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17th March 2022

Australian Senate

Senate Standing Committees on Rural and Regional Affairs and Transport

Parliament House

Canberra

RE: Report on the current state of Australia's general aviation industry

Dear Secretary,

Please find attached a submission to the above inquiry.

Yours faithfully

Shannon Wells

Managing Director

My name is Shannon Wells, Managing Director of Airlines of Tasmania.

Thank you for taking the time for looking into the issues surrounding the aviation industry. It is an industry I have worked in for most of my life, and my family has been involved with for close to 60 years.

Please find my submission to the Inquiry into General Aviation below.

Airlines of Tasmania (Par Avion) is a Low Capacity RPT company based in Hobart, Tasmania. We predominately operate within Tasmania with aircraft 10 seats or less. We have, however, previously operated across Southeast Asia and the Pacific, conducting aerial work (Aerial photography and LiDAR scanning) as well as operating 18 seats twin-engine turbine aircraft on Regular Public Transport Routes. We have a fleet of 18 aircraft, including Cessna 172, Cessna 206, Beechcraft Duchess, Britten Norman Islander, Piper Navajo, and Cessna 404 Titan.

The company holds Flying Training approvals (Part 141 and 142) and has both CAR30 and Part 145 Maintenance approval. We are a Part 42 Continuing Airworthiness organisation and are currently transitioning to Part 135 Passenger Transport.

We also own and operate Cambridge Aerodrome, purchased from the Federal Airports Corporation in 1992. We are also a Registered Training Organisation (RTO) with both CRICOS and VET Student Loan approvals, for the Diploma of Aviation qualifications.

We focus on Tasmania, and our slogan is "Tasmania by air".

I firmly believe Tasmania is the best place in the world to learn to fly, due to its varied terrain, challenging weather and relatively low air traffic volumes. Our other major focus is aviation tourism - flying clients to the remote Southwest National Park (with a 7-day walk to the nearest town and no road access), as well as scenic flights over Freycinet National Park (Wineglass Bay) and Maria Island National Park.

We have two main RPT (regular public transport) routes, Launceston – Cape Barren Island (funded by a Remote Air Subsidy Scheme), and Hobart/Cambridge – Strahan (funded by a State Government grant)

We employ around 30-35 staff, comprising pilots, engineers, administration, and airport staff. We continued to operate during COVID without any forced redundancies or stand-downs, with staff going to .8 FTE and annual leave being taken. This is partly thanks to both the State Government for their support of tourism business and the Federal Government for JobKeeper, which we received for 6 months.

We are reliant on several government programs to operate. The flying school would not be successful without VET Student Loans, as most students cannot afford to get a commercial pilot licence paying cash - the Diploma of Aviation (Commercial Pilot Licence) costs approximately $76000. Since receiving approval, flying training numbers have increased significantly and we have been able to purchase additional aircraft and hire more staff.

In addition, the RPT routes we operate are subsidised by the government, without which we would likely not be conducting RPT services within Tasmania. The sad reality is this is an increasing trend for regional routes across Australia, which can't be serviced by an aircraft of significant size to overcome the fixed costs of operating an aviation service.

Over the past 10-20 years, there have been some significant issues General Aviation has had to overcome. Looking into the future - if the past is any prediction of the future - I would like to offer the following observations.

Increasing Operational Costs

The costs of operating aircraft have increased far beyond CPI, this has been due to many factors.

