



27 November 2020

Director
Strategic and Economic Policy Projects
GPO Box 594
CANBERRA ACT 2601

Via email: aviationconsultation@infrastructure.gov.au

**QANTAS GROUP SUBMISSION ON THE FUTURE OF AUSTRALIA'S AVIATION SECTOR
FLYING TO RECOVERY ISSUES PAPER**

The Qantas Group (Qantas) welcomes the opportunity to comment on the Department of Infrastructure, Transport, Regional Development and Communications' October 2020 Issues Paper on The Future of Australia's Aviation Sector – Flying to Recovery.

Australia's aviation operating environment has suffered profoundly as a result of the COVID-19 pandemic, with this year representing one of the most challenging in Qantas' 100 year history. Since April 2020, Qantas has effectively shut down its international network, grounded more than 200 aircraft, stood down 20,000 people and continues to burn cash at a rate of \$40 million per week.

In order to endure this unprecedented event, Qantas has implemented a three year recovery program which includes rightsizing its workforce, fleet and other costs in accordance with demand projections, restructuring to deliver ongoing cost savings and efficiencies across Qantas' operations in a changed market and recapitalising through equity raising to strengthen Qantas' financial resilience for recovery. These measures have been necessary to ensure the survival of the national carrier.

The Business Council of Australia estimates that Australia is losing \$319 million a day because of border closures. While Qantas recognises the important role international border closures have played in managing the risk associated with the pandemic, their inconsistent application domestically has compounded the challenges faced by Australia's aviation industry. With the recent opening of the Queensland border, Qantas remains hopeful that we may return to 60 per cent of pre-COVID domestic flying activity by Christmas. However, with Australian international borders shut, our key international markets in Europe and the United States are likely to remain closed until late 2021, given demand will be subdued for some time and our A380 fleet likely to be grounded for many years. . Qantas has welcomed the announcement of a one-way bubble with New Zealand, and we remain hopeful that a two-way quarantine-free arrangement with New Zealand and other parts of Asia and the Pacific can be made soon.

In addition to the measures Qantas has taken as a business, we have welcomed the critical ongoing support provided by the Federal Government through initiatives like JobKeeper, the Domestic Aviation Network Support program (DANS), the Regional Aviation Network Support program (RANS), the International Freight Assistance Mechanism (IFAM) and the Australian Airlines Financial Relief Package (AAFRP). Most of these programs are scheduled to cease at the end of this year or in early 2021, creating uncertainty for a fledgling industry recovery. Despite the recent opening of domestic borders, 2021 will remain a very challenging time for the aviation industry as we grapple with a soft economy and the ongoing closure of international borders. In these circumstances, Qantas urges the Government to consider an extension to the AAFRP to underpin the restart of Australia's aviation industry.



The Government's Issues Paper and the intention to release a five-year plan for aviation in 2021 comes at a critical juncture for the industry. Any five-year plan must recognise that the aviation industry is not likely to return to pre-COVID levels until at least 2024¹, and is likely to face ongoing difficulties over the next four years and beyond. Accordingly, any shift in policy should be cautiously considered, and seek to avoid negative consequences for an industry that has been effectively paralysed.

Qantas looks forward to continued consultation with Government to ensure an understanding of the impacts, costs and benefits of all options contemplated in the Issues Paper.

Our substantive response to the Issues Paper is set out in Appendix 1 (responses to Part A of the paper) and Appendix 2 (responses to Part B of the paper). We would welcome the opportunity to discuss our response with the Department.

Yours sincerely,



Andrew Parker

Group Executive, Government, Industry, International, Sustainability

¹ IATA have forecast that global passenger traffic is not expected to return to pre-COVID19 levels until 2024, a year later than previously projected earlier this year. Additionally, IATA noted that Australia is recovering slowly from the steepest slump in domestic revenue per passenger kilometre of any large country, with a 94% drop compared to June 2019.

APPENDIX 1 - PART A: COVID-19 RESPONSE

MAINTAINING ESSENTIAL AIR CONNECTIVITY AND PRESERVING CRITICAL AVIATION CAPACITY

Questions for consideration:

What constitutes a minimum RPT network in Australia?

Are there options to improve the effectiveness of governments' support for maintaining a minimum RPT network?

What is the best way for the Government to scale back support as the aviation sector recovers at a different pace for different routes?

What critical components of the aviation sector need support during the COVID-19 crisis?

Are there options to improve governments' support for critical aviation connectivity and capacity during COVID-19?

What is the best way for governments to scale back connectivity and capacity support to allow commercial airline operations to resume as the regional and domestic economies recovers?

How has the COVID-19 crisis and the downturn in passenger movement's affected essential aviation-related businesses?

Are there options that industry and governments could consider to ensure these services are available to support the recovery of the aviation sector?

The COVID-19 pandemic, and the resulting collapse in passenger demand due to border restrictions, has had a devastating impact on the aviation industry. Qantas appreciates the support the Government has provided to the industry and Australian communities to maintain critical connectivity through the DANS and RANS programs during the COVID-19 pandemic.

Minimum RPT Network

Maintaining a minimum RPT network in Australia has allowed the transport of medical personnel, testing and supplies, freight and other essential personnel. Qantas welcomed the Government's decision to extend these programs until 31 January 2021 and 31 March 2021, respectively.

While defining minimum connectivity will depend on the circumstances, as a general guide, Qantas considers that minimum connectivity is between three to four services per week, with some days providing multiple services. COVID-19 conditions have necessitated that the Government adopt a lower threshold of two funded services per week under RANS. However, three to four services per week would allow regional business travellers and passengers travelling for medical appointments to travel to capital city destinations and return within a reasonable timeframe. This additional flying should also accelerate industry recovery by encouraging Australians to travel which, when combined with the tapering mechanisms in the funding provided under DANS and RANS, should lead to the earlier cessation of funding.

In assessing which routes should be operated, it is also important to include communities that are typically classified as leisure destinations within the minimum network to ensure they remain connected and open for essential business, regardless of whether they are highly tourism dependent or not.

Effectiveness of support

The Department's flexible approach to the day-to-day management of the DANS and RANS programs has meant that changes have been able to be made to respond to demand fluctuations as border restrictions change, often with little or no lead time. We support the continuation of this approach. Features that have been particularly effective include:

- The flexibility to add additional routes, subject to an assessment by the Department;
- Removal of flights from funding eligibility if they become commercially viable;
- The ability to seek the reintroduction of routes that became commercially viable due to a small or artificial peak in demand but subsequently became unviable, such as due to school holiday demand spikes; and
- The flexibility to factor in other forms of payment by passengers, including Frequent Flyer redemptions.

The grant structure of the RANS program has meant that it has been particularly simple to administer and amend when border changes are implemented. This has allowed Qantas and Jetstar to respond to demand changes quickly and ensure that certain routes that require funding do not miss out due to time constraints. It has also allowed Qantas to identify and cancel flights that have little or no demand, to prevent unnecessary flying wherever possible (e.g. when an anticipated border opening has been delayed). RANS permits the automatic reinstatement of funding on routes where demand rises and then falls again, but applying demand tests over a rolling period, which is generally easier to manage and more flexible.

