



The Future of Australia's Aviation Sector: Flying to Recovery

NSW Government submission to the Australian Department of Infrastructure, Transport, Regional Development and Communications

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Introduction

Air services - passenger and freight - play a key role in promoting economic activity and economic development across NSW. Regional aviation in particular helps provide communities with access to major cities and services. Airports provide employment, support business growth and trade, and contribute to economic productivity and growth.

The delivery of aviation services is essential to the NSW visitor economy, including regional NSW. Visitors and crew spend time in the Greater Sydney area as well as regional towns and cities, during which they spend money on accommodation, meals and other products and services available locally. The provision of regular air passenger services into Sydney and across regional NSW is also important to help maintain professional services, including medical and legal services in regional locations.

This submission outlines preliminary responses to key questions in *The Future of Australia's Aviation Sector: Flying to Recovery Paper* ('the Paper').

NSW Government submissions to previous inquiries into the aviation sector

The NSW Government provided a [submission to the 2018 Inquiry](#) by the Senate Standing Committee Rural and Regional Affairs and Transport on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. The submission focused on the NSW aspects of regulation and provided a position on Commonwealth legislation affecting access to airports and the costs of running aviation services, particularly regional services.

The [NSW Government submission](#) to the 2019 Productivity Commission Inquiry into the Economic Regulation of Airports focused on planning and landside access to Kingsford-Smith Airport (KSA), Western Sydney Airport and regional airports, highlighting the important role aviation plays in the visitor economy.

The Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) deferred consultation on its March 2020 [Regional Aviation Policy Issues Paper](#) due to the COVID-19 pandemic and has invited any comments on regional aviation to be included in responses to the Paper.

Issues relating to emerging aviation technologies are addressed in a separate response to the [Emerging Aviation Technologies Issues Paper](#) released by DITRDC in September 2020. The NSW Government will provide a separate response to the [Sydney Airport's demand management](#) released by the DITRDC.

1 NSW Government's Transport Strategy

Future Transport 2056 sets a 40-year vision for integrated transport services across NSW.

The transport vision for Greater Sydney has been developed to support the Greater Sydney Commission's [vision for Greater Sydney](#) as a metropolis of three cities, where people have access to jobs and services within 30 minutes by public transport. It also responds to the opportunities and challenges that will reshape the city and the way people and goods move over the next 40 years.

The Future Transport [Greater Sydney Services and Infrastructure Plan](#) is designed to support the land use vision for Sydney. The related [South East Sydney Transport Strategy](#) provides a blueprint for transforming the way people travel to, within and through South East Sydney to 2056, including improving access to KSA. Improving transport connections to major airports to support the visitor economy is also a key outcome in the Future Transport [Tourism and Transport Plan](#). KSA will continue to be a critical hub for air services, along with the future Western Sydney Airport which is due to become operational in 2026.

The Future Transport [Regional Services and Infrastructure Plan](#) proposes that the most effective way of providing better transport to more customers in regional NSW is through the development of a 'hub and spoke' transport network model radiating out from regional cities rather than a network just focused on linkages with Sydney. This model will capitalise on the role that regional cities and centres play as hubs for employment and services such as retail, health, education and cultural activities. It will also acknowledge the importance of national and state significant transport links (or spokes) that pass through regions.

The plan will mean coordinating on-demand, point to point and public ground transport services with regional aviation and airports, and enhanced cross-border connections with Queensland, Victoria and South Australia to connect NSW communities to services and international gateways closest to them.

Aviation will be an essential transport mode for regional NSW into the future. The delivery of regional air transport services is a complex collaboration between all tiers of government and operators. Regional airports in NSW are largely owned and managed by local government and aviation services are mostly delivered by private commercial operators.

As well as the specific air transport legislated functions, the NSW Government has an ongoing role to work collaboratively with the owners, regulators and operators to ensure a level of transport and essential service amenities are delivered to communities and that economic growth and potential in NSW are supported, consistent with our vision for our state.

