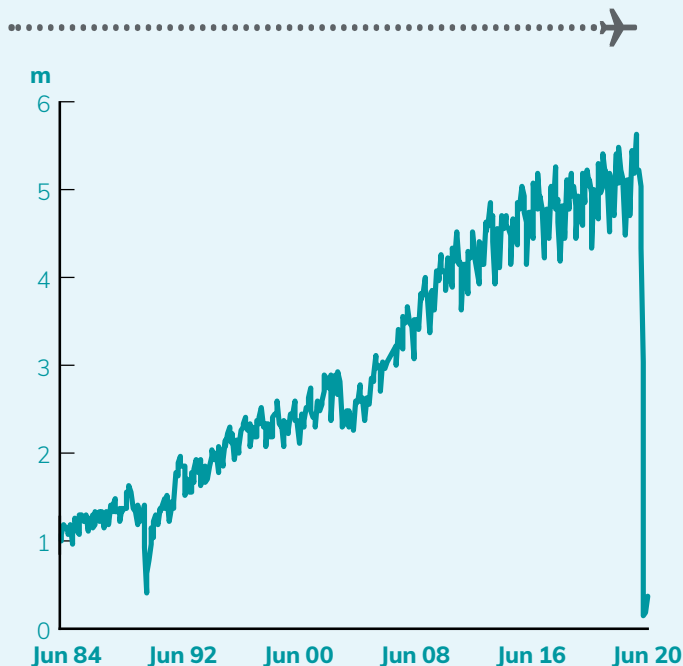
● Ansett collapse and 9-11 ● Pilot strike

● COVID-19

Source: BITRE 2020 Aviation statistics

Chart 2: Total domestic revenue passengers

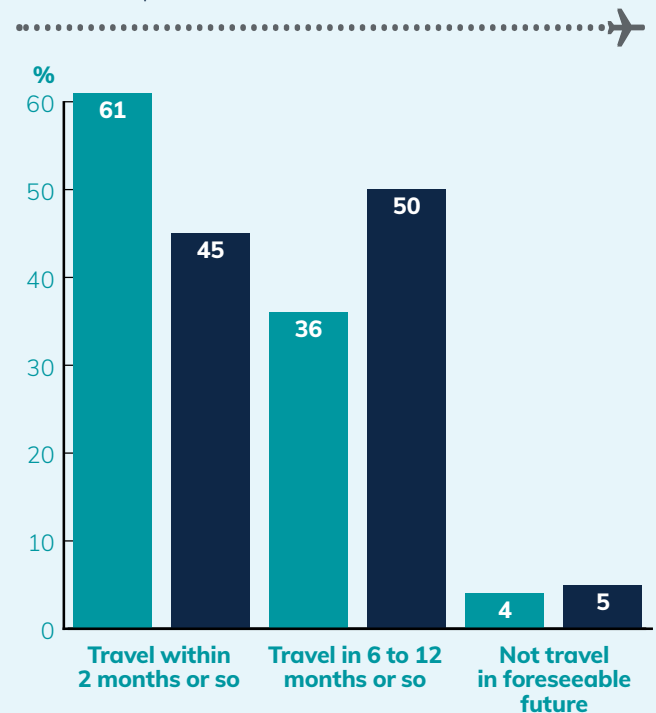
Millions



Source: BITRE 2020 Aviation statistics

Chart 3: Air traveller confidence

Share of respondents



● April survey ● June survey

Source: IATA (2020). Note: Global passenger survey of 11 countries

Ultimately, recovery in the aviation sector will be linked to progress in containing COVID-19. There remains a lot of uncertainty around when a sustainable aviation recovery will begin. The extent of the economic downturn, the length of travel restrictions and structural change in demand for air travel services will all influence the shape of the recovery. The second wave of COVID-19 and the reintroduction of previous restrictions have pushed back any chance of a quick recovery.

The aviation sector (and associated supply chains) is expected take longer to recover than the rest of the economy, particularly international aviation. The latest International Air Transport Association (IATA) forecast now expects global passenger traffic to return to 2019 levels in 2024, one year later than previous estimates.

Globally, air travel confidence declined between April and June 2020, reflecting continued growth in global COVID-19 cases (Chart 3). The proportion of survey respondents who felt confident to undertake air travel 'within two months or so' declined from 61 to 45 per cent from April to June 2020.

Inset 3: Australian Government COVID-19 aviation sector support measures

The Australian Government has supported the aviation sector through the health crisis with more than \$1.3 billion committed to maintaining operations and supporting jobs through a number of aviation specific programs. The Government recognises the critical role of aviation in Australia's economy and remains committed to the sector.

Domestic Aviation Network Support (DANS) and Regional Airline Network Support (RANS)

DANS and RANS provide shortfall subsidies to eligible airlines to support airlines maintaining a minimum air transport network during the COVID-19 crisis. The programs ensure that airlines can continue flying routes when passenger levels are below commercial levels.

International Aviation Network

Around 8,000 passengers were carried with the Government's support for airlines to operate a critical international hub network and commercial, Government-facilitated flights back to Australia.

Regional Airlines Funding Assistance (RAFA)

RAFA provides \$100 million as last resort cash flow assistance to regional airlines that provide essential services to regional and remote locations.

Australian Airline Financial Relief Package (AAFRP)

AAFRP provides \$715 million for Australian airlines and airports through rebates and waivers of a range of aviation fees and charges to reduce their operating costs.

International Freight Assistance Mechanism (IFAM)

IFAM provides \$352 million to maintain established supply-chains during the COVID-19 crisis that support high value, time sensitive and perishable exports and vital imports, including medical supplies and equipment.

Australian Competition and Consumer Commission (ACCC) monitoring of domestic air passenger services

The ACCC has been tasked to monitor prices, costs and profits in the domestic air passenger sector for three years.

Regulator support

Additional funding has been provided to ensure Australia's air safety regulator, the Civil Aviation Safety Authority (CASA), and air traffic management provider, Airservices Australia, can continue to provide essential services to the domestic aviation sector during 2019–20 and 2020–21. CASA and Airservices Australia have also sought to provide industry-wide support through a range of measures including direct fee relief, changes to licence renewal procedures and increased flexibility for those operating services in remote Australia.

Support for federally-leased airports

The Government has granted federally-leased airports temporary relief and deferrals from land-tax-equivalent payments, where they have provided rent relief to their commercial tenants.

Domestic Passenger Journey Protocol

The Government has worked collaboratively with the aviation industry to develop the Domestic Passenger Journey Protocol. The Protocol, announced on 19 June 2020, will provide clear and consistent advice to Australians travelling domestically and is informed by health advice from the Australian Health Protection Principal Committee (AHPPC), as well as guidance from international aviation authorities.

Implementation of the Protocol will be reviewed regularly and may be modified to respond to changes in health advice.



COVID Objective 1: Maintaining essential air connectivity

Providing a minimum domestic network

COVID-19 travel restrictions, border closures, social distancing, quarantines, business closures, and stay-at-home orders effectively shut down air travel across Australia. While some residual demand remained (around 30,000 passenger movements per week in April 2020), it has been much too low for airlines to operate most routes commercially. As a result, Australian airlines stopped flying and grounded much of their fleets in the early days of the crisis. The Australian Government moved quickly to ensure that critical routes remained open.

The Government has kept Australians connected during this challenging period by supporting a minimum air transport network under the Domestic Aviation Network Support (DANS) and Regional Airline Network Support (RANS) programs. RANS and DANS cover the cost shortfall for losses incurred on key inter-city and regional regular public transport (RPT) routes without commercial passenger levels. The design of the programs has evolved over time to reflect the changing situation and increased understanding of the challenges facing the sector.

This Issues Paper provides an opportunity to explore options for maintaining a minimum RPT network if COVID-19 related health and border measures continue to significantly impact the commercial viability of regional and domestic aviation operations as well as for efficiently transitioning to fully commercial operations as the regional and domestic economies recover. The second wave of COVID-19, focused on Greater Melbourne, shows that the recovery from COVID-19 will not be a smooth one. Government support needs to be flexible to respond to routes moving back to a commercial footing at different speeds.