Impact of border controls

The emergence of new COVID-19 clusters and the decisions of certain state and territory governments to immediately reintroduce border controls, often without clear evidence or consistent parameters, highlights how fragile and unpredictable the recovery process will be. This demonstrates the need for Government support to be flexible and scalable in the event of further COVID-19 outbreaks and the imperative for a nationally consistent framework for the reopening of state and territory borders with agreed triggers for any changes to border entry and exit requirements. Without a clear framework, and in light of the often-rapid changes to borders, the effectiveness of the minimum viable network is reduced as the Department and airlines are faced with lead times that do not enable appropriate planning and an increased administrative burden.

The constant changes to border restrictions in Australia, have had a profound and enduring impact on Qantas' business. Qantas welcomed the Government's adoption of the COVID-Safe Domestic Passenger Journey Protocol and the development of the Framework for National Reopening, the latter of which provided constructive advice on the safe reopening to a state of 'COVID normal' and committed to the implementation of measures that were proportionate, consistent and protected the national wellbeing. Unfortunately, state government approaches have been less helpful, with Qantas having to adapt on a daily and sometimes hourly basis in order to operate our network. We continue to see inconsistencies in the treatment of air crew entry requirements in various states and territories. Disparate border restrictions for passengers and airline crew without due consideration for the impact on airline operations, airports, tourism and business resilience continue to significantly disrupt the aviation industry's recovery. As demand returns, there is a clear need for the adoption of a National Air Crew Protocol to provide industry with ongoing crewing certainty.

Since domestic border restrictions were first introduced, there have been more than 120 changes to the rules governing their closure which have caused significant disruption to Qantas, its staff and its passengers. The hard border in place in Western Australia earlier this year meant that Qantas was unable to fly local pilots and crew to Sydney or Melbourne for mandatory training on our simulators, despite

exemptions being in place for other operating crews. With the 14-day quarantine requirement, Qantas was at risk of running out of qualified pilots and crew to operate West Australian services. A month after this issue was raised, Western Australia amended their position, however this was only after Qantas incurred costs to amend the network and roster.

For industry to be able to confidently reduce its reliance on government support, greater clarity and consistency in relation to domestic border restrictions and responses will be critical. We encourage National Cabinet to continue to work on harmonising border frameworks and urge the Government to remain open to extending the DANS and RANS programs beyond their current expiry dates to support the aviation industry and ensure minimum RPT networks are maintained.

Scale back mechanisms

Qantas supports the scale back mechanisms built into the existing DANS and RANS programs, which ensure that once a route becomes commercially viable it is no longer eligible for government support.

Under the RANS program, a route will not receive funding if it, for example, reaches its pre-COVID CY19 average load factor for three consecutive weeks. Measures such as this are appropriate and ensure that funding is allocated and remains available to routes that genuinely need support to remain viable.

While the scale back mechanisms focus on the commercial viability of *each* route, it is important that support is also considered from a *network and scale* perspective. While a route may look commercially viable when viewed in isolation, the scale of the entire network needs to be considered when determining whether Government support could or should be pared back.

While Qantas supports the scale back mechanisms in DANS and RANS, it is important that other support programs are still available to the industry once the DANS and RANS programs end. While meeting DANS and RANS thresholds is an indicator of recovery, it does not necessarily demonstrate underlying real market strength. In these circumstances, the extension of the AAFRP which provides a subsidy for domestic security charges, fuel excise and Airservices Australia charges offers significant support to an industry trying to recover as domestic and leisure markets attempt to normalise in the first half of 2021. Qantas urges the Government to extend the AAFRP until at least 30 June 2021, with the possibility to extend further should it be required. As funding support tapers off under DANS and RANS programs as flying increases, the continuation of the AAFRP becomes even more critical in providing a safety net for the entire aviation industry and will allow airlines to rebuild their networks and stand workforces back up at a faster rate than would otherwise be the case.

Extension of the AAFRP and support for essential aviation-related business

The COVID-19 crisis is the biggest challenge the aviation industry has ever faced.

Prior to COVID-19, Qantas was working on expanding its international, domestic and regional network. Most notably, Qantas was undertaking trials and planning non-stop flights from the east coast of Australia to New York and London – known as Project Sunrise – the last frontier of global aviation. Qantas was also expanding its domestic and regional flying to connect even more people across the country with new routes planned for both Qantas and Jetstar.

However, the COVID-19 pandemic and resulting border restrictions dramatically reduced our ability to fly and decimated passenger demand. As a result of the international and domestic border closures, during April 2020, Qantas was operating at a mere 5% of its pre-COVID capacity. In addition, the pandemic led to the early retirement of the Qantas Boeing 747 fleet and deferral of deliveries of A321neos and 787-9 aircraft.

Government support received to date has been essential to the industry's survival. The extension of the AAFRP will assist airlines to increase capacity and afford the entire industry – including airports, Airservices Australia, the Civil Aviation Safety Authority, fuel companies and security providers, critical support at a deeply precarious juncture. Reducing cost pressures associated with aviation security fees, air navigation charges and fuel excise will be essential to ensure passengers continue to have access to affordable air travel which, in turn, will stimulate the economy and underpin the restart of the tourism industry and the businesses, jobs and families that rely on it.

The AAFRP allows for industry support to flow through the entire aviation supply chain. This level of support is important to ensure costs remain reasonable and airfares stable. Any additional costs imposed by service providers will either need to be absorbed by airlines or passed on to passengers through higher airfares. Adding further costs to airfares will be detrimental to the entire sector, at what is a critical time for stimulating demand for safe air travel and restoring confidence in flying.

An extension of the AAFRP will assist Australia's aviation industry in managing the significant long-term cost implications border restrictions have caused, particularly in relation to domestic aviation security charges. Although capacity is expected to slowly increase and economies of scale will start to gradually return, security costs are estimated to be approximately 50 per cent higher per passenger compared to pre COVID levels. With many regional routes either operating on thin margins or failing to return their cost of capital prior to COVID, their sustainability will be even more dependent on the ability to manage costs moving forward.

The extension of the AAFRP will assist in the domestic aviation recovery. The international recovery will clearly be a much more protracted process. Qantas is facing significant increases in costs, particularly in relation to security charges, when international flying resumes due to the significant under recovery of these costs by airports in 2020. Qantas has already been advised that our security costs at Australia's international airports are likely to increase five-fold in 2021. This presents real challenges for short haul international routes like New Zealand that are also serviced by Jetstar. As set out above, additional costs imposed will either need to be absorbed by airlines or passed on to passengers through higher airfares. On short haul routes, these increases would represent a significant component of the ultimate ticket price. Adding further to airfares will be detrimental at a critical time for stimulating demand.

In addition to measures to support minimum connectivity and subsidising aviation charges, Qantas welcomed the decision by the Australian Government to extend the JobKeeper program until the end of March 2021. This program has been instrumental in ensuring that Qantas employees who are stood down remain connected with the company. Further extension of this scheme for those sectors or parts of sectors particularly affected, including by international border closures should be considered.

