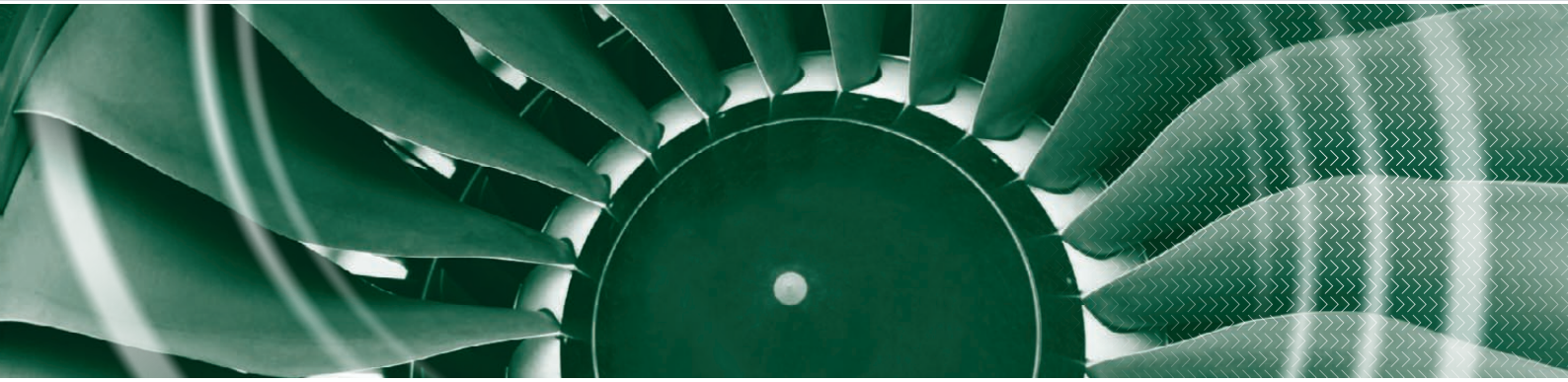
Australian Government

National Aviation Policy
Green Paper



FLIGHT PATH TO THE **FUTURE**

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Minister's Foreword

The Australian Government's Aviation Green Paper is an important step in the development of Australia's first ever comprehensive aviation industry strategic plan.

Like no other country, Australia combines vast internal distances with isolation from the rest of the world. Australia's development as a nation through the twentieth century was closely linked to the development of our aviation industry.

Aviation plays a large part in connecting Australia's towns and cities, and servicing the needs of remote and isolated communities.

Our vast continent demanded new approaches to transport for essential services such as health and ambulance services. In 1928 the first flight of the Aerial Medical Service took off from Cloncurry. The organisation, founded by the Reverend John Flynn, later became known as the Royal Flying Doctor Service, an iconic Australian organisation.

Qantas, our largest airline, is one of the oldest in the world, and today's Australian aviation industry is at the forefront of global competitiveness and innovation.

Australians are known for their determination and ability to overcome adversity and succeed where many others have failed.

We only have to look back to the determination of Ross and Keith Smith, who completed the first flight between England and Australia nearly ninety years ago; Charles Kingsford-Smith, who made the first flight across the Pacific in 1928; Bert Hinkler, who made the first solo crossing of the South Atlantic in 1931; or Nancy-Bird Walton, once Australia's youngest woman pilot, now an Australian living treasure, whose pioneering spirit paved the way for women to fly alongside men.

These Australians and their extraordinary feats captured the imagination of the nation, and indeed the world.

The Australian aviation industry has a long history of innovation, with the development of the 'black box' flight recorder by David Warren in 1958 and the inflatable escape slide by Jack Grant in 1965. That tradition has continued more recently with innovations such as The Australian Advanced Air Traffic Systems (TAAATS) which enables air traffic control coverage of 11 per cent of the world's air space through two control centres in Brisbane and Melbourne.

Our aviation industry has grown with us and has served us well. Today, Australians make almost 50 million trips at home and nearly six million trips overseas. Our airlines have grown through challenging times to be more competitive and efficient than ever before.

The industry's growth over recent decades has been remarkable, with passenger numbers trebling over the past twenty years. Growth will no doubt continue as the global economy recovers, with the Asia Pacific becoming an increasingly important player in global aviation.

On current forecasts, in 2028, there will be more than a doubling of current aircraft fleets with new generation Boeing 787 and Airbus A380 and A350 jets becoming the norm not the exception. The

Asia Pacific Region is predicted to be the largest and fastest growing aviation market in the world - outstripping the United States and Europe.

Whilst there is good reason to be positive, the aviation industry is facing unprecedented challenges. Oil prices have been volatile and the world economy has slowed. The head of the International Air Transport Association (IATA) has called conditions in 2008 a 'perfect storm', resulting from the combined effects of falling revenue and rising fuel costs. While oil prices have recently fallen, these gains have been more than offset by softening demand and the global financial crisis. Australia's airlines are also affected by these pressures.

There are massive changes occurring in the global aviation industry. Just this year the world has seen at least 30 airlines collapse and there is a strong emerging trend towards industry consolidation which is likely to continue.

IATA's message to its members is that "Wait-and-see is not an option. Major changes are needed."

There are increasing pressures due to environmental considerations, and there are pressures on airlines, airports and all aviation infrastructure to maintain high safety standards and be efficient in a period of technological change and increasing passenger numbers. A key challenge is to find, recruit and train pilots, engineers, air traffic controllers and security screeners in a growing, very competitive world market.

To meet Australia's broader needs of national economic development the aviation industry must plan, prepare and change to meet current and future challenges - sentiment echoed in the hundreds of submissions received to the discussion paper I released on 10 April this year.

Without a coherent aviation policy framework to help us navigate rapidly changing domestic and global circumstances, the industry is flying blind.

As a response to these submissions I am releasing the Aviation Policy Green Paper, the next step in delivering a blueprint for the long-term, safe and sustainable development of Australian aviation over the next 20 years. It provides the leadership and the foundations necessary to maintain aviation's role in the day to day life of Australians.

The Government's aim is to give industry the certainty and incentive to plan and invest for the long term, to maintain and improve our excellent aviation safety record, and to give clear commitments to travellers and airport users, and the communities affected by aviation activity.

I encourage interested parties to carefully consider the Green Paper and to provide further feedback to the Government as we develop the Aviation White Paper, Australia's first ever comprehensive National Aviation Policy.

The White Paper will be released in the second half of 2009.

The Hon Anthony Albanese MP
Leader of the House
Minister for Infrastructure, Transport, Regional Development and Local Government

December 2008

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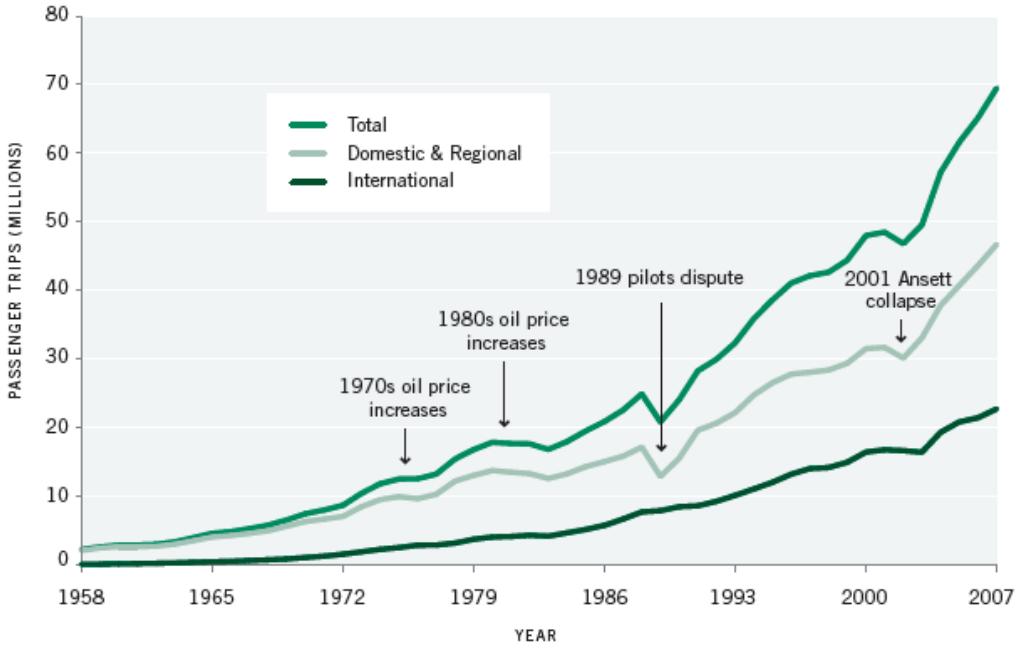
Overview

Australia's aviation industry is essential to the development of the nation's economy. We depend on it to connect to each other and to the rest of the world. Whether moving tourists, families, freight or business people the industry is critical to Australia's ongoing economic and social development. Australia's modern aviation industry supports nearly 50,000 jobs – many of them in highly-skilled specialties – as well as contributing $6.4 billion each year to Australia's economy.

Aviation activity has grown strongly over the last twenty years. This has largely been driven by broader economic growth, increased tourism, regulatory reform, and greater industry efficiency. More people than ever before are flying to a greater number of destinations on planes that are bigger, quieter and more fuel-efficient.

Today, it is difficult to imagine a world without air travel. Aviation has fundamentally evolved from being a luxury to being an essential means of transport that connects towns, cities, countries and cultures. The number of people travelling on airlines to and from and within Australia has grown from 2.3 million in 1958 to 69.5 million in 2007, a rate of growth14 times that of population growth.

Passenger journeys by air: Australia, 1958–2007
Source: BITRE



This growth is expected to continue, with the Bureau of Infrastructure, Transport and Regional Economics (BITRE) estimating the number of air passenger movements through Australian airports will grow by an average four per cent per annum to 2025-26. The forecasts anticipate a long-term positive economic outlook for Australia and its trading partners, notwithstanding short-term economic volatility.

The long-term growth predictions pose a fundamental challenge for government and industry.

Some of our major airports already operate at close to capacity during peak times; pilots, engineers

and air traffic controllers are in short supply; aviation safety standards are becoming a focus of community attention; flight delays and cancellations have become more frequent; communities are increasingly concerned about the impact of aircraft noise; and aircraft account for a growing proportion of global greenhouse gas emissions.

Addressing these challenges will not be simple and the solutions will not be immediate. Effective planning in the aviation industry takes time. Investment in aviation infrastructure requires consideration of complex commercial, engineering, environmental and safety factors. Similarly, setting the groundwork for adequate aircraft fleet and workforce planning requires the industry to take a long-term view.

Today's industry also faces a number of global challenges. The world economy is changing rapidly and has become increasingly unpredictable as a result of the global financial crisis. Economic conditions are affecting many international industries and demand for aviation services is volatile. Airlines are continuing to make significant capital investment in new aircraft which will need to be matched by appropriate investment in airport infrastructure and air traffic management systems.

The International Air Transport Association (IATA) has reported that the aviation industry made a profit of $5.6 billion in 2007, the industry's first profit since 2000. However, record high fuel prices and slowing traffic growth were expected to result in industry losses of $5.2 billion in 2008. Since that prediction, demand has slowed in response to the global financial crisis and, although oil prices have fallen, airline financial losses may be even greater than those forecasts. Such losses are unsustainable and will drive structural change within the international aviation industry. According to IATA, more airlines have gone out of business in 2008 than in the aftermath of the September 11, 2001 attacks on the United States.

The next 20 years will see fundamental changes in the aviation industry globally as airlines seek greater consolidation through mergers, cross-border investments and alliances to meet the challenges of higher fuel prices, excess capacity and addressing aviation emissions. Australia's airlines cannot expect to be isolated from global events.

By world standards, Australia's aviation industry is highly liberalised and is well-placed to meet these challenges. Our airlines are among the most efficient in the world due to reforms introduced in the late 1980s and early 1990s to improve the efficiency and competitiveness of our airlines and airports.

Governments play a vital role in ensuring appropriate policy and regulatory frameworks are in place, with settings that reflect current industry developments consistent with the broad objectives of safety, security, efficiency and environmental responsibility.

The Government's decision to develop an Aviation White Paper represents a milestone in planning for Australia's aviation future. It is the first attempt to bring all aspects of aviation policy together in a single forward-looking statement. After nearly a century of Australian aviation and several decades of significant changes in the commercial and regulatory environment of aviation businesses worldwide, now is the time to ensure Australians can look forward to a vibrant and prosperous aviation industry for the next twenty years and beyond.

The Government's aim is simple - to give industry the certainty and incentive to plan and invest for the long term, to maintain and improve our excellent aviation safety record, and to make clear commitments to travellers and airport users, and the communities affected by aviation activity.

The Government is committed to working with industry and the community to develop an Aviation White Paper that sets out a plan to support the safe, dynamic and sustainable development of the aviation industry into the future.

In particular, the Australian Government is committed to:

- **Making** safety the number one priority for Government aviation agencies and the industry, and ensuring safety regulation is robust, effective and efficient;
- **Ensuring** that aviation security is appropriate in an era where planes and airports are still potential terrorist targets;
- **Providing** a regulatory environment conducive to appropriate investment in aviation infrastructure facilities at our airports and in our air traffic management systems to meet forecast traffic growth;
- **Ensuring** an efficient aviation industry that supports growth in tourism and trade.
- **Achieving** an international air services policy which serves our national interest and balances the needs of an Australian-based industry with international competitiveness;
- **Addressing** the shortage of pilots, aircraft engineers and air-traffic controllers;
- **Dealing** with planning issues around airports in an integrated, considered way, and providing a solution to the long term airport needs of the Sydney region;
- **Planning** for the issues arising from the growth of low cost carriers, such as the increased passenger numbers at secondary airports;
- **Promoting** a proper dialogue between airports and the communities around them on issues such as the impact of aircraft noise;
- **Giving** proper consideration to the importance of air freight to regional businesses, our export industries and our economic performance;
- **Ensuring** access to regular air services in regional and remote areas, where regular flights are essential for communities, regional development and social services;
- **Establishing** an air traffic management plan which enables better long term planning and timely investment by government agencies and industry and addresses civil and military aviation requirements;
- **Using** satellite technology to improve safety and efficiency and reduce environmental impacts of aircraft operations;
- **Strengthening** the governance arrangements for the Civil Aviation Safety Authority (CASA) and the Australian Transport Safety Bureau (ATSB) to enhance the quality of their relationships with industry and the community;
- **Ensuring** that a vibrant general aviation industry is able to prosper as the nurturing ground for future commercial pilots and aviation workers; and
- **Addressing** climate change, a focal point of transport policy for this and future generations.

The Green Paper outlines the Government's proposals to deliver against these objectives.

The commitment to reform of the aviation industry complements the Government's broader economic reform agenda. The Government's long-term economic priorities are focused on enhancing productivity growth and lifting workforce participation – the keys to improving Australian living standards into the future.

The Government's vision for Australia's economic future is a nation with a diverse economy that provides fulfilling, highly-skilled and well-paid jobs; an economy that competes successfully in global markets; and an economy in which barriers to full participation are removed. The Australian Government is also committed to a strong program of structural reform to help manage the current impacts of global economic volatility.

As a global industry, aviation stands to contribute to, and benefit from, these broader reforms.

1. Aviation Safety

Safety is crucial to the aviation industry and must underpin every aspect of its operation. Safety needs to be at the foundation of every agency, every business and every flight.

Australia enjoys an enviable safety record. Our safety systems are second to none and our government agencies responsible for aviation safety – CASA, the ATSB and Airservices Australia – are internationally respected.

The Government cannot and will not rest on this record. Safety is the Government's number one priority in aviation and will remain so.

Our safety agencies must be prepared for their leading role in Australia's twenty-first century aviation sector. The industry itself is dynamic with the introduction of new aircraft, supporting technologies and business practices. Government and industry must share the responsibility for addressing these safety challenges.

Safety regulation and investigation

The Government will take immediate action to improve the capacity and effectiveness of our safety agencies. They must be able to meet the challenges of an increasingly complicated and diverse aviation industry.

CASA regulates the civil aviation industry to protect the travelling public, industry participants and the wider community. To do this, CASA needs to have the right structure, resources and legal framework. To achieve this, the Government will appoint a Board and strengthen CASA's capacity to take appropriate safety action, particularly in relation to foreign carriers operating into Australia.

The ATSB investigates incidents and accidents and recommends measures to improve the industry's safety performance. The Government will establish the ATSB as an independent statutory agency to ensure it continues to conduct the most thorough investigations possible and foster appropriate safety action.

Australian aviation is not isolated from other countries and the Government recognises that Australia can assist our neighbours to improve air safety. We will therefore continue to support a range of targeted activities, such as the Indonesia Transport Safety Assistance Package and other Asia-Pacific safety regulatory and air traffic management initiatives.

Air traffic management

Australia has one of the safest and most efficient air traffic management systems in the world.

However, sustained industry growth is placing unprecedented demands on an ageing system. Infrastructure renewal, including the replacement of our radar and navigation aids network is required. We need to make effective use of new technology and plan to ensure we have the skilled people to build and maintain an international best practice air traffic management system for the twenty-first century.

A modern air traffic management system must be able to clearly define the roles of government agencies, airlines and other aviation users in maintaining a safe and efficient airspace environment.

Sound governance is important to delivering safe air traffic management. To this end, the Government will maintain Airservices Australia as a fully Government-owned statutory authority with safety its most important consideration. Airservices will focus on delivering core air traffic management, rescue and fire fighting services. The Government will also ensure it meets its broader responsibilities to the community in relation to the environmental impacts of aircraft

operations.

One element missing from previous approaches to air traffic management is a government-led, coordinated and forward-looking air traffic policy for Australia. The Government will address this through the Aviation White Paper and develop a strategic air traffic management plan that will provide a sound basis for planning and investment decisions by aviation agencies and industry. A desirable objective of this plan will include moving towards greater integration of civil and military aviation, and enabling the ongoing development of a joint national air traffic management platform.

Good inter-agency cooperation is crucial to implementing air traffic policy. The Aviation Policy Group, comprising the heads of the Department of Infrastructure, Transport, Regional Development and Local Government, Airservices Australia, CASA and the Air Force, will continue to oversee the development and implementation of the air traffic policy, in consultation with industry.

Technology and innovation

The Government recognises the need for investment in modern air navigation infrastructure, including satellite technology, to further improve aviation safety and to meet future air traffic capacity demands. The Government also recognises the importance of investing in the skilled personnel needed to deliver safe and reliable air traffic services.

To meet these challenges, the Government is committed to the adoption of newer, satellite-based technologies, such as Automatic Dependent Surveillance-Broadcast (ADS-B) to enhance air traffic navigation and surveillance. As a high priority, government agencies are finalising a proposal for the wider application of ADS-B in Australia's air traffic navigation and surveillance management.

Improvements in air traffic management safety should also meet future service demands at growing regional airports, by providing higher levels of air traffic management services and by using new technologies where appropriate. These improvements will need to be actively considered and implemented in response to the outcomes of the Office of Airspace Regulation's ongoing regional aeronautical studies and subsequent airspace determinations.

2. Aviation security

Aviation security is not a new requirement, but it has become a priority for governments and industry since the September 11, 2001 attacks. The threat to aviation remains, and international terrorist organisations continue to focus on aviation as a preferred target.

There have been significant investments and upgrades in aviation security systems around the world since 2001. Australia's aviation security regime consists of multiple layers of preventative security measures, which have, to date, proven effective in protecting aviation from terrorist attack.

Australia's aviation security regime faces ongoing challenges from the growth in international and domestic aviation, changes to the industry, and the evolving nature of the terrorist threat.

Australia is an island continent in a growing, dynamic region. International flights from around 50 foreign airports regularly fly to Australia's eight gateway airports.

Aviation security regimes in place at these foreign airports vary, as do the potential threats to Australian interests at these locations. The introduction of a new generation of aircraft with significantly greater range increases the possibility of more international airlines flying from more distant foreign airports direct to Australia, which means the security regime needs to evolve to meet potential threats from these locations.

The Australian Government remains committed to working with the International Civil Aviation Organization (ICAO), Asia-Pacific Economic Cooperation (APEC) forums, and our regional partners to ensure a high standard of security in our region. In 2008-09 the Government will implement a

new, comprehensive foreign airports visit program designed to confirm best practice preventive security regimes are in place at high-risk locations. Reciprocal visit arrangements will be offered to foreign government regulators as part of this initiative.

Australia's decentralised airport network presents a challenge to ensure security outcomes are both effective and commensurate with the security risk at each location.

Currently, jet-powered aircraft are subject to screening, while non jet-powered aircraft are not screened, even when these aircraft are a similar size to jets and carry a similar number of passengers. The Government will examine whether this distinction remains appropriate.

A key requirement to meeting future security challenges is the need to provide updated and thorough training and background-checking of aviation security personnel. The Government is committed to working with industry to implement a National Aviation Security Training Program. This will enhance security awareness and performance of all employees working in security-controlled airports and improve national consistency in aviation security training and workforce performance.

Future aviation security screening must meet national performance expectations and be aligned with international requirements. Improved consistency of security measures across the Australian aviation network, balanced with the nature and level of threat, will improve the passenger experience while strengthening the integrity of aviation security measures.

The aviation security screening system must be improved to attract and retain personnel. Aviation security screening staff must be recognised as specialists in their field, with a high level of responsibility in applying security measures to help protect aircraft and passengers from possible acts of terrorism. Interest in establishing a new screening model based on overseas practice has been noted in submissions to the Aviation Screening Review. There are advantages and disadvantages to such an approach, with preliminary research of overseas practices indicating there is no single model that would transplant neatly to the Australian context. The Government is examining options for screening models that are suited to the Australian environment.

Finally, the costs of security measures must be considered to ensure that travel to and from remote and regional destinations remains financially viable.

A secure aviation environment includes securing the carriage of air cargo. The Government will continue to work with industry and other stakeholders to improve the security of the air cargo supply chain. To ensure Australian industry is not at a disadvantage, we will work with foreign governments and in multilateral forums to harmonise air cargo security regimes. Wherever practicable, the Government will also seek international recognition of Australia's air cargo security regime to gain access to key international markets.

3. International aviation

Australia's airline industry and carriers from other countries play a key role in linking us to the rest of the world.

There is broad public support for more liberal air service agreements, as they generate competition, stimulate tourism and expand opportunities for trade, business and cultural connections.

The Government is committed to pursuing the liberalisation of international aviation to benefit consumers and to provide Australia's airlines with the opportunity to compete effectively with their global rivals.

The Government recognises the close interrelationship between the aviation and tourism industries and in parallel with the development of the Aviation White Paper is developing a National Long Term Tourism Strategy. By complementing this strategy, the White Paper will help ensure the

continued growth of one of Australia's most important industries.

Australian airlines can only compete to their full potential in global markets if restrictions on market access are lifted. However, liberalisation needs to be balanced with what is in the nation's interest, as our aviation industry competes in an environment where not all countries apply the same rules. Government ownership, subsidies and other forms of industry assistance continue to distort the global aviation market and place Australian airlines at a disadvantage in many markets.

One of the few competitive rights Australia does have is access to the trans-Pacific route between Australia and the United States. The Australian Government has made it clear that it has no immediate plans for additional third country access to the route at this time to allow V Australia a reasonable opportunity to establish its operations.

Australia currently has some of the most liberal bilateral agreements in the world, including a full domestic and international 'open skies' agreement with New Zealand. The Government recently negotiated an open skies agreement with the United States and has also concluded expanded arrangements with Malaysia, Thailand and South Africa. There are also no restrictions on capacity in our agreements with Singapore and the United Kingdom.

Negotiations are underway on a comprehensive single air services agreement with the European Union to replace the current bilateral agreements with 17 EU Member States. This agreement is expected to remove many, if not all, of the restrictions currently in place for services provided by Australian and European airlines between our respective markets.

China, India, and countries in the Asia-Pacific and South American regions are other priority markets to which the Government is seeking greater access for Australian airlines.

There is debate about the ongoing pace of air services liberalisation. There are also differing views on whether foreign-owned, Australian domestic airlines might access Australia's international air services rights in some circumstances.

The Government will pursue a policy of securing capacity ahead of demand in air service negotiations to take advantage of growth in key emerging markets in our region, maximise trade and tourism opportunities, and ensure airlines are able to make commercial decisions on whether a service is viable.

Capacity is currently available in our agreements with our trading partners on all of our significant international routes and, in many cases unrestricted access is available to our important regional airports. The Government is also pursuing, wherever possible, expanded international freight arrangements.

The Government will maintain the legal requirement for majority Australian ownership of Australia's international airlines, including Qantas, to ensure a strong, Australian-based aviation industry continues into the future. It may, however, be timely to consider whether the additional ownership restrictions currently imposed on Qantas remain appropriate.

The Government will consider removing the intermediate caps under the Qantas Sale Act of 25 per cent on individual foreign airlines and 35 per cent on aggregate foreign airline interests. That may open additional options for structuring investment, while ensuring the airline remains Australian-run and Australian-based.

At the same time, the Government acknowledges the international trend away from a regulatory environment based on substantial ownership and control, to one based on 'principal place of business'. The Government proposes to continue seeking incorporation of principal place of business criteria in bilateral agreements.

In considering whether to ensure Australia's airlines are reasonably able to take advantage of moves towards airline consolidation in the global aviation industry, the Government will continue to apply the test of overall national interest.

4. Domestic and regional aviation

Domestic services

Twenty years ago, competition in Australia's airline industry was legally constrained by the long-standing 'Two-Airlines Policy'. Reforms by the Hawke Government in the late 1980s saw the end of this highly restrictive policy in October 1990.

As a result of these reforms, Australia's domestic market is now one of the most open in the world, and there is strong competition in our local aviation market, with services on major trunk routes offered by four airlines providing a range of services and fares.

However, aviation is a cyclical industry. While the Australian domestic industry has been growing and profitable over recent years, fluctuating oil prices, labour shortages and difficult international economic conditions have placed the industry under increased pressure during 2008.

Australia's airlines are in a better financial position than many of their overseas counterparts and our airlines are competitively placed to contend with fluctuating fuel costs and cyclical passenger and freight demands – but market conditions are difficult.

The Australian Government and stakeholders recognise the significant economic benefits that continue to flow from a deregulated domestic aviation market.

The Government considers a competitive, open, domestic aviation sector to be the best mechanism to deal with current industry challenges and strongly supports the maintenance of an open, deregulated interstate domestic aviation market.

Regional services

Australians living in regional and remote areas depend heavily on aviation to remain connected with Australia's capital cities.

While traffic to major regional centres, particularly tourist centres, has been growing strongly, traffic on many other regional and more remote routes has been declining.

Although regional intrastate air services are primarily a state and territory responsibility, successive Australian governments have played a role in maintaining vital air services to remote communities.

The Australian Government is committed to maintaining the current liberal ownership rules for Australian domestic airlines, including our regional airlines. The Government recognises that foreign investment has been important in building the capability and prosperity of our regional aviation sector.

In line with its broader objective of building a seamless national economy, the Australian Government encourages harmonised regulation and nationally consistent policies for investment in critical infrastructure. The Australian Government will work with states and territories, which have primary responsibility for intrastate aviation, to achieve greater consistency in the approach to providing regional aviation services and infrastructure.

The Australian Government recognises the vital role that aviation plays in the social and economic well-being of regional and remote communities. Therefore, the Government has committed to continue to provide support for remote air services and remote aerodromes through the Remote Air Services Subsidy Scheme and the Remote Aerodrome Safety Program.

The Government also proposes to discuss with the states possible improved models for oversight of regional aerodromes and services, drawing on the successful cooperative approach developed under the Remote Aerodrome Safety Program.

5. General aviation

The General Aviation (GA) sector is an important enabler for other industries such as agriculture and mining, and contributes to broader community outcomes such as medical evacuations, aerial fire-fighting services and law enforcement activities.

Where scheduled airline services are not viable, charter flights can provide an equivalent service, giving people in remote areas access to business, medical, education and social opportunities in bigger regional centres or capital cities. Recreational and sports aviation, private flying and pilot training are also important sectors of the GA industry. The growing popularity of ultra light flying is providing a new pathway to careers in the aviation profession.

Some parts of the GA industry have struggled to manage changes in the operating environment due to airport privatisation and regulatory reform, as well as changes in demographics and labour markets.

A recent report into the health of the industry by the General Aviation Action Agenda Strategic Industry Leaders Group found that many in the industry lacked the management skills to deal with this changing environment.

The industry is emerging from this period with strong growth in such sectors as recreational flying, training and charter activity. There is some anecdotal evidence that rationalisation is contributing to improved business skills in many areas. Innovation in aircraft and navigation technologies have created new opportunities as well as transitionary challenges.

There have been calls for government intervention and subsidies for GA operators in some submissions arising from the GA Action Agenda and the Issues Paper. The Government recognises the difficulties faced by a number of GA businesses, particularly small businesses, over the last decade in transitioning to an increasingly commercial environment. However, the Government considers that a return to economic protection such as subsidies for this sector is not in the broader interests of the industry in improving its long-term viability and competitiveness.

To assist Australia's GA industry, the Australian Government will ensure priority is given to finalising CASA's regulatory reform process. Removing regulatory impediments to the viability and growth of the GA sector is important as is maintaining the highest levels of safety. In addition, the Government will consider options to help address the burden of regulatory charges, including charge on the GA sector.

6. Industry skills and productivity

For Australia to continue to grow and compete in the global economy, we must invest in a highly skilled workforce that is responsive to the needs of industry.

Worldwide growth has created a situation where aviation employers have recently experienced difficulties in attracting, recruiting and retaining key staff, including pilots, flight instructors, air traffic controllers, aircraft maintenance engineers and security screeners.

The Australian Government considers the development of aviation skills to be important within the context of broader vocational educational programs, to maximise training quality and competitiveness in the vocational training sector.

The Government has established the Productivity Places Program under the Skilling Australia for the Future initiative with a commitment of more than $2.1 billion over five years to fund up to 701,000 new training places across all industries. Commercial aeroplane and helicopter pilots, aviation maintenance engineers and airport security screeners are key aviation skills that are eligible for federal funding for the first time under this program.

The Government has also moved to improve consistency and mobility between civil and military aviation sectors through the work of its Industry Skills Councils. The work of the Skills Councils, in cooperation with Skills Australia, will help prioritise broader government training efforts with those of Australia's aviation industry.

The Government's provider of air traffic services, Airservices Australia, also has an important role to play in recruiting and training tomorrow's air traffic controllers and aviation fire-fighters.

7. Consumer protection

Since the deregulation of the Australian domestic aviation industry in 1990, conditions of travel for airline passengers have been subject to the *Trade Practices Act 1994* and state consumer laws. There is broad support for the current arrangements to continue, and general agreement that additional regulation would lead to unnecessary costs being passed on to all consumers.

While there is broad-based support for general consumer protection mechanisms, there have been a number of concerns raised about the accessibility of air travel to people with a disability. The Government is listening to these concerns and is taking action to establish an *Aviation Disability Working Group* to work with groups representing people with a disability to find ways to improve access to aviation services.

Similar concerns were raised in the recent Review of the Disability Standards for Accessible Public Transport. This Review found that while there were positive reports from the hearings and submissions about factors that have improved accessibility to air travel for people with a disability, many individuals and organisations representing people with a disability noted there are still a range of difficulties that need to be overcome when accessing air travel.

The Government believes it is important to respond to the recommendations of the Review of Disability Standards in its entirety and will detail its future strategy on disability access issues when it responds to the final report of the review of Transport Standards.

8. Airport investment – planning for responsible growth

Australia's major airports are our economic and social gateways to the world. Since privatisation there has been significantly increased investment in airports, with over $2.2 billion invested in new terminals, runways and other infrastructure at the leased federal airports. Further investment in excess of $4 billion is scheduled in the near future. However, concerns have grown about the impacts of airport development on surrounding communities. With the growth of Australian cities, more residents are affected by airport operations.

The Government recognises the importance of continued investment in aeronautical infrastructure at airports, and is committed to ensuring infrastructure development is responsible. The Government will ensure planning for leased federal airport sites is more integrated with planning for the surrounding areas, and the interests of communities are given proper consideration in planning and development processes.

There is no intention to over-regulate, or to make the planning and approval process so cumbersome as to deter investment. A coordinated approach to planning brings benefits for both the airport and the community.

Proposals for non-aeronautical development will be closely scrutinised, recognising concerns that substantial commercial developments on airport land can undermine plans for the development and amenity of surrounding communities.

Airport sites are scarce and valuable. The Government will make sure planning of the airport site is consistent with its long-term development as an airport, and that planning supports the optimal mix of aeronautical uses.

The encroachment of city development around airports, particularly the secondary airports at capital cities, has increased the pressure for airport land to be used for other purposes with potentially higher commercial returns. The Government respects the right of the airport operators to a reasonable return on capital invested, but will not support proposals for the site to be used for commercial purposes which prevent the site from reaching its full potential as an airport.

The Government will also ensure airport infrastructure needs are met well into the future.

The pressure on Sydney Airport and the demand for aviation capacity in the greater Sydney region is an ongoing cause for concern. Sydney Airport is approaching capacity and there is broad community support for the maintenance of a legislated curfew and cap on movements at Sydney Airport.

The Government is committed to ensuring future economic activity and growth in the Sydney region is not constrained by the capacity limitations of the Sydney Airport site.

Sydney Airport Corporation Limited has begun its five-yearly revision of its Airport Master Plan. The plan, which sets out the forecast of activity and development at the airport for the next twenty years, will be finalised following consultation with the community, industry stakeholders and government agencies over the coming months.

This Master Plan process will provide further information about the future patterns of traffic at Sydney Airport and the implications of continued growth for the airport, operators and the community.

Following the completion of the Sydney Airport Master Plan in 2009, the Government proposes to begin a process to identify additional capacity for the Sydney region, consistent with Government policy of support for a second airport for Sydney.

The construction of an airport at Badgerys Creek is no longer an option.

A new level of cooperation is required between federal, state and local government on airport planning and development, with clear consultation and decision-making processes. For airport operators, it is essential that local planning schemes support the development of the airport and prevent development which would impact on current and future operations. In turn, planning authorities are seeking more effective input to airport development processes. The Government proposes to work with state governments to refine proposals for effective working arrangements, including the key initiatives outlined below:

- establishment of Airport Planning Advisory Panels, drawn from industry, community and government, for each of the major airports, to provide independent expert analysis and advice to the Minister;
- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- strengthening of the airport Master Planning process to provide greater transparency and certainty about future land uses at the airports;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- a review of triggers for the airport major development process to ensure those developments of most interest to the community are subject to proper consultation;
- establishment of community consultation groups at each airport to foster effective community engagement in airport planning issues; and
- establishment of a clear policy on the definition of public safety zone areas around

airports, which can be taken into account in local planning.

Airports are critical for isolated communities. The Government will provide support for the upgrade of aerodromes to improve safe access to essential air services in remote parts of Australia through the Remote Aerodrome Safety Program.

Our aviation infrastructure will no longer be viewed in isolation from national infrastructure planning. The Government will work closely with Infrastructure Australia to ensure the development of major airports is considered as part of Australia's broader infrastructure strategy.

Pricing of airport services

The Government is committed to achieving a fair balance in encouraging investment in aeronautical infrastructure and ensuring accountability and transparency in the provision of airport services.

Recent indications show that under a price monitoring regime, airport operators and their airline customers have generally been able to negotiate pricing arrangements on a commercial basis without government intervention. The regime has provided airports and airlines with the flexibility to adapt to the changes and volatility in the aviation market.

The Government will continue appropriate price monitoring arrangements to safeguard against any abuse of market power and will continue the cycle of regular reviews of the monitoring arrangements.

Also, the Government proposes to introduce a formal 'show cause' process as an additional tool to be used where there is evidence of potential abuse of market power. The show cause notice would require airports to demonstrate why their conduct should not be subject to more detailed scrutiny, such as a formal price inquiry under the *Trade Practices Act 1974*.

In addition to monitoring charges to airlines for airport services, the Government is committed to making sure airports act reasonably in the charges collected from the travelling public and in the quality of services provided to the public. For example, car parking charges at major airports will continue to be monitored, with reports published regularly. Arrangements for monitoring quality of service are under review and, if necessary, will be enhanced to improve reporting on passengers' experiences at airports.

9. Aviation emissions and climate change

The Australian Government is developing a decisive national action plan on climate change to reduce greenhouse gas emissions, to support adaptive actions to reduce the impact of climate change, and to help shape a global solution. The Australian Government has committed to a long-term national emissions reduction target of 60 per cent below 2000 levels by 2050. A key measure in achieving this target will be the Carbon Pollution Reduction Scheme, an emissions trading scheme to apply across the national economy from 2010. While final details of the scheme are yet to be settled, the Government is committed to including domestic aviation in the coverage of the scheme.

Civil aviation currently accounts for about two per cent of global emissions and this is expected to increase due to predicted growth in the aviation sector. While aircraft are 70 per cent more fuel-efficient than 40 years ago, future improvements in fuel efficiency will not be sufficient to counteract the extra emissions generated by a growing industry. A balanced approach, including a range of operational and market-based measures, is needed to constrain the size of aviation's carbon footprint.

Air traffic management initiatives which increase operational efficiencies will help to reduce emissions. The Government will ensure Airservices Australia remains at the forefront of efforts by air navigation service providers to introduce cooperative working arrangements and innovative

approaches to reducing emissions, including flexible flight paths and continuous descent approaches.

Australia cannot act alone in managing emissions from international aviation. The Government will ensure Australia continues to take an active role in international forums like ICAO and APEC, working towards a cooperative global approach to addressing international aviation emissions. Industry-led initiatives, such as voluntary offsetting schemes, have an important contribution to make.

Improved planning requires better information. The Government will develop a tool for comprehensive carbon monitoring and footprinting to assist with transparent reporting and planning within the industry.

These initiatives will help ensure aviation plays its part in addressing climate change without unduly constraining the development of an industry which is crucial to the nation's economic growth.

10. Noise impacts

While aircraft in today's modern fleet are much quieter than comparable aircraft of 30 years ago, aviation growth and continued development around airports have increased the number of people exposed to aircraft noise. Aircraft noise disturbance arises as much from the number of aircraft movements and lack of respite, as from the loudness of individual flights.

Noise complaints are no longer limited to those living close to major urban airports. Many residents tens of kilometres from airports are disturbed by aircraft noise. Urban encroachment and the increase of airline and other aviation activity at secondary airports have increased community exposure to aircraft noise.

A more balanced approach to aircraft noise management is required to ensure quality of life for communities, to control noise sensitive developments including homes, schools and hospitals, and to avoid unreasonable constraints on future airport development.

It is important that state and local governments meet their responsibilities to establish zoning policies, in consultation with airports, that ensure development near airports and under flight paths is compatible with noise exposure. It is also important that airports establish ongoing consultation arrangements with their communities to address noise problems.

The Australian Government proposes to retain existing curfew arrangements at Sydney, Gold Coast, Adelaide and Essendon airports. Communities have grown around these existing arrangements and it is important they remain in place. The Government also proposes to limit the operation of noisy aircraft and to phase out marginally-compliant older aircraft, such as hush-kitted Boeing 727s. The Government will also consider industry-funded noise amelioration programs where airport operations and air traffic changes place residences into existing high-noise exposure zones.

The Government recognises the importance of maintaining a north-south and east-west overnight freight network. Airports such as Brisbane, Cairns, Canberra, Melbourne and Perth are integral to this network. The Government expects industry to develop appropriate arrangements to minimise the noise impacts of night-time operations.

Access to transparent and easily-understood aircraft noise information is lacking. Traditional approaches to measuring aircraft noise no longer meet the expectations of the community and industry. Planners, or those exposed to aircraft noise and noise contouring techniques often exclude those communities living outside the contours from assessment processes and participation in the noise debate.

At Sydney and Adelaide airports, insulation programs have been implemented for areas exposed to

a very high level of aircraft noise – for residences within the 30 Australian Noise Exposure Index (ANEI) contour and public buildings within the 25 ANEI contour. The Government will consider such programs for any airport should they become exposed to similar noise levels through an increase in air traffic. Additional measures will be implemented, where feasible, to reduce problems, such as the accelerated phase-out of noisy aircraft such as older Boeing 727s. Programs to address noise issues need to be tailored to the specific characteristics of each airport, to meet the airport's requirements and the aspirations of the communities involved.

The Government will continue to support the development of a new noise information framework to help address the needs of all affected stakeholders. As part of this strategy, Airservices Australia is installing an internet-based flight path tracking system to enable members of the public to get close to real-time information on aircraft flight paths and noise in the vicinity of Australian airports. The Government also proposes to work with state governments to ensure an appropriate national regime is established to plan the use of land in the vicinity of airports and under flight paths, with a view to avoiding future noise problems.

Next steps

The Aviation Green Paper is the second of three steps in the development of Australia's first ever comprehensive national aviation policy. The process began with the release of an Issues Paper in April 2008 and will be completed with the release of a White Paper in the latter half of 2009, bringing all aspects of aviation policy into a single forward-looking statement.

The Green Paper describes the initiatives and policy settings the Government is considering to deliver a vibrant and prosperous aviation industry; one that delivers the highest standards of safety and security, competitive aviation markets and services, investment in infrastructure and environmental responsibility.

The chapters which follow discuss a range of short, medium and long-term issues facing Australia's aviation industry.

Everyone can play a role in shaping Australia's aviation future.

The Government invites comments on the Aviation Green Paper to be considered in the development of a White Paper in 2009.

Submissions or comments on the Green Paper should be provided no later than 27 February 2009 to:

Aviation Green Paper
Department of Infrastructure, Transport, Regional Development and Local Government
GPO Box 594
CANBERRA ACT 2601

Phone: +61 2 6274 6040
Fax: +61 2 6274 6749
Email: aviationstatement@infrastructure.gov.au

Submissions and comments provided to the Department of Infrastructure, Transport, Regional Development and Local Government, in response to this invitation, may be published on the Department's website, unless the submission is marked confidential at the time it is delivered to the Department.

Summary of Proposed Government Policy Initiatives

The Government proposes a range of initiatives for short, medium and long-term policy and regulatory reform and direction. The initiatives follow four key principles:

1. Safety is the number one priority for the Australian aviation industry and the Government.

The Australian Government will ensure its aviation safety agencies are properly structured and equipped to enable industry to maintain and improve safety through the growth and technological challenges of the twenty-first century.

2. The aviation industry is a key driver of broader economic prosperity and a strategic approach based on properly-functioning, competitive markets is required to secure the industry's future and promote the best interests of the travelling public and businesses that rely on the aviation sector.

Through the Aviation White Paper, the Government will provide national leadership and a strategy for aviation which looks to the long-term, recognises the importance of aviation to the economic prosperity of the nation and provides a basis for planning and investment in the industry.

3. A coordinated approach to airport infrastructure investment is required to allow the industry to reach its potential.

Airport planning cannot occur in isolation. Developments undertaken on and off airport need to be properly coordinated across jurisdictions to ensure the best outcomes for aviation users, the local community and the broader economy. A solution must also be found to the future airport needs of the Sydney region.

4. A responsible approach is required to managing the impacts of aviation, including emissions and noise, and the environmental impacts of airport developments.

Aviation must play its part in the response to global and local environmental issues. Coverage of domestic aviation in the Carbon Pollution Reduction Scheme will ensure aviation plays its part in meeting Australia's future emissions targets without imposing unnecessary constraints on the industry.

Proposed initiatives

Principle 1 - Safety

Aviation Safety

Safety regulation and investigation

The Australian Government is committed to maintaining and improving Australia's excellent record of aviation safety. The Government has already undertaken important initiatives through:

- the introduction of random drug and alcohol testing for the aviation industry, with mandatory drug and alcohol management plans;
- signing agreements with the Government of Indonesia on transport safety and security cooperation; and
- ensuring essential safety upgrades are made to the western end of Sydney Airport's east-west runway to meet international safety standards, while also ensuring all three runways remain open.

The Government will:

- ensure safety is the first priority for all government agencies in performing their functions, with a particular emphasis on safety of passenger carrying operations;
- strengthen the Civil Aviation Safety Authority (CASA) by:
    - retaining CASA as an independent statutory agency with responsibility for aviation safety regulation;
    - reinforcing CASA's governance arrangements, including:
        - establishing a small expert CASA Board to guide the organisation and to recommend enhancements to CASA's approach to regulation and surveillance of airlines;
        - boosting CASA's capacity to plan and act strategically in response to growth and change in the global aviation industry, which will continue to carry risks for air safety and their management;
        - strengthening CASA's capabilities in technical standards development and supporting an expanded surveillance program;
    - strengthening CASA's regulatory powers to inspect and regulate the operation of international carriers operating to Australia to ensure safety standards are being met;
    - giving priority to ensuring CASA's regulatory reform program is completed by the end of 2010; and
    - updating the regulatory powers and enforcement provisions in the Civil Aviation Act 1988 to ensure they support effective management of future safety risks, including:
        - giving CASA the necessary powers to deal decisively and properly with operations that do not meet safety standards;
        - strengthening CASA's capacity to obtain information on suspected safety deficiencies;

- strongly supporting a culture of self-reporting by operators, affirming the obligation on AOC holders to notify CASA immediately of any failures in safety compliance;
- ensuring CASA's penalty provisions provide a balanced and effective range of responses to breaches, including:
    - examining the operation of the demerits points system to ensure its balanced application;
    - clarifying the circumstances in which breaches and the actions taken in response are to be made public, with an increased emphasis on transparency; and
    - considering the options of substantially increased financial penalties where appropriate and revised disclosure provisions.

To maintain the highest standards of safety investigation in Australia, the Government will

- enhance the independence of the Australian Transport Safety Bureau (ATSB) as a safety investigation agency by establishing it as a statutory agency within the Infrastructure portfolio, working under a Commission structure.

Aviation is a global industry and Australia cannot ensure safety in isolation – the majority of air traffic coming to or from Australia traverses Indonesian or Papua New Guinea airspace. Recognising this, the Government will:

- pursue air safety improvements in Australia's neighbourhood through targeted safety regulatory and air traffic management activities, including the implementation of the Indonesia Transport Safety Assistance Package and assistance to Papua New Guinea under the *Strongim Gavman* Program.

Air traffic management

The Government is committed to supporting international best practice in safe air traffic management in Australian airspace through:

- retaining Airservices Australia as a fully Government-owned, statutory authority with safety its most important consideration. Airservices will be responsible for the delivery of air traffic and rescue and fire fighting services, as well as meeting its broader responsibilities to the community in relation to the environmental impacts of aircraft operations;
- the establishment of Airservices' National Operations Centre to deliver strategically coordinated air traffic flow management;
- supporting technological applications that offer safety, efficiency and environmental benefits, including as a high priority, aviation agencies finalising a proposal for the wider adoption of satellite based technology (ADS-B) for air traffic navigation and surveillance;
- ensuring advanced air traffic management infrastructure and systems are used to protect and enhance air safety, with air traffic management services being extended to more regional areas as appropriate, particularly in areas where there are growing passenger transport operations;
- work on proposals for continued development of a joint national air traffic management platform by Airservices Australia and the Air Force, having proper regard to both the safety of the travelling public and defence capabilities which are sensitive to national security;
- development of a strategic Air Traffic Management Plan, in consultation with industry, which will assist agencies and industry in their planning and investment, and will:
    - identify key milestones and objectives for Australia's air traffic system

- establish clear responsibilities for meeting those objectives;
- facilitate ongoing investment in, and maintenance of, key air traffic infrastructure; and
- establish a basis for ongoing workforce planning recognising the importance of a properly trained air traffic controllers and aviation fire fighters to the safety of the Australian aviation Industry.

- delivering an updated Airspace Policy Statement under the Airspace Act 2007 to improve airspace classification and administration in Australia;
- improving coordination across Government agencies and consultation with industry on directions in air traffic policy, including:
  - using the Aviation Policy Group (APG), chaired by the Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government, to coordinate the development and implementation of the air traffic management plan; and
  - formalising the role of the Australian Strategic Air Traffic Management Group (ASTRA) as the industry advisory group on air traffic management directions.

Aviation security

The Australian Government is committed to ensuring that aviation security is appropriate in an era where planes and airports are still potential terrorist targets. The Government has already:

- established regulations to implement an Accredited Air Cargo Agents Scheme to support the existing Regulated Air Cargo Agents Scheme, creating a more secure chain of custody from consignment to aircraft;
- sought industry expertise to review the effectiveness and adequacy of security screening at the nation's airports, including the impact on the travelling public; and
- introduced the *Transport Security Amendment Bill 2008* to ensure flexibility for industry participants in the way they document their security arrangements as required by the *Aviation Transport Security Act (2004).*

The Government intends to improve security screening at airports to ensure it is focussed on real security risks, consistently and efficiently applied, coherent for operators and the travelling public, and most of all to ensure the safety of passengers, planes, airports and staff. To achieve this, the Government proposes to:

- give priority to the implementation of accepted recommendations from the current Review of Aviation Security Screening;
- reform current passenger, carry-on and checked baggage screening arrangements to reflect international best practice;
- ensure all passenger screening addresses the nature and level of threats and remains competitively neutral;
- provide better information to the travelling public about screening processes;
- introduce new screening technologies and techniques where appropriate to improve passenger facilitation and security outcomes, with due regard to privacy;
- implement improved performance measurement to ensure the aviation security outcome is being achieved efficiently and effectively across Australia;
- in partnership with industry, develop better guidance for handling complaints, screening people with special needs, and other aspects of the screening process; and

- reform the Prohibited Items regime to reflect international standards, while taking into account specific threats to Australia.

With reference to the findings of the 2005 review of Australian aviation security by the Rt Hon Sir John Wheeler DL the Australian Government proposes to:

- actively review aviation security legislation to ensure we maximise security and minimise bureaucracy;
- implement recommendations of the comprehensive Aviation Security Identity Card review completed in 2008;
- address remaining vulnerabilities in the air cargo supply chain; and
- establish consistent aviation security arrangements for the growing aviation charter industry in light of the current threat and risk environment and competition considerations.

In response to the evolving domestic and international aviation challenges and taking into account emerging risks and threats to Australian aviation interests the Government proposes to:

- ensure regulatory arrangements to trigger passenger screening address the nature and level of threats and remain competitively neutral;
- at remote and regional destinations, ensure full cost impacts have been considered prior to implementing new aviation security arrangements;
- enhance security awareness and improve national consistency and performance in aviation security through the new National Aviation Security Training Program; and
- in collaboration with foreign governments, establish a comprehensive airport assessment program in Australia's region.

Principle 2 – Driver of economic prosperity

International aviation

The Australian Government is committed to continuing the growth of Australia's international air services, providing additional opportunities for trade and tourism, while maintaining a strong Australian aviation sector.

The Government has already:

- finalised a long-awaited 'open skies' agreement with the US, and secured additional capacity in our agreements with Malaysia, South Africa, Thailand and Brazil;
- commenced negotiations on a comprehensive air services agreement between Australia and the European Union;
    - this agreement will play an important role in developing Australia-EU relations by facilitating trade and tourism and improving investment opportunities;
    - the Government's objective is that the agreement would replace the bilateral air service agreements between Australia and 17 EU Member States, and go beyond the 'open skies' approach with Australia and the EU aiming at closer cooperation in key aviation areas, such as safety, security, competition and environmental protection.

In addition, the Government proposes to:

- continue the liberalisation of international aviation towards 'open skies' agreements, balancing the economic, trade and tourism benefits that flow from opening up international

aviation markets and the need to ensure a strong Australian-based aviation sector;

- ensure the capacity available to foreign airlines under our bilateral agreements remains ahead of demand to ensure that airlines can plan for long term growth into the Australian market;
- offer foreign airlines unlimited access to secondary gateways (international airports other than Brisbane, Sydney, Melbourne and Perth) to provide opportunities for regional areas to attract international services;
- seek fully open arrangements for dedicated cargo services to support Australia's vital air freight export industries;
- include as a factor to be taken into account in assessing the national interest for bilateral negotiations, the extent to which international airlines are prepared to invest in Australia, through marketing Australia as a tourist destination and through direct investments, such as enhanced commitments to employment of Australian based staff and establishing maintenance and training centres;
- retain the existing arrangements that prevent foreign operators from carrying domestic passengers, except in exceptional circumstances and subject to a national interest test;
- seek greater investment opportunities in international airlines for Australian investors through the incorporation of principal place of business criteria in bilateral agreements;
- retain the basic restriction to 49 per cent on foreign investment in Australia's international airlines under the *Qantas Sale Act 1992* and *Air Navigation Act 1920* to ensure that our airlines remain majority Australian owned and controlled, but
    - consider removing the additional restrictions on foreign ownership (i.e. 25 per cent for foreign individual shareholdings and 35 per cent for total foreign airlines shareholdings) under the Qantas Sale Act; and
    - examine whether Australia should move from a regime based on substantial ownership and effective control to one based on principal place of business, consistent with maintaining a commitment to a strong Australian-based aviation industry with high safety and security standards; and
    - approach issues relating to the scope for consolidation in the airline industry on the basis of national interest judgements.
- use key international trade forums to pursue a multilateral approach to the liberalisation of international aviation; and
- establish a joint government/industry national passenger facilitation committee. The committee will:
    - develop a strategic outlook, or master plan for improvements to international passenger facilitation into the longer term;
    - provide a renewed focus on reform initiatives already underway or planned; and
    - work through international forums such as ICAO for improved standards and recommended practices for passenger facilitation.

