



A new partnership for the aviation industry
**The Australian Aviation Associations Forum -
Aviation Policy 2016**



SUMMARY



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The Australian Aviation Associations Forum is an alliance of the majority of Australia's major aviation associations to ensure the industry presents a united voice to government on key aviation issues and policy, characterised by expertise and a wide representation of people and organisations committed to aviation.

The Forum participants represent the significant majority of aviation operators, aircraft owners, service providers, supporters and participants. The Forum has been operating successfully since 2008.

The following associations support the policies contained in this document:

| Participant | Contact Person | Contact number | Website |
|---|-------------------|----------------|--|
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| Aerial Application Association of Australia | Phil Hurst | 02 6241 2100 | www.aerialag.com.au |
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| Australian Association of Flight Instructors | Bernie Saroff | | www.aafi.net.au |
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| Aviation Maintenance Repair and Overhaul Business Association | Ken Cannane | 0408 029 329 | www.amroba.org.au |
| Australian Warbirds Association Ltd | Mark Awad | 0432 318 282 | www.australianwarbirds.com.au |
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HIGHLIGHTS

Key Policy Priorities

1. A National Aviation Strategy in partnership with industry with a focus on safety, job creation, and growth.
2. Modernisation of the *Civil Aviation Act* and alignment to international standards.
3. Sale of Airservices and creation of an Aviation Future Fund
4. Urgent policy action on aviation education and training
5. New approaches to general aviation, manufacturing, security and regional aviation

ESTIMATED NET INFLOWS TO GOVERNMENT AND INDUSTRY = \$2.205 BILLION

A New Aviation Policy Partnership

The Forum believes that a National Aviation Strategy, built on a strong partnership with industry, will deliver significant economic, jobs and efficiency benefits through action across five key areas:

- Enhanced coordination
- Efficient regulation
- Policy alignment
- Prioritising investment
- Investing in Capability





CONTENTS

| | |
|---|-----------|
| <u>PART 1 Introduction</u> | <u>1</u> |
| <u>PART 2 The Australian Aviation Challenge</u> | <u>4</u> |
| <u>PART 3 Summary of Recommendations</u> | <u>6</u> |
| <u>Enhanced coordination</u> | <u>6</u> |
| <u>Efficient regulation</u> | <u>6</u> |
| <u>Policy alignment</u> | <u>8</u> |
| <u>Prioritising Investment</u> | <u>9</u> |
| <u>Investing in capability</u> | <u>11</u> |
| <u>PART 4 Benefit Realisation</u> | <u>13</u> |



PART 1 Introduction

1. A New Environment of Partnership

Australia's aviation industry is a major contributor to the nation's economy and it faces significant challenges. Australia should have a highly efficient and effective aviation industry supported by government policy and regulation. Unfortunately, the reality is different.

Aviation policy has languished and is in need of a bold agenda for reform. The Forum believes that this document can make an important contribution to the development of that agenda. It is critical that the industry start moving forward again rather than being subjected to another review.

The Forum believes that our political representatives can capitalise on our natural advantages and the skills of our people by having government work with the industry in a new partnership to establish an aviation environment that supports safety, encourages competition and innovation and delivers significant benefits to the Australian community.

The Forum believes that key challenges for aviation in the next term of our Federal Parliament are to create a whole-of-government approach and forward-looking aviation policy, to harmonise aviation regulations with international standards and to establish performance-based safety regulation based on risk assessment and outcomes.

This 2016 Australian Aviation Associations Forum Aviation Policy offers a practical strategy to continue the task of reforming Australia's aviation landscape.

2. Job Creation

The aviation industry has the potential to generate many more jobs for Australians.

The industry will not only require large numbers of additional pilots and new maintenance staff, but also additional air traffic controllers, operations managers, ground handling staff, airport staff and critically - trainers.

The economic modelling conducted by a range of international organisations indicates that significant growth in the aviation sector will be a key feature of the coming two decades and Australia will have to reset its aviation regulatory system to take advantage of this opportunity.

