



AUSTRALIAN
AIRPORTS
ASSOCIATION

Federal Budget Submission

AUSTRALIAN AIRPORTS ASSOCIATION
(AAA)



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SUMMARY

The airport sector continues to lose **\$320 million a month**. Total losses to the end of 2020 are \$3.5 billion. In December 2020, international passenger numbers were down 98% and domestic numbers were still 61% below December 2019.

Of the more than \$2 billion in Australian Government COVID-19 support to the aviation industry, only \$173 million (or 8%) flowed directly to airports through the domestic security screening rebate.

A plan from the Australian Government for the safe reopening of our international borders is essential for the viability of airports and the nation's economic recovery.

The airport sector is asking for urgent support from the Australian Government to provide relief of immediate costs, including:



- \$427.3 million for the extension of the RANS, DANS and domestic security screening rebates for at least six months.
- \$221.1 million to assist in offsetting the costs of government-mandated security screening and other costs.
- \$45.8 million for the airport component of 'AvKeeper', an income support measure providing additional targeted support to the aviation industry until the end of 2021.

The sector is also recommending the Australian Government assist airports on their pathway to Recovery by investing in people and infrastructure, with:



- \$140 million to extend the Regional Airports Program and Remote Airstrip Upgrade Program for a further four years.
- \$160 million for a new investment program targeted at aeronautical infrastructure at middle-tier airports to support aeromedical and firefighting aviation, flight training and charter services.



- Deliver a program to help offset the \$1.7 billion costs of installing new aviation security screening equipment at capital city and major regional airports, including:
- Reimbursement of financing, procurement and capital works costs for airports that have already installed new equipment, and;
- A concessional loan program for the remaining airports to offset capital works and procurement costs for new aviation security screening equipment.

SUMMARY

- \$8 million to help the airport sector to invest in maintaining and upgrading skills in the airport workforce.
- Incentivise new domestic and international air routes through an 'Air Route Attraction Fund' to help the aviation industry de-risk start-up costs for new routes, particularly for developing new routes serving high-value tourism destinations.
- Invest in energy and water efficiency measures to reduce the operating costs and environmental footprint of the airport sector.
- Undertake a significant, bottom-up review of the Australian Government's funding and financing of the aviation security system.
- Make necessary regulatory and administrative changes to remove red tape and improve competitiveness at Australia's airports.

FEDERAL BUDGET SUBMISSION

The Australian Airports Association (AAA) is the national voice for Australia's airports and represents the interests of more than 330 airports and aerodromes across Australia, in addition to more than 120 corporate members supplying products and services to airports.

Airports are critical national infrastructure

Airports are vital to the economic and social wellbeing of all Australians, providing an essential service during the pandemic by keeping domestic and international air routes open for passenger and freight, repatriating Australians from overseas, getting medical professionals and Defence personnel to where they are needed most; along with anchoring a minimum domestic air network while keeping domestic and international air freight moving.

Our capital city gateway airports keep communities connected to essential services and provide access to world markets. Australia's regional airports support export-oriented agribusiness, assist in medical evacuation and bushfire fighting operations and are gateways to world-renowned tourist attractions.

Airports often provide the only public transport links between regional and remote Australia and the educational, medical and professional services in larger towns and cities.

The economic and social wellbeing of almost every Australian depends on a viable airport sector.

Many Australians have an abiding interest in the economic wellbeing of airports, either through their superannuation funds, their share portfolios or as local government ratepayers. While the largest, international gateway airports are owned mostly by superannuation funds and private equity firms, many of Australia's airports are owned and operated by local governments.

Prior to the COVID-19 pandemic, the Australian airport sector maintained employment for more than 206,000 Australians, including 8,700 people directly employed by airports.

Airports added \$34.6 billion (around two percent) to Australia's Gross Domestic Product, consisting of \$4.9 billion in direct economic activity from core aviation activities plus a further \$29.7 billion of indirect and value-added airport-related activities.¹

¹ Australian Airports Association (2018), Connecting Australia – The economic and social contribution of Australia's airports, Deloitte Access Economics, Sydney.