Questions for consideration

What constitutes a minimum RPT network in Australia?

Are there options to improve the effectiveness of governments' support for maintaining a minimum RPT network?

What is the best way for the Government to scale back support as the aviation sector recovers at a different pace for different routes?

Supporting international network and Government-facilitated flights

With reduced available international airline options and international travel restrictions being put in place around the world, the Government's International Aviation Network measure operated from April to June 2020, successfully carrying nearly 8,000 passengers.

This was achieved through the operation of a critical international hub network operated by Qantas and Virgin Australia and supported by the Government which provided scheduled services to and from London, Los Angeles, Auckland and Hong Kong. The measure also supported commercial, Government-facilitated flights back to Australia from Peru, Argentina, South Africa and India. The international hub network concluded operations in early June 2020.



COVID Objective 2: Preserving critical aviation capacity

Provision of targeted Government support for the aviation sector during the COVID-19 crisis ensures that the aviation sector will be well positioned to support future growth of the Australian economy once the impact of COVID-19 has been reduced and regional, domestic and international air travel demand begins to re-emerge.

Supporting regional airlines

The Government's \$100 million Regional Airlines Funding Assistance (RAFA) program provides last resort cash flow assistance to regional airlines that provide essential services to regional and remote locations. In conjunction with the RANS and DANS programs, RAFA works to ensure essential aviation connectivity is provided to more than 110 regional and remote communities.

Temporary relief from aviation fees and charges

The Government's Australian Airline Financial Relief Package (AAFRP) reduces operating costs for Australian airlines (AOC holders) and airports through:

- a rebate of aviation fuel excise and domestic aviation security charges
- waiving Airservices Australia charges on domestic airline operators
- providing appropriation to CASA to maintain its essential services; and
- support for regional airport operators to implement the enhanced regional screening requirements.

The rebates for aviation fuel excise and domestic security charges are available until the end of 2020. The Regional Airports Screening Infrastructure program has been extended until 30 June 2021 and will assist regional airports with the minimum necessary capital and initial operating costs of complying with enhanced security screening requirements. This will avoid those costs being passed on to airport users through screening charges, particularly as domestic travel starts to recover.

The Government also granted temporary land-tax-equivalent relief for federally-leased airports where these airports have provided rent relief to their commercial tenants. This is consistent with the principles outlined in the National Cabinet's Code of Conduct for Commercial Tenancies, and aligns with states' land tax concessions for airports.

Questions for consideration

What critical components of the aviation sector need support during the COVID-19 crisis?

Are there options to improve governments' support for critical aviation connectivity and capacity during COVID-19?

What is the best way for governments to scale back connectivity and capacity support to allow commercial airline operations to resume as the regional and domestic economies recover?

Virgin Australia voluntary administration process

The Government appointed Mr Nicholas Moore, ex-Macquarie Bank Chief Executive Officer, to lead the Australian Government's engagement on the Virgin Australia voluntary administration process.

The voluntary administration process offered a market-led opportunity to restructure and recapitalise Virgin Australia into a viable and profitable commercial entity.

The Government has welcomed the successful completion of the voluntary administration process, that will see Virgin continue to operate as Australia's second major domestic airline.

Essential aviation related businesses

The critical connectivity that is provided by Australia's aviation sector depends on more than airlines and airports. A much broader range of businesses are essential to keeping our planes in the air and our economy moving.

These businesses provide maintenance support, workforce training, ground-handling services, aircraft cleaning, catering and other vital services that ensure the aviation industry operates efficiently and effectively.

These businesses have also been hurt by the COVID-19 crisis. While a minimum level of flight operations has continued, primarily due to the Government's DANS and RANS programs, ongoing travel restrictions are having a considerable impact on these businesses' commercial viability.

The Australian Government's extensive COVID-19 economic support packages, including JobKeeper (recently extended to 28 March 2021), are mitigating some of this impact.

Questions for consideration

How has the COVID-19 crisis and the downturn in passenger movements affected essential aviation-related businesses?

Are there options that industry and governments could consider to ensure these services are available to support the recovery of the aviation sector?

COVID Objective 3: Maintaining supply lines for air freight exports and imports

The COVID-19 crisis has disrupted supply chains around the world and led to major air freight shortages and consequent rises in air freight rates as freight capacity normally available from the belly hold of passenger aircraft has drastically declined.

The Government implemented the International Freight Assistance Mechanism (IFAM) to maintain established supply chains during the COVID-19 crisis that support high value, time sensitive and perishable exports and vital imports, including medical supplies and equipment. This is helping the Australian response to COVID-19 through access to critical medical and national interest imports and help for thousands of farmers, fishers and other exporters to retain their jobs in rural and regional communities.

IFAM is reconnecting international air freight routes from all state and territory capitals (exporters from the ACT can access flights via Sydney) through a combination of grants to access existing commercial flights, contracting international charters on routes and creating domestic air bridges (from Hobart to Sydney, and from Darwin to Brisbane).

IFAM has reconnected supply chains to around 60 international destinations between April and October 2020. The program has re-established direct international connections for producers and growers in regional and rural areas reliant on airfreight to get their products to customers.

Another key element of the package is providing logistical and administrative support to facilitate clearances for critical medical imports (personal protective equipment and manufacturing supplies) and freight to support the national interest (such as key infrastructure). IFAM has responded to some 200 requests to assist with the import of essential health supplies, such as medicines, medical supplies and equipment.

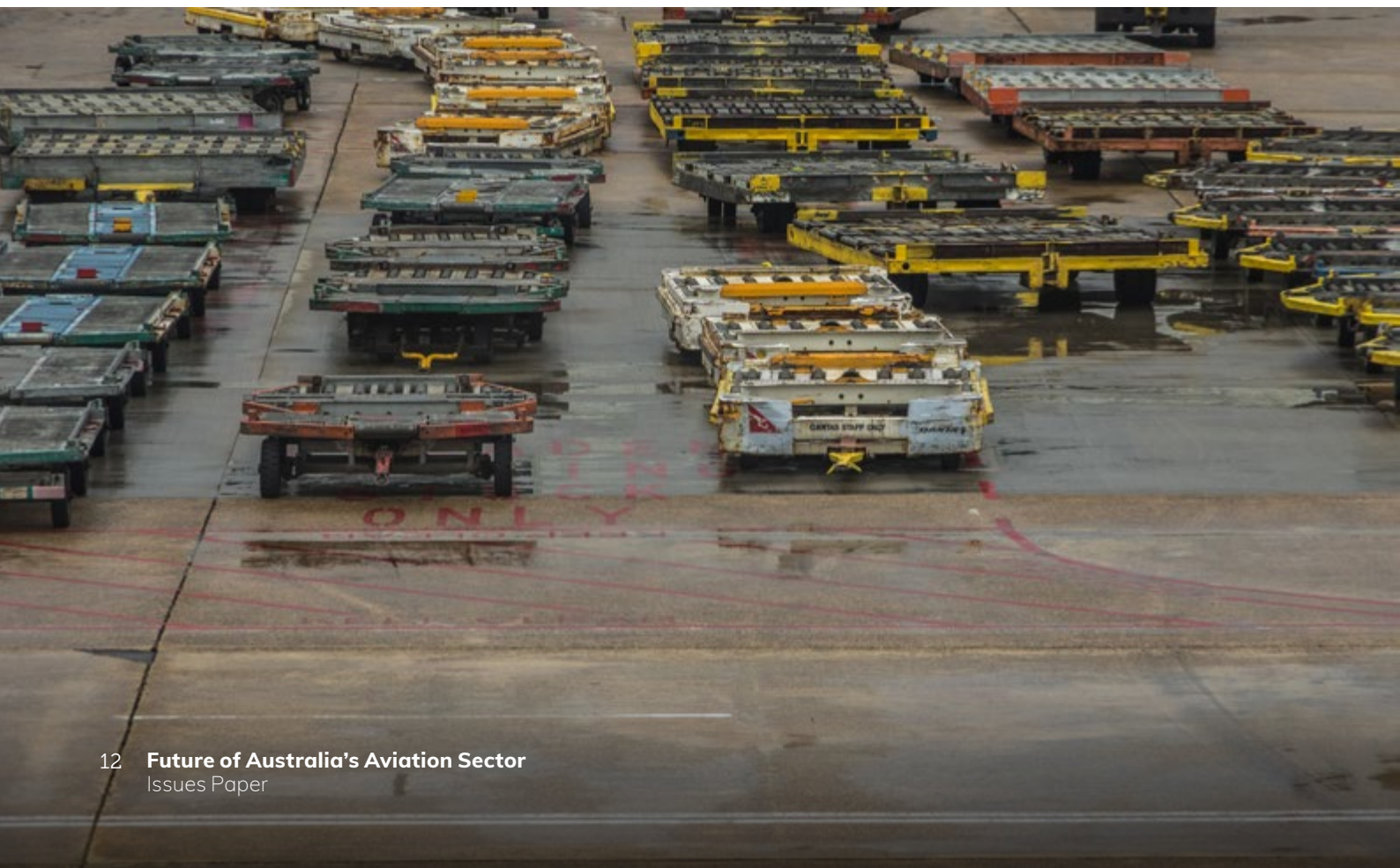
IFAM is an emergency, temporary measure and many exporters are adjusting their operations and supply chains in recognition they will be facing these higher freight costs for the foreseeable future.

