

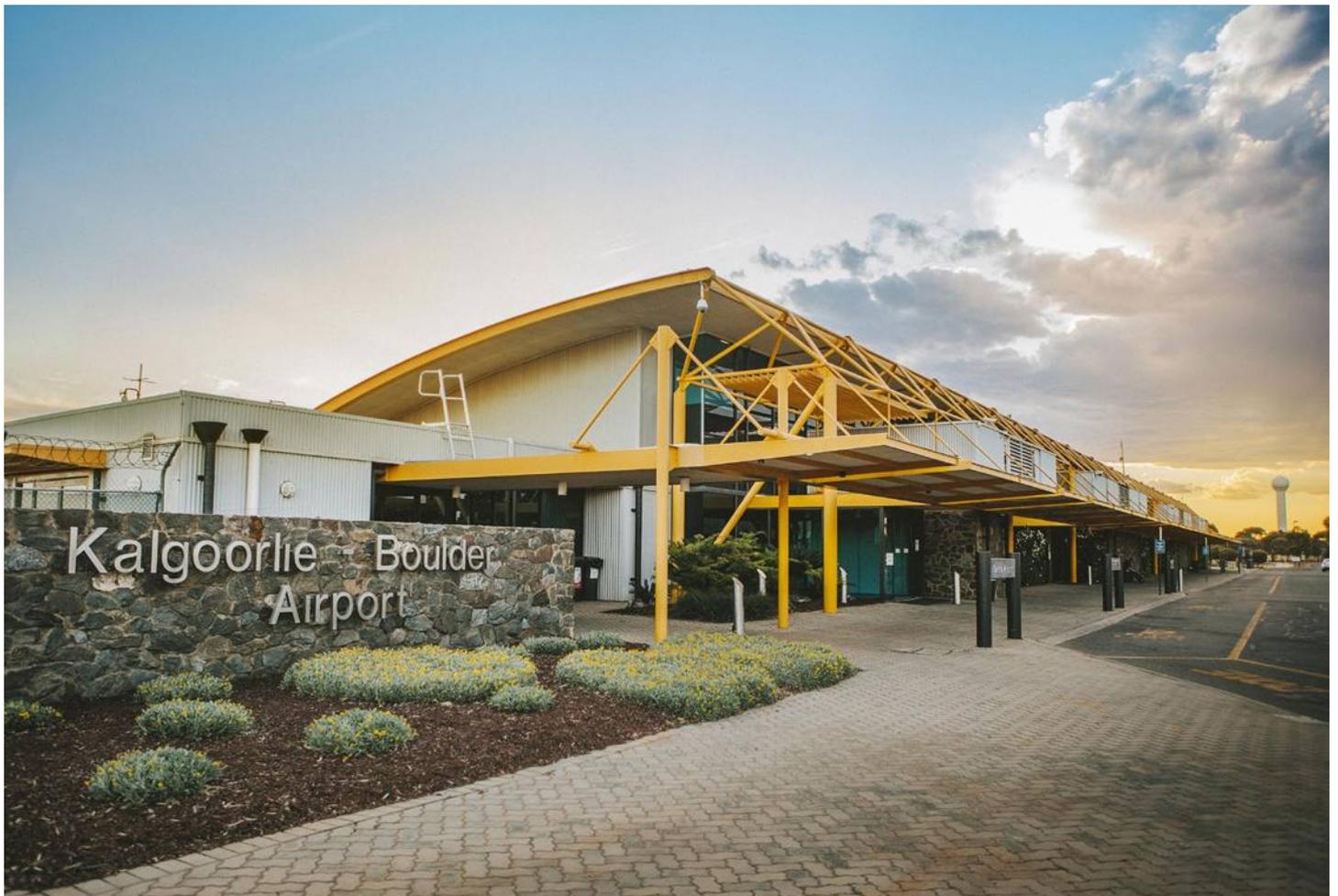
Regional Airports Policy Paper

Regional Capitals Australia (RCA) was formed in 2012 to represent the interests of Australia's 51 regional capital cities. Our objective is to ensure these needs are reflected in national policy and funding priorities.

