Regional City Airports

Regional airports are an enabler of the social and economic life regional cities. They are part of the infrastructure that connects regional cities to Australia's capital cities and to our international trading partners. They bring families and friends together, connect businesses to their customers and suppliers, and are hubs for emergency and medical services for regional communities.

The Contribution

Regional airports are woven into the fabric of rural and regional life and in many cases this connection extends to community ownership. The Australian Local Government Association (ALGA) estimates that more than 200 regional airports and aerodromes are owned and operated by local governments across Australia.

These regional airports are well patronised, playing a critical role in connecting Australians to each other. The Bureau of Infrastructure, Transport and Regional Economics (BITRE) notes that of Australia's 61.08 million domestic aviation passengers in 2018, 24.92 million (or about 40 percent of the total) travelled through regional airports.

Economic impact

Regional airports have an important financial impact on regional economies and communities. They generate significant direct employment and economic activity, as well as indirectly through associated business, service and industry activity.

A 2019 Deloitte Access Economics report estimates that regional airports directly employed 1625 FTEs in 2016-17, who earned $229 million and contributed $477 million in value-add directly from their operations.

Regional airport precincts value add to local regional economies, providing an agglomeration effect for businesses located in the precincts, where office parks, retail, logistics operations and airlines are estimated to contribute a further $2.2 billion to the national economy.

Regional airports also support the attraction of staff to, and their retention in, regional and remote communities and make FIFO (Fly-in, Fly-out) employment possible. They make businesses more efficient and allow the operation of "just-in-time" inventories and access to markets for often high-value or time-sensitive products. They facilitate freight services and same day business travel to metropolitan/capital cities to and from regional cities.

Trade, Tourism and agriculture

Regional airports enable the generation of wealth through tourism and trade.

Tourism is a key economic driver for regional airports, with regional Australia accounting for 45% of Australia's tourism visitation figures, this important for regional economies as approximately 50 cents in every dollar spent in regional Australia stays in regional Australia.

Additionally In 2011-12, Australian airports facilitated over 750,000 tonnes of high-value and time sensitive freight, worth over $110 billion. The bulk of these exports went via airports in major capital cities. Expansion of freight capacity at regional airports should be build to share the benefits of Australia's growing export market whilst also easing the pressure on the capital city facilities.

They create gateways to tourism attractions, enhance Australia's vegetable and animal production through aerial agriculture services like crop dusting and mustering.

Health, Education, Justice and Emergency Services

Australia's regional, rural and remote airports enhance the quality of life of those who work and live outside major cities. They assist to overcome disadvantage by allowing regional Australians to have access to specialist health, and education services that are otherwise not available locally and facilitate travel by health professionals to regional Australia to provide a wide range of specialist services.

These airports also play an essential role in saving lives by facilitating medical evacuations, collection and delivery of organ donations and search and rescue. For example, the Royal Flying Doctor Service (RFDS) provided 4,336 emergency evacuations in 2014-15 to people unable to access a hospital or basic general practice due to their extreme geographic isolation. The RFDS predicates its operations on the availability of the regional and remote airport network throughout Australia.

In the educational sphere, regional airports enable children to travel to capital cities and between regional cities to complete their school education and, post school, to pursue their careers by undertaking tertiary education or vocational courses away from home. Conversely, regional airports help overcome teacher shortages and ensure specialist teachers, often in STEM disciplines, can travel to schools in regional areas to offer specialist classes.

Access to justice is a fundamental right for all Australians and regional airports help ensure people can travel to major centres to see their lawyers, and that lawyers and courts can travel to regional communities to dispense justice and protect the rights of citizens.

Australia's regional airports also play a vital role in the protection of Australia's physical assets, enabling aerial firefighting in areas where road transport is impossible or would be too late.

The Challenges

Regional city airports play a critical role in their regions. Some run at a profit and can plan to expand passenger flights, and freight transport, upgrade terminals and build enterprise areas. They help drive regional economies.

How regional airports are under significant financial strain. Many are faced with ageing infrastructure, ever increasing security cost pressures, high staffing costs, community service costs and a disproportionately high regulatory cost burden.

Ageing Infrastructure and staffing costs

Many regional airports, whose infrastructure often dates from World War II, are in need of urgent upgrades. However the costs of maintaining and upgrading regional infrastructure can be significantly higher than for airports in major population centres. These airports are also managing the increasing burden of costly ongoing security upgrades.

Financial pressures are exacerbated by the difficulty regional airports have in attracting and retaining skilled staff and the fact that they often have to use increased wages as a staff recruitment and retention tool.

Regulatory costs

CASA (Civil Aviation and Safety Authority) regulations and standards are necessary to ensure the safe and effective operation of Australia's airports. However, this comes at a cost.

It has been suggested that, on average, CASA's regulatory imposts are higher for regional and remote airports, comprising 12 percent of total expenditure, compared to about 4 percent for major airports and major regional airports.

In 2017, the majority of CASA's safety findings were associated with infrastructure issues at regional airports. The cost of meeting these necessary safety standards, especially at regional airports, can be very high, and place additional financial pressures on airports and local councils. In a worst case scenario, budget shortfalls leave many of these safety findings unresolved and pose a-longer-term risk for aviation operations to those regional communities.

In addition, changes to the air services provided to and from a particular airport have the potential to change the CASA categorisation of the airport and move it into a more tightly regulated category. This entails considerable expense and effort for an airport to meet the increased regulatory requirements.