Before COVID-19, the aviation industry was already slowing down

The airport sector and the aviation industry more broadly were one of the first parts of the Australian economy to feel the pandemic's effects and will also be among the last to recover.

While the decision in March 2020 to close Australia's international borders was undoubtedly the right choice from a public health perspective, it also hastened the aviation sector's rapid decline to the situation it finds itself in today.

In the last financial year before the pandemic (FY18/19), year-on-year passenger growth of 1.1% was already below the five-year (2.2%) and 10-year (2.9%) average annual growth rates due to low wages growth, a softening Australian economy and mature travel and tourism market.²

This trend of slow growth in passenger numbers was compounded by the east coast bushfire season in 2019-20, with reduced domestic travel in the usually busy month of January, while international passengers stayed away, being influenced by global media coverage that "Australia was on fire".

Prior to the COVID-19 pandemic, the Australian airport sector maintained employment for more than 206,000 Australians, including 8700 people directly employed by airports.

The pandemic has severely affected the aviation industry

The impact from the COVID-19 pandemic on Australia's airports during 2020 has been catastrophic. Passenger numbers have plunged dramatically, as shown in Figure 1.

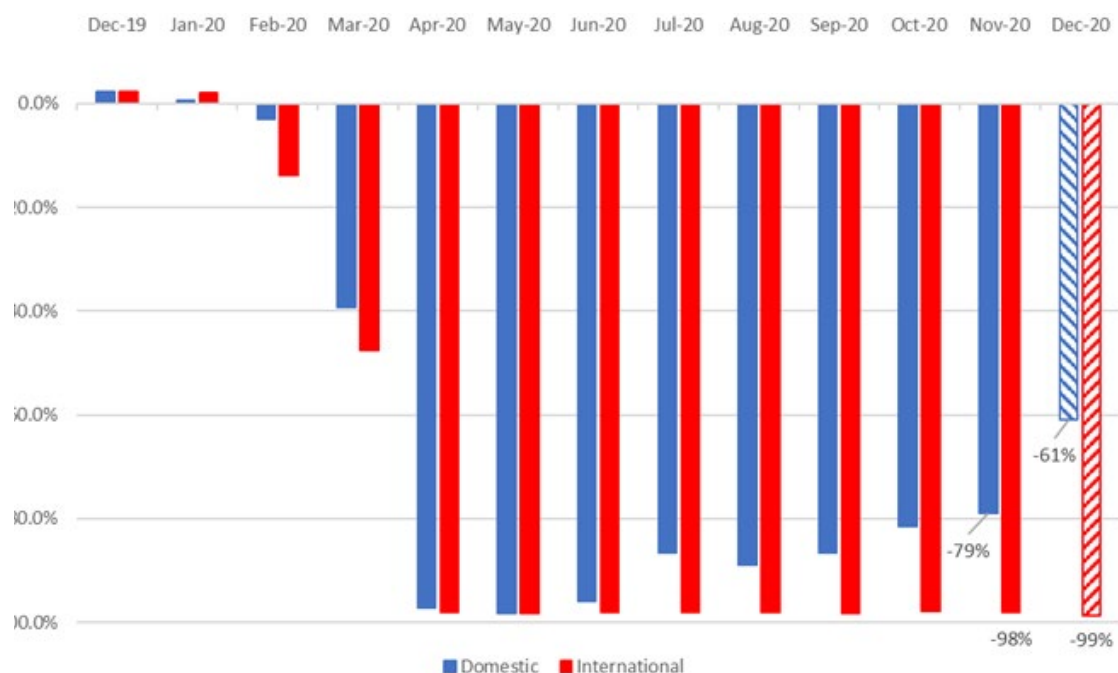


Figure 1: Percentage change in passenger numbers at Australian airports December 2019 to December 2020 (Source: AAA analysis of airport & BITRE data)

² AAA analysis of BITRE aviation passenger data.