The ability of the aviation industry to create fulfilling careers in both regional and metropolitan Australia provides a range of critical advantages to Government in stimulating strategic and long-term job growth.

3. International Harmonisation

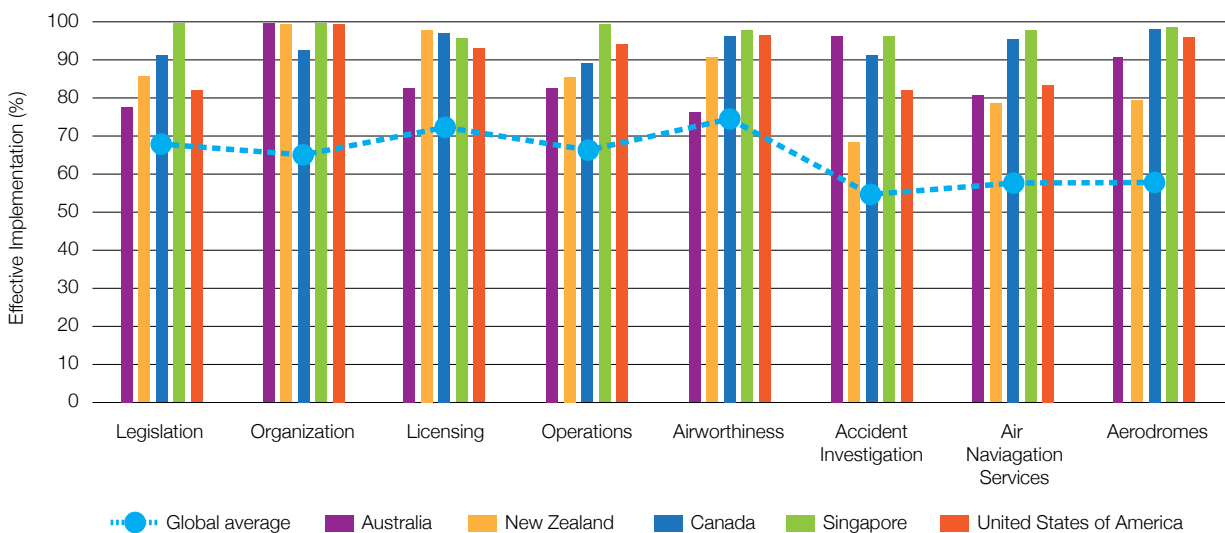
Global aviation is founded on an agreed common approach to aviation regulation between countries through the International Civil Aviation Organisation to which Australia is a signatory.

During the past decade, Australia has drifted away from internationally accepted approaches to regulation to a point where today, regulatory authorities from the US, Canada, New Zealand and the EU do not recognise Australian training and maintenance qualifications.

As can be seen from the ICAO State Safety Audits (see table below), the performance of Australia's safety regulator compares poorly to counterparts in other advanced countries (Reference: <http://www.icao.int/safety/Pages/USOAP-Results.aspx>)

It is no coincidence that, based on the safety audits conducted by ICAO, where CASA has direct responsibility for a key regulatory suite, Australia's performance is well below that of comparable nations.

Table 1 - ICAO State Safety Audit Comparison



Harmonisation of aviation licensing and regulation with overseas jurisdictions will maximise export, training and trade opportunities. It could also allow the creation of a single aviation market with New Zealand, a long standing government policy that has never been effectively implemented.

4. Innovation

Innovation is the lifeblood of the aviation industry and a key reason why the industry continues to be able to deliver such high-reliability, safe operations in even difficult operational environments.

Australia has an excellent record as an aviation innovator - from aircraft design to pioneering aviators and aviation-related products such as the 'black box' flight recorder.

However, the complexity of Australia's aviation regulation has played a significant role in the inability of local industry to compete on an international scale. The current rules are unwieldy and based on a set of prescriptive principles that are out of step with international standards.

This impacts on the capacity of Australian aviation businesses to react in a nimble and innovative manner to domestic and international market demand.

