

2013 Regional Aviation Association of Australia Conference— Keynote Address

By The Hon. Warren Truss MP, Minister for Infrastructure and Regional Development

Speech

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I've been here on many occasions in a whole range of different roles, and so it's a special pleasure, and a privilege for me, to be back today as Minister for Infrastructure and Regional Development, and to have responsibility for trying to make a difference in this industry.

Instead of just complaining about everything that's wrong, or promising to do things if we get a chance in government, now we are in Government I have the responsibility to get on with it and to make necessary changes.

I know that Aviation can be a pretty tough gig. But I asked for this job, and I intend to do what I possibly can to make changes, to make the reforms, to ensure that your industry works better in the future, that it is as profitable as it can possibly be, that it operates as seamlessly and effectively as it possibly can.

And that we are able to ensure that the aviation sector plays the critical role it wants to play, it needs to play, in building a strong national economy. Because aviation is a vital part of the Australian economy, and regional aviation is a part of the backbone of this nation and its infrastructure, and its services.

It is indeed a dynamic and diverse industry providing jobs to thousands of Australians, and it has a substantial economic flow-on which benefits the wider community.

Now, I want to assure you that the Government appreciates the role that regional aviation plays in connecting Australia's towns and cities, and in servicing the needs of regional communities and remote and isolated communities.

Our Government understands the challenges that the regional aviation sector has faced in recent years, and acknowledges that some of these challenges will be ongoing, and will be difficult to resolve.

Issues such as higher costs, new regulations, complicated requirements that are constantly changing, and have made it hard for many medium sized and smaller carriers to cope.

The Government cannot afford to continue to let those challenges go unattended, and we won't.

But let's just take a little bit of time to review of where the industry is at the present time, and start with the statistics.

Overall regional aviation's growth has been solid, growing at an average rate of 4.6 per cent over the five years to 2012. For the second year running, REX has achieved one of the largest profits of all of our airlines, recording a statutory profit after tax of \$14 million last financial year. Now, I know that that's lower than they would have wished, everyone always aims for bigger numbers—but without doubt that is a very credible performance.

Alliance Aviation Services announced a total net profit after tax of 23.3 million, and a 13 per cent increase in underlying earnings. But I don't think all of that came from flying journalists around during the federal election.

Now, many general aviation operators are also doing well in fly-in, fly-out and the mining boom. It's not just our airlines that have been able to capitalise on the mining boom to report impressive profits. Some of our regional airports have also benefitted from substantial growth.

For example, in the last five years, passengers to Roma have increased by an average of 41.6 per cent per year. And passengers to Newman have increased by an average of 26.5 per cent per year.

However, as we all know, this growth has been stimulated largely by the mining and resources sector, and the advent of fly-in, fly-out workers, and a number of major building projects in the mining sector are nearing completion. So there are challenges ahead, and of course the history of the aviation industry itself is not all about success and profit.

Since the 1980s, the number of regional airlines has fallen from 52 to 27, and the number of regional airports receiving scheduled services has fallen from 278 to around 138. So while overall passenger growth is strong, and particular routes are thriving, the overall network is becoming increasingly patchy.

Clearly, not all of our regional communities can take advantage of the abundance of natural resources, and many have struggled to keep up the vital air-links that connect their communities to the world.

For example, in the past five years, passengers to Narrandera have decreased by an average of 6.8 per cent per year. Passengers to Mount Gambier have decreased by an average of 6.4 per cent per year.

And indeed over the whole of the regional network, the number of passengers travelling on regional airlines Australia-wide actually declined by 3.7 per cent last financial year.

And even where the mining boom creates opportunities for regional airlines, it ultimately means that the industry must confront a new set of problems, like congestion. Congestion is not only an issue for the big end of town. Regional airlines are equally and sometimes worse affected, often as a result of fly-in fly-out related activities that are so much a part of their own success over recent times.

In Sydney, slot management ensures regional airlines operating services for regional communities and businesses have continued guaranteed access to Sydney Airport.

As they should, and will have under the new Coalition Government.

KSA, in spite of all the talk about new airports for Sydney, will always be the city's main hub. And regional Australians need guaranteed access at fair prices.

While the broader community is used to hearing people talk about congestion at Sydney Airport, the growth in fly-in fly-out services means it's become an issue in a number of other major airports.

At Perth, for instance, Air Services Australia estimates that some 90 aircraft want to depart the airport within the first 90 minutes of the operational mornings. And that's just departures.

