Australian Government

Department of Infrastructure, Transport, Regional Development and Communications

Towards 2030: The Sky's the limit

Regional aviation policy

ISSUES PAPER

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Executive summary

Aviation plays an important role servicing the needs of regional and remote communities across Australia by providing and maintaining access to both emergency and essential services such as health care and education.

Many of our regional airports have become important, sustainable regional hubs served by multiple airlines and attracting aviation-related industries. However, for smaller regional towns and communities, demand and market driven solutions providing regular passenger (and freight) transport services are less likely.

This then raises issues of what sort and frequency of services, and what type of infrastructure is appropriate to be provided, recognising the importance of regional aviation but also the costs involved and the level of available resources, including the availability of skilled aviation personnel.

The Government recognises that the major benefits arising from the deregulation of the domestic aviation industry, such as flexible and discount fares and the wider provision of services, have been less extensive in relation to air services to regional, rural and remote communities. This reflects that the benefits of competition cannot be realised in markets that are too small to support competition. The access to and cost of air services to these communities raises challenges and issues for policy, regulatory and program frameworks managed by the Australian, states and territories governments.

We wish to work with stakeholders to get a better understanding of how aviation contributes to regional communities; and the challenges, risks and opportunities facing both industry and the communities they serve, with a view to determining whether refinements to the current policy framework is appropriate. This includes examining the provision of passenger services, freight and general aviation in communities to determine how these contribute to the success of regional communities.

Beyond these sectors, there are a number of opportunities associated with regional aviation. Our clear, uncongested rural skies are well placed to benefit from the take up of exciting emerging and new technologies such as remotely piloted aircraft systems (RPAS or drones) and electric aircraft. As the overall aviation industry grows, regional communities can also help train the aviation professionals of tomorrow.

Despite the effect of the bushfires and coronavirus on travelers' holiday plans, we are working to ensure we can quickly re-establish our place as a popular destination for visitors. Our regional areas host many tourism icons and wide ranging experiences from food and wine, to nature, wildlife, culture and heritage that attract both international and domestic visitors and will support bushfire recovery in our regional communities.

Therefore, effective management, investment and access to airport infrastructure will be crucial to maximise these opportunities. The Australian Government has expressed its commitment to supporting affected regions to invest in tourism infrastructure to build back better in the aftermath of the fires.

This Issues Paper examines the roles and responsibilities in regional aviation of different tiers of government. It is important that going forward these are clear, complementary and deliver efficient and effective outcomes for regional communities.

The questions posed throughout the Paper are designed to encourage stakeholder comments on specific aspects of regional aviation, however comments on any other issues related to regional aviation are welcome.

We look forward to receiving Government agency, industry and community views on these important issues.

CHAPTER 1
Overview

The Australian Government is running a rule over its regional aviation policy settings.

We are working with stakeholders to get a better understanding of how aviation contributes to regional communities; and the challenges, risks and opportunities facing both industry and the communities they serve, with a view to determining whether refinements to the current policy framework are appropriate and should be implemented.

We know transport connectivity is vital to the prosperity of our regional communities, who cannot participate in modern global markets without the fast and efficient links provided by air transport.

And yet, the contemporary aviation industry is so much more than moving passengers and freight. There is significant potential for Australia's regions to gain a larger slice of the growing economic activity associated with the broader industry. Flight training, remotely piloted aircraft/unmanned aerial vehicles and electric aircraft are just the beginning.

But the benefits offered by the industry will not be fully realised if the policy framework isn't right.

Whether its ensuring infrastructure investments are appropriately targeted, or bringing all levels of government and industry together to help them better coordinate their engagement in regional aviation services, the Australian Government is committed to ensuring aviation can help our regions prosper.

When examining the policy framework, the Government wants to ensure it is informed by detailed data and evidence from stakeholders to assist analysis of different policy options and their impacts.

The development of a Regional Aviation Policy Statement will therefore form part of the Australian Government's commitment to securing economic growth across regional Australia.

What exactly is 'regional aviation'?

To ensure we capture the full scope of issues, the Regional Aviation Policy Statement will take a broad view of 'regional' Australia that is not strictly confined to the Australian Statistical Geography Standard adopted by the Australian Bureau of Statistics. The scope of 'regional' Australia can generally be taken to include both 'regional' and 'remote' Australia, as well as Norfolk Island and the Indian Ocean Territories.

Policy and regulatory responsibilities

Regional aviation in the Federation

In the aviation context, the respective roles of the Australian, states and territories, and local governments have evolved significantly over the course of the industry's development.

Indeed, it was the aviation industry that generated pivotal High Court cases in the middle of the 20th Century that established the constitutional reach of the Australian Governments' powers more broadly.

Initially, the Australian Government provided a regulatory structure and some support for an emerging aviation industry, partly driven by aviation's key role in national defence. However, over time, the role of states and territories and local government have increased significantly, particularly in the context of regional aviation.

All tiers of government appreciate that for remote communities, where there are not viable road and rail alternatives, aviation services are an important part of their social connectivity to the rest of their particular state or territory and the rest of the country.

For example, access to medical, educational and search and rescue services can be essential to sustain the viability of these communities. Subsidised access to these services by air is currently undertaken in several states and by the Australian Government in remote areas. All levels of government are also involved in the provision of airport infrastructure, discussed in **Chapter 4**.

The Australian Government recognises the importance of consulting and cooperating with states and territories on regional aviation issues, and supports collaboration between different levels of government to deliver improved policy and regulatory outcomes on a broad range of issues impacting regional aviation.

The role of the Australian Government – safety and security

While all elements of the Australian Government's policy and regulatory framework have implications for regional Australia and the regional aviation industry; safety and security remain the Australian Government's primary consideration in relation to aviation – whether it be at the international, domestic or regional level.

Our aviation safety and security frameworks have helped Australia maintain a deserved international reputation as a safe and secure place to fly, benefitting our tourism and trade industries.