Forum policies will, if adopted by Government, place Australians in a far stronger position to align with international standards and practices and to have Australian qualifications and products recognised easily by other countries.

PART 2 The Australian Aviation Challenge

1. The Aviation Contribution To The Australian Economy

The aviation sector is a significant contributor to the Australian economy contributing in excess of \$30 billion per annum (2% of annual GDP) and employing in excess of 250,000 people (directly by airlines, airports and indirectly by the industry value chain).

By 2030 Australia's population is set to increase to 30 million people (up by 6 million people on today) and as a consequence the size of our major and regional centers will continue to grow, particularly within corridor areas between the major capital cities.

This will create further significant demand for air travel and put pressure on infrastructure. Additionally, as the migrant population increases and general wealth and accessibility to air travel improves, particularly in China and India, ever-increasing numbers of international visits will occur.

While domestic aviation activity has been relatively flat over the last few years, international traffic into the major capital cities of Melbourne, Sydney and Brisbane has been growing at a rate of more than 5% per annum.

Non-passenger carrying operations provide community and business services including freight, ambulance and rescue, agricultural, firefighting and survey operations that make a significant - sometimes critical - economic contribution. In addition, sectors including aviation manufacturing, training, maintenance and overhaul demand urgent action to remove impediments to growth.

The Forum believes that Government implementation of Forum policies will provide a significant stimulus to the aviation economy, create jobs across the nation and empower industry to take advantage of significant projected growth.

2. Global Growth

Globally, aviation is forecast to continue to grow at over 4% each year for the next 20 years with passenger numbers more than doubling to reach 7.3 billion by 2034.

Deliveries of new commercial aircraft over this period are anticipated to be over 38,000 which, together with replacement of older aircraft, will double the present global fleet to 43,500 aircraft. The Asia Pacific is now the world's largest aviation market and over 40% of these deliveries are to airlines that operate in this region. (*Reference: Boeing Current Market Outlook 2015-2034*).

The demand for air travel will continue to put pressure on our aviation system that at times is already capacity-constrained.

Substantial investment will be required to ensure sufficient capacity is available to meet this demand. This additional capacity will be in airport and air traffic infrastructure (\$16 billion already forecast by airports), the training of thousands of aircrew, air traffic controllers, airport staff and the expansion of businesses that service this industry.

3. Twin Aviation Challenges For Australia

Essentially, Australia has two aviation challenges.

First is the need to ensure the foundations are sound: that our regulatory and policy environment is conducive to growth and there is sufficient capacity in terms of trained people and modern infrastructure to meet forecast demand and thereby maximise the efficiency of our aviation system.

Secondly, our country has the opportunity to build on our expertise to provide a range of services to the burgeoning aviation sector in the Asia Pacific. Australia should be an important regional leader in key aspects of aviation such as flight training, maintenance, air traffic management, security and regulatory controls, technology, avionics and manufacturing of small to medium aircraft and components.

In order to position the country for this future Australia needs to address these challenges, plan for the future and fix long-running issues in our regulatory and government structures that are holding us back.

PART 3 Summary of Recommendations

Enhanced coordination

1. National Aviation Strategy

The Forum calls on the Government to develop a national aviation strategy through the establishment of a joint industry / government task force based on a partnership between industry and government and which considers the recommendations contained in this Policy. TAAAF participants stand ready to support this process.

2. Appoint a Minister Assisting for Aviation

The Forum calls for the establishment of the role of Minister Assisting for Aviation to oversee and coordinate a new aviation strategy for Australia. Aviation policy and its delivery are fragmented and are spread amongst a number of departments and agencies in both Federal and State Governments. The challenges ahead require a new aviation strategy and stronger political leadership and coordination.

Efficient regulation

3. Modernisation of the *Civil Aviation Act*

Unlike many advanced countries, Australia has adopted a highly prescriptive approach to aviation safety regulation which has seriously hindered the development of the industry for little discernible safety benefit.