A substantial element of IFAM funding is to support national air freight connectivity, particularly from smaller capital city airports such as Perth, Adelaide, and Brisbane to keep these supply chains operational during COVID-19 and avoid a longer-term recovery lag.

Questions for consideration

Are there options to improve governments' support for maintaining international air freight capacity during COVID-19?

What is the best way for governments to scale back international air freight support to allow commercial air freight operations to resume as the regional, domestic and international economies recovers?





Part B:

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

The Australian Government has clear long-term policy objectives for aviation (see Inset 4).

Australia should have a competitive and efficient aviation sector that provides accessible, high-quality, low cost services.

Aviation must be safe, secure and environmentally sustainable, to protect the travelling public and the broader Australian community.

Together with state, territory and local governments, the Commonwealth has a role in ensuring minimum access to essential aviation services and connectivity in regional Australia.

Inset 4: The Australian Government's Policy Objectives

1. A competitive and efficient aviation sector

The Government will adopt aviation policies that create incentives for businesses to innovate, lower costs and provide better quality services. As technologies and market conditions change, businesses need flexibility to invest in services that meet the needs of Australian aviation users, free from anti-competitive behaviour. Governments and industry must work together to improve the availability of the human resources, knowledge systems, institutions and infrastructure needed to enhance productivity.

2. A safe, secure and environmentally sustainable aviation sector

The Government is committed to maintaining the highest aviation safety and security standards, to reduce the risk of air accidents and other external hazards. The environmental impact of aviation — on communities, the natural environment and the climate — must remain within acceptable limits.

3. Minimum access to essential aviation services

The Australian Government and state, territory and local governments have a shared responsibility to ensure minimum access to essential aviation services for those living in remote and regional areas. The Australian Government has a strong policy interest in aviation services to remote Indigenous communities and responsibility for services to Australia's external territories. Aviation service delivery also plays a role in the Government's regional development policy agenda.



Australia's aviation sector faced a range of challenges prior to COVID-19, particularly in regional Australia. Some airlines, airports and allied aviation businesses have thin margins and high fixed operating costs. Aviation business entry and exit is common in many regional markets. Competing for skilled workers can be a challenge for the General Aviation sector.

Technology in the aviation sector is also evolving quickly. Growth in new emerging technologies such as remotely piloted aircraft systems (RPAS), alternative fuels, and electric propulsion and electric vertical take-off and landing (eVTOL) vehicles has the potential to catalyse important economic and social gains — where supported by an appropriate policy and legal framework.

COVID-19 has exacerbated these challenges and accelerated changes in the structure of Australia's aviation sector. As the regional, domestic and international economies start to recover, Commonwealth, state, territory and local governments, working closely with aviation and related industries, need to come together to implement a refreshed policy agenda for Australian aviation.

Future policy reform will build on the substantial aviation sector reforms in the 1990s that saw increased flexibility, competition and capacity in the sector, resulting in lower airfares, greater passenger numbers and increased industry productivity (see Inset 5). This period of major reform has left the Australian aviation industry among the most competitive and efficient in the world. Continuous improvement remains critical if Australia's aviation sector is to remain a world leader.

Part B of this Issues Paper seeks stakeholder feedback on policy options to achieve the Government's aviation policy objectives, focusing on three main areas:

- 1. Reducing the regulatory burden** to reduce costs for aviation businesses, encourage greater competition and local investment, and lower prices for Australian travellers — while ensuring our regulatory objectives are met.
- 2. Greater local decision making** by ensuring state, territory and local governments have the flexibility and autonomy to determine local aviation priorities, and respond to the changing needs of their communities.
- 3. Targeted assistance** for critical strategic aviation infrastructure and services to improve connectivity and essential service delivery.

Drawing on the feedback received in response to this Issues Paper, the Australian Government intends to release a Five-Year Plan for Aviation in 2021, setting out proposed actions for strengthening aviation following the COVID-19 crisis and improving the long-term sustainability of the sector.

Stakeholder feedback is welcome on any ongoing aspect of aviation policy, however the focus of the Five-Year Plan will be on the policy responses needed to adapt to the long run impacts of COVID-19. Consultation questions are included for each policy area to guide stakeholder responses.

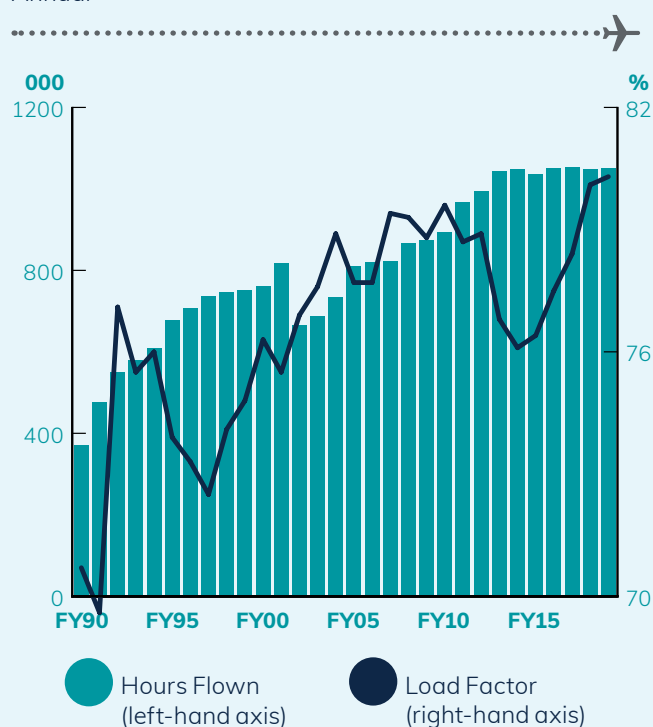


Inset 5: Reform in Australia's aviation sector

The Australian Government has implemented a range of reforms for the aviation sector over recent decades. The big deregulation reforms were done in the 1990s. These critical reforms increased flexibility, competition and capacity in the sector. These and other changes saw unprecedented growth in international and domestic aviation, lower prices for consumers and improved industry productivity (Chart 1).

Chart 1: Domestic Airline Performance

Annual



Source: BITRE (Domestic airline industry annual summaries 1984 to 2019 and 1984–85 to 2018–19)

Key Historical Reforms:

Ended the 'two airlines policy' removing economic regulation of domestic interstate aviation on trunk routes.

Merged and privatised Qantas and Australian Airlines: airline deregulation allowed new airlines, provided they met safety standards and other requirements, to operate in Australia.