Domestic and regional aviation

Domestic services

The Government strongly supports the maintenance of a fully deregulated interstate domestic aviation market that has delivered significant economic benefits to the Australian economy and

proposes to continue:

- allowing up to 100 per cent foreign ownership of domestic airlines based in Australia, subject to meeting the requirements of the *Foreign Acquisitions and Takeovers Act 1975*; and
- ensuring the aviation industry is subject to the competition laws that apply to Australian industry more generally under the *Trade Practices Act 1974*.

Regional services

The Australian Government recognises the vital role that aviation plays in connecting regional communities to our major cities and towns and is committed to continuing to provide targeted support for routes in more remote parts of Australia that are not commercially viable. Towards this end the Government:

- has committed to support of $44.7 million over four years through the Remote Air Services Subsidy Scheme and $20 million over four years through the Remote Aerodrome Safety Program for remote aerodromes and services essential for the social and economic well being of the communities they serve; and
- will consider options to work cooperatively with the States on models for assistance for regional aerodromes and services, having regard to the successful cooperative approach developed between the Commonwealth and state/territories under the Remote Aerodrome Safety Program; and
- will consider options to help address the burden of regulatory charges, including charges on the regional airline sector

General aviation

The Government's policy will be to maintain high standards of safety and security for Australia's general aviation industry. To assist this process, the Government proposes to take the following initiatives:

- ensure CASA finalises its regulatory reform process to remove unnecessary regulatory impediments to the ongoing viability and growth of the general aviation sector;
- consider options to help address the burden of regulatory charges, including charges on the general aviation sector
- through CASA, support continued work towards self-administration of private general aviation operations where it can enhance safety outcomes, noting the need to establish appropriate boundaries for the scope of self-administration;
- improve planning arrangements for leased federal airports to provide greater detail in airport Master Plans and improve certainty for general aviation operators;
- support the continued development of Australia's aircraft manufacturing and assembly, components, parts and maintenance capability by minimising regulatory impediments; and
- ensuring there are no unnecessary regulatory impediments to realising the growth potential of the flight training industry in Australia.

Industry skills and productivity

The Government recognises the importance of a suitably skilled and trained workforce to the future prosperity of Australia's aviation industry. The Government has:

- launched the new Aviation Training Package which delivers for the first time Australia-wide standards and qualifications for pilots and other aviation workers;

- as a result, for the first time the two regulators of Australia's aviation industry - the CASA and Defence - have agreed on standards and requirements for pilot qualifications;
- this means aviation workers will be able to move more freely between civilian and defence workforces.

To continue to ensure the Australian aviation industry's future needs can be addressed within an overarching national skills framework the Australian Government proposes to:

- continue to provide assistance to all Australian industries to address skills issues through the education and training framework, specifically encouraging the aviation industry to:
  - communicate industry workforce needs to Skills Australia to ensure that the allocation of Productivity Places Program training places considers the skills needs of the aviation sector;
  - form partnerships with schools to better define career pathways from school into aviation occupations; and
  - work in partnership with training providers to deliver quality training which maximises access to assistance measures.
- ensure the closer alignment of national civil and military air traffic controller standards and qualifications; and
- reinforce with industry that it needs to be more pro-active in developing attraction and retention strategies and broader workforce planning, including:
  - transparent workforce planning process to articulate future recruitment needs across industry sectors, e.g. progression of pilots;
  - improved conditions and flexible working arrangements to encourage retention of key personnel, taking account of the aging workforce;
  - improved marketing of aviation careers; and
  - consideration of the use of 'bonding' arrangements to offset cost barriers for individuals and industry in training highly specialised employees.

Consumer protection

To ensure a balanced approach minimising unnecessary regulation while promoting consumer fairness the Australian Government proposes to:

- ensure the airline industry remains subject to the provisions of the *Trade Practices Act 1994* and state fair trading laws in the conduct of its business;
- with its state and territory counterparts, continue to monitor and evaluate the adequacy of the consumer protection framework to ensure consumers' rights are protected; and
- implement legislation to require airlines to advertise all-inclusive pricing, ending the potential for customers to be offered air fares without charges such as airport charges and fuel levies included in the advertised price.

Compensation arrangements

The Australia Government is taking steps to ensure that compensation available to aviation passengers in the event of an accident reflects contemporary community standards. This includes action already taken to:

- secure passage of legislation to implement the Montreal Convention through the *Civil Aviation Legislation Amendment (1999 Montreal Convention and Other Measures) Act*

2008, to provide better compensation to the families of air crash victims, while also cutting red tape for industry.

The Government also proposes to:

- conduct a comprehensive review of Australia's carriers' liability framework, in close consultation with the travelling public, industry and relevant government agencies; and
- as a first step, a targeted discussion paper will be released for public comment. The results of the review and preferred next steps will be outlined in the White Paper.

Disability access

The Government recognises the difficulties sometimes experienced by people with disabilities in accessing air travel. The Government proposes to:

- detail its future strategy on disability access issues in the transport context when it responds to the final report of the review of Transport Standards under the *Disability Discrimination Act 1992* in early 2009. This strategy will involve a range of measures underpinned by a commitment to more inclusive and ongoing consultation on disability issues, and
- establish an Aviation Disability Access Working Group to provide advice on disability access policy and the legislative framework and on practical measures that can be taken to improve the access to air services for people with a disability.
    - The Working Group will comprise representatives from industry, relevant government agencies and representatives of people with a disability and will receive secretariat support from the Department of Infrastructure, Transport, Regional Development and Local Government.

Principle 3 – Infrastructure

Aviation infrastructure

The Government proposes to enhance oversight of Australia's critical airport infrastructure by:

- improving planning coordination between the Australian Government, the states and territories and airports, while maintaining regulatory arrangements that promote investment, efficiency, and innovation.

Planning for the Sydney region's long-term aviation needs

Following consideration of the Sydney Airport Master Plan, the Government will:

- initiate processes to identify additional capacity for the Sydney region, consistent with the Government's policy of support for a second airport for Sydney.

Better integration with state and territory and local government planning

The Government is keen to work with state and territory and local governments and industry on improved arrangements for planning and development on airports, subject to some key principles:

- the Commonwealth Minister will retain final decision-making authority for land use planning and development on-airport;
- arrangements for assessing plans and development proposals on airport and their supporting consultative procedures should be designed so as not to act as barriers to

investment; and

- cooperative arrangements will be developed with the states and territories and local government to better integrate airport planning and development and regulatory oversight of the airports with local and state and territory planning and regulatory arrangements, whilst ensuring reasonable provision for the protection and development of the airports.

The Government's preferred position is that the Australian Government Minister be given the power to establish expert Airport Planning Advisory Panels for each of the major airports to assess, at the Minister's request, airport Master Plans and Major Development Plans.

- The Panels would report to the Minister, who would retain the final decision-making authority.

Community engagement

The Government proposes that the Minister be empowered to require airport lessees to establish community consultation groups for each major airport to foster effective community engagement in airport planning and operations issues. It is envisaged the groups would:

- have an independent Chair;
- include airport and government representatives, as well as representatives from local communities and users;
- be funded by airport lease holders;
- have scope to address ongoing and current planning and development issues and other key areas of airport activity that impact significantly on the community, e.g. aircraft noise; and
- monitor community complaints relating to the airport and their handling.

Improved planning processes

The Government considers that processes for approval of non-aeronautical and aeronautical development on airport sites should be refined and new measures applying to it could include:

- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- strengthening the airport master plan process to provide greater transparency and certainty about future land uses at airports, including the detailed articulation of plans for aviation and other development proposals for the three to five year period following the master plan review;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- reviewing the triggers for the major development plan process to ensure that those developments of most interest to the community are subjected to proper consultation processes;
- a call-in power for the Commonwealth Minister to ensure consideration of sensitive development proposals, which would not otherwise have been subject to consultation; and
- a prohibition on future non-aeronautical facilities or uses that are likely to be incompatible with the effective and efficient operations of the airports including residential use, aged care facilities, schools, hospitals, and child care facilities (other than those designed principally for staff working on the airport site).

Protecting our airports

The Government is committed to working with the state and territory governments to develop the following initiatives:

- developing a national risk-based framework to guide all levels of government in taking responsibility for safeguarding airports from off-airport development that is inconsistent with future operations and the development of the airports;
- developing a clear policy on the definition of public safety zones around airports which can be taken into account in local planning with a view to ensuring that the community is not exposed to any undue level of risk from aircraft operations; and
- developing strategies and plans to address other airport related issues such as aircraft noise, traffic linkages, and best practice community consultation models.

Economic regulation of airport services

The Government has responded to concerns that airports could use their monopoly positions to charge excessive prices for parking at airports by:

- directing the Australian Competition and Consumer Commission (ACCC) to monitor car parking prices, costs and profits at Australia's five major airports.

The Government is considering an approach to the economic regulation of federal leased airports along the following lines:

- continuation of price monitoring for the five major airports, with a review in 2012;
- improvements to quality of service monitoring;
- re-instating price monitoring of with car parking at Australia's five major airports;
- re-introduction of a level of price-monitoring at Canberra and Darwin Airports;
- developing a proposal for different 'tiers' of price monitoring depending on airport size and market power; and
- implementation of a "show cause" mechanism, requiring airports to demonstrate why their conduct should not be subject to closer scrutiny where there is prima facie evidence of abuse of market power.

Regional and remote airports

Australia's regional airports play a major role in facilitating connections to capital cities and to essential services. The Australian Government has already:

- announced funding of $991,020 for 25 projects under Round One of the Remote Aerodromes Safety Program on 8 February 2008 and $6.6 million for 38 projects under Round Two on 11 August 2008;
    - the program is aimed at improving the safety and access of airstrips in remote and isolated communities that depend on aerial transport for the delivery of essential goods and services, including medical services.

The Government proposes to continue:

- working with state and territory governments and local airport owners through the Remote Aerodrome Safety Program to fund essential upgrades aerodromes in remote locations to ensure safe access to essential air services. The Government has committed $20 million over four years with a requirement for matching contributions from state and local governments on a coordinated approach to improving aerodrome safety in remote areas.

- flexible financial support for local governments through untied Financial Assistance Grants and through the Regional and Local Community Infrastructure Program which boosts local economic development and support jobs in communities around the country.

Principle 4 – Environment

Aviation emissions and climate change

The Australian Government recognises the importance of addressing climate change as a focal point of transport policy for this and future generations. The Government has already:

- initiated regional collaboration through the APEC forum on managing the climate change impacts of aviation;
    - convened two successful aviation emission seminars in south-east Asia designed to raise awareness and build links between APEC economies on finding ways to minimise the carbon footprint of aviation, directly leading to establishment of an APEC Aviation Emissions Task Force;
    - this work complements other important initiatives taking place in our region to make aviation more fuel efficient, such as Airservices Australia's collaboration with the national air traffic service providers in the United States and New Zealand to implement more efficient flight path routings across the Pacific.

The Government proposes to continue to work with industry to develop an effective policy framework to respond to climate change, with a focus on the following elements:

- finalising the design of the CPRS, including application of the scheme to domestic aviation;
- consideration of means to support the uptake of operational and other measures to constrain the net carbon footprint of aviation, which complement the actions taken in the CPRS;
- continuing the initiatives of Airservices Australia to work with airlines on the implementation of fuel saving measures including flexible flight tracks, improving aircraft air traffic control sequencing and introducing continuous descent approaches;
- working through ICAO on a practical approach to address international aviation emissions;
- working towards a better understanding of aviation emissions and their impact, including through the development of tools for comprehensive carbon monitoring and foot printing; and
- assisting all economies in the region to respond to the need to reduce their carbon footprint through Australia’s bilateral agreements and our involvement in APEC and ICAO.

Noise impacts

The Government is proposing a number of initiatives to ensure the growth of Australia’s aviation industry incorporates planning for the impact aircraft noise can have on those living near airports and under flight paths.

In particular, the Government proposes:

- maintaining existing curfew arrangements at Sydney, Gold Coast, Adelaide and Essendon Airports. Communities have grown around the current curfew arrangements and it is important they remain in place.
- for increased transparency, publish curfew dispensations for Adelaide, Essendon and

Gold Coast airports to bring into line with Sydney;

- to work with state governments to ensure land-use planning and operational restrictions on noisy aircraft are consistent with maintaining curfew-free access;
- to limit the operation of noisy aircraft and to phase out marginally-compliant Chapter 3 aircraft, such as hush-kitted Boeing 727s, on an airport-by-airport basis, consistent with ICAO's Balanced Approach;
- noting the work that has already been done to insulate homes in Sydney and Adelaide from aircraft noise; to finalise existing noise minimisation projects, based on the current criteria. Any future insulation projects will be assessed against world's best practice noise attenuation and abatement initiatives, including those for night-time noise.
- to consider industry-funded noise amelioration programs where airport operations and air traffic changes place residences into existing high-noise exposure zones;
- to investigate more appropriate roles for airlines, airport operators, governments, planning agencies and the community in aircraft noise management and mitigation;
- to continue to develop a new noise information framework to ensure information on noise exposure patterns is readily available in a form that is easily understood by a broad audience, building on initiatives such as the Transparent Noise Information Package (TNIP) and Airservices' new online flight path information tool, Westar; and
- to work through the Council of Australian Governments and other appropriate forums to ensure a national land-use planning regime is put in place near airports and under flight paths to avoid noise-sensitive developments being located in these areas and to protect communities from excessive levels of aircraft noise.

The Government's intention is that options to address noise impacts such as: by limiting the operation of noisy aircraft – particularly at night, improving insulation and implementing other noise amelioration programs, will enable the maintenance of a north-south and east-west network of non-curfew airports. This is crucial to maintaining access for airlines and air freight services to major airports such as Brisbane, Cairns, Canberra, Melbourne and Perth. At these and other airports it will be important to examine a wide range of options for limiting the impacts of aircraft noise, particularly at night.

Introduction

Introduction

Australia's aviation industry in context

The world economy is changing rapidly. Current global economic conditions underline the importance of governments planning ahead and preparing for all eventualities. This includes putting in place strategies to build sectors of the economy which are crucial to ongoing economic growth.

The global financial crisis has affected many international industries and its impact on aviation businesses is likely to be significant. Existing trends towards industry consolidation are likely to accelerate and Australia's airlines cannot be expected to be immune from these trends.

The Australian Government's response must be to prepare the Australian economy for a new era of global competition. The Government will achieve this by investing in programs that develop people's skills, building infrastructure that meets the needs of the twenty-first century, fostering a culture of innovation, and enhancing Australia's competitiveness compared to the rest of the world.

The Government's vision for Australia's economic future is a nation with a diverse economy that provides fulfilling, highly skilled and well paid jobs; that competes successfully in global markets; and where barriers to full participation in the marketplace are removed. In short, our vision is for a strong and stable economy in which all Australians can share in the nation's future prosperity.

The aviation sector is a key contributor to the Australian economy. There are few industries that illustrate the degree of modernisation of Australia's economy through the late twentieth and early twenty-first century as aviation. The industry has been continually evolving in response to growing demand, the need to improve efficiency to compete in an increasingly competitive market place and the requirements of new environmental, safety and security standards.

More than perhaps any other country, Australia's economic prosperity is closely tied to the health and competitiveness of the country's aviation sector. This is largely due to the vast distances within Australia, and between this continent and the rest of the world.

Australia has the world's 55th largest population and 15th largest economy, yet it manages11 per cent of the world's airspace, second only to the United States. Aviation specific businesses contributed $6,427 million towards Australia's total Gross Domestic Product (GDP) in 2007-08[1] and at August 2008 employed 48,800 staff[2].

Planning in the aviation industry requires long lead times. Investment in infrastructure, such as new airports, runways, terminals or air navigation equipment cannot occur without proper consideration of complex commercial, engineering, environmental and safety factors, often taking many years to complete. Similarly, renewal of aircraft fleets, particularly involving new generation aircraft, can take many years to progress from the drawing board to reality.

Aviation must plan now for its future workforce needs. Training for tomorrow's industry professionals, such as pilots, engineers and air traffic controllers is needed to meet the projected growth for this sector into the next decade and beyond.

Government has a crucial role in preparing the aviation industry for its future challenges. The Australian Government has a leading role in improving Australia's infrastructure, building the nation's skills base and fostering a competitive and innovative industry environment.

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[1] ABS, National Accounts: National Income, Expenditure and Product (ABS cat no. 5206.0, Table 33) September 2008

[2] ABS, Labour Force: Australia, Detailed, Quarterly (ABS cat. No 6291.0.55.003, Table 6) September 2008

The Australian Government also has a direct role in maintaining a safe and secure aviation sector as the industry's provider of regulatory services. It also provides air traffic management services to the industry and land-use planning and development approvals at Australia's major capital city airports.

Why an Aviation Green Paper and White Paper

The Australian Government believes it is critical to bring all aspects of aviation policy together in a single forward-looking statement. After nearly a century of Australian aviation and several decades of significant changes in the commercial and regulatory environment of aviation businesses worldwide, the industry needs an integrated government plan to steer its development as it begins its second century.

The release of the Australian Government's Issues Paper in April 2008 stimulated debate on a range of issues affecting communities and the aviation industry with over 290 submissions having been received by the Department of Infrastructure, Transport, Regional Development and Local Government. This Green Paper is the first step in the Government's response to these submissions, mapping out proposed policy directions, settings and reforms. The details of proposed policies and initiatives will be further developed in the lead up to the Aviation White Paper, to be released in 2009.

The aim of the White Paper will be simple: it will be to provide greater planning and investment certainty for the industry, maintain and improve Australia's excellent aviation safety record, and address the wider community and environmental impacts associated with air transport and airport development.

The release of the Australian Government's Aviation White Paper will help industry and governments at all levels navigate rapidly changing domestic and global circumstances. This means Australia will be better able to deal with future opportunities and risks as they arise.

Historic growth trends

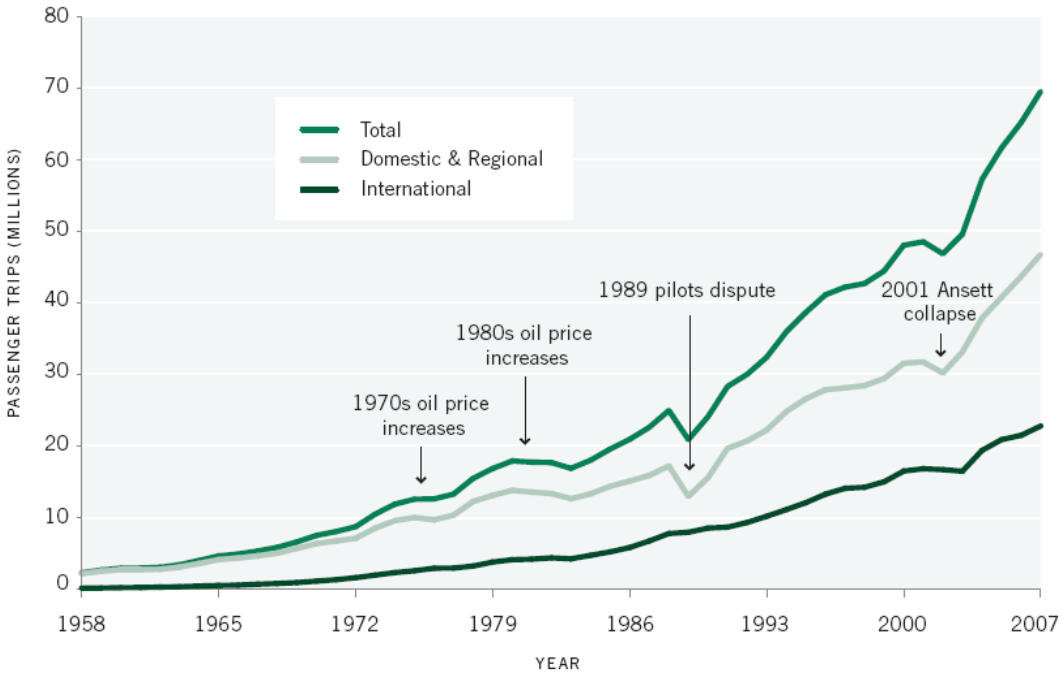
Since the 1950s the global aviation industry has evolved quickly. Today it is difficult to imagine a world without air travel.

Half a century ago, during the post-war years, aviation was still an activity for the well-to-do international traveller, domestic business traveller or the enthusiast pilot. It was not an activity for working families or the wider population. In 1958, when the Australian population numbered 9.95 million people, Australians undertook 2.3 million air trips, meaning only one in four people flew. In 2007, with a population of 21.2 million, we undertook 69.5 million air trips or 3.3 flights for each person. In other words, our propensity to fly has increased 14-fold.

Figure 1.1 shows that growth in air travel in Australia has continued strongly through the latter part of the twentieth century and early part of the twenty-first.

Figure 1.1 Passenger journeys by air: Australia, 1958–2007

Source: BITRE



An era of change

The aviation industry has evolved significantly over the past several decades, both leading and reflecting broader economic and social trends.

It is an industry driven by technological change, evolving from the jet airliner, which opened up air travel to the broader population in the 1950s and 1960s, to today's quieter, more efficient aircraft that play an important part in keeping air travel affordable and accessible.

The industry has always relied heavily on advanced technology to ensure safe travel. Today advances in technology allow the industry to pursue added efficiencies and to improve safety and passenger comfort while lessening the impact on the environment. Making the best use of future technologies, while managing any risks associated with their introduction, will be an important factor in catering to future industry needs.

Aviation has both driven, and responded to, national and international demographic trends. National and international migration, business activity, employment mobility and tourism have all increased as a result of more affordable air travel. In 1965, an air fare from Sydney to London represented five months of average earnings. In 2007 a flight between the two cities cost only two weeks of average wages. Travel is now less likely to be a 'once in a lifetime' experience and more likely to be seen as a regular social, business or recreational pursuit.

These trends are likely to continue over the coming decades.

The evolution of Australia's aviation industry has also been strongly driven by the reform of government policies. In particular, the commencement of international liberalisation in the late 1980s and the deregulation of the domestic industry in 1990, and have set the industry on a path of

exceptional growth, which has continued into the first decade of the twenty-first century.

The regulatory framework governing international aviation is based on the 1944 Convention on Civil Aviation, also known as the Chicago Convention. The Convention established, under the United Nations, the International Civil Aviation Organization (ICAO) to develop and maintain arrangements for the international governance of civil aviation. Australia remains a leading participant in ICAO and has been at the forefront of ICAO's activities since 1944, including its international liberalisation efforts over recent years. A key challenge for the Government's Aviation White Paper will be to negotiate a strategy that supports the growth of the Australian industry in the international market, while also expanding international access to Australia's markets.

In the domestic market, Australia has one of the most open and competitive aviation environments in the world. This environment has stimulated growth and innovation, building capacity in response to market needs on major routes, while opening up point-to-point services on new routes. Services to regional Australia have also expanded, though not uniformly, and there are still challenges in meeting the needs of Australians in remote and sparsely-populated regional areas.

Today's major airports bear little resemblance to the green fields from which Australia's aviation pioneers took to the skies. Today, kilometres of modern runways and state-of-the-art technology service a fleet of modern aircraft. This is the workplace of the twenty-first century pilot, aviation maintenance engineer and air traffic controller. Success in the industry now depends on professionalism, training and business acumen.

The passenger experience has also changed significantly. Travellers now pass through busy, spacious terminal buildings offering retail services, restaurants, and a variety of passenger lounges. At the same time, low-cost airlines have opened up services to first-time passengers thorough a low-cost business model, including more modest 'no-frills' airport terminals and services.

Large commercial developments at airports, which would have been hard to imagine in the early years of flying, now sit side-by-side with aeronautical facilities on airport sites. This raises another set of challenges in terms of planning, development integration with surrounding communities and providing effective ground transport links.

The Government recognises that continued investment and modernisation of Australia's airports is essential to meet the expected growth over the next decades. The Government supports development of the airport sites, including appropriate non-aeronautical development, but is concerned to ensure airports, communities and customers take a more partnered, integrated approach to planning this growth.

Most important of all, growth in aviation needs to be underpinned by rigorous safety standards. Australia has an enviable air safety record, but cannot assume this record will be maintained without proper oversight and ongoing reform of Australia's safety regulations.

Forecast growth and market outlook

The Government's decision to establish a review of Australia's aviation industry through the development of an Aviation White Paper recognises the need to have a coordinated industry plan for the future, rather than continue with the ad-hoc approaches of the past.

As recently as six months ago, the Australia industry was still experiencing a strong growth phase that extended as far back as the collapse of Ansett in September 2001. During that time, a number of constraints to growth had been identified, particularly in aircraft and airport capacity and skills.

2008 has been a volatile year for the industry. First, the experience of record high oil prices saw significant rises in the cost base for the industry. More recently, the global financial crisis and consequent softening of demand in key markets has threatened the revenue base of the world's airlines. Demand looks to be softening, new aircraft are coming on stream and profitability outlooks

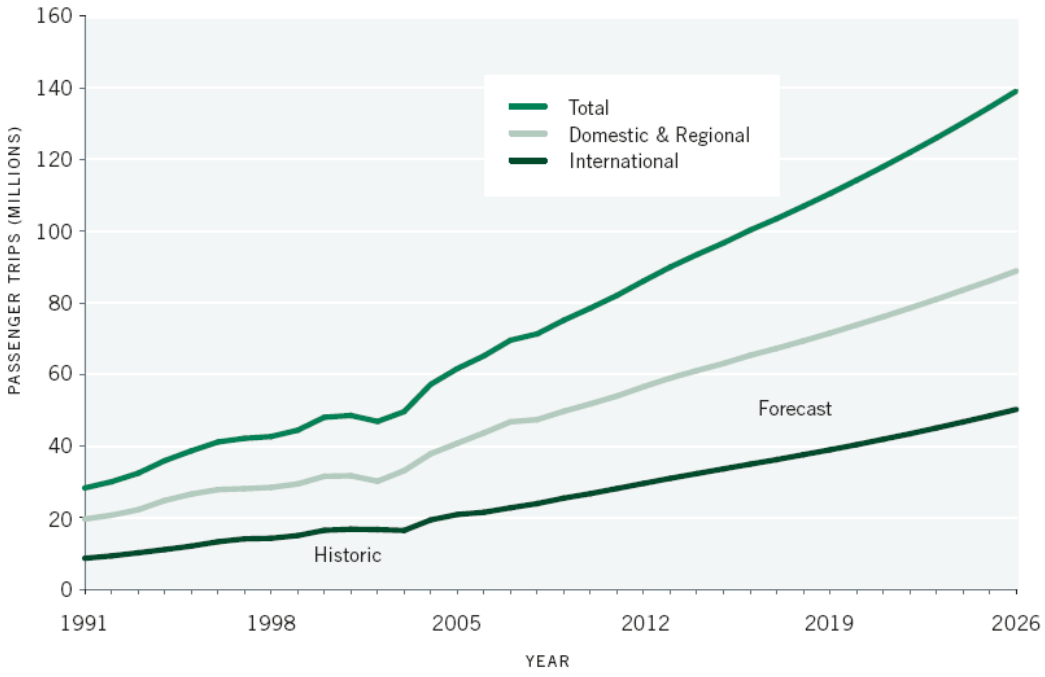
have weakened. Many industry commentators have warned that the best days of the aviation industry may be behind it.

The Government's view is one of caution learnt from history. Observations of the industry's performance following oil shocks and global recession in the 1970s and 1980 give good reason to expect the industry will return to growth as the broader economy recovers in the medium and longer term.

Figure 1.2 shows the long-term forecast for Australia's major airports. Notwithstanding the volatility of the industry at present, the projected growth in passenger numbers is expected to average approximately four per cent per year over the medium to longer-term, still greater than the underlying economic growth rate for Australia and a rate of growth that will lead to double the number of passenger numbers travelling by air over the next two decades.

Figure 1.2 Passenger journeys by air: Australia, 1991–2026

Source: BITRE



Short-term restructuring and capacity reductions are likely as airlines respond to the current economic conditions. This is already being seen in recent decisions taken by Australian airlines such as Qantas and Virgin Blue. The competitive nature of Australia's aviation industry leaves it well-paced to be responsive to further changes in the economic outlook, and to emerge stronger and more competitive than ever, as world markets rationalise.

One thing is certain: the Government and the industry need to put in place a plan for the Australian aviation industry which ensures its long term future beyond the peaks and troughs of this highly cyclical industry.

Safety remains the number one priority

Air travel remains a relatively safe means of transport. There have been no fatal accidents on Australia's high-capacity regular public transport air services since 1968. Fatal accidents in low-capacity regular public transport services are very rare, with three recorded during 1990-2007. According to Australian Transport Safety Bureau statistics, air passenger services in Australia are at least five times safer than car travel, when measured by fatality per passenger per kilometres travelled.

However, recent experience demonstrates there is always room for improvement, even in countries with good aviation safety records. To maintain Australia's excellent aviation safety record, the Australian Government and all aviation operators need to be equipped to meet the challenges of a growing and rapidly-changing aviation market.

Maintaining high standards of aviation safety requires vigilance, investment from both government and industry and, not least, effective performance by Australia's safety regulator and aviation agencies.

The first priority of the Government is to provide an improved framework for the oversight of Australia's aviation safety environment. Ensuring the Government's safety agencies - the Civil Aviation Safety Authority and the Australian Transport Safety Bureau - have the most effective governance arrangements to protect the Australian travelling public will underpin the industry's own responsibilities to ensure continued safe operations.

Protection from wilful attacks on aircraft, by terrorists or others, is an unavoidable element in ensuring safety of passengers. All travellers are aware of the changes in the international aviation security environment since September 11, 2001, but the need for a high-level of aviation security is not new. The Australian Government is committed to maintaining a secure aviation system that continues to take account of current risks and threats and is responsive to any changes in that environment.

Technological changes

Civil aviation has always relied on technological developments to stimulate its progress. Passengers will be familiar with developments in aircraft design that has made travel quieter and more comfortable. Modern aircraft are also capable of carrying more people at a lower cost and with less impact on the environment.

Recent technological developments in air traffic management also hold great promise for Australia's aviation industry. In particular, improved navigation and surveillance systems, will allow more flexible and efficient routes to be flown and will provide greater awareness of other air traffic and potential airspace conflicts in-flight.

Both ground based and satellite based systems will play a part in our future air traffic management system. Technologies and systems such as Automatic Dependent Surveillance – Broadcast (ADS-B), Global Navigation Satellite Systems (GNSS), Airborne Collision Avoidance Systems (ACAS), Approach with Vertical Guidance (APV) and Wide Area Multilateration (WAM) will increasingly become available.

Government agencies, in close consultation with industry, will need to decide on an approach to the introduction of new technologies that ensures maximum safety and minimises transitional risks. As far as possible, Australian developments should be compatible with those overseas, ensuring maximum interoperability and avoiding unnecessary costs in equipment and training. The Aviation Green Paper outlines some broad directions for further discussion before a final approach is detailed in the White Paper in 2009.

Planning challenges

Improving the linkages

The Australian Government has announced a new, national approach to planning, funding and implementing the nation's future infrastructure needs.

The *Infrastructure Australia Act 2008*, establishing Infrastructure Australia, came into effect in April 2008. Infrastructure Australia will provide advice to governments, investors and owners of infrastructure on current and future infrastructure needs and priorities, policy, pricing and regulatory issues that may impact on the utilisation of infrastructure and impediments to the efficient utilisation of national infrastructure networks.

In the 2008-09 Budget the Government announced the establishment of a Building Australia Fund. Allocations from the Fund will be guided by Infrastructure Australia's national audit and infrastructure priority list.

The Government, through the National Transport Commission, has also moved quickly to establish a National Transport Strategy in consultation with the states and territories. The National Transport Strategy will ensure that aviation continues to be recognised in the broader transport context, particularly in regard to the challenges of the intermodal interface where major road networks service Australia's capital city airports.

For too long Australia's aviation development has been seen in isolation. The Government is committed to developing Australia's aviation industry in its appropriate context, as an essential element of Australia's broader transport network.

Australia's major airports

The decision in 1995 to privatise Australia's major airports through a series of long-term leases has paved the way for billions of dollars of private investment in this critical national infrastructure.

A key priority for the Government's Aviation White Paper will be to ensure a continuation of investment in Australia's airports. The focus will be on development of the airport as an airport. The Government supports the scope for non-aeronautical development in parts of airport sites not required for aeronautical uses, but will not support development which is incompatible with the optimal use of the airport for aviation purposes. The Australian Government will also act to ensure effective partnerships are in place with other levels of government to ensure land transport links and other land planning issues are integrated into the overall airport planning framework.

Effective coordination of planning and investment between government jurisdictions will also be necessary to ensure appropriate investment at airports in regional and remote Australia where air services play a vital part in linking people with essential services.

The Green Paper outlines a number of important initiatives to improve airport planning and to support the responsible development of Australia's major airports.

Skills

If Australia's aviation industry is to remain competitive into the twenty-first century, we will have to ensure it has the right people with the right training to do the job.

As one of its first priorities the Government established Skills Australia to provide advice on Australia's current, emerging and future workforce skills requirements and workforce development needs.

A key challenge for the Aviation White Paper is to identify how the aviation industry can best use the Government's focus on skills development and training to develop its current and future workforce needs.

The Australian aviation industry employs nearly 50,000 people. Many of these jobs are highly skilled and aviation is not alone in facing challenges in finding the right people to take the industry forward. Long-term workforce planning needs to take account of recruiting and training time frames to ensure the industry has enough highly trained pilots, engineers, air traffic controllers and other professionals to meet the industry's future growth.

International air services policy settings

There is no question that the fast pace of technological improvement has made air travel more accessible and affordable over the second half of the twentieth century. What has often moved more slowly is the pace of international regulatory reform in opening up access to international markets. The Green Paper outlines the Government's proposed approach to pursuing greater international market access, based on improving commercial opportunities for Australia's airlines, while capitalising on the benefits to tourism and trade that flow from increased access by foreign airlines.

Domestic air services policy settings

Stakeholders' submissions for the Green Paper were overwhelmingly supportive of the deregulation of Australia's domestic aviation industry. Few wish to return to the heavily regulated environment prior to 1990 when prices, capacity, service frequencies and levels of customer services were dictated by the government. It is broadly acknowledged that allowing the industry to freely respond to market demands has increased responsiveness to consumer needs.

However, there are some areas in the market that require attention. Services to more remote areas of Australia have not improved in recent decades to the extent that services to major cities have. In fact, in many cases services have declined. Approaches taken by various levels of government to address this issue lack a national focus. The Australian Government believes that by helping coordinate state and territory efforts with those of the Commonwealth, it is possible to improve air access to more remote parts of Australia.

There is also widespread support for improved measures to address the special needs of air passengers with disabilities. The Government will act immediately to improve planning and coordination of air services for people with disabilities and will draw further on suggestions from disability advocates and the aviation industry in responding to this issue through its response to the final Review into the Transport Standards under the *Disability Discrimination Act 1992*.

Aviation and its environmental impacts

While there is no doubting the invaluable service aviation provides in facilitating nearly 70 million journeys a year in Australia, the Government recognises that it is not without impact on communities and the environment. Minimising that impact, particularly in terms of noise and air quality, has been a challenge for some time. Continuing to respond to those challenges, and also meeting the need to reduce carbon pollution and its impact on climate change, will require strong commitment from government and industry in the years ahead.

Since the election of the Rudd Government, Australia has moved quickly to fight climate change. By ratifying the Kyoto Protocol and working with industries and the community to establish the Carbon Pollution Reduction Scheme (CPRS), the Government has signalled that it will not leave this challenge to future generations.

In establishing the CPRS the Government will consult with Australia's aviation industry to ensure it is treated fairly as it plays its part in fighting climate change.

The Government also has a range of initiatives and proposals to better manage the impact of aircraft noise on communities living under flight paths. While recognising industry improvements in aircraft design and flight management, the Government considers more can be done to manage the impact of aircraft noise in the face of growing industry activity.

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Aviation Safety

Aviation Safety

Safety is the number one priority for the Australian aviation industry and the Government

Aviation Regulation and Investigation

Issues Paper Themes

- Enhancing approaches to Safety Management Systems
- Strengthening governance arrangements for CASA
- Improving the way CASA relates to industry while meeting community expectations that it be a firm regulator
- Completing the regulatory reform process as soon as possible
- Improving how aviation safety agencies work together
- The role of industry in maintaining safety standards as it grows and diversifies
- Maintaining a high standard of aviation safety in the context of global developments
- Opportunities and risks in allowing some parts of the industry to self-administer

What the submissions said

Aviation safety issues and, in particular, the vital regulatory role performed by the Civil Aviation Safety Authority (CASA) were prominent among matters raised in submissions. Comments related to CASA's governance, powers, internal reforms and interaction with industry.

The views expressed on CASA varied according to the industry sector involved, but an underlying theme was that CASA is heading in the right direction in relation to how it undertakes its role and interacts with industry. There was nevertheless strong support for the creation of a CASA Board to strengthen the strategic guidance available to the safety regulator.

Some regional and general aviation businesses indicated concern that CASA focuses too much on its enforcement role and not enough on working with industry to achieve safety outcomes. These smaller organisations noted that over-reliance on regulatory enforcement powers by CASA can exacerbate financial hardship for smaller aviation businesses. The introduction by CASA of aviation safety advisers was cited as a step in the right direction.

Inconsistencies in application of policy and regulations by CASA field offices was identified as an ongoing issue. A range of contributing factors was identified, including varying skill sets, the number of layers of management between field offices and the CEO, and current delegation processes. Streamlining of processes and the introduction of service quality performance indicators (both of which are underway in CASA) were two solutions put forward.

There were concerns also about the slow pace of regulatory reform and the need for the safety framework to be consistent and harmonised with world's best practice. There was near consensus that the regulatory reform process needed to be accelerated and completed. There was also some recognition that consultation processes could be onerous on CASA. There was broad agreement that the regulatory framework should mesh with international best practice, but no unified view on the best model for the Australian framework. There was support for international safety initiatives including Australia's active participation in the International Civil Aviation Organization (ICAO) and

safety projects in the region, including with Indonesia, Papua New Guinea and the South Pacific.

Submissions also supported close engagement with overseas regulatory agencies, such as the US Federal Aviation Administration (FAA) and the European Aviation Safety Agency (EASA), and with industry bodies such as the International Air Transport Association (IATA). These relationships were viewed as essential to harmonising Australia's safety standards with international best practice.

There was also broad support for continued implementation of Safety Management Systems (SMS) across the aviation industry, with some submissions arguing for greater leadership by and assistance from CASA to develop and implement these systems.

Senate Committee report

The Senate Standing Committee on Rural and Regional Affairs and Transport (the Senate Committee) conducted an inquiry into the administration of CASA and related matters during the Issues Paper consultation period, and reported publicly on 18 September 2008. The Committee supported the introduction of a CASA Board and revision of CASA's funding arrangements, and recommended the regulatory reform program be concluded as quickly as possible.

The Committee also recommended that the Auditor-General, an independent statutory officer, consider auditing CASA's implementation and administration of SMS.

The policy context

A safe and efficient aviation industry is critical to the Australian economy. Aviation underpins domestic and international tourism and business and private travel, as well as the air freight of high value and perishable cargo. The aviation sector is also a major employer through airlines, airports and support industries. Any erosion of the level of confidence in safety would fundamentally undermine the industry's development and impact on the economy.

Safety is not solely the responsibility of the safety regulator: it must be a prime responsibility of every certificate-holder and provide the foundation for everything that happens in the industry.

Australia's aviation safety record – an enviable history …

Australian aviation, its airlines and its safety agencies are highly regarded internationally. Scheduled passenger-carrying air services in Australia, termed regular public transport (RPT), have long been regarded as among the safest in the world. Accidents are rare and studies undertaken by the Australian Transport Safety Bureau (ATSB) have found that Australia is a world leader in aviation safety.

Accident, fatal accident and fatality rates for both high capacity and low capacity RPT services are low in Australia. In its 2008 Annual Review, the ATSB compared the risk of fatal injury to users of all major forms of land and air transport in Australia and concluded that airline travel is by far the safest option.

Figure 1.1 Fatal accidents – scheduled operations by regions

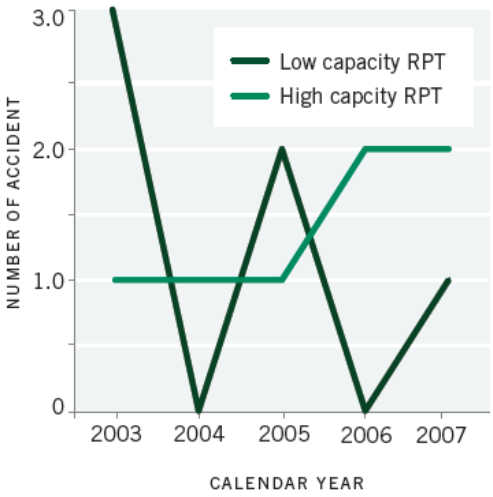
International comparison of fatal accidents per million departures, calendar years 2003 to 2007

Source: International Civil Aviation Organization (ICAO)

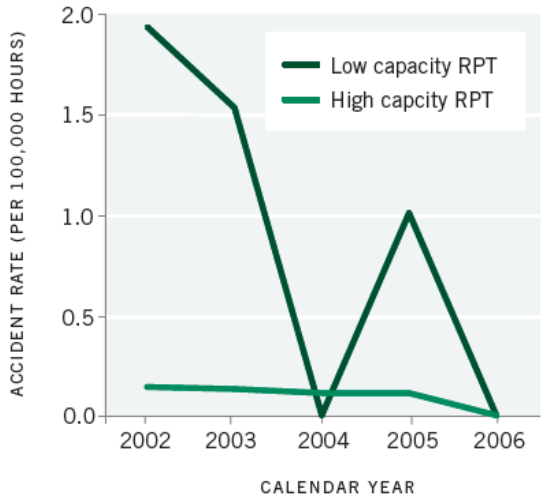
Figure 1.2 and 1.3 Australian RPT accident occurrence

Source: ATSB Annual Review 2008

Aviation accident numbers – Air transport, 2003 to 2007



Accidents rates per 100,000 hours flow, 2003 to 2006



A 2006 ATSB aviation research paper, *Analysis of Fatality Trends involving Civil Aviation Aircraft in Australian Airspace between 1990 and 2005,* compared fatal accident rates in Australia during

1995-2004 with similar data for the United States, Canada, the United Kingdom and New Zealand. The ATSB found that Australia had a good safety record compared with these other advanced economies. The report also confirmed that fatal accident and fatality rates declined in Australia over the ten years to 2004.

Building on this overall safety record, the Government has already undertaken two key safety initiatives in 2008. An alcohol and other drugs regime has been implemented for the aviation industry, comprising industry education programs, mandatory alcohol and other drugs management plans for industry organisations, and random alcohol and drug testing for industry participants with safety-related responsibilities.

The Government has also acted quickly to ensure the western end of the East West runway at Sydney Airport meets international and CASA standards through the construction of an extended runway end safety area (RESA). While this is an essential safety action, construction of the RESA is taking place under stringent conditions imposed by the Government to minimise the impact on the community.

…but no room for complacency

Despite this excellent record, Australia suffered its worst civil air accident since 1968 when 15 people died in a single fatal accident near Lockhart River, involving a low capacity RPT service in 2005. This tragedy reminds us there is no room for complacency on safety in a dynamic operating environment and that history is no substitute for robust safety systems.

Recent incidents, including those affecting Australia's largest airline, Qantas, also demonstrate the complexity of the challenge and the need for vigilance and continuous improvement of SMS. The best of safety records does not provide immunity from risk and safety systems are an essential tool in minimising and coping with safety issues as they occur.

Emerging risks and trends

It is essential that Australia takes a long-term perspective on air transport trends so that our industry and government agencies can be ready to address trends and successfully manage risks. To this end, in May 2008 CASA released *An assessment of trends and risk factors in passenger air transport* (available at <www.casa.gov.au/corporat/riskreport.pdf>).

In this report CASA identified the major safety risks industry will need to address over the coming three to five years from a whole-of-industry perspective, with a particular focus on passenger carrying operations.

The report identified four trends impacting on the aviation industry with implications for operational tasks and safety management:

- long-term increased global demand for aviation services;
- developments in manufacture, systems and technologies that offer potential safety solutions while simultaneously adding complexity and change;
- international instability, and increased security-related costs and compliance burdens; and
- increased environmental awareness, driven by global concerns about global warming and climate change.

CASA has established joint CASA/industry working groups to identify specific issues, intervention proposals and implementation advice to CASA in the five key areas of aircraft, airports and infrastructure, airspace and traffic management, personnel and government agencies.

It is clear that the Australian and international aviation industry is experiencing rapid change, placing new demands on airlines, maintenance and support businesses, aviation personnel and fare-paying passengers. The pace of that change and the responsiveness of industry and the

safety regulator in adopting appropriate safety management responses will determine how well additional risk is managed.

The Australian industry has been experiencing a range of challenges from new carriers entering the Australian market, including low-cost carriers, the introduction of new aircraft types and technologies, shortages of skilled staff, increased demand for services and recent high fuel costs. While some of these factors have driven growth in passenger numbers, they have also presented heightened safety risks as the complexity of safety oversight increases and the availability of skilled staff has remained tight.

All those involved in aviation acknowledge the safety risks inherent in these trends. The move towards strategic analysis and response represents a step beyond simple reliance on accident and incident data to predict future safety risks.

There is considerable potential for this responsibility to be met through the implementation of SMS by holders of Air Operator's Certificates (AOCs).

SMS can be broadly defined as a systematic approach to managing safety risks, involving organisational structures, accountabilities, policies and procedures. The implementation of an approach based on SMS acknowledges that airlines and other aviation operators have a fundamental responsibility for managing safety risks that goes beyond simple compliance with rules. Operators need robust systems in place to be confident they are managing safety and risks to achieve the best possible levels of safety.

For its part CASA needs to be confident that it has the capacity to monitor and check the quality of SMS through ongoing surveillance and regular targeted auditing. The Government has noted the Senate Committee's concern about these issues and will ensure CASA draws the best from overseas experience, particularly in Canada and the United States, as it oversees the implementation of SMS in the Australian industry.

The Government's responsibility is to get the policy and regulatory settings right so that industry is in the best possible position to manage safety risks. CASA's move towards outcome-based regulation, away from detailed prescription, brings flexibility to rule making in aviation and is part of a global trend. But the trend also introduces challenges and the respective roles of the regulator and industry in ensuring safety need to be clearly defined.

In addition to the emerging risks study and the Senate Committee report, other reviews informing the Government's consideration of safety issues include the report of the Aviation Regulation Review Taskforce (2007), chaired by Dr Allan Hawke, and the review, also in 2007, by Mr Russell Miller AM of relations between the ATSB and CASA.

Safety agencies and their responsibilities

Civil Aviation Safety Authority

CASA is an independent statutory authority established in 1995 under the *Civil Aviation Act 1988* to regulate aviation safety in Australia and the safety of Australian aircraft overseas. While the safety regulation of civil aviation remains its primary role, CASA also provides safety education and training programmes and in recent years has acquired responsibilities for airspace regulation and some environmental issues.

CASA has field offices in all mainland states and territories, an operational headquarters in Brisbane and a head office in Canberra. The Chief Executive Officer also holds the statutory position of Director of Aviation Safety and leads an organisation employing over 600 personnel.

In fulfilling its responsibilities CASA sets aviation standards, certifies aircraft, maintenance organisations and operators, licenses pilots and engineers, carries out safety surveillance, enforces safety standards and promotes industry awareness and understanding of aviation safety standards

and safety issues. CASA oversees the activities of over 42,000 licensed industry personnel (including pilots, Licensed Aircraft Maintenance Engineers and Air Traffic Controllers), over 13,000 registered aircraft, more than 850 general aviation operators, more than 40 airline operators, over 700 maintenance organisations, more than 170 certified aerodromes, more than 130 registered aerodromes, and 26 air traffic control (ATC) facilities including major ATC centres in Brisbane and Melbourne.

CASA has a complicated dual role, being required to work constructively day-to-day with the industry it regulates, but also needing to take firm regulatory action against industry where necessary to ensure safety.

While CASA has sole responsibility as safety regulator, it has sought to adopt a flexible approach to its broader policy and administrative functions by consulting regularly with industry on future safety initiatives – the Standards Consultative Committee being a key forum – and exploring options for self-administration.

CASA's current governance structure is a product of changes introduced by the then Government in 2003. At that time the CASA Board was abolished and the position of Director of Aviation Safety created. These changes were intended to create the conditions for organisational change, which has been pursued by the CEO, Mr Bruce Byron.

Australian Transport Safety Bureau

The ATSB is an operationally independent multi-modal body within the Department of Infrastructure, Transport, Regional Development and Local Government, and Australia's prime agency for transport safety investigations. Its mission is to maintain and improve transport safety and public confidence through excellence in:

- independent investigation of transport accidents and other safety occurrences;
- safety data recording, analysis and research; and
- fostering safety awareness, knowledge and action.

The ATSB performs its aviation safety functions in accordance with Annex 13 to the *Convention on International Civil Aviation* (Chicago Convention 1944). Annex 13 has legal force under Australian law through the *Transport Safety Investigation Act 2003* (the TSI Act).

Section 7 of the TSI Act defines the object of the Act as to improve transport safety through, among other things, independent investigations of transport accidents and incidents and the making of safety action statements and recommendations that draw on the results of those investigations. It is not the purpose of ATSB investigations to lay blame or provide a means for determining liability.

The ATSB's main office and laboratories are in Canberra and it has field offices with aviation safety staff in Brisbane and Perth. The ATSB currently has over 90 staff across aviation, rail and marine safety.

As well as investigating individual accidents and incidents, the ATSB also looks at systems and trends where these might provide information on future safety issues.

The policy framework - key challenges for safety agencies

The aviation safety organisational framework (see Figure 1.4) is a complex interaction between various government agencies with diverse statutory responsibilities, the aviation industry and the broader community, all operating in the wider context of Australia's membership of the International Civil Aviation Organization (ICAO) and associated obligations.

The Government's role is to ensure Australia's aviation safety agencies maintain their high international standing and continue to work together to maximise their contribution to aviation safety.

The contemporary aviation industry and safety agencies face a considerably more complicated operating environment that demands new approaches and solutions. The safety framework needs to be flexible enough to deal with technological developments and cost structure changes in the aviation industry. The focus must always be to facilitate high quality safety outcomes whilst avoiding unintended impacts on industry as a result of unnecessary bureaucratic constraints.

Circumstances have clearly changed since the decision in 2003 to abolish the CASA Board. Since then, a substantial amount of organisational reform has been undertaken within CASA, something acknowledged by the Senate Committee in its recent report. The way CASA interacts with the aviation industry has also evolved.

There is widespread support within industry for a new CASA Board that will assist the organisation to manage the implications of industry growth and other industry trends, such as low-cost carriers, and to facilitate effective interaction between the regulator and industry. As CASA's trends and risks assessment makes clear, there are technological and other changes taking place in the aviation sector that point to the need for governance arrangements that ensure that CASA is equipped to monitor and drive safety outcomes.

In 2007 Mr Russell Miller AM was tasked by the then Government to review the relationship between CASA and the ATSB. Mr Miller's work arose from a recommendation of the Queensland Coroner following his inquiry into the fatal accident at Lockhart River in 2005.

The Government released Mr Miller's report for public comment in March 2008 (it can be accessed at <http://www.infrastructure.gov.au/aviation/safety/atsb_casa_report.aspx>).

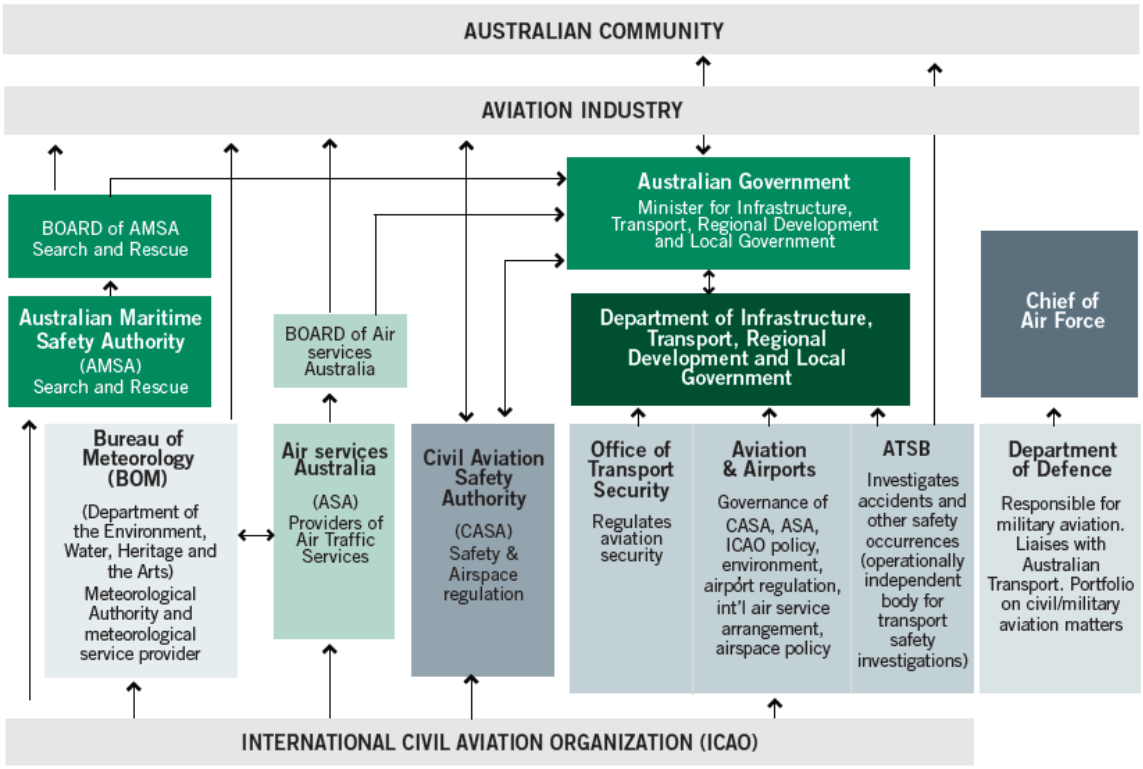
In finding there was room for improvement in the way the agencies interact, Mr Miller addressed the ATSB's governance structure and the issue of protection of safety related information. With regard to governance, Mr Miller recommended that the Government move to clarify the ATSB's independence as the national safety investigation agency. The Government accepts this key recommendation, which received strong support from industry, and will implement it through the necessary legislative and administrative changes.