MAINTAINING HIGH VALUE FREIGHT SUPPLY LINES

Questions for consideration:

Are there options to improve Government's support for maintaining international air freight capacity during COVID-19?

What is the best way for Governments to scale back international air freight support to allow commercial air freight operations to resume as the regional, domestic and international economies recover?

Qantas appreciates the support provided to the international freight and exporting industry from the Government through the IFAM program. The IFAM support is a temporary measure designed to help support Australian exporters by restoring vital global supply chains impacted by the significant reductions in passenger flights from Australia. IFAM has been a critical measure to backfill some of the capacity lost due to suppressed capacity on scheduled international services to/from Australia.

IFAM-supported Qantas charter flights meant that services were reintroduced between Australia and Auckland, Hong Kong, Singapore, Tokyo, Shanghai and the United States. Inbound flights continue to carry essential medical equipment and supplies to help combat and contain the spread of COVID-19 and have helped keep essential freight moving during the pandemic.

Qantas has been grateful for the opportunity to operate over 100 repatriation flights for the Federal Government to bring Australians abroad home, including services between Wuhan, London, Los Angeles, Johannesburg, Santiago, Lima, Tokyo, Chennai, Delhi and Australia. These passenger flights have also provided much-needed belly space for freight to support the movement of essential goods.

Qantas considers the IFAM program in its current form is an appropriate mechanism that balances continued provision of affordable air freight capacity for Australian exporters with support for Australian supply chain jobs.

Qantas has a constructive relationship with Austrade which has enabled multiple improvements in the IFAM program structure since its inception in May 2020, including the ability for Austrade to scale up or down flying activity within a contract period and the ability for exporters to choose their preferred freight forwarder when accessing IFAM capacity.

As the global freighter fleet is close to full deployment, international air freight capacity deployed to and from Australia is not likely to materially change until commercial passenger operations return. The recovery of domestic and regional economies in Australia may increase the availability of domestic air freight capacity, but is unlikely to address imbalances in international supply and demand. Qantas is in discussions with Austrade around potential models to scale back international air freight support as Qantas' commercial passenger operations return on key routes.

APPENDIX 2 PART B THE FUTURE OF AVIATION – GOVERNMENT’S FIVE-YEAR PLAN

GENERAL AVIATION

Questions for consideration:

The Government understands the key challenges facing the GA industry. Given the impact of COVID-19, are there other areas where governments should be focussing to support GA?

The ever-increasing costs within the aviation ecosystem remain a significant challenge to all participants. While regulation is largely introduced to enable technology, improve safety or to meet international standards, it often drives increased cost. For general aviation this can be significant due to a lack of scale.

Removing cost from the aviation ecosystem is difficult, but every participant has a role to play. From an air traffic management perspective, the cost of participation is borne by airspace users through air navigation charges collected by Airservices Australia (Airservices). These charges cover the cost of services provided by Airservices including air traffic controllers and maintaining infrastructure such as radars. In the pre-COVID environment, Airservices collected more than \$1 billion in air navigation charges per annum. This will not be the case for the level of flying in a post-COVID environment, and attention should be given to ways to reduce the overheads of providing these services while preserving and improving service continuity, efficiency and safety.

To assist in the reduction of cost within the air traffic management environment and realise approximately \$200 million of cost savings to industry, Qantas proposes that in accordance with the approach adopted in other jurisdictions, including the United States and New Zealand, an assistance package be provided to industry that encourages aircraft owners to upgrade avionics to incorporate the necessary technology that provides Automatic Dependent Surveillance – Broadcast (ADS-B) and removes the need to replace costly and aging secondary surveillance radar at their end of life. This would also provide lasting safety improvements – particularly in non-controlled airspace and at aerodromes currently without a control tower. It would also stimulate aircraft maintenance and other related industries as many aircraft not currently fitted would need these services, potentially providing employment opportunities.

The proposal aims to:

- Provide support to aircraft maintenance organisations through increasing the fitment of equipment associated with ADS-B;
- Increase safety by encouraging the fitment of aircraft operating under the VFR;
- Support airlines and commercial operators by increasing safety in high density traffic areas, particularly in Class G uncontrolled airspace and at non-towered aerodromes;
- Improve the capability of air traffic control through increasing the ADS-B ground station coverage within Class G uncontrolled airspace and in the vicinity of non-towered aerodromes;
- Extend the lead time for which a traditional or digital air traffic control tower is required at specific locations; and
- Provide a platform for future airspace strategies.

While CASA is unable to provide exact statistics of current fitment within the VFR fleet, it is believed that approximately 12300 aircraft (both VH registered and RAAus) are not yet equipped with ADS-B. A Government assistance scheme would provide a mechanism to increase this and therefore maximise the benefits of ADS-B across the ATM system. Furthermore, those remaining 6,500 aircraft (VH and RAAus) that are fitted with ADS-B (OUT) may also be eligible to increase their existing capability to upgrade to ADS-B (IN).

To account for the variability of fitment across different aircraft types and the complexity associated with existing installations, a fair and equitable distribution of funding from Government should be applied. That is, funding should be applied to the airframe rather than the operator and be at a fixed amount that subsidises the initial fitment or expansion of current capability. The subsidy would therefore be available across the Australian aircraft fleet of approximately 15,373 VH-registered aircraft and approximately 3,500 aircraft registered by RAAus. Such a program is estimated to cost ~\$60 million.

In order for the benefits of such a program to be realised, Airservices must increase ADS-B Ground infrastructure thereby increasing the existing coverage. This should be linked to reducing other ground infrastructure, including enroute radars. Airservices' costs of installing these ADS-B ground stations should be benchmarked to avoid potential excessive costs and project delays. Updated cost estimates should be obtained from Airservices to further expand the ADS-B network, based upon \$1 million per additional ADS-B site. A further 12 sites should be identified, at locations that improve the existing coverage for general and recreational aviation.

DEMAND MANAGEMENT AT SYDNEY AIRPORT

Questions for consideration:

The Australian Government will soon be commencing a comprehensive review of the legislation governing Sydney Airport's demand management, including slot management. All stakeholders are encouraged to participate in this consultation process.

Sydney Airport is a critical piece of national infrastructure and ensuring its capacity is utilised efficiently, competitively and sustainably for regional, domestic and international services must be a key priority for Government.

Qantas will provide a comprehensive submission to the recently released Sydney Airport Demand Management Act Review but notes that the scope of the review represents a missed opportunity to undertake a consideration of the movement cap in totality and the broader Sydney Airspace basin.

AIRSPACE MANAGEMENT

Questions for consideration:

***What issues need to be considered in shaping future airspace protection policies and regulations?
How can airspace protection balance the needs of the aviation industry with those of land owners and surrounding communities?***

Qantas recognises the importance of effective air traffic control systems and airspace management. The key issues for future airspace protection policies in Australia are airspace classification, OneSky, Digital towers, surveillance, Required Navigation Performance (RNP) and a holistic review of the airspace management in the Sydney Basin.

