



**AUSTRALIAN LOCAL GOVERNMENT
ASSOCIATION**

Submission

on

The National Aviation Policy Green Paper

February 2009

NATIONAL AVIATION POLICY GREEN PAPER

The Australian Local Government Association (ALGA) represents the interests of more than 560 councils at the Federal level. Its membership is made up of the associations of local government in each state and territory. The ACT Government is also a member in its role as the local authority in the Australian Capital Territory.

ALGA understands that specific matters relating to individual airports, services and programs will be the subject of separate submissions by individual councils and State and Territory Local Government Associations.

The ALGA comments on the Green Paper have been developed in the context of the following general principles:

- Efficient and safe aviation services are necessary for the economic development of regional Australia;
- Aviation services to remote and regional communities have an access and equity dimension;
- Safety and security is paramount for all aviation including regional aviation; and
- Airports in urban areas are major generators of employment and traffic and therefore must be properly integrated into local and city wide plans and contribute to the provisions of services.

As indicated in the ALGA submission on the Aviation Discussion Paper local government interest is focused on limited number of areas discussed in the Green Paper. In particular our interests are in the following areas:

- Airport planning and safety;
- Regional aviation;
- Aviation services to remote Australia; and
- Major airport planning and development

Airport Planning and Safety

ALGA is aware of a number of safety issues related to developments around regional airports. The Civil Aviation Safety Authority (CASA) has concerns that these developments have the potential to impact on air space and have possible safety implications.

Safety is a primary consideration and ALGA would support the development of policies that protect the required airspace and the airspace requirements being incorporated into planning schemes. We would urge the Government to reflect the concerns about airspace and proposals for dealing with the issue in the White Paper.

We understand that CASA is developing a general information booklet for local government and the public. This booklet should be completed as soon as possible. We

also suggest that CASA follows up the information booklet with face to face sessions with councils that have airports within their boundaries.

Aviation security

The Green Paper has noted some anomalies in the security screening requirements which are based on the type of propulsion of the aircraft, ie. screening is required for passengers and baggage of jet aircraft but not other aircraft of similar size. Those requirements have resulted in anomalies which mainly impact upon regional airports.

ALGA supports the principle outlined in the Green Paper that aviation security be provided at a level appropriate to the risk and looks forward to the Government acting on these anomalies.

The Green Paper notes that the Government is considering the introduction of new screening technologies and techniques. While local government has no specific comments on these technologies we note that they will, in all probability, cost more than current arrangements. This means that in regional airports where the costs have to be spread over smaller numbers of passengers/aircraft movements, the costs per passenger will be higher than in major airports with likely result that regional passenger will have to pay more for the same level of security.

This would clearly be an inequitable outcome for regional residents and businesses. Local government strongly urges the Federal Government, in considering future security requirements, to recognize the need for support to bring costs for regional aviation users into line with major city airports.

Local government's view is that the cost to customers for entering the secure, sterile space from which aircraft operate should be the same for all users irrespective of the location at which they enter that space.

Regional Aviation

Regional airports

ALGA, in its submission on the Discussion Paper, suggested that it would be useful to calculate the value of contributions from local government to maintain regional airports. ALGA is disappointed that the opportunity to collect data about the cost of operating and the level of subsidisation of regional airports has not been taken. This would have provided a valuable insight into the true cost of regional aviation.

ALGA believes that the lack of knowledge of the true costs of regional airports has led to an uninformed position in the Green Paper that suggests that councils can and should use their Financial Assistance Grants (FAGS) to subsidise the running or upgrading of regional airports.

In reality the financial position of many regional councils is poor. The Productivity Commission (PC), when recently examining local government's revenue raising capacity,

noted that a significant number of local councils, particularly in rural and remote Australia, remain dependent on grants from other spheres of government to meet current expenditure, with some councils remaining highly dependent on grants notwithstanding that they might have fully utilised their own-source revenue raising capacity.

Overall local government consistently raises more than 80 per cent of its total revenue from their own sources and the PC concludes that local government is utilising almost 90 per cent of its total theoretical maximum own-source revenue capacity. The PC concluded that there is a case to review the provision of Australian Government general purpose grants to local government. (Finding 5.6)¹.

In April 2006, all levels of government in Australia signed the *Intergovernmental Agreement Establishing Principles Guiding Intergovernmental Relations of Local Government Matters* (the IGA). The IGA outlines a set of principles designed to establish an ongoing framework to address cost-shifting. ALGA in its submission to the Discussion Paper suggested that the operation of regional airports be tested against the provisions of the IGA. This has not been done.

The parlous state of local government finances is in part the result of government policy on funding and the effects of previous cost shifting to local government from other levels of government at a time when there is little room left for it to increase its own-source revenue raising efforts. One of the examples of cost shifting considered by the House of Representatives report into the issue in 2003 was the transfer of local airports from the Federal to local government in the 1990's.