The Civil Aviation Safety Authority (CASA) was established as an independent statutory authority in 1995 and is responsible for the national regulation of aviation safety.

While recognising that CASA's primary consideration must be safety, the Australian Parliament recently passed legislative changes to the *Civil Aviation Act 1988* which provide that in developing and promulgating aviation safety standards, CASA must consider cost impacts and take into account the differing risks associated with different industry sectors[1].

CASA has also established an Aviation Safety Advisory Panel, supported by technical working groups, to enable effective consultation with industry experts, in the development and implementation of regulation, including proposed regulatory changes that affect regional aviation[2].

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

Whilst the Department of Home Affairs administers the *Aviation Transport Security Act 2004* (ATSA) and Aviation Transport Security Regulations 2005 (ATSR), it is the responsibility of aviation industry participants, such as airport and aircraft operators as well as air cargo supply chain participants to manage their day-to-day aviation security operations. These operations are regulated via approved transport security program's (TSP) or security plans.

To further strengthen Australia's aviation security regime and to keep ahead of evolving threats, in May 2018, the Australian Government announced the introduction of upgrades to the current security measures to ensure Australia remains a trusted destination for trade and travel, and to maintain our standing as a worldleader in aviation security.

The Australian Government recognises that changes to the safety and security frameworks can have diverse and far-reaching consequences for regional businesses and communities.

This Issues Paper provides an opportunity for all interested parties to provide their views on future regulatory frameworks, structures and processes to ensure appropriate, effective and efficient safety and security regulatory outcomes for regional aviation and regional communities.

How do you think the safety and security regulatory frameworks, structures and processes could be improved to ensure appropriate, effective and efficient safety and security regulatory outcomes for regional aviation and regional communities?

Australian Government measures to promote regional services

Except in relation to safety and security, the Australian Government is not constitutionally responsible for intrastate aviation and its role in regional aviation has been one of strategic engagement reflecting national interest priorities.

However, the Australian Government operates the Remote Air Services Subsidy (RASS) Scheme as part of the Regional Aviation Access Programme (RAAP), which subsidises a regular weekly air transport service for the carriage of passengers and goods such as educational materials, medicines, fresh foods and other urgent supplies to communities in remote and isolated areas of Australia.

The Australian Government also manages the Enroute Charges Payment Scheme, which was originally established following the collapse of Ansett, to offset navigation charges levied by Airservices Australia. The Scheme now provides support for regional commercial airlines to support low volume and new routes to small and remote communities, as well as aeromedical services.

In 2018, Airservices Australia announced it would waive annual service charges for several aeromedical operators that were receiving payments under the scheme[3].

The Australian Government also underwrites air services to Norfolk Island and the Indian Ocean Territories.

Are there opportunities to refine the Australian Government's policy settings in relation to the provision of passenger services in regional areas?

State and territory approaches to intrastate aviation vary

Intrastate aviation is the responsibility of state and territory governments, other than safety and security.

State and territory governments, taking into account population density and the size of geographic areas covered by their respective jurisdictions, have adopted different approaches to support a basic level of transport connectivity and minimum passenger service levels.

For example, New South Wales, Queensland, South Australia and Western Australia restrict competition and provide subsidies to varying degrees on some routes with low passenger demand.

In February 2020, the Western Australian Government released the draft WA Aviation Strategy 2020 for public comment to set out the future policy approach and practical actions to foster improved airline affordability, and to ensure the aviation industry supports the future growth of WA. Work like this recognises the primary role states and territories play in the provision of intrastate aviation.

The focus of these measures is to facilitate services on routes which are commercially unviable.

This is achieved by either direct subsidies, or by providing operators a monopoly licence to operate a specific route. In this way, state and territory governments can ensure communities have greater access to a range of essential business, educational, medical, and cultural services available in larger centres.

The Australian Government recognises the concerns raised in the Senate's Rural and Regional Affairs and Transport References Committee report on the operation, regulation and funding of air route service delivery to rural, regional and remote communities in relation to the operation of different state and territory policy and regulatory frameworks[4].

However, the Australian Government does not consider a national review of disparate state and local issues will yield useful insights that could inform policy making at the national level. The Australian Government considers state government agencies, such as the Queensland Productivity Commission, better placed to analyse issues associated with specific intrastate route regulations and subsidies.

> Are there particular areas where the Australian, state and territory governments can better coordinate their approach to the provision of air passenger services in regional Australia?

CHAPTER 2
Aviation's contribution to regional communities

Introduction

Aviation plays an important role in servicing the needs of regional and remote communities across Australia by providing and maintaining access to both emergency and essential services such as health care and education.

The circumstances of many regional communities, with relatively small populations and long distances to travel, creates challenges for aircraft operators in providing affordable and sustainable air services.

The Australian Government recognises that the major benefits arising from the deregulation of the domestic aviation industry, such as flexible and discount fares and the wider provision of services, have been less extensive in relation to air services to regional, rural and remote communities. This reflects that the benefits of competition cannot be realised in thin markets that are too small to support competition.

Where air services are of marginal viability or are not commercially viable, the access to and cost of air services to these communities raises challenges and issues for policy, regulatory and program frameworks managed by the Australian, state and territory governments.

There are, however, opportunities associated with regional aviation. As the overall aviation industry grows, regional communities are well placed to train the aviation professionals of tomorrow. Our clear, uncongested rural skies are also well placed to benefit from the take up of exciting emerging and new technologies such as remotely piloted aircraft systems (RPAS or drones) and electric aircraft.

Passenger services

Facilitating regional growth

The aviation industry plays a crucial role in connecting regional communities to the rest of Australia and the world. Airports, and the businesses that use them, provide one of the most tangible and visible links to the rest of the world, moving people and essential supplies to and from our regions, thereby enabling trade and commerce, and facilitating economic growth.

Many regional communities also endeavour to grow commercial passenger transport services by seeking to attract particular types of services e.g. jet or turbo prop aircraft.

