AUSTRALIAN LOCAL
GOVERNMENT ASSOCIATION

Submission

Australian Government

Aviation Safety Regulation Review

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1 Introduction

The Australian Local Government Association (ALGA), as the peak national body for Local Government in Australia, is pleased to make this submission on the Australian Government's Aviation Safety Regulation Review (the Review).

ALGA would first like to acknowledge the Government's action in undertaking this important review to examine how well Australia's regulatory system is positioned to ensure Australia remains at the forefront of aviation safety. From ALGA's perspective, there is a clear need to pay particular regard to the issues and challenges facing the regional and remote airports sector.

In making this submission, ALGA's response focuses primarily on responding to the following two key aspects of the Review's Terms of Reference relevant to local governments, namely:

- "Review the current implementation of the current aviation safety regulatory reform programme and assess the effectiveness of the planning and implementation of regulatory changes, including cost impacts on industry" (e.g. regional airport operators); and
- "The structures, effectiveness and processes of all agencies involved in aviation safety."

The overwhelming majority of regional and remote airports are owned and operated by local councils for the communities they serve. This submission first addresses the broad context within which the regional and remote airports operate, in particular the economic and social benefits they provide and the significant external challenges they face. The submission then examines the complex and largely unique regulatory environment in which these airports function, that imposes considerable operational challenges for these airports. Finally, the submission provides specific examples of the aviation safety, security and other regulatory costs that these airports have to bear. It also provides confirmation that regulatory costs for these airports are significantly greater as a proportion of their operating budgets than the major capital city airports – often by a factor of three.

2. Our regional and remote airports in context

<u>The economic and social benefits they provide</u>

Australia's network of airports, across regional and remote areas forms a vital part of the national economic infrastructure and is critical to connecting communities and enhancing broader economic performance. More than most countries, Australia heavily depends on an efficient and reliable aviation sector and diverse airport network for its citizens to remain physically in touch and to be able to access important services.

Regional airports provide essential services to their communities, including amongst other things the facilitation of mail and time sensitive freight deliveries, the Royal Flying Doctor Service, CareFlight, bush taxis, and the transfer of workers to employment centres and job sites.

Our regional airports play an essential role in saving lives by facilitating medical evacuations, collection and delivery of organ donations, search and rescue, and in protecting Australia's physical assets by enabling fire-fighting in areas where road transport is not possible or too slow.

Also, Australia's agricultural production is considerably enhanced by aerial agriculture services like crop dusting and mustering operated from regional airports.

Our regional airports also offer facilities for pilot training both for those who wish to fly privately and for those who wish to earn their living as pilots flying commercially in Australia or overseas, for example:

- Tamworth Regional Airport is host to BAE Systems Flight Training Australia, which conducts flight screening and the first stage of flight training for all Australian Defence Force pilots, amongst other flight screening contracts; and
- Wagga Wagga Airport's Australian Airline Pilot Academy provides a 2-week full-time course for ab-initio trainee pilots to meet the current and future demand for regional airline pilots.

It is vital to acknowledge an important study undertaken by Deloitte Access Economics (DEA) in 2012 [1] which provides a key insight into the economic and community contribution that our regional and remote airports make.

Table 1 below shows that the economic contribution of Australia's regional and remote airports in 2011 was estimated at $329m with $216m in gross operating surplus (GOS) and $113m in wage payments accumulated from the activity generated from the following categories of airport.

Table 1: Economic contribution of the Regional/Remote airport sector, 2011

Category of airport	Value-added ($m)	Wages ($m)	GOS ($M)
Major regional airports	255	71	185
Regional airports	52	26	25
Remote airports	22	16	6
Total	**329**	**113**	**216**

These contributions by regional and remote airports provide a picture of the important economic role that this sector of the airports industry is playing (at a

[1] Deloitte Access Economics, op cit, p30

single point in time). As this snapshot does not take into account the induced effects[2] and the catalytic impacts[3] generated by this airport sector, Table 1 reflects a conservative estimate of the broader contribution that this sector plays.

Regional and remote airports face significant challenges

These airports face considerable challenges in maintaining, let alone growing, the service they provide to their local communities. Only 55% of regional airports are reporting a profit and about 45% of remote airports are reporting a profit[4]. Most of these airports are heavily dependent upon cross-subsidisation by their local council owners, who face multiple and competing demands on their limited finances[5].

The number of airports serviced by regular public transport (RPT) aircraft has declined markedly over the years and trends in airline operations threaten to further reduce this number in future, risking increased isolation for many in Australian's rural and remote communities.

Maintaining and developing the capacity of a regional airport so that it is able to be used by RPT aircraft is not only expensive, it also carries significant risks for these airport operators as the aeronautical assets may be left "stranded"[6]. Given their capital intensity and large sunk costs, regional and remote airports in particular typically find it difficult to accommodate high levels of demand variability.