A fundamental modernisation of the *Civil Aviation Act 1988* is required to bring Australia's safety framework into line with best international practice and to focus the role of the regulator on safety outcomes which are based on risk assessments and the fostering of the industry.

A new *Civil Aviation Bill* should be introduced into Parliament within the next two years.

In the meantime, the urgent task of fundamental reform of CASA must proceed with a new focus and urgency in accordance with the agreed recommendations of the Forsyth Report into aviation safety regulation.

4. Aligning Government Structures to the New Aviation Environment

Major changes to Government aviation policy and delivery structures are recommended in the Forum's detailed policy document. Forum recommendations include:

- The development and implementation of a risk-based regulatory framework
- The development and implementation of performance-based regulations
- A new, more efficient and equitable CASA long-term funding model

5. General Aviation

General aviation is a very diverse, economically and socially vital part of Australia's aviation industry. It covers a range of aviation operations and sectors that underpin the health of communities, especially those in regional Australia, and provides a critical feeder training role for large airlines.

General aviation in Australia is suffering from over-regulation and high costs compared to other countries.

Government should adopt the Forum-proposed '*New Philosophy of Regulation of General Aviation*' and direct CASA to implement a classification of operations that simplifies the regulation of this sector.

For example, by matching regulatory approaches to the differing exposures and capacities of sectors through sector risk profiling and recognition of industry programs and independent audits, CASA can simplify its approach and reduce regulation, expenditure and cost on industry in these areas without compromising safety. The use of self-administering bodies to oversee sport and recreational aviation operations is a true success story that provides another model for simple and effective regulation.

6. Airspace

The Forum believes that government agencies need to consult more effectively with industry on major developing aviation technologies and use of airspace. This should include a more integrated approach to managing industry input and intelligence gathering through the existing but under-utilised Regional Airspace and Procedures Advisory Committees (RAPAC) network.

While the Forum supports - in-principle - the OneSky program to bring Australian airspace onto a new jointly administered ATM platform, there are considerable concerns about the cost of the program, the timing of its delivery and the efficiency of its ultimate outcome.

As the operational concepts develop, industry must play an integral role in assisting Government to ensure the OneSky system is equitable, improves safety and is cost effective.

Another key challenge is the integration of unmanned aerial systems (UAS) into existing airspace while protecting the safety of existing users. CASA should focus on this issue as the primary concern of UAS policy, including placing significant due diligence responsibilities on UAS users.

Policy alignment

7. Aviation Services to Regional Australians

The role of aviation in building and maintaining healthy rural, regional and remote communities is critical. Over the last 25 years, more than half the regional Regular Public Transport routes and more than half the operators have been lost due to cost pressures, changing demographics and government policy indifference.

Government should establish a coordinated and government-funded scheme to facilitate aviation services to all communities across Australia where transparent criteria are met. The Forum believes that a significant improvement could be made to aviation access and support for smaller regional communities across Australia for an investment of less than \$20 million per annum.

8. Aviation Security

The Forum recommends that Government adopt a risk-based approach to aviation security to reduce the cost of compliance in regional areas, increase the operational flexibility available (especially for security screening in regional areas), and reduce the costs and red-tape involved with the ASIC system.

9. Aviation Taxation

Australia's taxation treatment of aircraft assets is not consistent with aviation sectors overseas.

The Forum recommends that Government, through the Australian Taxation Office, work with industry to identify and remove tax impediments and to develop more equitable approaches to taxation, as is currently the case with other sectors.

10. Aircraft Noise Management

The Forum supports the current arrangements for the management of aircraft noise through the combination of the Aircraft Noise Regulations managed by the Department of Infrastructure, the systems and engagement currently managed by Airservices Australia and the various consultative and complaint mechanisms available through both those systems and the Aircraft Noise Ombudsman.

However, with the proposed sale of Airservices, the Forum believes it is more appropriate for the responsibility for the day-to-day management of aircraft noise reporting systems to be transferred to each major airport. This is consistent with the policy approach of bringing each airport closer to their neighbouring communities through the establishment of airport community forums at each of the major airports throughout Australia.