The good news is our airports are rising to the challenge, and are undertaking measures to improve efficiency from existing infrastructure, as well as building new infrastructure such as runways and taxi-ways.

Perth Airport is progressing with plans for its third runway, and has implemented a range of outcomes from its Airport Capacity Enhancement program. Its slot scheme is helping to better manage gate movements at the airport.

And at Brisbane the new parallel runway is the airport's plan for managing long-term the increased demand driven by unprecedented resource industry activity. And I'm travelling from here to Brisbane Airport this morning for a major announcement about the new runway.

The airport is also working with Air Services Australia and industry to examine better scheduling of airport operations to make better use of the cross runway in Brisbane.

It's certainly not all bad news, but our Government is absolutely aware that growth has been patchy.

And we also understand that where there has been growth, it has delivered growing pains.

This underscores the importance of making sure that government policy and regulatory approach is on the right track.

Review into Safety and Regulation

And that's why the Government has decided to establish an external review of aviation safety and regulation in Australia.

Over the past decade there have been important regulatory changes made by CASA to modernise the regulatory framework, especially that applying to major domestic and international airline operations.

The project has now moved on to general aviation and maintenance regulation. And I know that this process has been painful for all, as Jeff mentioned a few moments ago, but it's also close to completion.

It's therefore appropriate and timely for us to review what has been done and to examine the appropriate form of future aviation safety regulations, particularly as it should be applied to regional and general aviation.

During the election campaign, I announced that a major review would be undertaken into the Australian aviation regulatory system and including the rule-making and enforcement procedures.

The review will be undertaken by an experienced member of the international aviation community and will investigate the structures and processes of all aviation agencies involved in aviation safety, the relationship and the interaction of those agencies, the outcomes and directions of CASA's regulatory review process and benchmarking of our regulatory framework against comparable overseas jurisdiction.

We are well advanced with setting up this review, and the Government will make a formal announcement shortly about the review, its terms of reference and the appointment of the person chosen to undertake this review.

CASA Structure and Governance Reform

The Government has also announced its intention to make a range of improvements to CASA's structure and governance arrangements to enhance the organisation and its role as Australia's aviation safety regulator.

The Government will strengthen the CASA board by bringing in new members with aviation skills and experience to enhance its ability to meet the emerging challenges being placed on the aviation safety regulator and the industry. The CEO will be answerable to the board, rather than the curious chains of command that currently exists.

We will also enhance the role of the Industry Complaints Commissioner to make independent recommendations on improvements to CASA's processes and procedures, including consultation arrangements with industry.

The governance arrangements covering the ICC's role will also be improved through the use of formal quarterly reporting to the CASA board and a greater public transparency of these arrangements and the outcome of the ICC's investigations.

Risk-Based Aviation Security

Similarly, the Government recognises that a one-size-fits-all approach to aviation security does not necessarily produce the best outcome. We intend to make improvements. And more importantly, these need to be implemented in a practical and common-sense way that doesn't compromise aviation security outcomes.

The Department of Infrastructure and Regional Development, through the Office of Transport Security, has been tasked to review the current arrangements, using risk-based approaches to determine if current security measures are appropriate.

Applying an enhanced risk-based approach to the airport classification model will allow a more efficient and targeted aviation security system for regional and remote airports.

Tailoring of the Transport Security Program documentation or TSPs, all airports will provide an opportunity to reduce the regulatory and administrative burden on low-risk regional airports.

This will improve opportunities for larger regional capital city and international airports to provide efficient and effective aviation security systems, ensuring Australian passengers remain safe and secure.

Our updates will be delivered in a practical and common-sense way that eliminates unnecessary and redundant measures so that our industry can remain safe and competitive and productive.

Repeal of the Carbon Tax

Of course it's not just the minutiae of aviation safety and security regulation that can make life difficult for your industry. The Government's management of the broader economy is also a key driver, and indeed overpowers almost everything else that a government might do to assist a particular sector.

The Government's management of the broader economy is vital. We understand the impact of the carbon tax and in particular what it has done to add to the costs to regional airlines.

It's not just the direct costs of the carbon tax on aviation, but the dampening effect on the economy that has decreased demand for many services, including aviation.

The carbon tax has cost our regional carriers an extra \$50 million.

While this number may not seem as large as compared to the costs incurred by the tax on the other commercial airlines and the big international operators, for regional carriers every additional cost can have a considerable impact on their business bottom-lines.