The presence of such aircraft is argued as a factor that will support "growing" the market; however passenger demand factors such as the size of the surrounding population catchment area are a stronger basis on which airlines will consider putting jet or turbo prop aircraft on regional routes.

The emergence of jet aircraft on several intrastate routes, such as services from Perth to the Pilbara for example, reflected resource sector driven demand. However when demand falls, the sustainability of jet services becomes challenged without a base regional population that regularly use these services. Larger aircraft also require investment in airport infrastructure which is discussed in **Chapter 4.**

Some regional centres in Australia are large enough to sustain commercial intrastate, interstate and in some cases international air passenger services. In these circumstances, the size of the surrounding regional market will largely determine the level of services received. Regular international passenger services in regional areas are challenging to sustain and bring with them demands on our border protection agencies.

Passenger transport services therefore are often more successful at facilitating regional economic development where demand for these services is driven by growth in regional employment, tourism and other economic factors generating passenger demand.

Commercial viability

Many of Australia's regional routes have struggled when compared to major metropolitan routes over the long term. Furthermore, many regional aviation stakeholders argue that their businesses are under financial pressure, with airlines struggling to maintain services across the regional network.

The number of airlines servicing a regional airport declined from 28 in 2007 to 20 in June 2017[5].

Over the last decade to 2017, 172 regional airports have received a Regular Public Transport (RPT) service at some point, but only 102 have benefited from a continuous service with at least one flight per week. Airports may lose services for a range of reasons including seasonal factors and weather events. However, at least 38 per cent were the direct result of an airline entering administration or receivership[6].

Passenger volumes also tell a mixed story.

The number of passengers travelling through regional airports has remained relatively static, only increasing slightly from 24.7 million in 2013 to 24.9 million in 2018 (0.8 per cent), compared to the increase in overall domestic movements from 115.1 million to 122.2 million (6.1 per cent) over the same period[7].

The pace of growth in regional airports has been uneven, with some regional airports experiencing significant growth coinciding with the level of activity in the resource sector. Other regional airports passenger growth rates are more reflective of broader economic and demographic trends.

For example, in 2011 Ballina Byron Gateway Airport had around 310,500 passengers but by 2018 that had grown to over 538,000. By contrast more modest growth has occurred at Kalgoorlie Airport were there were over 266,000 passengers in 2011 and around 289,000 passengers in 2018[8].

Air fares

Air fares have been flagged in many submissions to the recent Senate Rural and Regional Affairs and Transport References Committee Inquiry as a key concern for regional travellers.

Data from the Bureau of Infrastructure, Transport and Regional Economics (BITRE) suggests airfares can be comparatively expensive on regional routes, however in general, airfares on regional routes have not increased faster than on routes connecting major cities[9].

Some airlines and airports have also sought to introduce discounted fares for residents of particular regional communities.

Qantas offers a discounted fares program for residents of selected regional cities in Queensland, Western Australia and Northern Territory. Eligible residents receive discounts starting from 20 per cent off the Qantas-controlled component of fares. A maximum 12 return trips are permitted to be booked per resident each year and are not available on Sale fares or Business Class[10].

Regional Express (Rex) offers the Local Fare Scheme which is an airfare discount of up to $400 for return air travel administered through participating airlines and local councils from selected airports in Cape York, the Gulf of Carpentaria and the Torres Strait. The Scheme originally commenced on 1 July 2015 and has been extended until 30 June 2021[11].

On routes which support multiple entrants, competition can generate more competitive fares and levels of service.

However, on routes where there is only one airline, it can be difficult to analyse whether the fares reflect an element of monopolistic power in terms of the return being achieved by the airline or are simply a reflection of the marginal commercial viability of "thin" passenger routes with low levels of traffic, serving smaller regional communities.

Are there examples where the provision of commercial passenger aviation services can be linked to the growth of regional economies? What evidence links aviation services and growth in regional economies?

Is there a specific Australian Government policy setting which is enhancing or inhibiting demand for regional services?

Do the financial challenges faced by regional airlines suggest that commercial services will continue to focus on serving major regional hubs? What does this mean for thinner passenger routes serving smaller regional communities?

Can the industry do more to encourage airlines to further expand discounted regional residents fares?

Air freight and exports

Key issues

Opportunities

Commercial airline services are not just about moving people. Air freight is largely carried in the belly hold of most commercial passenger aircraft while regions with significant flows of time critical, high value goods and the major capital city airports may attract dedicated air freight operations.

Air freight represents a small proportion of Australia's international freight task by mass (0.1 per cent of freight moved in 2018-19), however it represented around 20 per cent of trade by value[12].

For regional communities, air freight can typically involve products such as specialised mining equipment and medical supplies coming in, and agricultural produce going out.

Over recent years, agricultural producers have been able to take advantage of the additional international freight opportunities from our major gateway airports.

This has been driven by the increase in the number of international passenger flights due to growth in tourism with the vast amount of international airfreight carried in the hold of passenger services, with only 17 per cent of international movements made on dedicated air freighters. In comparison, 44 per cent of domestic cargo movements are made on dedicated air freighters[13].

A number of airports in Australia are working to position themselves as freight hubs, often focusing on moving fresh produce direct to Asian markets. The rapidly expanding Asian middle classes are expected to fuel significant long-term demand for Australia's perishable products and these aerodromes are looking to position themselves as gateways to accessing these opportunities.

This strategy not only aims to improve local access to overseas markets, but also provides an important revenue source to airports.

In the absence of local aviation services, many regional exporters rely on road transport to ship their product to capital cities before being loaded to air transport for export.

A direct freighter service can offer advantages such as faster access to markets, reduced road transport costs, fewer transfers between aircraft and access to otherwise unavailable markets.

...but do the numbers add up?

Careful consideration is required to determine whether these advantages outweigh the significant infrastructure and operational costs and the competitive advantages associated with existing arrangements.