International passenger numbers fell by 98% over the previous 12 months. Domestic passenger numbers dropped by similar levels at the height of the national lockdown. They recovered slightly by December 2020 to sit around 61% below same time 12 months earlier.

The costs of providing an essential transport service during the pandemic have been significant. There are high fixed costs involved in keeping the lights on and runways open, regardless of aviation activity levels, particularly in providing security and other government-mandated services.

Australia's airports collectively are still losing \$320 million a month in revenue. At the end of September 2020, accumulated losses were already over \$2.5 billion. Financial losses since the start of the COVID-19 pandemic reached \$3.5 billion by the end of December 2020.

The pandemic has dealt a major blow to the global aviation industry, setting back passenger traffic to levels last seen in 1999 wiping out 30 years of growth in a few short months.³ The industry views post-COVID recovery as a lengthy process, with optimistic scenarios forecasting a return to pre-pandemic traffic levels by 2023 while a more subdued scenario forecasts recovery being reached during 2024.⁴

The recent announcement by the Secretary of the Australian Government's Department of Health (Dr Brendan Murphy) that even with a successful vaccination program, international borders are unlikely to re-open until 2022 which reinforces the latter view of aviation industry recovery.⁵

The long-term effects on Australia's airports of the slower restart of the global aviation industry will be felt through delays in re-hiring skilled airport operating staff, deferment or cancellation of capital investment and the continued impacts of reduced airport activity on local and national economies.

Airports received only 8 cents in every dollar of aviation support funding

Of the \$2.09 billion in aviation support provided by the Australian Government during 2020, \$1.38 billion (66%) flowed to airlines, while another \$476 million (23%) offset foregone fuel excise revenues and regulatory charges from the Civil Aviation Safety Authority (CASA) and Airservices Australia.

Only \$173 million (or 8%) flowed to airports through a rebate of domestic security screening charges.

³ Cirium (2020), The Cirium Airline Insights Review, viewed on 22 January 2021 at: <https://cirium.lookbookhq.com/2020-airline-insights-review/2020-airline-insights-review>

⁴ International Air Transport Association (2020), Recovery Delayed as International Travel Remains Locked Down, Media Release 28 July. Viewed on 8 December 2020 at: <https://www.iata.org/en/pressroom/pr/2020-07-28-02/>;
Airport Council International (2020), The impact of COVID-19 on the airport business, 8 December. Viewed on 8 December 2020 at: https://aci.aero/wp-content/uploads/2020/12/Advisory_Bulletin_The_impact_of_COVID_19_on_the_airport_business.pdf

⁵ McCulloch, D & Coughlan, M, 'Overseas travel remains unlikely this year' The West Australian 18 January 2021. Viewed on 19 January 2021 at: <https://thewest.com.au/politics/february-vaccine-rollout-on-track-hunt-ng-s-2045774>

A further \$66 million in non-COVID funds went to airports through the Regional Aviation Security Infrastructure (RASI) grant program to assist regional airports comply with Government-mandated aviation security requirements.⁶

Airports need support to continue providing essential services

The costs of keeping airports open and operating as essential infrastructure to serve Australia's community and economy are high and have imposed significant costs on the sector. Since the pandemic began, airports are losing around \$320 million a month in revenue or more than \$3.5 billion to December 2020.

The costs of operating an airport remains largely fixed, whether there is one aircraft or 100 aircraft. Currently, the AAA identifies the cost of keeping the national airport network operational at approximately \$4 million a day.

This includes providing domestic and international security screening, airfield security and increased COVIDSafe cleaning regimes – all government-mandated requirements.

Without extended government support, the airport sector expects to be operating with large losses for some time to come. For example, AAA data indicates Australian airports will carry at least \$280 million in unrecovered government-mandated charges to the end of 2021.

