

Submission on The Future of Australia's Aviation Sector – Flying to Recovery

November 2020

Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

Local Government NSW (LGNSW) welcomes the opportunity to provide a submission in response to *The Future of Australia's Aviation Sector – Flying to Recovery Issues Paper 2020*.

The LGNSW submission focusses on aspects of the paper related to local government, particularly in NSW.

This is a draft submission awaiting review by the LGNSW Board. Any revisions made by the Board will be forwarded to the Committee in the form of an updated submission.

Background

The Australian Government is examining options to further support and strengthen the aviation industry, both to manage the current impacts of the COVID-19 downturn, support the recovery and look at pathways for longer-term reform.

The Department of Infrastructure, Transport, Regional Development and Transport has released the *Future of Australia's Aviation Sector – Flying to Recovery Issues Paper* to canvass industry and community views on potential policy directions to manage the opportunities and challenges facing the sector.

The Issues Paper seeks public submissions on:

- the impact of the current COVID-19 crisis, including the Australian Government's support packages; and
- longer term policies and reforms to support development of a Five-Year Plan for Aviation.

Councils in NSW own and operate 62 rural and regional aerodromes outside Sydney making the recovery of the aviation sector in Australia across rural and regional areas of vital importance to councils and the communities and businesses they serve. These facilities are referred to in the Issues Paper as Aerodrome Local Ownership Plans (ALOP) aerodromes as they were transferred from Australian Government ownership to council ownership dating back to the 1950s.

Both the Australian and State governments have helped with the capital costs of owning and operating these aerodromes through various grants programs over the years. This has helped to ensure that people living in regional and rural communities can commute more easily on what constitutes regular passenger transport (RPT) routes. As our submission highlights, these aerodromes also play other vital roles including keeping people connected to medical assistance, they can house firefighting aircraft among many other services they provide local communities.

The recent COVID-19 pandemic has, however, put the viability of many of these ALOP aerodromes under severe pressure. The revenue from fees and charges that are directed back

into the operational side of these aerodromes has all but collapsed. This in turn has put tremendous strain on council budgets which have had to maintain operations by drawing on council funds that would otherwise be directed to other infrastructure and services to assist communities recovering from drought, the worst bushfires seen in generation and more recently, the COVID-19 pandemic. The immediate injection of emergency funding to support the ongoing operation of the RPT network is vital.

Also of importance to councils more broadly are issues of access to sufficient slots for regional flights into and out of Sydney. LGNSW understands that the number of regional slots currently available at Sydney Airport are guaranteed under the Sydney Airport Slot Management Scheme 2013. LGNSW would like current arrangements to be protected with room for future growth provided. We would want to ensure that regional flights continue to be directed to Sydney Airport following the opening of the Western Sydney Airport in the coming years. Regional communities deserve to be treated equally and have equitable access to Sydney Airport as customers travelling to and from overseas and interstate.

Additionally, councils and their communities located in the vicinity of Sydney Airport experience high levels of noise and pollutants that are detrimental to their general well-being and health. It is imperative that Sydney Airport continues to address these matters so that the noise from aircraft is distributed fairly while also adopting international best practice for the mitigation of both noise and environmental contaminants. LGNSW understands that the effective operation of Sydney Airport plays a pivotal role in the NSW economy, but this also needs to be properly balanced with the needs of local communities.

This submission addresses the key questions of relevance to council owned ALOP aerodromes and councils and their communities more generally.

Questions of relevance to local government-controlled Aerodrome Local Ownership Plans (ALOPs) in NSW:

Are there options to improve how Aerodrome Local Ownership Plan (ALOP) aerodromes are regulated?

LGNSW understands that the aviation industry demands certain standards to ensure the safe and efficient operation of ALOP aerodromes. This is equally understood by the councils that own and operate ALOP aerodromes. However, it is often the case that regulatory and legislative changes have direct and indirect financial implications for ALOP aerodromes and the councils that own and operate them. Too often, these cost impacts are overlooked by government at the time the legislative or regulatory changes are being made or implemented.