Infrastructure Australia's Northern Australia Audit[14] (2015) summarised many of the key challenges for air freight in the context of Northern Australia at that time, however the basic principles may have contemporary relevance for regional Australian communities more broadly:

"Northern Australia airports, as with its ports, have no refrigerated container capability that could in principle reduce the costs of high quality agricultural exports from the region. Anecdotally, substantial volumes of fruit and vegetables are trucked to Brisbane, Adelaide and Melbourne, taking advantage of competitive trucking back haul rates, for subsequent air freighting to Southeast Asia (together with domestic capital city use). A combination of factors - a substantial domestic market in the Southern capitals, a highly efficient road freight sector (with refrigerated capability), low international air freight rates from airports in Southern capitals, due to wide-body passenger aircraft use that Northern air markets could not sustain – appear likely to preclude development of Northern air freight capacity for the foreseeable future."

To position Australia to meet its emerging freight and supply chain challenges the Transport and Infrastructure Council endorsed the National Freight and Supply Chain Strategy and National Action Plan on 2 August 2019[15]. The Strategy and Action Plan set an agenda for integrated national action across all freight modes over the next 20 years and beyond.

The Strategy and Action Plan shows in a joined up way, the actions all areas of government are taking to respond to Australia's freight challenges and provide a baseline for further reforms.

Are regional communities missing out on market access due to a lack of air freight services? Is there empirical data to support this?

Are there viable commercial opportunities that can be developed using passenger or dedicated freight aircraft to carry regional freight to domestic and/or international markets?

General Aviation

Key issues

Are the challenges for regional General Aviation different to the broader regional aviation industry?

The General Aviation (GA) sector represents a larger proportion of regional aviation activity compared to its role in the national market and comprises activities other than scheduled passenger operations. Many of these activities tend to be based in regional areas, and includes other commercial operations such as charter services, aeromedical operators, agricultural aviation businesses, aviation-based firefighting services, flight training and aerial work such as aerial photography and surveying (see **Chapter 3** for a further discussion of training issues)[16].

BITRE published its General Aviation Study in 2017 which highlighted mixed fortunes in an evolving sector, with private flying decreasing while specific aerial work such as heli-mustering and search and rescue flights, ultralights and more recently RPAS (drones) experiencing periods of growth[17].

The Study identified that the GA sector has experienced a number of challenges due to a combination of economic, demographic and regulatory factors, with many of these challenges evident in the level of GA activity overseas.

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

In light of the important role of the GA sector in regional communities, it is appropriate to test whether the challenges facing industry participants that are located in regional Australia differ significantly from the broader GA sector, with a view to determining whether a more tailored policy response is warranted.

Are there specific issues impacting regionally-based GA operators warranting a tailored policy response?

CHAPTER 3
Regional aviation – opportunities

Drones and aerospace opportunities

Key issues

Regional aviation already looks very different....

A 2016 report on the evolution of drones estimated that the global market for drones (both military and commercial) would be $100 billion (globally) between 2016 and 2020[18]. The commercial market has been calculated at $14 billion in 2018 and is expected to grow to $43 billion by 2024[19].

In addition to continued predicted growth, the geographic market growth is predicted to shift. Currently the North American market dominates the commercial drone market, but Asia is predicated to undergo significant growth and overtake them in the coming year.

These new technologies have important applications for a range of industries, including education and training, agriculture, health and mining – all vital industries in our regions.

Australia is well placed to benefit and become a global leader in the safe, effective and productive multiple application of drones which appear perfectly suited to regional areas.

Australia has a supportive, progressive regulatory approach and has strong comparative advantages in terms of good weather, low sovereign risk, proximity to Asia and access to skilled staff that could support a strong, locally-based drone industry and attract drone research and development opportunities[20].

These factors support over 1700 commercial drone operators and 14,000 remote pilots who are rapidly developing technologies and services that support the larger drone ecosystem[21].

Today, Australia is a growing destination for commercial Beyond Visual Line of Sight testing and trialling of drone operations in industries such as goods delivery, agriculture, infrastructure inspections and mining.

A number of state and local governments are developing drone strategies and are working with industry to explore options to further develop the local drone industry.

For example, Boeing agreed to test their drones in North West Queensland, while Airbus has been trialling drones in North West Western Australia. Airbus are also testing the solar powered high-altitude pseudo satellite aircraft in northern Western Australia, and French company Sunbirds operate their long-range agricultural drones in outback Queensland[22].

These developments will not only provide new jobs to the region, but has the opportunity to expand local manufacturing, attract more drone-related industries due to agglomeration effects, and support broader diversification and investment in of the local economy. Residential deliveries of a range of small products is also taking place in the ACT and Queensland.

...and the transformation will continue

While the current take up of these new technologies is impressive, the potential future uses and their benefits for regional Australia are only limited by imagination.

Aircraft manufacturers are already working on new aircraft concepts for regional aviation markets. New developments in vertical take-off and landing aircraft, battery technology and electric motors could transform the operating economics of regional passenger air services.

Drones capable of carrying several hundred kilos are being developed, which could be utilised to connect goods, particularly high value or time sensitive goods, between regional hubs, distribution centres or directly to/from customers.

Work is underway on proposals that could improve health outcomes by transporting medication to remote communities and facilitating timely access to life-saving medical assistance without the need to transport a patient.

The uptake of new technologies in Australia and internationally may also open up new opportunities for regional communities to diversify their industries by developing and providing new aviation products. Regional universities often play an important role in this, by building local ecosystems that promote regions, attract investment and provide export opportunities.

For example, the University of Southern Queensland is conducting research into advanced composites for aerospace applications, creating partnerships with local and international businesses and promoting the region.

The Department is working collaboratively with agencies across the Commonwealth and with state and territory governments to tackle the far-reaching implications of these transformative technologies. Detailed consultation with industry and community stakeholders will be a key element of this process.

However, it would be helpful to hear more from stakeholders on the potential economic implications for regional Australia to help guide the Australian Government's priorities for policy and regulatory reform.