- In Calendar Year (CY) 2020, this amount was \$127 million, made up of the shortfall between predicted and actual domestic and international security screening costs (\$110 million), increased airfield security to guard parked aircraft (\$10.2 million) and enhanced COVID-Safe terminal cleaning (\$6.8 million).
- Projections for CY2021 indicate airports will carry a further \$155 million of mandated domestic and international security screening charges (\$123 million); airfield security (\$12 million) and terminal cleaning (\$20 million) costs.

Airports want to look to the post-pandemic future with confidence and be open, safe and secure facilitators of domestic and international air transport for people and goods. To achieve this, the AAA calls on the Australian Government to focus first on immediate financial relief for airports from government-mandated charges. In the longer term, any pathway to recovery for the airport sector must include strategic government investment in airports to make them economically, socially and environmentally sustainable.

⁶ Department of Infrastructure, Transport, Regional Development and Communications (2020), 'Responses to Senator Sterle's written questions, Part 1', Table Documents, Senate Rural, Regional Affairs and Transport (RRAT) Committee 2020-21 Budget Estimates, 19 October. Viewed on 11 December 2020 at: https://www.aph.gov.au/Parliamentary_Business/Senate_estimates/rrat/2020-21_Budget_estimates/Infrastructure_Regional_Development

An 'Aviation Relief and Recovery Program' for the industry

Given the recent blows to the domestic aviation industry's recovery from the virus flare-ups in NSW and Queensland over December 2020 and January 2021, the AAA strongly recommends the Australian Government extend additional financial support to the industry in the 2021-22 Budget through funding an 'Aviation Relief and Recovery Program' (ARRP).

The **Relief** component of the ARRP is targeted at the immediate needs of the aviation industry at this time of low activity, consisting of operations support during Financial Years (FY) 2020-21 and FY 2021-22 to:

- Maintain a **safe and comprehensive** essential national aviation network, and;
- Ensure airport terminals and runways **anchor the network safely** and securely.

Relief for aviation industry cost pressures

The first part of the ARRP Relief component involves topping up existing Australian Government support programs for the aviation industry for at least a further six months to relieve the most urgent cost pressures. These include:

- **The Australian Airline Financial Relief Package (AAFRP)** which rebated domestic security screening costs and ceased on 31 December 2020;
- **The Domestic Aviation Network Support (DANS) program**, delivering a minimum domestic aviation service on the top 50 air routes, expiring on 28 March 2021, and;
- **The Regional Network Aviation Support (RANS) program**, delivering a minimum aviation service to regional Australia, due to expire on 28 March 2021.

Topping up these demand-driven programs would relieve cost pressures on the aviation industry and remain active until funds are exhausted. Based on the Department of Infrastructure, Transport, Regional Development and Communications' (DITRDC) funding allocations committed to these projects in FY2020-21, the AAA estimates a cost of **\$427.3 million** for a top-up of existing programs from the end of March 2021 for a minimum of six months across FY2020-21 and FY 2021-22.⁷

The ARRP Relief component should also include measures providing additional relief to airports first, which ultimately flow through to the broader aviation industry, including:

- **Covering shortfalls in mandatory domestic and international security** screening charges carried by the industry beyond the AAFRP domestic screening rebate, and;
- **Providing increased airfield security** for parked aircraft and enhanced COVID-Safe terminal cleaning, to meet mandatory requirements.

⁷ Department of Infrastructure, Transport, Regional Development and Communications (2020), Op. Cit.

The AAA also estimates that providing additional, demand-driven support to assist the industry with government-mandated aviation security charges and enhanced terminal cleaning to the end of 2020 would cost \$221.1 million across FY2020-21 and FY2021-22.

An 'AvKeeper' income support program for the airport sector

While airports have attempted to forestall wholesale job losses during the pandemic, it is estimated more than 75% of Australia's airport workforce were affected by the pandemic. AAA data indicates more than 25% of the core workforce have lost their jobs in 2020, with another 50% being put on reduced hours or furloughed.

