Aviation white paper: an overview

Matthew James
Science, Technology, Environment and Resources Section

Richard Webb
Economics Section

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Introduction

On 16 December 2009, the Government released its aviation white paper.\(^1\) This is the most comprehensive statement of the Government’s aviation policy. The white paper followed the release of the aviation green paper on 2 December 2008, and an earlier issues paper titled *Towards a National Aviation Policy Statement*, which attracted approximately 300 submissions.\(^2\) The following examines some of the white paper’s features.

Foreign ownership of Australian international airlines

Foreign ownership of Australian airlines operating internationally is currently restricted under two Acts. A limit of 49 per cent foreign ownership applies to Qantas under the *Qantas Sale Act 1992* and to airlines other than Qantas—such as V Australia—under the *Air Navigation Act 1920*. Two additional restrictions apply to Qantas also under the *Qantas Sale Act 1992*: a 25 per cent limit on foreign individual shareholdings, and a 35 per cent limit on total foreign airlines’ shareholdings. The white paper proposes retaining the 49 per cent foreign ownership limit on Qantas, removing the 25 and 35 per cent limits on Qantas.\(^3\) For non-Qantas airlines, the Government is considering ‘more flexible arrangements for ownership’ with ‘governments with which Australia has negotiated Open Aviation Market agreements’.\(^4\)

The white paper is silent on why the 49 per cent foreign ownership limit on Qantas, which protects Qantas from a foreign takeover, has been retained. Removing the 25 and 35 per cent limits on Qantas would result in an even playing field for all Australian international airlines. Qantas welcomed the proposal to lift the 25 and 35 per cent limits because it would increase Qantas’ opportunities for strategic growth and alliances.\(^5\) The proposals would allow foreign

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airlines to increase their equity in Qantas. However, the current weak financial positions of many foreign airlines could limit additional foreign ownership of Qantas. Further, it is not necessary for a foreign airline to increase its ownership in Qantas for that airline to develop links with Qantas. The proposal to allow more flexible arrangements for non-Qantas airlines could result in a two-tier system with foreign ownership of Qantas limited to 49 per cent but foreign ownership of non-Qantas airlines exceeding 49 per cent.

**Regional aviation and general aviation**

Regional aviation is assisted by several schemes. The white paper proposes rationalising these schemes. Under the scheme titled the Payment Scheme for Airservices Australia Enroute Charges, the Commonwealth refunds, in full, enroute navigation charges incurred by eligible regional aircraft operators across their entire networks. The scheme was introduced in 2002 as a temporary measure following the collapse of Ansett Airlines, in order to assist Ansett subsidiaries and other regional airlines to continue services. The retention of the scheme has thus become increasingly anachronistic. In the 2008–09 Budget, the Government announced that the scheme would end in 2012. However, the Government has since decided to target assistance to routes that service remote towns and communities rather than entire networks. This should see funds directed to areas most in need of subsidy.

There are currently four other programs for remote aviation services and infrastructure—the Remote Air Services Subsidy Scheme, the Remote Aerodrome Inspection Program, the Remote Aerodrome Safety Program, and the Remote Aviation Infrastructure Fund. The white paper proposes to consolidate these into one program. This should rationalise use of funds.

General aviation has had varied fortunes of late with a flat business and private flying sector, while pilot training and recreational activity have grown. While the Government believes that no case has been made for it to intervene directly in the replacement of ageing aircraft fleets, it has introduced accelerated depreciation rates for aircraft. The sector should benefit from appropriate airport development restrictions, new airspace policy and continuing regulatory reforms.

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8. Ibid., p. 55.
Market liberalisation

International aviation services are governed by highly restrictive air service agreements (ASAs). Australia and other countries have been liberalising these arrangements.\(^{10}\) The white paper proposes further liberalisation of international passenger and freight services. Foreign airlines’ access to Australia’s primary international airports—Brisbane, Sydney, Melbourne and Perth—is currently restricted under ASAs. The white paper proposes to encourage services to ‘secondary’ international airports—such as Broome, Cairns, and Darwin—by offering foreign airlines unlimited access to secondary airports, and by offering additional beyond rights in future bilateral negotiations and improved access to primary airports for international flights linked to secondary airports.\(^{11}\) Curiously, Canberra Airport, which has no regularly scheduled flights to overseas destinations including New Zealand, does not receive any special mention under the proposal. The Government is also seeking fully-liberalised dedicated cargo services.

