



AUSTRALIAN  
AIRPORTS  
ASSOCIATION

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Committee Secretary  
House of Representatives Standing Committee on Regional Development, Infrastructure & Transport  
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### **Inquiry into local government sustainability**

The Australian Airports Association (AAA) welcomes the opportunity to provide this submission to the Committee's Inquiry into local government sustainability (the Inquiry).

The AAA is the national voice for airports, representing the interests of more than 340 airports and aerodromes across Australia. It also represents more than 150 corporate members supplying goods and services to airports and the wider aviation industry.

The AAA notes the Inquiry takes place within the context of existing work by the Australian Government, including the Aviation White Paper (White Paper) and Budget processes, which specifically addresses issues facing regional and remote aviation infrastructure and service delivery.

This submission refers to the AAA positions already covered in its White Paper submission and expands on them where appropriate.

### **Setting the scene**

Australia's airports are vital to the economic and social wellbeing of all Australians. Airports are critical infrastructure, generating substantial direct and indirect employment and economic activity. Australia's airports sustain the connectivity for people and goods within domestic and international transport networks.

The connectivity that airports and the aviation sector provide is particularly important in regional and remote Australia, where aviation may provide the only public transport service for many communities. Even in south-eastern Australia, the absence of comparable alternative public transport systems means there is no viable alternative to aviation in the short term for intercapital and interregional travel.

Every Australian has an abiding interest in the economic viability of airports, either as part owners of major airports through their superannuation funds, or of regional and remote airports as local government ratepayers.

- Australia's major airports are international gateways facilitating international tourism and maintaining access to world markets for passengers and freight from scheduled air transport (SAT) services.

- Capital city ‘metro’ general aviation (GA) airports support emergency services – including ambulance, police and fire services – and essential operations, such as patient and organ transfers and flight training schools.
- Australia’s regional and remote airports support GA operations, export-oriented agribusiness, aviation education and training, assist in medical evacuation and bushfire fighting operations and are entry points to world-renowned tourist destinations. These airports ensure crucial air transport services are available for their local communities and the broader region.

From the 1950s, ownership of many Australian Government owned airports was transferred to local governments and between 1989 and 1993 local governments were given full management and financial responsibility for these airports. Under their transfer deeds, local governments are obliged to continue owning and operating these aerodrome facilities unless they receive permission from the Australian Government to either close or privatise these airports.

Local government-owned or operated regional and remote airports play a significant role in the national aviation network. In 2022, these airports handled 19 million passengers (or 16 per cent) of the national aviation passenger task and facilitated 364,000 (28 per cent) SAT aircraft movements, along with considerable numbers of GA aircraft movements.<sup>1</sup> These airports support approximately 4000 staff either directly and indirectly employed in aviation operations or on the precinct.<sup>2</sup>

There is, however, a significant financial cost to local government in providing these essential aviation services, often requiring cross-subsidy by their local government owners, who often face competing demands on limited financial resources:

- In 2016, a report commissioned by the AAA on economic contribution and challenges facing regional airports found 22 in a sample of 36 regional airports did not cover their operating expenditures in 2014-15.<sup>3</sup>
- In 2019, the Productivity Commission found in 2019 that at least one-third of 35 regional airports it surveyed had negative operating margins (i.e., not generating sufficient revenue to cover their total operating and capital costs), with these airports relying on local government or other financial assistance to cover their operating, maintenance and upgrading costs.<sup>4</sup>
- In 2023, a AAA-commissioned report found that regional and remote airports were recording lower revenues than before the pandemic, while recent price escalation for goods and services has placed pressure on airport operating costs. This meant that for many regional and remote airports, costs continued to outweigh revenues.<sup>5</sup>

Over the past decade, the condition of local government airport assets deteriorated as both the size of its airport asset base continues to grow and as the use of airport assets by the full spectrum of aviation uses also rises. This deterioration is compounded from runways and other critical aeronautical infrastructure being initially constructed over 70 years ago, with substantial reconstruction or upgrades still required to meet modern standards.

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<sup>1</sup> Deloitte Access Economics for the Australian Airports Association (2023), *Taking Flight: The economic and social contribution of Australia’s airports*, p. 10.

<sup>2</sup> *Ibid*, p. 16.

<sup>3</sup> ACIL Allen for the Australian Airports Association (2016), *Regional Airport Infrastructure Study: Economic contribution and challenges of regional airports in Australia*, p. 21.

<sup>4</sup> Productivity Commission (2019), *Economic Regulation of Airports, Inquiry Report No. 92*, p. 111-2.

<sup>5</sup> Deloitte Access Economics (2023), *Op. Cit.*, p.11.

Research conducted for the Australian Local Government Association (ALGA) since 2015 by the Institute of Public Works Engineering Australasia's (IPWEA) *State of the Assets* report demonstrates this deterioration, with the value of local government owned airport infrastructure in Poor condition increasing by 318 percent between 2015 and 2021, from a value of \$130 million to \$413 million.<sup>6</sup> It is expected that IPWEA's 2024 report will reflect further deterioration in the condition of airport assets from with deferred maintenance and asset renewal during the pandemic and the significant financial pressures faced by local governments.