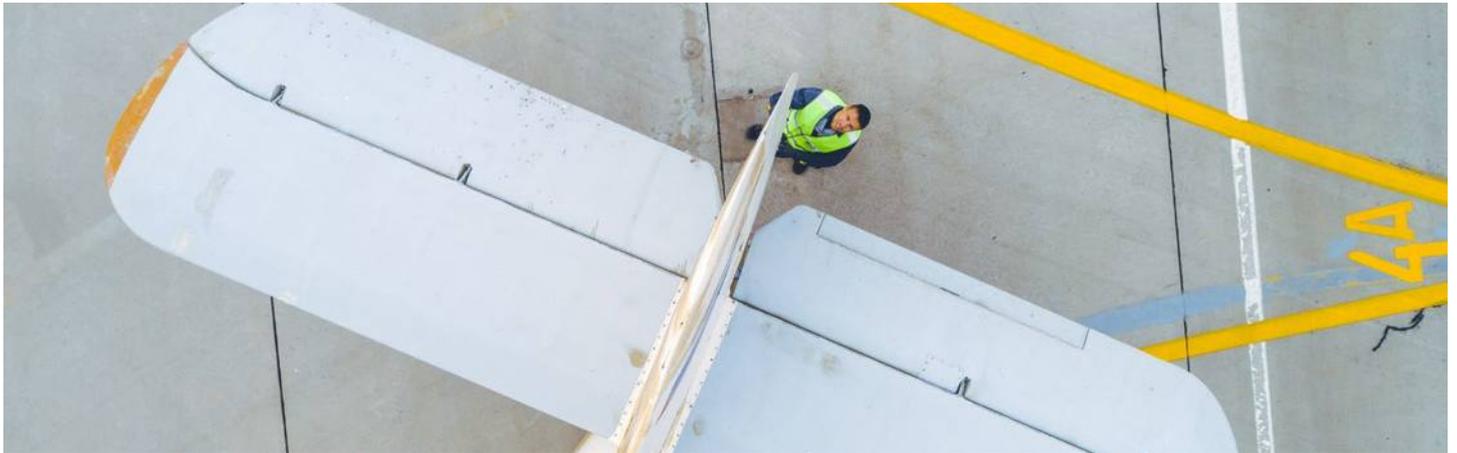
Regional capital cities perform a 'capital city' role within their regions, providing a central point of access to essential services, commerce, employment and education. These services are accessed by local residents as well as those in surrounding towns and rural areas. Regional capital cities also provide a liveable alternative to people and businesses wishing to escape Australia's congested metropolitan cities.

Every year regional capital cities generate \$225 billion, or more than 16 per cent of national economic activity. These cities are growing and an extra one million people will live in a regional capital city in the 5 years to 2020.

All RCA members have a growth agenda and stand ready to ensure a growing Australia means a stronger and more equitable regional Australia.



Regional airports are an enabler of the social and economic life of Australia's regional cities. They are part of the infrastructure that connects regional cities to Australia's capital cities and to our international trading partners. They bring individuals, families and friends together, connect businesses to their customers and suppliers, and are hubs for emergency and medical services for regional communities.



The Contribution

Regional airports are woven into the fabric of rural and regional life and in many cases this connection extends to community ownership. The Australian Local Government Association (ALGA) estimates that more than 200 regional airports and aerodromes are owned and operated by local governments across Australia.

40% of passengers are regional

These regional airports are well patronised, playing a critical role in connecting Australians to each other. The Bureau of Infrastructure, Transport and Regional Economics (BITRE) notes that of Australia's 61.08 million domestic aviation passengers in 2018, 24.92 million (or about 40 percent of the total) travelled through regional airports.

Economic Impact

Regional airports have an important financial impact on regional economies and communities. They generate significant direct employment and economic activity, as well as indirectly through associated business, service and industry activity.

A 2019 Deloitte Access Economics report estimates that regional airports directly employed 1625 FTEs in 2016-17, who earned \$229 million and contributed \$477 million in value-add directly from their operations. Regional precinct level activities, including businesses located in airport precincts, such as office parks, retail, logistics operations and airlines were estimated to contribute a further \$2.2 billion.

Regional airports also support the attraction of staff to, and their retention in, regional and remote communities and make FIFO (Fly-in, Fly-out) employment possible. They make businesses more efficient and allow the operation of "just-in-time" inventories and access to markets for often high-value or time-sensitive products. They facilitate freight services and same day business travel to metropolitan/capital cities to and from regional centres.

Trade, Tourism and Agriculture

Regional airports enable the generation of wealth through tourism and trade. They create gateways to tourism attractions, enhance Australia's vegetable and animal production through aerial agriculture services like crop dusting and mustering and facilitate these products' quick delivery from the regions to national and international markets.



Health, Education, Justice and Emergency Services

Australia's regional, rural and remote airports enhance the quality of life of those who work and live outside major cities. They assist to overcome disadvantage by allowing regional Australians to have access to specialist health, and education services that are otherwise not available locally and facilitate travel by health professionals to regional Australia to provide a wide range of specialist services.

These airports also play an essential role in saving lives by facilitating medical evacuations, collection and delivery of organ donations and search and rescue. For example, the Royal Flying Doctor Service (RFDS) provided 4,336 emergency evacuations in 2014-15 to people unable to get to a hospital or basic general practice due to their extreme geographic isolation. The RFDS predicated its operations on the availability of the regional and remote airport network throughout Australia.