Regional export opportunities

Australia is a global supplier of aircraft parts and components for both defence and civilian aircraft.

In 2017–18, Australia's Aircraft Manufacturing and Repair Services industry produced $3.9 billion worth of aircraft manufacturing product and directly employed over 13,000 people[22].

Recognition of Australia's technical excellence is increasing export growth in components, for aircraft assembly occurring overseas. This is opening opportunities for small and medium enterprises, many of which are located in regional Australia.

The Australian Government works to expand the export opportunities for these businesses through Austrade.

For example, Nowra-based Air Affairs Australia (AAA) is an aviation flight operations and engineering company based in Nowra, NSW, providing specialised airborne and engineering services to Defence Forces, government departments and multinational companies in Australia and around the world.

AAA owns and operates a fleet of special mission 30 and 60 series Learjet and Kingair aircraft, and maintains an extensive manufacturing and engineering facility, providing a complete design through to manufacture and certification capability. Air Affairs has also developed the Phoenix Jet unmanned aerial vehicle, a high performance aerial target system.

Austrade has worked with AAA since 2013, supporting the company with its international business development in Indonesia, Korea, India, and the Czech Republic. AAA is also active in Canada, Germany, Singapore, Sweden and the USA. AAA is being supported via Austrade's TradeStart network, and will participate in the Department of Defence-led Team Defence Australia mission to the Singapore Airshow in 2020, where they will be supported by Department of Defence staff and Austrade business matching services.

What opportunities and applications do you see for new technologies in rural and regional Australia?

What factors are supporting/hindering the adoption of new technologies in our regions?

What measures could help promote the increased take up of new technologies in the regions and promote export opportunities for the regionally based aerospace industry?

Aviation training and skills

Key issues

The world needs more aviation professionals

The shortage of skilled personnel in the aviation sector is a global problem. Forecasts by the International Civil Aviation Organization (ICAO) indicate the largest growth in demand is likely to be in the Asia Pacific region[23].

This presents opportunities for Australia's education and training sectors, as well as the broader aviation sector. Australia has a comparative advantage in the aviation training market, particularly in regional areas due to ideal training conditions that include good weather and uncongested airspace.

Australia's airlines are responding to this demand with two Qantas training academies in Toowoomba (Wellcamp) and Mackay (QLD), a Virgin Australia training academy proposal in Tamworth (QLD), and Rex's acquisition of the ST Aerospace Academy Australia at Ballarat (VIC) to complement their existing training operations at Wagga Wagga (NSW). Other flying training schools operating throughout Australia also cater for domestic and international students.

Attracting student pilots to regions generates local jobs and results in economic injections in to these communities with not only the students but also their families and friends visiting and spending, multiplying the economic activity and jobs impacts in these communities.

The training opportunities are not limited to traditional pilots and as of December 2019, there were 14,817 remote pilots and over 50 CASA certified remotely piloted aircraft training organisations[24]. As new technologies increase their share of the overall aviation market, regional communities can also become training centres to meet the skill requirements for the wide variety of new technologies with regional and rural applications.

Since receiving the 2018 report from the Expert Panel Report on Aviation Skills and Training, the Australian Government has implemented a range of measures to help respond to aviation skills shortages. This includes an increase in the student HELP loan limit for aviation students from $104,400 to $152,700 (adjusted for inflation) from January 2020. This lifts the cap to the same level as courses for medicine, dentistry and veterinary science and is designed to better reflect the high cost of study[25].

The Government has also announced $4 million over the four years to 2021–22 to support the promotion of greater gender diversity in Australia's aviation industry with its Women in Aviation initiative[26]. This initiative is aimed at encouraging more women to pursue careers in the aviation sector and includes reaching out to female school and university students as well as those considering transitioning into an aviation career.

Are there policy or regulatory impediments to the location of aviation training facilities in regional Australia?

What role can regional aviation play in providing training for emerging skills and industries, such as drones?

Are there examples of positive initiatives to attract more women into regional aviation that could be implemented by industry more widely?

Aviation and regional tourism

Key issues

Helping regions get more of the tourist dollar

Tourism is a key component of the Australian economy.

It directly contributes $57.3 billion to Australia's Gross Domestic product, directly and indirectly employs 996,000 Australians (equivalent to 1 in 13 jobs), and accounts for almost 10 per cent of Australia's total exports ($37.4 billion). For every tourism dollar, over 43 cents was spent in our regions[27].

However, Australian tourism is currently facing its biggest challenge in living memory. The recent bushfire crisis and coronavirus outbreak has dealt one of the biggest blows to our tourism industry that it has ever faced. At this stage, it is too early to quantify the full impact of the bushfires on the tourism industry, and any knock on effect in terms of international tourism to Australia.

To assist with recovery, the Australian Government has undertaken a number of actions to help Australia quickly re-establish itself as a hugely popular place that is welcoming and safe. For example, the $2 billion national bushfire recovery fund has measurers to support small business, including tourism businesses, as well as marketing campaigns to promote domestic tourism.

Tourism Australia is working strategically to increase spending by targeting international markets that drive growth. The Prime Minister announced a $76 million tourism recovery package on 19 January 2020 as part of the Australian Government's National Bushfire Recovery Fund; $61 million of which has been awarded to Tourism Australia over two years. Tourism Australia has already invested $5 million to immediately encourage Australians to 'Holiday Here' and 'Event Here This Year.'

The current focus of Tourism Australia's marketing activities is supporting the industry's recovery as it battles the damage of the bushfires and, now, the coronavirus outbreak. Tourism Australia's immediate priority has been the expedited roll out of an international marketing campaign under the banner of 'There's Still Nothing Like Australia.'