As an example, Rex paid \$2.4 million in carbon tax for the last financial year. That equates to 0.9 per cent of its total revenue and 17 per cent of its net profit after tax.

We acknowledge that it has been difficult to your industry to reabsorb these costs and we are already in the process of fulfilling our election commitments to repeal this tax. It will be the first item of business when the Parliament resumes next month.

Formal Industry Consultation

Now, we also acknowledge that governments need to do more listening. My department has started work to establish the formal Aviation Industry Consultative Council that we promised in our aviation policy. I will chair this group which will discuss matters of concern to the broader aviation industry.

This will make sure that the aviation industry, not just the 'big end of town', can have access to the heart of government and can contribute towards policy development and discussion.

And obviously, we'll be wanting to engage with the people in this room to ensure that you believe that you have and genuinely do have access to key decision makers in government and with one another to help the industry work together constructively to try and achieve the best outcome for aviation across the nation.

En-route Rebate Scheme

Now, we also need to make sure that our regional carriers can remain competitive. I know that a particular interest to many of those here today is the loss of the En-Route Rebate Scheme under the previous government.

I am pleased to affirm our election commitment that the Coalition will reintroduce a new and better targeted En-Route Rebate Scheme for regional commercial airline carriers.

The new scheme will target operations to low volume and new routes, linking communities to their capital city or major regional centres. The new initiatives will add to the support provided under this scheme to aero-medical services.

And I look forward to working with the RAAA to finalise the details of our new scheme so we can—so it can begin just as soon as possible.

Review of Skills and Workforce

Now, we also know that the availability of skilled workers is an ongoing concern for many of you.

Work has commenced to undertake a study into the state of the workforce in the broader aviation industry to inform future skills development and training policies.

This will provide us with a robust evidence base for a coordinated approach to training and development to meet the needs of industry.

General Aviation Action Agenda

The Government is also taking action to protect the wellspring of our industry, general aviation.

We are working to revitalise the general aviation action agenda which we commenced when we were last in government but which largely stalled under our successors. Our purpose and focus will be on engaging with issues of concern to industry, such as airport access, education and skills, regulation and investment, and fleet renewal.

National Airspace Safeguarding Framework

Now, before I conclude today, let me bring you up to date on a few other issues that we're working on.

As you'd be aware, the National Airport Safeguarding Agreement is a Commonwealth-State land use planning document that provides guidance on developments near airports.

It's hard to argue with the proposition that we should have sensible development around airports that doesn't constrain aviation operation.

The advice I have, however, suggests that the implementation of improvements in state and local planning arrangements to reflect the agreement has been somewhat underwhelming.

The airport operations at Commonwealth airports are protected by the Airports Protection of Airspace Regulations introduced in 1996 as a part of the airport privatisation process.

The Government wants to work constructively with the States to ensure that they fully understand the physical constraints stipulated by the regulations in relation to obstacle limitation services and procedures for air navigation services and aircraft operations.

These requirements are essential for state aviation operations and the Commonwealth legislation is essential to protect aviation and safety capacity.

Everyone knows how hard it is to build a new airport or new airport infrastructure. The last thing we should be doing is constraining the infrastructure we have.

The government is committed to reviewing the ministerial arrangements under COAG to make them more effective and to make state and Commonwealth processes work more efficiently and effectively.

I'm also Minister for Local Government and I'll certainly be taking up this issue with local councils because their role is obviously critical in ensuring the maintenance and stability of the airports within their jurisdictions and ensuring that they have a capacity to grow as is required to meet their fundamental operations.

So today, ladies and gentlemen, let me conclude by stating that I believe that regional aviation industry has a very promising future. We have a range of opportunities before us which we need to take advantage of. And I want to work with you to ensure that we are able to achieve and deliver on these opportunities.

Of course, it's not without challenges and it won't be easy also in the future, but you can be assured that the Government is already taking the steps necessary to get policy and the regulatory settings right. We have already started the action to deliver our election policy commitments and you'll be hearing specific announcements about those in the weeks and months ahead.

We want to ensure that the industry has support for its ongoing investment and its innovation and that industry is competitive and effective in delivering its services. That's important so that all Australians who depend on regional aviation are able to keep our country connected and get on with the business of being a prosperous community connected with the rest of the world in the most effective ways.

Thank you for the opportunity to be with you today and I wish you a very successful convention over the next few days.

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