The following sections more closely address the Inquiry's Terms of Reference as follows.

### **Financial sustainability and funding of local government**

The AAA broadly supports the advocacy of the Australian Local Government Association (ALGA) to increase Federal Financial Assistance Grants to at least one percent of Australian Government tax revenues. Such an increase in grant funding would have a 'trickle down' effect toward improving the condition of regional airports. However, there is also a need for targeted grant funding programs aimed at local government-owned or operated airports and the placing this stream of grant funding on a sustainable, ongoing footing to allow councils to effectively plan and manage their airport assets. Current examples of these Australian Government funding programs targeted at local government owned or operated airports include:

- The Regional Airport Program (RAP) was first announced in 2019 as a limited 4-year, \$100 million program to co-fund upgrades to essential aeronautical infrastructure at regional airports. After the program's expiry in 2023, a further 2-year, \$40 million extension of RAP funding was recently announced in the 2024-25 Federal Budget. The limited and sporadic nature of RAP funding makes it difficult for local governments to forecast and plan for upgrading work to meet grant funding opportunities.
- The Remote Airstrip Upgrade Program (RAUP) was first announced in 2012 with the aim of enhancing the safety and accessibility of aerodromes in remote and very remote areas of Australia. Much like the RAP, funding for the RAUP is sporadic and on a non-ongoing nature. Similarly, RAUP received a 2-year, \$50 million extension in the 2024-25 Federal Budget.

The AAA appreciates the recent announcement of additional funding rounds for both RAP and RAUP. The AAA recommends the Australian Government place these programs on a sustainable, ongoing footing to ensure aeronautical infrastructure at local government-owned airports can be kept in a state of good repair. This would also allow airports to adequately plan and program bids for funding under these programs to work through the backlog of essential upgrading and maintenance.

Eligibility criteria for RAP funding precludes applications from some larger local government-owned and operated airports with throughput of more than 250,000 passengers a year<sup>7</sup>, including airports serving significant regional centres such as Albury, Ballina-Byron, Kalgoorlie, Karratha, Newcastle, Proserpine and Rockhampton. These airports have high passenger numbers, but their owning councils may not necessarily be able to fund essential infrastructure upgrades or cater for future growth. To ensure these airports and their owners can effectively plan for and manage their airport assets, the Australian Government should put in place a Mid-Sized Airport Program (MAP).

### **The changing infrastructure and service delivery obligations of local government**

While airports make up around only one percent of local government assets by value, they are capital intensive assets, often consuming a significant proportions of a council's rate base. Investment in

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<sup>6</sup> IPWEA for ALGA (2015, 2018 & 2021), *State of the Assets Report*. Accessed on 24 May 2024 from: <https://www.ipwea.org/resourcesnew/namsplus/nsoa>

<sup>7</sup> Business.gov.au (2024), *Regional Airports Program*. Accessed on 13 May 2024 from: <https://business.gov.au/grants-and-programs/regional-airports-program>

airports by local government often has a profile similar to other infrastructure, with significant 'lumpy' investment in asset renewal and smaller, more regular amounts of ongoing maintenance. Major asset renewals are often high cost, with a runway replacement (required every 15-20 years) costing between \$17-\$30 million depending on the runway's size and condition.<sup>8</sup>

Factors that are changing infrastructure and service delivery obligations for local governments that own or operate airports include:

- Transition to the new Manual of Standards (MOS) Part 139 for Aerodromes from 2020 saw a new regulatory requirement for all 'certified' aerodromes to review their practices, facilities, and manuals to ensure they reflect the new standards set under the MOS. With aerodrome operators needing to submit a new Aerodrome Manual to the Civil Aviation Safety Authority (CASA) by 2022, this required significant effort by local governments to ensure compliance, often coming at a major cost in time and money to councils and airports. Future changes to the MOS cannot be ruled out as the
- The 2017 aviation security reforms saw mandated requirements from the Department of Home Affairs to upgrade security screening of passengers and baggage along with, in some cases, screening of air cargo. Some regional airports have also been included in aviation security screening for the first time. Despite a package of funding to offset the capital costs of the upgraded security screening and some short-term operating cost support, mandated aviation security screening changes increased for some local governments the cost of airport operations and increased the compliance burden.
- Changing composition of airline fleets is beginning to affect infrastructure requirements and service delivery obligations for all airports in the short term, as well as for local government-owned airports in the medium to long term. For example, one trend is a move to the Boeing 737 as a 'standard' aircraft for domestic operators, particularly the 'all-737' fleets of Virgin Australia and more recently, Bonza. For Qantas, its domestic fleet still relies on the 737 series, but is increasingly augmented by more efficient Airbus A220 and Embraer 190 aircraft. These aircraft are often heavier and have more intensive demands on airport infrastructure than the aircraft they replace. In the longer term, replacement of aircraft fleets operating regional routes such as the Bombardier Dash-8, Fokker F-100 and Saab 340 will also have a significant effect on council-run airport infrastructure.
- Decarbonisation of domestic aviation as part of the Australian Government's broader net zero targets will also change the infrastructure and service delivery obligations at local government operated airports. Transition of airside infrastructure such as ground handling equipment aircraft tugs and auxiliary power units from fossil fuels to electric power will place new demands on airport electrical infrastructure and grid connectivity. Similarly, retrofitting or replacement of conventionally-engined regional aircraft fleets with battery electric or hydrogen power will create new requirements for safe hydrogen storage and refuelling along with renewable energy generation, charging and storage for battery-electric aircraft.
- The effects of climate change increasingly challenge the resilience of local government-owned and operated airports with increased frequency and severity of natural disasters affecting aviation operations and airport capability. Damage to infrastructure, increased vulnerability to natural disasters and the cost of adaptation affects all aspects of local government, not only airports. To address these challenges, support to improve the resilience of regional and remote airports from the Australian Government is crucial. Support should not only include guidance on assessing and managing climate risks, but also incorporate climate resilience into regional airport grants programs, incentivising and assisting local governments to improve resilience.