The Government's response to aviation sector changes needs to go beyond the governance changes. We need to ensure that Australia's key safety agencies – CASA and the ATSB – have the necessary resources to meet their responsibilities.

The Government will review the funding arrangements for CASA's surveillance and regulatory activities, including those of the Office of Airspace Regulation (OAR). The OAR has an important role in determining the safest and most efficient use of Australia's airspace, which covers 11 per cent of the world's airspace. Within the context of new industry developments, the Government will ensure that CASA has the appropriate funding levels and certainty it needs to carry out its functions.

The ATSB's work in investigating accidents and serious incidents is a fundamental part of the transport safety framework. The majority of this work relates to the aviation sector. It is not practicable for the ATSB to investigate every aviation accident and incident, and it will continue to need to make judgements about the longer term safety value of any investigation it undertakes. However, the Government recognises that ATSB needs to be appropriately resourced to perform its functions, taking into account industry growth and technological complexity.

Figure 1.4 Australian safety organisational framework



Australia's approach to enhancing aviation safety

Safety agency governance: a Board for CASA

The Government will implement its commitment to introduce a CASA Board. This will be a small expert Board of five members appointed by the Minister, comprising a Chair, Deputy Chair, CEO (as an *ex-officio* member) and two other members. The Board will be responsible for appointing the CEO, in consultation with the Minister.

The CEO will remain Director of Aviation Safety (a statutory office under the Civil Aviation Act) and continue to manage CASA under the Board's strategic guidance. The CEO will retain responsibility for day-to-day decision-making, staffing and financial management.

Board members will be appointed for three-year terms, with the exception of some initial appointments where it might be desirable to have terms of various lengths to avoid all terms expiring at the same time.

Key skills required on the Board include experience in aviation, public administration, transport safety and regulation. It is important to be clear that this Board will not be 'representational'. CASA's role inherently involves striking a balance between the competing needs of different industry sectors.

The Board will operate at a strategic level – to support CASA's regulatory and safety oversight role, but not blur the clear lines of authority and accountability for day to day decisions. It will be broadly responsible for CASA's strategic direction, risk management and corporate planning.

Its primary purposes will include:

- deciding on the objectives, strategies and policies to be followed by CASA;
- ensuring CASA performs its functions efficiently and effectively; and
- ensuring CASA complies with the reporting and other requirements of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and the Civil Aviation Act.

A Board will help consolidate directions and align strategic directions to the full range of challenges, which have grown substantially over the past five years. The new Board will facilitate better relations across agencies with safety responsibilities and also assist in allowing for stronger industry input into strategy.

The Government has also considered whether it would be appropriate for CASA to transition to the *Financial Management and Accountability Act 1997* (FMA Act) according to the financial management principles established in the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (Uhrig Review) presented in 2003.

The Government does not propose to do this at this time. CASA will be retained as a statutory authority under the CAC Act and the Government will review this arrangement in two years. The new CASA Board will be responsible for the efficient, effective and ethical use of Commonwealth resources.

Legislative amendments to the Civil Aviation Act to give effect to the governance changes are to be introduced in early 2009, with the Board to be in place from 1 July 2009.

Safety agency governance: independence for the ATSB

The Government has decided to establish the ATSB as a statutory agency and to introduce a Commission structure to enhance its independence. Responses to the Miller review revealed strong industry support for an independent ATSB and an alternative governance model was one of the review's recommendations.

The Commission structure for the ATSB will comprise a full time Chair, who will also be the Chief Executive, two part-time commissioners and provision for additional commissioners to be appointed for particular investigations as necessary. The Commission will be appointed by and report to the Minister and the new agency will be established under the FMA Act and the *Public Service Act 1999.*

The Executive Director of Transport Safety Investigation's current powers under the TSI Act will be transferred to the Commission, which would have powers to delegate to appropriate levels in the ATSB. The ATSB Chief Executive will be responsible for the day-to-day conduct of accident and incident investigation under delegation from the Commission as a whole.

A Commission structure will support the ATSB's enhanced independent status. The Commission will provide guidance on the selection of accidents and serious incidents to be investigated. It will also support the ATSB in encouraging safety action ahead of final reports, which will reduce the need for safety recommendations and ensure that any safety recommendations deemed necessary are in a format that will best contribute to practical safety improvements. The Commissioners will be appointed with an appropriate mix of skills and expertise.

The Commission will establish a framework for the conduct of the ATSB's work and delegation of the investigative functions to staff as appropriate, with the expectation that at least one commissioner would be involved in the sign-off of each report and that multiple commissioners would consider the most sensitive reports.

A Commission will help to facilitate interaction with industry and other agencies and improve quality control. It would oversee and approve ATSB reports and ensure investigation reports are communicated effectively to industry and the safety regulator, CASA, and acted upon as a key part

of Australia's aviation safety system.

Legislative amendments to the TSI Act to give effect to the governance changes are to be introduced in early 2009, with the new Commission to be in place by 1 July 2009.

Agency cooperation

The Miller review included some other recommendations to ensure appropriate coordination and cooperation between the ATSB and CASA, including a range of operational matters that are already being addressed by the agencies. The Government expects that the creation of a Board for CASA and a Commission for the ATSB will help build cooperation across agencies.

The Miller review also suggested amendments to the provisions relating to the sharing of evidence obtained in an investigation with CASA as the regulator. These recommendations raised serious sensitivities in the industry, with a significant number of key industry players indicating their concern that a change in the current balance on information sharing could prejudice the industry's level of cooperation with investigators.

The current provisions of the TSI Act offer only limited scope for sharing information for safety purposes. There is room for further dialogue between the agencies about how those provisions are used. Australia is not alone in grappling with this issue and discussions on a refined framework are proceeding within ICAO.

The Government does not propose to initiate legislative change on these issues at this stage, but will look to the agencies to work together towards agreement on an approach based on the current provisions. The Government will also consider options for introducing a tiered system of voluntary and mandatory reporting of safety issues to CASA that will allow CASA to take appropriate safety action.

Following up safety recommendations

Consistent with recent ICAO decisions, the Government intends to introduce legislative amendments that will require written responses to ATSB safety recommendations within 90 days. The revised governance arrangements for CASA and the ATSB will also allow for a better outcome from the ATSB's findings and safety recommendations, which will be subject to review and consultation with regular reports to the Minister. This process will provide confidence that ATSB safety issues are being addressed and implemented and ensure feedback to the ATSB so that it can best target future recommendations to achieving practical safety outcomes.

Agency funding

The Government will ensure that Australia's aviation safety agencies are appropriately funded to enable them to perform their functions. The Government will consider CASA's long-term funding needs, which were last reviewed in the 2005-06 Budget. CASA's funding base comprises a mix of budget appropriation, revenue from aviation fuel excise and cost recovery of regulatory service fees. Consideration of CASA's overall funding will include resourcing of the Office of Airspace Regulation to ensure the continued development of that important regulatory role. To ensure the costs of CASA's safety regulation do not place an excessive burden on the regional and general aviation industries, options will be considered for limiting CASA's regulatory service fees to that part of the industry.

The Government will also consider funding to support the new governance arrangements for CASA and the ATSB, and the ATSB's new statutory independence. Consideration will also be given to the ATSB's funding base to ensure it is appropriately resourced to discharge its important investigatory role.

Enhancing safety regulatory powers

Recent experience has exposed some inadequacies in Australia's safety regulatory framework and underlined the desirability of enhancing CASA's powers to take account of developments in the industry. CASA needs a twenty-first century suite of enforcement tools.

In particular, routine application of the 'automatic stay' provisions of safety related decisions taken by CASA have effectively nullified CASA's ability to suspend or cancel the authorisations of operators found to have fallen well below an acceptable level of safety. Amendments in 2003 to the Civil Aviation Act have limited CASA's capacity to take firm regulatory action.

A number of recent incidents have highlighted how access to legal remedies such as 'automatic stays' can arguably have the consequence of allowing operators to remain in the air despite compelling evidence of serious safety breaches. For example, in June 2008 CASA moved to suspend the operations of an airline because CASA believed there were serious and imminent risks to the safety of passengers travelling on the airline. The Federal Court lifted that suspension on 2 July 2008 after imposing conditions on the airline's continuing operations.

CASA is currently reliant on its own industry surveillance activities and the voluntary provision of information from industry to conduct its oversight functions. The Government will consider options for a range of voluntary and mandatory reporting requirements for aviation safety incidents that will improve the overall safety reporting system.

The Government will also consider changes such as substantially increasing the range of financial penalties for regulatory breaches where appropriate. The range of penalties available should be such as to allow an appropriate response having regard to the nature of the breach, the scale of operation and the degree of safety risk involved. The amounts potentially payable by large operators must be sufficient to provide an effective financial deterrent.

There is also a need for CASA's regulatory oversight of foreign-based operators flying within Australia to be reviewed, arising from concerns about CASA's ability to satisfy itself that all operators flying into Australia are receiving adequate safety oversight outside Australia. The Government intends to explore whether CASA's capacity to take a broader range of issues into account when considering whether to issue a foreign AOC needs to be expanded.

While CASA's infringement notice and recently introduced demerit point schemes are widely seen as an even-handed response to regulatory breaches, there are further refinements to these arrangements that can be considered to ensure they are achieving the desired safety outcome. The Government will consider changes such as the option of substantially increased financial penalties where appropriate and revised disclosure provisions.

Improving CASA's interactions with industry

CASA consults extensively with industry and this consultation is important in ensuring that industry and the regulator are on the same page with regard to CASA's regulatory role. The Government's clear expectation is that CASA's consultation with the aviation industry will be broadly based, focussed and constructive.

CASA's current consultative arrangements are, however, time consuming and industry and CASA share a view that entrenched disagreements exposed in the consultation processes should not impede timely regulatory action, including the development of new regulations.

The Aviation Regulation Review Taskforce, chaired by Dr Allan Hawke, addressed the issue of the pace of CASA's regulatory reform program, which has been underway for close to a decade. The Taskforce, whose report can be accessed at <http://www.casa.gov.au/newrules/taskforce/index.htm>, made a number of recommendations in this area to expedite progress. Many of these are already being addressed and some significant progress has been made recently in finalising important regulations.

The Government is committed to implementing the Taskforce's key recommendation that the regulatory reform program be completed by 2010-11 and, in consultation with CASA's management and the new Board, the Government will support reforms to CASA's consultation with industry that lead to effective, quicker and more transparent safety regulatory outcomes. The aim of these reforms will be to allow industry views to be collected and timely regulatory decisions to be reached that meet the balance of public interest.

Industry's primary responsibilities for safety

Aviation safety is not just a matter for the regulator; effective safety systems require all stakeholders to take responsibility in ensuring safe outcomes. The aviation industry has a clear responsibility for safety outcomes beyond compliance with the safety regulations. CASA's work with industry to implement Safety Management Systems is a key part of delivering this message.

The Government will also encourage CASA to continue to examine options to devolve non-regulatory responsibilities to the aviation industry so that certain segments of the industry – such as has occurred with sports aviation – are able to self-administer their activities, thereby delivering cost and time savings to industry participants. This will not involve industry regulating itself. Self-administration will not be contemplated if it leads to a reduction in safety standards and it is likely that CASA's surveillance of these sectors will increase regardless of self-administration in the future.

CASA's internal reforms

CASA has undergone considerable reform in recent years. This has brought significant change to work practices, organisational structure and strategic priorities. The safety regulator now aligns itself more closely with how industry operates and is more attentive to concerns about how its role can impact on industry competitiveness. New staff have also been recruited, although CASA faces many of the same skills pressures the industry confronts. CASA has taken steps to develop and enhance the skills of its staff by introducing a Diploma and Certificate IV qualification in Aviation Safety Regulation in conjunction with the Swinburne University of Technology. About 10 per cent of CASA's total permanent workforce is enrolled in these courses.

While efforts have been made to address concerns over examples of inconsistency in how different CASA staff undertake similar regulatory roles, industry feedback suggests there is more to be done and that issues of 'poor culture' are still evident in some CASA staff. CASA's management, supported by the new Board, will need to continue to focus on improving the way staff meet their professional responsibilities.

International safety cooperation (through ICAO and regional safety programs)

Aviation is a global industry and Australia cannot ensure safety in isolation – the majority of air traffic coming to or from Australia traverses Indonesian or Papua New Guinea (PNG) airspace.

Australia's international efforts are focused on being an active member of ICAO and working cooperatively and constructively in our region.

Election as a member of the ICAO Council and active participation in a range of ICAO groups allows Australia to stay at the forefront of international developments in safety and to shape the development of new standards and practices. In the region, Australia has a major transport safety program with Indonesia and is contributing to safety outcomes as part of the broader aid program in PNG and the South Pacific:

- the Indonesia Transport Safety Assistance Package is providing almost $24 million over three years for a combination of training and technical assistance;
- assistance has also been provided to the PNG Civil Aviation Authority (CAA) to improve its

efficiency and effectiveness, and to enable the CAA to develop its capacity to comply with international standards in aviation safety; and

- Australia also engages with the Pacific Island Forum states through its membership of the Pacific Aviation Safety Office (PASO). Since its creation in 2005, Australia has contributed assistance under AusAID's Pacific Governance Support Program to review PASO's corporate governance arrangements and to provide technical assistance for development of safety and security technical inspection manuals.

Aviation safety regulation– the way forward

Guiding principles and key initiatives

- Safety must underpin everything else in aviation and must be maintained in the face of cost and other pressures in the industry. The safety of passenger carrying operations remains the top priority.
- The effectiveness of safety agencies must be ensured, with proper governance arrangements to strengthen strategic planning and oversight.
- The development of the Safety Management Systems approach should continue, incorporating both flexibility and a commitment to managing safety risks throughout aviation operations.
- Consultation and communication across the aviation sector must be enhanced. This is critical to achieving a fully informed and engaged aviation community actively addressing safety issues.
- Australia is building leadership in the region to support the improvement of safety administration in neighbouring countries. This delivers safety benefits to the countries concerned and to all travellers flying through their air space or utilising their aviation infrastructure.
- The Government will affirm that safety will be the first priority of all government agencies involved with aviation, and act now to:
    - reinforce CASA's governance arrangements through the introduction of a small expert Board;
    - consider options to ensure CASA's funding is sufficient for it to perform its functions;
    - pursue legislative amendments to strengthen CASA's capacity to take necessary safety action; and
    - maintain the momentum of CASA's internal reforms so that it is equipped to deal with future regulatory challenges.
- The Government will use the development of the Aviation White Paper to engage further with industry and the community on how CASA should undertake its safety regulatory role. This approach emphasises the shared responsibility for maintaining aviation safety and the Government's determination to achieve a comprehensive safety outcome.
- The Government will also act to enhance the independence of the ATSB as a safety investigation agency by establishing it as an independent agency within the Infrastructure portfolio. Consideration will also be given to the ATSB's resourcing.
- The Government will increase its engagement in safety issues in Australia's region through targeted safety regulatory and air traffic management activities, in Indonesia, Papua New Guinea and the South Pacific.

Air traffic management

Issues Paper Themes

- Taking advantage of new and emerging satellite navigation technologies for Australia's air traffic management (ATM) system
- Enhancing ATM safety, capacity and efficiency
- Aligning airspace classifications and the level of services and facilities to reduce risk
- Ensuring Australia's ATM system is compatible with global and regional systems
- Aligning Australia's ATM development with national security and environmental considerations
- Ensuring the retention, training and future supply of air traffic controllers and associated professionals
- Developing and implementing a national ATM plan
- Be a firm regulator

What the submissions said

There was general support for greater clarity of government agency roles and for government funding of infrastructure and technology.

Views were mixed on how industry charging should be done and whether network or location specific pricing models should be adopted. There was also support for the appropriate implementation of new air traffic related technology and for industry having a role in the development of air traffic planning.

Several submissions called for special focus to be placed on Sydney Airport air traffic management issues.

Other issues raised in submissions were the need for civil/military airspace issues to be addressed and for education and training to be enhanced to ensure a sustainable workforce.

What is the Australian Air Traffic System?

Australia has one of the safest and most efficient ATM systems in the world. It is a system that services over 11 percent of the world's airspace.

The decision to move to The Australian Advanced Air Traffic System (TAAATS) in the early 1990's, a system based around two major air traffic centres at Brisbane and Melbourne, has given Australia a system that is the envy of most countries in the world.

Like most systems, air traffic management requires continual maintenance and eventual renewal.

While Australia does not have the same magnitude of air traffic as Europe or the United States, we still face significant ATM challenges. These include infrastructure renewal, most notably the replacement of ageing radar and navigation aids, and the need for better workforce planning.

Sustained industry growth and changing technology are also placing unprecedented demands on our system. If these challenges are not addressed, Australia's ability to maintain an international best practice air traffic system will be compromised.

The Australian Air Traffic System broadly comprises three key components:

- air traffic safety regulation, which includes airspace regulation by the Office of Airspace

Regulation (OAR) in CASA;

- air traffic surveillance, which is predominately undertaken by Airservices Australia (Airservices) and by Defence at certain airports where there are both civilian and Defence operations; and
- aircraft communications and navigation, which is undertaken by a range of aircraft operators on instruction from the service provider in controlled airspace and in compliance with CASA requirements in non-controlled airspace.

The travelling public, the wider community and industry expect this system to deliver safe and reliable services with clear and accountable regulation to meet their travel and business needs.

With continued air traffic growth forecast, the air traffic system must remain responsive to enhance safety and efficiency through continuous improvements in:

- the regulatory and service provision roles performed by the Government's aviation agencies;
- the performance and operations of Australian and foreign airlines serving our international, major domestic and regional airports; and
- the performance and operations of the general and recreational aviation sector, especially where their operations increasingly mix with passenger transport operations.

While safety is the primary consideration, the air traffic system must also support industry efficiency initiatives, limit environmental impacts (noise and emissions), provide reasonable access to all users, and operate in a manner consistent with our national security objectives.

Australia's air traffic management system in the international context

Australia's ATM system forms part of an international network of air traffic communications, navigation and surveillance.

Every day around the world, and in our region, air navigation tasks are performed by a range of international and domestic airlines, in concert with air traffic surveillance services provided by agencies such as Airservices.

Australia has the added challenge of being required to manage vast amounts of airspace in relatively remote localities.

As a member state to ICAO, Australia works with other member states to establish system compatibility to enable more seamless international air traffic services.

ICAO has a vision to achieve an integrated, harmonised and interoperable ATM system through what is known as the ICAO Global Operating Concept for Air Traffic Management. The ICAO concept sets out a consistent air traffic management regulatory and service framework for each member state to adopt. For Australia this should be reflected in the way in which we set up our governance, infrastructure and operational arrangements – in order to achieve a safer, more efficient and more environmentally friendly international air traffic system.

Australia is committed to adoption of the ICAO concept in the future delivery of ATM. However, what this will require is an appropriate Government-led, long-term coordinated ATM plan – something that has been lacking in previous efforts to adopt the ICAO vision.

A key means of meeting this requirement that is being implemented around the world, will be the wider application and use of satellite surveillance technology such as Automatic Dependent Surveillance-Broadcast (ADS-B) and satellite navigation technology such as the Global Navigation Surveillance System (GNSS).

Australia is at the forefront of the initial international use of this technology, improving air traffic surveillance in Australian airspace that currently has no radar surveillance coverage.

In the region, Australia is a leader in ATM and has an important role to play in assisting our regional partners to meet their air traffic management responsibilities and, where appropriate, build improved infrastructure and human resource capability.

Good examples of this role have been demonstrated with the work that Australia has undertaken with assisting air navigation service providers in countries such as Indonesia and Papua New Guinea.

In the future we could also look towards the establishment of more seamless ATM services covering Australia and New Zealand to improve on the already close cooperation in ATM between the two countries.

More seamless regional air traffic management arrangements and procedures ultimately provide better safety, efficiency and environmental outcomes for the travelling public and the airlines flying in Australia and throughout the Asia-Pacific region.

Air traffic governance - roles and responsibilities

A twenty-first century air traffic management system must clearly define the roles of government agencies, airlines and other aviation users in maintaining a safe and efficient aviation industry.

A significant step in this process was taken with the removal, from 1 July 2007, of airspace regulatory functions from Airservices to the newly created Office of Airspace Regulation in CASA. This completes a clear delineation of roles between the regulator and the service provider.

This step has, however, not changed the key roles of all Government agencies and industry in delivering an air traffic system which continues to enhance safety.

Airservices Australia – the provider of air traffic services

Sound governance is important to delivering safe air traffic management.

Airservices was established in July 1995, following the division of the Civil Aviation Authority into two separate government bodies, Airservices and CASA.

Airservices is a legally and financially independent statutory authority established under the *Air Services Act 1995*. It is essentially a monopoly provider of air traffic management and fire fighting services at our major airports for civilian aircraft.

Airservices is governed by a Board, which is directly accountable to Parliament through the Minister for Infrastructure, Transport, Regional Development and Local Government.

The Government will maintain Airservices as a fully government-owned statutory authority with safety its most important consideration.

Delivering better safety outcomes should not be an impediment to improved efficiency.

Ongoing investment in the maintenance and replacement of infrastructure and the recruitment and retention of skilled personnel are necessary components of improved ATM.

The Government, through the Minister for Infrastructure, Transport, Regional Development and Local Government, outlines its priorities for Airservices in a publicly available Statement of Expectations (Statement).

In conjunction with this Green Paper, the Government has issued a new Statement to the Airservices Board.

The new Statement requires Airservices to focus on delivering core air traffic and aviation rescue and fire fighting services. This is what the community and industry rightly expects Airservices to

deliver best, not the pursuit of side or ancillary activities or overseas ventures.

The Statement also highlights the importance of the need for supporting infrastructure investment, including in current and future technology, and improving workforce capability planning to meet immediate and future demand.

The Government also expects that Airservices will meet its broader legislative responsibilities to the community in relation to the environmental impacts of aircraft operations, including those responsibilities set under direction from government.

The new Statement sets Airservices clear, unambiguous and immediate priorities to deliver on with improved safety at the heart of these priorities.

Office of Airspace Regulation – the safety regulator

As outlined above, under the *Airspace Act 2007*, CASA was given the primary responsibility for determining Australia's airspace safety regulatory requirements through the establishment of the OAR.

The OAR has the decision making power for airspace design, classification and designation and the authority to conduct regular reviews of existing services and facilities provided for particular volumes of airspace by the civil air navigation service provider – Airservices.

The OAR's targeted work program should be proactive - its airspace reviews should use the best available data (including forecast changes in aircraft movements) to determine emerging risks at our capital city and regional airports to ensure that appropriate ATM requirements are put in place in time by Airservices.

The Government believes that the OAR, through the Airspace Act and the Airspace Regulations, has a sound legislative framework for examining and determining future Australian airspace requirements.

This framework has established the safety of air navigation as the most important consideration in the performance of the OAR's functions, as well as ensuring, as far as is practicable, the environment is protected from the effects of aircraft operations.

As well as the legislation and regulations, a third instrument guiding the OAR's operations is the Australian Airspace Policy Statement. The Government believes that the current Policy Statement can be significantly improved by being better targeted on safety.

The Government has released, for industry comment, a proposed updated Policy Statement.

The Government believes OAR should focus on safety first in the delivery of future airspace classification and administration decisions using sound risk management processes.

The new Policy Statement will help guide the OAR's role in dealing with Australia's evolving air traffic management system and rather than being overly prescriptive, it will enable the OAR to concentrate on its key legislative functions and responsibilities. The previous "wish list" of additional air traffic issues in the current Policy Statement will be rationalised.

The Government is looking for comments on the updated Policy Statement by the end of this year so that it can be finalised and come into effect early in 2009.

A key area of concern is to ensure that the OAR has stable and adequate funding to enable it to effectively undertake its future regulatory and planning functions.

The current funding arrangements involve charges collected from industry being redirected to the OAR through Airservices. This was acknowledged as an interim arrangement when established.

With a substantial workload still to be undertaken by the OAR over the next five years, including the review of the classification of airspace at a number of major regional aerodromes, the Government will ensure, through the CASA funding review, that the OAR is appropriately resourced.

Department of Defence

The Department of Defence is a significant partner in Australian aviation. It is an independent air navigation service provider including being responsible for infrastructure (e.g. radar facilities) and air traffic and rescue and fire fighting services at a number of locations that have facilitated strong civil aviation growth.

Defence has unique requirements in the aviation environment, especially in terms of airspace use, infrastructure, supporting services in developing and maintaining military capability and protecting national security commensurate with the Government's Defence policy. In developing the Aviation White Paper, the Government will ensure that these requirements are recognised.

There are currently a number of initiatives in place to achieve closer collaboration between civil and military ATM systems. The Defence Air Traffic Control Reform Program, for example, includes an examination of the current legislative regulatory frameworks covering civil and military requirements, with a view to pursuing greater harmonisation of the two systems through the alignment of operational and airworthiness standards.

Other initiatives aimed at improving civil/military harmonisation include national training standardisation, systems security, data sharing between agencies and initial steps in terms of the flexible use airspace concept.

Department of Infrastructure, Transport, Regional Development and Local Government (Infrastructure)

While Airservices and CASA have the day to day operational and regulatory responsibilities for ATM, the Department of Infrastructure has an important policy advisory role to play in relation to air traffic matters.

This includes providing advice to the Government on the aviation agencies' strategic direction, their financial and operational performance, and their governance framework.

The Department also has a role in leading the development and publishing of major future air traffic policy directions to give effect to the Government's decisions, as well as leading and coordinating implementation review processes.

The Government expects the Department to continue to play these important oversight and coordination roles in the future development and implementation of Australia's air traffic management policy, working closely with other Government agencies and industry.

Aviation Policy Group (APG)/Aviation Implementation Group (AIG)

One of the challenges faced in aviation is that there is a number of different agencies with different responsibilities performing roles which invariably overlap and impact upon each other. Good inter-agency cooperation is essential to implementing and achieving consistent air traffic policy.

The APG was formed in 2005, and brings together the chief executives of the Department of Infrastructure, Airservices, CASA and the Australian Air Force.

The Group provides a forum to work through ATM and other cross agency issues at a strategic level and offers the opportunity to resolve real and potential sticking points.

The APG is not a decision making group – it is recognised that each member retains the authority and responsibility for the performance of specific legislative functions – but it does provide an invaluable means of sharing information and encouraging greater coordination.

The AIG supports the APG in the implementation of cross agency strategies. This officials' working group is chaired by the Department of Infrastructure, which also provides secretariat services to both the APG and the AIG.

Role of industry

Industry has a number of important roles to play in Australia's air traffic management system. It is industry that operates and maintains the aircraft which fly in Australia's air space.

Industry has the primary responsibility for improving safety of air traffic operations through continual improvement in air navigation and communications and compliance with mandatory regulatory requirements.

This role is best performed through sustained investment in the maintenance of aircraft systems, investment in technology that can further enhance safety and efficiency, and in the attraction, training and retention of skilled personnel.

However, infrastructure and human resource investment by industry must be coordinated with the direction of initiatives being taken by government agencies. The need for this coordination is driven by the high degree of inter-relationship between regulatory and investment decisions taken by the OAR and Airservices in relation to airspace management and air traffic surveillance, with future investments in air navigation and communications systems being made by aircraft operators in all industry sectors.

Industry's other role is as a key stakeholder in providing views to government on future directions of ATM policy.

The Australian Strategic Air Traffic Management Group (ASTRA) is a collaborative group of aviation and airport organisations that has sought to assist Australia's aviation community in identifying and planning future ATM needs. It has produced its own strategic vision for ATM in Australia.

The Government will encourage ASTRA to further clarify and strengthen its role – through the establishment of clear terms of reference and by gaining senior industry representation in its activities.

The Government supports initiatives being taken to reinvigorate ASTRA through the establishment of an independent, industry chair and welcomes Airservices Australia's commitment to continued engagement in industry working group processes and the provision of secretariat services and other administrative assistance to ASTRA.

ASTRA can play a key role in providing coordinated industry advice to help inform government ATM planning and decision making. This role can be most effectively performed through ASTRA working closely with, and with the assistance of, the AIG.

It is recognised that there can be different views on ATM issues from major international and domestic airlines as compared with the general aviation sector. However, the benefits of having consistent, coordinated and timely advice through one body, ASTRA, rather than a piecemeal approach will help the Government form its strategic ATM plan.

Future directions

Safety first

Safety first is the primary tenet of the Government's ATM policy and will underpin the directions of the proposed strategic plan outlined below.

The Government believes good safety systems inevitably tie in with good airline business practice, and that a safe air traffic system helps underpin Australian economic growth through facilitating aviation-dependent commerce, such as tourism and business travel.

While the Government recognises the need for agencies and industry to manage costs, this should never be at the expense of safety.

Strong safety regulatory governance, better planning and investment in safety infrastructure, technology and skilled personnel will be the foundation of our future ATM system. Government agencies and industry must all contribute.

Better planning

One element missing from previous approaches to air traffic management in Australia is a government-led, coordinated and forward-looking air traffic plan for Australia.

The Government proposes to address this issue, through the Aviation White Paper, by releasing a strategic plan that will provide a sound basis for long term ATM planning and investment decisions by aviation agencies and industry.

The Government's strategic ATM plan proposes to:

- identify key milestones and objectives for Australia's air traffic system that can be measured to ensure progress can be tracked and evaluated by stakeholders;
- establish clear responsibilities for meeting those objectives;
- outline a view of what our air traffic communications, navigation and surveillance systems should be capable of achieving in 5, 10, and 20 years;
- identify how best to incorporate and coordinate the adoption, where appropriate, of new and emerging technologies, acknowledging that innovation in ATM can evolve rapidly;
- facilitate ongoing investment in, and maintenance of, key air traffic infrastructure, including facilities and equipment;
- establish a basis for ongoing workforce planning in the provision of ATM; and
- ensure that Australia's ATM infrastructure meets the operational needs of all sectors of the aviation community.

The development of this plan is consistent with approaches adopted by other leading aviation countries and will meet our commitment to the ICAO Global Operating Concept for ATM.

The Government will ask the APG to oversee the development and implementation of the plan, in consultation with industry, taking into consideration approaches taken by comparable overseas aviation administrations, the need for close coordination between government agencies, and industry's capacity to absorb change.

The development and implementation of this plan will require substantial ongoing work for government aviation agencies, and the Government will ensure that these agencies have allocated appropriate funding to this function, as well as ensuring industry has every opportunity to provide valuable input during the planning process, acknowledging the previous planning work done by ASTRA.

Greater civil/military cooperation and integration

Improving civil/military cooperation in aviation has been an ongoing challenge.

Flexible use airspace is an acknowledged but not generally practised concept in international aviation. Its aim is to reduce the areas and periods of unavailability of blocks of airspace so that aircraft operations can take place in a less restricted, more efficient and often more environmentally friendly manner, while meeting set safety standards at all times.

Submissions to the Issues Paper have highlighted that an important means of establishing more flexible use airspace is through closer harmonisation between the civil and military ATM systems and the continued development of a joint national ATM platform.

There are potential benefits, in terms of infrastructure and personnel requirements, from a joint

ATM platform, but important Defence operational issues and potential costs need to be addressed in developing such a system. For example, Defence capabilities, which are sensitive to national security, must be carefully considered and quarantined if necessary.

Civil and military ATM systems should be more closely integrated, and the development of a joint national ATM platform is a desirable objective.

To this end, the Government has tasked the Chief Executive of Airservices and the Chief of Air Force to work together to prepare a joint Ministerial submission for consideration by the Government. This submission will cover issues such as what the joint platform should deliver, cost assumptions and estimates, an implementation timetable, training, planning and investment issues.

Another emerging Defence-related ATM issue that needs to be addressed is the additional infrastructure and personnel requirements being placed on the RAAF from growing civil aviation demand at air force bases, such as Williamtown. These civil aviation demands for higher levels of air traffic control and rescue and fire fighting services are over and above the level of resources that would normally be provided solely to handle military operations.

The Government will receive advice in the near future from its aviation agencies on how best to address these demands, including future military and civil use of Williamtown, and appropriate cost recovery arrangements at these locations, whilst ensuring there are no adverse impacts on military operations and that appropriate civil aviation safety standards are maintained. Use of Defence airports for civilian operations is also addressed in Chapter 8 covering aviation infrastructure.

Investment in technology and innovation

Technology and innovation are two cornerstones of the international air traffic system and potential drivers of major safety system enhancements into the future.

In ensuring a safer and more globally interoperable and efficient system as sought by ICAO, ongoing consideration needs to be given to the wider application of technology from gate to gate.

This includes planning for greater use of satellite based surveillance systems such as ADS-B, as well as other procedures, systems and technologies such as Terrain Avoidance Warning Systems (TAWS), Approach with Vertical Guidance (APV), Required Navigational Performance (RNP), Aircraft Collision Avoidance Systems (ACAS) and Wide Area Multilateration (WAM).

The Government recognises the need for investment in modern air navigation infrastructure, including satellite technology, to further improve aviation safety and meet future air traffic demand.

To meet these challenges, the Government will consider the wider use of newer technologies to enhance air traffic navigation and surveillance.

New technology and innovation generally comes at a cost to agencies and industry, and robust cost benefit analysis should form a part of the assessment of proposed ATM initiatives. Better coordination of the introduction of different regulatory requirements, for example in the proposed fitment of aircraft with a number of pieces of advanced avionics equipment, should also be a key part of future approaches to embracing technological change.

CASA will maintain a broader regulatory role regarding the safe assimilation of new technologies into the Australian ATM landscape.

CASA will be the final arbiter of standards and regulations supporting introduction of new technologies. The Government expects CASA's regulatory decisions to be implemented by Airservices and industry in accordance with clearly established timeframes.

The Government expects CASA to ensure that the take up and mandating of satellite-based and other new aviation technologies is only implemented after detailed operational concepts, robust safety analysis and contingency planning is undertaken, and that the implementation of these important initiatives is supported, where appropriate, by comprehensive training packages for

service providers and industry.

Aviation agencies, as a high priority, will be providing advice to the Government on a proposal for the wider application of ADS-B.

CASE STUDY: Wider application of ADS-B in Australian Airspace

What is ADS-B?

The Automatic Dependent Surveillance-Broadcast (ADS-B) system is an advanced surveillance technology that combines a satellite positioning service, aircraft avionics, and ground infrastructure to enable more accurate transmission of information between equipped aircraft and air traffic control.

The system enables an equipped aircraft to continually and accurately broadcast information, including identification, current position, altitude and velocity.

ADS-B uses information from a position service, i.e. the Global Positioning System (GPS) to identify the aircraft's location. This enables more timely and accurate information than that provided by conventional primary or secondary radar.

Is ADS-B in current use?

ADS-B surveillance and airborne ADS-B applications are increasingly being adopted around the world and fitted in new international and domestic aircraft.

Many of these applications, including ADS-B based merging and spacing and in-trail procedures, are seen as essential in addressing future airspace and air route congestion problems in many parts of the world.

ADS-B is currently used in Australia to provide air traffic surveillance for large tracts of controlled upper airspace across the Australian continent where there was previously no radar coverage.

What are the benefits of ADS-B?

The introduction of ADS-B installations has the immediate benefit of lower costs of establishment and maintenance, and providing a reduced environmental footprint than radar installations. For aircraft operators, ADS-B benefits are now being realised by way of more flexible aircraft tracking and decreased fuel burn.

In the future, ADS-B will provide a platform for further safety and efficiency improvements in air traffic navigation and surveillance as satellite based technology is increasingly adopted.

This includes not only the take up of "ADS-B out" functionality (i.e. where aircraft broadcast their current position, velocity and identification over a radio datalink about every half a second) but through "ADS-B in" functionality (i.e. the reception by other aircraft of ADS-B data) enabling pilots to use ADS-B to accurately identify other aircraft in their vicinity.

Next Steps

In the second half of 2007 Government agencies released for industry comment a Joint Consultation Paper (JCP) outlining a proposal to extend the use of ADS-B for air traffic surveillance and GNSS for aircraft navigation. Since those consultations the aviation agencies have been undertaking further detailed work on the proposals canvassed in the 2007 JCP.

There is industry support for ADS-B although industry has raised a number of operational and financial issues which are being examined before advice is finalised by aviation agencies for Government consideration.

CASA will need to be satisfied that a robust back-up ground-based surveillance network is in place, and that the management of transitional and implementation risks associated with the wider application of this satellite-based system have been addressed. CASA will make the final regulatory decision on the scope and timing of a mandate for the fitment of ADS-B and GNSS equipment to aircraft operating in Australian airspace.

The Government looks forward to receiving advice from our aviation agencies in the near future so that a proposed way forward on the wider application of this development in air traffic navigation and surveillance can be finalised.

Investment in infrastructure

Consistent with the Government's commitment to ensure infrastructure is at the forefront of the economic policy agenda, investment in new equipment and ongoing maintenance is a key element of ensuring a safe and efficient air traffic management system.

A key message in submissions to the Issues Paper was that industry wants the Government to reassess some elements of the current funding model. Many submissions have suggested that government share some of the cost for maintaining and improving the ATM system.

Currently the ATM system is funded directly by industry through charges levied by Airservices - under a five year long term pricing agreement which is subject to approval by the ACCC. Airservices has commenced the process of consulting with industry over the next long-term pricing agreement.

The Government expects that in taking forward these pricing agreements, agencies and industry recognise that infrastructure investment and management and the implementation of technology entail necessarily longer term time horizons, with operational lives of some equipment exceeding 20 years.

In addition, in periods where there is an initial higher cost associated with the introduction of replacement and/or new infrastructure, both government and industry need to factor this into their assessment of the appropriate level of Airservices' charging, financial return and performance.

Investment in enhanced ATM services and use of new technologies, such as ADS-B, will need to be actively considered as options in pursuing safety and efficiency, including in response to the outcomes of the OAR's ongoing regional aeronautical studies and subsequent airspace determinations.

The Government's strategic ATM plan will establish a clear policy position on the provision of air traffic services and related requirements at major regional airports as the volume and complexity of traffic grows.

Investment in people

Ensuring sustainable workforce planning has proven an ongoing challenge for the aviation industry and government agencies alike, with shortages of trained staff in a range of key fields (see Chapter 6) – air traffic controllers and aviation fire fighters included.

In an environment of globally pressures in these occupations, Australia needs to ensure that it can maintain a sustainable, but highly trained and skilled workforce into the future.

The Government recognises the need for investing in the skilled personnel to deliver safe and reliable air traffic services.

Airservices has announced its intention to develop a Workforce Plan covering all areas of its skilled workforce, including air traffic controllers, rescue and fire fighting officers and other technical and asset services staff. This is a much needed initiative to ensure that there are sustainable workforce strategies in place to address the long term human resource needs of Australia's air traffic service provider and the Government would expect to see it in place by the end of the year.

A key objective of the Government's strategic ATM plan will be to ensure there is an ongoing workforce planning capability in each of its aviation agencies. Care is needed to avoid short-sighted decisions not to keep investing in recruitment and training as part of "cost saving initiatives", and to ensure there is effective planning for future growth.

With skill shortages challenging many areas of the aviation industry, it is imperative to establish a broad workforce planning capability now to ensure a skilled regulatory and operational air traffic and rescue and fire fighting workforce, capable of responding quickly to changes and growth in the air traffic system.

Consistent with transparency principles, the Government will require the aviation agencies to publish their final workforce planning documents.

Conclusion

The Government is committed to supporting international best practice in safe air traffic management in Australian airspace through:

- retaining Airservices Australia as a fully Government-owned, statutory authority with safety its most important consideration. Airservices will be responsible for the delivery of air traffic and rescue and fire fighting services, as well as meeting its broader responsibilities to the community in relation to the environmental impacts of aircraft operations;
- supporting technological applications that offer safety, efficiency and environmental benefits, including as a high priority, aviation agencies finalising a proposal for the wider adoption of satellite based technology (ADS-B) for air traffic navigation and surveillance;
- ensuring advanced air traffic management infrastructure and systems are used to protect and enhance air safety, with air traffic management services being extended to more regional areas as appropriate, particularly in areas where there are growing passenger transport operations;
- work on proposals for continued development of a joint national air traffic management platform by Airservices Australia and the Air Force, having proper regard to both the safety of the travelling public and defence capabilities which are sensitive to national security;
- development of a strategic Air Traffic Management Plan, in consultation with industry, which will assist agencies and industry in their planning and investment, and will:
    - identify key milestones and objectives for Australia's air traffic system
    - establish clear responsibilities for meeting those objectives;
    - facilitate ongoing investment in, and maintenance of, key air traffic infrastructure; and
    - establish a basis for ongoing workforce planning recognising the importance of a properly trained air traffic controllers and aviation fire fighters to the safety of the Australian aviation Industry.
- delivering an updated Airspace Policy Statement under the Airspace Act 2007 to improve airspace classification and administration in Australia;
- improving coordination across Government agencies and consultation with industry on directions in air traffic policy, including:
    - using the Aviation Policy Group (APG), chaired by the Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government, to coordinate the development and implementation of the air traffic management plan; and
    - formalising the role of the Australian Strategic Air Traffic Management Group (ASTRA) as the industry advisory group on air traffic management directions.

:02

Aviation Security

Aviation Security

Ensuring Australia's aviation security is effective, risk based and responsive to changes in the threat environment

Issues Paper Themes

- Enhancing approaches to Safety Management Systems
- Balancing an appropriate level of security with smooth transit of passengers
- Harmonising international security measures and informing travellers to assist them with complying with Australia's security requirements
- The threat environment and the need to balance new measures with likely threats
- Balancing the needs of metropolitan centres with the needs of regional airports
- Determining if security should be extended to non-jet aircraft and charter operations
- Assessing new passenger screening technologies in relation to the changing nature of the threat and projected growth in passenger numbers
- Asking whether current laws should be simplified
- Reviewing Australia's standards for air cargo security against the highest international standards
- Looking at measures to strengthen identification and background checking

What the submissions said

Of the submissions received in response to the Issues Paper, approximately 75 dealt with aviation security. The Department of Infrastructure, Transport, Regional Development and Local Government (Infrastructure) conducted a detailed analysis into the substance of the issues raised in these submissions. In addition to this, the Department has received over 200 submissions on screening issues through the current Review of Aviation Security Screening.

The aviation security issues canvassed in these submissions focused on the justification, cost and consistent application of security measures. In addressing the bulk of the issues raised, this chapter discusses aviation security under six headings. These are:

- Aviation threat and security risk context (i.e. the importance of aviation security and current security environment);
- Security system challenges;
- Protection of aviation infrastructure and aircraft (i.e. current models and proposed changes);
- Alternative models for passenger and baggage screening at Australian airports (i.e. how should screening evolve to meet the changing threat and growing passenger numbers);
- The cost of passenger and baggage screening; and
- Securing the supply chain into the future (i.e. managing the security of air cargo).

The policy context

Civil aviation has long been a target for attacks by terrorists and other major criminal groups. This history entered a new phase with the attacks on the United States on September 11, 2001.

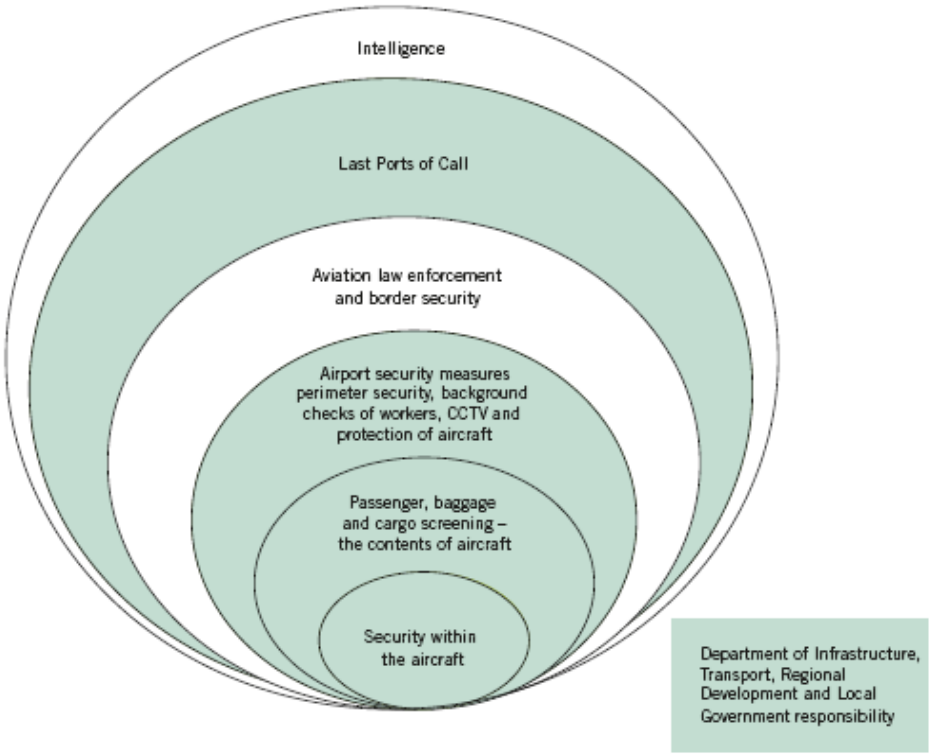
Since then, over $1.2 billion has been committed to fund additional aviation security measures in Australia. The security outcome sought by the Australian Government is an aviation sector which is more secure against the threat of terrorism and other unlawful acts. In seeking to achieve this, there is a need to ensure facilitation requirements for passengers are addressed.

Australia's aviation security regime is based on intelligence and an assessment of the risk of a terrorist attack, to ensure the security measures in place are commensurate with the threat. The outcome of this approach is a safe and secure aviation industry with very few incidents since these measures were introduced.

It combines multiple layers of preventative security (represented in figure 2.1), and covers 187 airports, over 250 airlines, 90,000 industry employees and more than 950 Regulated Air Cargo Agents.

Aviation security measures are part of the broader national security environment protecting infrastructure critical to Australia's economic well-being. The introduction of a new National Counter Terrorism Alert System on 30 September 2008 allows the consideration of location specific alerts, rather than the 'one size fits all' previously required of the aviation industry.

Figure 2.1 Layered aviation security system



Due to ongoing changes and expansion of Australian aviation, the Government realises there is a need to reform the current security regime to meet the evolving threat and changing risk profile of the aviation industry.

To maintain Australia's first class aviation security system, a number of new policies may need to be considered. Based on the enduring yet changing nature of the threat and an increase in passenger numbers, there is a compelling need for new and improved ways of securing the system

potentially requiring some targeted investment. The Government recognises it is important for Australia's aviation security system to meet the standards of other developed economies with similar risk profiles and not become, in relative terms, more vulnerable.

Aviation threat and security risk context

Current security environment

The international and domestic security environment is dominated by the threat of terrorism from trans-national terrorist groups associated with, or inspired by, various Jihadist groups. These groups are committed to their cause and are knowledgeable about aviation security. They have the intent and capability to mount catastrophic attacks on transportation systems and critical infrastructure, and have stated an interest in attacking Australia and Australian interests. To increase the chance of a successful attack, trans-national terrorist groups identify and exploit preventative security vulnerabilities.

In choosing a target, trans-national terrorist groups aim to fulfil their objective of:

- inflicting their crimes on a large number of casualties;
- impacting the economic stability of their target;
- generating public anxiety; and
- furthering their cause by generating mainstream media interest and imagery.

Other considerations are:

- accessibility and vulnerability of a given target; and
- symbolism of the attack.

Although the threat is predominantly from trans-national terrorist groups, the Government realises the travelling public must also be protected from other criminal acts (unlawful interference) including anti-social behaviour, hoaxes and acts by acutely disaffected individuals, possibly endangering either passengers or aircraft.

On 29 May 2003, an individual attempted to hijack a Qantas flight from Melbourne to Launceston using wooden stakes concealed inside the lining of his jacket. He also reportedly carried aerosol cans and lighters, allegedly with the intention of using them as makeshift flamethrowers. Cabin crew members who prevented him from accessing the flight deck suffered severe injuries. It was later reported the individual suffered from a mental illness.

On 8 February 2008, a woman was arrested in New Zealand after allegedly attempting to hijack a flight from Blenheim to Christchurch, New Zealand. The woman, armed with a knife, accessed the cockpit and wounded the pilots and a passenger who tried to restrain her. She reportedly demanded to be flown to Australia and claimed to have a bomb, subsequently determined to be a hoax. The aircraft landed at Christchurch airport where police arrested the woman. A second knife was found concealed in her shoe.

As highlighted by the Rt Hon Sir John Wheeler DL in his 2005 review of Australian aviation security, this industry sector is also exploited by criminal groups. These groups can exploit vulnerabilities in security and these may, in turn, be used by terrorists. Strong protective security arrangements and effective policing are important policy considerations for government and industry in countering this threat.

Known events

Both successful and disrupted attacks against airlines and airports in the United States, Europe and Asia demonstrate the attraction of civil aviation to terrorists. In the past, key targets have focused on passenger aircraft and airports.

Previous experiences

Terrorists have used a number of methods of attack, which require different approaches to security are taken to counter these threats.

Terrorists continue to be interested in hijacking passenger aircraft and crashing them into iconic targets. This threat has been substantially, but not totally, mitigated by the introduction of passenger and baggage screening and hardened cockpit doors.

Other forms of terrorist attacks cannot be overlooked. The use of automatic weapons and stand-off attacks using long-range high-powered weapons may be used by terrorist and insurgent groups in conflict zones or countries where this type of weaponry is readily available. Improvised explosive devices have been commonly used as they are relatively cheap and effective. Terrorists are also likely to maintain interest in other forms of attack such as chemical, biological, radiological and nuclear weapons; as well as cyber terrorism and sabotage of critical equipment.

Criminal activity

The Australian Government remains committed to reducing criminal activity at airports. While criminal activity does not generally threaten life or infrastructure, criminals will exploit vulnerabilities in security regimes for their own ends. Criminal activity can also reveal vulnerabilities which are open to exploitation by terrorists.

Terrorist attacks may also be made possible by trusted insiders. A 'trusted insider' is someone working within an organisation having access to security arrangements, including physical facilities, controlled areas and/or information technology systems. Insiders – whether they are willingly recruited, coerced or deceived – may be used with any method of attack to improve the chance of success.

Identifying and prioritising vulnerabilities

Vulnerabilities in security systems occur where risks have not been identified, or where measures to prevent attacks are poorly implemented, or do not exist. The key to managing Australia's security regime is to continually review, identify, and revise the system to minimise vulnerabilities, especially as Australia is unlikely to have specific warning of a terrorist attack.

It is not possible or practical to remove all vulnerabilities in a system. To attempt to do this would impose unacceptable costs on our way of life, our transport system and the Australian economy – providing a 'win' to terrorists regardless of attack.

The preferred approach is to focus preventative security resources on areas of greatest risk of attack, based on an assessment of this risk, which is informed by strategic intelligence and on-the-ground evidence. Even though Australia's preventative security regime rates very highly by world standards, the Government will not rest on this record, but is continually looking for improvements to the system to ensure all travellers in Australia can continue to enjoy a safe and secure air travel experience. These measures require detailed planning and implementation.

Last ports of call

Even though Australia's security regime has had very few incidents since security measures were introduced, Australia's connections with the rest of the world make it difficult to guarantee security in all circumstances, particularly if international terrorists were able to attack aircraft flying to Australia, or target foreign airports with a high number of Australian passengers.

Currently flights from over 50 international airlines, departing from 48 international last ports of call arrive at Australian airports (illustrated in Figure 2.2) each day. Security standards can vary widely across these foreign airports. The Australian Government takes these factors into account when considering new security policies to enhance the security of approximately 23 million passengers flying to and from Australia each year.

The growth in international traffic, combined with the introduction of new generation aircraft able to fly further and carry larger numbers of passengers means more passengers will be coming from more distant airports and countries to Australia. Notwithstanding current global economic conditions, a worldwide trend of increased personal wealth, particularly in Asia, means over time additional airlines, more routes and new airports will become viable.

Airlines link us to the rest of the world and Australia does not place harsh restrictions on international flights. Australia welcomes tourists and business people from around the world, and Australians are also travelling more than ever before.