- *Fuel price and consequence of AVGAS supply*
    - The price of AVGAS (fuel which most general aviation aircraft operate) has been increasing significantly over recent years. The price per litre has been over $2 for several years now in Tasmania. There seems to be little reason, if any, to believe that the price will drop. $3 per litre is a realistic expectation in the next 4-5 years – especially considering the Ukraine situation causing a recent spike in prices.
    - General aviation aircraft are not becoming more fuel-efficient, meaning fuel price directly impacts operating costs. There are no alternatives, such as "sustainable jet fuel", which is being trialled in jet aircraft, which can be substituted.
    - Due to some of the unique characteristics of AVGAS, including it being LEADED fuel, fewer refineries are producing it. And the price gap between CRUDE OIL, and AVGAS has been steadying increasing over the last few decades.
    - It is difficult to determine if the closure of oil refineries in Australia have escalated this. The fact, however, is that leaded AVGAS fuel is an increasingly marginalised fuel across the spectrum of fuels available to refiners.
    - Diesel engine options (which can run on AVTUR / Jet fuel) which 10-15 years ago were understood to be a good alternative to AVGAS-driven engines, didn't eventuate in mass capacity, with Cessna cancelling its 172-diesel model in 2018.
    - Battery / Hydrogen-powered aircraft do seem to be a plausible alternative. Realistically, however, commercial applications of this seem to be over 10 years away, which would require significant capital investment. They also don't currently meet the needs of every type of general aviation, in particular longer-range flights, or flights into remote locations with few support facilities.

- *Aircraft parts, i.e. engines, spare parts, components etc.*
    - Engines require overhaul/replacement after a certain number of hours and/or years of operation. The cost of replacing these has become increasingly more expensive, with one major supplier applying a flat % cost increase across their engines and parts, with no justification other than "increased costs" in September 2021.
    - Due to the limited nature of having "approved suppliers" who can perform engine overhauls, this leaves operators with few alternatives - i.e., we are a captive market with very little bargaining power.
    - Aircraft parts are increasing beyond CPI in replacement/repair, due to various reasons including increasing regulatory and freight costs, and closure or merger of suppliers.

- *Staffing / Key personnel*
  - As our company is a RPT operator, flying school and has a maintenance organisation, we are required to employ "key personnel" to hold a licence. Due to legislative reforms, over the last few years, the number of key personnel we are required to employ has increased.

    Comparing today to 2008, we would be required to have the following positions:

    2008
    - CEO (who potentially could be the chief pilot and/or chief engineer if they had the appropriate skills)
    - Chief pilot (could be the CEO)
    - Chief engineer (could be the CEO if they had the skills)
    - Head of maintenance control and airworthiness/maintenance controller
    - Chief flying instructor (who potentially could be a chief pilot or CEO based on workload and skill set)
    - In summary, we could be required to have perhaps 3 or 4 key personnel staff

    2021
    - CEO / Accountable Manager. This person can manage the AOC / Part 135, Part 42, Part 142, Part 145.
    - Chief Pilot / Head of Operations for AOC / "responsible manager "Part 135
    - Chief Flying Instructor / Head of Operations "responsible manager "Part 142
    - Safety Manager (for parts 142, 145 and soon to be 135)
    - Quality Manager (for parts 142, 145 and 42) (of which can be merged subject to the workload with Safety Manager as we have)
    - Continuing Airworthiness Manager (acting as "responsible manager" for Part 42)
    - Chief Engineer (acting as "responsible manager" for Part 145)

  - In summary, doing the same as we were doing in 2008, we now are required to have 6 key personnel staff at a minimum. These positions are well paid and difficult to replace. Should one of these people leave the organisation, it can be highly disruptive, require CASA approval/interview for replacement. The recommendation is to "deputise" these roles, leading to more costs as additional people are tasked with increased responsibility / higher duties.

  - In addition, if Cambridge Aerodrome was a licenced aerodrome we would also require additional key personnel. However, for very little (if any) reduction in safety, the aerodrome is unlicensed and listed as an Aeroplane Landing Area (ALA) which has little to any regulation by CASA. As such, we do not get benefits such as the ability to issue NOTAMS (notice to airmen) – which would improve safety. We cannot, however, justify the cost of having the aerodrome license.

- *Insurance*
    - Insurance premiums have increased over many years, which isn't unique to aviation. There has been, however, an increasing push by third parties for significant increases in public liability insurance, over and above the Carrier Act Limitation. Public Liability of $20,000,000 or even $50,000,000 is not unheard of.