2 Responses to questions in the Issues Paper

PART A: COVID-19 RESPONSE

It is noted that the Australian Government has introduced a range of measures to support the aviation sector through the COVID-19 pandemic. It will continue to be important to support the industry, particularly small to medium operators.

Any support arrangements for the sector should consider the needs of local communities in maintaining essential retail, health, education and other essential services to support economic growth across NSW, and ensure that changes in market conditions and potential impacts on service levels are well understood before government support is withdrawn.

The NSW Government has committed \$70 million under the Regional Tourism Infrastructure Fund for 27 regional airport upgrade projects and has recently completed Sydney Airport Precinct upgrades on behalf of the Australian and NSW Governments to help improve traffic flow around the airport and Port Botany.

Through *Future Transport 2056* and related infrastructure plans, NSW is committed to connecting public transport services to regional airports and is considering ways in which timetabling, marketing and ticketing for transport can be better integrated and more holistic.

COVID Objective 1: Maintaining Essential Air Connectivity

Many regional communities rely on air travel for connections to services in their capital city. Two return flights per day (one morning, one evening) allows same day return services in both directions – both for regional passengers needing to do business in the capital city and for people who need to travel to the regional community to provide a service.

A temporary relaxation of the demand management regime at KSA could allow more regional services during peak periods. This would be on a basis of no entitlement to these slots in future scheduling seasons. Airlines could offer more commercially attractive times on regional routes while airport demand is low.

Regional airports have a role in supporting remote industries, such as mining by facilitating fly-in fly-out workers, as well as providing transport for other essential freight supplies. Certainty that regional airports will continue to operate to support remote industries is important for business confidence in regional NSW.

Regional airport infrastructure and services as a system should be continuously developed to ensure they remain fit for purpose in the future. New fleets could improve opportunities for freight movements on passenger flights.

The return to normal aviation operations post-COVID will entail getting flight crews and aircraft to fly without incident. Major inspections, servicing and other activities will need to be undertaken, which will come at significant cost.

It will be important to monitor the potential risk of cost cutting or shortcuts that could lead to safety issues. For example, ensuring flight crews have up to date training and sufficient hours to return to the sky. This will likely take significant investment in funding, time and resources.

COVID Objective 2: Preserving Critical Aviation Capacity

The proposed end dates of subsidies should be considered in the context of whether the industry is ready for these to be discontinued on their planned dates. Ideally, there would be sufficient lead time to give industry time to plan their response to changes.

The aviation sector may need financial or economic support longer than other sectors in the economy. Support for retaining apprentices and trainees is also important to ensure the industry is not missing a generation of trained employees when the industry recovers.

Connectivity and capacity support

The Australian Government is providing support for regional airport operators to implement the enhanced regional screening requirements. The support for screening charges at regional airports only applies to enhanced screening, however the cost of security at airports is significant and only a small part of the cost is variable on the number of passenger numbers. This is particularly challenging for regional airports.

Greater subsidies on government mandated processes would assist regional airports to remain viable. A provision to offset the subsidy by normal per passenger security charges could be built into airfares and allow the subsidy to reduce as passenger numbers recover.

A similar scale back as passenger numbers rise could apply to Airservices charges. Any future recalculation of Airservices charges should be based on cost recovery at a pre-COVID passenger level.

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

It would be instructive to investigate what the movement of regional and interstate air freight will look like post-COVID, including the role of government policy in supporting dedicated freight aircraft and freight as a component of passenger services.

The transport industry should have a stronger role in developing, promoting and enabling a competitive position for an 'Australia' brand, which could be factored into a national plan for scaling back government support.

Recognising that sea freight operations on cargo ships has generally been low risk during the pandemic, reflecting the rigour of safe practice in transit and ship to shore activities, air cargo operations could be expected to also maintain high vigilance on dedicated (scheduled) air cargo aircraft into Australia as a hub for import-export. The risk is low compared to passenger and cargo mix operations. The Australian Government could consider how the global air cargo industry, which has vested interests in servicing airfreight line hauls to and from Australia, might be able to more readily provide services to Australia.