The amount of general purpose funding paid to local government in 2008-09, as a percentage of the total taxation revenue was only 0.62 per cent of Commonwealth taxation revenue (excluding GST) at the time of the 2008-09 Budget. In contrast, these grants represented around 1% of total Commonwealth taxation revenue in 1995-96 and 1996-97. Local government in its budget submission has sought general purpose funding of 1% of Commonwealth taxation revenue, excluding the GST.

Against this background the suggestion that councils can use their FAGS funding for airports is unrealistic and does not recognise the financial circumstances of local government.

The Green Paper also suggested that funding from the Regional and Local Community Infrastructure Program (RLCIP) could also be used for airport upgrading. This funding is a one off component of the Government's overall Economic Stimulus package. Although the Government indicated in the 2008 budget that it would be funded on an ongoing basis no details have yet been released.

Funding for airport upgrading was not initially included in the RLCIP and was only agreed to by the Government after strong representations from local government. In any case the funding is limited to upgrading and is not available for ongoing maintenance or operations.

¹ PC report *Assessing Local Government Revenue Raising Capacity* (April 2008), p.23 and p.xxxviii respectively.

Local government seeks a dedicated targeted program to support the ongoing operations and upgrading of regional airports on both equity and economic grounds. We believe that the Program funding should be targeted to achieve the national aviation policy objectives

Aviation Services to Regional Australia

The Green Paper notes that some seven million Australians (approximately one in three Australians) live outside the capital cities. For people and businesses in those areas efficient regional aviation is a necessity and not an optional extra. For its part local government supports regional aviation by its subsidisation of regional airports.

Federal Government support through the Enroute Charges Scheme is essential and local government welcomes the Federal Government's intention to continue the Scheme. As noted in the general principles earlier, support for regional aviation should be treated as addressing regional development and an access and equity issues. Local government urges the Commonwealth and States to work together to ensure the provision of appropriate levels of service to regional and remote localities. Local government would be pleased to work with other levels of government to this end as required.

As indicated in ALGA's earlier submission on the Discussion Paper local government is concerned that support for regional aviation and airports is provided on an ad hoc basis without any apparent strategic objective. There is nothing in the Green Paper to indicate what the Federal Government's strategy is in relation to regional aviation or airports even though regional aviation is recognized as being barely profitable, a circumstance that is not likely to change in the near future.

Local government believes that there is scope, especially for the Commonwealth, to use funding to encourage and leverage a regional approach to planning for the provision of transport services taking into account the capabilities of all modes. A regional multi-modal approach is likely to lead to the most cost effective transport outcomes for communities and businesses in regional Australia.

There is nothing in the Green Paper to suggest that the Government is approaching regional aviation and regional airports with any coherent strategy. This contrasts strongly with the approach adopted by the government to terrestrial transport through AusLink and Infrastructure Australia.

Aviation Services to Remote Australia

Aviation plays a critical role in providing access for remote communities. At times of the year aviation services provide the only access to some communities.

These communities are often small and remote and it is unrealistic to expect that either the communities or individuals could afford to provide a reasonable level of access. The Government recognises this and appropriately provides support for flights to these communities and airports through the Enroute Charges Scheme and the Remote Air Services Scheme.

Local government welcomes the Green Papers finding that they should be continued.

Major Airport Planning and Development

Local government is pleased see that the Green Paper indicates that the Government is keen to work with state and territory and local government and industry on improved arrangements for planning and development on airports. The proposed community consultation arrangements are a positive step forward.

Local government will be monitoring the implementation of these arrangements to see how they operate in practice.

While these proposals to engage with state and local government are useful, the fundamental issue remains that non-aeronautical developments on Commonwealth airport land are being undertaken outside state and local government planning framework. These developments generate traffic, place demands on local infrastructure and impact on local communities and should be undertaken in a way that is consistent with the state and local planning requirements.

ALGA is disappointed that the Green Paper does not address the issues of rates and contributions to infrastructure development.

It is unfortunate that the Green Paper maintains the view that airport non-aeronautical developments are independent of state and local government planning. There is a suggestion that the Minister, as the ultimate decision maker, will through the Airport Planning Advisory Panels receive independent expert analysis and advice but not necessarily abide by state and local government planning provisions.

There is no explanation given why commercial non-aeronautical developments on airport land should be exempt from state or local planning and not treated like other commercial developments.

ALGA accepts that the aviation elements of airports are key parts of the nation's infrastructure and their planning is a matter for the Australian Government. However the extensive non-aviation commercial development on airport land does not, in ALGA's view, constitute key national infrastructure and does not justify being excluded from state and local planning regimes.