The ineligibility of local governments for JobKeeper have amplified the pandemic's effects on staff at local government-owned airports, while ineligibility for JobKeeper has also affected important service providers to the sector such as aviation security screeners.

The AAA and its airline counterparts in the Australian Aviation Recovery Coalition (AARC) call on the Australian Government to develop an 'AvKeeper' targeted income support program for the aviation industry to help retain core aviation workforce capability after JobKeeper finishes at the end of March 2021. Running through to the end of 2021, an AvKeeper income support program for airports is estimated to cost \$45.8 million. This would extend AvKeeper eligibility to all airport staff (including at local government-run airports) and key airport service providers such as security screeners.

Implementing an AvKeeper program for the entire aviation industry will be an important relief measure to retain key airport and airline personnel until the end of 2021. This should be sufficient time for a national vaccination program to be fully under way, domestic borders remaining consistently open and contemplation of a resumption of international travel.

Investing in an aviation Recovery through people and infrastructure

The ARRPs Recovery component would fund projects supporting Australia's airports by:

- **Upgrading essential aeronautical infrastructure**, particularly at smaller remote and regional airports and at mid-sized regional and metro airports;
- **Retaining people with critical skills** in the sector to ensure airports are ready to deal with the aviation industry's recovery, and;
- **Reducing operating costs** from increasing the energy and water efficiency of aeronautical and other infrastructure.

Upgrading regional and remote airport infrastructure

The existing Australian Government grant funding programs have been valuable in ensuring regional and remote airports can improve safety-critical aeronautical infrastructure. This ensures these airports remain in a state of good repair to accept passenger, charter, firefighting and aeromedical flights and comply with infrastructure standards mandated by CASA, the Australian Government's aviation safety regulator.

The Remote Airstrip Upgrade Program (RAUP) and Regional Airports Program (RAP) provide valuable support to lower-volume regional and remote aerodromes and airports. Both of these significant grant funding programs will expire in FY 2020-21. Topping up the existing RAP and RAUP programs by \$100 million and \$40 million respectively will unlock matching investment from airports and create employment and other wider economic benefits in regional and remote Australia. The AAA also recommends maintaining the current RAP and RAUP criteria where projects costing less than \$300,000 are fully funded by the Australian Government. This will support regional and remote airports to upgrade safety-critical infrastructure. In total, these programs would cost \$140 million over the four years from FY2021-22.

Unlocking the potential of our middle-tier airports

Australia's 'middle-tier' of airports consists of 17 regional Regular Public Transport (RPT) airports, serving high value, economically diverse regions in the Northern Territory, NSW, Queensland, Tasmania and Western Australia. In 2019, these airports moved over 11.5 million passengers, collectively making them the fifth highest patronage airport in Australia.

There is another middle-tier cohort of seven capital city 'metro' airports which are also excluded from grant funding programs because they are located in capital cities. Airports such as Essendon Fields and Moorabbin in Melbourne are forgotten gateway airports for charter flights, while their RPT services come largely from regional airlines unable to secure slots at the major capital city airports. Metro-regional airports such as Bankstown in Sydney and Essendon Fields also provide significant urban bases for flight training, emergency service and firefighting aircraft.

Many of these middle-tier airports have shovel-ready projects to either upgrade or expand critical airport infrastructure. These upgrades would allow them to perform their own distinct and important role in Australia's aviation network. These projects could be brought forward through a new, targeted infrastructure program of grants or concessional loans worth **\$160 million** over four years from FY2021-22.

The range of ownership models and size of these airports relative to the top 10 major airports either make them ineligible for existing regional infrastructure grants, or constrain access to long term, 'patient' capital for essential infrastructure expansion and repair.

The AAA has identified middle-tier airports have 25 shovel-ready projects worth more than \$120 million to renew or upgrade critical infrastructure such as airfield lighting, runway and taxiways, control towers and fuel storage and supply. Projects also include other aviation infrastructure and facilities to support essential aeromedical and firefighting operations. Evaluation by the AAA indicates that over 1,000 direct jobs would be created during the construction phase of these projects, would support more than 16,000 ongoing jobs and provide \$26 billion in economic benefits over the lifetime of the infrastructure.