In the educational sphere, regional airports enable children in regional areas to travel to capital cities and major regional centres to complete their school education and, post school, to pursue their careers by undertaking tertiary education or vocational courses away from home. Conversely, regional airports help overcome teacher shortages and ensure specialist teachers, often in STEM disciplines, can travel to schools in regional areas to offer specialist classes.

Access to justice is a fundamental right for all Australians and regional airports help ensure people can travel to major centres to see their lawyers, and that lawyers and courts can travel to regional communities to dispense justice and protect the rights of citizens.

Australia's regional airports also play a vital role in the protection of Australia's physical assets, enabling aerial firefighting in areas where road transport is impossible or would be too late. They also support law enforcement bodies, such as the Western Australia Police Air Support, and border protection agencies which operate out of Australia's regional airports, particularly in Northern and Western Australia.



The Challenges

Australia's regional airports play a critical role in their communities. Some run at a profit and can plan to expand passenger flights, and freight transport, upgrade terminals and build enterprise areas. They help drive regional economies.

The simple fact, however, is that the majority of regional airports are under significant financial strain. Many are faced with ageing infrastructure, ever increasing security cost pressures, high staffing costs, community service costs and a disproportionately high regulatory cost burden.

Ageing Infrastructure and Staffing Costs

Many regional airports, whose infrastructure often dates from World War II, are in need of urgent upgrades. However the costs of maintaining and upgrading regional infrastructure can be significantly higher than for airports in major population centres. Regional airports are also managing the increasing burden of costly ongoing security upgrades.

Financial pressures are exacerbated by the difficulty regional airports have in attracting and retaining skilled staff and the fact that they often have to use increased wages as a staff recruitment and retention tool.

Regulatory Costs

CASA (Civil Aviation and Safety Authority) regulations and standards are necessary to ensure the safe and effective operation of Australia's airports. However, this comes at a cost.

Higher import costs

It has been suggested that, on average, CASA's regulatory imposts are higher for regional and remote airports, comprising 12 percent of total expenditure, compared to about 4 percent for major airports and major regional airports.

In 2017, the majority of CASA's safety findings were associated with infrastructure issues at regional airports. The cost of meeting these necessary safety standards, especially at regional airports, can be very high, and place additional financial pressures on airports and local councils. In a worst case scenario, budget shortfalls leave many of these safety findings unresolved and pose a longer-term risk for aviation operations to those regional communities.

In addition, changes to the air services provided to and from a particular airport have the potential to change the CASA categorisation of the airport and move it into a more tightly regulated category. This entails considerable expense and effort for an airport to meet the increased regulatory requirements.



Technological Changes

Technological improvements are also leading to additional costs. The introduction of heavier aircraft with consequent increased wear and tear on runways, taxiways and aprons has led to major remediation works for a number of airports.

Ensuring CASA compliance has led airports to upgrade lighting systems to the latest LED technology. While LED lights will provide savings in the longer term, they require specialist installation and immediate upfront replacements costs are substantial.

Community Service Costs

The provision of essential community services also drives additional cost imposts for regional airports.

While certification or registration is essential for the operation of regular public transport (RPT) services, many small regional airports without RPT services still incur the effort and cost of becoming registered. They do so in order to have published instrument approach procedures and facilitate essential services such as the Royal Flying Doctor Service.

Financial Pressure

Regional airports recognise the importance of the ongoing maintenance of their facilities and operations. In a 2016 report to the Australian Airports Association (AAA), ACIL Allen Consulting found that regional airports invested \$185 million in 2014-15 to maintain and improve their operations.

60% operate at a loss

However, the reality is that more than 60 percent of regional airports currently operate at a loss and depend upon cross-subsidisation by their local government owners who are already burdened by competing demands on their limited financial resources.

Existing resources will be further strained as expenditures rise by an estimated 38 percent over the next ten years. Many regional airports expect ongoing budget deficits, which across the regional airport network will amount to a minimum shortfall of \$170 million over the next decade.

Lack of Reliable Funding

Regional Capitals Australia (RCA) acknowledges the Government's support for regional Australians through many programs including the Building Better Regions Fund, Stronger Communities Programme, Stronger Regional Connectivity Package, and Regional Airports Program.

However, many regional airports simply cannot adequately compete with other infrastructure funding proposals in relation to the economic benefit that may be derived from government investment. Given their small size and operations, many regional airports' primary benefits are related to the interconnectivity and facilitation of essential services for the community. This limits their ability to compete for funding because these benefits are much more difficult to quantify.

While RCA warmly welcomes the \$100 million Regional Airports Program that will provide grants to upgrade infrastructure and deliver improved aviation safety and access at regional airports, it is concerned that this program is not ongoing and therefore does not allow for the long term planning needed.