      For example, we were asked to do a single flight where $20,000,000 was required by the third party, and the insurance quote for a "standard" flight (of which we commonly do) was $1500. This added 40% to the price of the flight. This is further exuberated by the recent *Work Health Authority v Outback Ballooning Pty Ltd* case (discussed below).

- *CASA Fees*
    - As operators have transferred from old legislation to new legislation, CASA has charged greater fees for their services – i.e., an exposition amendment if deemed "a significant change", is chargeable, whereas previously an operations manual amendment wasn't charged for.
    - CASA fees were not waived during COVID, unlike ASQA fees which were largely waived. Operators had to demonstrate any waiver request was "due to COVID". While not extraordinarily large charges in the scheme of running an aviation business, it was disappointing to their refusal to waive fees during COVID and did not seem to be in the best interests of the industry to which they are meant to work within.

- *3rd party costs/issues*
    - Additional operating costs are increasingly being passed on to operators, for example:
        - Increasing airport fees
            - Airports have been subject to increased costs over time. As they are privately owned/leased or operated by councils, there is an expectation generally for a financial return on these assets.
            - Some airports are expensive to operate from due to insurance / public liability (i.e. Kangaroos entering a runway and damaging an aircraft (Kempsey Shire Council v Five Star Medical Centre Pty Ltd [2018] NSWCA 308), or noise restrictions (no weekend flying)
            - Airports have also been closed or reduced in size due to increased land cost, and alternative revenue streams, i.e. land can be more valuable for housing than for an airport (example: Hoxton Park in Sydney). Leases accordingly for aviation operators in some airports have risen dramatically and services reduced including runways being closed.
        - Security costs
            - While not usually applicable to General Aviation, this can apply at some airports general aviation operate into. Most pilots require an "Aviation Security Identification Card" which is paid for by individual pilots. It is not yet determined as to how Part 135 will be applied to security-controlled aerodromes, with the distinction of RPT and Charter being removed.
            -

- Noise
  - General Aviation is receiving increased scrutiny for its noise footprint, which is understandable given the growing population around airports. All levels of government, especially local councils, should be mindful that noise is a reality of general aviation, and those flying training areas and circuit traffic around airports need protection from noise complaints.

Revenue

Costs are generally not able to be simply passed onto customers, particularly passenger flights - where there is a high negative correlation for passenger numbers vs airfares.

While the introduction of low-cost carriers and modern and efficient new passenger jets revolutionised air travel across Australia and the world, sadly this business model doesn't work in regional / general aviation. With common comments being "why could I pay $249 to fly to XYZ destination, with for $199 I can to Bangkok". For better or worse, this has devalued the value of an air ticket.

General aviation can involve flying a 30-year-old Cessna aircraft, two or four times a day for a 1 to 2 hour sector with 5 or 6 people on board. This per seat basis is much more expensive than flying a Boeing 787 with 250 people on board twice a day over a 9 hour sector. This is predominantly due to the greater nature of fixed costs per seat, the modern fuel efficiencies of jet aircraft, and the lack of any significant technological advancement of regional aviation aircraft

Major airlines run their aircraft much more efficiently, including departures at any hour of the day, ensuring aircraft operate efficiently. I.e. a 11pm departure to Kuala Lumpur won't bother most international travellers, yet a 11pm departure for the Hobart to Strahan service wouldn't have high patronage.

As such, regional aviation / general aviation struggles to increase the cost of travel to a passenger, without providing an increased benefit to a passenger, as the "relative value" of a seat has been diminished. Coupled with better roads / cars, greater emphasis on teleconferencing, working from home, flight shaming and the perception that flying in a light aircraft (and not an airline) is not an effective use of money, leads to increased challenges which the industry must adapt to.