Added to this, unlike most other infrastructure sectors, airlines operations are not underpinned by long-term contractual commitments with airlines, whilst airlines generally insist that airport fees levied on them recover the costs of a new infrastructure asset over the asset's full economic life (which can be up to 50 years in some cases).

The Australian Airports Association has also found that the "Costs of regulation are proportionately greater in the overall budget of regional airports than for capital city airports – often by a factor of three"[7].

Given the challenges faced by regional and remote airports, there is a serious need to review and address safety, security, environmental control as well as development planning and control regulation which may not be fit for purpose, because:

- It is unnecessarily complex;
- Not sufficiently sensitive to the circumstances of individual airports; and
- Fails to achieve sensible regulatory consistency across like airports.

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[2] Induced effects refers to the activity generated at these airports that produces further flow-on benefits throughout the economy that are generated by successive rounds of spending facilitated by the income and employment generated from this airport sector.

[3] Catalytic impacts refers to a range of positive spill-over effects strengthening and accelerating trade, as well increasing productivity through facilitating increased mobility which promotes the development of economies of scale and scope.

[4] Deloitte Access Economics, *Connecting Australia - The Economic and Social Contribution of Australia's airports*, 2012, p30

[5] Australian Airports Association, *Australia's Regional Airports – Facts, Myths & Challenges*, 2012, p.4

[6] Australian Airports Association, op cit, p74

[7] Australian Airports Association, op cit, p5

3. The Regulation of Regional and Remote Airports

The regulatory environment in which these airports operate is complex and imposes considerable operational challenges for regional and remote airports. There are significant regulatory regimes that are unique in their application to airports, with air safety being the most prominent. In addition, regulatory regimes applied under state/territory legislation relating to development planning and control matters as well as environment projection aspects, also present significant operational challenges for regional and remote airports.

Oversight by the Civil Aviation Safety Authority (CASA)

In 2012 there were some 317 airports that were certified (190) or registered (127) by CASA[8] as having significant RPT or charter use, or potential use. While certification or registration is essential for the operation of RPT services at an airport, many regional airports that do not attract RPT services nevertheless take the effort and cost to become registered. This is so aircraft using these airports can have published Global Positioning System (GPS) guided approaches available for their use. This is also particularly important in assisting Royal Flying Doctor aircraft operating in low visibility situations approaching these regional and remote airports.

However, where regional airports are either certified or registered, they are subject to an extensive set of regulatory requirements from the primary safety regulator, CASA), namely the preparation and endorsement by CASA of an Aerodrome Manual. This Manual must address the following aspects:

- The airport's Aerodrome Emergency Plan;
- Aerodrome lighting;
- Aerodrome reporting;
- Unauthorised entry to the airport;
- Aerodrome serviceability inspections;
- Aerodrome technical inspections;
- Aerodrome works safety;
- Aircraft parking control;
- Bird and animal hazard control;
- Obstacle (i.e. vertical intrusions) control;
- Protection of radar and navigational aids;
- Handling of hazardous materials; and
- Low visibility operations.

Certified and registered airports are also required to have a Drug and Alcohol Management Plan (DAMP) and apply it to their employees who undertake specified "safety sensitive aviation activities". Further, at certified and registered airports the

[8] Australian Airports Association, op cit, p12.

airport operator is also responsible for monitoring off-airport obstacles (primarily vertical structures) in an attempt to ensure that such obstacles do not penetrate the protected airspace surrounding these airports.

Most importantly, CASA is authorised to determine a Manual of Standards (MOS) that sets out very detailed standards that airports must comply with in relation to their operations. CASA periodically conducts compliance audits of the airports with respect to the MOS requirements.

Having regard to the above CASA requirements, it is clear that whenever an airline proposes to change the nature of the air services it provides to and from a particular regional airport, there is potential for CASA to re-categorise the airport, moving it to a more strictly regulated category. Such a re-categorisation will likely result in significant additional operating costs for these airports – which they can ill-afford.

Planning Control and Environment Protection Regulation

The regulation of development planning and control is another area where regional airports across Australia are subject to considerable diversity in regulatory regimes. The vast majority of regional airports operate under State or Territory government planning regimes, regulations and requirements that differ from jurisdiction to jurisdiction. As a consequence, airports that share very similar operational characteristics can be subject to quite differing regulatory burden. The same situation applies to the application of environmental regulation by different States and Territories.

4 Living with the cost of aviation safety, security and other regulation

By its nature and consistent with community expectations, aviation needs to be carefully regulated. However, achieving a sound aviation safety environment while not imposing undue cost is a significant ongoing challenge. It is a well-established principle that government regulation should apply to the affairs of our people and businesses where it is necessary to do so in the public interest, but only to the extent necessary to safeguard that public interest.

Amongst airports generally, regional and remote airports spend a greater share of resources complying with relevant regulations, including mandatory audits and inspections. On average major and major regional airports attribute 4 per cent of total expenses, compared with 12 per cent at regional and remote airports[9].