Price and service quality monitoring

The Australian Competition and Consumer Commission (ACCC) monitors pricing and quality-of-service at Adelaide, Brisbane, Melbourne, Perth and Sydney airports, as these ‘first tier’ airports are considered to have the greatest potential to abuse their market power. The Government proposes to extend monitoring beyond the first tier airports by establishing what would be, in effect, a three tier system. Under this proposal, the system for first tier airports will remain. Second tier airports would adopt a self-administered pricing and quality-of-service monitoring scheme starting with Canberra, Darwin, Gold Coast and Hobart.\(^{12}\) These airports would be expected to disclose on their websites prices of aeronautical services and car parking, various quality of service outcomes, and complaint-handling processes and outcomes. The third tier would comprise airports not covered by the ACCC and the proposed self-administered scheme. The Government will ‘encourage’ third tier airports to conduct customer/passenger satisfaction surveys and publicly disclose the results on their websites.\(^{13}\)

Consumer protection and insurance

The Government proposes to change arrangements for passenger compensation for the consequences of air accidents and the associated carriers’ compulsory insurance system, and


\(^{11}\) A beyond right is the right of a carrier from one country to fly to another country and then beyond to a third country. DITRDLG, *National aviation policy white paper: flight path to the future*, op. cit., p. 14.

\(^{12}\) Ibid., p. 179.

\(^{13}\) Ibid.
to mandate insurance for damage caused by aircraft to third parties on the ground. In the case of passenger compensation, the Government proposes to increase the cap on liability for domestic travel from $500,000 to $725,000 per passenger and the associated compulsory insurance for airlines from $500,000 to $725,000 per passenger. In the case of insurance for third party surface damage, the Government will consult with industry on a suitable scheme to make insurance for third party (surface) liabilities compulsory. These proposals, while worthwhile to consumers, will also increase airline costs, but the white paper notes that the liability amounts for passenger compensation have not increased in fifteen years.

To deal with the rising number of customer complaints, the Government is looking to airlines to develop Corporate Charters, and to establish a system for a third party to examine unresolved complaints. The Government has convened a working group on disability access to aviation services following a series of well publicised instances where the disabled have experienced problems travelling by air. It is to encourage airlines and airports to develop and publish Disability Access Facilitation Plans to provide services to passengers with a disability.

Safety

The white paper mentions safety as of prime importance in aviation, but the subject itself is not covered until the middle of the text. While the white paper concludes that safety levels have not dropped, recent events would suggest otherwise. Principally, the International Civil Aviation Organisation (ICAO) reviewed Australia’s aviation safety system in February 2008 and found that there is room for improvement in specialist skill areas and maintaining expertise. This is despite the fact that the majority of technical areas are well above the global average. In 2008, a major Australian airline featured prominently three times in world

17. DITRDGL, National aviation policy white paper: flight path to the future, op. cit., p. 90.
18. Ibid., p. 102.
aviation safety reports which, despite the remonstrations of the airline and regulators concerned, must inevitably raise questions about the state of the air transport industry here.\textsuperscript{20}

Among initiatives to address safety issues, the Government has established the Australian Transport Safety Bureau (ATSB) as a statutory agency, governed by a commission, to provide greater independence to the ATSB. The commission is responsible for the functions of the \textit{Transport Safety Investigation Act 2003} and exercising the ATSB’s investigative powers into safety events.\textsuperscript{21} The ATSB was previously a unit within the Department of Infrastructure, Transport, Regional Development and Local Government.

Air Traffic Management (ATM) is a focus of the white paper, which discusses harmonisation of civil and military air traffic control (ATC), as well as moving airspace administration into closer alignment with the ICAO’s airspace system.\textsuperscript{22} New ATM technologies and procedures are under investigation and have been used in trials. A new Australian Airspace Statement became effective on 1 January 2010 with a focus on regular public transport service safety.\textsuperscript{23} Ongoing requirements are proposed for civil aviation developments that may affect airspace or radar. The Government is to maintain Airservices Australia as the lead ATM and ATC agency.

The Government has announced long-term funding principles for the Civil Aviation Safety Authority (CASA) but will require it to cap its direct regulatory service fees for at least five years. The current aviation fuel levy used to help fund CASA will remain in place. The white paper announced an extra $3.8 million for CASA to recruit additional specialist technical staff.\textsuperscript{24} This may be seen as a positive response to the ICAO safety review recommendations. The long-ongoing CASA regulatory reform program is now set to end in 2011 with licensing and flight operations requirements to be finalised by the end of 2010. The Government has already established an expert board for CASA and strengthened the Authority’s powers. A new Sports Aviation Office will be established to serve the sport and recreational sector. Government oversight of CASA activity and performance should continue to be strong.

In 2010, the Government will develop and implement a State Safety Program for oversight of safety management systems within the aviation industry. ICAO has mandated that aviation


\textsuperscript{21} DITRDLG, \textit{National aviation policy white paper: flight path to the future}, op. cit., p. 102.

\textsuperscript{22} Ibid., pp. 122–123.

\textsuperscript{23} Ibid., p. 119.

\textsuperscript{24} Ibid., p. 103.
operators implement such systems. A wider Aviation Safety Framework underpins the complex interactions between the various parties in the aviation sector.