Freight Movement

A review of permissible operating aircraft within the context of night-time freight at KSA should be considered. Specifically, there is the potential to better support both domestic and international airfreight across the network.

Consideration could be given to moving to an outcomes based standard for night-time freight aircraft, to better support flexibility, efficiency and optimising productivity of the infrastructure and associated assets. This could include optimising air freight for appropriate tasks to support enhanced productivity, particularly for exported goods.

Consistent with the [NSW Freight and Ports Plan](#), the NSW Government encourages the Australian Government to work with industry and the community to trial an outcomes-based approach to specifying the maximum noise limits for freight aircraft operating in the curfew period, rather than the current approach requiring the use of a specified type of older aircraft.

The NSW Environment Protection Agency considers noise impacts as part of its role and hence would be a stakeholder in that work.

Landside access

NSW and Australian Governments and airports need to continue to collaborate and jointly develop solutions to improve ground transport access to airport precincts. This collaboration should consider the movement of freight in and out of airport precincts, the development of safe, productive and sustainable road networks, the use of higher performance freight and servicing vehicles and the movement of passengers. Consideration should also be given to the movement of fuels and other dangerous goods to the airport.

The NSW Government has been consulted on the Sydney Airport Master Plan 2039 development. The NSW Government, Australian Government and Sydney Airport have a shared interest in the precinct and there is a need for an ongoing collaborative approach to development of ground transport in the precinct.

It is important for the NSW and Australian Governments and Sydney Airport to collaborate in ensuring that transport upgrades directly attributable to operation and growth of patronage and air freight at the airport are integrated with landside infrastructure, including the operation, maintenance and improvement of that infrastructure.

PART B: THE FUTURE OF AVIATION: FIVE-YEAR PLAN

Reducing the regulatory burden: Demand management at Sydney Airport

The Australian Government has commenced a review of the legislation governing KSA's demand management, including slot management.

The NSW Government outlined matters related to the allocation of slots at KSA in its submission to the 2018 Senate Standing Committee Inquiry on the operation, regulation and funding of air route service delivery to rural, regional and remote communities. The Minister for Transport previously raised these matters with the Australian Government in 2015, following a 2013 Legislative Council Inquiry into regional aviation services. They included:

- An increase of the movement cap from 80 to 85 movements per hour during peak periods
- The removal of the 15 minute movement cap
- The removal of turboprop air craft from the movement cap
- An increase in movements in the curfew shoulder to the level allowed by the *Sydney Airport Curfew Act 1995*
- Maintaining the protections of the Permanent Regional Service Series to ensure convenient access to Sydney by air from NSW regional communities, and
- Consideration of allocating a limited number of the reserved regional slots into Sydney Airport to specific regional communities.

As part of *Future Transport 2056*, the NSW Government is committed to working to increase the availability of regional slots at Sydney's airports during peak hours.

Any review of demand management at Sydney should consider the implications of the planned opening of Western Sydney Airport in 2026 and whether any temporary provisions should be included as part of the COVID recovery to allow schedule innovation while demand is low.

NSW Government will provide a separate response to the [Sydney Airport's demand management](#) released by DITRDC.

Reducing the Regulatory Burden: Airspace Management

NSW supports initiatives that reduce aircraft noise for communities and improve the efficiency of air routings, reducing cost and environmental impacts of air services. Collaboration and planning with land use agencies is necessary to ensure zonings and land uses complement the aviation industry needs.

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

NSW supports the Australian Government approach of negotiating international capacity ahead of demand to allow strong business and tourism connections with the rest of the world once travel restrictions are eased post-COVID.

It is critical that the Australian aviation industry does not emerge from COVID with a monopoly. Customers need choice in the industry to drive price competitiveness and therefore continued growth in patronage numbers.

The Paper raises the issue of COVID having exacerbated some pre-existing challenges that faced the aviation industry, including industry competition and price competitiveness. COVID may have a positive impact on some of these challenges. For example, as the current migration away from cities and into the regions continues, financial viability of regional air travel will actually increase demand.