Sydney Basin

The Sydney Basin provides a number of challenges for air traffic management:

- Complexities associated with noise sharing at Sydney Kingsford Smith Airport (KSA) mean that there are inefficiencies associated with flight paths aimed at providing more equitable noise outcomes to the community which in fact introduce negative environmental and noise impacts;
- The busy Defence aerodrome (Richmond), two civilian Class D aerodromes (Bankstown and Camden) and a very busy General Aviation aerodrome (Wedderburn); and
- The development of Western Sydney Airport (WSA) which will come online with a single runway operation in 2026 and expand over the decades to include a second parallel runway.

While aiming to support all operations in the Sydney Basin, the airspace structure and flight paths are currently overly complex, inefficient and are considerably less than best practice when compared to other jurisdictions. Current issues include the lack of RNP arrival procedures, radar vectoring for all arrivals into Sydney and no recognition of the actual aircraft noise footprint of aircraft given that since LTOP was introduced there has been at least one complete refresh of airline fleets. This will be further exacerbated with the introduction of WSA. In order to ensure the most efficient and community-friendly flight paths are able to be utilised at all aerodromes in the basin, the airspace design for all aerodromes (including KSA) must be revisited.

Aircraft Noise Management

Qantas' approach to aircraft noise management is consistent with the four elements that have been recommended by the International Civil Aviation Organisation (ICAO), including through investment in quieter aircraft, appropriate management and land-use planning, utilising special take-off and landing procedures to minimise aircraft noise and the implementation of operating restrictions. All Qantas aircraft meet or exceed ICAO's aircraft noise standards.

Airspace Classification

To ensure global consistency Qantas continues to support the ICAO basis for airspace classification and consider that CASA and Airservices should minimise any modification to global standards and procedures to subjectively account for Australian conditions.

Over the past decade we have seen the introduction of jet aircraft (e.g. B737, B717, etc) operating to aerodromes without air traffic control services. With low traffic levels this has resulted in a safe operation when aircraft transition from controlled airspace (Classes A and E) into uncontrolled airspace (Class G). As we have seen during the COVID pandemic however, jet aircraft are now operating to high trafficked regions including Ballina and Mildura, where the current airspace classifications within the vicinity of these aerodromes are inadequate. While these operations remain safe, there is opportunity to improve

safety outcomes through remodelling the designation of airspace. That is, where deemed necessary and where surveillance exists through ADS-B and/or Secondary Surveillance Radar, Class E airspace should be introduced in lower airspace to provide adequate air traffic services and therefore protection to regular public transport. This could be efficiently introduced with little to no cost to Airservices and without unfairly reducing airspace access. The introduction of low-level Class E airspace should be part of a graduated model to increase safety assurance within the ATM environment.

OneSky

To ensure the benefits of OneSky are realised at the earliest opportunity, Government should monitor the program being managed by Airservices to ensure it remains on budget and schedule and delivers the benefits that have been promised to industry. While this program is complex, it has now been on foot for almost a decade which has resulted in efficiencies and environmental benefits also being delayed, including the widespread rollout of User Preferred Routes. Should OneSky suffer any further delays, Airservices must enable UPRs through other means to remain globally aligned and to deliver the promised benefits.

Digital Control Towers

The cost of air traffic management (ATM) infrastructure and resources are ever increasing and there is a need to focus on how cost effectiveness can be improved to reduce the burden on industry. One of the areas where improvements could be made is through the introduction of Digital Control Towers. Pre-COVID, Airservices commenced a project that sought to build this capability for either a primary service or for contingency purposes. We have seen traffic increases at places such as Ballina and the Pilbara, where ATC tower services would markedly improve safety and efficiency outcomes. Furthermore, at places like Canberra, where the existing control tower is reaching end of life, a digital control tower would reduce the replacement costs of the tower and introduce new safety and efficiency benefits that are unable to be realised by a traditional control tower. While Airservices has 'paused' this program during the pandemic, Qantas remains committed to supporting its resumption at the earliest opportunity.

Digital Control Towers would see a centralised approach to providing ATC tower services. This would mean that a single facility air traffic control tower would provide services for multiple locations around the country, reducing the cost of deploying staff to these locations, multi-skilling controllers to work at different airports, and leveraging the benefits that digital services provide, including on screen labelling of aircraft, improved low visibility operations and full integration with the OneSky system to improve the orderly flow of traffic.

One of the limiting areas of digital control towers remains the Civil Aviation Safety Regulations. Currently the standards and procedures for control towers are based upon traditional control towers infrastructure and procedures. The regulations require updating to accommodate Digital Control Towers. We strongly encourage CASA to immediately commence the process of developing regulations, working with industry and the Airservices Australia, to ensure that once the digital tower program is stood up again by Airservices that a regulatory regime is in place to support this. There are numerous jurisdictions globally that have already introduced digital towers and we are of the view that, to remain aligned to global standards, CASA should leverage off the already significant work done by others to expedite this work.

Surveillance

In the early-2000's Airservices commenced the ATLAS project that sought to introduce Automatic Dependent Surveillance – Broadcast (ADS-B) to improve the ATM surveillance capability across the country whilst reducing cost through the retirement of traditional Secondary Surveillance Radar (SSR). While ADS-B was adopted for IFR aircraft through a series of mandates, the lack of ADS-B take-up by aircraft operating under the visual flight rules resulted in Airservices not being able to retire the SSRs.

Airservices and CASA should once again seek to revisit this program which would remove more than \$200 million in infrastructure costs from the ATM environment and improve safety outcomes.

ADS-B is a cost effective and globally accepted standard for providing high fidelity surveillance for air traffic control. ADS-B is also the future platform for Remotely Piloted Aircraft Systems (RPAS) to be integrated into the ATM environment. The Government should recognise and support the transition to an airspace model that is dependent upon ADS-B and provide funding to those currently not required to have ADS-B to enable critical mass to be achieved and therefore enable to retirement of costly and technologically inferior SSR.

Required Navigation Performance (RNP)

Australia has seen marked improvements to safety and efficiency whilst delivering requisite environmental benefits since the introduction of RNP approach and departure procedures. In many cases this has also resulted, in improved noise outcomes for the community due to the ability to design flight paths that overfly less populated areas. However, there continue to be untapped benefits of RNP arrivals, particularly at highly sensitive locations.

Sydney is a particular case in point, with air traffic control delivering services in Sydney using radar vectoring for arriving aircraft. The intention is to share noise and to more effectively manage the unique environment in Sydney resulting from the Long Term Operating Plan (LTOP). However, this rigid and inefficient approach to delivering air traffic services results in a poorer outcome for the community and environment. Utilising RNP, particularly for aircraft arriving in Sydney on runways 34L and 34R, would result in a significant reduction in community impact by allowing operators to avoid populous areas and flow onto safer and more efficient flight paths. Qantas supports the introduction of RNP arrivals to Sydney to improve community noise outcomes and improve operational safety and efficiency and seeks the Government's support to engage with Airservices to develop procedures that would deliver this.

AIRLINE ACCESS TO DOMESTIC AND INTERNATIONAL ROUTES

Questions for consideration:

Are there ways to further liberalise air access arrangements while maintaining Australia's high regulatory standards?