Inconsistent Asset Management

RCA is concerned by the lack of a consistent national asset management framework for Australia's regional airports which can lead to the inefficient and potentially ineffective use of scarce resources. RCA believes Western Australia's Strategic Airport Asset and Financial Management Framework may have the capacity to help local councils to build the capability to better manage airport infrastructure.

Western Australia's Strategic Airport Asset and Financial Management Framework, which commenced on 1 July 2019, aims to develop a standardised template for asset management at regional public airports, including the determination of fees and charges required to maintain and replace assets.





Policy Recommendations

1. An integrated Approach to Connectivity

Regional Capitals Australia recommends the Federal Government:

- work with RCA to implement a policy recognising the importance of regional airports in increasing the connectivity of regional Australia and to consider future planning and funding of regional airports in the same way as road and rail infrastructure.

The Federal Government has recognised the importance of roads through the ten-year, \$3.5 billion Roads of Strategic Importance initiative and the \$4.8 billion Roads to Recovery Program. It has also recognised the importance of the planning of future rail infrastructure by supporting the development of three faster rail business cases from capital cities to the regions: Melbourne to Greater Shepparton, Sydney to Newcastle and Brisbane to Moreton Bay/Sunshine Coast.

However, while regional airports are a key link in Australia's transport infrastructure chain, there are currently no specific ongoing investment pipelines for regional airports in the way there are for road and rail transport infrastructure.

Regional Airports Program

The \$100 million Regional Airports Program is an excellent start, however, as it is not ongoing, it does not allow for the long term planning needed for either maintenance or expansion.



2. Ensuring the Sustainability of the Regional Aviation Network

Regional Capitals Australia recommends the Federal Government provide:

- the funding shortfall for essential maintenance and upgrades at regional airports, as part of the \$100m Regional Airports Program;
- increased flexibility for programs like the Building Better Regions Fund to include funding for feasibility studies and business case development to allow regional airports to expand and to diversify their operational offerings;
- certainty to ensure the ongoing operation and funding of the Regional Airports Program and the Regional Aviation Access Programme and its component programs (the Remote Airstrip Upgrade Programme, Remote Air Services Subsidy Scheme and the Remote Aerodrome Inspection Programme); and
- in consultation with local councils as airport operators, review the funding of regional and remote aerodrome infrastructure and maintenance. The aim of the review is to ascertain whether financial support to such aerodromes should be increased, whether the current grants programs are the best means of financial assistance, and to determine the annual financial impact on councils of aerodrome operation and maintenance.

Regional Capitals Australia supports a traditional co-contribution model seen in other Federal funding initiatives, which would mean the Commonwealth contributes 50 per cent of the funding for regional airports, with the remaining half made up from contributions from the local council or airport operator and/or state government. However, Regional Capitals Australia would recommend some flexibility to allow this co-contribution model to be considered on a case-by-case basis.



Policy Recommendations cntd.

3. Meeting the Cost of Security Screening Enhancements

Regional Capitals Australia recommends the Federal Government:

- recognise that it has only partially contribute increased costs of its security requirements and substantially increase its investment in security upgrades at regional airports;
- as a matter of priority, commission a financial analysis to determine the ongoing operational, maintenance and staffing costs of proposed passenger security screening enhancements at regional airports, as announced in the 2018-19 Budget; and
- following financial analysis into the ongoing costs of the provision of security screening at regional airports, consider providing ongoing financial assistance to those regional airports which have been identified as requiring passenger security screening enhancements as part of the 2018-19 Budget, where required; and
- work with relevant state governments regarding the funding of security upgrades.

4. Meeting the Cost of Regulation

Regional Capitals Australia recommends the Federal Government:

- consider the regulatory requirements for regional airports with a view to streamlining them or granting regulatory exemption. Given the disproportionate financial burden of regulatory costs on regional airports, develop a co-contribution model for sharing of regional airport regulatory costs.

5. A Consistent Asset Management Framework

Regional Capitals Australia recommends the Federal Government, through the Council of Australian Governments, in consultation with all jurisdictions, should:

- review the efficacy of Western Australia's Strategic Airport Asset and Financial Management Framework in 2022 (as recommended by the Productivity Commission) or as early as feasible, to assess the efficacy of the Framework and determine its suitability for application across all jurisdictions; and
- subject to the results of the review, support the roll-out of the Framework across other Australian jurisdictions.

Our airports agenda is part of our connectivity platform. Please refer to our Connectivity Policy Paper for more information:



For more information on Regional Capitals Australia, please contact the Secretariat: Rachael Sweeney, Project Manager

E secretariat@regionalcapitalsaustralia.org

P 03 8658 5715 www.regionalcapitalsaustralia.org

 @regionalcapsaus

 www.facebook.com/RegionalCapitalsAustralia