Support airports to deliver enhanced aviation security screening

In 2018, the Australian Government announced measures strengthen Australia's domestic and international aviation security screening systems, following the disruption of an attempted aviation terror plot in 2017. The new measures, which came into effect in December 2020 include the use of body scanners and advanced X-ray equipment at major capital city and regional airports.

Implementing these mandatory aviation security requirements carry significant costs, ranging from procurement of new screening equipment, capital works required in terminals to accommodate them and the costs of training and accrediting staff to effectively screen passengers and baggage. At the time these measures were announced, the AAA estimated the costs for airports to comply with the new requirements was \$1.7 billion.

The AAA acknowledges the support given by the Australian Government to the airport sector through extensions to compliance dates for most airports. It also acknowledges the \$116.1 million in financial support to smaller regional airports in procuring new screening equipment, upgrading of terminals and supporting staff to deliver the new aviation security system.

The pandemic has meant the new security screening requirements have come at a time when the industry can least afford to finance or fund them from their own resources. In ordinary times, airports could undertake upgrades based on an expectation of consistent growth in passenger numbers. In 2020, many larger regional airports and major airports were forced to seek extensions to achieving compliance due to the dramatic collapse in passenger numbers. The AAA is asking the Australian Government to support airports in delivering the \$1.7 billion cost of installing new aviation security screening equipment at capital city and major regional airports, regime through:

- A \$100 million extension of the existing Regional Airport Security Infrastructure (RASI) program to support larger regional airports to comply with Government-mandated aviation security requirements.
- Reimbursement of procurement and capital works costs for major and regional airports that have already installed new equipment, and;
- A concessional loan program for airports yet to install new aviation security screening equipment to offset capital works and procurement costs.

A bottom-up review of aviation security funding

The COVID-19 pandemic has stress tested many significant systems in the aviation industry. The current, volume-driven, market-based funding model of aviation security screening has failed that test. The significant drop in domestic and international passenger numbers has undermined the aviation security screening cost recovery model, leaving airports to carry a significant overhang between the fixed and actual costs of providing the service.

Airports cannot continue to subsidise the rest of the aviation industry by providing mandated aviation security services below cost. Under the existing funding model, there is a significant risk that as screening charges are reset for 2021, there will be significant increases in domestic security costs of almost 400% and increases in international screening costs of approximately 550%. This industry-wide problem will filter down from airports to airlines and ultimately to the travelling public.

The most pragmatic and immediate solution for this industry-wide problem is for the Australian Government to cover the shortfall in airport costs of conducting domestic and international aviation security screening as recommended previously.

In the longer term, the AAA recommends a review of the current cost recovery model of security screening to make it less vulnerable to revenue shocks and smooth out some of the cost differences between major capital city airports and regional airports. The AAA supports a model of a standard security screening charge added to the base airfare on domestic or international airline tickets which fully covers the cost of security screening at all Australian airports.

As part of this model, the AAA also recommends the establishment of a 'revenue clearing house' that efficiently collects screening charges from airlines and directly reimburses all airports for their screening costs.

Investing in core aviation industry capability

Given the uncertainty in the global aviation industry, the outlook for employment in Australia's industry is equally unclear. Any recovery in airport employment depends on the willingness of Australians to travel domestically, alongside the speed of recovery in the national economy and the global aviation industry.

Due to the significant level of redundancies and furloughs in 2020, Australian airports saw a major loss of trained and qualified personnel. As many of these staff members and contractors have, by necessity, moved to other parts of the economy, this represents a significant nationwide loss of competency, skills and experience in airport operations. There is a pressing need to attract these highly skilled and qualified personnel back into the airport sector workforce as the post-pandemic recovery gets under way.