Upcoming regulatory change – maintenance

I am part of the Technical Working Groups, for Part 135 and 42/145, and thankful to the Aviation Advisory Group to the Civil Aviation Safety Authority for inviting me to be a member. I am concerned, however, about where things are heading with the new air legislation, and how smaller aviation organisations are legitimately going to survive. I have expressed this view in these forums.

- While the regulators attempted to use terms such as "scalable" or mitigators like allowing "contracted" staff to provide services that organisations are going to need to be able to perform (i.e., internal safety management), I am deeply concerned about how maintenance will be conducted across general aviation, rural and regional areas.

- It appears, while not confirmed, that <u>any</u> passenger-carrying operation, will require to use a Part 145 Maintenance Organisation, and in addition, will need to use a Part 42, Continuing

Airworthiness Organisation. The basis for this is "former Regular Public Transport Operations", even in aircraft with single pilots with only 8 seats, required this.

- Charter flights (many passengers carrying general aviation) were able to use the older and less administration focused "CAR 30", as well as have a Head of Airworthiness within the AOC.

- The cost difference between the two forms is relatively significant, mainly concerning the requirement to have additional key personnel of staff.

- Private aircraft, and aerial work aircraft, i.e. agriculture, fire fighting, flying training – appear to not be subject to this maintenance standard – and this may lead to some maintenance organisations choosing not to convert their businesses to the new rules. This means some charter organisations who must move to Part 135, may find it difficult to get their aircraft maintained.

As part of the Technical Working Group for over 3 years, this has been highlighted as an issue from nearly the first meeting, and a determination has yet to be agreed to.

Chicago Convention and Carriers liability act with Occupational Health and Safety Law

- The case of *Work Health Authority v Outback Ballooning Pty Ltd [2019]* HCA 2.
- The High Court found that state / territory workplace safety laws, are <u>not</u> inconsistent with Commonwealth civil aviation laws.
- Commonwealth law is based on the worldwide standard consistent with the Chicago Convention.
- As aviation is a worldwide industry, providing non-uniform laws to air operators is problematic, as carriers can pass over multiple judications (i.e., different state / territories) – which can mean additional compliance costs. This could also lead to additional insurance costs
- One only has to see how state-based COVID laws caused havoc for aviation organisations needing to follow multiple state-based laws.
- The Federal Parliament can amend the *Civil Aviation Act 1988*, to include an express statement that the Act and its regulations are intended to cover the safety aspects of aviation and as such overrule state / territory legislation.

RTO / CASA / VET LOAN FEE issues

- **The requirement to be registered training organisation (RTO) to access student funding**

  We provide 3 x Diploma of Aviation, for the commercial pilot licence, instrument rating and instructor rating.

  These require our organisation to be regulated, regarding aviation education, by ASQA, in addition to CASA. As we also have VET Student Loans and CRICOS, we are under additional regulation by the department of education.

  This is an unnecessary duplication of regulation.

- VET Student Loan Fee

  All VET Student Loans, attract a fee of 20% which is paid to the government. This fee does not apply to a University, nor does it apply to a "subsidised VET student".

  This appears to be a fee that unfairly only applies to Registered Training Organisations and increases the cost of flying training. As course fees can run upwards of $100,000, this is a significant additional charge for students.

  This also leads to an unfair playing field where a university can teach this qualification, but a student does not have to pay this fee if they study with them, so if a university opened a flying academy next door to our flying school, and offered the same qualification, effectively any student that studied with us would be paying 20% more.

- **Audited Financials**

  We are required to provide General Purpose Financial Statements, within 3 months of the end of the financial reporting date. (I.e., usually by 30 September). General Purpose Financial Statements are very specific requirements usually only needed for reporting entities on the ASX, or other large organisations. This requires independent auditing and all provisions of the Australian accounting standards to be adhered to.

  This is a very onerous requirement for a small/medium size business. Especially considering these are required within 90 days, which is a requirement like that of public companies.

