

THE FUTURE OF AUSTRALIA'S
AVIATION SECTOR
AIR AFFAIRS AUSTRALIA SUBMISSION

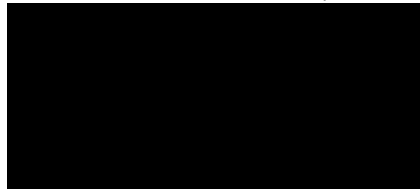
13 November 2020



CONTENTS

Executive Summary.....	1
Recommendations.....	2
Introduction to Air Affairs Australia	3
Air Affairs Australia and Covid-19	3
The business impacts of coronavirus	3
The Australian Aviation Sector’s way forward from Covid-19.....	5
Part A: COVID-19 Response	5
Part B: Future of Aviation:.....	6
Conclusion.....	8

Air Affairs Australia Pty Ltd



Executive Summary

Air Affairs Australia welcomes the opportunity to share its experiences from the Covid-19 pandemic and its views on the way forward for Australia's Aviation sector, and thanks the Department of Infrastructure, Transport, Regional Development and Communications for carrying out this review.

Along with every other business and household in Australia, Air Affairs Australia felt the impact of the pandemic, whether that was on our ability to conduct domestic and international operations, send our aircrews for training and deliver training services and products to customers amid travel restrictions, or maintain our advanced manufacturing practice. The wider economic impact is also being felt in our region, the South Coast of New South Wales, an area that has already struggled with higher-than-average levels of unemployment.

Australia's size and remoteness means a viable, resilient aviation sector is a non-negotiable element for our country and a necessity for an inclusive economy and connected communities. However, in mapping a path out of the recession and rebuilding the sector, it needs to be emphasised that the sector is not limited to the commercial movement of passengers and cargo – vital as these services are.

The aviation sector extends to air ambulance services, charter operations, military support, and aerial observation such as that carried out to assist in dealing with bushfires and other natural disasters. It also covers those who provide training for air personnel, maintain and support fleets and manufacture the essential parts for aircraft. These support services need to be included in a holistic consideration of how the sector can best move forward.

Air Affairs Australia welcomes the opportunity to provide the Department with further detail on any of the points raised in this submission.



Recommendations

- Ensure that a whole-of-sector outcome is considered in the development of policies and initiatives for the future of Australia's aviation sector – acknowledging the breadth of services and depth of expertise provided by Australian businesses of all sizes.
- Work with the aviation industry to identify services other than passenger and cargo services that can be provided to governments on an ongoing basis to help support and grow the sector.
- Consider support for aviation training providers to manage the shift to greater remote learning for domestic and international customers, including addressing regulatory barriers where required.
- Assess where financial support to passenger and cargo airlines is and is not effective in supporting the broader sector (eg aviation service providers) and adapt support accordingly.
- Consider expanding initiatives that support regional airports to include other regional aviation facilities including those that provide training, maintenance and repair, and conduct flight operations outside of passenger and cargo services.
- Explore opportunities for government partnerships or grants that enable RTOs to make capital investments that grow a domestic and exports-focused training capability.
- Work with private operators to help develop training facilities for airline personnel – both aircrew and cabin crew – for domestic and foreign operators.
- Work with industry to explore aviation training services that can be brought onshore, reducing requirements for overseas travel for skills and qualification upkeep, and providing export opportunity for local training organisations.

Introduction to Air Affairs Australia

Air Affairs Australia is based in Nowra, New South Wales, and provides specialised airborne services, aviation training and engineering services. It owns and operates a fleet of 23 aircraft, including Learjet 30 and 60 series and King Air B200 that conduct special missions on behalf of customers, including federal and state governments and commercial partners.

The business conducts airborne missions in support of fire scanning; Australian Defence Force (ADF) training; search and rescue; medical evacuation; and a range of intelligence, surveillance and reconnaissance (ISR) operations. It also designs and manufactures critical components, integrates complex special mission systems and designs and implements software solutions.