The AAA is seeking \$8 million over four years to attract and retain workers in a range of airport career pathways through better delivery of airport sector training and ensuring previously qualified airport personnel can quickly return to the industry.

The skills package consists of three parts, a mechanism to re-engage displaced airport workers through rapid requalification of recently lapsed airport-relevant qualifications, support for the AAA's training delivery arm to become a Registered Training Organisation (RTO); and investigation of the skills needs of the airport sector.

To fast track the return of experienced and qualified personnel to the airport workforce, the AAA would manage a mechanism to re-engage displaced airport workers similar to the Australian Health Practitioners Registration Agency's (AHPRA) pandemic response sub-register to re-accredit qualified staff who have been out of the sector for up to 12 months. The AAA has already identified key airport staff and contractors who left the airport sector in 2020, capable of rapid re-qualification or re-training to return to core roles. The establishment and management of this project would require \$0.6 million over four years.

The AAA is also seeking \$5 million over four years for requalifying key airport staff whose on-airport operating credentials need to be refreshed or renewed. This program would consist of funding for displaced staff to regain or renew the following qualifications:

- The Aviation Security Identification Card (ASIC), An ASIC is required for staff to have unescorted access to security-controlled areas of airports.
- The Certificate II in Transport Security Protection. This is a mandatory qualification for passenger and baggage security screeners at airports.
- Airfield Reporting Officer (ARO) and Works Safety Officer (WSO) qualifications which facilitate safe aerodrome operations, in compliance with CASA regulatory requirements and national operating standards.

These qualifications require bi-annual (ASIC/ARO/WSO) or annual (Certificate II) refreshers. Staff will need to regain their qualification and undertake on the job training if they left the industry and their qualifications lapsed during the pandemic.

To better develop training pathways and design and deliver training packages linked to the skills needs of the airport sector, the AAA intends to seek accreditation as an RTO. This would also allow the AAA to work more closely with the National Skills Council and Australian Industry Skills Council to develop education pathways for the airport sector linked to Australian Qualification Framework-aligned and accredited certificate and diploma-level qualifications. The close linkages between the AAA and its airport and corporate members allow for design and delivery of accredited skills packages targeted at airport workers. The AAA is asking for \$2.4 million over four years to achieve RTO accreditation, develop, design and deliver training packages to attract and retain skilled workers to the airport sector.

In the longer term, the AAA recommends the Australian Government undertake an inquiry into skills and training in the airport sector. This would follow on from the 2018 report of the Expert Panel on Aviation Skills and Training, which focused largely on the commercial and general aviation sectors rather than airports.⁸

Airports face a shortage of entrants into the sector to fill key airport roles such as Aerodrome Reporting Officers, Works Safety Officers, airfield technical inspectors and security screeners of passenger and baggage, particularly in regional areas. The sector faces this shortage as older workers are retiring from the industry and the reduced availability of skilled aviation workers caused by the pandemic.

Air route attraction funding

Airlines around the globe are going through massive operational consolidation to reduce costs during the pandemic, reducing the size of their fleets, crew numbers and other measures. As the global aviation industry begins to recover, airports around the world are competing to secure the limited air capacity offering from airlines. It is crucial to have a co-funded financial package between Government and airports in attracting airline capacity.

Traditionally the Australian Government has supported demand creation initiatives through international destination marketing, however the AAA's view is the impacts of COVID-19 on international travel demands a more direct, targeted and effective approach to stimulate airline activity, given that all global cities will be competing for air traffic in a market where many airlines lack financial capacity to develop new routes. A competitive fund that can be accessed through joint applications from airlines and airports to establish new international routes with funding support will help ensure Australia remains well serviced as the industry recovers.

The AAA proposes the Australian Government also develops an equivalent domestic program which helps to de-risk and spread the initial expense of pioneering new domestic air routes, particularly on seasonal or otherwise partially commercial routes which serve high-value regional tourism destinations.