The Forum also recommends that the responsibility for the issuing or management of aircraft noise certificates be moved from Airservices to CASA and that industry delegates meeting relevant standards be able to issue noise certification for aircraft.

Prioritising Investment

11. An Integrated Aviation Infrastructure Master Plan for Australia

In order to meet the projected aviation demand of the next 20 years, the Government, working with industry, should develop an integrated aviation infrastructure master plan. This important work would be one of the key objectives of the new Minister Assisting for Aviation.

The Forum believes there are significant savings for industry and government through a more efficient planning process as outlined in this policy.

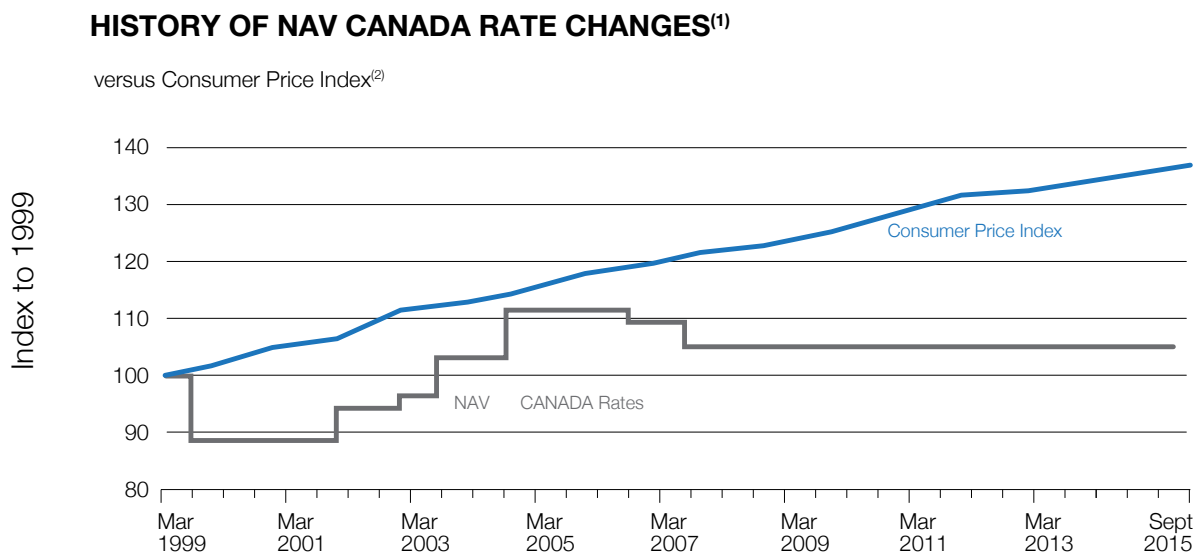
12. Sale of Airservices Australia

The partially-corporatised model under which Airservices Australia has operated for almost 20 years is increasingly incapable of delivering efficient and affordable air traffic services in a growing aviation market.

Airservices should be privatised along the lines of the Canadian air traffic provider, Nav Canada, which has operated successfully and safely for over 20 years. Nav Canada is a not-for-profit regulated monopoly owned by industry stakeholders who are represented on the governing board and surpluses are reinvested in the corporation or used to reduce prices.

The following tables illustrate the success of the Canadian air traffic model.

Table 2 - History of Nav Canada Charging Rates - Source: Nav Canada Corporate Plan 2015 - <http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf>