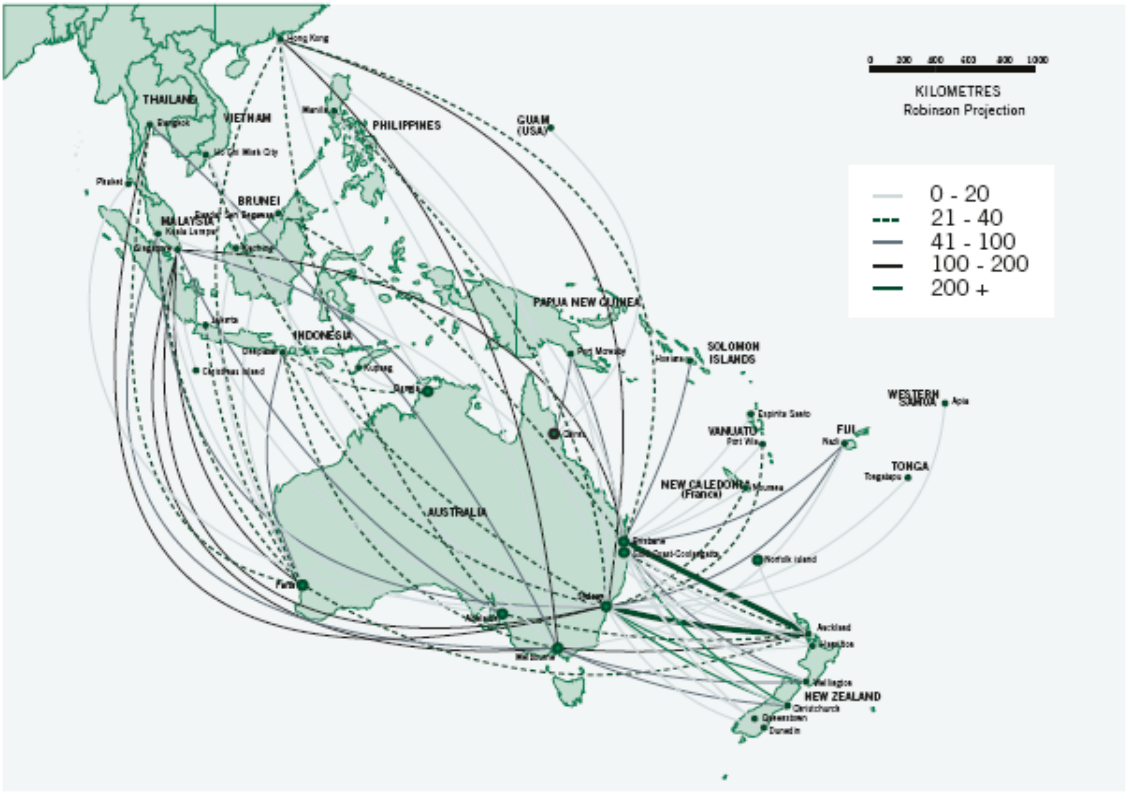
The Australian Government will enhance cooperation with last ports of call countries as it looks at enhancing security at offshore airports. This includes the implementation of a comprehensive foreign airports visits program. Australian Government regulators will visit foreign airports to discuss measures to enhance security at those airports. At the same time, the program will offer reciprocal arrangements to foreign government security regulators for them to review Australia's security arrangements.

The Australian Government is mindful of the sovereignty of host governments, as it looks at enhancing security at offshore airports.

The Australian Government remains committed to working with the International Civil Aviation Organization (ICAO), APEC and our regional partners to improve aviation security standards. This is in addition to working with ICAO and foreign governments to explore options to implement a transparent system of international security audits for aviation, including making aspects of system performance more widely available.

Figure 2.2 Last Port of Call for regular public transport into Australia: Flights for the month of April 2008 (Lines do not reflect flight paths)

Source: BITRE



The policy framework

Current policy and legislative settings

As a result of the September 11, 2001 attacks, the Government strengthened Australia's aviation security regime. Some measures were reviewed and new measures were introduced. The resulting arrangements extended security to 140 regional airports and led to the introduction of domestic and international checked baggage screening and stronger physical security, and to the identification of staff working in secure areas of airports and onboard aircraft.

The current legal framework for Australian aviation security

In Australia, the security of civil aviation is covered by laws providing a preventative, intelligence led, risk based and outcomes focused aviation security system. The origin of the Australian Government's role in the regulation of aviation security rests with the 1944 Convention on International Civil Aviation (Chicago Convention).

The *Aviation Transport Security Act 2004* and *Aviation Transport Security Regulations 2005* describe Australia's legal framework for aviation security, except for the carriage of munitions, which is covered under the *Air Navigation Act 1920*.

This is in addition to Commonwealth laws covering other elements of aviation security such as the *Air Navigation Act 1920*, *Air Services Act 1995*, *Australian Federal Police Act 1979*, *Australian Security Intelligence Organisation Act 1979, Civil Aviation Act 1988, Crimes Act 1914, Customs Act 1901, Defence Act 1903* and *Migration Act 1958*.

Included with the range of Commonwealth laws for aviation security is the National Aviation Security Program (NASP), which describes how Australia safeguards civil aviation operations against acts of unlawful interference. This Program refers to elements covering the practical aspects of aviation security including the legislative framework, allocation of responsibilities, communication and coordination of arrangements within government, and between government, industry and the public, as well as security equipment and personnel. This Program complements the security regime covered by the Act and Regulations, and is in accordance with ICAO, Annex 17, Chapter 3.1.1.

In addition to the Chicago Convention, Australia is a party to a series of international instruments relating to unlawful acts against civil aviation.

The practical application of these laws means the aviation industry has to meet the following requirements:

- organisations operating in aviation (i.e. regulated aviation industry participants) are required to draft a Transport Security Program (TSP) for approval by the Department (via the Office of Transport Security). These plans outline the organisation's security measures to manage and maintain security, and respond to security incidents.
- all staff working in secure areas of the airport and onboard aircraft must successfully complete a number of background checks and wear an Aviation Security Identification Card (ASIC). The intent of this identity card is to reduce the vulnerability from 'trusted insiders' who may assist terrorists or other criminals in attacking Australians and our aviation industry (i.e. facilitate unlawful interference with aviation).
- screening of Regular Public Transport (RPT) passengers and carry-on baggage, including X-ray of baggage, walk through metal detection equipment, random and continuous explosive trace detection (ETD) and physical searches as required. New technologies are now being trialled in some locations to examine new screening capabilities which may achieve the same security outcome with less passenger inconvenience;
- airports must conduct checked baggage screening of RPT aircraft, requiring random and continuous testing of checked baggage using explosive trace detection equipment and 100 per cent testing of checked baggage using X-ray equipment with explosive detection systems capability from 1 December 2008 for all RPT services in Australia;
- airports must have appropriate air cargo security measures in place, including explosive trace detection equipment at designated airport cargo terminals, and security training regimes for Regulated Air Cargo Agents;

- passengers need to understand and meet the restriction of the amount of liquids, aerosols and gels in carry-on baggage on international flights to and from Australia;
- people and goods entering the airside of airports are subjected to a comprehensive airside inspection regime;
- airlines must have installed hardened cockpit doors in aircraft with a seating capacity of 30 or more seats, where these planes are used for RPT or open charter operations; and
- a Unified Policing Model must be supported at major airports. This includes Airport Police Commanders; community policing; Joint Airport Investigation Teams; Joint Airport Intelligence Groups; a Counter Terrorist First Response capability; and upgrades to closed circuit television capabilities.

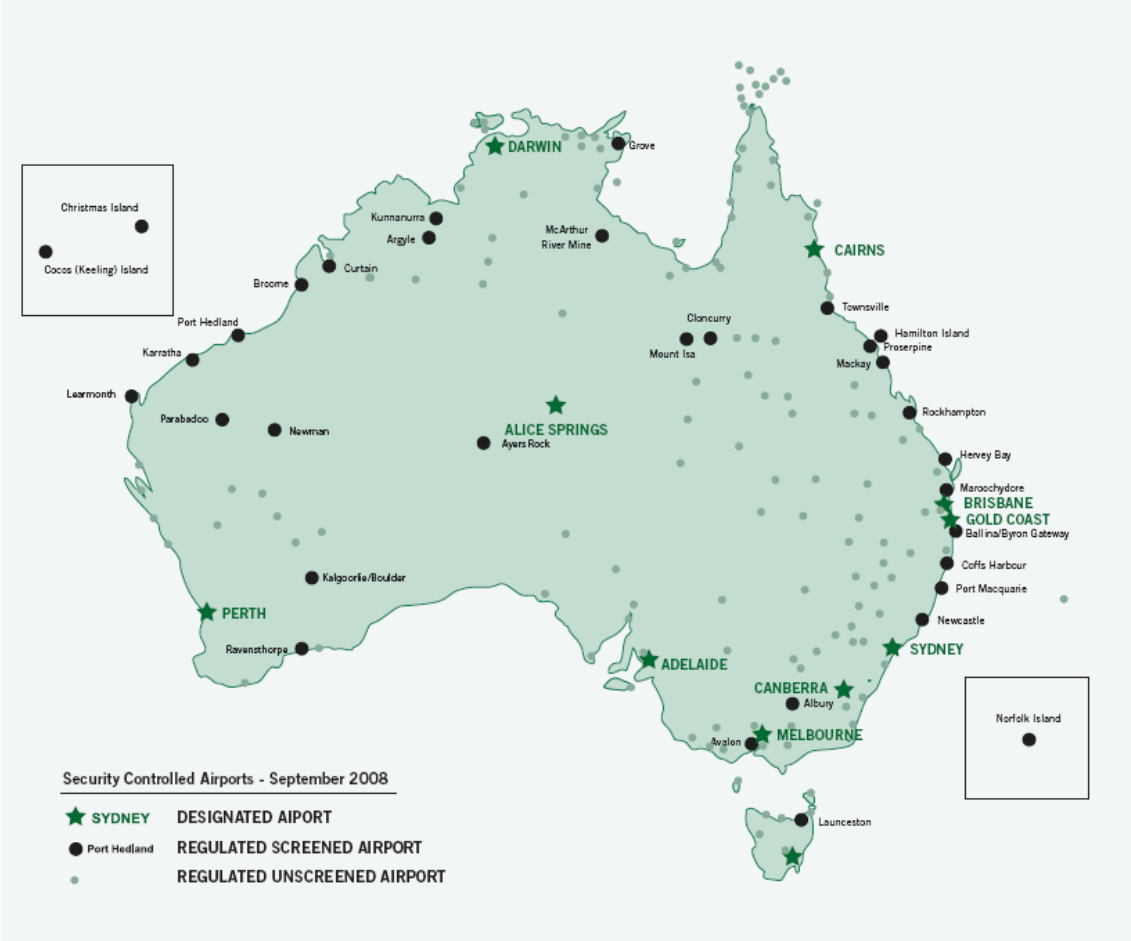
The *Aviation Transport Security Act 2004* came into force in March 2005. Submissions to the Issues Paper highlighted some complexities and inefficiencies with the legal arrangements under this Act. Recommendations included a request for the Australian Government to re examine the Act and associated Regulations with a view to streamlining these laws and clarifying the industry's aviation security responsibilities and obligations.

Key Challenges

As illustrated in Figure 2.3, there are currently three types of 'security controlled' airports in Australia:

1) 11 major 'designated' airports, formerly known as Counter Terrorism First Response (CTFR) airports;
2) regional 'screened' airports which are required to have screening operations due to the type of aircraft they support; and
3) other regional airports which do not have screening but which have other security measures in place

Figure 2.3 Security controlled airports: September 2008



The Australian aviation security regime faces major pressures reflecting the expected growth and evolution of the global aviation industry, and the continuing evolution of the threat to aircraft, infrastructure and passengers. Australia's aviation security policy is, and will continue to be driven by, a range of competing factors, including four major policy drivers:

- intelligence driven assessments of the nature and level of threats;
- assessments of risk and vulnerability – including security risk;
- changing aviation industry structures and technology; and
- developments in the international aviation security environment – including the requirements of international organisations.

Recent changes in the threat environment and evolution of vulnerabilities have had the greatest impact on aviation security policies. For example, the introduction of new measures to deal with the threat of liquid explosives restrict the amount of Liquids, Aerosols and Gels (LAGs) passengers can now take onboard international flights departing from Australia. These changes were influenced by developments in Europe and North America.

The extension of Checked Baggage Screening (CBS) to regional screened airports, following the introduction of CBS at the 11 major domestic airports in August 2007 has also raised challenges.

The Government expects continued growth and change in the aviation industry structure and aviation technology affecting aviation security policy, border security policy and service delivery in Australia and overseas in the coming years.

It is believed these changes will be driven by the following trends in the domestic and international aviation industry:

- shifting travel patterns and the emergence of new international routes and hubs;
- increased tourism, both inbound and outbound, and increased growth in existing routes, both domestic and international; and
- diversification of aviation products with low-cost carriers largely servicing tourists and premium carriers primarily servicing business travellers.

Airlines are aware of many of these challenges, with increases in domestic demand prompting the introduction of smaller jet-powered aircraft, such as the Embraer 170. Qantas's decision to retire the 36-seat turbo-prop powered Dash 8 Q100 aircraft, while increasing the number of 72-seat Dash 8 Q400 aircraft further reflects this growth.

Growth and changes in the aviation industry, together with an evolving terrorist threat are placing more pressures on aviation security. There is a need to reconsider some of the current policy settings to make sure they remain appropriate to this changing environment.

Currently checked-baggage and passenger screening is only required for jet aircraft, and requirements for hardened cockpit doors only apply to 30 seat and above aircraft used for RPT and not to cargo aircraft.

The distinctions between private and commercially-operated aircraft and between passenger and cargo aircraft are becoming less clear, leading to the proposition the same onboard security measures should be applied to all of these aircraft.

The opening of non-capital city routes and the introduction of new generation, and larger aircraft have challenged the circumstances where screening should apply, who should manage the screening, and how to manage the costs to achieve an appropriate and consistent level of security across the Australian aviation network.

The capacity of airport infrastructure to accommodate an increasing volume of people has placed pressure on aviation security screening processes, which, in turn, affects the smooth movement of passengers through airport terminals. The growth in budget airlines both domestically and overseas has resulted in the expansion of services to secondary locations close to major cities, as well as the introduction of non-traditional routes. For the private sector, this requires a major investment in both infrastructure and security staff.

A survey of airport screening employers - conducted in December 2007 by the Australian Government Department of Education, Employment and Workplace Relations, in partnership with the Department of Infrastructure, Transport, Regional Development and Local Government - aimed to provide quantitative evidence of the extent and nature of recruitment difficulties in the aviation security sector, in addition to identifying their causes.

The main findings from the survey indicated employers in airport screening are increasingly unlikely to be able to meet all their labour requirements from traditional sources. The findings suggest industry needs to address issues regarding skill level/experience of applicants as well as employer expectations, and develop retention and recruitment strategies to overcome these challenges. This is discussed in more detail in Chapter 6.

The Government is currently finalising the development and implementation of an Aviation Security Training Program to address these issues.

Australian Government agencies are under pressure to provide traditional border security and policing services at locations favoured by emerging low-cost, long-haul carriers. The implication for

both the private sector and the Government is costs at secondary international airports are likely to remain high for some time. This is in comparison with established airports benefiting from larger volumes of passengers creating economies of scale.

The Government is committed to addressing these challenges. The Government believes the Australian regulatory regime must be based on a genuine partnership with industry and demonstrate world's best practice, to cope with future change.

Protection of aviation infrastructure and aircraft

While aviation security has evolved over several decades, the speed of change dramatically increased in the period following the September 11, 2001 attacks. The regime currently in place has proved effective in countering the threat of terrorist attack. However the post-2001 expansion of security measures was certainly not smooth, and resulted in the creation of a series of anomalies, which need to be addressed if our aviation security regime is to remain robust.

Current policy settings for aircraft requiring passenger screening

The early development of aviation security measures was driven by concern for the protection of jet-powered aircraft used for regular public transport operations. This decision was based on evidence these aircraft were the preferred target for terrorists. This resulted in passenger and baggage screening becoming mandatory for jet-powered aircraft, but not for turbo prop-driven aircraft providing regular public transport services.

A number of stakeholder submissions identified a range of perceived anomalies in the current security regime, such as the different security requirements for turbo prop-powered aircraft as opposed to jet-powered aircraft, and certain charter aircraft services are not subject to screening at all.

The Government will consider these perceived anomalies and will re-examine the underlying policy settings with a view to developing a consistent and transparent policy solution. Industry stakeholders also raised concerns regarding current policy settings, which they do not believe provide a competitively neutral regulatory environment.

Since the focus on RPT jet aircraft commenced, the Australian aircraft fleet has changed markedly with the introduction of smaller jets and larger turbo prop-powered aircraft. Current policy settings require screening of passengers on 50-seat jet turbine-powered aircraft but do not require screening of passengers on significantly larger 72-seat turbo prop-powered aircraft.

While some industry participants argue the lesser speed of a turbo prop aircraft would make it a less effective weapon than a jet, the critical factor is the combination of the speed and weight of the aircraft. Latest generation, high-capacity turbo prop-driven aircraft have more in common with smaller jet turbine-powered aircraft than the older and smaller turbo prop aircraft.

The Australian Government will explore options to implement a regime where the decision to screen, or not screen, an aircraft is independent of the method of aircraft propulsion.

The Government will take into account a number of factors to determine the type of aircraft to be screened, including the aircraft weight and speed, fuel load, passenger numbers, and kinetic energy at time of impact.

A more transparent trigger for the screening of aircraft may be the maximum take-off weight. Using this measure would provide a transparent and consistent trigger point for industry, and address the perceived anomaly identified in stakeholder submissions. Therefore, the Government is assessing whether this is the most logical trigger point on which to base the decision to implement aviation security screening.

However, the Government recognises the adoption of maximum take-off weight as the trigger for passenger screening could have ramifications for a number of Australia's regional and remote

airports, where passenger screening is not currently required. This could result in significant start-up and operational costs for these operators. The Government has charged the Department of Infrastructure with assessing the possible impact of such costs, before considering any such change.

Another anomaly the Government is looking to address is the dramatic growth in charter operations, which do not currently require screening under the current regulations, even for large jets. The Government will re-examine the policy drivers relating to the screening of charter aircraft and is seeking further public comment as to whether the screening requirements envisaged for regular public transport aircraft should be extended to charter flights.

The Australian Government will review existing security policy and legislative arrangements stipulating when passenger and aircraft screening is to occur.

Terminal security/front-of-house

An ongoing challenge for the Government and aviation industry is to identify and mitigate the risks associated with mass casualty attacks at airports. The Aviation White Paper will consider initiatives for front-of-house, including a focus on infrastructure design, technology, human factors, enhanced operational activity and better communication with stakeholders.

In consultation with industry, the Government will address front-of-house mitigation strategies, based on four key themes:

- infrastructure design incorporating security;
- enhanced operational measures;
- staff training in front-of-house matters; and
- enhanced stakeholder engagement.

Incorporating security in the design of transport infrastructure is often costly and difficult to address and requires a consistent approach over a long period. The opportunity to incorporate or retrofit security measures into existing infrastructure at relatively low cost needs to be further explored.

Front-of-house technology can assist with monitoring people and has potential for preliminary, but limited, scanning of prohibited items. The pace and scale of passenger movements, combined with the limitations of front-of-house scanning technology, meaning human factors are critical to the provision of preventative security covering the front-of-house area. Human factors covers both the operators' capabilities and training, and a capability to identify and analyse suspicious behaviour. The strengths and weaknesses of the available technologies need to be understood for their appropriate integration into the preventative security regime.

A major mitigation factor in addressing front-of-house vulnerabilities will be enhanced operational activity focused on the resolution of suspicious activity. This activity should be summarised in transport security plans and involve both industry and law enforcement agencies. Public areas at major airports are places of significant operational focus for the Australian Federal Police (AFP) in applying counter terrorism deterrence strategies and the broader unified policing model functionality.

The Government is looking for public input on front-of-house issues to inform future policy recommendations.

Identity and background checking

Over 100,000 individuals require unsupervised access to the secure areas of Australian airports. It has been a challenge identifying individuals of concern who are seeking to work in trusted positions in these areas. The introduction of the ASIC scheme, which commenced in 1998, was designed to alleviate vulnerabilities in the use of 'trusted insiders' who may assist terrorists or other criminals

with acts of unlawful interference against aviation.

The regime commenced with a relatively simple criminal history background check conducted once every five years. The regime has been significantly strengthened over the last three years, including enhancements to:

- the eligibility criteria applied;
- the frequency of checks; and
- the security features on the card itself.

While the ASIC background checking regime is acknowledged as an important layer of security, it can be further improved.

A comprehensive review of the ASIC background checking regime has recently been completed. The results of the review are currently being considered and options for implementation are being discussed with industry.

Technology

The Australian Government is committed to examining and evaluating new and emerging technologies to meet Australia's aviation security needs, and meet the changing nature of threats. Over the next five years, the Government's priorities in relation to the implementation of aviation security arrangements using new technologies will include examination of:

- new ways to screen passengers, luggage and cargo; and
- new ways to secure airport perimeters, manage staff accessing airports, and monitor people in and around airports.

In addition, Australian agencies are working with other countries at sharing best practice technology and 'human factor' performance information. Partnerships have been established with a number of Australian Government agencies, research establishments and members of the aviation industry to look at screening point design, the relationship between human factors and technology, broader preventative security initiatives and the interdependencies between passenger facilitation and security outcomes.

The Government recognises the development of technology in isolation is not the total solution for security problems. Of critical importance are the type of technologies developed, and how they are deployed. Additionally it is recognised the overall system of technologies, people, processes and organisation needs to be well aligned to get the greatest benefit from the introduction of new technologies.

Future directions in the development and application of technology will need to be integrated with identified and emerging threats, and vulnerabilities to aviation. Examination of new security technologies will be conducted within the context of an evolving threat environment, including how terrorists may be using some of these new technologies.

The Department of Infrastructure is actively considering the implications of introducing new technologies into Australia's aviation security environment and intends mandating technology performance specifications and certification requirements for passenger, baggage and cargo screening.

The Government is working closely with other countries to promote emerging security technologies – including in the future application of biometrics.

Detailed discussion papers on current and emerging technologies have been issued to aviation industry participants through the Review of Aviation Security Screening, drawing together expertise and experiences from around the world and sharing this with the Australian industry.

Following a range of tests conducted in controlled laboratories earlier in 2008, operational trials

have been undertaken at Adelaide, Melbourne and Sydney Airports. These technologies are designed to detect weapons, explosives and prohibited items. Some are also designed to detect explosives in liquids, aerosols and gels. The trials are designed to find out which, if any, of the advanced screening technologies are most appropriate for use in Australia.

Prior to further Government consideration of the application of these developments, further public input is sought on the following policy options:

- the relative security benefit of new technologies for passenger screening, noting the potential for some of these technologies to be invasive or costly;
- the viability of using biometrics in Australian airports for aviation industry employees; and
- the implications of maintaining national technology performance specifications across all screened airports, regardless of location or traffic levels.

Known traveller

Some submissions indicated support for a domestic 'Known Traveller' program, arguing the need for increased collaboration between government and industry in developing measures to streamline security screening. However, no specific programs were put forward.

By way of an example, a program operating in the United States is the 'CLEAR Program' operated by a private company. The program provides passengers the opportunity to join for an annual fee including a basic background check. Members are still screened to the same standard as all passengers however in an expedited manner through dedicated queues and other systems.

The Australian Government will not relax minimum aviation security standards unless there is advice from the security agencies indicating a diminished threat to aviation, nor will it create a lower screening requirement for particular classes of passengers. No matter how comprehensive the background check on an individual program member, the Government believes there is still a need for security screening in accordance with Australia's security laws to maintain the safety and security of the travelling public.

The Government believes there are no regulatory impediments to a private operator introducing a domestic 'Known Traveller' program in the Australian market. Such a program could be administered by airlines, airports or another third party, and could be run in conjunction with existing frequent flyer or business traveller programs. Organisations considering taking this step would need to make sure they meet the Government's existing security screening requirements at airports, and may need to expand the use of current screening resources.

Prohibited Items

ICAO recently completed a review of Prohibited Items. The Government's intention is to act on the ICAO recommendations to implement a Prohibited Items regime in line with internationally-agreed standards, while taking into account specific threats to Australia. Consultations for the Review of Aviation Security Screening have supported this approach, especially the removal of low-risk items not contributing to the security outcome.

Alternative service delivery models for passenger and baggage screening

The screening of passengers and baggage is just one of the layers in Australia's preventative aviation security regime. With the long-term projected growth in passenger numbers expected to average four per cent per year to 2025-26, this expansion will create an increasing burden on both aviation security and the regulatory framework.

In response to the rising pressure on the screening system, the Government called for a Review of Aviation Security Screening at Australian airports. The review examined the factors affecting

security screening including the current regulatory regime, national consistency, passenger experience, workforce recruitment, retention and training, screening point design, and the role of various technologies in the screening process.

One of the issues identified in the review is the difficulty in employing, retaining and up-skilling staff, with some Australian airports employing screeners through 'fly in/fly out' operations. The labour market problems reflect a lack of investment in staff, the fragmentation of organisations employing screeners and the wide dispersion of employment opportunities. The Government recognises there is a need to improve the ability of the aviation security screening system to attract and retain staff to meet current and future aviation growth.

A number of other issues have been identified by industry in response to the Issues Paper and these are:

- inconsistencies between different airports and different screening authorities in the passenger screening process and security outcomes;
- inefficiencies in procurement of advanced screening technologies; and
- the current passenger screening model may be negatively affecting the performance of screening, which means it cannot operate at its optimum level.

A further issue raised with the Government has been whether the current screening model is the best for coping with the long-term challenges facing the aviation industry. These challenges do not only include future new risks to aviation security, but also the need for technology upgrades to enhance the smooth transition of passengers crossing our border. This is especially important given passenger concerns about screening delays and queues.

The Government will examine the Screening Review report and consider alternative screening model options ranging from:

- strengthening the current framework;
- a single screening authority (run as a private commercial enterprise);
- a single screening authority for regional screened airports; and
- a single screening authority (run as a government business enterprise).

Initial outcomes from the Screening Review indicate there is no overseas model logically fitting the Australian context.

The outcomes of the Screening Review will be used to inform the Government's policies on the regulation and delivery of aviation security screening.

The cost of passenger and baggage screening

The Government has received a number of submissions seeking a different charging system for aviation security.

Passenger and baggage screening at Australian airports is currently based on 'location-specific' pricing. The cost of screening at a given airport is passed on to the airlines using the screening services, which is, in turn, passed on to passengers. Screening charges should not be confused with the Passenger Movement Charge (PMC).

The PMC is a tax levied on international passengers departing from Australian airports and is usually collected by the international airline as part of the ticketing/airfares process. The PMC is remitted to the Australian Customs Service by the airline following the departure of the aircraft from Australia.

The Government increased the PMC from 1 July 2008 by $9, from $38 to $47 per passenger. This increase is estimated to raise $459.3 million over four years. The increase will contribute to

offsetting the cost of a range of aviation security initiatives. The PMC also offsets the costs of processing international passengers at international airports and maritime ports, and issuing short term visas overseas. All PMC receipts are paid into consolidated revenue and not hypothecated to any specific government department or agency. As such, there is no reconciliation of costed activities against the revenue raised by the PMC.

There are substantial economies of scale in the provision of screening services, meaning passengers at regional airports pay higher screening costs than passengers at metropolitan airports. This is supported by data collected on behalf of the Department of Infrastructure.

Concerns regarding the cost of aviation security requirements were raised in a number of submissions, with some respondents articulating the need for different security standards at different airports due to cost impacts. In particular, smaller regional airports have claimed the cost of security requirements is inequitable. Regional and remote airports also argue the current pricing structure makes it harder to attract passengers to regional Australia and to attract airlines to use regional airports as hubs. Some submissions have argued 'network' pricing should be instituted for aviation screening to share security costs more evenly across the industry.

However, some submissions have advocated against 'network' pricing, arguing this would damage competition, reduce efficiency and could become unsustainable in the event of an aviation downturn.

The Government is considering all of these issues and is seeking further public comment on the pricing of aviation security measures to assist with a review of the current charging arrangements.

Securing the supply chain

Air cargo is a critically important part of Australia's international and domestic trade. In 2007-08 the value of air cargo was approximately $28 billion; approximately 80 per cent of Australian domestic air cargo is carried on passenger aircraft.

Currently there are 950 Regulated Air Cargo Agents (RACAs) spread across 1,720 sites Australia-wide dealing with international and domestic air cargo. Research indicates there may be over 10,000 Accredited Air Cargo Agents (AACAs) ranging from multi-national operators to sole proprietor businesses. Since January 2008, 2,143 employees (with a security function) have been trained under the Regulated Air Cargo Agent Security Training Framework.

The Government intends to further strengthen the existing layers of security for air cargo. This will be achieved with the application of technology, the identification of employees and by regulating businesses operating in the air cargo supply chain.

Current policy settings

As with Australia's overall approach to aviation security, air cargo security is protected by multiple layers of preventative security measures, based on an assessment of the risk and the nature of the threat. Each layer is designed to address the unique vulnerabilities of the air cargo supply chain and not disproportionately affect the economic viability of the air freight and related industries.

Australia's security regime uses a combination of examination methods at various points along the air cargo supply chain. Some cargo types, in certain circumstances, can be examined using technologies such as ETD and/or X-ray. Where examination using technology is not feasible, other security measures are in place.

A critical aspect of Australia's air cargo protection is the Regulated Air Cargo Agents and Accredited Air Cargo Agents schemes. These agents are required to have transport security programs in place. All businesses providing air cargo services will be required to apply appropriate security measures along the complete supply chain.

International issues

Australia's multi-layered approach to cargo security compares well with countries such as Canada, the US, the United Kingdom and the model under the European Commission. Australia also meets ICAO requirements.

A critical factor facing Australian participants in air cargo is the US Transport Security Administration requirement for a system of 100 per cent screening of cargo transported on passenger planes by 2010. Should the US pursue this requirement, 100 per cent cargo screening may need to be applied for cargo going to North America.

Supply chain technology

Currently it is not possible to effectively examine 100 per cent of all air cargo using ETD or X-ray technology without significant disruption to the air cargo supply chain.

At present air cargo security examination cannot be performed in the same way as air passengers and their baggage. Each require different processes and technologies and involve looking for different objects in a vastly different environment.

The Department of Infrastructure has recently completed a series of air cargo X-ray trials to determine the suitability of X-ray for the detection of explosive devices concealed in air cargo, and to assess the impact of introducing such technology into the operations of a range of air cargo industry business processes.

The Australian Government is considering the establishment of consolidated research and development partnerships with international partners to develop and promote more effective technologies for the examination of air cargo to meet future challenges in this area.

Australia is among world leading countries in trialling air cargo X-ray equipment. The results of the trial, coupled with information from international partners and industry will inform future application of explosive detection technologies in the air cargo supply chain.

Ongoing work continues with industry and international partners to determine where and how technology-based examination processes and other interventions can best be introduced within the air cargo supply chain. The Government is seeking further public comment on these issues.

Businesses operating in the supply chain.

It is important all businesses operating in the air cargo supply chain apply appropriate security measures to increase the protection of aircraft from terrorist acts and other unlawful interference by establishing a more secure supply chain from the point of consignee to the aircraft. The Government is seeking public input on a series of supply chain issues including:

- whether the RACA scheme in its current form is the most appropriate model for the future in terms of its requirements on business and the security outcome;
- the need to continue to build the AACA scheme and its application to businesses operating in the supply chain;
- the need to build a robust 'known shipper' scheme, to establish a low risk status for certain cargo and enable unknown or higher risk cargo to be the focus of more intensive examination processes; and
- continue to work with international partners to establish harmonised and mutually recognised air cargo security regimes.

People working in the supply chain

The Department of Infrastructure and industry have developed security competency standards and supporting training materials for the air cargo sector – the RACA Security Training Framework. The

Framework provides the foundation for security outcomes to be assessed against competency standards and gives businesses the ability to determine the level of security competency required for each role within the organisation.

Quality assurance standards have been developed and a quality assurance system is in place to monitor and maintain the suitability of organisations accredited as RACA training and assessment organizations, including an assessment of the quality of the overall training framework. The Government considers greater security awareness and consistent security education delivered to appropriate people working in the air cargo environment would benefit the system as a whole.

The Government is seeking public input to the potential to introduce a system of business and individual identity verification, or background checking regime (and subsequent disqualification criteria) for the air cargo sector.

Aviation security – the way forward

Recent policy reviews

Security is constantly reviewed and our preventative security measures are evaluated on a regular basis. The most recent reviews include:

- the Australian National Audit Office has considered aviation security in 1998 and 2003;
- the Senate Rural and Regional Affairs and Transport Committee considered aviation security legislative instruments reporting twice in 2003 and again in 2007; and
- the Joint Committee on Public Accounts and Audit reviewed aviation security issues in 2004 and 2006.

In addition, the Australian Government commissioned the Rt Hon Sir John Wheeler DL to undertake a comprehensive review of Australian aviation security in 2005.

Since November 2007, the Australian Government's focus has been to enhance aviation security arrangements. To achieve this, the Government is conducting a number of reviews including the identity checking regime, the efficiency and effectiveness of screening, and the aviation training program.

The following current reviews will address some of the issues identified in submissions to the Issues Paper. The outcomes from these reviews will be used to inform the Government in its consideration of the White Paper.

Review of Aviation Security Screening

Growing industry concerns about the sustainability of the current screening system prompted a major review of Australian security screening at airports. This review was undertaken by the Department, with input from an expert Advisory Group of senior industry figures.

An efficient and effective screening system is essential, given approximately 65 million passengers are screened annually in Australia.

Priority issues for the Review included:

- refining the purpose of screening;
- examining the need for national consistency;
- examining the range of technology factors in screening;
- researching optimal screening point design;
- assessing human factors – from passenger facilitation to screener vocation;

- reviewing the regulatory framework; and
- examining overall efficiency and effectiveness of the current regime.
- Training Package 2008.

CASE STUDY: Surveys of Aviation Screening

The outcome sought from the Review of Aviation Security Screening is to improve screening processes. Two research activities conducted to date provide some insight into the current effectiveness of the regime. The first demonstrated:

- 74 per cent of travellers felt their screening experience was in line with their expectations and 21 per cent considered the experience to be better than expected.
- only four per cent of respondents expressed dissatisfaction with the overall experience or staff; and
- a very small percentage of respondents said they had to make a complaint about screening in the past.

The travelling public understands screening is necessary. Their experience of security screening is also relatively consistent. While regular travellers are generally comfortable with the screening process, many people find delays frustrating, and screening can create a more anxious experience for a small number of infrequent travellers. There is scope to improve passenger education and awareness of security screening processes.

(2008 Colmar Brunton Social Research, *Screening Review Passenger Survey*)

A second activity observed people passing though 26 screening points at 14 airports around Australia.

- 90 per cent of these people were cleared on their first pass through a metal detector.
- Additional screening was required for the remainder:
    - 9.5 per cent were cleared on the second pass (usually by taking off belts, shoes, emptying pockets and re-screening through the walk-through metal detector); and
    - a third pass was required for 0.5 per cent of people, which sometimes required the use of a hand-held detector and/or a frisk search.

These figures were reflected in the figures for carry-on baggage, with 93 per cent of carry-on items cleared on the first pass, and only seven per cent of items requiring further attention by a screener. Noting there are approximately 65 million passengers screened per year in Australia, it is apparent many passengers moving through Australia's screening points may be inadequately prepared for screening.

(2008 Office of Transport Security, Domestic Observation Program for the Review of Aviation Security Screening)

The Government is committed to a modern screening regime, supported by the latest technology and a world-class training regime, to meet the objective of improving the consistency of passenger screening across Australia. It is also the Government's priority to improve passengers' experience of airport screening, while maintaining the integrity of Australia's aviation security measures. The review will guide the Government's policies outlined in the White Paper with regard to screening and associated aviation security measures.

Aviation Security Identification Card (ASIC) Review

A comprehensive review of the ASIC scheme was recently completed. This review highlighted significant vulnerabilities in the robustness and timeliness of background and proof of identity checks, name-based criminal history checks, and the management of visitors in the secure zones of Australian airports.

The review benefited from close consultation with industry and its recommendations include:

- increasing the frequency of criminal history checks, from a point in time every two years to annual checks;
- separating background checks and physical access control, with all aspects of the background checking process being centralised in government;
- phasing out use of the ASIC as evidence of a background check, with verification by the Australian Government's background checking agency, AusCheck, and access governed under new regulatory arrangements; and
- providing individuals with the option of applying for a one-, three-, or five-year qualification, instead of the current two-year ASIC validity period.

The recommendations contained in this review will be being considered by the Government in the near future.

National Aviation Security Training Program

The Government recognises Australia's approach to aviation security training has, over time, fallen behind global best practice.

A robust aviation security regime relies on the use of appropriate technology, sound processes and a motivated and skilled workforce. Since 2001, the Government and industry have made significant investments in screening technology and in aviation security processes and regulation. The Wheeler Review recognised the reliance on people for most aviation security measures and highlighted the need to focus on the development of an appropriately skilled and motivated workforce, especially for screening.

Drawing on extensive consultation with industry, the Government will progress with the National Aviation Security Training Program, to achieve stronger aviation security outcomes nationally.

One of the results of this training program will be a benefit for regular travellers (who have complained of variations in security between airports) from an improved and more consistent experience. Another beneficiary is the aviation industry, which is demanding clarity and increased flexibility in security-related training regulations and procedures, and will benefit from a better and more consistent understanding of aviation security training requirements.

The program will also assist in fulfilling Australia's obligations to develop and implement a national aviation security training regime under Annex 17 of the Chicago Convention. It will also address aviation security training needs identified in reports by the Joint Committee on Public Accounts and Audit, the Australian National Audit Office and the Wheeler Review.

Airport policing

Policing is one of the key layers of security at Australian airports. Policing capabilities include: counter-terrorist first response – both on the ground and in the air; the ability to gather criminal and security intelligence; investigation of general and organised crime; and aviation security incident management.

In his review of aviation security and policing at Australia's airports from 2005, Sir John Wheeler made 17 recommendations dealing with a range of issues, including policing roles and responsibilities at airports.

The Wheeler Review recommended a new unified policing structure be implemented at airports. The Government's response to this recommendation was to introduce the Unified Policing Model. Following the Wheeler Review, over $600 million has been committed to policing functions at the 11 designated CTRF airports[3] .

The Unified Policing Model complements other aviation policing measures implemented since 2001. This includes the Air Security Officer program, which provides armed personnel on Australian commercial flights within Australia and on selected international sectors. It also adds to the Regional Rapid Deployment Teams who provide a CTFR capability to Australian regional airports.

The purpose of the Unified Policing Model is to deliver a sustainable, efficient and effective law enforcement capability focused on deterring and responding to acts of terrorism, delivering uniform policing capability and facilitating the investigation of serious, organised and systemic crime within the aviation domain. The Unified Policing Model has been structured primarily to allow the implementation of a counter terrorism strategy to deter, detect and prevent terrorist activity targeting Australian aviation interests at major airports. Operational activity related to public assurance, including traditional community policing outcomes, support this intent by providing a secure and stable environment to deter extremist and criminal elements.

Implementation of aviation security measures is primarily the responsibility of industry; however the AFP has a vital operational role in the deterrence, detection and prevention of an act of terrorism at major airports. The AFP also provides the first response to any incident requiring a law enforcement response. It is this partnership between the aviation industry and the AFP at major airports, and with jurisdictional Police Services at other airports ensuring a systemic approach to aviation law enforcement in Australia.

Conclusion

The Australian aviation security system must be flexible and adaptable to new and emerging threats while supporting passenger facilitation and industry growth. The Australian Government remains committed to a high quality aviation security system benchmarked against relevant international partners.

Australia will continue to work with ICAO, APEC and regional industry organisations in an effort to improve the current regime. The Government remains committed to an intelligence-led, risk-based and outcomes focused aviation security regime to ensure a safe and secure aviation system.

The Government seeks to improve security screening at airports to ensure it is focused on real security risks, consistently and efficiently applied, coherent for operators and the travelling public, and most of all to ensure the safety of passengers, aircraft, airports and staff. To achieve this, the Government proposes to:

- give priority to the implementation of accepted recommendations from the current Review of Aviation Security Screening;
- reform current passenger, carry-on and checked baggage screening arrangements to reflect international best practice;
- provide better information to the travelling public about screening processes;
- introduce new screening technologies and techniques where appropriate to improve passenger facilitation and security outcomes, with due regard to privacy;

[3] The 11 CTRF airports are Adelaide, Alice Springs, Brisbane, Cairns, Canberra, Coolangatta, Darwin, Hobart, Melbourne, Perth and Sydney. These airports are equipped as major international gateway airports, although Alice Springs, Canberra and Hobart do not currently have regular scheduled international services.

- implement improved performance measurement to ensure the aviation security outcome is being achieved efficiently and effectively across Australia;
- in partnership with industry, develop better guidance for handling complaints, screening people with special needs, and other aspects of the screening process; and
- reform the Prohibited Items regime within the *Aviation Transport Security Act 2004* to reflect international standards, while taking into account specific threats to Australia.

With reference to the findings of the 2005 review of Australian aviation security by the Rt Hon Sir John Wheeler DL the Australian Government proposes to:

- actively review aviation security legislation to ensure we maximise security and minimise bureaucracy;
- implement recommendations of the comprehensive ASIC review completed in 2008;
- address remaining vulnerabilities in the air cargo supply chain; and
- establish appropriate aviation security arrangements for the growing aviation charter industry in light of the current threat and risk environment and competition considerations.

In response to the evolving domestic and international aviation challenges and taking into account emerging risks and threats to Australian aviation interests the Government proposes to:

- ensure regulatory arrangements to trigger passenger screening address the nature and level of threats and remain competitively neutral;
- respond to the concerns of some remote and regional destinations by ensuring full cost impacts have been considered prior to implementing new aviation security arrangements;
- enhance security awareness and improve national consistency and performance in aviation security through the new National Aviation Security Training Program; and
- in collaboration with foreign Governments, establish a comprehensive airport assessment program for our region.

:03

International Aviation

International Aviation

Promoting competitiveness in Australia's international air services

Issues Paper Themes

- International air services policies that balance the need to have an Australian based industry with robust competition from international competitors
- Facilitating growth in trade, tourism and employment opportunities for Australians in the aviation and tourism industries
- Australia's negotiating priorities
- Increasing services to international airports outside the four major gateways
- An "open-cargo" policy for dedicated cargo services
- Foreign airline access to the domestic market
- Foreign airline access to Australia - third country international markets
- The implications of expanded international operations at secondary airports, including for border security

What the submissions said

There was broad consensus that Australia's international air services agreements need to serve the national interest, but stakeholders varied significantly in terms of what this meant.

Australian international airlines were generally supportive of the current policy where the national interest is determined on a case by case basis, balancing the need to obtain useable commercial rights for Australian carriers and the benefits that potentially flow from increased foreign airline access.

Other stakeholders argued the national interest would be better served through allowing greater access for foreign airlines to the market, either through the pursuit of more 'open-skies' type agreements, relaxing the restrictions on capacity to most airports, or allowing foreign airlines to take up rights not being utilised by Australian carriers. Some stakeholders argued that Australia should move unilaterally in these directions by not linking the suggested changes with additional opportunities for Australian international airlines. Many stakeholders supported Singapore Airlines' desire to provide services between Australia and the US.

Many stakeholders acknowledged the current policy of offering unrestricted access to and from all Australian airports other than Sydney, Melbourne, Brisbane and Perth (the 'regional package') has not been sufficient to encourage international airlines to serve regional airports. A number of suggestions were made as to how this could be improved, including requiring international airlines to service regional airports in return for increased capacity into Australia, removing restrictions on domestic cabotage between regional and major airports and direct intervention through the use of subsidies to encourage services.

Most stakeholders supported a continuation of the policy of pursuing open cargo arrangements to facilitate trade in high-value, time sensitive products.

Australian airlines and some other industry stakeholders argued that the current cap of 49 per cent

on foreign ownership of Australian airlines through the *Qantas Sale Act 1992* (Qantas Sale Act) and the *Air Navigation Act 1920* (Air Navigation Act) constrain their ability to access global financial markets. It was also argued that the restrictions were incompatible with international efforts to reform the investment regime for airlines. In contrast, other stakeholders viewed the restrictions as essential to the maintenance of a strong Australian-based aviation industry and the retention of highly-skilled aviation personnel.

Many submissions focused on the need for border agencies to be flexible and responsive to resourcing needs, arguing that quarantine risk in particular needs to be reassessed and that the cost of delivering the border agencies' services should be clearly articulated and transparent. The most common concern raised was the pressure on the incoming passenger clearance process and, in particular, the secondary screening (quarantine) process, which were seen as the key barrier to achieving any significant improvement. Many stakeholders also expressed concern about the Passenger Movement Charge (PMC), arguing that there is a lack of transparency about the purpose for, and use of, the charge and that increases in the PMC discourage overseas tourists.

Australian airlines and other stakeholders argued that Australian taxation policy in relation to depreciation of aircraft, the lack of investment allowances and other aspects do not align with those applying to their major competitors and represent a competitive disadvantage to Australian airlines in the international marketplace.

Australia's reliance on international aviation

As an island continent combining vast internal distances with geographic isolation from major international markets, Australia is arguably more reliant on aviation as a means of transport than any other country.

International air services provide vital connections for Australian businesses and tourists to the global market, generating billions of dollars for the Australian economy. The role of aviation in the export of goods from Australia, particularly high value and time critical goods is also significant. An efficient aviation industry is one of the cornerstones of the modern economy.

The gross value added contributed to the Australian economy by the air and space transport industry was $6.4 billion[4], or around 0.6 per cent of GDP, and it is estimated that the air and space transport industry employs nearly 50,000 workers[5].

While the aviation industry is a significant generator of economic activity and a major employer in its own right, the greater benefits of the industry are derived from the flow-on effects created through the facilitation of trade, tourism and general economic activity.

One of the major flow-on benefits of the aviation industry is tourism. Aviation and the tourism industry are highly interdependent, with over 99% of inbound tourists to Australia arriving by air. The Tourism and Transport Forum (TTF) estimates that the tourism industry employs some 470,000 people, with a gross output of $66.6 billion, while airports and air services employ some 170,000 people, with a gross output of $43 billion. TTF estimates that by 2020 tourism is expected to employ more than 1 million people, with a gross output of $145 billion, while airports and air services are expected to employ 350,000 people, with a gross output of $80 billion[6] .

[4] ABS, Australian National Accounts: National Income, Expenditure and Product (ABS cat. no. 5206.0, Table 33).

[5] ABS, Labour Force, Australia, Detailed, Quarterly (ABS cat. No. 6291.0.55.003, Table 6).

6 Tourism and Transport Forum, "Response to Towards a National Aviation Policy Statement – Issues Paper", 2008, p11-12

How is access to international aviation markets regulated?

The regulatory framework governing international air services is complex. While most sectors of international trade operate on the presumption that the market is open unless governments restrict that market, international aviation is different as the market is closed until governments act to open the market.

The underlying framework for the regulation of international aviation is contained in the 1944 Convention on International Civil Aviation, which is commonly referred to as the Chicago Convention. The Air Navigation Act gives effect to the Chicago Convention in Australia.

International aviation is governed by a series of government to government bilateral treaties determining levels of market access for countries' respective airlines. Over 3,500 of these bilateral air services agreements are in place, operating for the most part outside the World Trade Organisation (WTO) and international free trade agreements frameworks.

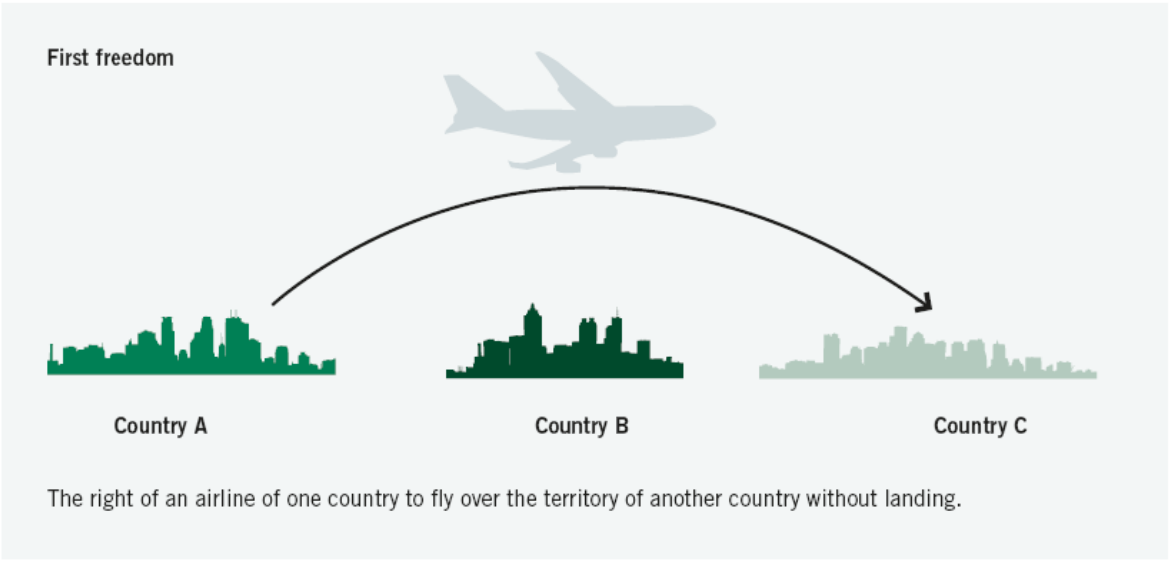
While some tentative steps have been taken in multilateral forums, such as the WTO, the global application of free trade principles to international aviation remains a longer term goal. Liberalisation within the bilateral system is likely to remain the only way to open up aviation markets for the foreseeable future.

Bilateral air services agreements set out the number of weekly flights that airlines of the two countries can operate, cities they can serve in the other country and rights to operate via or beyond to third countries. The agreements typically also include provisions related to such matters as airline ownership and control, competition law, safety and security.

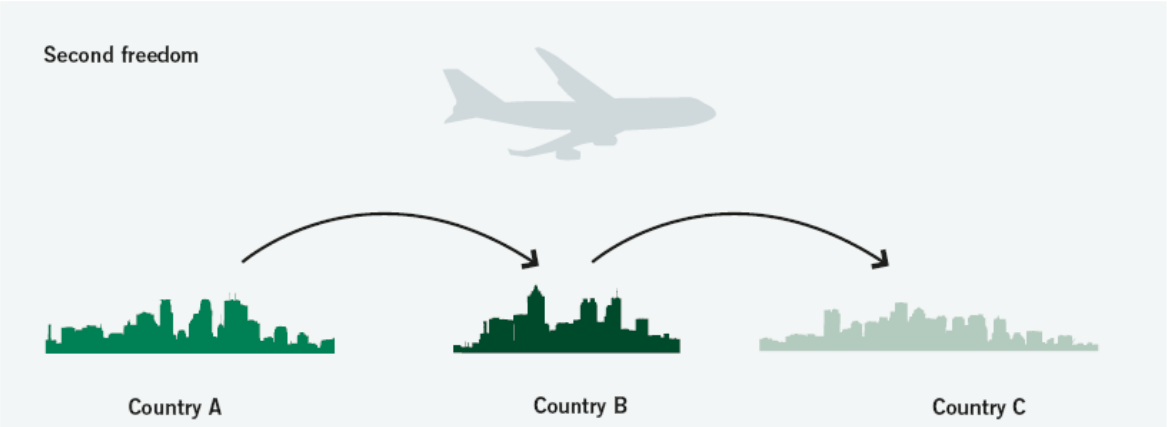
The outcomes of bilateral air services negotiations often represent a compromise outcome that balances the needs of both parties, with each side seeking to maximise the benefits for their respective countries. In such an environment it can often take several rounds of negotiations, over many years, to achieve the most favourable outcome.

Figure 3.1 outlines the types of air service rights established under the Chicago Convention, commonly referred to as the freedoms of the air, which form the basis of bilateral agreements.

Figure 3.1 Freedoms of the Air
International Aviation Rights of Passage (commonly known as freedoms)



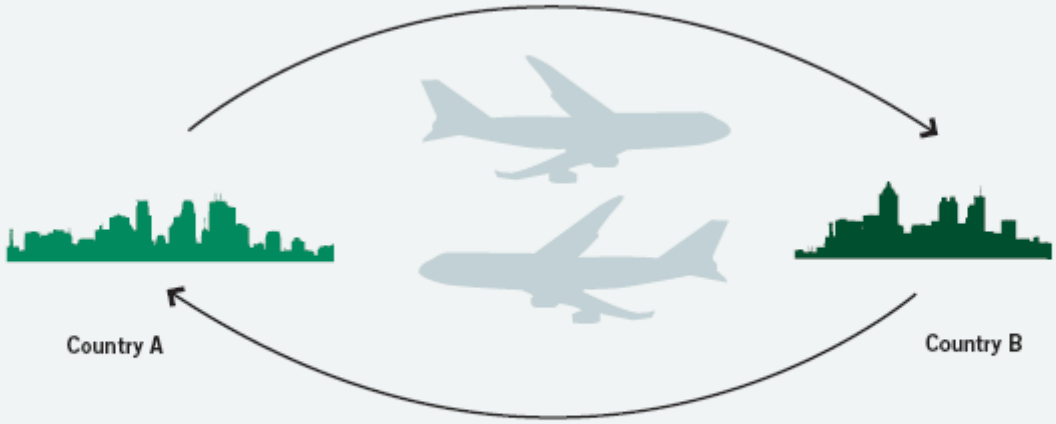
The right of an airline of one country to fly over the territory of another country without landing.