Air Affairs Australia provides training support services to military and civilian customers – through our registered training organisation (RTO) – and is an advanced manufacturer and exporter of aerial equipment, including military target drones. We also fly bushfire intelligence scanning missions which saw our aircraft and crews provide a 24/7 airborne intelligence service to firefighting agencies throughout the bushfire season earlier this year.

Air Affairs Australia has a highly skilled workforce of approximately 170 staff based primarily at its headquarters at the Albatross Aviation Technology Park (AATP) in NSW. We own 17,000m² of land and facilities at the AATP and the nearby Flinders Estate in South Nowra, NSW. These facilities incorporate administration, a new advanced manufacturing centre, and workshops and hangars with direct access to the airfield at HMAS Albatross. The business also maintains a satellite base and aircraft at Essendon Airport in Victoria and at Jandakot Airport in Western Australia.

Air Affairs Australia and Covid-19

The business impacts of coronavirus

As with most Australian companies, especially those in the aviation sector, Air Affairs Australia has been impacted by Covid-19.

Before outlining the business impacts of coronavirus, Air Affairs Australia would like to take this opportunity to acknowledge the federal government's commitment to the Australian aviation industry during the pandemic and its efforts to help maintain operations and services for regional and remote Australia under exceptional circumstances. The government's support for businesses across all sectors of the economy through initiatives like JobKeeper was also critical for those in the aviation sector; including for Air Affairs Australia.

While financial support from the government provided vital assistance to the services provided by many, especially commercial passenger and cargo airlines, other parts of the aviation sector, including those providing support services, have struggled to manage operational barriers – such as travel restrictions – and the downturn in commercial activity caused by the pandemic.

Our longstanding relationship with Defence and the proactive response from the Department of Defence and the ADF has been fundamental for Air Affairs Australia to navigate the challenges of Covid-19 and made us luckier than many others in our sector, especially those businesses with less diverse practices.



Through an existing agreement with Defence, Air Affairs Australia provides ADF training support, including aerial target towing, tactical training, operations support, research and development and logistic support missions. While the pandemic has seen the suspension of many of these activities since late March, Defence has utilised the contract to task us thoughtfully with supportive activities, including critical personnel transport activities.

Travel restrictions were an understandable implication as state and territory governments clearly needed to place stringent restrictions on entry and isolation as a necessary public health measure to contain the spread of infection. In carrying out these essential measures, governments also provided exemptions to enable essential services – usually explicit in including aeromedical and Defence activities – to continue.

However, uncertainty and a divergence in approach across states and territories – in both relevant exemption categories and processes to apply for exemption – threatened our ability to provide urgent and frequent services across the country. This divergent approach also added significant additional administrative burden on Air Affairs Australia for each entry.

Our air services were not the only aspect of our operations to be impacted by coronavirus, with our training and manufacturing services and export business suffering from travel restrictions and subdued economic activity. In order to maintain their training credentials, our pilots are required to undertake training that is only provided in the United States, which has required Air Affairs Australia to cover the cost of travel and quarantine for our crew in order to undertake this training.

Export opportunities and existing export programs have also suffered. For example, Air Affairs Australia is in a final tender selection process to provide the Phoenix unmanned aerial target (UAT) to India and Japan. Part of the final selection process for both programs requires a capability demonstration on home soil, which is not currently possible due to travel restrictions, thereby suspending progress on potential export programs.

The business has also not been able to travel to service its existing international customers. In one example, Air Affairs Australia has a milestone event to complete for one overseas military customer and the delay in being able to complete this milestone is holding up a US\$1.25 million payment. A further indirect consequence of restricted international travel was that it limited the businesses' ability to obtain components from overseas via airfreight due to lack of global passenger flights.

The geographic requirements of the aviation workforce also exacerbated implications from Covid-19 on businesses like our own. Due to operational requirements, scarcity of specialist aviation skills and challenges attracting highly skilled professional to regional areas, it is common for the aviation industry to engage a fly-in, fly-out (FIFO) workforce.

Trying to navigate the different travel restrictions and quarantine arrangements for FIFO workers directly impacted the ability of Air Affairs Australia and its peers to undertake normal routing functions and schedules. While some states provided concessions for FIFO workers, most did not, and the lack of uniformity created significant additional administrative burdens on businesses. The states that allowed concessions typically only recognised the mining industry as undertaking this type of employment system, not the aviation sector.