A stable policy and regulatory framework should deliver competitive yet sustainable market access and we support the continuation of the Government's objective to balance liberalisation with the need to maintain a strong Australian-based aviation sector and the benefits to the national interest that flow from this.

Australia has one of the most liberal aviation regimes in the world and continues to support a fully deregulated interstate aviation market. While the abolition of the 'Two-Airlines Policy' in 1990 removed restrictions on market entry, the ability for foreign airlines to access the domestic market under the 'investment cabotage' policy has been an important policy tool for attracting long-term investors and capital to the Australian domestic market.

The domestic market has experienced significant growth under deregulation. New routes and robust competition between carriers with a variety of business models has increased choice and access for consumers, including business travellers, and translated into lower fares for leisure travellers, benefiting domestic tourism.

Australia's 'investment cabotage' policy allows for foreign persons (including foreign airlines) to acquire up to 100 per cent of the equity in an Australian domestic airline, unless this is deemed contrary to the national interest by the Foreign Investment Review Board. Under these arrangements, a foreign airline may set up an Australian domestic subsidiary, operating with an Australian Air Operators Certificate (AOC), overseen fully by the Civil Aviation Safety Authority (CASA). The airline is then subject to the same regulatory oversight applying to other Australian business including in the areas of safety, security, competition, consumer, occupational health and safety.

Given there are no regulatory impediments to a new domestic entrant in Australia, any shift in Australia's broader cabotage policy would be profoundly damaging at a time when Australia's domestic aviation industry is trying to survive and recover. Government policy must align with contemporary challenges facing key sectors of the economy. For Australian airlines, this includes navigating the challenges of restarting the industry post COVID-19, access to capital, the opportunity to form alliances with partner airlines and ensuring that all players can participate in the market on equal terms. Support for a progressive and pragmatic liberalisation framework should be predicated on a level playing field, which ensures a balance of benefits and opportunities in air service agreements and sustainable economics for all parts of the value chain.

Qantas is concerned about the short and long-term impacts of COVID-19 pandemic and the distorting effect of the magnitude of state aid capital injections to boost balance sheets of some state-owned and other airlines. Some of these airlines operated to Australia throughout the pandemic with capacity levels that were economically irrational, entirely outstripping demand and the scarce hotel quarantine places available.

The consequences of introducing aviation cabotage are stark. A broader cabotage policy – which has no equivalent international precedent – will unwind the structure of our domestic aviation sector and presents substantial commercial, economic, employment and operational risks. Australia would also outsource, for the first time, the safety of its domestic operations to countries without the same standards and records of safety as Australia. More generally, such a policy would:

- Eliminate significant numbers of Australian-based jobs – especially in the regions – as well as long-term investment;
- Damage the route and network economics of Australia’s already extremely competitive aviation sector;
- Erode Australia’s negotiating position to enter the ASEAN Single Aviation Market; and
- Compromise Australia’s regulatory and safety regimes.

Granting cabotage rights would deliver perverse outcomes, particularly for areas like Northern Australia where national network feed and distribution is critical to supporting safe operations as well as a robust and reliable year-round schedule. If a broader cabotage policy were to be implemented, it would erode the Australian Government’s objective of achieving sustainable growth into the future for aviation.

Qantas is not opposed to further liberalisation. However, any further opening up of Australia’s Air Services Arrangements needs to be based on the principle of reciprocity and the inclusion of fair competition clauses are critical. This is more relevant than ever in the face of COVID-19 given many airlines around the world have received significant Government support to allow them to continue operating internationally during the pandemic.

At a time when industry has been totally ravaged by COVID-19 and the domestic market is trying to recover, any broadening of Australia’s cabotage arrangements would only be detrimental to an already struggling Australian industry. Similarly, those who have invested in capital in the Australian aviation market should have that investment respected while the industry recovers.

Seamless Tasman Travel

Qantas also recommends the Government renew efforts to establish a trial to enable Tasman travellers to enter and depart Australia from domestic terminals. The lack of international flying as a result of COVID-19 presents a unique opportunity to trial such a scheme. The impending opening of a New Zealand travel bubble reaffirms our unique relationship with New Zealand.

Given governance and regulatory environments in both countries are increasingly aligned, close collaboration between governments and agencies on border and travel issues delivers clear benefits. Trade and travel between Australia and New Zealand are critically important. The two countries are intrinsically linked and improving seamless travel across the Tasman offers social, economic and legislative benefit for both countries’ citizens and economies. This is achieved through:

- Streamlined, simplified journeys;
- Enhanced protection of borders;
- Fewer touchpoints;
- No queues;
- Removal of duplication of processes; and
- Reduced turnaround times.

Successful international examples of seamless travel arrangements include the US preclearance process and EU Schengen Agreement. Qantas recommends Government review the Trans-Tasman border management process, to recognise the significant efficiencies to be gained for Trans-Tasman ‘green’ travellers upon arrival and departure in both Australia and New Zealand.

FACILITATING NEW AND EMERGING TECHNOLOGIES

Questions for consideration:

Are there barriers to the take-up of innovative technologies in the aviation sector?

Qantas acknowledges and supports the efforts of successive Australian Governments in establishing robust controls for the use and management of drones and other emerging aviation technologies.

Qantas recognises the rapid growth of new technologies in aviation, including through commercial Remotely Piloted Aircraft Systems (RPAS) markets which pose a number of challenges to the aviation environment in Australia. Technologies under development and policy decisions under consideration today will have a significant impact on aviation, from how airspace is used, to how the aviation market will evolve in the coming years. To inform the policy formation, Qantas recently responded to the Government's Issues Paper on New and Emerging Aviation Technologies. This submission complemented previous submissions made by Qantas to the Review of RPAS Operations and the inquiry into the regulatory requirements that impact the safe use of RPAS, Unmanned Aerial Systems (UAS) and associated systems.

Qantas anticipates that there will be significant opportunities in people transport capabilities, security monitoring, large-scale farming activities, aerial photography/surveying and goods delivery in the future as RPAS technology develops. As with any new disruptor type technology, consideration needs to be given as to how this technology can impact the economy and the nature of employment in this country. The Government must ensure sufficient resources are dedicated to education and the applicable industries to ensure continuation of employment opportunities for Australians as the national economy recovers from the economic impacts of COVID-19.

Qantas considers an area of priority lies in the operationalisation or implementation of Low Level Airspace (LLA). This need arises due to expected near term proliferation of new users such as RPAS and other mobility systems. A new airspace operational concept that accounts for these new users is required to ensure the continued safe, efficient, fair, and sustainable use of airspace into the future.

It is imperative that Australia maintains its global position as a leader in emerging aviation technologies with a mandate to minimise over-regulation. Qantas recommends that the Government work closely with the RPAS industry (and the other industries it affects) to ensure optimal outcomes and benefits are achieved.

Given the nature of drone or UAS activity is much more localised in Australia (generally within line of sight operations and battery life of some 30 minutes), international harmonisation may not be fit for purpose. Instead, Australia must ensure there is harmonisation amongst its state and territories with respect to RPAS regulation, especially for those areas where operations are conducted across or close to state borders, such as through bush fire protection or search and rescue activities which may occur in environmentally sensitive areas, such as national parks.