Staff shortages

- **Engineering staff**

  The "ageing aircraft engineer" has been a well-known issue for decades. It is not a simple process to train an aircraft engineer, and there are a limited number of schools available for this qualification.

  The process to become an aircraft engineer is not simple, and not well integrated into general aviation, especially in regional locations such as Tasmania.

- **Pilots**

  Pilot shortages come and go. Before COVID, arguably there was a shortage of pilots in general aviation. Currently, there is an oversupply.

  The industry should work together to provide pathways from general aviation to airlines or other operations, noting that an average pilot will not remain in general aviation for their entire career.

  Organisations such as the Regional Airlines Association of Australia, and the Australian Flying Training Industry Association of Australia are acutely aware of this, however, it may need government assistance to facilitate it.

- Ground Crew / Specialists

  Roles such as "Safety Manager", "Quality Manager" or "Continuing Airworthiness Manager" are generally learnt on the job. There are little to no "formal qualifications" for these roles, which are becoming increasingly important for an operator to have considering the upcoming legislative change.

  This appears to be a disconnect from other roles such as pilot or engineering.

Other observations

Over the years, the industry has been subject to various government mandates. These primarily benefit the airlines and do not provide significant benefits for general aviation. For example:

- GNSS Mandate in 2016
  - All Instrument Rated Aircraft (IFR) were required to meet new navigation requirements, including a certified GNSS (GPS) system onboard aircraft.
  - This required every IFR aircraft to purchase new equipment if it wasn't already installed – while many general aviation aircraft had been flying by instrument flight rules, using ground-based navigation aids for decades without issue.
  - Airports redesigned instrument approaches, primarily on routes frequented by the airlines, which benefited airlines, but not General Aviation.
  - For example, we can no longer fly Strahan directly to Hobart … aircraft are now required to track via a GNSS approach which results in greater track miles.
  - Monthly updates. To remain IFR approved, a monthly subscription is required for navdata
  - Reduce cost as reduce ground aids, and primarily beneficial for airlines as they can do more direct routes on generally medium/long routes without going "point to point" from navigation aid to navigation aid. It also significantly reduces costs for Airservices as they have decommissioned perhaps a hundred navigation aids
  - Airservices claim that their fees have not increased as rapidly in time as a consequence.

- ADSB mandate in 2017
  - Mandatory for IFR to operate in Australia
  - Required new equipment to be installed in aircraft
  - Reduces cost with maintaining radar systems for Airservices
  - This cost (unlike in other countries) was not subsidised and was required to be paid for by the operator if they wished to continue to fly IFR.
  - Airservices claim that their fees have not increased as rapidly in time as a consequence.

- Lack of federal government support for general aviation during COVID
  - Despite the rhetoric and media releases, general aviation received very little COVID support (apart from job keeper). "Aviation support packages" were focused on aeromedical and regular public transport routes - the Australian Airline Financial Relief Package provided little relief to organisations such as ours.
  - Fuel excise was waived (which only applied if aircraft were being flown), as were Airservices fees (again only applied if aircraft were being flown) – however, none of the fixed costs of maintaining a company were claimable. Our company received support from the State Government, which was most appreciative, however, this was mainly related to our role as a tourism organisation.
  - I wrote to the then Deputy Prime Minister, Michael McCormack seeking assistance, in particular relating to CASA fees, and contacted Andrew Wilkie who also wrote a representation, with the response essentially being a repeat of a media release, with nothing overly targeted towards general aviation.

- The upcoming changes to Charter / RPT, being merged into Part 135

  These are overdue and welcome, however, there are still outstanding issues that need to be addressed including:

  - Maintenance/airworthiness standards
    - What standard? What happens if existing maintenance organisations don't transition?
  - Transport Security
    - Airports currently serviced by "RPT" are required to be "security controlled", what happens once the distinction of RPT and Charter is removed?
  - State-regulated routes
    - Some states regulate routes, limiting competition or providing subsidies, what are the ramifications of RPT / Charter being removed?