Airports and smaller operators have pioneered innovative new routes during the pandemic, serving city pairs with either strong seasonal traffic or currently underserved routes (Dubbo-Ballina, Canberra-Sunshine Coast), particularly in regional Australia. Regional airports and smaller airlines have led this opening up of access to new routes due to the disruption of traditional 'hub and spoke' routes to their capitals and the withdrawal of major airlines from some regional routes.

⁸ Department of Infrastructure, Transport, Regional Development and Communications (2018), Final Report of the Expert Panel on Aviation Skills and Training. Accessed on 12 December 2020 from: https://www.infrastructure.gov.au/aviation/publications/files/Final_Report_of_the_Expert_Panel_on_Aviation_Skills_and_Training.pdf

Energy and water efficient airports

The Australian Government manages the aviation industry's emissions through membership of global organisations such as the International Civil Aviation Organisation (ICAO) and adherence to international protocols such as its State Action Plan (SAP) on emissions reduction. Domestically, the Australian Government has significant influence over policy settings for aviation within Australia.

The AAA's view is airports have significant opportunities available to improve environmental outcomes for the aviation industry by their ability to reduce consumption of and more efficiently use energy and water resources.

While the airport sector has differing capabilities to self-fund these upgrades, a structured program of energy and water efficiency upgrades for airports would deliver a valuable public policy outcome, particularly in regional and remote Australia. Areas where Australian airports have improved and can continue to improve their resource efficiency with a mix of incentives and grant funding include:

- **Renewable energy** generation and storage;
- **Water harvesting** and **recycling**;
- **Replacing incandescent lighting** with LED lighting on runways and taxiways, and;
- Fixed **electrical ground power and air systems** for idling aircraft.

Building energy and water efficiency measures into the criteria for new and existing grant funding programs would be a sound interim step ahead of a future targeted efficiency program to help the aviation industry meet Australia's broader SAP obligations to ICAO.

Regulatory measures to aid the airport sector's recovery

The AAA has also identified other regulatory measures to reduce red tape or improve competitiveness at Australia's airports:

- One important option would allow Federally leased airports (FLAs) to exercise their option to extend their leases now. Exercising this option is viewed as critical for airports to provide a level of certainty for on-airport property investments with long payback times (such as hotels or commercial developments). This action only requires approval from the Minister of Infrastructure and Transport.

- Another option is for the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) to revisit its interpretation of the Federal Court's decision on Ex-Gratia payments in lieu of Land Tax (EGLT) at FLAs.

The AAA's view is the decision does not meet the policy intent of competitive neutrality sought by the National Competition Commission at the time of airport privatisation. FLAs view the Australian Government's proposed EGLT model as an anti-competitive measure that makes on-airport land use changes and non-aeronautical property development more expensive than equivalent off-airport activities. The EGLT issue could be dealt with through alteration of the FLA head leases to maintain the present EGLT system.

- There are additional regulatory changes recommended by the AAA which, if made could improve the functioning of the *Airports Act 1996*, the Airport Building regulations and the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) in relation to master planning and development planning and control at airports. The most welcomed change would involve the Minister for Infrastructure and Transport changing by regulation the threshold for FLAs to produce a Major Development Plan for on-airport developments from \$20 million to \$50 million.

These recommended changes have previously been provided to DITRDC as part of the AAA's submission to the Future of Aviation Issues Paper consultation;⁹ and to the Department of Agriculture, Water and the Environment as part of the Samuel Review into the EPBC Act.¹⁰

⁹ AAA (2020), The Future of Aviation Issues Paper – Submission from the Australian Airports Association. Accessed on 12 January 2021 from: https://www.infrastructure.gov.au/aviation/future/files/future_aviation_44_AAA_2020.pdf

¹⁰ AAA (2020), Submission to the Review of the Environmental Protection and Biodiversity Conservation Act 1999. Accessed on 12 January 2021 from: <https://epbcactreview.environment.gov.au/submissions/anon-k57v-xqk7-r>



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