SAFE, SECURE AND ENVIRONMENTALLY SUSTAINABLE AVIATION

Questions for consideration:

Are there options for governments to improve aviation safety governance and consultation processes?

Are there approaches that governments could pursue to improve aviation security governance and consultation processes?

Are there options to improve environmental outcomes while maintaining an efficient and effective aviation sector?

SAFE AIR TRAVEL

The safety and security of our customers and people is Qantas' first priority. Qantas continues to invest in its capability to deliver safe and efficient aircraft operations and is focused on creating a healthy, safe and secure workplace by preventing injuries, illness, accidents and incidents through effective safety management systems and risk controls, quality processes and a strong safety culture. Each Qantas Group business operates integrated management systems that satisfy safety, health, security and environment legislative and regulatory requirements. Qantas' safety and security activities are supported by robust governance processes to ensure performance and risks are monitored.

Aviation remains the safest form of travel. To maintain this, the entire industry needs to continue collaborating on safety issues of common interest. Qantas considers that CASA's current approach to the consultation, transition and implementation of the Flight Operations parts of the CASRs represents a significant improvement over the previous industry consultation methods. The framework of having senior industry representatives reporting via an independent chair to the Director of Aviation Safety, with dedicated Technical Working Groups has facilitated the current progress towards transition and implementation.

The future advancements in technology, including the growth in space technology will require established consultation processes and frameworks with Government agencies and industry, operators and manufacturers alike. Qantas encourages the Government to be conscious of the creation of inconsistent consultation processes across differing agencies and authorities without leveraging from existing arrangements.

SECURE AVIATION

The aviation industry continues to face complex threats from individuals and organisations globally, with Australia remaining a potential target for extremist groups.

Qantas works closely with the Australian Government and overseas agencies, regulators, law enforcement and its global partners across the industry to proactively monitor and manage threats and risks. We are at the forefront of improving security outcomes for customers and employees by operating within a security framework that is proportionate, agile and responsive to changing threats and risks across our network.

Qantas Group Security participates in several domestic and international committees to refine security measures, plan for and acquire enhanced security equipment and to establish world best practices in aviation security. Together with our government and industry partners, key security improvements in FY20 were:

- Enhanced security measures for domestic cargo shipments in accordance with new Australian requirements;

- Continued collaboration with Government and airport operators on security enhancement initiatives including plans to upgrade security technology;
- Programs to build capacity in aviation security across the Asia-Pacific region, working in partnership with the Government, local airports and offshore regulator; and
- Completion of the Australian Trusted Trader (ATT) program, a voluntary program that gives traders and service providers trade facilitation benefits where they have demonstrated a secure and compliant supply chain. Key benefits of the program include improved speed to market, streamlined reporting, secure trade lanes, predictability of supply chain, reciprocal arrangements, reduced exposure to government cost recovery fees and the enhanced facilitation of legitimate trade.

Qantas values the strong aviation security relationship that we have built with the Government over many years. We consider early engagement through collaboration and co-design with industry as vital. Qantas believes that Home Affairs should adopt the Notice of Proposed Rule-Making (NPRM) process which has been highly effective within the aviation safety sphere. Other jurisdictions such as the United States Transportation Security Administration (TSA) also use the NPRM process, which allows industry to be clear about any proposed changes and the timeframes for those proposed changes. It codifies the response process for both industry and regulator. As the regulator is required to respond to each question or suggestion by industry on the proposal it allows for open and fruitful engagement; and it also allows industry to see the engagement of other industry participants. Organisations need time to consider and model consequences or alternative solutions and we consider the NPRM process is helpful in this regard.

It is vitally important that the Government takes a risk-based, intelligence led and outcome driven approach to delivering the Australian aviation security regulatory framework. The regulatory framework must be flexible and provide aviation industry participants (carriers and airport/terminal operators) variations, exemptions or alternative procedures based on their capacity to deliver security outcomes. This process needs to be simple, transparent and expeditious. To this end, Qantas believes the current regulatory environment would be enhanced if Home Affairs was to amend the *Aviation Transport Security Act 2004* to include a new provision similar to CASA's previous authority under 308 of the *Civil Aviation Regulations 1988* and currently under Subpart 11.F of the *Civil Aviation Safety Regulations 1998*.

During COVID-19, Qantas has had to request a number of security related concessions and/or exemptions. Some of these requests could be acted upon by Home Affairs (Aviation and Maritime Security Division) in a straightforward manner, however many could not as the existing Act and Regulations do not provide any flexibility for the Secretary to grant equivalence or exemption to an industry participant under emergency or unusual circumstances. A number of other jurisdictions operate with legislation to grant equivalence. The TSA's Alternative Procedure process allows an industry participant to approach the regulator to seek an alternative method of compliance provided the underlying security is maintained (or even improved in some cases). In addition to any flexibility this provides to both industry and Government, this type of mechanism also accommodates rapid technological improvement which would otherwise be restricted by legislation had not yet caught up.

The risk-based approach to mitigating acts of unlawful interference against aircraft and people also applies in the aviation screening context. The primary focus of security screening should be to prevent acts of unlawful interference that could ultimately destroy or take control of an aircraft in flight or cause mass casualties in flight or on the ground. While passenger screening is invariably the primary defence against acts of unlawful interference, it is important that it remains focused on delivering outcomes that are optimised to deliver genuine protective benefits to industry and the community.

With respect to the 40-seat rule due to be implemented on 19 December 2020, Qantas continues to believe that the entire industry, the interconnected aviation network and travelling public will be more secure if all commercial RPT aircraft are screened (regardless of size) unless there are exceptional circumstances to the contrary (such as the remoteness of the airport). One significant improvement to the

underlying security baseline would be for Home Affairs to provide notice to industry that in the short term (3-5 years) it will move from its existing December 2020 setting to all RPT aircraft being screened. Such an announcement would provide sufficient time for industry (both airlines and airports) to prepare for the next phase of lifting the security bar.

Qantas continues to advocate for better regulation to more clearly define what constitutes a 'mandated security charge' and for policy change to achieve greater transparency of security charges. During and immediately after the privatisation of airports, government and regulators expected that airports could 'pass through' unavoidable, direct costs related to passenger screening, baggage, screening and counterterrorist security. The current legislation imposes several outcomes (such as ensuring sufficient controls to delineate airside areas from landside areas) but does not mandate how those outcomes must be achieved. The types and scope of costs charged to airlines and their passengers under the umbrella of Government-mandated airport security requirements has grown significantly (unchallenged by Government) since the concept was first introduced. Costs which were not originally contemplated by Governments as being recoverable by airports are now being passed on to passengers and airlines.

Continued transparency in line with what is occurring through the administration of the Government's AAFRP is needed to ensure security charges are reasonable and equitably shared across all beneficiaries. The cost of security should be just that, and airports should not be including opportunity costs in their security charge, including through:

- Earning a return on purchase of security assets and supporting infrastructure;
- Rent for front and back-of-house security areas;
- Airlines funding security ahead of implementation; and
- Where Government grants have been provided to airports, airports should not be able to recover these costs from airlines.