Typically, smaller regional and remote airports have lower levels of passenger throughput and/or commercial activity, reducing the level of security required. However, if these airports receive passenger services involving aircraft greater than 20,000 kg they need to undertake passenger screening. Screening costs are often far higher than those at large airports as these costs are amortised over a smaller passenger base.

[9] Australian Airports Association, op cit, p76

There have been significant cost increases since 2001 associated with security regulatory requirements. However, security requirements can be disproportionate to the ongoing risks involved as well as disproportionate in their per capita cost impact at varying types of airports, as Table 2 below shows[10].

Table 2: Per Capita Costs of Funding Security Operations at varying types of Airports

Types of Costs to Implement Security	Gold Coast Domestic	Gold Coast International	Townsville	Mt Isa	Longreach
Passengers for Fin. Year 2012	5,315,255		1,693,365	247,281	37,726
Aeronautical Charges	5.59	5.5	4.96	13.3	16.64
Terminal Charges	3.2	3.95	5.77	7.1	13.2
Security Charges	2.75	3.9	2.11	5.8	
CUTE[11] (depart only)	0.27	0.27	na	na	na

This table confirms that higher per capita costs are required to fund and operate security facilities at the three regional airports (Townsville, Mt Isa and Longreach) operated by Queensland Airports Limited, which also operates the Gold Coast Airport. There is a need to review the levels of security now required across the various categories of airports to determine whether more flexible and less costly regulatory measures would address current risk and threat assessments.

Complying with new safety/security regulatory requirements as a matter of course involves increased cost, such as:

- Checked bag screening;
- Front-of-terminal security; and
- Requirements for Drug and Alcohol Management Plans.

[10] Australian Airports Association, op cit, p77

[11] CUTE is an Airport acronym which means Common User Terminal Equipment

While safety and security are important as NSW's Eurobodalla Shire Council has advised, baggage screening and other additional security measures have significant set-up costs. These can be well in excess of $500,000. Baggage screening requirements also mean additional ongoing staff costs. Given that some regional airlines already run on marginal profitability (as shown by the Brindabella Airlines recent failure), it is unlikely that local council-run airports can pass on these legitimate costs – putting further pressure on the financial viability of these airports.

Another example reinforcing the significant costs of implementing airport safety/security measures is Griffith Airport in NSW. Estimates to install passenger screening at the airport (taken from Griffith City Council's 2008 Airport Master Plan) were $4M for the screening alone, excluding costs associated with additional terminal space. This also requires three ongoing staff, plus incurring annual costs associated with funding the renewal of the screening area, which totals around $500,000.

As noted earlier, around half of these airports already run at a cost to local councils, which these councils fund because the airports are a vital economic, social and medical link to major population centres. The imposition of these safety/security costs on our regional and remote airports needs to be minimised and avoided by regulatory regimes wherever possible. Such measures should only be imposed where the balance between risk and benefit is clearly demonstrated in the individual airport's circumstances.

A further example which addresses development planning and control and environmental regulation costs borne by regional airports, is also instructive. Maintenance operations required to prevent obstructions, in particular native vegetation, impacting on both the Visual Segment Surface (VSS) and the Obstacle Limitations Surfaces (OLS) are becoming increasingly difficult to achieve with the current environmental legislation and planning policies. This has the potential to limit the opportunities for regional airports to attract larger aircraft critical for the airports' ongoing growth. There needs to be a change in state planning policies and legislation to recognise airports as key infrastructure and to simplify processes which allow control of native vegetation in the vicinity of airports to ensure safety standards can be maintained.

5 Conclusion

The overwhelming majority of Australian airports are owned and operated by local councils for the regional and remote communities that they serve. For many regional communities, access to air services is essential for their social and economic wellbeing. These air services provide access to major cities and other major regional centres facilitating out-bound and in-bound tourism, personal and business travel, personal and business freight and importantly access to social and community services that are less readily available in regions, such as education and health services.

Australia's agricultural production is also considerably enhanced by aerial agricultural services like crop dusting and mustering operated from regional and

remote airports. Further, some regional airports also provide pilot training facilities which assists with sustaining the aviation industry. In addition, other regional and remote airports provide a valuable service in enabling fire-fighting to be undertaken in areas where road transport is not possible or is too slow.

The economic contribution of Australia's regional and remote airports is significant, estimated (in 2011) at $329m with $216m in gross operating surplus (GOS) and $113m in wage payments accumulated from the activity generated from regional and remote airports, although this is conservative estimate of this sectors contribution, for reasons explained earlier in this submission.

However regional and remote airports face considerable challenges in maintaining, let alone growing, the service they provide to their local communities. Maintaining and developing the capacity of these airports is expensive. This situation is compounded by the fact that the costs of regulation at these airports are disproportionately greater than for capital city airports – often by a factor of three.

Therefore, there is a serious need to review and address safety, security, environmental controls, as well as development planning and control regulations which may not be fit for purpose. ALGA looks forward to working with the Commonwealth to address unnecessarily complex and inconsistent regulatory requirements which are not sufficiently sensitive and flexible to the challenging circumstances faced by our regional and remote airports.