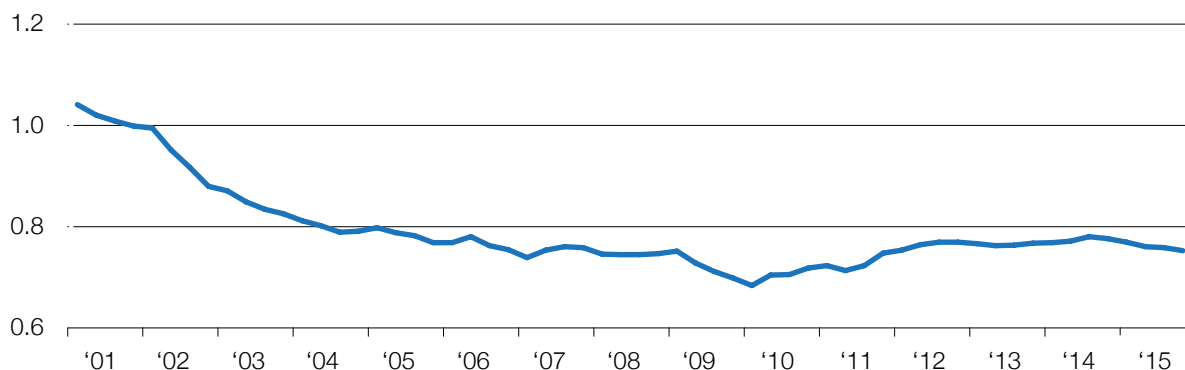
⁽¹⁾ Average changes since charges were fully implemented on March 1, 1999

⁽²⁾ Consumer Price Index - Growth assumed to be 1.2 per cent for 2015

Table 3 - Nav Canada Loss of Separation Indicator - Source: Nav Canada Corporate Report 2015 - <http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf>

RATE OF IFR-TO-IFR LOSSES OF SEPARATION

per 100,000 aircraft movements (five-year moving average)



Note: The data in the above chart reflects losses of separation between two aircraft operating under instrument flight rules.

In the interim, a review of how Airservices delivers air traffic services should be undertaken to use the capability of existing ATM technology more efficiently to ensure the ATC workforce is optimally organised, productive and more cost effective.

13. Aviation Rescue and Fire-Fighting Transferred to Airports

In conjunction with the sale of Airservices, the Forum recommends that the Airport Rescue and Fire Fighting function, which is currently managed by Airservices, be transferred to individual airports with price protection for those regional airports which, after further risk-based review, actually require this capability. Risk-based regulatory standards should be established to ensure appropriate clarity for establishment / disestablishment of services.

14. Airports

Airports are critical support infrastructure and a vibrant airport sector can make a significant contribution to the overall health of the aviation industry.

The Forum recommends, as an integral part of the development of a national aviation strategy, a national airport strategy that seeks to maximise the compatibility of developments with aviation outcomes, including a process that ensures State/Territory planning authorities are also bound by such a policy.

The Forum believes that work to protect airspace around Australia's principal airports should continue with primacy given to the safe operation of aircraft. The Forum strongly supports the current National Airports Safeguarding Advisory Group (NASAG) guidelines and believes they should be made binding on State and Territory planning authorities through COAG processes. The Forum also supports the establishment of a national low-level GIS database for real-time access to mandatorily-reported hazards including wind monitoring towers and communication towers.

As capacity becomes constrained at the major airports there will be increasing pressure from airport owners to force regional operators out in order to maximise returns. This may be done by way of price increases or through runway demand management schemes (slots).

The Forum calls on the Government to ensure future equitable access for regional operators at capital city airports. This may require legislation similar to that enacted for Sydney Airport to specifically control both access and pricing for regional operators.

Since privatisation, the capital city airports have been able to generate extraordinary profits due to their monopoly position in the market place. In the case of Sydney Airport this has been highlighted on more than one occasion by the ACCC. The Forum supports a reintroduction of price control by directing the ACCC to oversee and regulate pricing at capital city airports under the *Competition and Consumer Act 2010*.

Investing in capability

15. Aviation Future Fund

The aviation industry has funded virtually all of the Airservices Australia budget since it was established and the Forum recommends that the proceeds of the proposed Airservices sale, which is estimated to raise approximately \$1 billion, be divided equally (ie \$500 million each) between the Government and an Aviation Future Fund that would focus on three critical and highly cost-effective initiatives:

- Establishment of 'Aviation Training Australia' to consult with industry and develop aviation training policy, including development of a strategy for the self-funding of aviation careers through a scheme similar to HECS for pilots and the reform of the apprenticeship scheme for AMEs/LAMEs.
- Establishment of 'Aviation Research Australia' to ensure that Australia stays at the forefront of emerging aviation technology, identifies trends and opportunities, coordinates and assists tertiary institutions, produces relevant aviation statistics and economic research and works with industry to establish a relevant research program.
- Establishment of 'Aviation Leadership Australia' to develop industry leadership, promote careers in the industry and to facilitate harmonisation, interaction and knowledge exchange with other aviation leading states.

