



12 August 2011

Committee Secretary
Select Committee on the Scrutiny of New Taxes
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

**Senate Select Committee on the Scrutiny of New Taxes
Inquiry into the Carbon Tax Pricing Mechanism**

The RAAA and its Members

The Regional Aviation Association of Australia (RAAA) was formed in 1980 as the Regional Airlines Association of Australia to protect, represent and promote the combined interests of its regional airline members and regional aviation throughout Australia.

The Association changed its name in July 2001 to the Regional Aviation Association of Australia and widened its charter to include a range of membership, including regional airlines, charter and aerial work operators, and the businesses that support them.

The RAAA has 28 Ordinary Members (AOC holders) and 56 Associate/Affiliate Members. The RAAA's AOC members directly employ over 5,000 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turnover more than \$1b, carry well in excess of 2 million passengers and move over 23 million kilograms of freight. Annex A lists the Ordinary Members of the RAAA.

RAAA members operate in all States and Territories and include airlines, airports, engineering and flight training companies, universities, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional areas.

Some examples of RAAA members' presence in regional Australia is the REX hub in Wagga Wagga, SkyWest in WA, Sharp Aviation in Hamilton, Airnorth, Chartair and Vincent Aviation Northern Territory networks, West Wing Aviation in Mt Isa and Skytrans operations from Cairns, to name a few.

Serving regional aviation, and through it, the people and businesses of regional Australia

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RAAA Charter

The RAAA's Charter is to promote a safe and viable regional aviation industry. To meet this goal the RAAA:

- ➔ promotes the regional aviation industry and its benefits to Australian transport, tourism and the economy among government and regulatory policy makers;
- ➔ lobbies on behalf of the regional aviation industry and its members;
- ➔ contributes to government and regulatory authority policy processes and formulation to enable its members to have input into policies and decisions that may affect their businesses;
- ➔ encourages high standards of professional conduct by its members; and
- ➔ provides a forum for formal and informal professional development and information sharing.

The RAAA provides wide representation for the regional aviation industry by direct lobbying of Ministers and senior officials, through parliamentary submissions, personal contact and by ongoing, active participation in a number of consultative forums.

RAAA RESPONSE TO CARBON TAX PRICING MECHANISM INQUIRY

One of the primary objectives of the carbon tax (CT) is to encourage behaviour change so that higher carbon emitting activities are replaced by those that will emit less carbon.

This is simply not possible with regional airlines given that their turbo-props and jet engines are already designed to operate at maximum fuel efficiency. Increasing fuel efficiency has been a large part of engine and airframe design for over fifty years. Fuel is a very large cost for airlines and operators are ruthless in using fuel as sparingly as possible. The CT will not result in less carbon emission per kilometre. In addition bio-fuels for aviation are 20-30 years away in terms of being available in commercial quantities.

The main competitor to regional air services is the car. Private motorists will not be subject to the CT thus encouraging car usage will make it more expensive for passengers to fly. This means more high polluting cars on the road at the expense of less polluting air travel. The CT in its current form could have the effect of increasing pollution rather than reducing it.

Regional air services are essential transport infrastructure in Australia. They enable the development of vital medical, educational and professional services in regional Australia and allow fast and efficient access to major cities for people living in regional communities. The CT will mean higher costs for regional air services and may further discourage people to move from the crowded major cities to opportunities in the regional centres.

The CT will only apply to domestic carriers. International operators will not be charged the tax on fuel thus forcing an unequal burden on regional operators. In Europe all international flights are subject to a carbon penalty through the European ETS.

Regional aviation will experience a 'quadruple whammy' on 1 July 2012. This will have a considerable dampening effect on the sector and may threaten the viability of some routes.

Specifically:

- ◆ the Carbon Tax (through the increased fuel excise)
- ◆ the removal of the successful enroute rebate scheme
- ◆ new and costly security screening measures and subsequent operating costs increases at regional ports.
- ◆ ongoing fuel excise increases to fund CASA activities. International airlines, Airservices Australia and capital city airports are exempt even though they use CASA resources.

Due to the CT, at least an extra \$11m/per annum will be added to the fuel bill of RAAA regional operators.

The CT, when combined with the other government imposed policies listed above, will create more barriers to entry to the regional aviation industry. In addition it will threaten the viability of some carriers and force every operator to review their current route structures.

Government often uses the argument that each policy only has a small cost to operators. What is rarely understood or analysed is the cumulative effect of government charges and their long-term effect. The regional aviation industry, particularly RPT, is barely surviving and yet plays an essential transport and freight role in a country with such a relatively small and dispersed population.

Conclusion

The RAAA supports all reasonable and meaningful attempts to preserve and protect the environment.

The CT when combined with the other policies previously mentioned could result in a severe and irreparable contraction of regional air services.

The CT, in its current form, may have the unintended effect of increasing carbon emissions by encouraging car travel at the expense of far more efficient air travel eg 40% more pollution per kilometre when travelling in a private vehicle.

The regional aviation industry is just surviving when it should be thriving given Australia's economic goals and demographic needs. If the regional aviation industry is essential to Australia's future why is the CT being applied to it at the first available opportunity when it emits just 0.2% of Australia's total emissions?

Addendum

PM Press release 10 July 2011: "A carbon price will create economic incentives for the biggest polluters to reduce their emissions of greenhouse gases".

Treasurer Press Release 10 July 2011: "The Gillard Government recognises that while a move to a low carbon future poses challenges, the carbon pricing will not apply to small business. Instead, around 500 of the biggest polluters in Australia will be required to pay for their pollution under a carbon pricing mechanism".

Total aviation emissions are 1.1% and regional 0.2% of total national emissions. On these figures how can regional aviation, or aviation in general, be labelled a big polluter? It seems absurd.

Given aviation has led the world in revolutionising fuel use, intellectual property which has been used by many non-aviation industries, where are the incentives for further research and development? The CT appears to punish the aviation industry for years of engine and airframe development rather than further encouraging this vital work.

If the RAAA can be of any further assistance in this matter please don't hesitate to contact me.

Regards

Paul Tyrrell
Chief Executive Officer

Annex A: RAAA Ordinary Members