The Australian Government is keen to continue to support tourism in regional areas to assist in recovery and promote economic growth. Prior to recent events, tourism to regional Australia was on an upward trajectory with visitors increasing on average by 5.6 per cent per annum over the past five years, and visitor nights increasing by 4.6 per cent over the same period. Many tourism icons and bucket list spots are located across Australia's regional destinations, allowing for opportunities across food and wine, beaches and islands, nature and wildlife, culture and heritage and wellness. Coupled with its proximity to Asia's thriving middle class seeking unique and authentic travel experiences, Australia is well placed to further capitalise on this opportunity. Tourism is also expected to help support the bushfire recovery efforts of regional communities.

Australia will continue to offer tourists the incredible tourism experiences that our country is known for. Many Australian destinations, including some of our most popular regions, including the Great Barrier Reef and Uluru are unaffected by the fires. Many of our bushfire-affected regions have breathtaking tourist experiences that are still open, and they are ready to welcome visitors from overseas.

Aviation and tourism are inextricably linked. As an island nation with a population dispersed over vast distances, the tourism industry is heavily dependent on an efficient airline industry to ensure holiday makers can get to desirable locations at affordable prices. Air access is a fundamental driver in the achievement of a sustainable tourism industry for Australia, and given the importance of direct aviation connectivity, aviation development remains an ongoing strategic priority for the Australian Government.

There is a strong correlation between aviation capacity and international visitation to destinations. For example, Australia welcomed the first direct flights from India in 2013, when Air India launched flights to Sydney and Melbourne; and in the last six years, Australia has witnessed consecutive double-digit growth in visitation each year from India. Similarly, visitation from Japan has rebounded since aviation capacity was bolstered in 2015.

In recognition of the key role aviation plays in our tourism industry, Tourism Australia works with over 20 airline partners across key international markets each year, and has long-term strategic marketing agreements with eight airlines, most recently re-signing a three year Memorandum of Understanding with Singapore Airlines.

Tourism Australia also partners with Australia's key international airports and State and Territory Tourism Organisations to build demand for existing flights and new routes through cooperative marketing[28]. Since November 2011, Tourism Australia has supported approximately 40 new international routes into Australia in partnership with the state and territory governments, Australia's international airports and the airlines. Recent routes which have been supported include Qantas' Brisbane to Chicago and Brisbane to San Francisco services and All Nippon Airways' (ANA's) daily Tokyo (Narita) to Perth service.

Tourism Australia also works in partnership with Austrade to develop the tourism investment opportunity for Australia, with an emphasis on investment into iconic regional locations. The Regional Tourism Infrastructure Investment Attraction Strategy is a five year commitment to work with state, territory and local governments to create an environment conducive to attracting foreign direct investment into regional tourism infrastructure. The strategy seeks to identify and overcome local impediments that may be holding back supply of visitor experiences and broader investment, ranging from a lack of existing international flights to a regulatory system that makes investment challenging for the broader industry.

Launched in 2011 as a whole of government and industry strategy, Tourism 2020 recognised the importance of a competitive aviation environment in growing the value of Australia's tourism industry to over $115 billion by 2020. Austrade, in conjunction with Tourism Australia, is currently developing

Australia's next national long-term tourism strategy. Development is occurring in cooperation with state and territory governments and the tourism industry. While the Government has not formally announced a name for the new strategy, for ease of reference development work is being carried out under the heading of Tourism 2030. It is proposed that the Tourism 2030 strategy will commence on 1 January 2021[29].

The Australian Government established a Steering Committee to help shape the strategy, which delivered its report to Government in December 2018.

Among a range of actions, the Committee found that encouraging visitor dispersal to regional centres will be fundamental to delivering growth and yield, suggesting Governments should work with airports to expand aviation growth into non-capital airports.

...but tourists need a reason to visit

The regional tourism industry is heavily dependent on local stakeholders working collaboratively to generate a critical mass of tourism infrastructure including attractions, accommodation and hospitality providers. Efforts to promote increased tourism by growing aviation links are more likely to succeed when implemented in parallel with a broader planning and investment strategy in regional tourism market infrastructure.

How can airlines and airports best work with tourism agencies and operators to market regional destinations?

Are there other actions the Australian Government could take to assist tourist operators to re-establish Australia as a popular destination?

CHAPTER 4
Aviation infrastructure

Introduction

The last 30 years have proved that – for the most part – aviation markets prosper when governments allow industry to manage and invest in their operations.

The privatisation of airlines and airports, along with the cessation of the two airlines policy has underpinned more flights, increased innovation, discount fares and large investment in aircraft and airports.

But the market-driven approach to delivering aviation infrastructure only functions where it is profitable for private investors to participate.

Where this is not the case, governments have to consider whether to support infrastructure investment to help facilitate air services to regional and remote communities.

Access to major airports is also important for regional communities and at our largest gateway Sydney (Kingsford Smith) Airport has led to Australian Government involvement through regulation.

There is also scope for all tiers of government to assist airports and airlines to plan for ongoing investment in, and management of, their infrastructure assets.

Airport infrastructure investment

Key issues

The Australian Government invests substantial funds in airport infrastructure

In the first half of the twentieth century, the Australian Government was closely involved in the development of aviation infrastructure. This reflected a range of factors including military requirements, an imbalance between commercial viability and potential social benefit, and the difficulties of land acquisition.

In 1958, the Australian Government implemented the Aerodrome Local Ownership Plan (ALOP), under which aerodromes that served a local rather than a national need were transferred to local authorities, in recognition that they were more appropriately and economically managed at a local level[30].

The vast majority of regional airports are now owned by local councils, many of which struggle to finance ongoing maintenance of these important regional and local assets.

The Australian Airports Association commissioned ACIL Allen Consulting to prepare a Regional Airport Infrastructure Study, which found that 61 per cent of regional airports had budget deficits in 2014–15, with expenditures forecast to rise by 38 per cent over the following decade[31].

Assistance for regional airports has traditionally been provided by state and territory governments, with many operating grants schemes to finance upgrade works.

However, in recent years, the Australian Government, as part of broader regional program funding, has also provided some funding for particular regional airport upgrades (see **Appendix 1** for a list of Australian Government programs).