General Aviation is an essential service. While we are not big on flight hours or statistics compared to airlines, we are the backbone of the industry. We train pilots, we fly the mail, we answer the phone at 1 am for a search and rescue operation, we fly tourists around landmarks, we provide air links to places that can't accommodate a 35-seat aircraft, we fly people to Melbourne when an ash cloud in South America grounds a 737, we bring puppies and kittens across Bass Strait and Nuclear medicine for cancer treatment when the airlines stop flying.

It is frustrating to be in the general aviation industry, which trains pilots and there is no pilot shortage for trainees, yet this appears to be forgotten about when a major airline goes on a tour of the country spruiking a "flying academy" with airports / councils and governments throw themselves to provide the "cheapest price" it can get, most likely a better deal that any existing flying school could get.

It is frustrating when the deputy prime minister says that "3.8 billion" was given as industry-wide assistance, and how thankful I should be, but I would be very curious to see the breakdown of these funds for airlines vs non-airlines.

It is frustrating when we have imposed costs placed on us by a regulator, such as mentioned above, yet we lose efficiency and don't receive benefits, this is further demonstrated by the Bureau of Meteorology removing weather forecasting at remote aerodromes, citing cost, and then centralising forecasting in Melbourne and Brisbane, in which I feel has resulted in a loss of "local knowledge" when it comes to forecasting, which is important for general aviation which flies away from major airports.

It sadly is a sign that General Aviation isn't respected – yet we play such an important and pivotal role for the entire aviation industry.

The future of the industry is grim, with increasing costs putting increasing pressure on what in many cases are family businesses or small organisations with investors personal capital propping up a business. I am hopeful this inquiry can look at the issues facing the industry and come up with practical solutions to ensure its long-term viability.

Brief suggestions

- Assist with fleet replacement
  - Consider concessional loans or other grants, especially with replacing older ageing aircraft.
- Invest/research future technology for fuel replacement
  - Battery / Hydrogen is being trialled already in Australia, assist with the development of this new technology
- AVGAS Fuel Supply guarantee
  - Until new technology is commercially viable, ensure an AVGAS supply chain and ensure the price does not make it unviable to operate a General Aviation aircraft
- Protect aviation businesses on airports, and associated infrastructure, including price hikes
  - Legislate to ensure airports exist to ensure the viability of aviation. Landing fees/rents and other costs associated with operating an aviation business on an airport, should not be rising at rates greater than the cost to provide those services.
- Don't victimise people who use general aviation
  - A member of parliament flying from a regional location to a regional location via a general aviation aircraft is a reasonable use of time and money. Professionals such as doctors or businesses with 2-3 staff do this regularly. It is frustrating that when an MP reports their expenses, a $4000 "charter flight" will be headline news, yet a $180,000 office refurbishment or $80,000 on stationery and mail will be less controversial.
  - While acknowledging this disclosure is important, making a political statement when expenses are published saying "someone is jetting around" because they spent 2 hours on a Piper Navajo as it was otherwise a 5-hour drive and there is no airline service, is hardly flying New York to London on Concorde.
  - A policy for when charter flights are possible for government use, including members of parliament, should be published, and not stigmatised.
- Review training of aircraft engineers
  - Review training and licencing of aircraft engineers.
- Protect airspace for general aviation, including noise
  - Ensure airspace for training and other operations, especially around major cities, is protected. Recognise that airports in their current locations have been in place for decades and urban development should not be able to restrict the freedom of aviation.
- Respect General Aviation as an essential service
  - Ensure all of government does what it can to encourage, not discourage general aviation
  - Ensure general aviation gets the ability to represent its interests, and not just simply focus on the airlines or aeromedical
  - Make sure Cost / Benefit of rules or policy considers General Aviation on equal terms as other parts of the aviation industry, noting that we don't have the lobbying power of major airports or airlines.
  - Be mindful, that without General Aviation, the aviation industry within Australia would not be able to survive.