The Future Fund and the three small organisations would be administered by a Board of appropriately qualified industry and government personnel and would have clear objectives to support the aviation industry.

16. Aviation training and education

While Australia is well placed to offer the full suite of aviation training opportunities to both domestic and international students, this potential is not being realised due to the overly complex and unique Australian regulatory and licencing regime.

Government should adopt the key initiatives from the recent report by the Industry Skills Council into aviation skill requirements and, through Aviation Training Australia established under the Aviation Future Fund, develop a coordinated national aviation training program that meets international training standards.

17. Aviation manufacturing

Job creation is a significant element in the potential of the aviation industry to grow.

As part of the development of a national aviation strategy for Australia, manufacturing opportunities and barriers to growth should be identified and effective policies developed.

This strategy should also address the development of Bilateral Aviation Safety Agreements that include the harmonisation and cross-recognition of Australian regulations with a range of other countries so as to facilitate the export of Australian aviation products and parts.

CASA charges for product certification should be abolished and CASA should be required to delegate more responsibilities to industry where there are suitably qualified candidates or organisations.

CASA should also be required to work more closely with all Australian aviation manufacturing companies to develop a more internationally competitive certification process.

PART 4 Benefit Realisation

Cashable flows

The Forum has not attempted to estimate the cashable flows from each individual recommendation in the policy document as the Forum believes that this would best be done by Government in relation to all recommendations.

The Forum would welcome the opportunity to participate in this work, which would also be expected to encompass the development of:

- better industry policy impact statements
- business and policy cases for each initiative that is to be pursued

The main cashable flows to government and industry from the recommendations contained in this policy are summarised below. As a suite of measures, they would be cash positive in terms of a return to Government directly and have a significant impact on overall operating affordability for the industry. By applying appropriate economic multipliers, they would also be expected to generate significant indirect net benefit in society over time.

Table 4 - Estimated Cashable Benefit Flows to Government and industry

| # | Description | Estimated Total Inflow / (Outflow) | Benefit Recipient |
|----------------------------------|--|--|------------------------|
| 1 | Integrated asset management plan driven by better procurement, reduced duplication, standard designs etc. | \$1.6 billion (10% of forecast spend) | Industry |
| 2 | Sale of Airservices Australia | \$1.0 billion (if the Nav Canada model is adopted) | Government |
| 3 | Create an Aviation Future Fund providing training and research support and coordination | \$500 million (outflow) | Government/Industry |
| 4 | New funding model for CASA driving greater efficiency, transparency and accountability and reducing appropriation spend. | \$43 million (if CASA is 100% funded through a "tonnes landed" charge) | Government |
| 5 | Review CASAs overall level of efficiency (10% saving) | \$17 million | Industry |
| 6 | Review excess cash levels of CASA | \$35 million (estimate) | Industry / Government |
| 7 | Reduction of CASA staff number to the previous level of approximately 600 | \$30 million (estimate based on 200 staff reduction @ average staffing estimate of \$150K) | Industry / Government |
| 8 | Regional Aviation Access Scheme | \$20 million (outflow) | Industry / Community |
| NET CONTRIBUTION / (LOSS) | | | |
| INDUSTRY | | | \$1.63 Billion |
| GOVERNMENT | | | \$0.608 Billion |

Note:

1. The net contribution to industry does not include additional positive impacts from more efficient regulation which is estimated to generate an annual operating cost saving of up to 5% service cost.
2. The inflows/outflows are also total flows regardless of time and/or once-off impacts as opposed to a recurring return.







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