Established Airservices Australia and CASA as independent Commonwealth Government agencies, and moved towards a cost recovery model, with CASA responsible for the regulation and safety of the sector and Airservices Australia delivering airspace management, navigation and communications support, and emergency operations.

Repealed the Independent Air Fares Committee (IAFC) Act 1981: transferring consumer protection and price functions to the Trade Practice Act 1974.

Introduced 'investment cabotage' where Australian-based subsidiaries of foreign-owned companies can fly domestic routes, subject to Australian laws and regulations.

Privatised 21 major airports unlocking billions of dollars in investment while removing the need for Government funding.

Transferred financial responsibility for ex-Aerodrome Local Ownership Plan (ALOP) airports to local governments, although local governments are not permitted to sell, lease or dispose of these local aerodromes without the Commonwealth's written consent.

Recent Developments

The Government has continued to refine Australia's aviation policy framework to maximise efficiency, innovation and community benefit. Key initiatives include:

Commencing construction of Western Sydney International (Nancy-Bird Walton) Airport, a transformational infrastructure project that will generate economic activity, provide employment opportunities closer to home for people in the Western Sydney region and meet Sydney's growing aviation needs.

Proceeding with the OneSKY Australia Program, replacing existing air traffic management systems with an advanced integrated system that will deliver more efficient air services, support future air traffic growth and enhance national security.

Establishing the Regional Airports Program investing \$100 million to help owners of regional airports right across Australia deliver safer runways, taxiways and other safety upgrades such as new fencing and safety equipment.

Investing \$4 million over four years in the Women in Aviation Industry Initiative to support the Government and industry working together to encourage more women to pursue careers in the aviation sector.

This complements and supports the work already being undertaken by the aviation industry to encourage women to consider aviation as a career option.



Reducing the Regulatory Burden: General Aviation

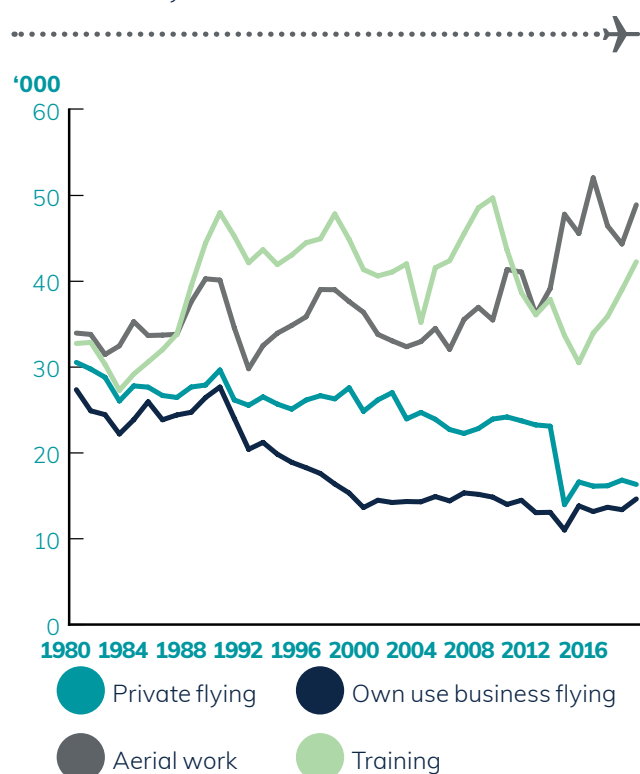
The General Aviation (GA) sector comprises activities other than scheduled passenger operations. It includes commercial operations such as aeromedical operators, agricultural aviation businesses, aviation-based firefighting services, flight training, aerial work such as aerial photography and surveying, as well as non-commercial aviation activities such as private flying.

The Bureau of Infrastructure, Transport and Regional Economics (BITRE) 2017 General Aviation Study highlighted mixed fortunes in an evolving sector. Recent data from the General Aviation Activity Survey shows stagnation in certain sectors such as private flying and sport and recreational aviation. However, other sectors, including aerial work, are experiencing periods of growth.

The Study outlined key challenges facing the industry such as fluctuations in the cost and availability of aviation gasoline (Avgas) fuel and maintenance of an ageing, fixed wing VH-registered fleet. It also outlined opportunities for the industry including harnessing the benefits of potential multiple commercial applications of RPAS and targeted measures for enhanced pilot training.

Chart 1: General Aviation

Hours Flown by Sector



Source: BITRE, Unpublished

Stakeholders also suggest improvements to safety regulation would increase prospects for the sector's growth, and that assistance to build a broader skill set in areas of business management could support increased viability.

The General Aviation Advisory Network (GAAN) is an industry representative network established in 2016 to provide advice to the Minister for Infrastructure, Transport and Regional Development on matters impacting GA; consider pressures, trends and issues facing the GA sector; and make a positive contribution to assist in the development of GA policy.

The GAAN's key priorities include considering and proposing improved GA safety regulations, identifying levers to better promote GA in Australia as a contributor to social and economic development and developing a long-term strategic perspective for GA to inform policy development.

The Senate Rural and Regional Affairs and Transport Legislation Committee is currently conducting an Inquiry into the current state of Australia's GA industry, with particular reference to aviation in rural, regional and remote Australia. The Government will carefully consider recommendations from the Senate Committee.

This Issues Paper is not proposing to duplicate these processes. However, stakeholders are welcome to put forward options to further enhance GA's contribution to the economy and the community.

Questions for consideration

The Government understands the key challenges facing the GA industry. Given the impact of COVID-19, are there other areas where governments could be focusing to support GA?



Reducing the Regulatory Burden: Demand management at Sydney Airport

Slots give airlines the right to take off and land at congested airports in a particular time window. Effective slot management is key for safety, efficiency and amenity, including noise management.

Eight Australian airports have a slot management scheme in place, drawing on the International Air Transport Association (IATA) Worldwide Airport Slot Guidelines. Airports have been flexible in their slot management during the COVID-19 period to ensure that airlines' longer-term access to slots is not diminished by reduced flying schedules during the COVID-19 crisis.

Currently, only Sydney (Kingsford-Smith) Airport has a Commonwealth-regulated slot management scheme. The Australian Government does not advocate regulating slot management at other major Australian airports at this time.

Other elements of Sydney Airport's demand management regulations include:

- a regional ring fence where regional airlines are assured a certain number of slots
- a regulated price cap and price notification regime for regional air services
- a movement cap so that no more than 80 runway movements occur in any hour
- a curfew that applies to aircraft operations between 11.00pm and 6.00am; and
- allowing airlines to swap slots, in certain circumstances, but not to buy and sell slots.

These regulations aim to balance the efficient use of the airport with broader regional and environmental objectives.

The Australian Government will soon be commencing a comprehensive review of the legislation governing Sydney Airport's demand management, including slot management.

The review is in response to a 2019 Productivity Commission Inquiry Report on *Economic Regulation of Airports*. This review will provide an opportunity for stakeholders to canvass issues that would improve the flexibility and effectiveness of the Sydney Airport Slot Management Scheme.

All stakeholders are encouraged to participate in this consultation process.



Reducing the Regulatory Burden: Airspace Management

Australian airspace is regulated by CASA within policy settings established by the Australian Government.

Airservices Australia is a government owned organisation providing safe, secure, efficient and environmentally responsible services to the aviation industry within this airspace. As well as managing 11 per cent of the world's airspace, it provides telecommunications, aeronautical data, navigation services and aviation rescue firefighting services.

Australia is currently developing a highly advanced and integrated air traffic control system which is expected to be fully operational by 2026. OneSKY will provide a new, harmonised civil-military air traffic management system, which will give Australia new levels of operational efficiency, cost efficiency and safety. It will also reduce delays for the travelling public and provide opportunities to improve environmental outcomes.

The Australian Airspace Policy Statement (AAPS) sets direction for CASA in administering airspace and is a critical element in setting the Government's policy direction in airspace administration. It is updated every three years, and the new version will be published in 2021 following public consultation.

