

Submission to the Senate Standing Committee on Rural and Regional Affairs and Transport

Inquiry into the State of Australia's Aviation Sector and its Ability to Deliver Reliable and Affordable Services to Rural, Regional and Remote Communities

With reference to – policy and practical measures in place, or that could be established, to assist the aviation sector to provide services to rural, regional and remote communities.

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Professional Context and Disclaimer

My professional background includes formal qualification as an economist, service as an RAAF pilot, commercial airline pilot with major carriers, superannuation trustee, president of the Australian and International Pilots Association, and current employment with CASA. This submission is an independent policy initiative, drawing on my expertise, and is not directed, endorsed, or contributed to by CASA.

Executive Summary

The recent acquisition of Regional Express (REX) by Air T Inc. presents an opportunity to demonstrate a scalable model in which government facilitates private investment to address fleet renewal, workforce sustainability, and capital access challenges.

This submission advocates for the establishment of an Aviation PPP Taskforce to validate a facilitation model—Nu Co/Fleet Co—where the government's primary role is to enable and regulate, while private capital funds the necessary infrastructure.

Preliminary analysis indicates potential operational cost reductions of 18–30% through modern aircraft economics, centralised maintenance, institutional financing rates, and improved aircraft utilisation. These reforms would reduce long-term government expenditure while enhancing service quality and regional access.

The Regional Challenge

Australia's regional aviation sector suffers from:

- High fares that create economic barriers for regional communities
- Frequent cancellations and schedule changes
- Aging aircraft lack modern efficiencies and passenger comfort
- Chronic financial instability

Traditional subsidy approaches have not created long-term sustainability. The sector would benefit from structural reform, with government acting as a facilitator for private investment rather than being a direct funder.

Capital Access Asymmetry

Top tier carriers benefit from sophisticated financing structures unavailable to many Australian operators. By facilitating access to private capital through innovative regulatory frameworks, the government can help level the playing field and enable strategic fleet renewal without direct expenditure.

Workforce Sustainability

Pilot shortages persist due to low pay and limited career progression. Financially distressed operators cannot offer competitive remuneration or invest in training. By enabling cost reductions through government-facilitated private investment, operators can improve workforce conditions and sustainability.

The Nu Co / Fleet Co Facilitation Model

- Asset Ownership: Modern, fuel-efficient aircraft are owned by a Special Purpose Vehicle (SPV), funded by private capital, with government providing regulatory support and oversight.

- **Regulatory Oversight:** CASA-compliant safety management is ensured by the most capable entity, with government setting standards and monitoring compliance.
- **Airline Operations:** Regional carriers retain independent branding, marketing, route selection, and pricing, accessing shared fleet resources.
- **Maintenance Organisations:** Maintenance is allocated based on capability, coverage, and cost-effectiveness, with government facilitating best-practice standards.

Fleet Co Efficiency Gains

- Fuel Efficiency: 4.8%–8.0%
- Reduced Maintenance Costs: 4.05%–5.4%
- Reduced Financing Costs: 5.0%–7.5%
- Increased Aircraft Utilisation: 2.7%–4.05%
- Regulatory Compliance: 2.05%–4.1%
- Total Potential Efficiency Gain: 18%–30%

Precise improvements require detailed financial/operational analysis in consultation with government and industry.

Precedent Structures

- Wet leases
- Third-party operators
- Independent maintenance providers
- Foreign ownership stakes

Fleet Renewal Proof-of-Concept

Air T's acquisition of REX ensures continuity of regional services but defers fleet modernisation. The estimated \$260–400 million renewal cost presents an ideal test case for government-facilitated private financing, validating the model for broader adoption.

National Sovereignty and Aircraft Availability

Aircraft financed offshore may be subject to competing demands during national emergencies. A domestically accountable facilitation

structure would ensure aircraft availability remains subject to Australian Government influence, thereby safeguarding emergency response capability.

Coordination with the Productivity Commission Inquiry

The Productivity Commission's inquiry into regional airfares will examine pricing and competition. A government-facilitated Aviation PPP Evaluation Taskforce would complement this by focusing on infrastructure financing, delivering actionable frameworks, and informing cost drivers that underpin fare analysis.

Australian PPP Precedents

Australia has extensive experience in government-facilitated private investment across infrastructure sectors. The question is not whether facilitation can succeed in aviation—but why aircraft fleet ownership remains excluded.

International Validation

Major aviation regulators (FAA, EASA, UK CAA, Transport Canada) permit similar SPV structures. Australian innovation in government-facilitated fleet ownership would systematically apply proven international arrangements to regional aviation.

Implementation Pathway

- Phase 1: Aviation PPP Evaluation Taskforce (3-6 months) – Government Taskforce with stakeholder input to validate efficiency, financial modelling, and regulatory framework.
- Phase 2: Pilot Implementation (18–24 months) – Fleet Co enables renewal of the REX fleet, with outcomes monitored to validate broad applicability.
- Phase 3: Scalable Expansion (ongoing) – Extend availability to regional operators, domestic trunk routes, and international services as industry evolves.

Conclusion

Australia faces a strategic choice. By facilitating private investment in regional aviation, government can deliver cost reductions, workforce sustainability, and policy flexibility. A modest investment in an Evaluation Taskforce offers an opportunity for Australia to demonstrate readiness to lead and grow sovereign aviation capability.

Recommendation

- Validate operational cost reduction potential
- Develop regulatory frameworks for facilitation of structures
- Design financing mechanisms utilising institutional capital
- Assess national security implications of aircraft ownership
- Coordinate with the Productivity Commission Inquiry
- Apply findings to REX's fleet renewal as proof-of-concept

Thank you for considering this submission. I trust it assists the Committee with its deliberations.

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