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<sup>8</sup> Australian Airports Association data - Reference class forecasting for cost of runway upgrades.

- **Emerging Aviation Technologies (EAT)** were identified by the Australian Government in its Aviation Green Paper as a transformational technology for Australia's aviation sector.<sup>9</sup> While the timing and pace of deployment are not certain, Australia has an opportunity to become a global leader in EAT, particularly for uncrewed aerial vehicles (UAVs) and advanced air mobility (AAM) systems. The Green Paper forecasts a leading role for GA airports, particularly local government operated regional airports as places for manufacturing, research and maintenance of EAT across a range of applications.

Given this combination of factors, there is a very real concern that when faced with significant upgrading and compliance costs to adapt to a changing aviation environment, some local governments may take the decision to downgrade, close or privatise their airport to focus on other service delivery obligations and infrastructure priorities. While some local governments have chosen to privatise their airports on long-term leases in recent years (most notably Coffs Harbour, Port Hedland and Sunshine Coast), this is an option not available to all local governments, particularly low-volume SAT and GA airports in outer regional or remote Australia.

### **Trends in the attraction and retention of a skilled workforce in the local government sector, including impacts of labour hire practices**

During the pandemic, the airport sector and the aviation industry more broadly suffered a skills drain as many employees either retired or left the industry. As a global industry, aviation suffered severely. It was estimated 2.3 million jobs (or 21 percent of the global aviation workforce) were lost across airports, airlines, and civil aviation bodies, posing significant global challenges to the commercial aviation industry at a time when recovery remains fragile.<sup>10</sup>

While the Australian Government invested heavily in the retention of skilled airline workers during the pandemic, as part of its \$3.22 billion in financial support to airlines (63.5% of all financial support to the aviation industry),<sup>11</sup> airports were less able to retain their significant skills base, with losses falling particularly heavily at regional and remote airports and in safety and security-critical roles that ensure compliance with aviation safety and transport security regulations.

The regional and remote nature of many local government-owned or operated airports presents significant issues in attraction & retention of skilled aviation workforces. Greater ability to recruit, train and sustain airport workforces from local communities (particularly women and First Nations people) is essential for a strong and sustainable aviation sector in regional and remote Australia.

### **The role of the Australian Government in addressing issues raised in relation to the above**

As the Australian Government retains responsibility for aviation policy and significant aviation infrastructure funding programs, the AAA makes the following recommendations to improve the sustainability of regional and remote airports:

- Place the Regional Airport Program (RAP) and Remote Airstrip Upgrade Program (RAUP) on a long-term, sustainable footing to create greater certainty for local governments to improve the condition of aeronautical infrastructure at their airports,
- To support local government-owned airports currently ineligible for RAP and RAUP, set up a Mid-Sized Airport Program (MAP) to bring forward essential regional and national level upgrades to critical aeronautical infrastructure at larger local government-owned and operated airports.

<sup>9</sup> Department of Infrastructure, Transport, Communications, Regional Development and the Arts (2023), *Aviation Green Paper – Towards 2050*, Canberra, p. 154.

<sup>10</sup> Nicholas Fearn (2022), 'Aerospace industry grounded by lost jobs and lack of staff', Financial Times, 20 July. Viewed on 23 May 2024 from: <https://www.ft.com/content/93736968-8fcf-425f-b8e5-fcd9736d37f6>

<sup>11</sup> Figures based on Australian Airports Association analysis of Australian Government data on financial support to the aviation industry.

- Develop and implement a sustainable, long-term funding mechanism for regional aviation security screening that reduces the compliance costs for local government airport operators and ensures cost support is passed through to passengers through lower airfares.
- Financial support for local council-run airports to decarbonise and transition towards net zero to meet Australian Government aviation net zero goals.
- The Australian Government to incorporate climate resilience criteria in existing and future regional airport grants program guidelines.

The AAA appreciates the opportunity to provide a submission to this inquiry. Should you have any further questions regarding this submission, please contact Scott Martin, Director of Policy and Research via email at: [smartin@airports.asn.au](mailto:smartin@airports.asn.au) or telephone: 0437 285 739.

Yours sincerely



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