An important part of airspace design is safeguarding airspace from development of buildings around airports to ensure the viability of the industry for the future. It is equally important that safeguarding does not place unnecessary burdens on developers or unfairly impedes unlocking land value.

This safeguarding also needs to take into account the ability to reduce the environmental impact of the aviation industry by permitting continuous climb and descent operations. Reforms in this space can provide many benefits and, if managed well, include reducing the impact of aircraft noise on communities.

The Australian aviation system is growing and rapidly changing in light of economic, social and technological developments. Over the next decade, traditional and non-traditional aviation activities will increasingly need to operate within the same airspace, further increasing the congestion and complexity of the airspace. Regulatory requirements and air traffic management arrangements will need to be able to meet the increasingly complex operating environment.

The Australian Government will consult with industry in 2020 on a range of options to develop a National Strategic Airspace Policy to ensure Australia's airspace administration and management arrangements remain appropriate into the future.

Questions for consideration

What issues need to be considered in shaping future airspace protection policies and regulations?

How can airspace protection balance the needs of the aviation industry with those of land owners and surrounding communities?

In coming months, the Australian Government will begin consultation to inform development of the Australian Airspace Policy Statement, and on a range of options to develop a National Strategic Airspace Policy.

All stakeholders are encouraged to participate in this consultation process.



Reducing the Regulatory Burden: Airline access to domestic and international routes

Access to domestic routes

Australia has one of the most open and competitive aviation markets in the world. Australian-registered airlines may fly any domestic route, subject to operational safety and security approvals and airport capacity. Foreign investors are able to own Australian-registered airlines that operate on domestic routes. Virgin Australia is an example of a foreign owned airline registered and flying domestically in Australia to the benefit of Australian consumers.

Foreign-registered airlines do not have cabotage rights to fly domestic routes, with the exception of New Zealand registered airlines. Granting foreign airlines some cabotage rights could increase domestic competition, potentially reducing airfares and improving flight options for consumers. However, such cabotage rights are rare internationally, due to concerns including the risk to other regulatory objectives such as safety, security and industrial relations. For this reason, changes to cabotage rights could only ever be considered for airlines from countries with high regulatory standards like Australia.

Access to international routes

Access to international routes is governed by Air Service Arrangements (ASAs), which are typically negotiated with other nations on a bilateral basis. ASAs specify which airports each country's airlines may land at and how many services they are permitted to operate. ASAs also specify which other countries the airlines may operate to, and via, as part of a multi-stop journey. The Australian Government's policy is to negotiate capacity ahead of demand, with the success of this policy demonstrated by the very few capacity constrained international routes into and out of Australia.

Australia has a number of 'open skies' arrangements (the granting of open capacity and liberal 'traffic rights' between two or more aviation markets). Australia has previously engaged in discussions on multilateral ASAs within our region, but these face difficulties because of disparity in market sizes and policy approaches.

Provisions in the Air Navigation Act 1920 and the Qantas Sale Act 1992 require Australian international airlines to be majority Australian-owned.

Questions for consideration

Are there ways to further liberalise air access arrangements while maintaining Australia's high regulatory standards?



Reducing the Regulatory Burden: Facilitating new and emerging technologies

Over the last few years, the growth in new and emerging aviation technologies such as drones, electric-powered aircraft, and electrical vertical take-off and landing (eVTOL) vehicles is creating opportunities for new ways of doing things. New industries are being created and the aviation sector in coming years will look very different to what it does now.

While the technology itself is important and impressive, the application of the technology is where the potential for significant economic and social benefits exists. For instance, there has been an emergence of new electric propulsion systems being fitted to existing aircraft designs.

The increase in productivity and sustainability for a range of sectors will boost economic development and jobs. Such technology will likely create a shift in the job market, creating new sectors for operation and maintenance, but also new jobs working with this technology in existing industries.

In recognition of this potential, the Australian Government is developing a national whole-of-government framework to manage new aviation technologies, such as drones and eVTOL vehicles. A National Emerging Aviation Technologies Policy is the first step in this process.

The rationale for a national policy is to provide certainty for industry investment and provide a clear policy and legal framework that encourages and facilitates the use of this technology. The framework will also include measures to mitigate potential risks and impacts on the community. It is vital that these technologies operate in a manner that is safe, secure and considerate of the community and the environment.

Questions for consideration

Are there barriers to the take-up of innovative technologies in the aviation sector?

The Australian Government released a comprehensive Issues Paper on Emerging Aviation Technologies, such as drones and eVTOL vehicles, on 3 September 2020.

A link to the paper can be found at

www.infrastructure.gov.au/aviation/drones

All stakeholders are encouraged to participate in this consultation process.



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

A key role for the Australian Government is promoting a safe, secure and environmentally sustainable aviation sector. Our existing regulatory frameworks have helped Australia maintain a strong international reputation as a safe and secure place to fly.

Safe air travel

Safe air travel means a low likelihood of accidents and near misses. A robust aviation safety system, where all aspects of the flight meet strict minimum standards (e.g. aircraft design, maintenance, pilot training, flight crew standards, operational rules, aerodrome standards etc.) gives passengers confidence to fly.

The CASA is an independent statutory authority responsible for the national regulation of aviation safety, the regulation of international operations conducted into and out of Australia, the management of Australian aircraft internationally, as well as aspects of the operation of foreign-registered aircraft within Australia.

While recognising CASA's primary consideration must be safety, recently passed changes to the *Civil Aviation Act 1988* provide that CASA must also consider a range of specific matters, including cost impacts and the risks associated with different industry sectors, when developing aviation safety standards.

CASA's regulatory functions are complemented by the Australian Transport Safety Bureau (ATSB) which aims to improve safety and public confidence in the transport industry through independent investigation of transport accidents and other safety occurrences. Lessons arising from the investigations conducted by the ATSB are used to reduce the risk of future accidents and incidents through the implementation of safety action by industry and the Government.

This Issues Paper seeks views on the broader governance arrangements for safety regulation, including consultation and funding arrangements (explored separately below).

Questions for consideration

Are there options for governments to improve aviation safety governance and consultation processes?

Secure aviation

Secure aviation is resilient to a range of external risks, such as terrorism. Measures such as security screening of goods and people, secure airport areas and police response capabilities improve security but impose cost and impost on air transport users.

The Department of Home Affairs is responsible for regulating aviation security in Australia and takes an intelligence-led, risk-based approach to aviation security settings to ensure security requirements are commensurate with risk.

While the Department of Home Affairs administers the *Aviation Transport Security Act 2004* (ATSA) and *Aviation Transport Security Regulations 2005* (ATSR), it is the responsibility of aviation industry participants such as airport and aircraft operators as well as air cargo supply chain participants, to manage their day-to-day aviation security operations in accordance with approved transport security programs (TSP) or security plans.

To further strengthen Australia's aviation security regime and to keep ahead of evolving threats, in May 2018 the Australian Government announced the introduction of upgrades to the current security measures. The Department of Home Affairs keeps aviation security settings under constant review.

Recognising the importance of regional aviation, and also of a secure aviation network, the Department of Home Affairs is examining options to ensure the sustainability of security screening operations at regional airports. The Department recently released the *Sustainable Security Screening at Regional Airports* discussion paper to facilitate discussion between the Department and industry, and to give industry the opportunity to provide information, views and experiences that will contribute to the development of an appropriate and enduring support mechanism.

This Issues Paper is not looking at specific aviation security regulations, but rather is seeking feedback on the Government's broader approach to aviation security policy.

Questions for consideration

Are there approaches that governments could pursue to improve aviation security governance and consultation processes?



Environmentally sustainable aviation

Aviation operations can be managed to minimise the environmental impact of aviation operations on the climate and the broader natural environment (including noises and emissions), and on communities.

Australia is implementing a State Action Plan on managing Australia's aviation carbon emissions. The Action Plan details a strategy for improvements and efficiencies in aviation environment practices in Australia.