The Australian Aviation Sector's way forward from Covid-19

The government's five-year plan for aviation, as outlined in *The Future of Australia's Aviation Sector* issues paper, canvasses a wide range of areas where industry and the government can work towards improving the viability of the viability sector. This submission focusses on matters raised in the issues paper where Air Affairs Australia feels it has the most to contribute.

Part A: COVID-19 Response

COVID Objective 2: Preserving critical aviation capacity

Essential aviation related businesses

Businesses providing support services to Australia's aviation sector have been severely affected by the industry's downturn during the pandemic. From Air Affairs Australia's perspective, our Advanced Manufacturing Centre also saw a downturn in activity amidst Covid-19 and required a rethink of operations to meet social distancing requirements. While disruptions to global logistics have threatened the manufacturing of products for export across the country, the continued operation of our production line was supported by the Department of Defence decision to bring forward orders of required ADF capabilities, including its acquisition of Air Affairs Australia's unmanned aerial target Phoenix Jet.

The impact has been mainly on access to suppliers, even within Australia. Specialist items that are required from overseas now have even longer lead times due to lack of airfreight. The reduction in airfreight capacity has resulted in increased costs that need to be absorbed, which is difficult in an industry where profit margins are already very tight.

Through Aerospace Training Services, Air Affairs Australia provides initial aviation training to young people via its Higher School Certificate programs, aviation traineeships, external studies for long distance students and its apprenticeship training programs. It also provides aircraft maintenance training, flight attendant training and industry-specific training. As with other aspects of our operations, the ability to provide these programs was severely curtailed due to restrictions of classroom student numbers and some cases a ban on travel.

To deliver training to our customers, we enhanced our virtual training capabilities and delivered online modules where possible. However, there is a limit to the training that can be provided remotely and in-person engagement is still required for critical practical aspects of training. Covid-19 understandably restricted Air Affairs Australia's ability to provide in-person training to military personnel and commercial customers.

Providing aviation courses is challenging at the best of times due to the low number of students and their geographic locations. Pandemic travel restrictions and the inconsistencies on crossing state borders, combined with a lack of travel options (usually by air), made this task all but impossible for Air Affairs Australia, and it cancelled in-person training to commercial customers as a result.

Air Affairs Australia has not been alone in suffering the impacts of this downturn, this has been felt across the aviation sector.

Recommendation: Ensure that a whole-of-sector outcome is considered in the development of policies and initiatives for the future of Australia's aviation sector – acknowledging the breadth of services and depth of expertise provided by Australian businesses of all sizes.

Recommendation: Work with the aviation industry to identify services other than passenger and cargo services that can be provided to governments on an ongoing basis to help support and grow the sector.



Recommendation: Consider support for aviation training providers to manage the shift to greater remote learning for domestic and international customers, including addressing regulatory barriers where required.

Recommendation: Assess where financial support to passenger and cargo airlines is and is not effective in supporting the broader sector (eg aviation service providers) and adapt support accordingly.

Part B: Future of Aviation:

Targeted assistance: Funding of regional airports

The government's financial support to regional airports is critical to ensuring connectivity for remote and rural communities and providing economic opportunity. The government may also consider how it can help to develop regional airports as aviation industry hubs and support other regional aviation facilities. Not only would this assist in the creation of jobs for local regions, which can suffer higher levels of unemployment than their urban counterparts, but would help to develop and diversify the nation's manufacturing sector. It would also help to expand the availability of trainings services for the immediate region, nationally and potentially internationally.

The Building Better Regions Fund (BBRF) the Regional Jobs and Investment Packages (RJIP) would appear to be the vehicles for this support.

Recommendation: Consider expanding initiatives that support regional airports to include other regional aviation facilities including those that provide training, maintenance and repair, and conduct flight operations outside of passenger and cargo services.