Consequently, this leaves ALOP aerodromes vulnerable to financial difficulties, regardless of how well intentioned these changes are. Councils cannot be expected to continually absorb the costs that flow on from regulatory changes particularly in an industry that is subject to such frequent activity in this regard. Examples of these cost impacts through regulatory and legislative changes include airport security requirements, changes to runway requirements, lines markings, runway lighting, fencing, safety, and other changes.

Legislative and regulatory reform underway in other sectors such as the road freight industry is adopting a less prescriptive and more risk-based approach. This is intended on having the effect of simplifying the law and streamlining legislative and regulatory requirements. This

approach can also yield cost savings and a similar approach could be considered for aviation legislation and regulation.

Recommendation: The Australian Government needs to establish comprehensive consultation mechanisms that includes a detailed assessment of implementation and ongoing compliance costs and the identification of agreed funding mechanisms to meet these costs e.g. government subsidies, increased landing fees, rents or other fees and charges. Councils cannot be expected to repeatedly absorb the cost of these changes.

Recommendation: Adopting a risk-based approach to legislative and regulatory changes could help with minimising the costs passed on to councils.

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

While LGNSW is grateful for the Regional Airports Program announced by the Australian Government in the 2019-2020 Budget (worth \$100m over four years), neither this program nor the Regional Airlines Funding Assistance Program (worth \$100m) address the loss of vital operational income experienced by NSW councils. In just one instance, this has declined by a precipitous 95 percent due to reduced landing fees and passenger fees. When combined with the loss of council revenue in other areas including council rates and other charges forgone as a result of COVID-19 impacts, it has a cumulative negative impact on council budgets and their ongoing ability to service their communities effectively.

As with all parts of the sector, these councils have had the revenue they draw from these airports severely impacted by the COVID-19 pandemic. In some instances, this has put their ongoing operation at grave risk. This is in the context of up to 50 percent of Australia's regional airports already operating at a loss ahead of the pandemic. These airports are needed for everything from passenger transport, which includes giving access to locals to services not available to them in rural and regional areas. They also play a major role in tourism, postal services, air ambulances, emergency services operations, crop dusting, surveying and flight training among many other functions.

Recommendation: That the Australian Government immediately inject funding into ALOP aerodromes to ensure their ongoing operational viability in the same way it has supported commercial airlines.

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

As the Issues Paper highlights, the \$100 million Australian Government Regional Airports Program has provided much-needed funding assistance to ALOP aerodromes across Australia for the specific purpose of maintenance and upgrade of facilities. However, while this addresses some of the current infrastructure backlog at ALOP aerodromes, it does not address the estimated \$170 million shortfall in infrastructure funding over the next 10 years.¹ Nor does the grants program or any other government program address the estimated increases in the costs of operating regional airports which are estimated to increase by 40 percent over the same period.

¹ <https://airports.asn.au/wp-content/uploads/2018/11/Regional-Airport-Funding-October-2018-FINAL.pdf>

Many regional airports are heavily reliant on both Australian and State government grant programs. These programs have been essential in the funding of necessary capital upgrades which have been needed to meet the constantly changing requirements of the legislative framework within which ALOP aerodromes operate. This includes the necessity for additional funding support to meet the new requirements of the Aviation Transport Security Regulation 2005, that has resulted in screening thresholds changing. This will result in more regional airports having to find the funds to upgrade their security screening measures and could not come at a worse possible time.

Recommendation: LGNSW acknowledges recent Australian Government grants programs that have helped address the maintenance and upgrade backlog at regional airports but we are of the view that these could be extended further based on maintenance and infrastructure backlog estimates.

Recommendation: That the Australian Government work closely with ALOP aerodromes in order to understand the full extent of the impact of its aviation reform programs and ensure that ALOP aerodromes are properly supported in order to help implement them.

What constitutes a minimum Regular Passenger Transport (RPT) network in Australia?