Key elements include:

- the Safeguard Mechanism, a framework for Australia's largest emitters to measure, report and manage their emissions. It does this by encouraging large facilities, whose net emissions exceed the safeguard threshold, to keep their emissions at or below emissions baselines. Both Qantas and Virgin Australia are covered by the scheme; and
- participation in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The CORSIA is the market-based measure that was adopted by the International Civil Aviation Organization (ICAO) in 2016 to cap carbon emissions from international aviation. This scheme applies to Australia's major international airlines.

The State Action Plan also highlights the Australian industry's efforts to foster research and development of sustainable alternative aviation fuels including fuels derived from biomass, such as trees, plants, waste and other organic matter.

The Government has a role in regulating aircraft noise and emissions, and working with industry to manage the impacts of pollutants, including per- and poly-fluoroalkyl substances (PFAS). Management of PFAS issues on airports primarily rests with airport operators, airport users, and the Commonwealth Government. State and territory governments and the broader community are also key stakeholders in PFAS risks mitigation.

Aircraft noise affects communities around Australia. Managing this impact as well as allowing the movement of goods and people by aircraft is a delicate balancing act. While there have been improvements in aircraft design, there are more aircraft moving and in closer proximity to populations. Further development and work can be undertaken to permit more environmentally efficient flightpaths in Australia. Australia could potentially look at the curfew system at major airports, noise abatements procedures, and also be more active in influencing international standards on aircraft manufacture.

Australia is currently reviewing aircraft noise regulations relating to RPAS operations including considering submissions received from industry and community stakeholders.

Questions for consideration

Are there options to improve environmental outcomes while maintaining an efficient and effective aviation sector?



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

The Australian Government currently owns 21 airport sites across the country, which it leases on long-term leases to private operators. These federally-leased airports, privatised during the late 1990s and early 2000s, are subject to a range of Commonwealth laws and regulations administered by the Department of Infrastructure, Transport, Regional Development and Communications.

This group of airports covers a broad spectrum. Many are among Australia's busiest RPT airports, including the eight major airports in our capital cities. As interstate travel and freight hubs and international travel entry/exit points, these airports facilitate around 85 per cent of Australia's annual domestic travel.

Other federally-leased airports, such as Moorabbin and Tennant Creek airports, transit few RPT, while five do not provide RPT services at all. These airports focus instead on GA services such as flight training, aeromedical services and charter flights.

These smaller federally-leased airports are not really different to other airports regulated by state and territory governments.

Federally-leased airports are subject to regulations including:

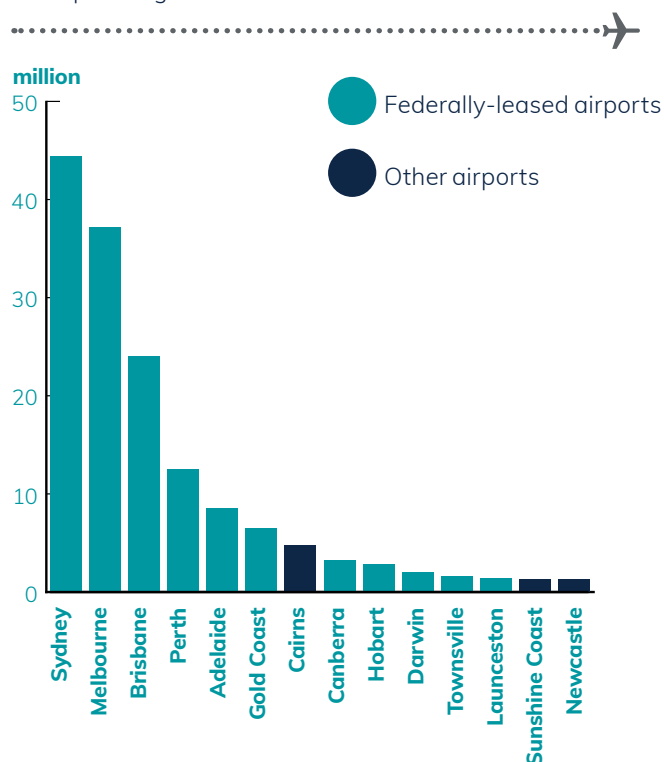
- restrictions on ownership and control of airport infrastructure
- protection of airspace around airports
- building controls; and
- environmental management.

Certain federally-leased airports are subject to further regulations which differ between different airports such as:

- reporting on the prices charged for aeronautical services and facilities
- Parking Infringement Notices Scheme
- administration of the Liquor Licensing Regime; and
- curfews (Adelaide, Sydney, Gold Coast and Essendon Airports).

Chart 1: Australian RPT airports

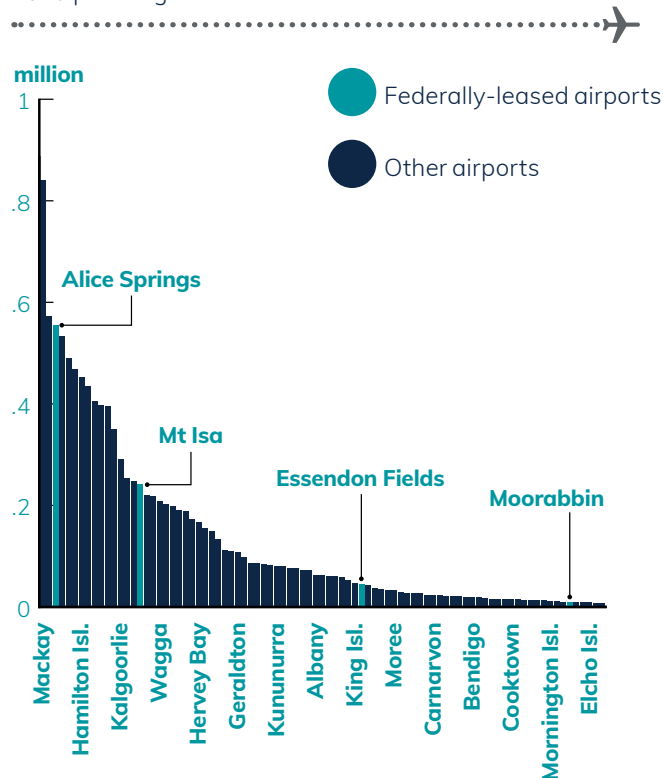
2019 passenger movements



Source: BITRE 2020 Aviation statistics

Chart 2: Australian RPT airports

2019 passenger movements



Source: BITRE 2020 Aviation statistics

The Australian Government is exploring opportunities to reduce regulatory duplication and ensure airport regulations are fit for purpose. For example, local infrastructure assets are generally best managed at the local level as this can simplify the regulatory environment and level the playing field for airports located in the same jurisdiction. However, any changes would need to balance the important role of airports to their communities and to the broader aviation ecosystem.

It is important that the Government's regulations do not impose an undue burden on private airport operators. This Issues Paper provides an opportunity to explore options for reducing unnecessary red tape on federally-leased airports. Regulation should be sufficiently flexible to adapt to ongoing changes in the sector.

Regulations should also not unnecessarily restrict airport operators from accessing commercial opportunities (e.g. unnecessarily preventing airport operators from diversifying their revenue streams).

Airport planning and investment relies on a stable regulatory environment, given time horizons are often in excess of 20 years. Any changes to federally-owned airport regulation would need to be implemented over a suitable transition period.

Questions for consideration

Are there options to improve the regulation of federally-leased airports that balance the benefits of local level regulation and management with strategic national level interests?



Greater local decision making: Local government owned aerodromes

In the 1950s, ownership of many Australian Government-owned airports was transferred to local governments under the Aerodrome Local Ownership Plan (ALOP). This decision recognised aerodromes are important local infrastructure assets, and best managed at the local level. Between 1989 and 1993, local governments were given full management and financial responsibility for the former ALOP aerodromes. Under transfer deeds, signed with the Australian Government, local governments (and in some cases private entities) are obliged to continue owning and operating 244 former ALOP aerodromes unless they receive Australian Government permission to close or privatise.