Technological changes

Technological improvements are also leading to additional costs. The introduction of heavier aircraft with consequent increased wear and tear on runways, taxiways and aprons has led to major remediation works for a number of airports.

Ensuring CASA compliance has led airports to upgrade lighting systems to the latest LED technology. While LED lights will provide savings in the longer term, they require specialist installation and immediate upfront replacements costs are substantial.

Community Service costs

The provision of essential community services also drives additional cost imposts for regional airports.

While certification or registration is essential for the operation of regular public transport (RPT) services, many small regional airports without RPT services still incur the effort and cost of becoming registered. They do so in order to have published instrument approach procedures and facilitate essential services such as the Royal Flying Doctor Service.

Financial pressure

Regional airports recognise the importance of the ongoing maintenance of their facilities and operations. In a 2016 report to the Australian Airports Association (AAA), ACIL Allen Consulting found that regional airports invested $185 million in 2014–15 to maintain and improve their operations.

However, the reality is that more than 60 percent of regional airports currently operate at a loss and depend upon cross-subsidisation by their local government owners who are already burdened by competing demands on their limited financial resources.

Existing resources will be further strained as expenditures rise by an estimated 38 percent over the next ten years. Many regional airports expect ongoing budget deficits, which across the regional airport network will amount to a minimum shortfall of $170 million over the next decade.

Lack of reliable funding

Regional Cities New South Wales (RCNSW) acknowledges the NSW government investment in to the Regional Tourism Infrastructure Fund that included $70 million for upgrades to 27 regional airport projects. This investment was aimed at boosting their capacity and safety and increase their ability to attract visitors to regional NSW.

RCNSW also acknowledges the Australian Government's support for regional Australians through many programs including the Building Better Regions Fund, Stronger Communities Programme, Stronger Regional Connectivity Package, and Regional Airports Program.

However, to ensure that regional cities can complete with the major capital cities for a growing share of the state's population and business investment more needs to be done to deal with the regularity of investment stream that will allow growth the of both regional city air services and airport infrastructure.

Inconsistent asset management

RCA is concerned by the lack of a consistent national asset management framework for Australia's regional airports which can lead to the inefficient and potentially ineffective use of scarce resources. RCNSW believes Western Australia's Strategic Airport Asset and Financial Management Framework may have the capacity to help local councils to build the capability to better manage airport infrastructure.

Western Australia's Strategic Airport Asset and Financial Management Framework, which commenced on 1July 2019, aims to develop a standardised template for asset management

at regional public airports, including the determination of fees and charges required to maintain and replace assets.

Reduced Connectivity to Capital City Airports

Despite the Sydney Airport Demand Management Act 1997 (the Act) and Sydney Airport Slot Management Scheme 2013 (the Scheme) which denotes equality of access into Kingsford Smith Airport it has long been acknowledged by regional commuters that the prioritisation of landing schedules for regional air services into this airport and all capital city airports have been reducing as demands on the capital city airports grows.

The tenuous nature of regional air services (business structures and demand) since the Act and the Scheme were enacted mean that the legislation as it was intended is not reflective of existing practices. This also means that regional air commuters are at a disadvantage when it comes to reliable air services in to Kingsford Smith and also other capital city airports. There is great concern amongst RCNSW members that this trend will further extend once Sydney's second airport is built.

Policy Recommendations

1. An integrated approach to Connectivity

RCNSW recommends the Federal Government:

- work with RCNSW to implement a policy recognising the importance of regional airports in increasing the connectivity of regional NSW and to consider future planning and funding of regional airports in the same way as road and rail infrastructure.

2. Ensuring the sustainability of the regional aviation network

RCNSW recommends the NSW Government provide:

- provide consistency of funding through regional the Regional Tourism Infrastructure Fund to include funding for feasibility studies and business case development to allow regional airports to expand and to diversify their operational offerings;

- advocate to the Australian government to do similarly with the Regional Airports Fund and Building Better Regions Fund.

RNCSW supports a traditional co-contribution model seen in many funding initiatives, which would mean the proponent provides 50 per cent of the funding for regional airports, with the remaining half made up from contributions from the local council or airport operator and/or state government. However, RCNSW would recommend some flexibility to allow this co-contribution model to be considered on a case-by-case basis.

3. Meeting the cost of security screening enhancements

RCNSW recommends the NSW Government advocate to the Federal Government:

- recognise that it has only partially contribute increased costs of its security requirements and substantially increase its investment in security upgrades at regional airports;

- as a matter of priority, commission a financial analysis to determine the ongoing operational, maintenance and staffing costs of proposed passenger security screening enhancements at regional airports, as announced in the 2018–19 Budget; and

- following financial analysis into the ongoing costs of the provision of security screening at regional airports, consider providing ongoing financial assistance to those regional airports which have been identified as requiring passenger security screening enhancements as part of the 2018–19 Budget, where required; and

- work with relevant state governments regarding the funding of security upgrades.

4. A consistent asset management framework

RCNSW recommends the NSW Government through the Council of Australian Governments, in consultation with all jurisdictions, should:

- review the efficacy of Western Australia's Strategic Airport Asset and Financial Management Framework in 2022 (as recommended by the Productivity Commission) or as early as feasible, to assess the efficacy of the Framework and determine its suitability for application across all jurisdictions; and

- subject to the results of the review, support the roll-out of the Framework across regional NSW.

5. Certainty of Regional Air services

RCNSW recommends the NSW Government advocate to the Australian Government that they provide the necessary regulatory and legislative certainty to regional air services into Kingsford Smith airport and those in other capital cities.