From an LGNSW perspective, all currently operational regional airports should remain open and government assistance should be provided in response to the pandemic to ensure this remains the case. While passenger travel may remain restricted for some time, regional airports continue to provide vital connectivity for flying doctor services and people who need treatment not available in their local communities. Emergency services also rely heavily on regional airports with more than 500 aircraft (a combination of firefighting services and private contractors) that can be deployed to assist in firefighting efforts housed in regional airports across Australia. In addition to this, over 6,000 evacuations on average are facilitated by regional airports annually. Cutting back on any of these airports would not only hamper these efforts, but it would also undermine the economic recovery more broadly through the flow on effect on aviation-related businesses and tourism.

As the Department of Infrastructure, Transport, Regional Development and Communities acknowledges on its website², “two thirds of Australia’s export earnings come from regional industries such as agriculture, tourism, retail, services and manufacturing”. Coupled with community service obligations, both the Australian Government and State governments have a duty to ensure that commercial viability of regional and rural routes is not always the sole driver of funding or consideration of whether a route might be dropped from the RPT. ALOP aerodromes that comprise the current RPT are vital in maintaining sustainability, liveability and the social and economic fabric of the communities they serve.

Recommendation: That existing regional airport operations that constitute the current RPT should not be reduced as in addition to passenger services, these airports provide vital functionality in supporting community health and emergency services efforts. The Australian Government must take appropriate measures to ensure this remains the case.

² <https://www.regional.gov.au/regional/>

Currently, ALOP aerodromes across NSW and other jurisdictions have not received any direct financial support from either the Australian or State governments to support them on an operational basis in response to the COVID-19 pandemic. On June 25 2020, LGNSW wrote to the Hon. Mark Coulton MP, Minister for Regional Health, Regional Communications and Local Government in order to raise this vital issue that the Australian Government has appeared to have overlooked in its existing aviation industry support packages.

Regional Airports derive much of their operational income from landing fees and passenger fees as well as other fees derived from the aviation-related businesses that operate in and around these airports. The dramatic decline in this revenue has left most, if not all, councils heavily subsidizing ALOP aerodrome operations. This is money, that during a pandemic, should be directed into local communities and services that have been devastated by the impact of COVID-19. Council budgets are already under severe stress with the State government encouraging councils to waive certain fees and charges that have increased pressure on their regular budget and operations.

Recommendation: That the Australian Government extend its support for the aviation sector to assist ALOP aerodromes across Australia as they are under severe financial stress due to a precipitous decline in revenue due to the COVID-19 pandemic.

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

LGNSW acknowledges that the Australian Government has established a number of COVID-19 related measures to support regional aviation including the Regional Airlines Funding Assistance Program and the Regional Air Network Assistance Program. These programs have been vital in helping to maintain a minimal viable regional airport network active throughout the COVID-19 downturn. Rather than making seemingly arbitrary decisions about the timing of government support being withdrawn, real-time data about flights and patronage should be utilized to make more fine-tuned adjustments to funding. As the Issues Paper acknowledges, the aviation sector is vital to the economic and social well-being of the country and the withdrawal of this support needs to be measured so as to ensure it does not result in the loss of any airlines currently servicing the regular public transport network.

Recommendation: That the Australian Government adopt a more considered approach to the scaling back of support to the aviation sector to help ensure that it is not withdrawn before airlines are able to operate routes profitably based on data and by individual entity rather than sweeping cut offs.

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

There are numerous aviation-related businesses that have been badly impacted by the COVID-19 crisis in rural and regional areas. These include local catering services for passenger flights, fuelling services, technical airline work crews, maintenance crews and works, airport kiosks, car hire and taxi service and even advertising agencies that use billboards at local airports.

Furthermore, these same businesses often pay fees to airports as well, further eroding the financial base on which ALOP aerodromes depend on to remain financially viable. Among aviation-related industries hardest hit are regional tourism-dependent or focused businesses. According to the Australian Airport Association regional Australia accounts for 45 percent of Australia's tourism with regional airports providing a critical enabling gateway.³

Recommendation: That the Australian Government urgently review the impact that the COVID-19 pandemic has had on regional aviation-related businesses that operate in and out regional airports to assess their readiness to support the sector when air travel demand eventually rebounds.