Stronger support and funding are required so airlines can pay regional airport fees particularly where airlines are finding regional flights unviable. There needs to be greater support/funding for regional airports and councils. Reducing the regulatory burden and slot management is very important to a number of our regional councils, such as Wagga Wagga City Council, who have identified this as a key initiative.

Reducing the Regulatory Burden: Facilitating new and emerging technologies

It is noted that the Australian Government is developing a national framework to manage new aviation technologies, such as drones and eVTOL vehicles and will develop a National Emerging Aviation Technologies Policy as the first step in this process.

Issues relating to emerging aviation technologies are addressed in a separate response to the Emerging Aviation Technologies Issues Paper released by DITRDC in September 2020.

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

The NSW Independent Bushfire Inquiry into the 2019-20 bush fire season made a number of recommendations associated with the need to increase aviation capability for emergency services.

Recommendation 45 of the Inquiry's Report refers to the need for the NSW RFS to increase state-wide targets of keeping fires within 10 hectares or less, by prioritising and increasing Rapid Aerial Response Teams (RART) and Remote Area Firefighting Teams (RAFT) to assist with initial firefighting attack in remote areas.

The NSW Government have acknowledged the importance of the NSW Rural Fire Service (NSW RFS) increasing its RART and RAFT capacity and provided additional funding for NSW RFS' purchase of helicopters. Additionally, two Black Hawk helicopters are being gifted from the Australian Government when they are withdrawn from active service. Their primary purpose will be to support the growing needs of RART and RAFT, but also other emergency agencies such as flood rescues.

The NSW RFS has experienced a number of regulatory framework issues associated with the proposed use of Black Hawk helicopters, which NSW seeks resolution of in line with the aim of reducing regulatory burden.

The current Civil Aviation Safety Authority (CASA) Regulation (Part 21 Restricted Category) allows the use of ex-military aircraft, such as Black Hawk helicopters, for firefighting operations, but not for the carriage of passengers as required for RART/RAFT operations (non-essential personnel). CASA advises that consideration can be given to establishing a public use solution, similar to the arrangements available in the United States of America, to facilitate the use of restricted category aircraft for conducting certain emergency service operations.

CASA advises that consideration will be required in relation to the current civil aviation regulation reform activity and its scope in relation to the broader aviation community. There are cost implications for amending or creating new regulations, and expanding the scope of what a restricted category aircraft is defined as.

It is necessary for the Australian Government to consider the ongoing and future needs of emergency services, such as establishing a public use solution for repurposing surplus military

aircraft and streamline the regulatory framework, to ensure the best and fastest response to natural disasters can be provided to our communities.

NSW supports the use of local Australian based operators through its contracts for land management and fire response contracts. Encouraging investment in operations that are based in Australia allows government authorities to utilise these resources to respond to bushfire seasons and other high demand periods.

The Paper discusses per- and poly-fluoralkyl substances (PFAS) as part of the whole-of-government regulatory role. NSW is currently consulting with the Commonwealth and airports on a future ban of PFAS to align with other States and the Commonwealth National Policy Statement.

Targeted assistance: Funding of regional airports

It is noted that the Australian Government provides a range of funding for regional airports including, more recently, the \$100 million Regional Airports Program that provides assistance to the owners of regional airports to undertake essential works, promoting aviation safety and access for communities.

In the Paper, the Australian Government notes that state and territory governments operate a range of funding and financing for regional airport upgrades, with different criteria and policy objectives and, suggests that a more strategic and coordinated approach to regional airport funding across levels of government should be considered.

The NSW Government has committed \$70 million under the Regional Tourism Infrastructure Fund for 27 regional airport upgrade projects that will boost their capacity and safety, and increase their ability to attract visitors to regional NSW. The projects include passenger terminal upgrades, improved lighting to support airport expansion, and expanding runways or aircraft parking to accommodate larger planes.