For example, proposals that are focused on increasing commercial services (for example terminal expansions and runway extensions) are potentially eligible for support under the Australian Government's regional development programs such as the Building Better Regions Fund, which has delivered over $50 million to regional airports over three rounds of funding[32].

The Government has also provided additional funding of $28.3 million for the Remote Airstrip Upgrade Program a program which funds assistance for access and safety upgrade projects at remote aerodromes.

In the 2019–20 Budget, the Government announced funding of $100 million over four years to establish a new Regional Airports Program to assist regional airports undertake access and safety works.

The new scheme essentially expands the geographic scope of airports eligible for Australian Government support for safety and access upgrades. Applications for the first round of grants under the Program recently closed.

Maximising investment benefit

The Australian Government is aware some stakeholders are concerned some grants have been poorly targeted and do not have the support of airport users, and have had the perverse effect of increasing airfares and dampening demand due to airports (and airlines) passing on increased maintenance and depreciation costs to travellers.

The Government recognises that some grants have been significantly more successful than others in achieving their policy objectives.

The intention is not that the success of these grants be measured solely on passenger volumes, and a range of external factors will likely have affected aviation activity at these locations. However, more detailed post implementation analysis of aviation infrastructure grants could potentially help refine eligibility criteria to ensure aviation grants (from all levels of government) better meet their policy objectives.

Can the eligibility criteria for grants that support airport investment intended to increase commercial services be better focused to achieve their intended policy outcomes?

Are there areas of airport infrastructure investment which would benefit from different tiers of government better coordinating their funding approaches?

Airport infrastructure management

Key issues

Managing complex negotiations

The management approach adopted by regional airports is a key concern for many airport users, particularly in the context of negotiations around airport fees.

Issues around the negotiation of airport fees were thoroughly explored in the Productivity Commission's recent report on the Economic Regulation of Airports[33]. Airport fee negotiations necessarily involve complex judgements around a range of issues including future passenger volumes, projected maintenance and upgrades, and approaches to depreciation.

The Western Australian Government is developing a framework to assist airports and airport users with these negotiations, and the Australian Government will work cooperatively to review the operation of the framework following its implementation, with a view to facilitating the roll out of comparable schemes more broadly.

Legacy management

The Government continues to have a limited regulatory role in regional airport management via deeds that were executed with local authorities following conclusion of the ALOP scheme in the 1980's and early 1990's.

The deeds impose a range of obligations on the airport owner, and generally require airport operators to provide non-discriminatory access, establish a dispute resolution process to resolve complaints from airport users, and require the airport owner to seek Australian Government permission before closing the airport.

Airports safeguarding

An important aspect of airport infrastructure management is protection of airports from obstacles and hazards including buildings and other structures off-airport. The National Airports Safeguarding Framework (NASF) includes a set of guidelines that help the Australian, state and territory governments in planning decisions in this regard. Implementation of NASF around Australia by the different jurisdictions is currently being reviewed by the National Airports Safeguarding Advisory Group[34].

Can governments do more to promote sound asset management principles, for example consistent with the Western Australian proposed negotiations framework?

Are there areas of airport infrastructure management which would benefit from different tiers of government better coordinating their approaches?

Is it appropriate for the Australian Government to maintain the regulatory obligations on regional airports contained in the ALOP deeds?

Regional aviation access to Sydney

Key issues

Does regional aviation need more flexibility?

Sydney's Kingsford Smith Airport (KSA) is the major international visitor gateway to Australia and for domestic tourism in New South Wales. KSA is also a key national and state logistics and freight hub.

As part of the demand management arrangements at KSA, specific access arrangements for operators of NSW regional services has been established by a ring fence around regional operator slots at the airport.

This protection is applied under the *Sydney Airport Demand Management Act 1997*, with access for NSW communities protected in the Sydney Slot Management Scheme 2013[35]. Within this Scheme, a pool of permanent regional slots exists and an airline operator can only apply to provide a NSW regional service if they have access to a 'slot' that is either part of this pool or if the service will operate outside peak periods.

Concerns have been raised with the rigid nature of protected regional slots. Furthermore, these slots are fully subscribed, limiting the ability for airlines to provide new peak services for regional NSW communities.

It has also been argued that the current rules are negatively impacting NSW regional communities while also reducing competition on regional routes. In addition, business, social and medical transport opportunities are being missed, as regional airlines cannot access additional peak slots to Sydney Airport.

To alter this, Section 11 of the Sydney Airport Slot Management Scheme 2013 would need to be amended to remove the restriction that an operator can only apply for a slot to conduct a regional service if the slot is a permanent regional slot, or in a non-peak period.

This would allow regional flights to use non-regional flight slots, in addition to the existing protected regional slots. It will not change the number of permanently protected regional slots but will allow increased flexibility for the operators of regional flights.

Any reforms will not change the current protections for permanent regional slots and there will be no change to the current movement cap. All slot allocations for regional and non-regional services are required to be within the movement cap.

Following its recent Inquiry into the Economic Regulation of Airports, the Productivity Commission (PC) recommended the Government amend the Sydney Airport Slot Management Scheme 2013 (Cwlth) to allow peak period slots that are not part of a permanent regional service series (PRSS) to be used for either regional or non-regional flights. In its response to the PC's recommendation, the Government supported this recommendation in principle and indicated it will explore opportunities to implement the proposed recommendation.

Should the Government allow airlines to apply for peak period slots to conduct regional services, including allowing airlines to transfer a slot from a non-regional service to conduct a regional operation?

Is there an ongoing need for all NSW regional services to operate within the ring fence, or outside peak periods? Are there other changes to the Sydney Slot Management Scheme 2013 which could allow for greater flexibility for regional services without impacting on airport capacity?

What impact will Western Sydney International (Nancy-Bird Walton) Airport from 2026 have on regional flights? Can this provide a further stimulus to regional air services generally and regional communities access to the Sydney region?

CHAPTER 5
Conclusion

This Issues Paper seeks to cover a diversity of challenges and opportunities for regional aviation.