Aviation skills and workforce development

With the focus now shifting to Australia's long-term economic recovery, it is important to ensure the country has the skilled workforce to grow internationally competitive industries in Australia. Air Affairs Australia warmly welcomes Prime Minister Scott Morrison's JobMaker announcement and the federal government's intention to work with state and territory governments to simplify and improve the training sector. This reform will be essential to support business needs and address skills shortages.

Based in the high unemployment region of the NSW South Coast, Air Affairs Australia has overcome a limited workforce pool to grow its business from three employees in 1995 to approximately 170 personnel today. We have long-acknowledged that a proactive approach to training personnel was required for our business to fulfill our contract commitments to Australian and overseas customers and achieve our growth objectives. After evaluating external training systems and organisations, Air Affairs Australia decided the best option was to establish its own RTO and acquired Aerospace Training Services in 2018. This acquisition has allowed the company to train its own workforce and provide accredited aviation training for civilian and military customers from Australia and overseas.

Air Affairs Australia has recently invested in a significant expansion of its training and manufacturing facilities in Nowra, NSW. The business purchased a 15,000m² facility in South Nowra, filling the space departed by a valve manufacturer that had moved offshore and cost 120 local jobs. This facility has been refurbished as an Advanced Manufacturing Centre (AMC) and incorporates our RTO. The facility has become fully operational this month and we are now exploring its further expansion, especially in light of the manufacturing opportunities Covid-19 has exposed. While we are already supplying specialist equipment to large global customers, our increased factory floor and investment in latest technologies will facilitate further growth of our customer base and workforce.



To further its training capabilities Air Affairs Australia now plans to develop a purpose-built 'Nowra Training Academy' adjacent to the AMC. Once established, it will be the most comprehensive aviation and manufacturing training academy in Australia, providing an additional 25 to 35 permanent skilled jobs for the NSW South Coast. The academy will cater to our own training needs and those of the Australian Defence Force and our commercial airline customers including Regional Express (Rex), Cobham Aviation, Qantas Link and Singapore Technologies (ST) Engineering.

Air Affairs Australia firmly believes that such a model offers a viable way forward to not only provide skilled local personnel, but to earn export revenue through the provision of training to foreign operators. Such a model delivers on the [Expert Panel on Aviation Skills and Training's](#) vision of developing a much larger aviation training capability that includes opportunities to grow the aviation training export market.

This model also mitigates against challenges to maintaining skills and qualifications that are posed by international travel restrictions. For instance, Air Affairs Australia must provide regular specialised training to its pilots and to carry out mandated checks of their abilities. These annual mandated checks normally take place in the United States, with the business spending around A\$39,000 per pilot to send 43 pilots offshore each year. Due to Covid-19, Air Affairs Australia's pilots are not able to travel to the United States for training and require temporary concessions from the CASA to remain flying. By bringing this training capability onshore, Australia could safeguard its ability to meet training requirements and could export training services to customers in the region.

Recommendation: Explore opportunities for government partnerships or grants that enable RTOs to make capital investments that grow a domestic and exports-focused training capability.

Recommendation: Work with private operators to help develop training facilities for airline personnel – both aircrew and cabin crew – for domestic and foreign operators.

Recommendation: Work with industry to explore aviation training services that can be brought onshore, reducing requirements for overseas travel for skills and qualification upkeep, and providing export opportunity for local training organisations.

Conclusion

As we move into 2021, and look forward to continued economic recovery and the prospect of a successful Covid-19 vaccine, Australia's wider aviation sector still faces headwinds. While passenger services will likely recover first as travel restrictions are lifted, the sector extends beyond the high-profile services of passenger and cargo transport. The aviation sector needs to be considered as a whole if policy is going to be effective in assisting it to recover.

Manufacturers, maintenance and training providers are all dependent upon a wider recovery in the aviation sector and need to be factored into any consideration of supporting the industry through the recession. As this submission notes, this need not be in the form of direct financial support, but in the realisation that government contracts can be a lifeline to operators facing difficulties.

Air Affairs Australia would again like to thank the Department of Infrastructure, Transport, Regional Development and Communications for carrying out this review and allowing us to share its experiences and views. We look forward to working with you further on taking Australia's Aviation sector forward.