QANTAS' COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY

Qantas continues to demonstrate its commitment to global leadership in aviation sustainability and has already taken significant steps to minimise the impact of emissions from its operations on the environment. Qantas was an early adopter of the CORSIA emissions scheme and was one of the first airlines to announce a net zero emissions target for 2050. In 2019 Qantas committed \$50 million over the next ten years to the development of a Sustainable Aviation Fuel (SAF) industry in Australia and has made significant inroads with strategies to reduce waste to landfill through the reduction of single use plastics and other waste and energy streams .

While the COVID-19 crisis is compelling Qantas to restructure many parts of the business, Qantas remains committed to building strong coalitions with industry and Government to ensure Australia becomes a world leader in sustainable aviation. The opportunities for regional jobs, infrastructure rebuilding and repurposing, fuel security and the export of capability and knowledge through building a SAF capability in Australia are significant and vital action can be taken now to build capacity and supply.

Sustainable Aviation Fuel

Beyond fuel efficiency, the development and use of SAF is the only way in which the aviation industry can materially reduce emissions, address fuel costs and price volatility, while continuing to grow. This is in stark contrast to land transport, which in addition to biofuels, has several options to reduce emissions and address fuel costs, including hybrid-electric technology, electrification and alternative fuels such as LNG, LPG, CNG and hydrogen. The specification for SAF has tighter requirements on the quality of the fuel when compared to other sustainable fuels (e.g. biodiesel), which drives a higher production cost. SAF currently needs to be blended with petroleum derived aviation fuel, increasing production costs and logistics complexities further.

The United Kingdom Government in partnership with industry has made significant progress over the last five years in the development of a SAF industry in the UK. This was done initially through the application of usage mandates to grow volume and reduce cost and now, as the industry develops, providing loan guarantee support for the construction of new SAF production facilities in both brown and greenfield sites across regional areas. Some 15 sites have been identified for repurposing from existing fuel sources to Biofuels over the next decade. For a number of years the Californian Government has supported the development of SAF facilities through rebates and tax concessions made available to producers. This has enabled United States airlines to blend SAF with existing jet fuels out of Californian airports.

The availability of cost effective SAF at scale will be the primary contributor to reducing airline emissions over the medium and longer term, but as highlighted by the international experience, this requires direct Government support. We strongly urge the Federal and State Governments to consider the following policy options to enable the development and growth of a domestic SAF industry:

- Provide incentives for airlines to use SAF from an early stage and ensure policies create a level playing field for SAF vis-à-vis other energy sources, and aviation vis-à-vis other sectors;
- Encourage stakeholders to commit to robust but realistic sustainability criteria by supporting the development of an accepted set of globally harmonised standards;
- Continue to help de-risk public and private investments in SAF projects through the Clean Energy Finance Corporation (CEFC);
- Broaden Australian Renewable Energy Agency's (ARENA) "Future Fuels Fund" from its current road-transport focus to include funding development and research together with infrastructure development for the establishment of a SAF industry in Australia ;
- Identify and exploit local green growth opportunities by bringing the aviation industry, government, transport, energy, agriculture and academic expertise together, to quickly determine the appropriate mix of solutions for initial SAF production that exist in Australia, including the most effective feedstock sources, including waste.

Support will also be required for partnerships with energy companies to repurpose refining capability for biofuels. The rapid reduction in domestic refinery capacity will need to be quickly addressed to provide an opportunity to repurpose existing infrastructure to enable SAF production. Greenfield refining and production sites will over time be a necessary addition to ensure the long-term viability of a domestic SAF and other biofuel capability.

Waste management

The Federal Government's National Waste Policy Plans and the Recycling and Waste Reduction Bill are significant steps forward in the management of Australia's waste. The plan to harmonise regulations for recycling and composting will help to reduce the cost of managing waste across states and regions and standardise regulatory burdens.

Qantas also welcomes the Government's establishment of the Recycling Modernisation Fund and the Recycling and Waste Reduction Bill and is keen to work with the states and territories on much needed infrastructure improvements. Specific actions that would significantly enhance the ability of the aviation sector to significantly reduce its waste and repurpose the outputs could include:

- An updated review of the current standards and requirements for biowaste arising from international inbound flights with enhanced opportunity to reduce the necessity to divert this waste to landfill in favour of recycling and re use; and
- Greater investment in research and development for the use of municipal waste streams for conversion to bioenergy. The opportunity for the use of municipal and aviation waste as a source for the generation of Sustainable Aviation Fuel has been demonstrated in California and Qantas considers this has the potential for replication in Australia as a possible source of SAF.

Carbon Offsets

The demand for carbon offsets globally will grow due to introduction of regulations such as the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Australia is well positioned to enhance its commitment to the generation of offsets.

Currently the Government provides incentives to encourage the development of Australian carbon offset projects through the Emissions Reduction Fund (ERF). This incentive is to developers, primary producers and indigenous groups through investment rebates/write offs, and loan guarantees. While this is currently required to grow the carbon offset industry in Australia, as demand grows and the industry becomes self-sufficient, this requirement will be reduced. Qantas would welcome this funding being re-focused from reactive carbon offset programs to investment in proactive carbon reduction schemes and technologies, such as SAF.

Infrastructure and Airports

Significant infrastructure development and repurposing will be required to meet the sustainability goals of aviation and the broader expectations of customers and investors. SAF is a critical component of the future roadmap as well as waste management both policy and facilities.

Qantas would encourage the Government to consider options such as:

- Investment support to deliver a commercial SAF plant either re-purposing an existing brownfield refinery or support for a new greenfield site;
- A broad range of incentives and rebates should be tailored for investment in SAF feed stock, supply chains, production facilities and distribution;
- Incentivising energy companies and airports to facilitate the availability of SAF in existing airports; and
- Supporting aircraft waste collection and reuse rule changes providing greater opportunity to allow for the reuse of international waste at or near airport facilities.

FEDERALLY-LEASED AIRPORTS

Questions for consideration:

Are there options to improve the regulation of Federally-leased airports that balance the benefits of local level regulation and management with strategic national level interests?

Qantas supports improvements to regulation that achieve strategic national interest while balancing the needs of the community and airport users. To this end, Qantas in principle supports the alleviation of regulatory burdens on smaller Australian airports providing operational and safety oversight is maintained. Qantas also supports amendments to the administration of the airport liquor licencing regime and curfew requirements.

Qantas does not support the unwinding of the ACCC reporting on pricing for aeronautical services and facilities, nor additional unwinding of regulatory protections applied to monopoly airports in Australia. The economic regulation of Australian airports is widely regarded as one of the most light-handed models in the world. We note that airlines are now subject to a quarterly monitoring regime where there is no evidence that there is anti-competitive conduct occurring, and every indication that the competition that has historically characterised the industry will be enhanced going forward. The same cannot be said for airports.