While some former ALOP aerodromes are profitable businesses, many run at a financial loss, putting financial pressure on sometimes stretched local councils and at a cost to other local priorities. Many of the former ALOP aerodromes do not receive regular public transport flights (RPT), but support other local businesses and services, such as agriculture and aeromedical. In some parts of Australia, multiple aerodromes are also in reasonably close proximity to one another, and do not have sufficient demand to justify RPT services.

It may be timely to consider options for change to the oversight of ALOP aerodromes to give local governments greater flexibility in determining the best long-term aviation solutions for their region.

Questions for consideration

Are there options to improve how ALOP aerodromes are regulated?

Are there other ways the Commonwealth could support state and local governments in their operation and management of regional and local aerodromes?



Targeted assistance: Funding of regional airports

Regional aviation faces a range of long-term challenges which have been exacerbated by COVID-19. Thin markets for some regional air services have resulted in some smaller regional airports — typically owned and operated by local governments — having access to insufficient revenue to cover operating and maintenance costs, putting pressure on council finances. Large distances and sparse populations also often lead to regional airfares being higher than in denser, more populous urban areas.

Australian Government funding has historically focused on remote aviation programs, including for Indigenous communities, while state, territory and local governments have focused on the broader intrastate network of routes. More recently, the Australian Government committed to a \$100 million *Regional Airports Program (RAP)* that provides assistance to the owners of regional airports to undertake essential works, promoting aviation safety and access for communities.

There are also recent measures related to enhanced security screening requirements at designated regional airports. The \$50.1 million Regional Airport Security Screening Fund (RASSF), administered by the Department of Home Affairs, funds the upgrade or purchase of equipment to meet new aviation security screening requirements. The \$66 million Regional Airports Screening Infrastructure (RASI) program assists with capital works required to accommodate new screening equipment and initial operational costs involved in implementing the enhanced security. Further details on the Australian Government's support for regional Australia, including regional airports, is provided in Inset 6.

Separately, state and territory governments operate a range of funding and financing for regional airport upgrades, with different criteria and policy objectives applying across jurisdictions. Similarly, Australian Government funding programs have different criteria and policy objectives, and require different levels of co-funding from state and local governments. A more strategic and coordinated approach to regional airport funding across levels of government may be desirable.

Questions for consideration

Do current Government airport grants target key priorities for regional airports?



Inset 6: Existing aviation-specific programs and regional development programs

Australian Government support for Regional Aviation

The Australian Government also funds a range of initiatives to support aviation safety and security, service access and infrastructure in regional and remote areas.

Regional Airports Program (RAP)

The RAP provides \$100 million in assistance to the owners of regional airports to undertake essential works, promoting aviation safety and access for communities.

Regional Aviation Access Program (RAAP)

The RAAP provides \$75.1 million to remote airstrips to improve their ability to support aeromedical services. Funding is provided for landing lights, animal fencing and other critical services. The RAAP comprises:

- Remote Air Services Subsidy (RASS) Scheme: subsidises a regular weekly air transport service to communities in remote and isolated areas of Australia for the carriage of passengers and goods such as educational materials, medicines, fresh foods and other urgent supplies.
- Remote Airstrip Upgrade (RAU) Program: improves the safety of remote air transport and the access of residents to essential goods and services, including urgent medical care.
- Remote Aerodrome Inspection (RAI) Program: provides identified remote Indigenous communities with annual inspections and related services to help them meet their aviation safety obligations.

Airservices Australia Enroute Charges Payment Scheme

The Scheme continues to provide a subsidy to air operators providing aeromedical services to regional and remote locations through a reimbursement of enroute air navigation charges levied by Airservices Australia.

Regional Airport Security Screening Fund

Funding of \$50.1 million is being provided to support eligible regional airports to upgrade or purchase equipment to meet new aviation security screening requirements.

Support for competition

The ACCC monitors, and publicly reports on, the prices, costs and profits of Australia's four major airports.

Australian Government support for broader regional development

The Government's long-term approach to regional development is to work in partnership with communities, other levels of government and the private sector to foster the development of vibrant communities and regions where people want to live and work. The Government invests in a range of initiatives to promote better services, jobs and economic growth in Australia's regions.

Building Better Regions Fund (BBRF)

Through the \$841.6 million BBRF, grants of up to \$10 million are provided to support projects that will strengthen local economies and drive job creation, with thousands of jobs expected to be supported throughout regional Australia. Projects include key local infrastructure and community building initiatives.

Infrastructure Investment Program (IIP)

The Government is investing a record \$100 billion over 10 years from 2019-20 through its rolling infrastructure plan, including \$10 billion on Inland Rail and \$1 billion for the Princes Highway, and \$400 million for the Newell Highway to help drive benefits for regional Australia.

Regional Jobs and Investment Packages (RJIP)

The Government has committed \$222.3 million to the RJIP to help regions in Australia diversify their economies, stimulate long-term economic growth and deliver sustainable employment. Ten pilot regions have been chosen to be a part of the RJIP.

Roads of Strategic Importance (ROSI)

Through the Roads of Strategic Importance initiative, \$4.5 billion is being invested in transport corridors across the nation, helping to link regional businesses to local and international markets, and better connect regional communities.

Targeted assistance: Aviation skills and workforce development

Access to skilled workers is a prerequisite for a competitive and efficient aviation sector.

The Australian Government plays an important role in assisting industry address this challenge by providing assistance to students and employers through various education initiatives, as well as managing the migration framework.

Prior to COVID-19, the shortage of skilled personnel in the aviation sector was a global problem. Previous forecasts suggested strong aviation growth, particularly in the Asia Pacific, would translate to pressure on training systems to meet the huge demand for skilled personnel.

The impacts of the COVID-19 crisis have forced airlines to make drastic cuts to workforces, which has alleviated the skill shortage in the short term. However, this current respite may be short lived. Issues have arisen relating to maintenance of skills and capabilities during the downturn, due to the ongoing professional training requirements for some professions, such as pilots.

As the pandemic continues to impact aviation activity, it may be difficult for current licence holders to continue to meet these requirements. Further reduction in the qualified workforce through a large scale lapse in skills and accreditation or an exodus of skilled personnel could exacerbate prior skills shortages as the sector recovers.

It is possible the current workforce cuts may create a significant pool of aviation workers looking for future opportunities elsewhere in the industry. It may be prudent to harness this current excess to address ongoing skills issues previously forecast such as providing access to aviation skills for regional aviation businesses or redirecting skilled workers into training and education roles to increase capacity. This will be impacted by a range of factors, including whether they can offer competitive remuneration packages to prevent these staff going to other industries.

Training opportunities are not limited to fixed or aerial wing pilots and, as of December 2019, there were 14,817 RPAS pilots and over 50 CASA certified training organisations for remotely piloted aircraft. As new technologies increase their share of the overall aviation market, the importance of matching workforce skills with employer requirements, as well as meeting the extent of those requirements, will remain a key priority.

The 2018 Expert Panel Report on Aviation Skills and Training identified a range of opportunities to improve the effectiveness of the aviation training framework. Some recommendations have been addressed by Government, such as through the Women in Aviation Initiative designed to attract more female participation and representation in the industry, and an increase to the limit on student loans. Further work can still be done in these areas within the sector, including on options to develop career pathways that offer greater employment opportunities.

Some of the more complex recommendations continue to be considered in forums such as the General Aviation Advisory Network. These include removing overlapping regulation administered by CASA and the Australian Skills Quality Authority, and better aligning the VET framework and CASA licensing on issues such as 'competency based training'.

Questions for consideration

Noting the complexity added by COVID-19 to the changing nature and structure of the aviation workforce:

Are there other or modified options to improve the aviation workforce training framework to better meet the current and future needs of industry, beyond those identified in the Expert Panel Report?

Are there options to improve the longer-term development and/or retention of aviation skills?