The right of an airline of one country to land in another country for non-traffic reasons, such as maintenance or refueling, while en route to another country.

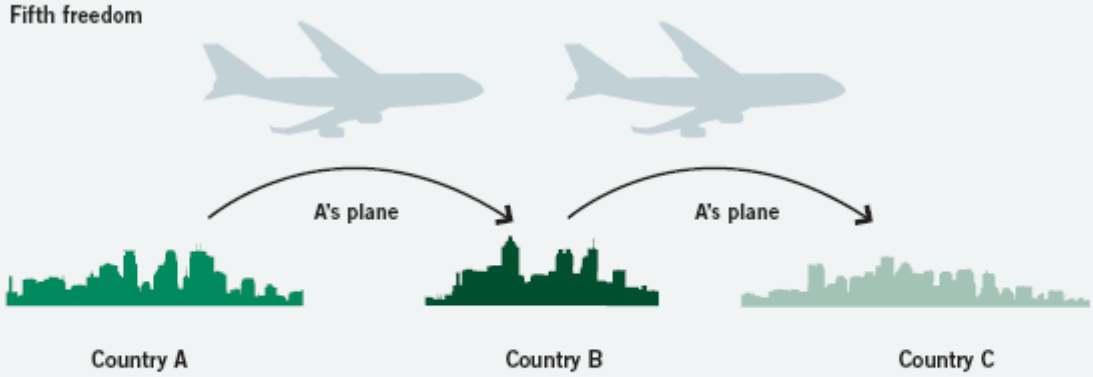
The first two freedoms are referred to as technical rights, and some 100 countries are contracting parties to the 'The International Air Services Transit Agreement', which provides multilateral approval of these technical rights.

Third and fourth freedoms



The right of an airline of one country to carry traffic (passengers, mail, cargo) to another country (third freedom).
The right of an airline of one country to carry traffic from another country to its own country (fourth freedom).

Fifth freedom



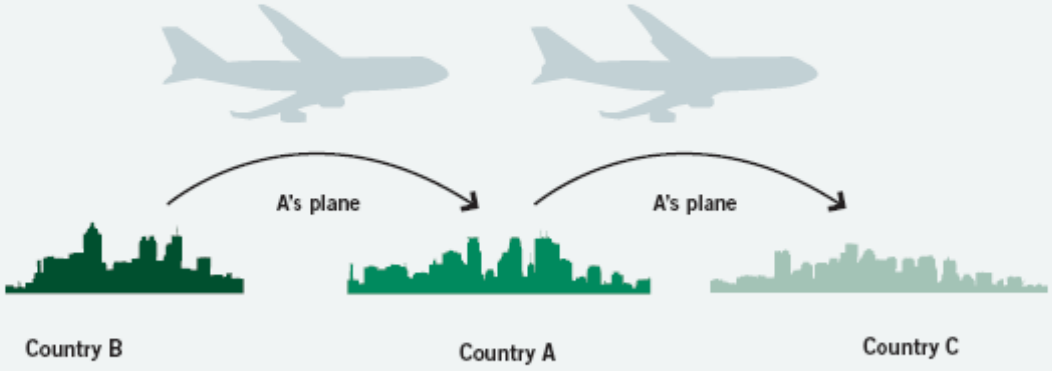
The right of an airline of one country to carry traffic between two foreign countries as long as the flight originates and terminates in its own country.
The third, fourth and fifth freedoms are granted as rights in bilateral air services agreements.

Other "freedoms"

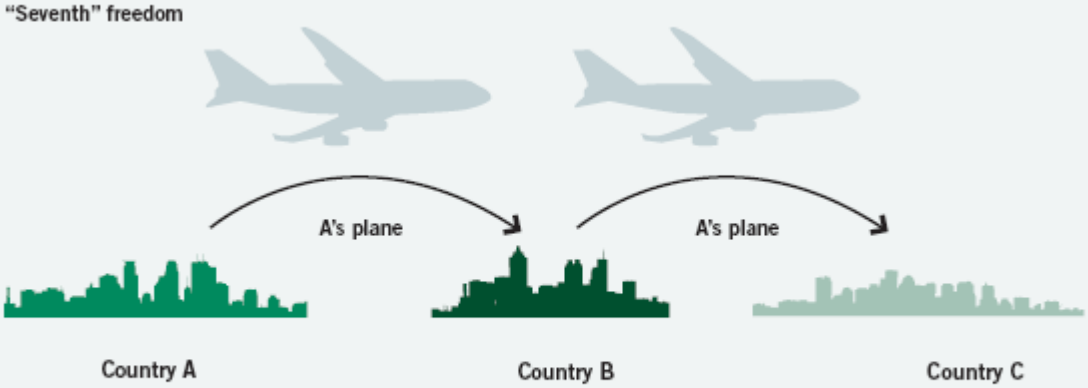
There are a number of other so called "freedoms" which, although not officially recognised by the Chicago Convention or granted in bilateral air services agreements, are referred to and taken into account in bilateral air services agreements, are referred to and taken into account in bilateral negotiations (particularly the sixth freedom).

The so called sixth, seventh and eighth freedoms are described below.

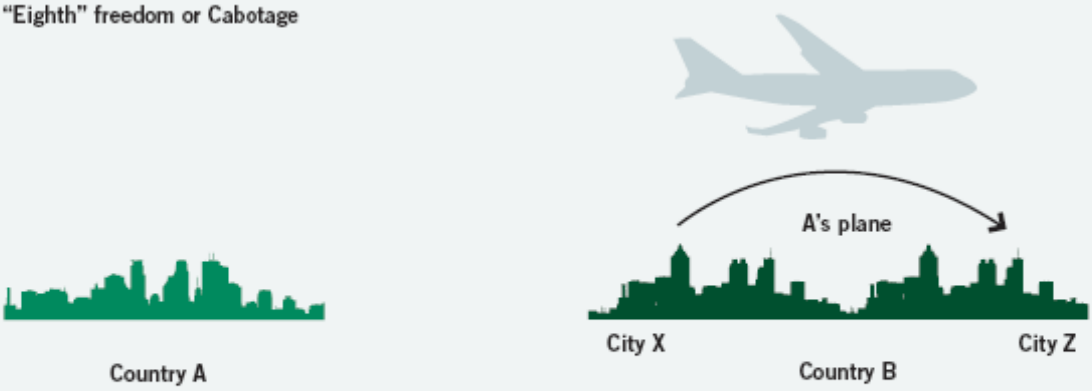
"Sixth" freedom



The right of an airline of one country to carry traffic between two foreign countries via its own country. This is a combination of two sets of third and fourth freedoms (with countries B and C).



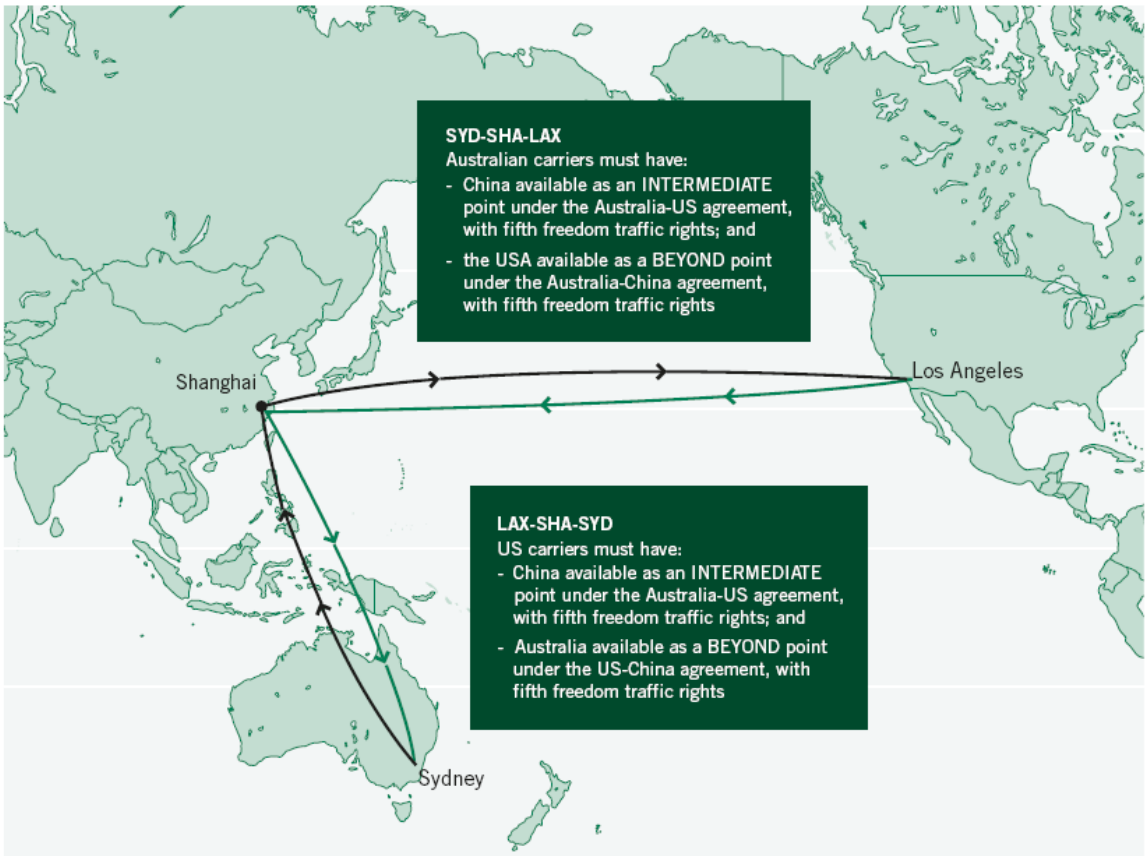
The right of an airline of one country to carry traffic on stand alone services between two other countries.



The right of an airline of one country to carry domestic traffic between two points within the territory of another country. Also known as cabotage, this right is rarely granted to foreign airlines, although this may change in a single aviation block comprised of a number of countries (eg the European Union).

As the diagrams highlight, the development of a network of bilateral agreements throughout a region or through a region to a more distant point (for example, from Asia to the US) can be complex. For a country at one end of a long-haul route such as Australia, it becomes difficult if rights to the intermediate point are difficult to obtain. As an example, the right for an Australian carrier to operate between Asia and the United States with full fifth freedom traffic rights requires separate negotiations with both the Asian country (to obtain the US as a beyond point) and the US (to obtain the Asian country as an intermediate point).

Figure 3.2 Indicative route for air services: Australia to USA via Asia



A 'fifth freedom traffic right' is the right for a carrier to carry traffic between two foreign countries on a multiple stop flight, provided that the flight on which the traffic is carried commences or terminates in the carrier's home country.

The relative inflexibility of the bilateral system has facilitated the rise of large "hub carriers" such as Emirates, Etihad, Cathay Pacific and Singapore Airlines. These airlines have inherent geographic advantages over end-point carriers such as Australian airlines and are able to consolidate traffic from a range of destinations into their hub to provide a level of commercial service not readily available to end-point carriers.

Australia has been at the forefront of aviation liberalisation since the late 1980s when the domestic industry was deregulated and the then Government embarked upon a series of reforms opening up access on international routes, moving from negotiations based almost exclusively on promoting interests of national airlines to negotiations based on promoting broader trade and tourism benefits.

Australia has continued to move towards ensuring the levels of aviation services are determined by market forces, not government regulations or restrictions. Australia currently has one of the most liberal open skies agreements in the world; the Single Aviation Market agreement with New Zealand. Under this agreement all barriers to each other's domestic and international markets have been removed. Australia also has an open skies agreement with the United States, and there are no restrictions on capacity in Australia's agreements with the United Kingdom and Singapore.

There are few, if any, individual markets that are constrained by the provisions of our bilateral air services agreements and international airlines continue to have the opportunity to grow the market. It is estimated that there are over 150 Boeing 747 equivalent units of unutilised weekly capacity

currently available for foreign airlines under Australia's air services agreements across the top 20 origin/destination markets that still have capacity limits. As outlined above, there are no capacity limits for third and fourth freedom traffic in our agreements with Singapore, New Zealand, the US and the UK.

The Government's broader competition reform agenda

The key to enabling Australian industries, including our aviation industry, to become more competitive is to remove impediments to growth, both at home and abroad. Australian industries can also only compete to their full potential in global markets if barriers to trade are lowered. The Australian Government's approach to trade policy is based on two pillars:

- opening up new markets through international trade negotiations; and
- improving productivity and competitiveness behind the border[7].

The Australian Government is working to improve productivity through investing in infrastructure and skills, reducing the regulatory burden on business and making Australia's tax system more internationally competitive. Reform is essential for enhancing the efficiency of our industries and to drive economic growth and prosperity.

The Government is committed to pursuing a policy of trade liberalisation at all levels: multilateral, regional and bilateral. At the same time it is important to recognise that not all countries play by the same rules. Tariffs, subsidies and other forms of industry assistance continue to distort trade flows and to place Australia's exporters at a disadvantage in many markets. The Australian Government continues to pursue broader trade liberalisation in the national interest and aviation is no different.

The development of a National Tourism Strategy

In parallel with the development of the Aviation White Paper, the Australian Government is developing a National Long Term Tourism Strategy. The Strategy will assist the Government in achieving its overarching policy goal, which is to maximise the net economic benefit of the tourism industry to the Australian economy. It will provide a long-term vision for the tourism industry and establish the basis for consistent long-term policy engagement with the tourism industry by governments.

The primary focus of the strategy will be on the development of the productive capacity or supply side of the tourism industry. Issues to be considered will include tourism investment, labour and skills, climate change and infrastructure. Consideration of tourism, both supply and marketing, will broaden the focus beyond leisure tourism to include other high yielding segments such as education and business tourism. It will also consider the impact of changing tastes and preferences across Australia's key and emerging markets.

The Aviation White Paper will complement the National Long Term Tourism Strategy, helping ensure continued growth in one of Australia's most important industries.

Key challenges

The international aviation industry faces a number of ongoing challenges. Following a recent period of record high fuel prices, global economic conditions have deteriorated significantly and created conditions of reduced demand, excess capacity and increasing pressure for industry consolidation. To meet these challenges a flexible policy framework is needed that can accommodate growth in international markets over the medium to long-term, with a focus on key growth markets, while maintaining a strong Australian-based industry.

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[7] The Hon Simon Crean MP, Minister for Trade, 17 January 2008, <http://www.trademinister.gov.au/speeches/2008/080117_gurgaon.html>

Australia's policy settings need to give the aviation industry the opportunity to compete effectively with its international competitors, including so-called "hub carriers" that have inherent geographic advantages not available to Australian airlines.

Ensuring safety and security standards are not compromised as the industry grows and foreign airlines continue to expand their presence in the market is also a key policy imperative.

Australia's approach to liberalising access to international markets

Australia's aviation market is small by world standards. As an island nation with a significant tourism industry, the airline industry is a major contributor to Australia's economy. Australia's tourism industry and high-value, time sensitive export industries depend on these links, supporting a range of downstream industries. The Australian Government is committed to maximising the benefits that a strong Australian-based aviation sector provides to the economy.

The Australian Government will continue to pursue a more liberal international aviation market, including "open skies" style agreements in some cases. This does not mean, however, opening our skies while other countries keep their own markets closed. This would allow other airlines to exploit the Australian market without allowing the Australian airline industry to compete in their market.

Some foreign airlines are active in marketing Australia as a tourist destination and have made investments in Australia through sponsorships and establishing maintenance and training centres. The Australian Government is keen to encourage foreign airlines to commit to a long term presence in Australia and invest in our future prosperity.

The Government sees merit in including as a factor to be taken into account in assessing the national interest for bilateral negotiations, the extent to which international airlines are prepared to invest in Australia, through marketing Australia as a tourist destination and through direct investments, such as enhanced commitments to employment of Australian based staff and establishing maintenance and training centres.

There is unutilised capacity in nearly all of our bilateral agreements that provide for continued growth by foreign airlines. The Government will ensure the capacity available to foreign airlines under our bilateral agreements remains ahead of demand to ensure that airlines can plan for long term growth into the Australian market. The long term forecasts produced by Tourism Research Australia (TRA) provide an important framework for assessing demand requirements into the future.

Australia is disadvantaged as a long-haul, end-point destination. As a result we have few competitive traffic rights to trade in order to gain access to valuable markets overseas and we need to maximise what negotiating leverage we do have.

One of the few competitive rights Australia does have is access to the trans-Pacific route between Australia and the United States. The Australian Government has made it clear that it has no immediate plans for additional third country access to the route at this time to allow V Australia a reasonable opportunity to establish its operations. The Government has not ruled out trading such access in the future, where this is considered to be in the national interest. The maximum national benefit possible would be sought if a decision is made to trade such access in the future.

Like many areas of international trade, international aviation is subject to a range of market distortions that advantage some airlines and disadvantage others. Continued government ownership of some international airlines, the presence of government subsidies and support, differing approaches to bankruptcy protection and divergent tax regimes create market distortions beyond the scope of bilateral air services arrangements. These accentuate the competitive advantages many foreign airlines enjoy, compounding inherent geographic advantages many enjoy over end-point carriers such as those based in Australia.

The Australian Government proposes to continue to take a pragmatic approach to liberalisation

based around achieving a balance between the economic, trade and tourism benefits that flow from opening up international aviation markets and the need to ensure a strong Australian-based aviation sector.

International market outlook and market priorities

Today's industry also faces serious global challenges. The world economy is changing rapidly and has become increasingly unpredictable. Earlier this year the industry was dealing with record high fuel prices and is now dealing with softening demand due to the effects of global economic conditions.

The International Air Transport Association (IATA) reported earlier this year that the aviation industry made a profit of $5.6 billion in 2007, the industry's first profit since 2000. However, record high fuel prices and slowing traffic growth were expected to result in industry losses of $5.2 billion in 2008. IATA has since revised this forecast following a three per cent decline in international passenger numbers in September. This was described as the largest decrease since the outbreak of SARS in 2003. IATA now predicts industry-wide losses could exceed its original estimate, despite the recent fall in world oil prices[8].

The aviation industry is familiar with shocks, with demand adversely affected by airline collapses, terrorist threats and incidents and disease outbreaks such as SARS. Softening economic conditions, changes in currency rates, airport capacity constraints and policy responses to climate change will all influence future demand. Despite this, international aviation is still expected to grow strongly in the medium to long term.

Longer-term forecast growth to and from Australia is expected to continue as reflected in the most recent TRA forecasts. Notwithstanding short-term effects currently being experienced, the number of arrivals to Australia is forecast to increase at an average annual rate of 4.4 per cent to 2017, to reach 8.7 million [9]. However, in the short-term, taking account of current pressures arising from the global financial crisis, a temporary decrease in the number of international passengers is likely.

Australia's negotiating priorities will continue to be designed to ensure that emerging opportunities in key markets are taken up and that capacity remains ahead of demand.

Much of the medium to long-term growth will be driven by Asia and the Middle East, with inbound visitor arrivals from India increasing at an average annual rate of 16.5 percent, China 12.2 percent, and the Middle East 10.9 percent. The Asian region remains a market of strong growth potential, while some of our more mature markets such as Japan, the UK and Europe are expected to experience more modest growth, and may even contract.

Negotiations are underway on a comprehensive air services agreement with the European Union (EU) that would replace the current bilateral agreements with EU Member States. Such an agreement would remove many, if not all, of the traffic right restrictions currently in place for services by Australian and European airlines between our respective markets. Other priority markets to which the Government is seeking greater access include China, India, and countries in the Asia-Pacific and South American regions.

While the commercial interest of Australia's airlines are an important consideration, Australia's broader economic and tourism interests are the top priority when setting negotiating priorities. The Government is strongly committed to ongoing consultation to plan Australia's forward negotiating priorities to ensure that these broader interests are taken into account. The National Tourism and Aviation Advisory Committee (NTAAC) will continue to be an important consultative body for

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[8] IATA Press Release, 24 October 2008, Alarming Drop for September International Traffic <http://www.iata.org/pressroom/pr/2008-10-24-01.htm>

[9] Tourism Research Australia: Forecast 2008 Issue 1

discussing negotiating priorities with the tourism and aviation industries.

It is not always possible to act quickly on these priorities or to achieve the outcomes that Australia may be seeking from negotiations. What may be a priority for Australia may not be a priority for our bilateral partner. What may be a good outcome for Australian airlines may be resisted by our bilateral partner. As a result, our bilateral arrangements often represent a compromise outcome that seeks to balance the needs of both parties.

Improving access to regional areas

The Australian Government offers foreign airlines unlimited access to airports other than Brisbane, Sydney, Melbourne and Perth, often referred to as the 'regional package'. This policy is designed to spread the benefits of international tourism more broadly across Australia, and in particular to regional centres.

To date few foreign airlines have taken up the opportunity to operate to regional airports. While this could change in the future as low cost airlines target smaller secondary airports that have lower charges, less expensive facilities and less competition than the major airports, it is not expected that significant numbers of foreign airlines will take up the available opportunities in the short to medium term.

A number of submissions have raised the difficulties in attracting foreign airlines to regional airports and put forward suggested solutions including:

- improving the cost-competitiveness of regional airports by reducing government imposts (such as Airservices Australia charges and costs of border security); and
- changes to the ownership requirements for Australian international airlines to enable majority foreign-owned domestic airlines, such as Tiger Airways Australia, to operate international services from Australia.

While sympathetic to the difficulties faced by regional airports in attracting foreign airlines, the Australian Government does not believe that the proposals suggested would result in foreign airlines commencing services to regional airports. Airlines will continue to make decisions based on commercial considerations, with aircraft deployed to routes where they can make the greatest profit. In difficult economic conditions it is the marginal routes and those routes that can be accessed indirectly via capital city markets that are placed under the most pressure. As a result, services to regional airports are often the first to suffer.

Regions can play an important role in improving the quality of the tourism product and the associated tourism infrastructure to attract international services. The Australian Government will examine these issues through the National Long Term Tourism Strategy. It is also open to state governments, tourism authorities and regional airports to work with international airlines to develop a sustainable package for services into regional Australia.

Increased access by international airlines into regional airports also raises issues about the provision of appropriate border control arrangements for international services and how border control services such as customs, immigration, quarantine and policing at secondary airports would be funded were they to become international airports. These issues are discussed further later in this chapter.

The Australian Government recognises the importance of minimising regulatory barriers to international airline services in regional Australia and proposes to continue offering foreign airlines unlimited access to secondary gateways (international airports other than Brisbane, Sydney, Melbourne and Perth).

Air cargo – continuing on the path to growth

Long-term global forecasts for international airfreight point to continued strong growth over coming decades. While the global financial crisis will impact the growth of air freight in the short-term, as economic conditions improve air freight is expected to grow strongly. Most of Australia's international freight is carried in the belly hold of passenger aircraft, but dedicated freighters are an important and growing part of the international freight business.

In recent times Australia has pursued a policy of 'open skies' for dedicated cargo services and this is reflected in over 30 of our bilateral agreements. These arrangements have provided benefits to the Australian economy and to our export industries in particular. The Australian Government proposes to continue to seek removal of limits on all cargo capacity in our bilateral agreements wherever possible to support our vital air freight export industries.

International charter flights – are changes necessary?

Most international flights operate to a scheduled timetable year-round and are directly subject to the capacity provisions of the relevant bilateral air services agreement. International charter flights, or non-scheduled flights, are different. Such flights often seek to capitalise on the seasonality of demand in some markets or are used by airlines to 'test' whether or not there is a sustainable market for international services, particularly to regional Australia.

Successive Australian governments have been supportive of a liberal approach to the approval of international charters, subject to the operator meeting key regulatory requirements related to safety and security. This liberal approach has provided greater opportunities for Australian consumers and visitors to travel internationally and has delivered benefits to the economy.

The Australian Government's preference is for a liberal access regime for international charters, including:

- linking favourable consideration of a charter approval to broad public interest criteria, which focus on consumer needs, the promotion of trade and tourism, and benefits to regional Australia;
- maintaining the current wide range of charter flight categories that receive automatic approval; and
- ensuring that charter operators protect consumers from financial loss in the event that the charter operator fails to fulfil its obligations to them.

Cabotage – are the restrictions necessary?

Cabotage, or the right of a foreign airline to carry domestic passengers in another country, is not a right that is normally granted in bilateral air services agreements. There are few countries that allow cabotage, except in the context of the integration of broader economies, such as in the case of Australia and New Zealand, and between EU countries.

Successive Australian governments have taken the view that it is important that airlines carrying domestic passengers be subject to the full regulatory oversight of CASA through a requirement to hold an Australian Air Operator's Certificate (AOC). The restrictions on cabotage also recognise that, given Australia's small domestic market, the routes most likely to be attractive to foreign airlines would be the thicker routes between Melbourne, Sydney and Brisbane, which are already highly competitive. To the extent that foreign airlines could marginally price their services on these routes, the financial impact on Australian domestic carriers could lead to further rationalisation of services on some of the thinner routes that serve our important regional centres.

Some stakeholders have argued that a relaxation of cabotage restrictions could encourage international airlines to service regional airports, while others have argued that it would provide an

additional level of competition in the domestic market. A specific example put forward was that foreign airlines should be permitted to carry domestic passengers between cities in Australia that are not well served by domestic airlines.

The Australian Government does not consider that a compelling argument has been put forward for a substantial change to the current policy at this time. The Government notes that scheduled domestic services are provided to all airports likely to attract international traffic and the provision of cabotage for international airlines is likely to come at the cost of some services provided by domestic airlines.

In coming to this view, the Government notes that Australia is one of the only countries in the world that allows up to 100 per cent foreign ownership of its domestic airlines. This provides foreign international airlines such as Tiger Airways with the ability to establish domestic subsidiaries and have unrestricted access to Australia's domestic aviation market.

There may, however, be an economic case for considering requests by foreign airlines to carry domestic passengers on routes which are not currently served by scheduled domestic airlines or which require a government subsidy. Such routes might include those between some of Australia's external territories and the mainland. Allowing cabotage in such circumstances may arguably be in the national interest as there would be a public benefit in introducing services on routes that are not currently served or require government funding. The Government considers that any decision to grant such rights should only be in exceptional circumstances and with the full agreement of Australia's aviation safety regulator, CASA.

Trading of "seventh freedom rights" – worth pursuing?

Seventh freedom rights, or the right of an airline of one country to operate stand-alone services between two foreign countries, are not something normally granted in bilateral air services agreements. However, these rights are becoming more common for dedicated cargo services and there are signs of a change in the approach of some countries to passenger services also.

In the European Union Common Aviation Area many carriers, particularly low cost carriers, operate flights between two points without connecting to their home country. In October 2007, the United Kingdom and Singapore initialled an open skies agreement that allows unlimited seventh freedom rights.

There have been calls in some submissions for the Australian Government to take a broader view and allow foreign owned airlines to operate stand-alone services between Australia and third countries, particularly where that airline has its principal place of business in Australia.

The granting of seventh freedom rights is complex and requires agreements with at least three countries for a viable service to be operated. As an example, Jetstar Asia currently operates out of Singapore, but because there are no seventh freedom rights in the Australia-Singapore bilateral agreement, it must be majority Singapore owned and controlled. One difficulty with seventh freedom rights is that rights between the country whose nationals own the airline and the country from which the airline wants to operate are not enough. In order to establish a network from its operating base, the countries to which the airline wants to fly would need to have seventh freedom rights with the country in which it is based.

To take the Jetstar Asia example, if Australia had seventh freedom rights with Singapore and Jetstar Asia became majority Australian owned, Singapore would need to have seventh freedom rights in its bilateral agreements with the countries to which Jetstar Asia wished to fly. Nonetheless, if as seems likely seventh freedom rights do become more common, momentum could build and they could become of real value to airlines wanting to establish off shore operations.

The Government proposes to trade seventh freedom rights on a case by case basis subject to a national interest test.

Liberalisation through multilateral and regional arrangements

Australia has been an active participant in working towards multilateral liberalisation of international aviation through such forums as the WTO, the International Civil Aviation Organization (ICAO) and Asia-Pacific Economic Cooperation (APEC)

While international trade in most services is regulated by the General Agreement on Trade in Services (GATS), air transport services related to air traffic rights are not covered by the GATS and WTO members do not negotiate commitments in relation to air transport services in the WTO.

Ancillary services to aviation are, however, covered by the GATS and WTO members do negotiate commitments on market access and national treatment in relation to ancillary aviation services in the WTO. The ancillary services to air transport, or so called 'soft rights', covered by the GATS include aircraft repair and maintenance, the selling and marketing of air transport services and computer reservation system services. Australia continues to advocate for liberalisation of these services in the WTO. In addition, Australia is seeking to expand this list, initially to include ground handling and airport management services.

The issue of including 'hard rights', or economic regulation of routes and capacity, in GATS is a longer term objective, but nevertheless an important one. Most countries, however, continue to prefer to keep these rights within bilateral arrangements and realistically in the short to medium term the bilateral system offers the best prospect for opening up the skies to more competition.

Since the election of the Rudd Government, Australia has stepped up efforts to liberalise its aviation relationship with its largest aviation market, the EU. In June this year, European transport ministers approved a mandate for the European Commission to negotiate an EU wide open skies agreement with Australia.

Such an agreement could remove many, if not all, of the existing regulatory limitations on Australian and European airlines operating between our two continents and has the potential to deliver greater competition, more flights and lower air fares between Australia and EU countries. The agreement will cover more than market access issues, and is likely to address competition, safety and security and environmental protection issues. The first round of negotiations was recently held and further discussions are planned for early next year.

The Australian Government will also investigate opportunities to work with key regional bodies such as Association of Southeast Asian Nations (ASEAN) and APEC to promote greater liberalisation in the Asia-Pacific region, including the promotion of possible multi-lateral arrangements in the region.

The regulatory framework for Australia's international airlines

Foreign ownership rules – is there a need for change?

Australia's international airlines are subject to restrictions on the level of foreign ownership. For airlines other than Qantas, these are set out in the *Air Navigation Act 1920.* For Qantas they are set out in the *Qantas Sale Act 1992.*

The Air Navigation Act requires that no more than 49 percent of the total value of the issued share capital of an Australian international airline may be held by foreign persons. Should an airline be, or become, more than 49 percent foreign owned then the Australian Government will not designate it, or will withdraw its designation, as an Australian international airline and it will be unable to access the available rights under Australia's bilateral agreements.

The Qantas Sale Act requires that Qantas's Articles of Association contain provisions which will ensure that:

- Qantas's main operational base and headquarters remain in Australia;
- the name of Qantas is preserved for the company's scheduled international passenger

services;

- the company be incorporated in Australia;
- at least two-thirds of the board of Qantas be Australian citizens;
- the chairman of the board also be an Australian citizen; and
- total foreign ownership is not to exceed 49 per cent.

The Qantas Sale Act also requires that no single foreign interest can exceed 25 per cent of the equity of Qantas and that total foreign airline equity not exceed 35 percent.

The current ownership restrictions are designed to ensure that Australian international airlines satisfy key elements of our bilateral agreements. Most of our bilateral agreements incorporate provisions that require a country's international airlines to be substantially owned and effectively controlled by nationals of that country.

There has been an increasing trend towards consolidation and/or equity alliances among international airlines. This trend is expected to intensify in the future as airlines seek to meet the global challenges of difficult economic conditions. It is vital that Australia's airlines have the opportunity to participate in this global rationalisation where it provides strategic and commercial advantages.

Consistent with international reform efforts, Australia has increasingly sought to move towards an ownership test in our bilateral agreements based on principal place of business. Principal place of business criteria are focussed on where an airline is based and which country has effective regulatory oversight of the airline rather than who owns the equity of the company. To date Australia has negotiated principal place of business criteria into 39 of our bilateral agreements, though many of our major markets retain substantial ownership and effective control criteria.

The Australian Government proposes to continue to seek principal place of business criteria in all our bilateral agreements to ensure that our airlines can take advantage of consolidation opportunities and equity alliances with other international carriers.

Some submissions have argued that the Australian Government's support for principal place of business criteria is inconsistent with the current foreign ownership restrictions set out in the Qantas Sale Act and Air Navigation Act. The Government considers that the current approach balances Australia's interests in ongoing reform of the international aviation industry with the reality that Australia is arguably more dependent on aviation than any other nation for its long-term prosperity.

The Qantas Sale Act and Air Navigation Act have played an important role in the development and maintenance of a strong Australian-based aviation industry and the Government does not propose to fundamentally change the current restrictions. However, there would appear to be merit in ensuring that the investment regime applies equally and equitably to all Australian international airlines and to consider how we accommodate global moves towards ownership and control criteria based on principal place of business to ensure our airlines are not disadvantaged.

The Government proposes to retain the basic restriction of 49 per cent on foreign investment in Australia's international airlines under the Qantas Sale Act and the Air Navigation Act to ensure that our airlines remain majority Australian owned and controlled, but will consider whether it may be appropriate to:

- remove the additional restrictions on foreign ownership (i.e. 25 per cent for foreign individual shareholdings and 35 per cent for total foreign airlines shareholdings) under the Qantas Sale Act;
- seek greater investment opportunities in international airlines for Australian investors through the incorporation of principal place of business criteria in our bilateral agreements; and
- examine whether Australia should move from a regime based on substantial ownership

and control to one based on principal place of business, consistent with maintaining a commitment to a strong Australian-based aviation industry with high safety and security standards.

The Government will consider removing the intermediate caps of 25 per cent on individual foreign airlines and 35 per cent on aggregate foreign airline interests, which may open additional options for structuring investment, while ensuring the airline remains Australian-run and Australian-based.

At the same time, the Government acknowledges the international trend away from a regulatory environment based on substantial ownership and control, to one based on 'principal place of business' and proposes to continue seeking incorporation of principal place of business criteria in bilateral agreements.

In considering whether to ensure Australia's airlines are reasonably able to take advantage of moves towards airline consolidation in the global aviation industry, the Government will continue to apply the test of overall national interest.

Taxation and related issues – industry calls for change

Industry stakeholders, particularly airlines, argue that some aspects of Australia's taxation system impede airlines' access to foreign capital and place Australia's airlines at a competitive disadvantage to their international competitors.

In particular, it has been suggested that the Government should consider changes to the taxation framework to:

- reduce the current statutory cap on aircraft effective life of 10 years to a level more commensurate with international competitors, e.g. three to five years;
- reintroduce the investment allowance to support fleet growth and re-investment;
- reintroduce the balancing charge offset, but limited in application to the reduction in the depreciable value of replacement assets; and
- revise Australia's double tax treaties to ensure that Australian airlines are not disadvantaged relative to competitors[10].

The Australian Government is currently undertaking a review of Australia's taxation system. The review will make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the twenty-first century. The Government considers that suggestions for specific sectoral relief, such as that proposed by the aviation industry, is best considered as part of this broader review. This will ensure that broader economy-wide impacts are taken into account and any sectoral distortions are minimised.

Passenger facilitation and border control – coping with growth

Key challenges

New generation aircraft such as the Airbus A380 and Boeing 787 are changing the profile of Australia's aviation market. In particular, the Airbus A380 will result in large numbers of passengers arriving at one time at an Australian airport. An additional feature of the new generation of aircraft is their increased range and ability to fly directly to and between secondary airports. This creates the possibility of new destinations becoming attractive to airline operators, particularly low-cost carriers.

Some Australian regional centres see opportunities to become international tourist destinations and to expand their local economies and may consider significant investment in facilities to cater for

[10] "Towards a National Aviation Policy Statement", Submission by Qantas Airways Limited, July 2008, p xvii

international services. While expanding the number of direct international gateways may provide additional tourism opportunities, there are significant start-up and operational costs and issues to be considered. No new international airports have been established in the last decade, but the emergence of low cost carriers is a relatively new phenomenon and pressures to open up more secondary gateways to international flights are increasing.

The challenge for government is to put in place a framework that ensures Australia's airport infrastructure is capable of meeting the demands of increased passenger numbers and cargo volumes and the introduction of new aircraft types. Australia's border agencies also need to be positioned to meet both the demands of continuing growth at existing airports and the demands for the provision of border control and security agency services at new international airports. The Government will ensure that the existing cost recovery methods and funding models for the provision of border agencies' services are appropriate to meet this continued growth and are transparent to industry.

A plan to meet growth at existing airports

Sustained growth in passenger numbers, cargo volumes and new aircraft types will continue to put pressure on Australia's airport infrastructure. Pressure points appear in a range of areas:

- physical limitations of some existing airports;
- the capacity of existing baggage handling systems and arrival and departure halls; and
- the logistics and infrastructure for cargo handling at on-airport sites in key capital cities.

However, there is a general acknowledgement among stakeholders that there is not a single, easy solution for these pressures. Both industry and the Government's border agencies are taking steps to address many of the existing shortfalls:

- airports are undertaking significant terminal developments, many to help passengers move efficiently through customs, quarantine and baggage collection areas;
- new technology is being adopted where possible to speed up baggage handling and baggage screening processes; and
- border agencies are also introducing processes and initiatives that aim to improve passenger flow and technology, such as Customs' SmartGate.

In response to these pressures the Passenger Facilitation Taskforce (the Passenger Taskforce), comprising representatives from Australian Government agencies, has been established to address the implications of the projected growth in passenger numbers, but in particular to give specific attention to ensuring border security arrangements and elements of the service delivery chain over which the Government has influence are addressed.

The Passenger Taskforce works closely with an industry consultative body comprising airports, airlines and a range of industry associations. The work plan, jointly developed with industry, has identified five key enabling strategies:

- the development and implementation of accurate forecasts and planning strategies;
- improvements to the existing industry/government consultation mechanisms;
- a review of risk assessment, passenger management and passenger interaction practices to improve and enhance passenger facilitation while maintaining border integrity;
- the development and implementation of a National Facilitation Standards framework for all international airports; and
- ensuring efficient and effective infrastructure for passenger facilitation arrangements in consultation with industry.

The Passenger Taskforce and industry representatives have progressed a large body of work against the enabling strategies. These include:

- Express Path Trials at key international airports that seek to expedite the departure and arrival of defined passengers. The trials demonstrated benefit to overall passenger flows by reducing congestion;
- a travellers' charter has been implemented identifying to passengers the way they can expect to be treated while passing through Australian airports;
- Outwards Redevelopment Principles have been developed that can be applied at any Australian international airport when redeveloping the outwards experience for departing passengers;
- in-line quarantine x-ray feasibility trials have been undertaken at Sydney and Melbourne airports. The trials seek to assess whether in-line x-ray quarantine screening in the baggage area may enhance the efficiency of passenger flows in the secondary examination area. A final report on the outcomes of this process is due shortly;
- a planning and information sharing mechanism has been implemented to improve both industry and government planning activities at the strategic and operational levels through the development of a common set of international passenger forecasts;
- a Passenger Facilitation Performance Framework project is being undertaken to develop a new suite of passenger facilitation standards at Australian international airports for the Government's consideration. The project is expected to be completed in early 2009;
- a Trans-Tasman Passenger Facilitation Working Group (the Working Group) has been established, comprising customs, immigration and quarantine representatives from Australia and New Zealand and select industry representatives. The Working Group is progressing a body of work aimed at streamlining trans Tasman travel; and
- the Passenger Taskforce is developing a Strategic Outlook for informing a whole of airport approach to international passenger processing and facilitation into the future. It will detail the government and industry response for managing passenger processing, facilitation and capacity at Australian international airports while maintaining Australia's border integrity. The Strategic Outlook is expected to be completed by early 2009.

The Government is committed to ensuring appropriate structures are in place to bring a comprehensive approach to passenger facilitation both nationally and at individual international airports.

A coordinated approach similar to that adopted for the Passenger Taskforce may be beneficial in relation to international cargo and freight management issues at airports, noting in particular:

- the impact that industry plans for development of airports and commercial plans for the receival, storage and management of freight can have on existing mechanisms for delivering border and security controls by government; and
- the potential overlap areas between security related initiatives and broader management of border risks.

Principles for provision of government services at new international airports

The strong growth of low-cost carriers has brought a new dynamic to the Australian aviation market. The Government's regional package, which gives foreign airlines unlimited access to airports other than Brisbane, Sydney, Melbourne and Perth, provides low cost carriers with the opportunity to serve secondary gateways, spreading the benefits of international tourism more broadly across Australia.

While there has been limited take-up of the regional package by international airlines to date, this could change as low cost carriers target smaller airports with lower landing and airport charges and less competition than the major airports. This raises a number of issues about the provision of appropriate border control arrangements for international services and how these services should be funded.

The Australian Government has recently agreed a set of principles and an approach for the provision of government services at new international airports. These principles and supporting guidelines will be released in early 2009. These principles broadly cover the following:

- an assessment against national interest criteria;
- the provision of a sustainable, evidence-based business case demonstrating viability;
- no unreasonable barriers to entry into the market;
- the establishment of a new international airport should not of itself produce a diminution of Commonwealth service standards at existing airports ;
- new international airport proponents pay for infrastructure and capital start up costs consistent with the 'Guide to Airport Operators', which was released in October 2008; and
- the approval process for the establishment of new international airports to be efficient, equitable and transparent.

Adequacy of the existing cost recovery methods and funding models for the provision of border agencies' services

At Australia's eight existing international airports the costs of border protection and the Australian Federal Police (AFP) presence are provided at no charge to either the airport or airlines. However, airports do provide space within their terminals for border and border related agencies to undertake their regulatory functions and some supporting facilities such as staff car parking.

In terms of border agency funding, only Customs and Immigration are funded to some extent in relation to increasing passenger numbers through workload growth mechanisms in their funding arrangements. However, Quarantine and the AFP have no such workload growth arrangements in place.

The Australian Government recognises there are many challenges facing our border agencies if they are to be able to continue to provide and maintain the current, consistently high level of passenger facilitation processing. The Government will ensure the existing cost recovery methods and funding models for the provision of border agencies services are appropriate to meet these challenges.

In relation to resources, particularly staffing levels, border agencies are finding it difficult to keep pace with the demand at airports. This is a problem facing not just the border agencies, but also the aviation industry and the economy as a whole. Skills shortages in the industry are discussed in more detail in Chapter 6.

A number of processes in other areas of government are already underway and will provide further information on issues such as funding and risk assessment processes facing a number of agencies, including AQIS. For example, the outcomes of the Australian Government's *Quarantine and Biosecurity Review* may well have an effect on how future quarantine services are delivered.

International air services policy – the way forward

Key objectives

- The Australian Government is committed to continuing the growth of Australia's international air services, providing additional opportunities for trade and tourism, while maintaining a strong Australian aviation sector.
- The Australian Government intends to pursue an active strategy to further liberalise the aviation sector, seeking co-operation with like-minded partners. Liberalising Australian skies and opening markets for Australian carriers will drive growth through competition and remove unnecessary regulatory burden on businesses.
- Commercial and regulatory settings in other countries, such as government subsidies and support, bankruptcy protection and divergent tax regimes create market distortions that undermine the competitiveness of Australian airlines. Recognising this system of unbalanced economic advantage, the Government will continue to take a pragmatic approach to our liberalisation strategy, acting in the overall national interest.

Key features of the policy

The Australian Government proposes to:

- continue the liberalisation of international aviation towards 'open skies' agreements, balancing the economic, trade and tourism benefits that flow from opening up international aviation markets and the need to ensure a strong Australian-based aviation sector;
- ensure the capacity available to foreign airlines under our bilateral agreements remains ahead of demand to ensure that airlines can plan for long term growth into the Australian

market;

- offer foreign airlines unlimited access to secondary gateways (international airports other than Brisbane, Sydney, Melbourne and Perth) to provide opportunities for regional areas to attract international services;
- seek fully open arrangements for dedicated cargo services to support Australia's vital air freight export industries;
- include as a factor to be taken into account in assessing the national interest for bilateral negotiations, the extent to which international airlines are prepared to invest in Australia, through marketing Australia as a tourist destination and through direct investments, such as enhanced commitments to employment of Australian based staff and establishing maintenance and training centres;
- retain the existing arrangements that prevent foreign operators from carrying domestic passengers, except in exceptional circumstances and subject to a national interest test;
- seek greater investment opportunities in international airlines for Australian investors through the incorporation of principal place of business criteria in bilateral agreements;
- retain the basic restriction to 49 per cent on foreign investment in Australia's international airlines under the *Qantas Sale Act 1992* and *Air Navigation Act 1920* to ensure that our airlines remain majority Australian owned and controlled, but
    - consider removing the additional restrictions on foreign ownership (i.e. 25 per cent for foreign individual shareholdings and 35 per cent for total foreign airlines shareholdings) under the Qantas Sale Act; and
    - examine whether Australia should move from a regime based on substantial ownership and effective control to one based on principal place of business, consistent with maintaining a commitment to a strong Australian-based aviation industry with high safety and security standards; and
    - approach issues relating to the scope for consolidation in the airline industry on the basis of national interest judgements.
- use key international trade forums to pursue a multilateral approach to the liberalisation of international aviation; and
- establish a joint government/industry national passenger facilitation committee. The committee will:
    - develop a strategic outlook, or master plan for improvements to international passenger facilitation into the longer term;
    - provide a renewed focus on reform initiatives already underway or planned; and
    - work through international forums such as ICAO for improved standards and recommended practices for passenger facilitation.

:04

Domestic and Regional Aviation

Domestic and Regional Aviation

Maintaining a competitive domestic aviation market and ensuring access to aviation services for regional and remote Australia

Domestic services

Issues Paper Themes

- The impact of deregulation of the domestic market
- Ownership criteria for domestic airlines that balance access to global investment markets with promoting an Australian-based industry

What the submissions said

Submissions were generally supportive of the current policy settings for the domestic inter-state market. They noted that this has led to increased competition through the entry of new airlines, more innovative products and lower fares.

Some airline stakeholders questioned the value of retaining foreign ownership limits on Qantas Airways, which did not apply to other Australian domestic airlines.

A deregulated domestic air market – how did we get here?

In 1990 the Australian Government ended the regulation of domestic aviation through the abolition of the long-standing 'Two-Airlines Policy'. Prior to this, the Government had regulated capacity, service levels, fares and routes flown on all interstate services.

The stated aims of deregulating the domestic aviation industry were to encourage:

- increased responsiveness to consumer needs by airlines;
- a wider range of fares and types of services to provide greater opportunities to travel;
- increased competition and flexible pricing, leading to greater economic efficiency in the industry; and
- the continuation of Australia's world-renowned safety record.

In 1992, the Government ended the separation between the domestic and international aviation sectors. At the same time, it privatised the Government-owned airlines, allowed them to merge and eased restrictions on foreign ownership of domestic airlines.

Restrictions on foreign ownership were eased further in 2000 through the amendment of Foreign Investment Review Board guidelines to allow up to 100 per cent foreign ownership of domestic airlines, unless considered contrary to the national interest.

The objectives of deregulation have largely been met, with a more efficient industry providing greater responsiveness to consumer needs, a greater range of services, lower fares and a high record of safety.

A 1995 analysis from the Bureau of Transport and Communications Economics (BTCE 1995[11]) identified a number of immediate consumer benefits as a result of industry's response to deregulation. These included:

- lower average fares;
- more people travelling by air;
- increased competition;
- more efficient carriers; and
- improved quality of service in Australia's domestic aviation sector.

The BTCE identified that 1995 air fares were 22 per cent lower than fares for the same routes immediately prior to deregulation.

Consumer benefits have continued to flow, with the best discount air fares in 2008 a further 9.1 per cent cheaper, in real terms, than equivalent fares in 1995[12] (BITRE 2008). This is despite recent record high oil prices raising the operating costs for airlines.

Our domestic air services market – an overview

Australia's domestic aviation market is serviced by four major interstate carriers – Qantas, Jetstar (a wholly-owned subsidiary of Qantas), Virgin Blue and Tiger Airways. Together, these airlines fly to over 30 Australian cities.

Regional air services that cross state boundaries operate in the same deregulated environment as these four major interstate carriers. Like the trunk route services, they are subject only to the competition rules that apply to other industry sectors.

A total of 46.7 million passengers travelled on Australia's domestic and regional airlines in 2006-07, compared to 15.3 million in 1986-87[13] . This represents average annual growth of 6.7 per cent. Between 2002 and 2007, average annual growth was much higher, at 8.1 per cent.

A major factor in recent growth has been an increase in competition from the entry of low-cost airlines such as Virgin Blue, Jetstar and Tiger Airways. These low-cost carriers have not only contributed to growth on trunk routes, but have introduced low-fare jet services to many regional centres for the first time. This has resulted in a significant boost to regional tourism.

While passenger growth has continued through 2008, lower consumer confidence due to global economic conditions has impacted on airline yields and dampened short-term forward growth estimates. Responding to high oil prices, Australia's major domestic airlines announced in June 2008 plans to either reduce capacity or postpone expansion plans. Air fares also increased in some cases.

Figure 4.1 shows the growth of Australia's domestic aviation market from 1990 to 2007.

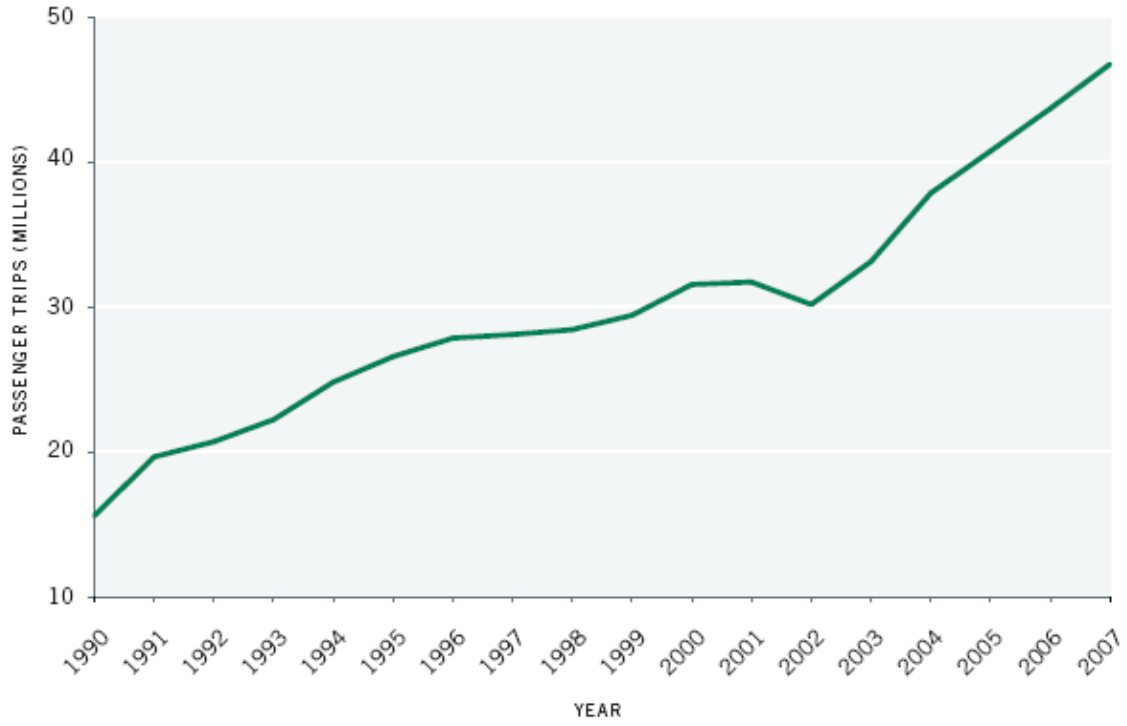
[11] BTCE 1995, Information Sheet 6, Deregulation of Domestic Aviation in Australia 1990-1995

[12] www.bitre.gov.au Bureau of Infrastructure, Transport and Regional Economics (BITRE), Domestic Air Fare Index

[13] BITRE 2008, unpublished (Note: This figure excludes international passengers flying on domestic sectors of international flights)

Figure 4.1 Domestic and regional aviation passenger movements: Australia 1990–2007

Source: BITRE



Key challenges

The rapid growth of Australia's domestic aviation industry has raised a number of challenges. These include:

- ensuring safety and security standards are not compromised as the industry grows and low-cost carriers expand operations in the Australian market;
- having appropriate policies in place to promote a sustainable aviation system that can cope with challenges of higher fuel prices and fluctuating demand; and
- dealing with the flow on effects to airport infrastructure of meeting the special needs of low-cost carriers and their expanding operations to regional airports.

The Australian aviation industry is successfully meeting these challenges. Safety and security standards have not been compromised. The Australian domestic interstate aviation industry remains strong, with airlines continuing to be profitable and adjusting to higher fuel prices, some softening in demand and skills issues. The recent emergence of the global economic crisis an subsequent falls in demand will continue to test Australian airlines' ability to respond.

As discussed in Chapter 8, the Government remains committed to pursuing policies that encourage investment in aeronautical infrastructure to accommodate expanding airline operations, including by low-cost carriers.