Aviation support industry and training

The Government is to encourage Australia’s aircraft and component manufacturing industry through mutual recognition arrangements with key trading partners to limit regulatory red tape. The Government is also to continue with industry training programs and skills councils. There will be expanded access to financial assistance through vocational education and training, along with targeted government export assistance programs for the industry.

Security

Security policy continues to evolve in concert with overseas and domestic requirements. The white paper announced that the Government will require screening of passenger and checked baggage for all public aircraft flights with more than 30 tonnes of maximum take-off weight from 1 July 2010. Aircraft flights over 20 tonnes will have extended screening by 1 July 2014. Aircraft flights over 10.75 tonnes will need hardened cockpit door standards. There are to be annual certification requirements for screening security officers and officials. The Government will also act to enable security-controlled airports to be designated according to their risk profiles so that security measures are appropriate to the threat level. Ongoing security review and monitoring will continue, with the Government also publicly announcing a relaxation of the rules on objects that passengers may take on board flights.

Airport planning and noise

Responding to issues concerning inappropriate building around airports, the Government is to strengthen planning arrangements, including coordination between different levels of government, and require greater transparency on intended land uses and developments at airports. Planning Coordination Forums will be established for each capital city major airport. Major airports will be required to establish Community Aviation Consultation Groups to enable greater local participation in airport planning and operations. Airport

25. Ibid., pp. 104 and 112.
26. Ibid., p. 100.
27. Ibid., p. 69.
29. Ibid., p. 144.
30. Ibid., p. 152.
32. Ibid., p. 158.
Master Plans will be required to focus on aviation development at secondary airports.\textsuperscript{33} There is to be a new requirement for developments with significant community concern to pass through a Major Development Plan assessment process involving the Commonwealth.\textsuperscript{34} There are ongoing measures with respect to wildlife and wind turbine hazards, as well as aircraft noise.

Aircraft noise over populated areas is a focus of the white paper, which mentions best practice with respect to housing policy and aviation policy to ensure that new developments near airports and under flight paths are compatible with future airport operations. This outcome does not necessarily preclude the controversial Tralee development near Canberra from proceeding, despite opposition from that city’s airport operator. Airservices Australia is to conduct a review of ways to minimise noise impacts.\textsuperscript{35} The Government will also act to phase out older noisy aircrafts, such as ageing Boeing 727 freighters.\textsuperscript{36} The existing curfews will remain at Sydney, Adelaide, Gold Coast and Essendon airports, but the Minister has committed to a periodic review of the need for a Brisbane curfew.\textsuperscript{37} Airservices Australia is to have an Aircraft Noise Ombudsman to review independently public noise complaint handling procedures and the organisation’s consultative arrangements.\textsuperscript{38} The Government will develop a framework for an industry-funded program for civil airports to ensure future insulation projects will be assessed and delivered against world’s best practice noise attenuation initiatives.\textsuperscript{39} Despite the institution of noise insulation programs around Sydney and Adelaide Airports, and moves for a similar program in Perth, no specific initiative is mentioned.

\textbf{Sydney airports}

The Government aims to work with the New South Wales Government to develop by 2011 an Aviation Strategic Plan to determine the Sydney region’s future airport infrastructure needs, including linkages to urban growth centres and road and rail transport systems.\textsuperscript{40} Arguments remain for the second airport to serve, in particular, the low cost carrier markets and north-western demographic growth areas, with the mooted possibility of interim services to commence at the Richmond RAAF Base. The Government is to review the civil and Defence airport facilities in the Sydney region, with an assessment of their capacity to meet the area’s future aviation needs. The Commonwealth and the New South Wales State

\begin{itemize}
\item \textsuperscript{33} Ibid., p. 64.
\item \textsuperscript{34} Ibid., p. 165.
\item \textsuperscript{35} Ibid., p. 207.
\item \textsuperscript{36} Ibid., p. 214.
\item \textsuperscript{37} Ibid., pp. 208 and 214.
\item \textsuperscript{38} Ibid., p. 209.
\item \textsuperscript{39} Ibid., p. 215.
\item \textsuperscript{40} Ibid., p. 192.
\end{itemize}
Government are to develop a joint proposal for the future use of the reserved second Sydney airport site at Badgerys Creek which is ‘no longer an option’ for airport use.\(^{41}\)

**Conclusions**

The white paper does not propose major changes to Australia’s domestic or international aviation arrangements. Indeed, much of the white paper merely restates commitments to ongoing policies and work. Further, the changes that are proposed are modest. This is to be expected given that Australia’s aviation sector generally operates at very high standards. The white paper is, in some respects, more notable for what it does not say. For example, it defers, yet again, a decision on the location for the proposed second Sydney airport, assigning the task for recommending a site to yet another inquiry. Nor does it examine some options. For example, Sydney airport currently employs a demand management scheme to allocate the limited number of runway slots. The white paper does not consider the auctioning of slots as an alternative to this regulatory scheme.

\(^{41}\) Ibid., p. 193.