Targeted assistance: Sustainable funding for Australian aviation services

Funding for aviation agencies has been disrupted by COVID-19. The aviation industry relies on Commonwealth aviation agencies to provide critical services (such as air traffic control, aviation rescue firefighting services and safety oversight) that are essential for the effective operation of the industry. Many government services provided to the aviation community are funded through fees related to flight movements and fuel usage. With aviation traffic significantly reduced, this has highlighted the need to look more closely at the ongoing funding mechanisms for these agencies to see if they remain fit for purpose and can withstand disruption to the industry.

A range of government fees and charges currently apply to the aviation industry. These include fuel excise, CASA and Airservices Australia charges, security charges, biosecurity fees and the Passenger Movement Charge. Inset 7 provides case studies of funding mechanisms for the two major independent Commonwealth aviation agencies.

These sources of revenue fund critical services for our communities, including civil aviation safety regulation, border processing, biosecurity activities, air traffic control services and aviation fire and rescue.

There may be opportunities to consider rationalising the number of fees and charges impacting the aviation industry to provide a simpler and more transparent system.

There may be ways to fund organisations such as CASA that, if designed well, would more simply, fairly and transparently distribute cost recovery. Some examples could include:

- introducing a simple aircraft registration levy to replace much of the existing regulatory fee schedule; and
- replacing the aviation fuel excise with a broad-based Aviation Safety Levy applied as a landing charge to domestic and international aircraft above a minimum weight.

Questions for consideration

Are there options to rationalise the number of fees and methods of charging the aviation sector?



Inset 7: Case studies on CASA and Airservices Australia funding

Civil Aviation Safety Authority

Function: CASA's primary responsibility is to conduct the safety regulation of civil air operations in Australia and the operation of Australian aircraft outside Australia.

Funding model: CASA receives funding from three major sources: a 3.556 cent per litre excise on aviation fuel consumed by all domestic aircraft (all of which is provided to CASA and provides the majority of CASA's revenue); an annual Government appropriation; and regulatory service fees.

Airservices Australia (Airservices)

Function: Airservices Australia manages 11 per cent of the world's airspace and provides a range of related services critical to the safe and efficient operation of the industry, including navigation services and aviation rescue firefighting services.

Funding Model: Airservices Australia charges flight operators for these services, depending on the nature and number of services being used, and the location where services are provided. Charges include terminal navigation charges, enroute charges, rescue and firefighting charges, meteorological service charges (levied on behalf of the Bureau of Meteorology) and training movement charges. Charges are assessed by the ACCC.



Appendices

Appendix A: **Consolidated questions for consideration**

Part A: COVID-19 Response

Part A addresses Australian Government support for aviation during the COVID-19 crisis, and seeks feedback on how best to manage, and ultimately withdraw, this support as the economy and sector recovers.

COVID Objective 1: **Maintaining essential air connectivity** **Providing a minimum domestic network**

- What constitutes a minimum RPT network in Australia?
- Are there options to improve the effectiveness of governments' support for maintaining a minimum RPT network?
- What is the best way for the Government to scale back support as the aviation sector recovers at a different pace for different routes?

COVID Objective 2: **Preserving critical aviation capacity** **Supporting airlines and airports**

- What critical components of the aviation sector need support during the COVID-19 crisis?
- Are there options to improve governments' support for critical aviation connectivity and capacity during COVID-19?
- What is the best way for governments to scale back connectivity and capacity support to allow commercial airline operations to resume as the regional and domestic economies recovers?

Essential aviation related businesses

- How has the COVID-19 crisis and the downturn in passenger movements affected essential aviation-related businesses?
- Are there options that industry and governments could consider to ensure these services are available to support the recovery of the aviation sector?

COVID Objective 3: **Maintaining high value freight supply lines**

- Are there options to improve governments' support for maintaining international air freight capacity during COVID-19?
- What is the best way for governments to scale back international air freight support to allow commercial air freight operations to resume as the regional, domestic and international economies recovers?

Part B: Future of Aviation: **The Government's Five-year Plan for Aviation**

Part B addresses longer-term policy and seeks feedback on reform options, for implementation over five years, to strengthen aviation once COVID-19 restrictions are lifted.

Reducing the Regulatory Burden: **General Aviation**

- The Government understands the key challenges facing the GA industry. Given the impact of COVID-19, are there other areas where governments should be focussing to support GA?

Reducing the Regulatory Burden: **Demand management at Sydney airport**

The Australian Government will soon be commencing a comprehensive review of the legislation governing Sydney Airport's demand management, including slot management. All stakeholders are encouraged to participate in this consultation process.

Reducing the Regulatory Burden: **Airspace Management**

What issues need to be considered in shaping future airspace protection policies and regulations?

How can airspace protection balance the needs of the aviation industry with those of land owners and surrounding communities?

Reducing the Regulatory Burden: **Airline access to domestic and international routes**

- Are there ways to further liberalise air access arrangements while maintaining Australia's high regulatory standards?

Reducing the Regulatory Burden: **Facilitating new and emerging technologies**

- Are there barriers to the take-up of innovative technologies in the aviation sector?

The Australian Government released a comprehensive Issues Paper on Emerging Aviation Technologies, such as drones and eVTOL vehicles, on 3 September 2020. A link to the paper can be found at www.infrastructure.gov.au/aviation/drones. All stakeholders are encouraged to participate in this consultation process.

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

- Are there options for governments to improve aviation safety governance and consultation processes?

Secure aviation

- Are there approaches that governments could pursue to improve aviation security governance and consultation processes?

Environmentally sustainable aviation

- Are there options to improve environmental outcomes while maintaining an efficient and effective aviation sector?

Reducing the Regulatory Burden & greater local decision making: Federally-leased airports

- Are there options to improve the regulation of Federally-leased airports, that balance the benefits of local level regulation and management with strategic national level interests?

**Greater local decision making:
Local government owned aerodromes**

- Are there options to improve how ALOP aerodromes are regulated?
- Are there other ways the Commonwealth could support state, territory and local governments in their operation and management of regional and local aerodromes?

**Targeted assistance:
Funding of regional airports**

- Do current Government airport grants target key priorities for regional airports?

**Targeted assistance:
Aviation skills and workforce development**

Noting the complexity added by COVID-19 to the changing nature and structure of the aviation workforce:

- Are there other or modified options to improve the aviation workforce training framework to better meet the current and future needs of industry, beyond those identified in the Expert Panel Report?
- Are there options to improve the longer term development and/or retention of aviation skills?

**Targeted assistance:
A sustainable and equitable funding base for CASA**

- Are there options to rationalise the number of fees and methods of charging the aviation sector?

**Appendix B:
Privacy Statement**

Any personal information supplied in your submission is collected by the Department, in accordance with the Privacy Act 1988 (the Privacy Act). Personal information may be needed by the Department to us to make further contact with you about the consultation process, and so that the Department can record interactions between you and the Department.

Your personal information will not be disclosed to any other parties, except in the circumstances outlined below. Submissions, in part or full, including the name of the author may be published on the Department's website or in the Government's response, unless the submission is confidential. Confidential submissions (including author name) will not be published.

Private addresses and contact details will not be published or disclosed to any third parties unless required by law.

Submissions will be treated as confidential only if they are expressly stated to be confidential. Automatically generated confidentiality statements or disclaimers appended to an email do not suffice for this purpose. If you wish to make a confidential submission, you should indicate this by ensuring your submission is marked confidential.

Confidential submissions will be kept securely and will only be disclosed in the following circumstances:

- in response to a request by a Commonwealth Minister;
- where required by a House or a Committee of the Parliament of the Commonwealth of Australia; or
- where required by law.

The Department may also disclose confidential submissions within the Commonwealth of Australia, including with other Commonwealth agencies, where necessary in the public interest.

Please note that in order to protect the personal privacy of individuals in accordance with the Privacy Act any submissions containing sensitive information, personal information or information which may reasonably be used to identify a person or group of people may not be published, even if not marked as confidential.

The Department's privacy policy contains information regarding complaint handling processes and how to access and/or seek correction of personal information held by the Department. The Privacy Officer can be contacted on (02) 6274 6495.