The initiatives discussed in Chapters 1 and 2 will ensure Australia has the most appropriate safety and security regime in place to ensure the safety of passengers is not compromised as the industry grows.

Investment settings – is the balance right?

A major factor in the introduction of competition in the Australian domestic market has been the removal of limits on foreign ownership of domestic airlines. Foreign investment has been important to the success of some of Australia's regional airlines. Two of the largest airlines, - Regional Express and Skywest - are majority foreign-owned. Together, these airlines carried the largest number of passengers in regional Australia, with 1.9 million passengers in 2007. They were formed from former Ansett subsidiaries following the collapse of Ansett in 2001.

The ownership of Qantas is subject to dedicated legislation under the *Qantas Sale Act 1992*. This legislation was enacted in preparation for the privatisation of Qantas and recognises the basic Australian character of Qantas, as well ensuring that Qantas's operating rights under Australia's various bilateral air service agreements and arrangements with other countries were not put under threat[14].

The Government does not intend to remove the 49 per cent limit on foreign ownership of Qantas Airways under the Qantas Sale Act. However, the Government is proposing to bring airline ownership criteria for all Australian international and domestic airlines into line with the requirements of the *Air Navigation Act 1920*.

The Government would consider doing this by removing the additional limits of 25 per cent for foreign individual shareholdings and 35 per cent for total foreign airline shareholdings under the Qantas Sale Act. More discussion of this issue is included in Chapter 3.

Domestic air services policy – the way forward

Australia's domestic market is one of the most liberal in the world. The strength of competition in our local aviation market demonstrates the success of this liberalised approach.

There is a significant level of competition in the Australian domestic airline industry, with services on major trunk routes offered by four airlines offering a range of services and fares.

Although competition has resulted in a more efficient industry providing a greater range of services, the demand for aviation services is cyclical, responding quickly to changes in global economic conditions. Despite having a profitable and growing Australian aviation industry, higher world oil prices, labour shortages and challenging international economic conditions have placed the industry under pressure during 2008.

Australia's airlines are in a better financial position than many of their overseas counterparts. Our airlines are competitively placed to contend with higher fuel costs and cyclical passenger and freight demands; but market conditions are difficult.

The Government strongly supports the maintenance of a fully deregulated interstate domestic aviation market that has delivered significant economic benefits to the Australian economy and proposes to continue:

- allowing up to 100 per cent foreign ownership of Australia's domestic airlines, subject to meeting Foreign Investment Review Board requirements; and
- ensuring the aviation industry is subject to the competition laws that apply to Australian industry more generally.

[14] Hon Ralph Willis MP, Second Reading Speech, Qantas Sale Bill 1992, 4 November 1992

Regional services

Issues Paper Themes

- The role of government and industry in maintaining air services to regional and remote communities
- The appropriateness for regional air routes of safety and security standards adopted for major city trunk routes

What the submissions said

Submissions from a number of regional airlines, regional airports, industry associations and local governments sought funding from the Australian Government for regional airport infrastructure. The rationale put forward in these submissions is that stakeholders felt the Government should treat funding for regional and remote airports in the same way that it does for roads, rail and ports.

There was widespread support for continued government financial assistance for services to remote communities, including the Remote Air Services Subsidy Scheme (RASS) and the Payment Scheme for Airservices Australia's Enroute Charges (Enroute Charges Scheme).

Some submissions raised concerns about local governments' ability to maintain the airports they own to an acceptable standard without Australian Government assistance. Others claimed that some owners of regional airports were profiting at the expense of affordable air travel.

Most submissions sought government support for making aviation security measures commensurate with assessed risks at particular airport locations. Some submissions argued that security measures at regional airports were excessive relative to risk. However, others expressed concern at the disparity between security at regional airports and the major gateway airports to which they connect. Several submissions sought government funding to cover the cost of security at regional airports due to higher costs compared to major airports, because the costs are spread over a lower passenger base.

Regional air services in context

Aviation plays a vital role in linking regional and remote communities to our major cities and in providing a fast, efficient travel service. For the seven million Australians living outside the capital cities, aviation not only provides a means of transportation, but also delivers essential goods and services from major centres.

Market developments

Deregulation of interstate air services in 1990 was followed by the decision by a number of state and territory governments to deregulate intrastate services in the early to mid 1990s, as part of the Australian Government's competition reforms.

According to a recent report by the BITRE [15], passengers on regional air services rose from 6.5 million in 1984 to 16 million in 2005, representing an average annual growth rate of 4.4 per cent.

However, while growth on high-density regional routes grew by an average of 7.9 per cent per annum, traffic between regional areas fell by an annual average of 1.5 per cent over this period.

[15] BITRE Report 115, Air transport services in regional Australia: trends and access, July 2008.

This contrast in growth between high and low density routes has been even more marked since 2000, with average annual growth rates of 12.1 per cent and -6.2 per cent respectively. Most of the high-density routes are those that take passengers between capital cities and major tourist destinations served by the major airlines.

The regional airline industry has gone through a major rationalisation since deregulation. While there has been substantial growth in regional air traffic and overall capacity, there has been a decrease in the number of regional airports served and in the number of airlines serving them, and a decline in the number of flights to regional airports as a result of a trend towards the use of larger, more cost efficient aircraft.

Over the period 1984 to 2005 the number of regional airports served by scheduled airlines fell from 278 to 170, with the steepest decline on low density routes. The number of airlines serving regional airports fell from 53 to 34. There has also been a high attrition rate and turn over in the industry, with only five of the 34 airlines having operated continuously since 1984.

Deregulation of the aviation market has no doubt been a factor in the strong growth in traffic on medium to high density regional routes, in particular between capital cities and major tourist destinations. On the other hand, in a deregulated environment market forces have tended to work against smaller, less profitable routes and the tendency for airlines to cross subsidise from profitable to unprofitable routes.

Government responsibilities

The Australian Government's role in developing Australia's aviation industry dates back to the passing of the Air Navigation Act in 1920 and flows from its constitutional responsibility for interstate trade and therefore transport. The Australian Government continues to have responsibility for air navigation, aviation safety and aviation security. Also, the Australian Government continues to regulate and oversee planning approvals for the 21 leased federal airports, including all eight major state and territory capital city airports. The Australian Government also provides some financial assistance to support air services to regional and remote communities that would not otherwise be viable.

Australia's states and local councils exercise planning control over Australian airports not covered by the Commonwealth *Airports Act 1996* and in some cases also assist with maintenance and development costs at regional airports. Some states regulate intrastate air services to smaller regional communities to help ensure the continuation of services on routes that lack the traffic volumes to support competition.

Regulatory responses to market changes

In the deregulated environment operating since 1990, interstate regional aviation has been largely operating in a free market, under the broader competition rules that apply to other industry sectors.

Regulations for intrastate air services remain within the purview of individual states and territories. The policy and regulatory environments vary between states, reflecting to a large degree their size and population density and spread. Victoria, Tasmania, the Australian Capital Territory and the Northern Territory have ceased regulation, while the remaining states continue to restrict competition and provide subsidies on some routes.

Australian Government support for regional and remote air services

Successive Australian governments have taken the view that in a deregulated environment there is a role for government in providing support for regional routes that are not commercially viable, but are essential for the social and economic well being of the communities they serve. The programs through which the Australian Government provides assistance for air services to regional and remote communities include the Remote Air Service Subsidy Scheme, the Enroute Charges

Scheme, the Remote Aerodrome Safety Program and the Regional Airports Funding Program (for security infrastructure).

Remote Air Service Subsidy (RASS) Scheme

The RASS Scheme aims to provide communities in remote and isolated areas of Australia with improved access through a regular weekly air service for the carriage of passengers and goods (e.g. educational materials, medicines, fresh foods and other urgent supplies). Because of the distances involved and the loss of road access to many of these communities for several months during the wet season, a regular air service may offer the only means of reliable, year round transport.

Air operators are selected through a competitive tender process for a fixed term under an agreement with the Australian Government. The RASS subsidy is paid directly to the air operator. Air operators providing air services under the RASS Scheme are required to service specified RASS communities on scheduled weekly services. Australia Post has responsibility for the delivery of mail and has separate contracts with several RASS air operators for this purpose.

To gain admission to the RASS Scheme, communities must meet certain eligibility criteria. The capacity to admit communities is limited by the Scheme's budget in any year. To be considered for inclusion on the RASS Scheme, a community must meet two fundamental requirements:

- there must be a demonstrated need for a weekly air service; and
- the community must be sufficiently remote in terms of surface travel time to a population centre or neighbouring community receiving a weekly transport service.

The RASS scheme currently subsidises weekly flights to 239 remote and isolated communities which would not otherwise have a regular air service. The flights carry passengers and freight, including medicines, fresh food, educational materials and mail.

The Australian Government has increased expenditure on the RASS Scheme substantially, from $4.4 million in 2007-08 to $11.7 million in 2008-09. The Government has committed continued expenditure of the order of $11 million annually for the next four years.

Payment Scheme for Airservices Australia's Enroute Charges (Enroute Charges Scheme)

The Enroute Charges Scheme was introduced following the collapse of Ansett to help ensure the continuation of services on regional routes operated by Ansett and its affiliates.

Under the scheme, scheduled and aeromedical operators are fully refunded for their Airservices Australia enroute air navigation charges for services using aircraft that have a maximum take-off weight (MTOW) of 15 tonnes or less. Wholly owned Western Australian based airlines operating aircraft between 15 and 21 tonnes on sole operator routes in that State are also eligible for the refund.

The scheme supports regional airlines operating non-jet aircraft. These airlines carry over 2.5 million passengers a year and connect regional Australia to the major cities.

The Government has decided, as part of the 2008-09 Budget, that the scheme will continue at existing levels for the next four years, with $24 million to be spent over that period ($6 million in 2008-09) and will then terminate. To keep the cost within these forward expenditure parameters, the subsidy will be limited to existing services and routes. The decision is intended to introduce greater certainty for eligible airlines for existing services, while enabling them to factor in additional costs when planning the introduction of new services. Aeromedical services will continue to be reimbursed for all Airservices enroute navigation charges.

Other Australian Government assistance

The Australian Government also funds, in cooperation with states and local aerodrome operators, a national Remote Aerodrome Safety Program (RASP), with funding of $20 million over four years commencing on 1 July 2007. The program is aimed at assisting the upgrade of airstrips in remote and isolated communities to improve their safety and accessibility and to facilitate the provision of non-commercial essential community air services. The program has the capacity to facilitate considerably more investment in this critical infrastructure through cooperative funding arrangements with states and local governments, who provide matching payments towards safety related projects at remote aerodromes.

As well as providing untied assistance to the states and territories through GST revenue distribution and to local councils through Financial Assistance Grants, the Australian Government has committed $36.5 million for up to 150 regional airports throughout Australia to enhance basic security infrastructure such as fencing, signage, lighting, alarm systems and access control measures.

The Remote Aerodrome Inspection Program provides aerodrome safety inspection services and technical advice to remote northern Australian indigenous communities that rely on air services. It was initiated as part of the Australian Government's response to the Report of the Royal Commission into Aboriginal Deaths in Custody. Normally, aerodrome inspections of this type would be the responsibility of the aerodrome owner/operator. However, they require specialised technical expertise not readily available in remote communities.

The Australian Government currently provides financial support for air services to the Indian Ocean Territories. The Government underwrites the southern air link through a contract with National Jet Systems under which the Government provides funding to the airline if its profit from the service falls below a set level. This arrangement is reviewed periodically through an open tender process.

State government support for regional aviation

Some state governments provide assistance to intrastate aviation in some form – through direct subsidies, limiting competition on low volume routes and providing funding support for airport maintenance and upgrading. The following is a summary of assistance provided to regional air services by state and territory governments. State and territory government measures to fund airport infrastructure are summarised in Chapter 8.

Western Australia

In 2001, following the collapse of Ansett, the Western Australian Government regulated some routes that had previously been deregulated to ensure that air services to certain remote communities would continue. Western Australia currently has two regulated route networks (Coastal and Northern Goldfields), with one airline licensed to operate each, and one regulated route (Perth-Derby). Routes with 60,000 or more passengers annually are opened to a second carrier. Two unregulated routes in the Kimberly region out of Broome are directly subsidised.

In March 2008 the Western Australian Government announced a review of intrastate services, including the effectiveness of the current regulatory regime.

South Australia

The responsible Minister has the power to declare all intrastate routes as single or multiple airline routes. Only two routes have been declared – Adelaide to Coober Pedy and Port Augusta – and licences issued to a single operator.

Queensland

Market entry restrictions are applied to certain remote routes. These routes are put out to public tender and exclusive service contracts issued. In July 2005, five year air service contracts were

awarded to Qantaslink and Macair to serve ten rural and remote routes. These contracts were renewed for five years, effective from April 2008, with the Queensland Government to invest $4.8 million annually to keep the routes viable and fares affordable. Five of the routes will not require subsidies. The two airlines are upgrading to more modern aircraft on the routes.

New South Wales

The NSW Government regulates intrastate air routes by limiting competition on low volume routes and licensing these routes on a one-route one-licence basis. These regulated routes are those with annual passenger volumes of less than 50,000 passengers. Open, competitive applications are sought when a route becomes vacant and licenses are issued for five years. Higher volume routes are deregulated (unlicensed), which allows open competition. According to the NSW Government, these arrangements recognise that higher volume routes can operate competitively, while less robust low volume routes are protected from competition to provide greater stability and encourage route development.

Other states and territories

The Victorian, Northern Territory, Tasmanian and Australian Capital Territory governments do not subsidise or regulate any intrastate routes.

Key challenges facing the industry

Regional airlines are facing increasing competition from road travel as cars and road infrastructure improve. A 2003 study by the Bureau of Transport and Regional Economics found that most people surveyed preferred to drive than fly on journeys of 300 kms or less, with cost and convenience being major factors[16]. In addition, some markets have been affected by nearby low-cost jet services operated by the major airlines which passengers can reach by car. Not only are jet services more attractive to travellers, but the major airlines have lower per unit costs and therefore can offer lower fares.

Having to compete with the major airline groups, including low-cost carriers, is adding to the pressures on smaller independent operators. A 2006 study by the Centre for Asia Pacific Aviation[17] noted a strong correlation between aircraft size and the cost of operation. Smaller 9 to 19 seat aircraft cost around 50 per cent more per Available Seat Kilometre to operate than 50 to 100 seat aircraft. The major airline groups have the advantage of less diversified fleets with larger and more fuel efficient aircraft, higher aircraft utilisation, more extensive and efficient networks with links to domestic trunk and international routes and access to high yielding government and business travellers. Over time this competition could mean that some independent regional airlines will be forced off what were their most profitable routes, leaving them to retreat to routes that are marginal at best. This in turn could reduce their already limited ability to cross subsidise loss making routes from profitable ones.

Some larger regional airlines have been able to compete successfully with the major airlines. Overall, however, the regional aviation industry is barely profitable.

Challenges facing the industry are not likely to dissipate in the immediate future. A number of factors having a detrimental impact on the industry, and in particular on smaller independent operators are:

- declining regional populations;

[16] Bureau of Transport and Regional Economics, Working Paper 51, Regional Public Transport in Australia: Long Distance Services, Trends and Projections, March 2003

[17] Centre for Asia Pacific Aviation, The Commercial Viability of Regional Airlines and Regional Routes, Unpublished Internal Working Paper, March 2006

- ageing fleets;
- low cash reserves and high cost of borrowing;
- increasing competition from road transport and major airlines;
- difficulty attracting and retaining skilled staff and managers; and
- higher fuel prices.

Market outlook – forecasts and trends

Based on extrapolation from current trends, BITRE Report 115 predicts that passenger movements on all regional routes will grow at an average annual rate of 2.5 per cent, from about 16 million in 2005 to 21 million in 2016. However, growth is not expected to be consistent. Passenger movements on routes between major cities and regional areas are projected to grow at an average annual rate of 2.9 per cent, while growth on routes between regional areas is projected to be basically flat over the period to 2016.

The policy framework

In a contestable market competition offers the best outcome for consumers. Many regional routes, however, are not contestable because traffic volumes are too low to sustain more than one airline. In such situations, introducing competition may result in lower fares in the short term, but there is the risk that it will lead to the withdrawal of both the incumbent and new entrant, leaving the affected community without any air service, at least for a time.

Vast distances between towns and small populations mean that air services provide essential links for remote communities. The length and small market size of remote community routes and the high per passenger cost of operating small aircraft means that these routes will continue to require support from all levels of government.

Almost all remote community routes are intrastate routes and are therefore the jurisdictional responsibility of the states. Nonetheless, the Australian Government makes a substantial financial contribution to the maintenance of services on these routes. In fact the Australian Government contributes more than twice as much as all the states and territories combined. In 2008-09 the Australian Government will fund $24.7 million of regional aviation related programs.

There are differing approaches to supporting regional aviation. While the states rely to a large degree on regulation, the Australian Government takes the view that, consistent with deregulation of the domestic market more broadly, any interventions should be in the form of transparent financial assistance. While limiting competition in order to improve route profitability may cost governments less in direct outlays, it has the potential to lead to entrenched monopolies, resulting in higher costs for travellers and local economies and a disincentive to innovate and improve standards of service.

The Australian Government's focus – services to remote Australia

Successive Australian governments have taken the view that there is a role for the Commonwealth in supporting regional routes that are not commercially viable, but are essential for the communities they serve.

The decision to increase substantially expenditure on the RASS Scheme and to continue with the Enroute Charges Scheme for the next four years is indicative of the current Government's commitment to continue to support air services to remote communities.

The decision to maintain the Enroute Charges Scheme until 2012 provides operators with the certainty to plan for the longer term and to adjust to changes to the scheme. The rebate will remain

available for essential aeromedical operations such as the Royal Flying Doctor Service.

The Australian and state and territory governments agree that governments have a role to play in ensuring the continuation of vital air links to rural and remote communities that lack the population density to sustain viable commercial services. However, policy and regulatory environments for supporting these services vary between states and between the states and the Commonwealth.

An important question is whether the regulation and financial assistance currently being provided to support unprofitable routes is achieving the best and most cost effective outcomes. Is it best left to the states to continue to regulate and support intrastate aviation in the way they consider best suits their particular circumstances and needs or might there be a case for a nationally uniform approach? Input from industry stakeholders and state and territory governments is welcomed as to the merits of a national approach and suggestions for an appropriate model.

Regional air services policy – the way forward

The Australian Government recognises the vital role that aviation plays in connecting regional communities to our major cities and towns and is committed to continuing to provide targeted support for routes in more remote parts of Australia that are not commercially viable. Towards this end the Government:

- has committed to support of $44.7 million over four years through the Remote Air Services Subsidy Scheme and $20 million over four years through the Remote Aerodrome Safety Program for remote aerodromes and services essential for the social and economic well being of the communities they serve; and
- will consider options to work cooperatively with the States on models for assistance for regional aerodromes and services, having regard to the successful cooperative approach developed between the Commonwealth and state/territories under the Remote Aerodrome Safety Program; and
- will consider options to help address the burden of regulatory charges, including charges on the regional airline sector

The Government will also continue with flexible financial support for local governments through untied Financial Assistance Grants and through the Regional and Local Community Infrastructure Program which boosts local economic development and support jobs in communities around the country.

Further information on these programs is provided in Chapter 8.

:05

General Aviation

General Aviation

Ensuring a vibrant general aviation industry

Issues Paper Themes

- The impact of micro-economic reform on general aviation businesses
- Strategies for ensuring that viability and growth are not impeded by airport access constraints
- Meeting increased skilled labour costs and improving recruitment and retention of staff
- The role of governments in protecting secondary airport infrastructure and in providing for new infrastructure
- Investing in new aircraft

What the submissions said

There were mixed views on the health of the general aviation industry, reflecting a varying level of performance across the sector.

Several industry associations representing general aviation users were critical of the privatisation of secondary airports and subsequent cost increases for general aviation users. Some airports, on the other hand, argued that that privatisation has resulted in much-needed investment at general aviation airports. These submissions argued operators needed to recognise that a commercial return is required for ongoing investment.

Several industry associations representing general aviation users complained of over-regulation by the Civil Aviation Safety Authority (CASA), particularly when compared to the self-administered safety arrangements for the recreational sector. There was some support for extending the self-administration model to other sectors of the industry. There were also claims that security requirements went beyond those required for small aircraft and airports.

Some respondents called for government incentives to replace ageing aircraft and for other forms of assistance, while others argued that general aviation needs to operate on a user-pays basis and should not expect subsidies.

General aviation in Australia – an important role

General aviation services play an important role in supporting other industries and in providing broader community support including:

- as an enabler for agriculture and mining;
- contributing to broader community programs such as medical evacuations, aerial fire-fighting services and law enforcement activities; and
- providing a public transport service in remote areas of Australia, in the same way that taxis might in metropolitan areas.

The general aviation industry also plays an important support role for the wider aviation industry through the training of commercial pilots and engineers.

What is general aviation?

The term general aviation, or GA, refers to a range of aviation-related activities, individuals and businesses, primarily occurring in smaller aircraft and at secondary airports, usually not involving regular public transport (scheduled) services.

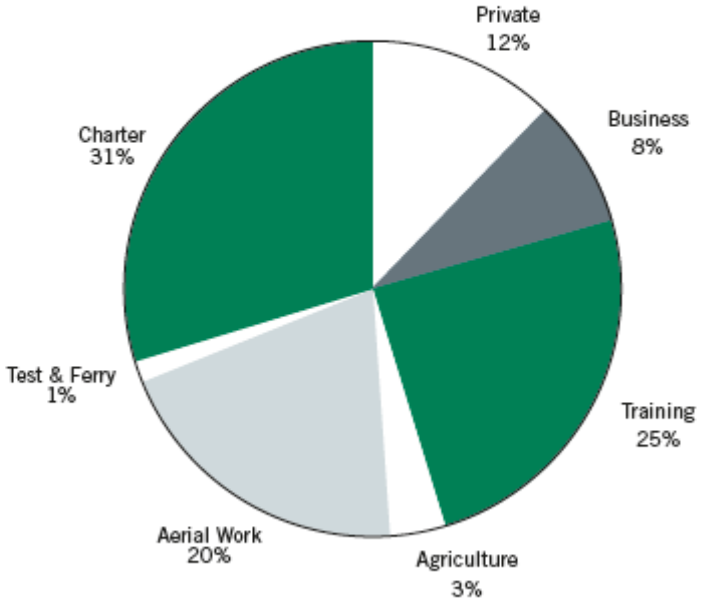
These activities include:

- charter and low-capacity passenger-carrying operations;
- business flights;
- aerial agriculture;
- commercial pilot training;
- aeromedical services such as search and rescue, aerial fire fighting and Coastwatch;
- other aerial work such as surveying and photography;
- aircraft maintenance and repair work;
- private pilot training;
- sports aviation; and
- recreational flying.

Figure 5.1 shows relative activity levels of general aviation aircraft in Australia.

Figure 5.1 General aviation flying hours: Australia 2007

Source: BITRE 2008



Due to the regulatory framework in a number of countries, general aviation activity commonly refers to activity carried out with aircraft of less than 5,700 kg maximum takeoff weight, or alternatively, to civil aviation activity other than scheduled airline services.

The General Aviation Action Agenda Strategic Industry Leaders Group, which reported to the Government earlier this year, noted a number of common issues affecting all small aircraft operators and the businesses that support them.

One issue which has become important in the general aviation industry over recent decades is the cut-off point at which smaller aircraft, those below 650 kg, are subject to alternative arrangements for oversight of safety and security. Under limited operational circumstances (including day-time operations, visual flight rules, uncontrolled airspace, maximum of two occupants) these aircraft may be operated under self-administration arrangements.

Self administration arrangements currently apply to the sports aviation sector, where peak bodies in each aviation sport administer regulations set by CASA. These peak bodies issue licences and certificates, carry out safety surveillance and provide other regulatory services.

CASA then audits the activities of the peak bodies to ensure compliance with regulatory standards. This approach means CASA only devotes a relatively small level of resources directly to sports aviation, allowing more attention to be focussed on higher priority passenger-carrying operations.

Due to the differences in regulatory approach between the recreational and traditional general aviation sectors, some stakeholders define general aviation to exclude recreational aircraft activity.

How are various sectors performing?

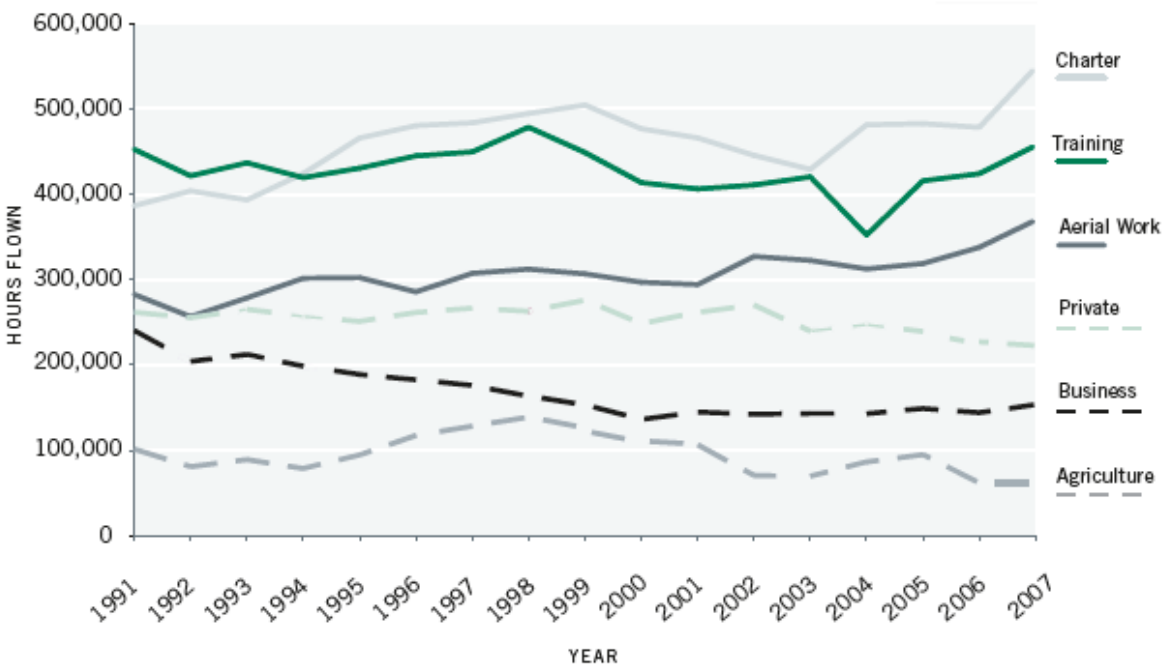
Data from the Bureau of Infrastructure, Transport and Regional Economics[18] demonstrate an overall flat level of growth in total general aviation flying hours from 1991 to 2007, with a peak activity of 1.88 million hours in 1997, a low of 1.64 million hours in 2004 and a return to growth over recent years to 1.83 million hours in 2007.

Figure 5.2 shows activity performance by sector. There is a notable decline in private and business flying hours, which coincides with strong growth in commercial airline activity in Australia. The graph also shows the cyclical trends in agricultural activity which tends to be severely impacted by drought conditions.

[18] Bureau of Infrastructure, Transport, Regional Development and Local Government, 2008, General Aviation Survey 2007

Figure 5.2 General aviation flying hours by sector: Australia 1991–2007

Source: BITRE 2008



In contrast to the decline in private general aviation flying hours, recreational aircraft activity has grown significantly over the past decade, from 70,500 hours in 1996 to over 138,000 hours in 2007.

These countervailing trends reflect a long-term structural adjustment within the industry as enthusiasts move into the lower-cost recreational sector. While having its origins in ultra-light aircraft, the recreational sector now includes many modern, sophisticated aircraft types, often administered under a lower-cost regulatory regime than those directly overseen by CASA.

Recent growth in commercial airline activity, particularly in the Asia-Pacific region, has generated growth opportunities for aviation training businesses. A number of highly successful aviation training businesses have developed in Australia. These businesses are characterised by an ability to form commercial partnerships with airlines and education providers, investment in new training aircraft and equipment, and a presence in both metropolitan and non-metropolitan airports.

Further information on aviation training is contained in Chapter 6 of the Green Paper.

In other key sectors, aerial work has grown moderately (1.4 per cent per annum from 1991 to 2007), as has charter (1.3 per cent per annum over the same period), while agricultural activity has declined significantly over the last decade due to long-term drought.

There are also geographic differences within Australia in performance, with the mining boom generating demand for charter services and aerial work in Western Australia and other mining-intensive areas and declines in areas focused on agricultural production.

An industry in transition

The General Aviation Action Agenda found that the general aviation industry has been going through a structural shift worldwide. An industry that matured through the post-war years has experienced intense competition for people's leisure time and financial commitment through the

1980s and 1990s.

Also, general aviation's previous competitive edge in long-distance transport has been diminished by improved airline access and cheaper domestic airline fares. Where it was once economic to fly one or two people interstate, airline transport has become more competitive. Improvements in roads and modern cars have also outstripped product improvements in small aeroplanes for transport across shorter distances.

Until the late 1980s, the Australian Government was actively engaged as the owner-operator of many of Australia's airports, either through the Federal Airports Corporation (FAC), established in 1987 to manage 22 of Australia's major airports, or through the 234 Aerodrome Local Ownership Plan (ALOP) airports which were co-funded with individual local government authorities.

In 1997 the Australian Government commenced airport privatisation under a series of long-term leases of airports then operated by the FAC. The current framework encourages private businesses to negotiate business outcomes with minimal government intervention. This has resulted in significant investment in Australian airports.

However, the privatisation of secondary airports has resulted in general aviation operators being exposed to a commercial charging regime not fully experienced under the previous system of government ownership. This has exposed vulnerabilities in the business models of many general aviation businesses.

In many circumstances, rents levied on hangars, commercial premises and land have been increasing, particularly at the major metropolitan general aviation airports. The leases concerned are commercial agreements between airport lessees and their tenants and are a relatively new development in the industry. It is likely that these price changes have led to a reorganisation of general aviation activity.

The General Aviation Action Agenda Leaders Group found that the technical skills required to meet the technical, operational and regulatory requirements of small aviation businesses do not often translate to the business skills required to manage a rapidly changing business environment.

In addition, some sectors have not invested for growth but have relied on mature business models that have become less competitive over time. General aviation businesses often require significant capital investment to realise their growth potential. While there is evidence this investment is occurring in some parts of the industry, there have been concerns raised by some stakeholders that further incentives from governments are required to secure their future.

Key challenges

Airport privatisation

While the General Aviation Action Agenda found general industry support for commercial arrangements at airports, there have been continuing calls to revert to government intervention in arrangements between airport lease holders and airport users. There are potentially conflicting objectives in maintaining commercial arrangements at airports while increasing government interventions.

Regulatory environment

There is strong support for maintaining high safety standards in the general aviation industry but concern about the pace of the CASA regulatory reform process. There is continuing debate around the potential for self-administration of some safety functions in privately-owned, non-commercial general aviation operations. Self-administration is seen as a major contributor to the growth of the recreational aviation sector.

Changes to security regulatory requirements since 2001 have created challenges for some pilot

training organisations, particularly where training of foreign pilots represents a significant part of the business. Background identity checking requirements are now more rigorous and time-consuming.

Skills

There is a general need for improved workforce planning in the aviation industry with a particular need in the general aviation sector. Some general aviation businesses have not remained competitive in a strong employment market, having lost trained workers to airlines and facing challenges in recruiting new workers.

Ageing aircraft

Well-maintained aircraft can operate safely for at least 20 years, but eventually will need to be replaced. Many general aviation aircraft built in the 1970s and purchased in large numbers when government subsidies were available are now in need of replacement. The cost of replacement aircraft, which are able to be financed over lengthy periods, needs to be included in business planning as part of businesses' ongoing cost base. While aircraft are eligible for accelerated depreciation under current tax arrangements, many submissions have called for further acceleration of taxation depreciation, investment allowances or direct subsidies to purchase aircraft. The General Aviation Action Agenda recommended direct subsidy of 50 per cent of replacement aircraft costs by government, subject to a commercial business case.

New technologies and fuels

There has been significant development in small aircraft technology in recent years, with manufacturers utilising new composite materials, modern avionics equipment and alternative engine design. It is important that industry is positioned to invest in new technology and that regulatory oversight keeps up with technology developments so as to not impede innovation in the industry.

While there are many reasons the development of alternative fuels may in time prove a welcome innovation for the aviation industry, many older engine types in the general aviation fleet continue to be dependent on aviation gasoline (avgas). There was some concern raised in the General Aviation Action Agenda process on the reliability of future supplies of avgas and the ability of the industry to adapt to new fuels.

General aviation in crisis? – findings of the General Aviation Action Agenda

Several submissions to the Aviation Issues Paper have stated that traditional (i.e. non-recreational) general aviation is in long-term decline. It is true that there has been a long-term decline trend in general aviation activity since peak activity periods of ten years ago. However, that trend appeared to level out in 2003-04 with the industry returning to growth since that time. Statistics for 2007 show that industry activity grew by eight per cent over 2006 levels.

As well as long-term structural changes, the Australian industry was adversely impacted by the fuel contamination crisis of 1999. As noted previously, there has also been a marked disparity between different general aviation sectors.

The Australian experience reflects an earlier study by the UK Civil Aviation Authority [19] which noted 'the composite picture is one where general aviation appears to be roughly in steady-state, or perhaps experiencing slight growth.' The UK Review also noted (p ii), 'Although often presented as a sector in decline, this Review has not found evidence of this. Many parts of general aviation are

[19] UK Civil Aviation Authority, Strategic Review of General Aviation, July 2006

growing strongly, in particular the business aviation market and the smaller end of the market (such as micro-lights and helicopters).'

Although the reliance on general aviation for services in regional and remote areas is likely to be less in the UK, the trends in activity show marked similarities.

The General Aviation Action Agenda also found evidence, through the CASA Aircraft Register, of strong growth in new aircraft coming onto the Australian register over the last five years. It might be expected that this investment is following similar trends to the activity data, where increased charter, training and aerial work is being reported. The CASA data does not include those aircraft registered by Recreational Aviation Australia (RA-Aus) which has a registration base of approximately 2,500 aircraft across Australia.

The Government does not consider the case has been made for direct or indirect taxpayer-funded investment in new or replacement aircraft. In addition to evidence of recent strong investment in new aircraft made independently of any additional subsidies, it should be noted that the investment in new aircraft encouraged in the late 1970s may also have indirectly contributed to the present situation where Australia's small aircraft fleet is over-represented by aircraft which are thirty-years old.

Innovation – harnessing the growth

There is widespread consensus from stakeholder submissions that the self-administration arrangements under which recreational aviation activity occurs has enabled that sector to grow in a way that has not been reflected in the traditional private general aviation sector. The extent to which growth in recreational activity reflects transfer from the traditional sector compared to new participants is unclear. In any case, RA-Aus has reported annual membership growth in excess of 35 per cent, with RA-Aus aircraft registrations growing at 15 per cent per annum. This is in addition to the growth of RA-Aus flight training facilities that are expanding at a rate of 16 per cent per annum.

Australia also has several innovative aircraft manufacturers, including Gippsland Aeronautics, which designs and manufactures aircraft such as the GA8 Airvan and GA200C Fatman, and Jabiru, a manufacturer of both factory-built, kit aircraft and aircraft engines. These companies have had significant export success with innovative and class-leading aircraft. The Government supports these companies through the Export Market Development Grants (EMDG) scheme.

EMDG encourages small and medium sized Australian businesses to develop export markets by reimbursing up to 50 per cent of eligible export promotion expenses in a financial year above a threshold of $15,000, for any overseas market except New Zealand. Eligible businesses can receive a maximum of seven taxable grants of up to $150,000 each.

Although Australia relies on imported aircraft for the overwhelming majority of its aircraft and components, Australia also exported $353 million worth of aircraft and components in 2007.

For Australian aircraft manufacturers to make the most of export opportunities, it is preferable to have certifications issued by Australia's safety regulatory, CASA, recognised in other countries, rather than needing to duplicate the certification process. A key role of the Aerospace Industry Regulatory and Certification Advisory Panel is to assist CASA with concluding new international certification agreements. In November 2006 a Bilateral Aviation Safety Agreement was finalised with the United States, under which the US can accept certifications and approvals issued by CASA. Negotiations for similar arrangements are underway with other significant aerospace countries.

There have also been major innovations introduced into flight training practices over recent years. In addition to accumulating experience through hours in the air, modern training utilises flight simulators to allow trainee pilots to safely and efficiently experience a wide variety of flying conditions before taking to the skies. While capital-intensive initially, flight simulation offers

efficiencies and training approaches that complement traditional training techniques.

Some flight training schools have also benefited from partnering with client airlines, which provide certainty and improve outcomes for both flying schools and airlines. This has proved particularly helpful during recent shortages of pilots, as it helped to manage the problem of flight instructors being recruited by airlines without regard to future training needs. In some cases, airlines have released second officers to training schools for agreed periods to ensure continuity of training.

There is also scope to improve innovation in the delivery of safety services to the general aviation industry. The Government's priority for CASA to complete implementation of its regulatory reform process has been widely supported in industry submissions. In particular, completion of Civil Aviation Safety Regulation Part 135 (Air transport operations – small aeroplanes), Part 145 (Maintenance organisations) and Part 149 (Recreational aviation administration organisations) will allow industry to improve its safety outcomes and remove regulatory inefficiencies.

Export opportunities – training services for our region

Australia has become a growing exporter of aviation-related services in recent years. These are services other than the transport of people and goods by airlines and include the provision of technical assistance and flight training.

Examples of successful Australian exporters of aviation-related services

Aviation Compliance Solutions is one of a small number of audit organisations accredited by the International Air Transport Association to conduct aviation operational safety audits for airlines. The company's audits cover areas such as flight operations, safety management, aircraft maintenance, cabin safety, cargo and ground handling, flight planning and security. It has conducted audits for 65 per cent of China's airlines – including Air China – and is active in attempting to secure an even greater market share in China.

Flight Training Group: Flight Training Group, operator of Flight Training Adelaide, is another example of a successful aviation-related services exporter. The college provides professional airline pilot training for many of the world's leading airlines, including Qantas, Cathay Pacific Airways, China Airlines, Emirates, JAL Express, Air China, Vietnam Airlines and Dragon Air.

What the submissions said

While aviation-related service exports are not separately identified in published statistics, some submissions indicated that a number of firms that began by providing services to the domestic aviation industry are now achieving considerable success in international markets. Australia's skilled flight educators, large amount of available airspace and high quality aviation infrastructure have enabled it to become a successful provider of flight training services.

With continuing growth in international aviation expected over the medium to longer-term, there is considerable potential for further expansion in the value of Australia's aviation-related services exports. For instance, the rapid growth of new low-cost airlines in the Asia-Pacific is creating strong demand for Australian pilot training services.

The Government recognises the significant export growth opportunities in Australia's regional areas, where infrastructure costs are lower and airspace is less restricted by competing airline activity than in the major metropolitan centres. The Government encourages industry to pursue sustainable regional growth opportunities, particularly in pilot and engineering training, by working with local council aerodrome operators to identify opportunities to establish and expand appropriate training facilities.

Moving ahead or back to the future?

The general aviation industry has been through substantial change over the past twenty years. With major changes to its commercial and regulatory environment and demographics, the sector has found it difficult to agree on the best approach to maintaining its viability and growth into the future. Submissions received have highlighted a range of options. Broadly, these fall into two categories:

- those involving active government intervention, including direct funding, regulation of commercial arrangements at general aviation airports and subsidies for aircraft purchase; and
- those requiring the industry to operate on a user-pays basis and to move to business models that recognise changed commercial and regulatory circumstances.

The Government recognises the difficulties experienced by the industry in adjusting to a number of changes over a relatively short time, but does not believe the industry will benefit by returning to outdated business models, reliant on a regulatory environment that no longer exists. It is clear, however, that the industry will benefit from the certainty created by a coherent government industry plan to guide its progress into the future.

The Government's priorities for general aviation will focus on the two key areas presented by industry stakeholders through submissions to the Green Paper and through the report of the General Aviation Action Agenda.

They are to:

- improve the responsiveness and oversight of CASA through the establishment of a CASA Board and a renewed focus on the regulator's relationship with industry; and
- improve planning arrangements at Australia's leased federal airports to provide greater certainty to airport users on the future aeronautical uses of airports.

More information regarding these priorities is included in chapters 1 and 8.

General aviation – the way forward

The Government recognises the difficulties faced by a number of general aviation businesses, particularly small businesses, over the last decade in transitioning to an increasingly commercial environment, but considers that a return to subsidies for this sector is not in the broader interests of the industry in improving its efficiency, performance and competitiveness.

The Government's policy will be to maintain high standards of safety and security for Australia's general aviation industry. A strong message from industry submissions and from the recent General Aviation Action Agenda report was that maintaining safety and security standards was critical to maintaining confidence in the industry and to preventing low-cost, low-safety operators from undermining viable business markets. To assist this process, the Government proposes to take the following initiatives:

- ensure CASA finalises its regulatory reform process to remove unnecessary regulatory impediments to the ongoing viability and growth of the general aviation sector;
- consider options to help address the burden of regulatory charges, including charges on the general aviation sector
- through CASA, support continued work towards self-administration of private general aviation operations where it can enhance safety outcomes, noting the need to establish appropriate boundaries for the scope of self-administration;
- improve planning arrangements for leased federal airports to provide greater detail in airport Master Plans and improve certainty for general aviation operators;

- support the continued development of Australia's aircraft manufacturing and assembly, components, parts and maintenance capability by minimising regulatory impediments; and
- ensuring there are no unnecessary regulatory impediments to realising the growth potential of the flight training industry in Australia.

:06

Industry Skills and Productivity

Industry skills and productivity

Ensuring the Australian aviation industry has access to a highly skilled workforce allowing it to grow and compete in the global economy

Issues Paper Themes

- Identifying the long-term training needs for the Australian aviation industry
- Ensuring the industry remains internationally competitive in retaining key staff and in attracting new entrants to the workforce
- The Australian Government working with industry to ensure the needs of the aviation industry are taken into account in its broader skills framework

What the submissions said

There was support for government financial assistance through HECS/FEE-HELP schemes for pilot training places and subsidies for aviation training in the Vocational Education and Training (VET) sector.

There was also support for inclusion of pilots and aviation occupations on the Migration Occupations in Demand List to facilitate access to global labour markets, although some stakeholders argued that industry relied too heavily on skilled migration as a substitute for more strategic workforce planning.

There were suggestions that training be subsidised by industry, with employees bonded as a return on investment.

There was also support for a national training school or centre for excellence funded by government or through an industry levy. Some submissions, on the other hand, maintained that a national training school would duplicate existing education and training avenues, such as tertiary institutions, VET and Defence and that aviation was not a special case requiring a separate training framework.

The policy context

Australia's future prosperity relies on the skills and productive capacity of the workforce. For Australia to continue to grow and compete in the global economy, it is necessary to invest in a highly skilled workforce responsive to the needs of industry.

The Australian aviation industry employs almost 50,000 workers with a diverse range of skill sets and qualifications.

Recent years of rapid airline expansion, particularly in Asia and the Middle East, has contributed to a situation where aviation employers have been experiencing difficulties in attracting, recruiting and retaining key staff. Shortages of aircraft pilots, flight instructors, air traffic controllers, aircraft maintenance engineers and security screeners have been experienced. Despite the current global financial conditions these difficulties may be expected to continue in the medium to longer term, particular if timely planning and training frameworks are not in place.

Boom or bust – the challenges of workforce planning in the aviation industry

The global aviation industry has always been cyclical, characterised by periods of growth interrupted by intermittent shocks such as economic recessions, the 2001 terrorist attacks in the United States and the collapse of Ansett in Australia, the 2003 SARS epidemic and volatile global oil prices over 2007 and 2008.

The industry is intensely competitive and capital intensive with profits often insufficient to meet the cost of capital. The cyclical nature of the industry can mean that investment in recruitment and training is not required at the bottom of the economic cycle, at times of falling demand and pressures to cut costs. At such times there can be little incentive for airlines to plan three to five years ahead to be ready for growth opportunities.

Over recent years, air travel demand has been growing strongly in an environment of economy-wide skills shortages. At times of profitability and robust industry conditions the opportunity cost of dedicating experienced pilots to training tasks may be difficult for airlines to commit to.

However, for the industry to take advantage of future growth opportunities it is important that long-term workforce planning and training take place.

Therefore, while highly skilled and well trained personnel have been needed to meet recent demand, any contraction of the industry resulting from the global financial crisis may lead to a reduction in demand for workers. Despite this, workforce planning issues must be addressed to ensure the aviation industry is able to meet its future workforce needs in times of growth.

Today the aviation industry competes for workers with industries which already have strategies in place to attract and retain workers in a very competitive labour market. However, historically the aviation industry has not needed to actively seek workers, particularly aircraft pilots. The supply of committed individuals willing to self-fund training and accept low wages just for the opportunity to fly has often exceeded employment opportunities. Industry's reliance on these individuals has contributed to a lack of strategic workforce planning across the industry.

Defence and civil training and skills needs – different or the same pool?

Defence and the Royal Australian Air Force (RAAF) are important providers of training for a number of aviation professions including pilots, aircraft maintenance engineers and air traffic controllers. Understandably, the military and civil sectors employ quite different strategies to attract, recruit, train and retain skilled aviation workers. Defence and RAAF generally recruit unqualified personnel directly to specific aviation career streams for training. The individual is then bonded to the Australian Defence Force (ADF) for a certain period to ensure a return on the training investment. This differs to civil aviation employers who generally prefer to recruit already qualified personnel that do not require any initial training costs.

Military flight crew are not permitted to fly civilian registered aircraft unless they hold a Civil Aviation Safety Authority (CASA) issued licence. The ADF trains pilots specifically for military operations which require different skills to civilian flight. As a result, ADF qualifications are not directly equivalent to CASA issued civilian licenses.

However, CASA and the ADF have agreed that military pilots who have undertaken specific military training may be issued with an equivalent private or commercial pilot licence provided they meet the aeronautical requirements for the licence. A military pilot may also be eligible for a civilian licence after passing 'bridging' exams, meeting the civilian equivalent of required hours or

undergoing a flight test[20].

Aircraft Maintenance engineers trained by the military are awarded certified qualifications such as Certificate IV in Aeroskills which is recognised in the civilian sector.

Currently Airservices Australia (Airservices) and the ADF train air traffic controllers independently. Although qualifications are not recognised between the sectors, there is a commonality of skills required allowing ADF controllers willing to gain Airservices accreditation to move into the civil sector. Consequently shortages in the civil sector may ultimately lead to shortages in the military sector.

Both the civilian and defence aviation sectors have a shared interest in promoting and attracting workers to the aviation industry. Increased transferability of workers between the defence and civil sectors is one strategy to increase the attractiveness of aviation careers. Portability of skills between the defence and civil sectors has been enhanced with the development of the Aviation Training Package 2008.

CASE STUDY: The Aviation Training Package

The new Aviation Training Package was endorsed on 29 April 2008 and directly aligns CASA licensing requirements with the national qualifications and more closely aligns military and civil training to a national standard.

The Diploma of Aviation (Air Traffic Control), for example, aligns the competency requirements for air traffic controllers from both Defence and Airservices Australia.

The closer alignment of the sectors improves the ability of people to move between defence and civil sectors and therefore improves the overall attraction of aviation as a career choice.

Skilling Australia for the future

The Australian Government's Skilling Australia for the Future initiative aims to improve vocational education and training by focussing on the needs of employers and the broader economy. Key aspects of the initiative include the establishment of Skills Australia, the allocation of more training places through the Productivity Places Program and an enhanced role for Industry Skills Councils.

Skills Australia is an independent statutory body comprising of seven experts drawn from a range of backgrounds. It will provide the Government with recommendations on current and future skills needs and drive ongoing reforms to the education and training sector, including on priorities for the investment of public funds. The advisory body has also established relationships with state, territory and industry bodies as an important consultative mechanism to identify training priorities through the Productivity Places Program.

In the 2008-09 Budget the Government announced the Productivity Places Program would provide up to 630,000 new training places over the next five years. Since then, the Government has announced an additional 71,000 places for job seekers, 56,000 of these as part of the Economic Security Strategy. These new places will take the Government's total commitment to the Productivity Places Program to more than $2 billion with more than 700,000 new training places created over five years. The Productivity Places Program allows Registered Training Organisations (RTOs) to apply for funding to subsidise training places for priority occupations. In terms of aviation qualifications, airport security screening[21] has been considered a priority occupation since

[20] http://www.casa.gov.au/fcl/milrecog.htm
[21] Certificate II in Security Operations or Technical Security

April 2008 while commercial aircraft and helicopter pilot qualifications[22] were added to the list of eligible occupations on 1 July 2008.

The Australian Government's Trade Training Centres in Schools Program provides $2.5 billion over 10 years to enable all secondary schools to apply for funding of between $500,000 and $1.5 million to establish Trade Training Centres, providing students with access to industry standard trade training facilities. The program ensures that students have access to relevant education and training opportunities as well as helping to address national skills shortages in traditional trades and emerging industries.

Funding has been provided through the program towards important aviation training initiatives such as a contribution towards the Aeroskills and Aeronautics Training Centre at Aviation High School in Brisbane.

Education and training framework

Commonwealth role in higher education and vocational training

The Australian Government has primary responsibility for funding of higher education and also provides funding under legislation and Commonwealth-State Agreements for vocational training. Although receiving Commonwealth funding through these agreements, states and territories have responsibility for the vocational education sector and schools.

Vocational Education and Training (VET) sector

Historically, VET has been limited to trades. However the VET sector has evolved into a consolidated national training system to support Australia's economy. The vocational training framework includes initiatives such as Australian Apprenticeships, the National Training Framework, VET in schools and the development of Training Packages.

VET FEE-HELP is an income-contingent loan scheme for the VET sector that is an extension of the higher education loan scheme FEE-HELP. VET FEE-HELP will assist eligible full-fee-paying students who are enrolled in VET accredited courses at the Diploma, Advanced Diploma, Graduate Certificate or Graduate Diploma level through a VET provider to access the loan scheme for all or part of their tuition fees. For example, RMIT University and Swinburne University currently offer VET flight training courses at Diploma and Advanced Diploma levels that articulate into their Bachelor degree programs. These institutions may choose to seek approval as VET providers to offer VET FEE-HELP to eligible students.

Airservices Australia training strategies

Airservices is the exclusive provider of training for civil air traffic controllers and has recently implemented strategies to address skills shortages in this sector. One of these strategies is to investigate building partnerships with universities and RTOs to offer greater breadth to their curriculum and provide articulated career pathways.

Airservices offer the Regional Skills Investment Program for sponsorship and training of trainees from regional Australia and is considering extending the program to provide support for relocation costs as an incentive to attract more regional applicants.

Airservices' program to target rural and regional youth to take up careers in technical trades is another example of an innovative solution to workforce problems.

Airservices is finalising a partnership between Wagga Wagga City Council, the Regional

[22] Certificate IV in Aviation (Commercial Pilot Aeroplane Licence)[22] and the Certificate IV in Aviation (Commercial Pilot Helicopter Licence)

Development Board and Riverina College of Technical and Further Education to deliver a curriculum to train between 25 to 40 electronics trainees a year for the next five years.

The multi million dollar program will see young Australians move to facilities at Wagga Wagga where they will, if successful, gain qualifications and specific technical experience and full time employment with Airservices and improve the national air traffic control service provider's future workforce capacity.

Higher Education Sector

There are two primary methods through which the Australian Government provides financial support for higher education students; funding for Commonwealth supported places and access to the Higher Education Loan Program (HELP). Commonwealth supported places are subsidised by the Australian Government by the payment of grants to higher education providers. The HELP elements, HECS-HELP and FEE-HELP, are income contingent loans which mean that students are not required to repay their HELP debts until their income is above the minimum repayment threshold.

Students enrolled in Bachelor of Aviation degrees at public universities may be eligible for HECS-HELP to pay some or all of their student contribution amounts. However, considering legislated maximum levels of government funding and student contributions, it is not cost-effective for universities to incorporate practical flight training into undergraduate degrees.

If universities offer full fee paying places (noting that the Government passed legislation to phase out full fee paying places for domestic undergraduate students at public universities from 1 January 2009) under FEE-HELP, eligible students may finance part or all of their tuition fees over their lifetime up to a limit of $81,600 (2008 limit, indexed annually) or up to a higher limit of $102,000 for dentistry, medicine and veterinary science. Access to FEE-HELP removes the impost of making up-front payment of tuition fees. There is more incentive for universities to incorporate costly practical training components into full fee paying post graduate qualifications as there are no legislative restrictions on tuition fees as is the case with Commonwealth supported places.

In March 2008, the Deputy Prime Minister and Minister for Education, the Hon Julia Gillard MP, announced a major review of Australia's higher education system, to be finalised by the end of 2008. The review will examine the future direction of the higher education sector, whether it meets the needs of the Australian community and economy and the options for ongoing reform. The Review Panel will advise government on possible key objectives for higher education in Australia, including better connections between higher education and vocational training. This review has provided an opportunity for all industries, including aviation, to consider whether opportunities exist for the higher education sector to deliver better outcomes to industry and more generally the economy.