It does not suggest that the Issues Paper has covered all the issues but it has sought to capture what appear to be the major issues for governments, industry and regional communities and to prompt further consideration and alternate views to assist in the formulation of a Regional Aviation Policy Statement.

The questions posed throughout the Issues Paper are designed to help encourage stakeholder comments on specific aspects of regional aviation, however, comments on any other issues related to regional aviation are welcome.

The Australian Government recognises that our capital cities will be the commercial focus of major investment and services provided by private airport and airline operators.

Additionally, it recognises that many of our regional airports have become important, sustainable regional hubs served by multiple airlines and attracting aviation-related industries.

However, for smaller regional towns and communities, demand and market driven solutions providing regular passenger (and freight) transport services are less likely.

This then raises issues of what sort and frequency of services, and what type of infrastructure is appropriate to be provided, recognising the importance of regional aviation but also the costs involved and the level of available resources, including the availability of skilled aviation personnel.

We look forward to receiving government agency, industry and the community views on these important issues.

Are there any other issues or comments you would like to make which you believe will improve regional aviation policy settings?

APPENDIX A
Regional aviation and related programs

Aviation specific programs

- The Australian Government $75.1 million Regional Aviation Access Programme delivers much needed funding and services to remote airstrips to improve their ability to support aeromedical services. Funding is also provided for landing lights, animal fencing and other critical services.
- The Australian Government's $100 million Regional Airports Program provides assistance to allow regional airports to undertake essential works, promoting aviation safety and access for communities.
- The Australian Government is providing $50.1 million in funding to support eligible regional airports to upgrade or purchase equipment to meet new aviation security screening requirements through the Regional Airport Security Screening Fund. This includes capital works funding up to $1 million for airports commencing security screening that are required to make infrastructure changes to accommodate X-ray technology.

Regional programs

The Government has also provided support to regional aviation through a range of regional and community programs. Some of these which have or may support regional aviation include:

- The $841.6 million Building Better Regions Fund (BBRF) supports the Australian Government's commitment to create jobs, drive economic growth and build stronger regional communities into the future. Over three rounds, this program has delivered over $50 million to regional airports.
- The Australian Government established the Community Development Grants Programme to support needed infrastructure that promotes stable, secure and viable local and regional economies.
- On 7 November 2019, the Australian Government announced a further range of drought measures, including that it would provide $128 million under the Drought Communities Programme Extension to 128 councils, 122 of which had previously received funding and an additional six councils experiencing hardship due to drought. This programme is designed to support local infrastructure and other projects for communities and businesses who have been impacted by drought. Funding is available to eligible councils for local infrastructure projects and other drought-relief activities. Project funding is intended to provide short-term support, including by boosting local employment and procurement, and addressing social and community needs.
- The Regional Growth Fund provided grants of $10 million or more for major transformational projects supporting long-term economic growth and jobs in regions, including those undergoing structural adjustment. Construction of the Coffs Harbour Airport Enterprise Park was one such successful project.

- The Australian Government has committed $222.3 million to the Regional Jobs and Investment Packages (RJIP) to help regions in Australia diversify their economies, stimulate long-term economic growth and deliver sustainable employment. Ten pilot regions were chosen to be a part of the RJIP. These regions have much untapped potential which, if unlocked could lead to new sources of growth, economic diversity and the opportunity to pursue export markets
- The Stronger Communities Programme (SCP) provides grants of between $2,500 and $20,000 to community organisations and local governments for small capital projects that deliver social benefits for local communities.

APPENDIX B
Consultation

Input is welcomed from all stakeholders, from individuals and local councils to regional and international businesses who interact with the regional aviation sector.

The Australian Government recognises many stakeholders recently provided comprehensive submissions to the Senate's Rural and Regional Affairs and Transport References Committee inquiry into the operation, regulation and funding of air route service delivery to rural, regional and remote communities.

Stakeholders are welcome to resubmit their submissions with any further information as appropriate. In any event, the submissions provided to the Senate Committee will be carefully considered as part of this process.

This Issues Paper has been divided into a series of chapters. In responding, you can choose to consider the whole paper, or just a selection of chapters.

While the Issues Paper includes questions for consideration, they are intended only as a prompt and not as a barrier to broad ranging comments. The preferred method for receiving submissions is electronically via email. Submissions may also be made in the hard copy at the address provided.

The closing date for submissions is Friday 17 April 2020. If you would like to respond but will be unable to do so by this date, please contact the Department of Infrastructure, Transport, Regional Development and Communications to discuss your options.

If you have any questions about responding to the discussion paper, please contact the Department (see below).

Responding to this Issues Paper

Email: RegionalAviationPolicyStatement@infrastructure.gov.au

Mail: Att: Domestic and Regional Policy
GPO Box 594
CANBERRA ACT 2601

Questions?

If you have questions about this discussion paper, or how to respond, please contact the Department of Infrastructure, Transport, Regional Development and Communications email the above or phone 02 6274 7064.

Don't Forget: Please provide your contact details so the Department can follow up on any issues raised.

Closing Date: All Submissions should be provided by Friday 17 April 2020.

Data Collection

In responding to this Issues Paper, please identify any data you have available that may assist us to conduct further analysis of different policy options or impacts. Detailed, evidence-based analysis of policy options ensures robust and informed discussions on policy changes. Any evidence you can provide may assist the analysis of regional aviation policy settings and will help ensure the best possible outcomes are achieved for stakeholders. At this stage, you only need to provide an indication of what information you may hold, and the Department will follow up as needed.

Privacy Statement

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

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

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

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

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

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

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

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

Once I have made a submission, what happens then?

You are invited to provide your contact details so the Department can follow up as needed to discuss any further issues raised by your submission. If needed, the Department may also undertake additional consultation to explore issues raised through this process.

The Government will finalise the Regional Aviation Policy Statement following completion of the consultation process and consideration of submissions.

APPENDIX C

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