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

These services are a vital part of the local economy and provide essential support to the day-to-day operation of ALOP aerodromes. It is imperative that if the COVID-19 continues severely depress airline industry activity that the Australian and State governments continue to maintain financial support to these aviation-related businesses. Options include maintaining programs like Job Keeper or developing replacement programs such as business grants that are specially targeted to industries such as the aviation sector to replace them when they are phased out. The aviation industry is a component of the Australian economy and its social fabric and these services are often quite specialised in nature. Aviation-related services need to be in place and ready to respond as demand returns to normal to help ensure that it continues to play its role in the economic and social recovery.

Recommendation: That the Australian Government consider options including maintaining Job Keeper type assistance for aviation-related industries or introduce new targeted programs such as business grants to ensure these vital businesses remain in a position to support the sector when travel demand eventually recovers.

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

There are several councils and LGAs in the vicinity of Sydney Airport where both noise and pollution pose challenges to local communities. The equitable distribution of noise should be considered through carefully considered flight paths and flight trajectories and glideslopes. Airlines should also be encouraged, where possible to adopt lower power take-offs through optimised departure management. The Australian Government also has a role in encouraging the uptake of aircraft that are designed to produce lower emissions as well operate with reduced noise impacts. The management of polluted water run-off from airports more generally also needs to be addressed and appropriate controls and regular testing measures put in place to ensure that landowners and surrounding communities are not impacted. It is also hoped that

Recommendation: The health and well-being of communities and landowners near airports should always remain a key concern of government when it comes to the operation of aerodromes, particularly where these facilitate major domestic and international flights. With the development of new approaches to take-off and new and emerging technologies, there is an opportunity for the Australian Government to lead policy and regulatory initiatives that can balance the needs of the aviation industry with the community.

³ <https://airports.asn.au/wp-content/uploads/2018/11/Regional-Airport-Funding-October-2018-FINAL.pdf>

Other Issues of Importance to Local Government in NSW

It is the policy of LGNSW, supported by our members, that all residents of regional NSW should be afforded equitable access to ongoing and reliable air services. Modern and efficient air services between regional areas and the state capital are essential for the social and economic wellbeing of all residents, and particularly for those who increasingly rely on air travel for access to the wide range of services no longer available outside Sydney. This includes travel for essential business, education, and medical purposes. It is important to note that a viable competitive and accessible regional aviation sector is not beneficial only to regional based customers. It is also vital that Sydney-based professionals, administrators and investors with responsibilities or interests in regional areas have efficient access to regional aviation services on an equitable basis. This has never been more the case than in a post-pandemic recovery phase.

In a general sense, regional communities remain concerned that while the existing licensing arrangements have been adequate, the reliability of individual operators and services has been marginal in some cases. The continued uncertainty in the regional aviation industry highlights the need for a policy response by both the Commonwealth and State Governments to ensure the availability of air services to country areas and equitable access by these services to Sydney Airport. The impacts of COVID-19 have only exacerbated these issues and special attention and care is warranted to ensure that any damage is minimized.

Recommendation: That the availability of slots for regional air services into Sydney Airport are increased to accommodate the increase in RPT that will inevitably come when the COVID-19 crisis passes, and travel demand returns to pre-pandemic levels.

Conclusion

While this submission addresses a number of important matters related to council-owned ALOP aerodromes, the most important matter that needs immediate attention is the lack of Australian or State government support to help councils meet the dramatic loss of revenue they have suffered due to the impact of COVID-19 on travel. Currently, many council-owned ALOP aerodromes are subsidizing these losses to help keep these airports open so that their communities aren't cut off from access to health and other important services. This is money that councils can ill-afford when their general budgets have also been dramatically impacted by the effects of the COVID-19 driven economic downturn. We strongly urge the Australian government to step up and not just assist the commercial airlines servicing these routes, but the councils who are under extreme financial pressure trying to keep ALOP aerodromes operational.

Thank for the opportunity to provide a submission in response to The Future of Australia's Aviation Sector – Flying to Recovery Issues Paper 2020.

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