Industry Skills Councils – linking industry with training

Industry Skills Councils act as an interface between governments, Skills Australia and industry on skills needs and workforce development. Industry Skills Councils support the development and implementation of training and workforce development, provide skills and training advice to enterprises and work with enterprises, providers and government to allocate training places.

The aviation industry is primarily served by the Transport and Logistics Industry Skills Council, which administers the Aviation Training Package, and by Manufacturing Skills Australia, which administers the Aeroskills Training Package. The Aviation Training Package outlines competency standards for qualifications issued under the Australian Qualifications Training Framework in aviation careers such as flight crew (including aircraft, helicopter and rescue crew); cabin crew and supervisory cabin crew; air traffic control; airport management; airport reporting services; baggage handling and freight services; ground support and ramp services; general airport operations; check in and customer service staff.

The Aeroskills Training Package covers the aviation maintenance sector of the Australian aerospace industry. This sector covers maintenance performed on aircraft and their components in support of both civil and military aviation.

State roles in schools and vocational education

States and territories have primary responsibility for schools and vocational training institutions. These responsibilities are set out in the Commonwealth-State Agreement under which the Australian Government provides funding to state and territory governments for these functions.

State and territory governments operate a range of training services and programs and their training agencies participate in the national VET system. State and territory governments are able to prioritise training needs at state-based vocational training institutions and subsidise training places in these priority fields. For example the Queensland State Government has implemented a number of workforce development and skilling strategies to support industry in attracting and retaining staff and planning their future aviation skills needs.

Career paths into aviation from the school system

Various schools throughout Australia have introduced aviation subjects into curriculums to build better linkages between high schools and aviation careers.

For example, the Queensland Government commenced the Aerospace Project in 2004 to create pathways into Queensland's growing aerospace industries by offering an aeroskills program as part of the curriculum, work experience programs and direct entry arrangements to various universities and Aviation Australia. Aviation High, situated in Brisbane, is the hub of the Aerospace Gateway Schools Project, offering subjects from Year 8 to Year 12 that have been contextualised with aerospace and aviation content.

Aviation training within the educational framework

Aircraft Pilots

To become a private or commercial pilot in Australia, candidates must be licensed by CASA. A CASA-issued pilot licence requires that candidates pass appropriate theoretical and practical examinations. Pilot training occurs through universities, vocational education institutions and private flying schools.

Theory based aviation studies have typically been offered as higher education awards, with students undertaking optional flight training with an accredited flying school in addition to their university studies. This means that students undertaking a bachelor qualification are eligible to defer course costs through the HECS-HELP scheme for the academic component of studies, while paying unsubsidised practical flight training costs upfront.

CASE STUDY: Aviation course options for universities and industry

From 2009 Swinburne University of Technology will offer a program that combines its existing Bachelor of Aviation with a new qualification, the Graduate Certificate of Aviation (Piloting).

The Graduate Certificate of Aviation (Piloting) includes flight training up to and including, CPL, multi engine instrument and a gas turbine ratings, and also has the option of an instructor rating. The existing Bachelor of Aviation is academically focussed including units of study such as Aviation Human Factors, Air Transportation Management and Aviation Technology. Therefore students undertaking these qualifications simultaneously will have, in addition to their flying qualifications, a broader aviation education that will prepare them for future management roles within the aviation industry.

Students undertaking this program may be eligible to access HECS-HELP to offset the Bachelor of Aviation component of their studies, while also being able to access FEE-HELP to offset a large portion of the upfront costs of the Graduate Certificate.

Students undertaking Griffith University's Bachelor of Aviation and a Graduate Diploma of Flight Management are similarly able to access HECS-HELP and FEE-HELP to offset upfront costs of study.

Swinburne University's Associate Degree in Aviation is restricted to Qantas cadets. Employer-reserved places are not eligible for Commonwealth support, but enrolled students may be eligible to access FEE-HELP to pay some or all of their tuition fees. Cadets successfully completing the Associate degree may also be able to access a line of credit from the Qantas Staff Credit Union of up to $60,000 to cover Cadet Industry Placement Program qualifications or to repay some or all of any existing loans associated with the cost of their university studies and flight training.

These qualifications are examples of how industry and higher education providers are working within the educational framework to provide qualifications responsive to industry needs and also maximising student access to Commonwealth supported places, loans through HECS-HELP and FEE-HELP and assistance from employers.

Aircraft Maintenance Engineers

Aircraft maintenance engineers (AMEs) are trained in the state-based apprenticeship system through a combination of on the job training and formal training from a vocational institution. AMEs wishing to become Licensed Aircraft Maintenance Engineers (LAMEs) must also fulfil CASA licensing requirements.

The occupation of AME appears on the Migration Occupations in Demand List and apprentices and their employers qualify for a range of Australian Government apprenticeship incentives.

Air Traffic Controllers

Civil air traffic controllers are trained exclusively by Airservices. Airservices' Melbourne Training College is an RTO and is part of the VET system.

Airservices recently launched Our Commitment – Our People which outlines strategies to train Australian air traffic controllers to meet future workforce needs. Measures taken by Airservices to increase the number of trainees include reviewing recruitment processes, curricula and retention strategies.

The Melbourne training facility has been expanded into the Airservices Academy which consolidates training in air traffic control, aviation rescue and fire fighting training, safety, technology and broader management skills. Airservices is also exploring opportunities to extend its training academy through linkages with the broader aviation industry and tertiary institutions, to

deliver a broader aviation skills development program.

Defence personnel continue to play an integral role in the provision of air traffic services as part of the national air traffic management system. Therefore, it is essential that efforts to address the civil air traffic workforce needs also consider Defence personnel requirements. Current progress towards mutual recognition by Defence and CASA of airworthiness standards related to the engineering and maintenance of air traffic control systems can act as a prelude to similar action with respect to ATC operational regulations and procedures, and eventually as a means of mutual accreditation for ATC licensing between civil and military air traffic control service providers. The recent launch of the National Aviation Training Package (AVI08) also provides an opportunity for both Defence and Airservices to design and develop a national ATC curriculum.

Aviation Security Personnel

Research conducted by the Australian Government Department of Education, Employment and Workplace Relations in December 2007 confirmed that the aviation industry is facing difficulties in attracting, recruiting and retaining personnel for aviation security functions. The shortages are most critical for the occupation of aviation security screeners in rural and regional areas.

Australia's current approach to aviation security training is not supporting the required security outcome. Therefore the Australian Government has committed to developing competency-based training and assessment standards for aviation security workers to address aviation security training needs identified in reports by the Joint Committee on Public Accounts and Audit, the Australian National Audit Office, and the Wheeler Review.

The Aviation Security Training Framework (ASTF) consists of aviation security performance and assessment standards, which map to the national units of competency in CPP07 Property Services Training Package, Security sector, as well as guidance for delivery of training, recruitment and selection of screening officers. The ASTF has been developed around existing nationally recognised qualifications such as the Certificate II in Security Operations. Gaining this full qualification generally enables people to meet state and territory licensing requirements for working in the security industry as well as allowing them to undertake various categories of aviation security work such as screening or explosive trace detection officer. Additionally, rather than undertaking a full security officer qualification people can choose to undertake training in, for example only those units of competency required to enable them to carry out the duties of a screening officer. Therefore the implementation of the training initiative is expected to ease labour market pressures by reducing regulatory entry barriers in the immediate term and allowing more targeted training over a shorter period. Employees and potential employees would also benefit from the availability of industry-recognised training which would be transferable between organisations and locations.

A global labour market – Australia's arrangements for skilled immigration

While training and employment of Australians remains the Government's priority, appropriate use of skilled overseas workers has a role in meeting industry needs for skilled labour. The Australian Government administers a range of employer-sponsored temporary and permanent migration arrangements designed to meet the genuine skill needs of Australian employers. In addition to meeting visa requirements, any foreign pilots or LAME wishing to work in Australia must have their licence qualifications reviewed by CASA to ensure that they are suitably qualified for the Australian system. There are published protocols already in place for recognising foreign licences.

The Temporary Business (Long Stay) Subclass 457 programme allows approved businesses to sponsor, on a temporary basis for up to four years, skilled overseas workers to fill positions that meet minimum skill and salary levels. Aviation occupations currently gazetted as eligible for this scheme include aircraft pilots, air traffic controllers, flight service officers, flight engineers, flying instructors and air transport professionals.

In May 2008 the Minister for Immigration and Citizenship announced changes to streamline section 457 work visa processes. A business-led External Reference Group was appointed by the Minister to examine ways to make the program more responsive to labour market needs, while protecting the employment and training opportunities of Australians and the rights of overseas workers. Recommendations made by the Group to make the program more effective and responsive are currently being implemented.

The Employer Nominated Scheme (ENS) allows Australian employers to fill highly skilled positions in Australia, with a non-Australian citizen or resident, when the employer cannot find a suitably qualified person from the Australian labour market. The standard subclass 457 arrangement requires participating employers to demonstrate a commitment to training Australians. Aviation careers eligible for this scheme, by appearing on the Employer Nominated Skilled Occupation List (ENSOL) include aircraft pilots, air traffic controllers, flight service operators, flight engineers, aircraft maintenance engineers and flying instructors.

The General Skilled Migration program allows those who have skills in occupations outlined in the Skills Occupation List (SOL) and are not sponsored by an employer to be awarded a permanent Australian visa. The program favours occupations appearing on the Migration Occupations in Demand List (MODL). Currently aircraft maintenance engineering is the only aviation occupation eligible for this program, with specialist avionics and mechanical AMEs given additional priority as they appear on the MODL.

Aviation industry skills – the way forward

The Australian Government recognises the future prosperity of Australia's aviation industry is inextricably tied to the capacity of its future skilled workforce.

The Government has in place a range of programs and policies aimed at ensuring a productive Australian workforce and boosting the nation's productivity and prosperity.

To ensure the Australian aviation industry's future needs can be addressed within an overarching national skills framework the Australian Government proposes to:

- continue to provide assistance to all Australian industries to address skills issues through the education and training framework, specifically encouraging the aviation industry to:
    - communicate industry workforce needs to Skills Australia to ensure that the allocation of Productivity Places Program training places considers the skills needs of the aviation sector;
    - form partnerships with schools to better define career pathways from school into aviation occupations; and
    - work in partnership with training providers to deliver quality training which maximises access to assistance measures.
- ensure the closer alignment of national civil and military air traffic controller standards and qualifications; and
- reinforce with industry that it needs to be more pro-active in developing attraction and retention strategies and broader workforce planning, including:
    - transparent workforce planning process to articulate future recruitment needs across industry sectors, e.g. progression of pilots;
    - improved conditions and flexible working arrangements to encourage retention of key personnel, taking account of the aging workforce;
    - improved marketing of aviation careers; and
    - consideration of the use of 'bonding' arrangements to offset cost barriers for individuals and industry in training highly specialised employees.

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Consumer Protection

Consumer protection

Ensuring that all airline passengers are treated fairly

Issues Paper Themes

- The adequacy of existing consumer protections and airline procedures
- Ensuring airline passengers are appropriately informed about restrictions
- The removal of discrimination in air travel through the Transport Standards
- Implementation of recommendations in the Transport Standards Review to improve services for people with disability
- The effectiveness of current complaint and compliance mechanisms
- Ensuring domestic arrangements for passenger and baggage/cargo liability remain appropriate in the context of international developments, including the Montreal Convention
- The adequacy of minimum insurance standards and appropriate levels of insurance to cover airline liabilities and third party surface damage
- Airline compliance with the Family Assistance Code

What the submissions said

Airlines strongly supported the current legal environment governing consumer protection and highlighted measures taken to ensure passengers are aware of their conditions of carriage.

Submissions commonly conveyed the view that people with disability have not experienced the benefits of microeconomic reforms in the aviation sector. There were claims that accessibility had deteriorated for some travellers, such as those who had formerly travelled independently but were now unable to travel with their own wheelchair or faced the additional cost of a carer's ticket.

Wider and ongoing consultation with the disability community was advocated, in tandem with acquiring a better understanding of disability prior to determining appropriate responses. A strategic response was proposed based on appropriate strengthening of the regulatory framework, with reference to international best practice, in particular in the European Union and North America. Expanded powers were proposed for the Human Rights and Equal Opportunity Commission (now the Australian Human Rights Commission) to enable it to refer investigations into suspected breaches of the Transport Standards made under the *Disability Discrimination Act 1992* to the Federal Court, thus removing the onus of making a complaint from the person with a disability.

Submissions from the aviation industry generally supported existing regulatory arrangements that limit or 'cap' the compensation an airline may have to pay to passengers in the event of a domestic accident. There was also a consistent view the domestic 'cap' should not be abolished and replaced by the compensation system created by the Montreal Convention, which will shortly come into effect for international travel and which does not 'cap' the amount of compensation that is available.

A number of submissions suggested changes to improve the way damages are assessed under the *Civil Aviation (Carriers' Liability) Act 1959* (the CACL Act) and the *Damage by Aircraft Act 1999* (the DBA Act). Concerns were raised about how Commonwealth legislation related to state government civil liability schemes, which impose restrictions and limits on various types of compensation claims.

Some submissions proposed amendments to the DBA Act to limit the potential liability of airlines (and therefore limit the amount of compensation potentially available to victims). However, there were mixed views about whether insurance against liability under this Act should be made compulsory for carriers.

There were also differing views on whether the Family Assistance Code should be made compulsory. Most submissions supported the existing voluntary arrangements, but, some in the regional aviation sector argued that the code should be abolished, on the grounds that Australia's welfare systems already provide adequate compensation in the circumstances intended to be covered by the Family Assistance Code.

Competition, fair trading and consumer protection laws

Since the deregulation of interstate aviation services in 1990, the Australian Government has not involved itself in the setting of service standards or airline terms and conditions for domestic aviation services.

The aviation industry, like all industries, is subject to the *Trade Practices Act 1974* to ensure the market remains competitive while at the same time protecting consumers from unfair competition or misleading and deceptive conduct.

In addition to the Trade Practices Act, the aviation industry is subject to the fair trading requirements of state and territory fair trading or consumer affairs offices.

Low-cost carriers – managing consumer expectations

The emergence of low-cost carriers has seen significant changes to airline passengers' experience. While most consumers have become familiar with 'buy on board' in-flight service, other elements of true low-cost models are still unfamiliar to many consumers, including reduced baggage allowances, requirements to book travel online, strictly enforced terms and conditions, and basic airport terminal facilities.

The gradual proliferation of the low-cost model is building awareness in consumers of what they will and will not get (or will be required to pay extra for) when choosing to travel on a low-cost carrier. However, it will take time for consumer expectations to fully adjust to the implications of the low-cost model.

This growth in low-cost carriers has increased the need for consumers to be aware of the terms and conditions applying to their travel, and to the detail of what is and is not included in their ticket price, to ensure they are purchasing a travel product that meets their requirements. The airlines have a responsibility to alert their customers to these detailed conditions.

Disability standards

Whilst the deregulation of the airline industry has lead to increased competition, more flights and cheaper fares, air travellers with disabilities continue to face a range of accessibility issues not experienced by other passengers.

The *Disability Standards for Accessible Public Transport 2002* (the Transport Standards) specify levels of service, measures and actions that public transport operators must undertake to meet their obligations under the *Disability Discrimination Act 1992*.

Key challenges

Consumer standards

While the mandating of particular terms and conditions of travel and service standards would maintain customers' expectations of standards, it would impose additional costs on airlines and

would also result in reduced flexibility and choice for consumers in the market, and may result in increased fares.

Greater understanding by consumers of the variable terms and conditions across airline travel products would assist in aligning consumer expectations and airline service standards. However, many consumers either do not read or do not fully comprehend the terms and conditions of their tickets. Airlines, for their part, sometimes do not make clear to consumers the restrictions or 'extras' that apply to the tickets they are selling.

One issue that has caused confusion in the market is the extent to which airlines include all charges and levies, such as airport charges and fuel levies in the advertised price of air fares.

To address this, the Government introduced into Parliament the *Trade Practices Amendment (Clarity in Pricing) Bill 2008* to tackle the problem of hidden fees and charges for consumer products. The Bill was passed by the Senate on 11 November 2008 and amends the Trade Practices Act to increase pricing transparency so consumers will know the total price they are required to pay for a good or service.

The Government believes it is not appropriate for a business to represent that a product costs a certain price and then use fine print disclaimers to reveal additional mandatory taxes, fees or other charges. While Australian domestic airlines have adopted all-inclusive pricing since May 2005, there have been some instances of international airlines not following this practice.

The Government is committed to ensuring that consumers are not given the impression that something is cheaper than it really is, and are empowered to make the best decisions about what they buy.

Disability access

The Government recognises a better understanding of the needs of people with disability and their interaction with aviation service is required.

Industry participants need to apply that knowledge to determine improved regulatory, infrastructure, service and educational responses to improve access to air travel for people with disability.

Delivery of improved accessibility for travellers with disabilities within a deregulated and flexible aviation sector is the practical and overriding challenge.

Maintaining a market-based approach to service levels

The current approach of deregulated, market-driven service levels has delivered flexibility and choice in the Australian airline market, allowing consumers to purchase air travel products appropriate to their needs. General regulation in the form of the Trade Practices Act and state and territory fair trading laws provide consumers with overarching protection without interfering with the ability of airlines to make commercial decisions about service levels.

Compensation arrangements

The Government has moved quickly since its election to pass legislation to implement the 1999 Montreal Convention. The new scheme makes it easier for Australians to seek fair and timely compensation.

The Convention includes new, tougher liability arrangements for:

- The death or injury of a passenger;
- The loss or damage to a passenger's baggage;
- The loss or damage to a freight shipment; as well as
- delays to the scheduled arrival of a passenger, baggage or freight.

The most significant change is the abolition of the existing caps on airline liability for passenger injury. To aid more rapid settlement of claims, the Convention also allows passengers to claim up to the equivalent of around $172,000 in damages without having to prove the airline was at fault.

By expanding jurisdiction for court cases, the new scheme will also make it easier for Australians to seek fair and timely compensation following an air incident overseas. This will mean that, in most cases, Australians will be able to bring their claim for compensation in Australia under Australian law, rather than having to deal with complicated overseas legal systems. The new Convention will allow claims to be progressed in the country where the passenger lives, as long as the airline flies to that country - even if they only code-share; and as long as the airline or its code-share partner has an office in that country. At the moment, claims can only be brought in the airlines' 'home country'; the country where the ticket was purchased; or the passenger's destination country.

Business will also benefit under the new system because it provides a standard legal framework that recognises the way modern business works. Under the old scheme, people sending air cargo needed to complete detailed 'air waybills' which had to be paper-based, and provided in triplicate. The Montreal Convention will support new initiatives such as e-ticketing. Industry will get legal certainty, as well as the benefits of a standardised system.

To cope with the inadequate liability limits under the previous international arrangements, many international airlines have already voluntarily begun operating under more generous liability arrangements. Qantas is a signatory to these voluntary agreements, which ensures that passengers on the recent flight that was diverted to Learmonth in Western Australia after a mid-air incident will be able to access compensation that is comparable to the Montreal Convention arrangements.

As a result of the existing voluntary arrangements, the new Montreal Convention is not expected to increase travel or insurance costs.

The Montreal Convention will be implemented by the *Civil Aviation Legislation Amendment (1999 Montreal Convention and Other Measures) Act 2008,* which was passed by the Parliament on 26 June 2008, and received Royal Assent on 12 July 2008.

Australia's formal instrument of accession has been lodged with the International Civil Aviation Organization ICAO), and the Convention is due to come into operation for Australia from 24 January 2009.

The process of implementing the Montreal Convention highlighted a range of technical deficiencies in the CACL Act and work to address these will be undertaken in consultation with industry. For example, the liability caps for domestic travel were set in 1995 and have not been updated for inflation. Although there are no plans to apply the Montreal Convention's system of unlimited liability to domestic travel, the existing liability caps for domestic travel are due for review.

Since the domestic liability caps were last updated, there have also been significant developments in relation to state government civil liability schemes and there may be some scope to clarify how these schemes relate to Commonwealth's air carriers' liability legislation. The Government proposes to address these issues as part of a broader review of carriers' liability and insurance arrangements. More detail on this review can be found later in this chapter.

Compensation for surface/land damage caused by aircraft

There have been a range of international developments relating to third party surface damage since the DBA Act was introduced in 1999. In Europe, a system of compulsory insurance for surface damage was introduced in 2004.

ICAO has drafted new international conventions covering this issue which will be considered by an international diplomatic conference scheduled to take place in 2009. These draft Conventions (the 'Convention on Compensation for Damage to Third Parties Resulting from Acts of Unlawful

Interference involving Aircraft' and the 'Convention on Compensation for Damage Caused by Aircraft to Third Parties') are designed to replace the outdated 'Rome Convention'. The Rome Convention regulates the liability for damage caused by aircraft to parties on the ground, under a system of strict and capped liability. Australia is not a party to the Convention, having denounced it in 1999 because the levels of compensation were capped at inadequate levels. Most of Australia's aviation partners are not a party to the Convention for the same reason.

The Australian Government has identified a range of concerns in relation to the draft ICAO Conventions and will consult closely with industry prior to finalising its position in relation to the draft Conventions.

The issues relating to state government civil liability regimes are also applicable to claims brought under the DBA Act, with uncertainty as to how the state government legislation relates to the Commonwealth legislation. As with the passenger compensation issues identified earlier, the Australian Government's review of carriers' liability and insurance arrangements will address those concerns raised in submissions.

Delivering compensation: the Family Assistance Code

The Australian Government's Family Assistance Code requires airlines to establish Family Assistance Plans which can be implemented following an air accident. These Plans recognise airlines' obligations in the immediate aftermath of an air accident, and set out requirements relating to issues such as the provision of financial, logistical and emotional support to victims' families following an air accident. The code also sets a level for the payment of up-front advance payments to victims' families.

The Family Assistance Code is currently voluntary. This recognises the airline industry's interest in effectively managing its response to an air accident. However, the Australian Government has previously indicated it would consider making the Code mandatory if the voluntary scheme prove ineffective.

The Government last sought written assurances from airlines that they were in compliance with the code in 2002, and has limited information relating to the current level of industry implementation. It is understood the majority of Australian and foreign international airlines and some of Australia's major domestic airlines have a family assistance plan in place.

The adequacy of the voluntary code in meeting consumer needs will be included in the upcoming review of carriers' liability arrangements.

Civil Aviation Carriers' Liability and Insurance review

The Australia Government is currently developing a targeted industry discussion paper that will comprehensively examine Australia's carriers' liability framework. The paper will canvas a range of issues including the liability caps for domestic travel, third party insurance requirements and the relationship between state and Commonwealth legislation.

The discussion paper is due to be released shortly, with the review to be completed in 2009.

The Family Assistance Code will also be examined as part of the review. The Government will evaluate the extent to which the minimum and voluntary standards of the Code are reflected in the planning arrangements of airlines operating to, from and within Australia and assess whether consumers would be provided better protection if these standards were mandated.

A more effective framework for people with disability

Recognising that people with disability are entitled to the same rights and the same opportunities as all other Australian citizens, the Australian Government introduced legislation in 1992 to make discrimination on the basis of disability unlawful in Australia.

Under the *Disability Discrimination Act 1992* (DDA), the Attorney-General may make Disability Standards to specify rights and responsibilities about equal access and opportunity for people with disability, in more detail and with more certainty than the DDA itself provides.

The Standards relating to air transport services for people with disability are the *Disability Standards for Accessible Public Transport 2002*.

Part 34 of the Transport Standards requires the Minister for Infrastructure, Transport, Regional Development and Local Government, in consultation with the Attorney-General, to review the efficiency and effectiveness of the Transport Standards within five years of their coming into effect. The first five year review of the Transport Standards is being undertaken by an independent consultant.

A draft report, including a number of recommendations relevant to air transport services, was released for stakeholder comment in January 2008.

A final report is expected to be submitted to the Government in late 2008 at which time the Government will consider its response.

What is clear, however, is that an ongoing means of effective communication is required between airline, airports, governments and people with disability in working through the complex operational issues that affect the quality of service offered to people with disability.

To address this, the Government proposes to establish an Aviation Disability Access Working Group to provide advice on disability access policy and the legislative framework and on practical measures that can be taken to improve the access to air services for people with disability.

It is envisaged that the Working Group will comprise representatives from industry, relevant government agencies and representatives of people with disability and will receive secretariat support from the Department of Infrastructure, Transport, Regional Development and Local Government.

Consumer protection – the way forward

Consumer protection

The Australian Government continues to support a deregulated domestic airline market and its ability to deliver greater flexibility, choice and competition to consumers. Re-regulating certain elements of the deregulated market would interfere with the flexibility and choice now available to consumers. However, airlines need to ensure that the terms and conditions applying to travel are made very clear to consumers prior to purchase, and consumers need to take responsibility for ensuring they are purchasing a product that meets their needs.

To ensure a balanced approach minimising unnecessary regulation while promoting consumer fairness the Australian Government proposes to:

- ensure the airline industry remains subject to the provisions of the *Trade Practices Act 1994* and state fair trading laws in the conduct of its business;
- with its state and territory counterparts, continue to monitor and evaluate the adequacy of the consumer protection framework to ensure consumers' rights are protected; and
- implement legislation to require airlines to advertise all-inclusive pricing, ending the potential for customers to be offered air fares without charges such as airport charges and fuel levies included in the advertised price.

Compensation arrangements

The Australia Government is taking steps to ensure that compensation available to aviation passengers in the event of an accident reflects contemporary community standards. This includes proposals to:

- conduct a comprehensive review of Australia's carriers' liability framework, in close consultation with the travelling public, industry and relevant government agencies; and
- as a first step, a targeted discussion paper will be released for public comment. The results of the review and preferred next steps will be outlined in the White Paper.

Disability access

The Government recognises the difficulties sometimes experienced by people with disability in accessing air travel. The Government proposes to:

- detail its future strategy on disability access issues in the transport context when it responds to the final report of the review of Transport Standards under the *Disability Discrimination Act 1992* in early 2009. This strategy will involve a range of measures underpinned by a commitment to more inclusive and ongoing consultation on disability issues, and
- establish an Aviation Disability Access Working Group to provide advice on disability access policy and the legislative framework and on practical measures that can be taken to improve the access to air services for people with disability.
    - The Working Group will comprise representatives from industry, relevant government agencies and representatives of people with disability and will receive secretariat support from the Department of Infrastructure, Transport, Regional Development and Local Government.

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Aviation Infrastructure

Aviation infrastructure

Investing and planning for responsible growth

Planning at federal leased airports

Issues Paper Themes

- Improving consultation with state and local authorities and co-operation between airport operators and state and local governments on land use planning
- Integrating investment on airports with improved road and rail links to and from airports
- Ensuring non-aeronautical developments do not compromise aeronautical requirements of airports
- Improving mechanisms for guiding development around airports to ensure aircraft noise issues are fully addressed in planning
- Developing mechanisms for effective ongoing dialogue between airport operators and their local communities
- Ensuring off-airport developments, such as tall buildings, do not compromise safe and effective use of airports
- Addressing future airport needs, recognising the importance of airports as an element of the national economic infrastructure
- Accommodating the safe and effective use by civil aviation of joint user or Defence-owned airports
- Potential commercial impacts of non-aeronautical airport developments on off airport competition

What the submissions said

State and local governments, major airlines and peak aviation industry and retail bodies argued for improvements in the planning and development regime under the *Airports Act 1996*. In particular, they wanted Master Plans and Major Development Plans to contain more detail so that the off-airport impacts of development could be more accurately predicted and addressed. State governments wanted the Plans to be subject to review by an independent panel to better integrate airport development with local planning, improve community consultation and increase oversight of non-aeronautical development.

There was some support for making non-aeronautical developments on airports subject to local planning laws or for the Commonwealth approval process to require consistency with local planning requirements. This was seen as a mechanism to remove the perceived competitive advantage for some on-airport non-aeronautical developments. One factor identified was the payment of developer contributions for infrastructure support costs.

The submissions from the leased federal airports were generally supportive of current planning and development arrangements.

A number of airports and other aviation organisations supported greater regulatory protection of airports from incompatible off-airport developments that may compromise the safe and effective use of the airports.

A significant number of submissions commented on the capacity of Sydney Airport.

Sydney Airport Corporation Limited argued that there was no need for a second Sydney airport, expressing confidence that capacity could be well-managed for the foreseeable future.

However, the NSW Government noted that continued aviation growth would mean that a new international airport for Sydney would be required. Some airlines also commented that capacity at Sydney Airport was already being fully utilised at peak times and supported a process for identifying and securing a site for a second airport.

There were also suggestions, from Singapore Airlines and Qantas in particular, for a relaxation of curfews and movement caps at Sydney to take account of the introduction of newer quieter aircraft.

Other submissions suggested that other major east coast airports have the capacity to accommodate greater numbers of international flights. Canberra Airport suggested that it could become a domestic and international freight hub, thereby reducing the load on Sydney Airport. Bankstown Airport argued that greater use of Sydney Basin airports would alleviate congestion at Sydney Airport.

Proposals for use of supplementary airports noted a need for road or rail transport to ensure connectivity of the airports. Regional councils and airlines, however, argued that rural and regional passengers would be disadvantaged if they were unable to access Sydney Airport, with its close proximity to the central business district.

Investment in Australia's airports – a work in progress

The Australian Government privatised the operation of 22 major airports between 1997 and 2003 by selling long-term leases over the airport sites to the private sector. These airports were formerly operated by the Federal Airports Corporation, a Government Business Enterprise established in 1986 to operate the Commonwealth owned airports. The privatisation of the airports' operation was part of the reform of the aviation sector that began with the deregulation of the domestic aviation market in 1990.

The Australian Government's oversight of the operation of the leased airports is set out in the *Airports Act 1996* and its regulations, in the leases for the sites, and in the sales agreements with the airport-lessee companies.

Since the privatisation program began in 1997, the airport-lessee companies have invested just over $2.2 billion in new aeronautical infrastructure. A further investment of over $4 billion is expected in the future from just seven of the largest airports.

Investment to date has allowed Australian airports to prepare themselves for new opportunities, such as the advent of the A380 aircraft, and to respond to the strong growth in aviation in recent decades.

However, investment and development has not been without controversy. Arguments have been raised in particular about excessive use of land on airport sites for developments not directly related to airport operations.

Key challenges

Ensuring ongoing investment in airport infrastructure

The Bureau of Infrastructure, Transport, and Regional Economics predicts that passenger movements through all airports will increase by four per cent per annum over the next 20 years resulting in a doubling of passenger movements over the period. With privatisation, it is the airport lessees who plan and finance investments in major airport infrastructure to meet industry growth. Recently, there have been a number of announcements by airports of significant investments in aeronautical infrastructure. Of particular note:

- Brisbane Airport is expected to invest approximately $2.2 billion on a parallel runway,

domestic and international terminal improvements, and a northern access road;

- Perth Airport is expected to spend approximately $1 billion on consolidating the international and domestic terminals and building a charter terminal;
- Sydney Airport is expected to spend approximately $550 million on extensions to the international terminal; and
- Melbourne Airport is expected to spend $330 million on extensions to the apron and international terminal.

However, a supportive framework is important if such investments are to continue. Demand in the aviation industry can be volatile and the lead-times for investment lengthy. While growth has been strong over the long term, cyclical downturns can occur as economic circumstances change. The industry is also especially sensitive to sudden shocks, such as those experienced with the collapse of Ansett, September 11 and the outbreak of SARS.

The Government proposes to continue with regulatory arrangements which support investment. This includes pursuing:

- balanced regulatory intervention in relation to pricing, planning or development approval;
- certainty in future planning for airport sites through improved arrangements for airport Master Plans and other development plans;
- a greater sense of shared commitment to the development of the airport site through improved coordination with state and territory and local governments and better integration of on-airport and off-airport planning; and
- a clearer framework for protecting airport operations from inappropriate development around airport sites.

Future airport needs: the Sydney region

The Government will work to ensure that airport infrastructure needs for the Sydney region are met well into the future.

The pressure on Sydney Airport in the face of increasing demand is an ongoing cause for concern. Sydney Airport is approaching capacity, with limited scope for new services during the high demand periods.

Sydney Airport Corporation Limited has begun its five-yearly revision of its Airport Master Plan, which is due to be submitted to the Minister for Infrastructure, Transport, Regional Development and Local Government in March 2009. The Plan, which sets out the forecast of activity and development at the airport for the next twenty years, will be finalised following consultation with the community, industry stakeholders and government agencies over the coming months. The process provides an opportunity for all those interested in the future operations at Sydney Airport to have input.

While Sydney Airport may have the physical capacity to cope with some growth in the short to medium term, the Government is concerned that the capacity limitations may over time constrain the development of our aviation industry and have a negative impact on broader economic growth, given the airport's strategic importance in the national network.

Continued growth at Sydney Airport may also exacerbate the impact on the community, by spreading the peak of operations, limiting options for noise sharing and reducing respite. The progressive introduction of quieter, new generation aircraft is a welcome development, but it will not remove the impact of aircraft operations on the community.

The legislated curfew and movement cap will remain in place. The Government does not intend to remove these operating restrictions, which provide the surrounding community with some relief from aircraft noise. These arrangements have strong community support.

The consideration of the Sydney Airport Master Plan will provide a better understanding of the future patterns of traffic to and from the Sydney region and the implications of continued growth for Sydney Airport, its users and the surrounding community.

Following consideration of the Master Plan, the Government proposes to initiate processes to identify additional aviation capacity for the Sydney region, consistent with the Government's policy of support for a second airport for Sydney.

The construction of an airport at Badgerys Creek is no longer an option. The future use of the Badgerys Creek site will be subject to further consideration.

A more effective planning regime

Responsible planning and development of airports as airports

The Government recognises the importance of continued investment in aeronautical infrastructure at airports, and the Government is committed to ensuring that this development is responsible.

The Government will ensure planning of the airport sites is consistent with the long-term development of the sites as airports and that it supports an optimal mix of aeronautical uses.

Airport sites are scarce and valuable. The encroachment of city development around airports, particularly the secondary airports at capital cities, has increased pressures for use of airport land for other purposes, with potentially higher commercial returns. The Government respects the right of the airport operators to a reasonable return on capital invested, but will not support proposals for uses of the site which work against the realisation of the full potential of the site for a range of aeronautical uses. Planning also needs to ensure proper provision is made for the necessary aeronautical infrastructure, including air traffic facilities and fire fighting services.

The Government will also work to ensure that an appropriate balance is maintained between the social, economic and environmental needs of the community and the development of the site. There is no intention to over-regulate.

Better integration with state and local government planning

The Government is keen to work with state and territory governments and industry on improved arrangements for planning and development on airports, subject to some key principles:

- the Commonwealth Minister will retain final decision-making authority for land use planning and development;
- arrangements for assessing plans and development proposals on airports and their supporting consultative procedures should be designed to encourage investor certainty and community confidence; and
- cooperative arrangements will be developed with the states and territories to better integrate airport planning and development and regulatory oversight with local and state and territory planning and regulatory arrangements, whilst ensuring reasonable provision for the protection and development of the airports.

The Government proposes to work with the representatives of state and territory and local governments, and the airports, to finalise specific proposals. The Government's preferred position is that the Australian Government Minister be given the power to establish expert Airport Planning Advisory Panels for each of the major airports to assess, at the Minister's request, airport Master Plans and Major Development Plans. The Panels would report to the Minister, who would retain the final decision-making authority.

The Panels would comprise people with planning and/or aviation expertise drawn from government, industry and the community. The Panels would enable expert independent analysis and advice to

be provided to the Minister on the implications of airport projects for things such as traffic and public transport, and other areas of local planning. The assessments could include consideration of the outcomes of public consultation and the airport's response.

Strengthening arrangements for community consultation

In submitting their Master Plans and Major Development Plans to the Minister for approval, the airport-lessee companies are required under the Airports Act to demonstrate how they have taken account of comments from the public received during the public consultation period. Submissions from key stakeholders indicate that they do not consider that this element of the approval process has adequately addressed their concerns.

The use of expert panels would help to ensure community views are given due consideration within the development approval process.

The Government also proposes that the Minister be empowered to require airport lessees to establish community consultation groups for each major airport to foster effective community engagement in airport planning and operations issues. It is envisaged the groups would:

- have an independent Chair;
- include airport and government representatives, as well as representatives from local communities and users;
- be funded by airport lease holders;
- have scope to address ongoing and current planning and development issues and other key areas of airport activity that impact significantly on the community, e.g. aircraft noise; and
- monitor community complaints relating to the airport and their handling.

More clarity about future planning

The Government believes that the airport Master Planning process can be strengthened to provide greater transparency and certainty about future land uses at the airports. The airport Master Plans outline the proposed use of the airport site with a 20 year horizon and are updated on a five year cycle. While the planning for 20 years ahead is necessarily at a broad level, a more detailed articulation should be possible of plans for aviation and other developments proposed in the immediate three to five year period.

The articulation of more specific development plans for the next Master Plan cycle would provide a better basis for community input to the process. In turn, the approval of Master Plans with more detailed articulation of the nature of developments proposed over the cycle would provide airport operators with more confidence to proceed with those developments.

To improve clarity about the implications of airport development for surrounding communities, the Government proposes to examine options such as requiring a ground transport plan to be annexed to a Master Plan and incorporation of Airport Environment Strategies into the Master Plan process.

A ground transport plan could be expected to consider issues such as public transport and car parking access for passengers and 'meeters and greeters' as well as access to commercial developments on the airport site. It could also be expected to consider the transport needs of workers employed at the airport, who need to travel to and from their employment, sometimes at irregular hours.

The Government will also consider the introduction of powers for the Minister to call for, consider, and approve precinct plans for areas which are to be used for non-aeronautical development, setting out the nature of the proposed development in the precinct, identifying its impacts on and off-airport, and proposals for addressing those impacts.

Strengthening the triggers for Major Development Plans

Current threshold requirements for submitting Major Development Plans may not capture a number of relatively significant non-aeronautical proposals. Under the Airports Act, a non-aeronautical development is subject to the Major Development Plan requirements only if it is to be a new building with a cost exceeding $20 million or it is likely to have significant environmental or ecological impact. The Government will review the triggers to ensure they do not allow proposals that may have significant community impacts to proceed without community consideration.

The review of these triggers would look at how thresholds might be defined so as to address the range of potential community impacts an on-airport development may have, including environmental or economic impacts, impacts on access to the airports, traffic congestion, local transport networks, and noise.

Recognising that any defined triggers will not be able to encapsulate all local issues, the Government also proposes to provide a Ministerial call-in power to require lodgement of a Major Development Plan that may have significant community impacts. This would ensure consideration of the proposed development, which may not otherwise have been subject to the Major Development Plan process. Objective criteria for the use of the call-in power will be developed in consultation with other levels of government, the industry, and the community.

Identifying uses which are not compatible with airport sites

The Government believes there are a range of activities such as long-term residential development and the operation of residential aged or community care facilities, nursing homes, child-care facilities for the public, hospitals, and schools that may not be compatible with the operation of an airport as an airport.

The Government will move to identify the categories of development which are likely to be incompatible and consider options to prohibit or otherwise restrict any such new developments on the leased federal airports sites. The Government believes that the public interest may best be served by creating certainty on these issues for the airport operators, planning agencies, and the community.

Honouring environmental obligations

A range of environmental issues arise in relation to development on airport land including impacts on biodiversity, runoff from the site, noise, and dust and other emissions.

The Government expects the airports to adopt high standards in environmental management and to take all necessary action to implement their Airport Environment Strategies consistently and fulfil their obligations under the *Environment Protection and Biodiversity Conservation Act 1999.*

Monitoring and enforcement

The Government recognises particular caution is required about any environmentally significant developments which would require ongoing monitoring on airport sites. Further consideration will be given to how best to manage effective monitoring of any such development and ensure appropriate environmental standards are met throughout the life of the development.

In summary, the Government considers that processes for the approval of non-aeronautical and aeronautical development on airport sites should be refined and new measures applying to it could include:

- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- reviewing the triggers for the major development process to ensure that those developments of most interest to the community are subjected to proper consultation

processes;

- strengthening the airport master plan process to provide greater transparency and certainty about future land uses at airports, including the detailed articulation of plans for aviation and other development proposals for the three to five year period following the master plan review;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- a call-in power for the Commonwealth Minister to ensure consideration of sensitive proposals, which would not otherwise have been subject to consultation; and
- a prohibition on future non-aeronautical facilities or uses that are likely to be incompatible with the effective and efficient operation of the airports, including residential use, aged care facilities, schools, hospitals, and child care facilities (other than those designed principally for staff working on the airport site).

Safeguarding future aeronautical needs from inappropriate development in surrounding areas

As airports form a critical part of Australia's infrastructure, the Government is concerned to ensure that development around airports does not restrict the long term operation and growth of the airport. The Government is committed to working with the states and territories to improve national arrangements for all government planning processes relating to airports.

To date there has been limited coordination to ensure airports are protected from development in surrounding areas that is incompatible with aviation operations and growth. For example, buildings of excessive height or inappropriate reflective material may interfere with flight paths or radar, and new residential development under flight paths can bring pressure to limit aircraft operations, including through curfews.

A related concern is to ensure airports do not pose an unacceptable level of risk to nearby residents. There has to date been limited use of regulatory processes such as the definition of public safety zones to prevent building in areas where there are quantifiable risks to the public. Uniquely in Australia, this is addressed in a Queensland State Planning Policy that is used by its regional planning authorities.

While the use of Master Plans and Safety Management Systems are the basis for planning considerations on airports, these stop at airport boundaries and have little, if any, influence off-airport.

The regulations and planning policies that do influence off-airport planning decisions, such as airspace protection and managing noise impacts, are piecemeal and disconnected, leading to uncertainty in planning, both at airports and for off-airport development.

There would be benefits to airports, airlines and governments in having a clear regulatory environment for land use planning, both on and off airports, that safeguards the public and aeronautical infrastructure and provides for the safe operation of airports.

A unified risk-based framework could be developed to enable all levels of government to take responsibility for safeguarding airports from off-airport development that is incompatible with the future safe and effective operations of an airport.

This framework would also need to consider whether safeguarding provisions should apply to both new and existing development or, if it is to apply to existing development, which criteria should be applied.

The Government will initiate this approach through the public release of a more detailed discussion paper on a national airport safeguarding framework.

As a result, in addition to the planning reform package outlined above under section 8.1.4, the Government is committed to working with the state and territory governments to develop the following initiatives:

- national airspace protection legislation that protects approaches to major airports to prevent intrusion into airspace by buildings approved at state and local government level;
- developing a clear policy on the definition of public safety zones around airports which can be taken into account in local planning with a view to ensuring that the community is not exposed to any undue level of risk from aircraft operations; and
- developing strategies and plans to address other airport related issues, such as aircraft noise, traffic linkages, and best practice community consultation models.

Economic regulation: balancing incentives to invest with fair pricing

Issues Paper Themes

> Ensuring the regulatory framework for the pricing of airport services and monitoring of service quality is appropriate in the current environment

> Transparency in the setting of charges for services at airports not subject to price or quality of service monitoring

What the submissions said

Airports and other supporters of airport investment favoured continuation of the current price monitoring regime, suggesting that it delivered efficient outcomes and provided the confidence for continued strong investment at airports.

Some, but not all, airline interests claimed the light-handed price monitoring regime had not been effective in curbing airport market power. The Board of Airline Representatives of Australia broadly supported the current pricing regime, but believed price monitoring should apply to all of Australia's international airports.

Some submissions suggested adopting an enforceable structured pricing framework that specified the basis of pricing calculations (i.e. detailing a specific form of building block model to calculate charges) and an airport-specific dispute resolution mechanism.

The current regulatory regime for airport pricing

Australia's airports are a major component of the national transport infrastructure and make a significant contribution to Australia's overall economic prosperity. Continued efficient investment in aeronautical infrastructure is a key objective of the Australian Government. At the same time, airports have significant market power and this is an important factor in determining the most appropriate pricing and regulatory regime.

In 1997 and 1998, following the privatisation of the federal airports, the former Government implemented a prices oversight regime for the Phase I[23] and Phase II[24] privatised airports, and

[23] Brisbane, Melbourne and Perth Airports

[24] Adelaide, Alice Springs, Canberra, Gold Coast (Coolangatta), Darwin, Hobart, Launceston and, Townsville

Sydney airport (which was corporatised in 1998 but not sold until 2002), consisting of:

- price notification for aeronautical services;
- a Consumer Price Index (CPI) minus X price cap on aeronautical services;
- price monitoring of certain aeronautical-related services; and
- cost pass-through provisions for necessary new investment and government-mandated security services.

The airports subject to price oversight were also subjected to quality of service monitoring.

Based on the findings of a 2002 Productivity Commission (PC) inquiry, a lighter-handed regulation of airports was introduced in place of price-caps and price notification of aeronautical services. A regime comprising aeronautical pricing principles, commercial pricing negotiations between the airports and their airline customers, and price monitoring of both aeronautical and aeronautical related services was implemented at Adelaide, Brisbane, Canberra, Darwin, Melbourne, Perth and Sydney airports. Quality of service monitoring of the seven airports was also continued.

Under the light-handed regime, the seven designated airports were required to provide annual financial statements in relation to the provision of aeronautical services and non-aeronautical services separately to the Australian Competition and Consumer Commission (ACCC). The airports were also required to report costs, revenues and profits relating to the supply of aeronautical and aeronautical-related services to the ACCC.

A lighter-handed approach to airports regulation was intended to provide greater scope for the airports to price, invest and operate efficiently. The purpose of price monitoring was to assist the competitive process by allowing the community to scrutinise prices and market outcomes and to provide evidence of unjustifiable price increases were this to occur. It was also considered that price monitoring would act to curb any abuse of market power by the airports.

Following a second PC Inquiry in 2006, the former Government decided to maintain the light-handed regulatory approach, but to exclude Canberra and Darwin airports from the price monitoring regime.

The decision to exclude Canberra and Darwin means that the current price-monitoring arrangements apply only to five Australian airports – Adelaide, Brisbane, Melbourne, Perth and Sydney. Other leased federal airports as well as airports coming under state and local government jurisdiction have no formal price monitoring or control.

Another potential gap in the system is that airline operated domestic terminals that are subject to a lease that existed prior to airport privatisation are excluded from quality of service monitoring

The way forward

The Australian Government has decided to expand the range of services monitored by the ACCC to include car parking costs and revenue at the five major airports. The Government is concerned to ensure that airports do not use their monopoly position to exploit the travelling public and the inclusion of car parking in the ACCC's monitoring regime will provide greater transparency and accountability for car parking costs.

While the current pricing system has allowed effective commercial arrangements to be struck between airlines and airports, the Government considers it important to strengthen the regime to balance incentives for investment with accountability and transparency in the provision and pricing of airport services. The Government considers there are some areas which can be refined to improve the system, to make it more transparent and to ensure the public is fairly served by Australia's critical aviation infrastructure.

Continuing the current pricing system

The Government recognises that regulatory stability is important for airports as they make long term investment decisions. The Government proposes the continuation of price monitoring as the basis for economic regulation until 2013, with the modifications addressing the Issues raised in this Green Paper to be introduced following full consultation with both industry and the public. A full review of Australia's airport economic regulatory regime will be undertaken in 2012.

Quality of service

Quality of service monitoring of major airports seeks to ensure airport operators are not obtaining improved short-term returns through running down assets or reducing their standards of service below levels reasonably expected by airport users, particularly the travelling public.

To date quality of service monitoring has focused on a range of services that are relevant to the maintenance of the asset and use of that asset by airlines. The Government will review the quality of service monitoring arrangements to enable improved reporting on the passenger experience, including complaint-handling systems and disability access at airports.

To enhance transparency and promote consistency, the Government will examine whether there is a need to include airports other than the current five for quality of service monitoring.

The first step in this process will be the development of a consultation paper on proposed changes to Part 8 of the Airports Regulations, which address quality of service monitoring, in the near future.

Car parking

The Government is aware of concerns that airports could use their monopoly positions to charge excessive prices for parking, especially in comparison to international standards. It is important to ensure the travelling public and their families are not over-charged.

The Government recognises airports must be able to obtain a reasonable return on their investments, and car parking is an important element in that. Also, airports must be able to manage traffic in areas around the terminal.

Nonetheless, the Government recognises the significant public interest in ensuring car parking fees remain at a reasonable level. The Government has directed the ACCC to monitor car parking prices, costs and profits at Australia's five major airports. The monitoring of car parking prices will ensure greater transparency and accountability for the car parking facilities at these airports.

Refinement of the price monitoring system

While the current regulatory arrangements have worked well for the five major airports, the Government considers this system could be adapted to monitor behaviour at other airports. However, an important element in this will be to provide investment certainty and limit the regulatory burden on those airports.

In the first instance, the Government is examining options to re-introduce a level of price-monitoring at Canberra and Darwin airports. Darwin is a remote community and has experienced significant price increases since privatisation. Canberra is largely a business market with a relatively low sensitivity to price, which may reduce competitive pressures to keep prices down. Both Canberra and Darwin airports were subjected to price and quality of service monitoring from 1998 until last year.

A tiered approach

The Government will investigate options for a tiered approach to economic regulation which might apply scaled-down monitoring and reporting requirements to airports with lesser market power than the five major airports currently monitored.

The Government recognises the compliance costs that regulatory requirements can impose, particularly on smaller airports, and would embark on appropriate consultation before finalising a decision to expand the scope of airports to be monitored.

A show cause mechanism

One of the key benefits of the price monitoring regime is that it provides transparency while minimising the regulatory burden for airports. However, this system provides only a limited range of remedies where there is suspicion of an abuse of pricing power.

The Government therefore proposes to implement a 'show cause process' which would apply if there is prima facie evidence of serious pricing misbehaviour by an airport. Under this process airports will have the opportunity to formally respond before further action is taken, such as a formal price inquiry under the Trade Practices Act or other investigation.

A 'show cause' guideline will be released to relevant stakeholders for consultation.

Dispute resolution

Some airlines and industry associations have indicated concern with the lack of a binding dispute resolution process to apply in the event that airlines and an airport operator cannot reach commercial agreement on aeronautical charges.

The Government considers that aeronautical prices should ideally be established through commercial negotiations undertaken in good faith. Parties can agree on processes for resolving disputes commercially, such as through an independent commercial mediation or a legally binding private arbitration.

In considering the issue in 2002 and 2006 the PC generally did not support airport-specific dispute resolution provisions because of concern that access to compulsory dispute resolution may remove incentives for the parties to reach commercial agreement – that is, parties might proceed to invoke the dispute resolution provisions without seriously attempting to negotiate.

Part IIIA of the Trade Practices Act is the legislative regime to facilitate access by a party to the services of a nationally significant essential facility (a natural monopoly). Part IIIA applies to all airports deemed to be nationally significant. One of the main criticisms of Part IIIA mechanism is that it is time consuming and subject to merits and judicial review. The Government is currently considering possible amendments to the effectiveness and timeliness of processes under Part IIIA of the Trade Practices Act. The Minister for Competition and Consumer Affairs is expected to bring forward a package of reforms to Part IIIA following appropriate consultation.

Accordingly, the Government is considering an approach along the following lines:

- continuation of price monitoring for the five major airports, with a review in 2012;
- improvements to quality of service monitoring;
- responding to public concerns with car parking prices by its re-inclusion as a price monitored service;
- re-introduction of a level of price-monitoring at Canberra and Darwin Airports;
- developing a proposal for different 'tiers' of price monitoring depending on airport size and market power; and
- implementation of a "show cause" mechanism, requiring airports to demonstrate why their conduct should not be subject to closer scrutiny where there is prima facie evidence of abuse of market power.

Major regional airports

In responses to the Issues Paper there was support from some regional airports and airlines and the Regional Aviation Association of Australia for government investment in regional airports.

The policy context

While the Australian Government has responsibility for the regulation of Australia's major capital city airports, most regional airports come under state and local government controls.

Aerodrome Local Ownership Plan

From 1958 to 1990, the Australian Government encouraged local ownership under the Aerodrome Local Ownership Plan (ALOP) by contributing funding to aerodrome maintenance and development in exchange for agreement to transfer responsibility free of charge to local owners. The Government partially recovered this funding through Commonwealth aerodrome charges. The Government also provided funding to aerodromes already in local ownership that supported a regular scheduled air service.

In 1990, the Government announced its intention to withdraw completely from the ownership of local airports over a period of five years. The Government subsequently accelerated its withdrawal from ALOP and allocated additional funding to ensure its completion in 1992-93, with no further funding to be provided or Commonwealth aerodrome charges levied.

Most aerodromes were transferred to local councils with the underlying principle that local councils were best qualified to manage them according to the needs of their communities. Councils agreed to operate and maintain the aerodromes without ongoing funding support from the Commonwealth. Aerodromes were transferred under freehold title.

To assist in the transition from government-subsidised operations and to encourage a vigorous, cost-effective regional aviation market of more efficient, locally operated aerodromes the Australian Government provided one-off grants totalling $73.8 million. Since that time the Australian Government has not had a direct role in funding ongoing maintenance and capital upgrades at regional aerodromes.

State and territory programs

The degree of financial assistance available to regional and remote aerodromes varies between states and territories.

In Western Australia, the Regional Airports Development Scheme is designed to assist the development of airport infrastructure. Through this Scheme, the State works in partnership with airport owners to develop regional airport infrastructure that meets access needs and contributes to regional economic growth.

The Queensland Government operates a Regional Airport Development Scheme to assist local government in the upgrade of regional and remote airport infrastructure. Funding is offered on a matching grant basis with airport owners for projects that are necessary to maintain basic access or that promote regional development.

The Northern Territory Government provides funding for 72 strategic aerodromes throughout the Territory. This funding ensures that communities have access to government services and is provided for ongoing repair and maintenance and periodic upgrade of these aerodromes.

Although the South Australian Government has no dedicated airport infrastructure program it does contribute to various airport projects from a variety of agencies. Contributions tend to be on the basis of wider economic benefits delivered by particular projects and occasionally may be on the basis of safety or social equity. In most cases they are made in partnership with other funding

bodies.

In Victoria, there is no dedicated airport infrastructure program but project specific funding is available through the Regional Infrastructure Development Fund and Small Towns Development Fund. Through these funds, the Victorian Government's contributions tend to be based on wider economic benefits delivered by particular projects, but occasionally may be on the basis of safety or social equity. In most cases, they are made in partnership with other funding sources at the local government level or with business partners of the airport or aerodrome.

New South Wales has no program dedicated to airport funding although country grant programs have in the past funded minor works at some regional airports.

Tasmania has no program dedicated to airport funding and, while the Tasmanian Government has in the past contributed to the cost of airport infrastructure, it has not done so for a number of years.

Flexible financial support

The Australian Government recognises that the experience has varied following the transfer of aerodrome ownership to local councils. Some airports have a sufficient frequency of services to recover ongoing costs, with a few able to make a profit. Others do not generate sufficient revenue to cover more than basic costs and are subsidised by local governments.

The Government has provided around $31.1 billion in Financial Assistance Grants to local government since 1974-75, including an estimated $1.8 billion in 2008-09. These grants are untied and local governments can prioritise spending, including on airport infrastructure, based on the needs of the local community.

The Government has also announced a $300 million program for 2008-09 to build local community infrastructure in all of Australia's 565 local council areas. The $300 million Regional and Local Community Infrastructure Program will boost local economic development and support jobs in communities around the country. Ongoing funding for the RLCIP will be determined as part of the 2009-10 Budget process.

Sustainable regional airports

Decisions on the application of airport charges, ongoing maintenance expenditure and infrastructure investment are the responsibility of the airport operator.

Many of Australia's regional airports owned by local councils impose user charges which provide funds for administration, maintenance and upgrading of facilities.

In setting airport charges councils must appreciate the price-sensitivity of airline travellers and the limited ability of regional operators to pass on airport charges.

As airport owners, local councils have an important role in balancing the establishment and growth of regional airline services. Councils can discount or waive fees where the services are judged to be a priority for the community and balance this against the requirement to generate revenue to maintain and manage the airport.

Australian Government policy provides an environment free of artificial constraints where these decisions can be taken by the relevant authority based on market demands, available resources and an assessment of the future transport and infrastructure needs of the community.

Remote airports

The Government acknowledges the essential nature of air services for the social and economic well being of remote and isolated communities. A regular air service provides basic access needs for these communities along with emergency and medical services.

In recognition of their status as critical infrastructure for isolated and transport disadvantaged

communities, the Government provides ongoing funding to ensure the continued operation of some remote aerodromes.

Remote Aerodrome Safety Program

The national Remote Aerodrome Safety Program assists airstrip upgrading in remote and isolated communities to improve safety and accessibility and to facilitate the provision of non commercial but essential goods and services.

The program operates through cooperative funding arrangements with states and local governments, who provide matching payments towards safety related projects at remote aerodromes.

The program has been working well in delivering outcomes and cooperative planning and funding by all levels of government. The Australian Government allocated almost $1 million to improve safety and access for 25 airstrips in remote and isolated parts of Australia in the first round of funding under the program. State and territory governments and local councils also provided significant financial contributions.

The Australian Government's contribution of $6.6 million under the second round will deliver airstrip upgrades worth about $11 million, with state and territory governments contributing $2.1 million and local councils $1.8 million.

The next round of the program is expected to open in early 2009.

Remote Aerodrome Inspection Program

The Remote Aerodrome Inspection Program provides aerodrome safety inspection services and technical advice to remote northern Australian indigenous communities that rely on air services.

Normally, aerodrome inspections of this type would be the responsibility of the aerodrome owner and/or operator. However, they require specialised technical expertise not readily available in remote communities.

Australian Government funding provides for this expertise to ensure the continued operation of these essential services.

Use of Defence airports for civil aviation

Fundamentally, Defence airports serve military aviation users and the development of military capability and the conduct of military operations.

Defence airport facilities such as Newcastle (Williamtown), Darwin, Townsville, Learmonth and Curtin play an important role in providing services to civil air passenger transport operations. Some general aviation operations also use Richmond (NSW) and Tindal (NT) Defence airports.

At some of these locations (Williamtown, Darwin and Townsville) Defence provides air traffic control services, while at Williamtown, Defence also provides aviation rescue and fire fighting services.

The shared use of airports such as at Darwin, Townsville and Newcastle has provided a relatively inexpensive and convenient method of providing for civil aviation needs at these locations – especially when compared with the significant costs of establishing a separate civilian airport.

These arrangements were established when civil traffic levels and complexities were much lower than today and when civil and military operations were largely independent. Defence does not currently recover the full costs of providing these services, particularly air traffic control, to civil aviation. A further issue is the ability of Defence to provide services at these locations to full civil standards with the consequent costs incurred.

These developments can place significant additional resourcing requirements on Defence in terms of the provision of infrastructure facilities and provision of air traffic and rescue and fire fighting services over and above what would be provided for military operations.

Where there are emerging infrastructure and service provision constraints on some of these Defence airports (such as Williamtown) the Government will be examining how best to ensure that the future military aviation operational requirements are met, while recognising and determining how to cater for the increasing civil use, where appropriate, of Defence facilities and growing community dependence on them in some instances for commercial air services.

The way forward

The Government proposes to improve oversight of Australia's critical airport infrastructure by:

- improving planning coordination between the Australian Government, the states and territories and airports, while maintaining regulatory arrangements that promote investment, efficiency, and innovation.

Planning for the Sydney region's long-term aviation needs

Following consideration of the Sydney Airport Master Plan, the Government will:

- initiate processes to identify additional capacity for the Sydney region, consistent with the Government's policy of support for a second airport for Sydney.

Better integration with state and territory and local government planning

The Government is keen to work with state and territory and local governments and industry on improved arrangements for planning and development on airports, subject to some key principles:

- the Commonwealth Minister will retain final decision-making authority for land use planning and development on-airport;
- arrangements for assessing plans and development proposals on airport and their supporting consultative procedures should be designed so as not to act as barriers to investment; and
- cooperative arrangements will be developed with the states and territories and local government to better integrate airport planning and development and regulatory oversight of the airports with local and state and territory planning and regulatory arrangements, whilst ensuring reasonable provision for the protection and development of the airports.

The Government's preferred position is that the Australian Government Minister be given the power to establish expert Airport Planning Advisory Panels for each of the major airports to assess, at the Minister's request, airport Master Plans and Major Development Plans.

- The Panels would report to the Minister, who would retain the final decision-making authority.

Community engagement

The Government proposes that the Minister be empowered to require airport lessees to establish community consultation groups for each major airport to foster effective community engagement in airport planning and operations issues. It is envisaged the groups would:

- have an independent Chair;
- include airport and government representatives, as well as representatives from local

communities and users;

- be funded by airport lease holders;
- have scope to address ongoing and current planning and development issues and other key areas of airport activity that impact significantly on the community, e.g. aircraft noise; and
- monitor community complaints relating to the airport and their handling.

Improved planning processes

The Government considers that processes for approval of non-aeronautical and aeronautical development on airport sites should be refined and new measures applying to it could include:

- examining the impact of airport development on surrounding transport and community infrastructure and how the leased federal airports might contribute to this infrastructure;
- strengthening the airport master plan process to provide greater transparency and certainty about future land uses at airports, including the detailed articulation of plans for aviation and other development proposals for the three to five year period following the master plan review;
- providing a power for the Minister to call for additional detail in precinct plans for areas which have been proposed for non-aeronautical development;
- reviewing the triggers for the major development plan process to ensure that those developments of most interest to the community are subjected to proper consultation processes;
- a call-in power for the Commonwealth Minister to ensure consideration of sensitive development proposals, which would not otherwise have been subject to consultation; and
- a prohibition on future non-aeronautical facilities or uses that are likely to be incompatible with the effective and efficient operations of the airports including residential use, aged care facilities, schools, hospitals, and child care facilities (other than those designed principally for airport staff).

Protecting our airports

The Government is committed to working with the state and territory governments to develop the following initiatives:

- developing a national risk-based framework to guide all levels of government in taking responsibility for safeguarding airports from off-airport development that is inconsistent with future operations and the development of the airports;
- developing a clear policy on the definition of public safety zones around airports which can be taken into account in local planning with a view to ensuring that the community is not exposed to any undue level of risk from aircraft operations; and
- developing strategies and plans to address other airport related issues such as aircraft noise, traffic linkages, and best practice community consultation models.

Economic regulation of airport services

The Government is considering an approach to the economic regulation of federal leased airports along the following lines:

- continuation of price monitoring for the five major airports, with a review in 2012;
- improvements to quality of service monitoring;

- re-instating price monitoring of with car parking at Australia's five major airports;
- re-introduction of a level of price-monitoring at Canberra and Darwin Airports;
- developing a proposal for different 'tiers' of price monitoring depending on airport size and market power; and
- implementation of a "show cause" mechanism, requiring airports to demonstrate why their conduct should not be subject to closer scrutiny where there is prima facie evidence of abuse of market power.

Regional and remote airports

Australia's regional airports play a major role in facilitating connections to capital cities and to essential services. The Australian Government proposes to:

- Work with state and territory governments and local airport owners through the Remote Aerodrome Safety Program to fund essential upgrades aerodromes in remote locations to ensure safe access to essential air services. The Government will continue with investment of $20 million over four years with matching contributions from state and local governments ensuring a coordinated approach to improving aerodrome safety in remote areas.
- continue with flexible financial support for local governments through untied Financial Assistance Grants and through the Regional and Local Community Infrastructure Program which boosts local economic development and support jobs in communities around the country.

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Aviation Emissions and Climate Change

Aviation emissions and climate change

Balancing growth and environmental impacts

Issues Paper Themes

- Taking practical steps now to reduce emissions
- Measures the aviation industry should take, in the short to medium term, to reduce emissions, such as clean engine technology and clean aviation fuels
- Opportunities to minimise emissions and trade permits through emission trading schemes and measures that might be effective in an international context

What the submissions said

Submissions recognised that aviation's contribution to climate change is an important issue with serious consequences for the industry if not properly addressed. Industry and the community acknowledge that aviation's contribution to total emissions is growing.

There was general industry support for the principles of emissions trading, providing the introduction of a scheme did not unduly affect Australia's ability to compete in the global market or create barriers to growth.

Industry submissions highlighted the measures that have already been implemented to reduce emissions in a number of operational areas. In addition, a number of submissions argued that Australian measures to address emissions from international aviation need to be consistent with those to be taken by other nations.

Submissions also suggested that, with the growing promotion of voluntary carbon offset schemes offered to passengers, the community believes these schemes need to be better regulated and accredited.

Broader Government policy on climate change

The Australian Government is committed to three key objectives in developing a strategy for managing greenhouse gas emissions from aviation:

1) ensuring the aviation sector's response is proportional to requirements for the economy as a whole through the broad application of the Carbon Pollution Reduction Scheme (CPRS);
2) supporting development of leading-edge technology to reduce aviation greenhouse gas emissions; and
3) encouraging the adoption of international measures which do not unfairly affect Australian aircraft operators' ability to compete in global markets and manage emissions.

Aviation emissions

All forms of transport – air, rail road and sea – contribute an estimated total of 13 per cent to global greenhouse gas emissions[25]). Civil aviation (domestic and international) accounts for about two per cent of global emissions. However, the aviation industry's contribution is expected to increase significantly as the industry grows and passenger numbers increase.

A range of actions are currently being implemented or developed to reduce fuel use on individual flights, including the use of more fuel-efficient aircraft, more efficient flight paths and measures to reduce weight carried on aircraft. However, given the anticipated strong growth in demand for aviation services, these improvements will only partially constrain the industry's growing global share of emissions.

For Australia, an estimated 45 per cent of emissions relate to domestic aviation and 55 per cent to international aviation, based on fuel sales data for each category.

Industry capacity to manage emissions

The aviation industry is implementing a range of measures to reduce its carbon footprint.

The aviation industry's approach to improving performance in managing emissions falls into four categories.

1) advancing technology in aircraft design; air traffic management and alternative fuels;
2) improving the efficiency of aircraft operations;
3) supporting infrastructure improvements for both airports and airspace; and
4) recognising the potential role of economic measures.

All sectors within the aviation industry have an important role to play in taking action to manage emissions within their area of control.

Aircraft operators

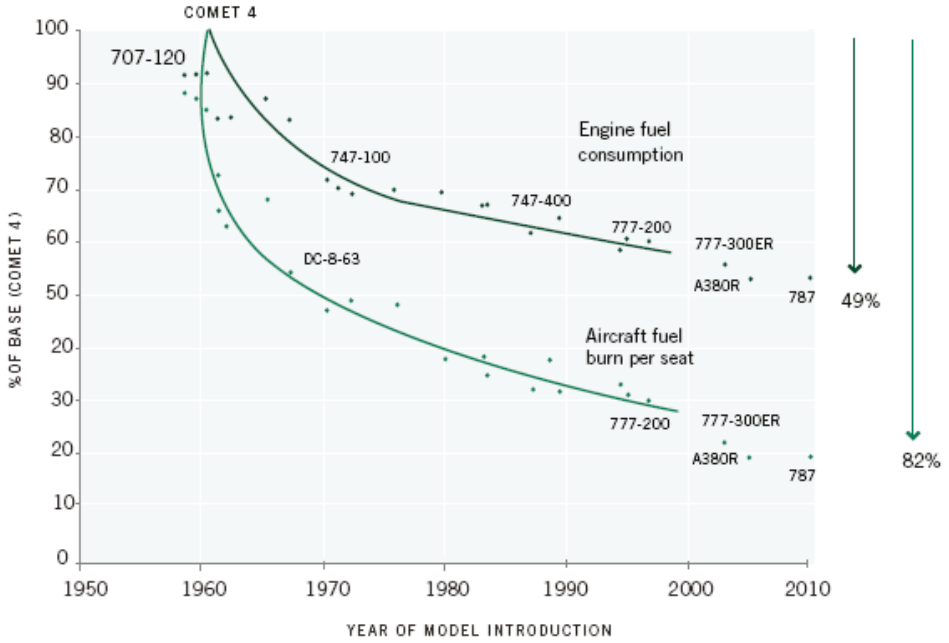
Aircraft are the largest source of greenhouse gas emissions within the industry. Aircraft operators can directly manage emissions by upgrading their fleet and by improving fuel efficiency through a range of sophisticated operational measures. The high cost of aviation fuel has already provided a major incentive for operators to improve fuel efficiency on individual flights, with corresponding reductions in emissions.

Figure 9.1 illustrates the historic improvement in aircraft fuel efficiency since 1960

[25] IPCC 4th Assessment Report 2007, WGIII Technical Summary

Figure 9.1 The historic improvement in aircraft fuel efficiency since 1960

Source: IPCC 1999 updated with 777-300ER, A380 and 787 data
Source: 'Plane Simple Truth' (ISBN: 978-0-97522341-6-7), Geoffrey Thomas, Christine Forbes Smith, Guy Norris, Steve Creedy, and Rachel Pepper.



Voluntary offset schemes, such as those offered by Qantas, Jetstar and Virgin Blue, provide passengers with the opportunity to purchase offsets for their individual travel. These schemes can make a significant contribution to reducing aviation's net carbon footprint, and offer potential for further reductions if more customers take up the option to make their flights carbon-neutral. Recent results are encouraging, with both Jetstar and Virgin Blue reporting increased take-up, with more than ten per cent of passengers electing to pay for offsets.

The Government considers that voluntary offsets can continue to play a significant role. Further work will be done on mechanisms to ensure the reliability and credibility of such schemes, with attention to issues such as

- the mechanisms for calculating the emissions per passenger and offset charge required
- the mechanisms to ensure that the charges collected are applied to genuine emissions reduction activities, with proper reporting and verification.

Air navigation service providers

Airservices Australia is working with airlines to implement fuel saving measures on individual flights including flexible flight tracks, improving aircraft air traffic control sequencing and introducing continuous descent approaches. As a number of these measures depend on technology only available in the latest aircraft, their application should increase as airlines continue to upgrade their fleets.

Airports

While the activities directly controlled by airport operators are not a major source of aviation emissions, airport operators can reduce emissions with more energy-efficient designs for airport buildings and by switching to alternative lower carbon fuels. Additionally, airport operators can help aircraft operators and air navigation service providers improve the efficiency of gate-to-gate

operations.

The on-the-ground processing of aircraft is a key area where airports can contribute to improved efficiency of operations. This could be achieved by providing adequate and efficient taxiways, parking aprons and terminal gates; as well as installing ground power units and pre-conditioned air to reduce the use of aircraft auxiliary power units.

The policy framework

Key challenges

There are a number of realities that need to be faced in addressing the issue of greenhouse gas emissions from the aviation industry. With no alternative 'clean' fuel likely to be available in commercial quantities in the immediate future, aviation is expected to remain dependent on kerosene for some time.

While gains will continue to be made in aircraft design and operational efficiency, these will be outweighed by anticipated growth in services.

It will not be possible to reduce the absolute volume of carbon emissions from aviation without constraining services. Restraints on aviation services would have broader impacts on economic growth.

The Government recognises aviation is a vital mode of transport for many Australians, particularly in areas where there is limited opportunity to use other types of transport for longer journeys within, and beyond Australia.

The Government is also conscious of the importance of avoiding competitive distortion in the market. Measures need to be designed to ensure fair treatment among competing operators, particularly in international markets where there is competition between Australian and overseas-based aircraft operators.

Domestic Aviation and the Carbon Pollution Reduction Scheme

The Australian Government is committed to decisive national action on climate change to reduce greenhouse gas emissions, reduce the impacts of unavoidable climate change, and to help shape a global solution.

A key pillar of the Government's policy on climate change is marked by a commitment to a target of reducing emissions by 60 per cent of 2000 levels by 2050, and to a commitment to setting a medium term target before the end of 2008. The Government intends to achieve set targets through the introduction of the CPRS, an economy-wide scheme for capping and trading emissions, to be implemented in 2010.

A Green Paper on the proposed CPRS was released in July 2008, seeking community and industry input to the best ways to limit carbon pollution while minimising impacts on business and households.

Under the Scheme, a limit, or cap, will be placed on the amount of emissions that can be emitted across a wide range of significant polluting activities. Significant emitters of greenhouse gases will need to acquire a 'carbon pollution permit' for each tonne of greenhouse gas they emit, providing a strong incentive to reduce pollution.

Initiatives for managing emissions within the aviation sector will need to be consistent with a whole of Government approach to climate change.

Under the Kyoto Protocol, emissions from domestic aviation are included in the national emission reduction commitments for Australia. The Government proposes to include domestic aviation operations in the CPRS.

Under the CPRS, permits for emissions would be valid for emissions from domestic aviation or other emitting activities interchangeably. As the overall cap for permits reduces, trading will ensure that the emissions savings are made where they can most economically be met. Aviation services may continue to grow within the overall cap if the cost of permits can be met.

The Government, through the Department of Climate Change, will continue to develop the CPRS in consultation with industry and the community.

International aviation emissions

The Government is not proposing to include emissions from international aviation in the CPRS.

The Kyoto Protocol excluded emissions from international aviation services from national emissions targets, and stipulated that an approach to addressing emissions from international aviation should be developed separately through the International Civil Aviation Organization (ICAO).

ICAO has accepted responsibility for this task and has established a Group on International Aviation and Climate Change (GIACC), consisting of fifteen senior government officials, including a representative from Australia. This group will develop a program of action to recommend to a high-level ICAO meeting in 2009.

In contributing to the development of any global proposal for addressing international aviation emissions, the Government is conscious of the potential impact of these proposals on the competitiveness of Australian carriers, particularly given the long-haul nature of services to Australia and the price sensitivity of tourist markets. The Government will seek to ensure that differential impacts and competitive distortions which could unduly affect Australian carriers are avoided.

The Government has expressed support for work on a comprehensive package of measures, to be developed on a cooperative basis. The Government has also expressed concern at the prospect of unilateral action outside such a cooperative global framework, in particular at the current proposal to include international aviation in the European Union's Emissions Trading Scheme.

A resolution made at the 2007 ICAO Assembly, supported by Australia, requires 'mutual agreement' between countries in the application of market-based measures to reduce the greenhouse gas emissions from international aviation.

Outside the formal processes of ICAO, the Australian Government has been active in encouraging other governments to work cooperatively in addressing the challenges of aviation emissions. Through the APEC Transportation Working Group, Australia has sponsored two international seminars to boost understanding of the issues and options. The establishment of an Aviation Emissions Taskforce of APEC members flowed from these seminars. Airservices Australia continues to lead cooperative efforts between air navigation service providers in the Asia-Pacific region.

Aviation emissions and climate change – the way forward

The Government proposes to work with industry to develop an effective policy framework to respond to climate change, with a focus on the following elements:

- Finalising the design of the CPRS, including application of the scheme to domestic aviation;
- consideration of means to support the uptake of operational and other measures to constrain the net carbon footprint of aviation, which complement the actions taken in the CPRS;
- continuing the initiatives of Airservices Australia to work with airlines on the implementation of fuel saving measures including flexible flight tracks, improving aircraft

air traffic control sequencing and introducing continuous descent approaches;

- working through ICAO on a practical approach to address international aviation emissions;
- working towards a better understanding of aviation emissions and their impact, including through the development of tools for comprehensive carbon monitoring and foot printing; and
- assisting all economies in the region to respond to the need to reduce their carbon footprint through Australia's bilateral agreements and our involvement in APEC and ICAO.

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Noise Impacts

Noise impacts

Managing the impact of aircraft noise on local communities

Issues Paper Themes

- Strategies and government policies for reducing the impact of aircraft noise on communities
- Improving or supplementing the Australian Noise Exposure Forecasts (ANEF) system to better inform the public on the impact of noise
- The role of airports and state and local governments in aircraft noise management
- The role of locally-negotiated agreements between the airport and local community
- Improving the availability and quality of the information being supplied to potential property purchasers and others affected by aircraft noise
- The conditions under which certain airports remain curfew-free, and managing operations at those airports to ensure the community is protected, while providing night-time access for freight operations
- Assessing the current noise enquiry and noise complaint services, and investigating more effective ways to deal with noise complaints

What the submissions said

Submissions were received from a cross-section of affected residents, members of the aviation industry, local councils, government agencies and academics. In general, these submissions testified to the sensitive nature of aircraft noise, acknowledging that it affects people differently: for some it is simply annoying, while for others it affects their health and may be a contributor to some stress-related diseases.

Submissions identified a number of issues for attention including calls for improved consultation, compensation, information, contribution to insulation programs, and land-use planning and airport management.

Submissions were also received suggesting the need for federal action to regulate planning decisions around airports and involving state and local governments in on-airport planning. Some submissions expressed the view that current approaches to land-use planning are not effective in preventing noise-sensitive development near airports and under flight paths.

Communities and many local councils called for more effective dialogue with airports and for airports to take greater responsibility for the management of aircraft noise.

Submissions highlighted the need for better aircraft noise information and complaint handling procedures to overcome the current lack of understanding of how noise minimisation measures like curfews and noise sharing work.

The policy context

Aviation and noise - overview of issues

According to the International Civil Aviation Organization (ICAO), aircraft noise is the most significant cause of adverse community reaction to the operation and expansion of airports[26].

The Government is committed to improving the dialogue between affected communities and airport operators to better manage the impact of aircraft noise. The Government is also looking for a more even-handed method for distributing the responsibility for managing different measures for minimising noise at Australian airports.

The Government believes that an important element in achieving better noise management is better education and information-sharing, enabling communities to become involved in decisions relating to airport operations. The Government is committed to working with communities, governments and the industry to improve the quality of, and access to, transparent aircraft noise information.

Aircraft noise management also requires an effective approach to land-use planning which supports adequate separation between noise sources and noise-sensitive areas. State and local governments, in cooperation with airports, share responsibilities for implementing appropriate zoning policies that ensure development near airports and under flight paths are compatible with the noise exposure of affected residents. The Government will work with state and local governments to implement more effective land-use management options around airports.

Roles and responsibilities

The Government believes the responsibility for aircraft noise management should be shared more equitably across the key industry stakeholders:

- Airlines and aircraft operators should be responsible for using noise-compliant aircraft; implementing noise-abatement principles for flight operations; and contributing to noise-reduction initiatives.
- Airservices Australia should be responsible for flight track, noise-sharing and traffic management components, and improved noise monitoring and complaint reporting.
- Airports need to expand their community engagement role; provide noise management plans; participate in managing noise-reduction programs and noise monitoring.
- Federal government agencies can assist in providing improved noise information to home owners, communities and councils; reviewing the current approach to noise measurement and assessment; identifying best practice noise management options, drawing on the best experience overseas; assisting with programs where necessary to address high levels of noise exposure; continuing regulatory responsibilities, including managing curfews and slots, and accelerating the phasing out of noisy aircraft.
- State and local governments will need to work in partnership with airports to ensure zoning is consistent with noise exposure information, in addition to introducing appropriate land-use planning around airports and under flight paths.
- Residents should be adequately informed of aircraft noise exposure near airports and under flight paths and able to contribute effectively to debate about management of noise issues affecting their locality.

[26] Aviation Green Paper Airport Planning: Aircraft Noise Management: Maunsell AECOM, August 2008

Information sharing as a noise management tool

Aircraft noise information is used to:

- underpin responsible environmental reporting;
- respond to complaints and legitimate questions raised by the public;
- dispel unrealistic or false expectations concerning noise levels;
- identify the noise impacts of major airport or airspace projects; and
- provide advice to planners, home buyers and prospective developers.

While a lot of work has been done to produce aircraft noise information for the public, there is a greater role for all stakeholders in making sure communities affected by aircraft noise have easy access to clear, comprehensible noise information.

The Government has developed the Transparent Noise Information Package (TNIP), a computer software application, to enable non-experts to gain an understanding of the noise exposure patterns around airports over time. This tool lets the user rapidly break down aircraft noise exposure information to show for example the location of flight paths, the numbers and times of aircraft movements and the noise level of individual aircraft overflights. Very importantly it enables the user to gain information on how noise varies from hour to hour and day to day throughout the year giving details of noise exposure at sensitive times such as early mornings, evenings and weekends.

Another example of improved noise sharing technology is Airservices Australia's 'WebTrak', an internet-based information tool, which provides the public with near real time information of aircraft flight paths and noise profiles.

Provided by Australian based airport noise management company, Lochard, the tool features flight path information of incoming and outgoing aircraft and captures noise data at eight of Australia's busiest airports – Perth, Adelaide, Melbourne Canberra, Sydney, Gold Coast, Brisbane and Cairns.

Feeding data to the tool is the world's largest, nationwide, integrated, Noise and Flight Path System which is being upgraded.

It is the first time anywhere in the world that fingertip information has been provided on such a scale across an entire nation and represents an investment of more than $20 million over the next five years by Airservices.

Land-use planning and noise sensitive development

Airports are critical economic and social assets. Noise is an inevitable consequence of aircraft operations and the impact of aircraft noise on residential areas or other sensitive developments will often give rise to complaints and calls for restrictions on airport operations. It does not make sense to allow new noise-sensitive developments to occur in areas where they will lead to public concerns that may affect the long-term viability of the airport. In particular, there is every reason to avoid noise sensitive development in green field sites near airport flight paths.

While Australian Standard 2021 provides guidance for construction standards and building zones in the vicinity of airports, there is no national mandate to prevent councils and state governments from locating noise-sensitive developments like schools, hospitals and residences near airports, or under flight paths.

The current measure of noise impacts used by airports in Master Plans is the Australian Noise Exposure Forecast (ANEF); a system that was established in the early 1980s to identify future noise impacts by looking at average daily noise levels.

However, a number of submissions argued this system is no longer able to provide the appropriate protections for airport operators or residents from the impacts of aircraft noise. Many noise

complaints come from areas outside the published noise contours, which means some argue the ANEF has limits in accurately describing aircraft noise exposure in these areas.

The policy framework

Key challenges

Information on aircraft noise exposure patterns is not readily available to affected residents, interested home buyers, planning decision-makers, or local councils. The current information is too technical and is often misunderstood by members of the local community who are seeking clear answers to their questions about how aircraft noise might affect them. The ANEF/ANEI system that has conventionally been used in Australia as the tool for describing aircraft noise effects is not of itself sufficient to give a clear practical understanding of the impact of aircraft noise at a particular location.

While Airservices Australia provides a national aircraft noise complaint service, what is not clear to the public is that many complaints come from the same person or organisation, not necessarily from the range of people affected by aircraft noise. Noise complaints details are not readily available, nor are they recorded in a consistent form for all airports. Many noise complaints come from residents living outside areas conventionally defined as noise-affected.

Flight training activities can have particular noise impacts on some communities. While mostly conducted in small aircraft with individually small noise footprints, the repetitious nature of training circuits can be intrusive on nearby residents. Where airports are seeking to grow pilot training activity, managing the noise impacts presents challenges, particularly in built-up areas.

In many cases, the growth of urban populations around airports has contributed to the problems associated with aircraft noise. This is largely due to planning decisions made by state and local government planning agencies with responsibility for the land around airports.

Some of the measures used to minimise the community's exposure to noise involve longer and less direct flight paths, which generate more aircraft emissions. For example, some flight paths direct aircraft around, rather than over, communities to minimise the level of noise from a given flight. This approach may conflict with the air traffic control procedures that focus on reducing fuel burn and emissions by using direct routes to the destination airport. These new procedures can also lead to the concentration of noise under flight paths, which may be counter to the principles of sharing noise across communities surrounding airports.

Future approaches to aircraft noise management will need to reflect a holistic approach which addresses noise and other environmental factors.

Maintaining existing curfews

Under Commonwealth legislation, night-time curfews are in place at Sydney, Gold Coast, Adelaide and Essendon Airports between 11:00pm and 6:00 am. The purpose of these curfews is to restrict certain aircraft operations during this time, to provide the communities surrounding these airports with some respite from aircraft noise.

It is a legal requirement to meet the conditions of these curfews. Heavy fines apply for organisations that land or take-off during the curfew hours. While airlines can apply to land during curfew hours, they must be able to prove that they could not make alternative arrangements and the need to land during curfew hours could not be avoided. Such dispensations are only given in exceptional circumstances.

Curfews do not stop all night-time aircraft movements at these airports. Emergency aircraft operations and some freight movements are still permitted, providing the airport operator takes appropriate steps to manage the noise impact from these operations.

The Government remains firmly committed to maintaining the night-time curfews at Sydney, Gold Coast, Adelaide and Essendon airports.

Curfew Dispensations for Sydney Airport are required by law to be tabled in Parliament. This requirement does not apply to the other curfewed airports. For greater transparency, the Government proposes in future to publish curfew dispensations approved for Adelaide, Essendon and Gold Coast to bring them into line with Sydney.

The Government's intention is that options to address noise impacts such as: by limiting the operation of noisy aircraft – particularly at night, improving insulation and implementing other noise amelioration programs, will enable the maintenance of a north-south and east-west network of non-curfew airports. This is crucial to maintaining access for airlines and air freight services to major airports such as Brisbane, Cairns, Canberra, Melbourne and Perth. At these and other airports it will be important to examine a wide range of options for limiting the impacts of aircraft noise, particularly at night.

Other measures for reducing noise impacts

There are a number of factors that contribute to aircraft noise in and around airports such as type of aircraft, number of movements, weather conditions, topography, runways used, the time of day and flight paths used.

Measures used to minimise the impact of aircraft noise on surrounding communities include insulation programs, acquisition of land near airports and the relocation of communities to areas that are not so affected by aircraft noise, building codes that specify the materials to be used to minimise noise, and information-sharing processes such as providing information to purchasers of real estate.

Operational procedures that help reduce aircraft noise exposure include:

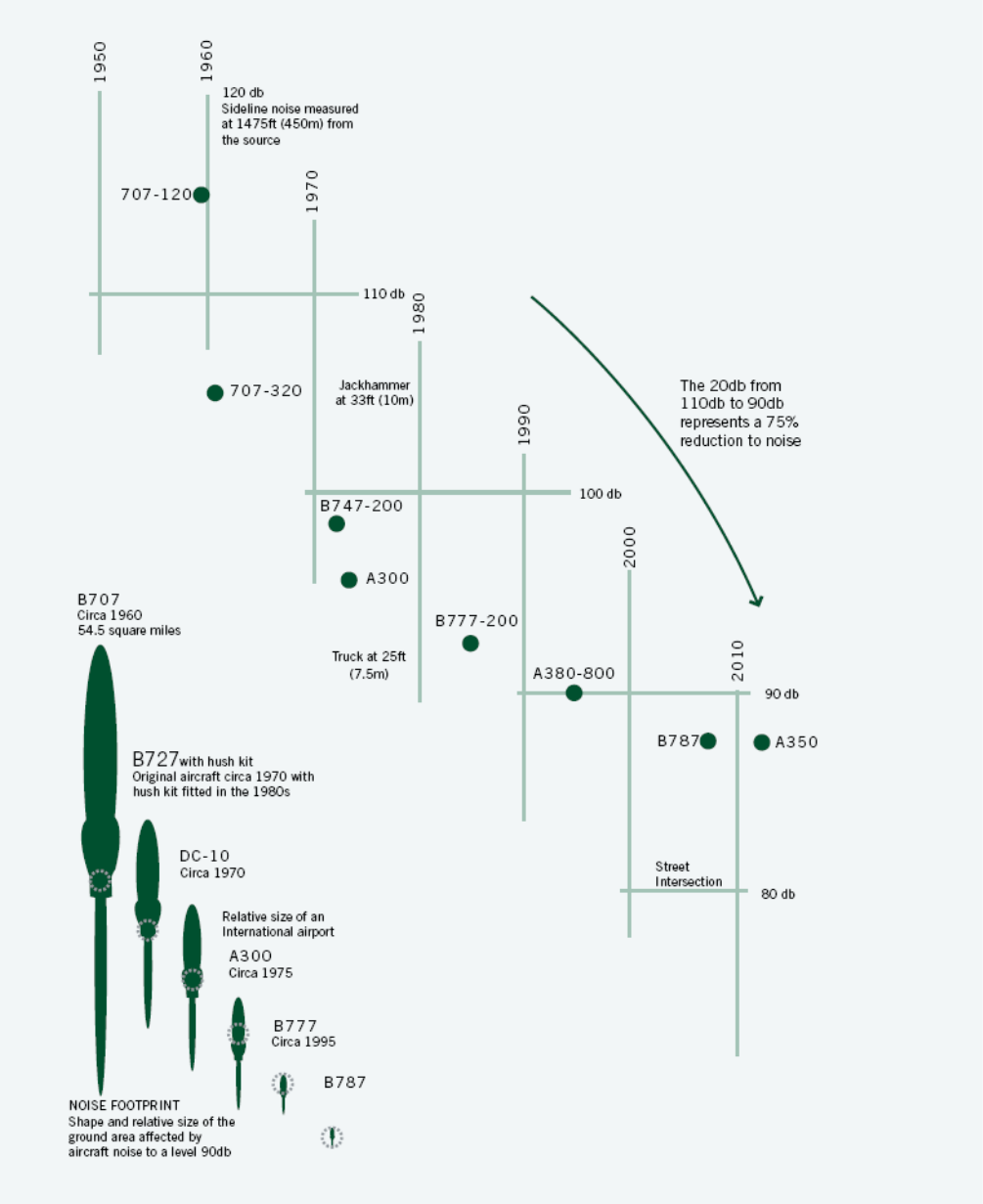
- using runways to minimise directing flights over noise-sensitive areas as far as possible;
- flying over water and using approach and departure routes that avoid built-up areas;
- dispersing airplanes across a number of flight paths to distribute the noise across a wider area rather than concentrating the noise in a narrow area;
- operating restrictions like caps and quotas; and
- using automated arrival and departure procedures and continuous descent approaches.

Airlines and air navigation service providers have made considerable progress in reducing noise exposure through technology, improved navigation initiatives and the introduction of more modern, quieter aircraft.

Upgrading of airline fleets to more modern aircraft has a large part to play in improving the industry's noise impacts on communities. Figure 10.1 illustrates historic improvements in noise performance of passenger aircraft. Major aircraft manufacturers continue to pursue aircraft noise reduction as an important selling point of modern aircraft.

Figure 10.1 The reduction of aircraft noise over time

Source: 'Plane Simple Truth' (ISBN: 978-0-97522341-6-7), Geoffrey Thomas, Christine Forbes Smith, Guy Norris, Steve Creedy, and Rachel Pepper
Source: NASA, Airbus



Standards for noise certification of aircraft are set out in ICAO Annex 16. In 2004, Chapter 4 standards were adopted, replacing the previous, less stringent standards of Chapter 3 established in 1977. Noisier and marginally-compliant Chapter 3 aircraft continue to operate, often for freight and night-time movements.

Phasing out of these marginally compliant aircraft types would assist in reducing the impact of noise. The approach to phasing out of noisy aircraft could be tailored to the particular

circumstances of an individual airport and the concerns of the surrounding community. For example, more stringent restrictions might be placed on the operation of noisy aircraft at night, or noisy aircraft might only be permitted to operate on specified approach or departure paths which minimise noise impacts on residential areas. The Government will develop more detailed options for regulatory changes to support the accelerated phase-out of noisy aircraft as a basis for consultation with industry early in 2009.

Modern acoustic insulation techniques like those used in the Sydney and Adelaide Noise Insulation Programs have also done much to reduce the impact of aircraft noise in the most affected areas.

Using the ANEF as a land-use planning tool does not always meet the needs of airports, planners, developers or the community. The ANEF system is a 'one size fits all' approach that makes no allowance for local conditions or smaller airports.

Long-range forecasts provided by airports, as part of their Master Plan process, can be challenged by residents concerned about the future increases in noise, by state and local government planners with competing priorities, and by developers.

The Government considers it possible to improve the general understanding of the impact of airport noise by revising the quality and clarity of information provided to the public, and the framework under which this information is provided. Some of the information that could be provided under this framework might include:

- the timing of flights and aircraft numbers;
- how noise is measured;
- the extent of curfews;
- the impact of weather conditions on take-offs and landing;
- the role of pilots in the selection of runways; and
- the challenges associated with noise-sharing.

A consistent approach to reporting noise complaints would provide more useful and accurate information to users and observers.

Requiring specific information to be disclosed to home buyers and sellers would assist them with understanding the level of noise exposure for different properties, to enable them to make informed purchase decisions.

The Government believes airports should produce and make available accurate and comprehensive information on their noise exposure patterns to help local communities and others affected by noise to understand that aircraft noise exposure does not stop at a given contour, and the level of noise exposure changes at different times of the day and night.

Improved consultation with communities

Community engagement is an important aspect of noise management. The Government is looking at options for greater community involvement in airport planning through greater consultation with airport operators, as well as improving the availability and quality of information provided on aircraft noise.

The Government believes effective community engagement creates greater understanding of aviation noise issues, situations and solutions; builds relationships and trust to strengthen decision-making; and bridges the gap between airports and their communities and stakeholders. This engagement activity would keep interested parties up-to-date with changes to noise forecasts, development plans and steps airports are taking to minimise the impact of noise on the community.

Where airports have set up active community consultation committees, or employ neighbourly flying policies, they generally have better relations with their communities.

Airports that do not engage in effective dialogue with their communities, councils or state government representatives, are more likely to receive noise complaints and calls to reduce, or shut down airport operations.

The Sydney Airport Community Forum has been established by the Government to provide local residents and others affected by aircraft noise with the opportunity to put forward their views, and gain a greater understanding of the noise reduction processes in place at the airport. It is important for the operators of Sydney Airport to support this forum.

To counter issues of noise from a national perspective, the Government believes that airports need to take a strategic and proactive approach to alleviating issues, developing relationships and building on specific opportunities for each airport with their respective communities and stakeholders.

Aviation noise impacts – options for the way forward

The Government is proposing a number of initiatives to ensure the growth of Australia's aviation industry incorporates planning for the impact aircraft noise can have on those living near airports and under flight paths.

The Government proposes:

- maintaining the existing curfew arrangements at Sydney, Gold Coast, Adelaide and Essendon Airports. Communities have grown around the current curfew arrangements and it is important they remain in place.
- for increased transparency, publish curfew dispensations for Adelaide, Essendon and Gold Coast airports to bring into line with Sydney;
- to work with state governments to ensure land-use planning and operational restrictions on noisy aircraft are consistent with maintaining curfew-free access;
- to limit the operation of noisy aircraft and to phase out marginally-compliant Chapter 3 aircraft, such as hush-kitted Boeing 727s, on an airport-by-airport basis, consistent with ICAO's Balanced Approach;
- noting the work that has already been done to insulate homes in Sydney and Adelaide from aircraft noise; to finalise existing noise minimisation projects, based on the current criteria. Any future insulation projects will be assessed against world's best practice noise attenuation and abatement initiatives, including those for night-time noise.
- to consider industry-funded noise amelioration programs where airport operations and air traffic changes place residences into existing high-noise exposure zones;
- to investigate more appropriate roles for airlines, airport operators, governments, planning agencies and the community in aircraft noise management and mitigation;
- to continue to develop a new noise information framework to ensure information on noise exposure patterns is readily available in a form that is easily understood by a broad audience, building on initiatives such as the Transparent Noise Information Package (TNIP) and Airservices new online flight path information tool, WebTrak; and
- to work through the Council of Australian Governments and other appropriate forums to ensure a national land-use planning regime is put in place near airports and under flight paths to avoid noise-sensitive developments being located in these areas and to protect communities from excessive levels of aircraft noise.

The Government's intention is that options to address noise impacts such as: by limiting the operation of noisy aircraft – particularly at night, improving insulation and implementing other noise amelioration programs, will enable the maintenance of a north-south and east-west network of non-curfew airports. This is crucial to maintaining access for airlines and air freight services to major

airports such as Brisbane, Cairns, Canberra, Melbourne and Perth. At these and other airports it will be important to examine a wide range of options for limiting the impacts of aircraft noise, particularly at night.

Next Steps

Next steps

Almost a century after the birth of the Australian aviation industry, the Government is bringing together all aspects of aviation policy into a single statement.

The Aviation Green Paper is an important step in the development of a comprehensive national aviation policy, the Aviation White Paper.

The process began with the release of an Issues Paper in April 2008 and will be completed with the release of the White Paper in the latter half of 2009.

The Green Paper describes the initiatives and policy settings the Government is considering to enable a vibrant and prosperous aviation industry; one that delivers the highest standards of safety and security, competitive aviation markets and services, investment in infrastructure and environmental responsibility.

More than ever, the aviation industry underpins domestic economic growth and provides an essential gateway to the global economy.

At present, the aviation industry directly supports nearly 50,000 jobs and contributes $6.4 billion to Australia's GDP. Since the mid-1980s, there has been an almost three-fold increase in air travel, with predictions that it will double within the next 20 years.

But with growth comes new challenges – and if we are to continue to benefit from the economic and social advantages of air travel we need to plan ahead.

The previous short term, ad-hoc, problem by problem approach is no longer tenable if Australia is to remain internationally competitive.

The aim of the White Paper will be to provide greater planning and investment certainty for the aviation industry, maintain and improve Australia's excellent air safety record, and address the wider community and environmental impacts associated with air transport and airport development.

Everyone can play a role in shaping Australia's aviation future. The response to the Issues Paper from the Australian aviation industry and the public was very positive, with over 290 submissions received.

The Government now invites comments on the Aviation Green Paper to be considered in the development of a White Paper in 2009.

In particular, comment is invited on the proposed policy initiatives summarised separately in the Green Paper and provided in further detail in the individual chapters.

Submissions or comments on the Green Paper should be provided no later than **Friday 27 February 2009** to:

Aviation Green Paper

Department of Infrastructure, Transport, Regional Development and Local Government
GPO Box 594
CANBERRA ACT 2601

Phone: +61 2 6274 6040
Fax: +61 2 6274 6749

Email: aviationstatement@infrastructure.gov.au

Submissions and comments provided to the Department of Infrastructure, Transport, Regional Development and Local Government, in response to this invitation, may be published on the Department's website, unless the submission is marked confidential at the time it is delivered to the Department.

Glossary

Glossary

Aero medical operators	Air services that provide medical assistance/medical services, e.g. the Royal Flying Doctor Service and rescue helicopter services.
Aeronautical uses	The use of an airport for aviation related purposes, including aircraft movements and maintenance and any facilities at an airport to enable people to travel.
Airborne Collision Avoidance Systems (ACAS)	A new technology for air navigation that provides the pilot with the position of their aircraft in relation to other aircraft in the area.
Airport Master Plan	Sets out management's intentions for the airport for the next five years for approval by the Federal Transport Minister.
Airport operator	The airport lessee or owner.
Airservices Australia	The government-owned corporation providing air traffic control management and related airside services to the aviation industry.
Airservices Australia Noise Enquiry Unit	A toll-free enquiry line operated by Airservices Australia to provide the public with information on noise levels at major airports.
Approach with Vertical Guidance (APV)	A new technology to manage take-off and landing of aircraft.
Australian Transport Safety Bureau (ATSB)	An operationally independent body within the Department of Infrastructure, Transport, Regional Development and Local Government responsible for transport safety investigations.
Automatic Dependence Surveillance-Broadcast (ADS-B)	A cooperative surveillance technique for air traffic control and related applications.
Australian Noise Exposure Forecast (ANEF)	Sets indicative noise standards for residential development.
Australian Family Assistance Code	A code giving air carriers guidelines for preparing a family assistance plan in the event of an accident.
Aviation Security Identification Card (ASIC)	An identification card issued, after a background check, to persons requiring unescorted access to the secure areas of airports.
Bilateral air services agreements	Government-to-government arrangements that regulate the operation of international air services, between Australia and other countries.
Cabotage	The right of an airline of one country to carry domestic traffic within the territory of another country.
Civil Aviation Safety Authority (CASA)	An independent statutory body responsible for regulating aviation safety in Australia and the safety of Australian aircraft overseas.
Controlled airspace	Airspace of defined dimensions within which air traffic control services are provided in accordance with airspace classifications.
Curfews	A restriction on flights that can take-off or land from specified airports at designated times.
Flight paths	Areas of airspace that have been approved by governments around the world for use by commercial aviation, and are monitored by air traffic controllers.
Flight plan	Specific information relating to the intended flight of an aircraft.

Global Navigation Satellite Systems (GNSS)	The generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage.
Global Positioning System (GPS)	The only fully functional GNSS.
Greenfield sites (for airports)	Sites for the development of a new airport or other major development, where an airport did not exist previously.
International Civil Aviation Organization (ICAO)	A UN specialised agency which is the global forum for civil aviation and works to achieve safe, secure and sustainable development of civil aviation through cooperation amongst its member States.
Leased federal airports	The 21 airports covered by the *Airports Act* where the airport operators lease the airport land from the Commonwealth.
Montreal Convention	The Montreal Convention is a treaty adopted by ICAO. It amended provisions of the Warsaw Convention's regime concerning compensation for the victims of air disasters.
Non-aeronautical development	Non-aviation commercial developments, such as retail outlets and office buildings, on airport sites.
Regular public transport (RPT)	Regular commercial air services (synonymous with scheduled services).
Secondary airports	Airports other than the major capital city airports of Brisbane, Sydney, Melbourne, Adelaide and Perth.
Australian Strategic Air Traffic Management Group (ASTRA)	A collaborative group of aviation and airport organisations to assist Australia's aviation community in identifying and planning future air traffic management needs.
Aviation Implementation Group (AIG)	Supports the APG in the implementation of cross agency air traffic policy strategies.
Aviation Policy Group (APG)	Provides a forum to work through ait traffic management and other cross agency issues at a strategic level.
Office of Airspace Regulation (OAR)	An office in CASA responsible for determining the safest and most efficient use of Australia' air space.
The Australian Advanced Air Traffic System (TAATS)	The air traffic management system based around two major city centres at Brisbane and Melbourne.
International Air Transport Association (IATA)	An international organisation representing and serving the airline industry world-wide.
Australian Airspace Policy Statement (AAPS)	Provides guidance to the OAR in dealing with Australia's evolving ATM system.
Aerodrome Local Ownership Program	Established by the Commonwealth in 1956 to provide assistance to regional aerodromes, in 1992/93 the ownership of 230 ALOP aerodromes was transferred, largely to local councils, along with $73.8 million of grants to support future maintenance works.
Remote Air Service Subsidy (RASS) Scheme	A Commonwealth funded subsidy scheme to provide remote and isolated communities with regular weekly sir services.
Remote Aerodrome safety Program (PASP)	A cooperative Commonwealth/state and territory funding scheme for improving the safety and accessibility of airstrips in remote and isolated communities.

Commonly used acronyms

AACA	Accredited Air Cargo Agent
AAPS	Australian Airspace Policy Statement
ACAS	Airborne Collision Avoidance Systems
ACAS	Aircraft Collision Avoidance Systems
ACCC	Australian Competition and Consumer Commission
ADF	Australian Defence Force
ADS-B	Automatic Dependent Surveillance-Broadcast
AFP	Australian Federal Police
AIG	Aviation Implementation Group
ALOP	Aerodrome Local Ownership Program
AME	Aircraft Maintenance Engineer
ANEF	Australian Noise Exposure Forecast
ANEI	Australian Noise Exposure Index
AOC	Air Operator Certificate
APEC	Asia-Pacific Economic Cooperation
APG	Aviation Policy Group
APV	Approach with Vertical Guidance
APV	Approach with Vertical Guidance
ASEAN	Association of Southeast Asian Nations
ASIC	Aviation Security Identification Card
ASTF	Aviation Security Training Framework
ASTRA	The Australian Strategic Air Traffic Management Group
ATM	Air Traffic Management
ATSB	Australian Transport Safety Bureau
AVI08	The National Aviation Training Package
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CASA	Civil Aviation Safety Authority
CBS	Checked Baggage Screening
COAG	Council of Australian Governments
CPRS	Carbon Pollution Reduction Scheme
CPRS	Carbon Pollution Reduction Scheme
CTFR	Counter Terrorism First Response
EASA	European Aviation Safety Agency
EMDG	Export Market Development Grants
ENS	Employer Nominated Scheme
ENSOL	Employer Nominated Skilled Occupation List

ETD	Explosive Trace Detection
EU	European Union
FAA	US Federal Aviation Administration
FAC	Federal Airports Corporation
GA	General Aviation
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GIACC	Group on International Aviation and Climate Change
GNSS	Global Navigation Satellite Systems
GPS	Global Positioning System
HELP	Higher Education Loan Program
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IED	Improvised Explosive Device
LAGs	Liquids, Aerosols and Gels
LAME	Licensed Aircraft Maintenance Engineer
MODL	Migration Occupations in Demand List
MTOW	Maximum Take-Off Weight
NASP	National Aviation Security Program
NTAAC	The National Tourism and Aviation Advisory Committee
OAR	Office of Airspace Regulation
PASO	Pacific Aviation Safety Office
PMC	Passenger Movement Charge
RAAF	Royal Australian Air Force
RA-Aus	Recreational Aviation Australia
RACAs	Regulated Air Cargo Agents
RASP	Remote Aerodrome Safety Program
RASS	Remote Air Services Subsidy Scheme
RNP	Required Navigational Performance
RPT	Regular Public Transport
RTO	Registered Training Organisations
SMS	Safety Management Systems
SOE	Statement of Expectations
SOL	Skills Occupation List
TAAATS	The Australian Advanced Air Traffic System
TAWS	Terrain Awareness Warning Systems
TRA	Tourism Research Australia
TSP	Transport Security Program

TTF	The Tourism and Transport Forum
VET	Vocational Education and Training
WAM	Wide Area Multilateration
WTO	World Trade Organisation

Legislation

Air Navigation Act 1920	(Air Navigation Act)
Air Services Act 1995	(AA Act)
Airports Act 1996	(Airports Act)
Airspace Act 2007	
Australian Federal Police Act 1979	
Australian Security Intelligence Organisation Act 1979	
Aviation Transport Security Act 2004	
Aviation Transport Security Act 2004	
Aviation Transport Security Regulations 2005	
Civil Aviation (Carriers' Liability) Act 1959	(CACL Act)
Civil Aviation Act 1988	(CA Act)
Commonwealth Authorities and Companies Act 1997	(CAC Act)
Crimes Act 1914	
Customs Act 1901	
Damage by Aircraft Act 1999	(DBA Act)
Defence Act 1903	
Disability Discrimination Act 1992	(DDA Act)
Disability Standards for Accessible Public Transport 2002	(Transport Standards)
Financial Management and Accountability Act 1997	(FMA Act)
Infrastructure Australia Act 2008	
Migration Act 1958	
Public Service Act 1999	(PS Act)
Qantas Sale Act 1992	
Trade Practices Act 1994	
Transport Safety Investigation Act 2003	(TSI Act)

FLIGHT PATH TO THE **FUTURE**