Addressing Misuse of Market Power by Airports

The industry needs a regulatory framework that is fit for purpose, better protects Australian consumers and addresses bargaining power imbalances which will hamper the recovery of the sector. As the Chair of the Australian Competition and Consumer Commission (ACCC) has observed, dealing with negative consequences of market power is particularly crucial at this time as Australia attempts to confront the economic challenges of the COVID pandemic.² Doing so will ultimately involve changes to the way airports are regulated. Qantas continues to call for effective light-handed regulation, underpinned by access to independent arbitration. Such a regulatory change will encourage airports to behave competitively and deliver competitive prices, greater efficiency and leading innovation for passengers and airport users, growing productivity and advancing efficient investment decisions. This would deliver the Government's stated desire to see strengthened commercial relationships between airports and airlines, get the regulatory balance right, encourage necessary infrastructure investments and the best possible consumer outcomes.

Qantas was disappointed in the Productivity Commission's findings³ and Government's response⁴ to the Inquiry into the Economic Regulation of Airports that *"the existing airport regulatory framework remains fit for purpose and that there is no current justification for significant change to the current form of 'light handed' economic regulation of aeronautical services established under the Airports Act 1996 (the Act)."* Such a finding disregarded the significant evidence put forward by airport users⁵ regarding the persistent abuse of market power by monopoly airports in Australia and failed to address the challenges associated with having no viable avenues for dispute resolution. A live example of how the system is failing airport users is demonstrated by Qantas' current dispute with Perth Airport - now entering its third year, with no circuit breaker in sight. If easy access to arbitration was available, this dispute could have been resolved some time ago.

² <https://www.accc.gov.au/speech/tackling-market-power-in-the-covid-era>

³ Productivity Commission Inquiry Report into the Economic Regulation of Airports, No 92, 21 June 2019

⁴ Australian Government response to the Productivity Commission Inquiry into the Economic Regulation of Airports dated 11 December 2019.

⁵ See submissions into the Productivity Commission's Inquiry into the Economic Regulation of Airports from IATA, Andrew's Airport Parking Group, Board of Airline Representatives Australia, Air New Zealand, A4ANZ, Qantas Group, Virgin Australia Airlines Pty Ltd, Regional Express, Regional Aviation Association of Australia, and Airport Bug.

No one benefits from this dispute which has already put Western Australia's tourism and economic growth at risk by:

- Blocking Qantas' proposed Auckland-Perth-Johannesburg service, which would have seen an additional 4,000 international seats per week into Western Australia;
- Hindering further expansion of the Perth Hub which would otherwise facilitate the addition of new direct flights to Europe; and
- Jeopardising the Qantas' ability to expand domestic and regional connections to Perth. Qantas has negotiated in good faith with PAPL and continues to do so. It is clear, however, that the current economic regulation of Australian monopoly airports is failing Western Australia and our national economy. Modern, effective light-handed regulation underpinned by access to independent arbitration as a last resort is needed to encourage airports such as Perth to behave rationally and deliver competitive prices, greater efficiencies and higher productivity.

We are disappointed that the Government's Future of Aviation five year plan fails to consider any opportunities for reform in this area, either through access to independent arbitration, or through improvements to the government-mandated aviation security regime, given there are currently no measures in place to stop airports from profiteering off aviation security. Failure to consider such reform puts the recovery at risk at a critical juncture for the industry.

There is an urgent need for the Government to consider practical reforms which would assist in improving commercial relationships between airlines, airport users and airports. The current regulatory regime governing the behaviour of airports is failing the aviation industry and the broader economy. As effectively unregulated monopoly infrastructure assets, most Australian airports exploit their market power with impunity, with the current regime providing no constraint on monopoly behaviour or providing any incentive to lower costs or improve quality, with declaration under the National Access Regime under Part IIIA of the *Competition and Consumer Act 2010* too uncertain, expensive and time consuming to provide an adequate remedy.⁶

ACCC Monitoring

The ACCC⁷ and Productivity Commission⁸ have both recognised the need for effective quality of service monitoring for Australian monopoly airports. This acknowledges that in the absence of competition for services, consumer interests need to be protected to ensure airport operators do not allow services to fall below acceptable levels. However, monitoring of airport services and facilities by the ACCC and the subsequent reporting are not sufficient to ensure the standards of service expected by customers or consumers with little ability for airport users to seek price discounts or rebates where services or facilities are not performing to acceptable standards.

The Productivity Commission most recently concluded that:⁹

- Sydney, Melbourne, Brisbane and Perth airports have market power in domestic and international aeronautical services at levels that justify regulatory oversight — they should continue to be monitored;
- The pillars of the regime should remain in place, including annual price and quality of service monitoring administered by the ACCC and periodic reviews by the Productivity Commission — both are critical to deliver transparency over airports' operations and to maintain a credible threat of additional regulation; and

⁶ See page 5, Qantas Group Submission – Productivity Commission Inquiry into Economic Regulation of Airports dated September 2018.

⁷ ACCC submission in response to the Productivity Commission Inquiry into the Economic Regulation of Airports, dated September 2018.

⁸ Productivity Commission Inquiry Report into the Economic Regulation of Airports, No 92, 21 June 2019.

⁹ Economic Regulation of Airports Inquiry.

- The existing monitoring regime should be enhanced to increase the scrutiny of airport operators' behaviour and ensure that any airport that exercises its market power will be more readily detected.

Qantas considers that, at a minimum, the current price monitoring methodology must be maintained to ensure airport behaviour and pricing can be publicly monitored to deliver better outcomes to airport users. There is clear scope for improvement to the current monitoring regime, through:

- More effectively identifying incidences of misuse of market power, particularly in relation to the application of security charges;
- Adopting single till monitoring. ACCC assessments relate to aeronautical services and are performed on a 'dual till' basis, meaning that they do not cover non-aeronautical activities (with the exception of car parking) and so do not assess the level of prices and profits on a single till basis. Qantas considers this to be problematic as an airport services many complementary markets and its charges for aeronautical and non-aeronautical services, including security are interdependent; and
- Benchmarking. Current monitoring has no clearly articulated benchmarks against which to assess an airport's performance (for instance, with regard to the efficient of an airport's operating cost base).¹⁰

Qantas is concerned that we currently have a regulatory regime that is not fit for purpose for airports and one that is patently unnecessary for domestic airlines.

Curfew

Balancing curfew requirements with the needs of the community and the broader aviation ecosystem can be challenging. Qantas understands community concerns regarding noise pollution and does not suggest any significant change to the underlying curfew principles. However, some minor amendments to deal with overnight freight movements and practical measures to deal with extraordinary weather and infrastructure events are warranted. This view was supported by the Productivity Commission's findings in their inquiry into the economic Regulation of Airports. The Productivity Commission found that the Sydney Airport curfew was inefficient, exacerbates unexpected delays, and lead to more noise, thereby failing the needs of the community and the aviation industry more broadly. For these reasons, Qantas is pleased to see the Government's commitment to ensuring Western Sydney Airport will be a curfew free airport when it opens in 2026.

As technology has advanced in the past 30 years, freight aircraft have become markedly quieter. Qantas contends there is scope to review certain aspects of the curfew to deliver additional flexibility while meeting the original policy objectives and lowering the noise impact. These include:

- Amending s13 of the Sydney Airport Curfew Act 1995, which refers to "BAE-146 and DC9 Aircraft used for freight" to allow additional aircraft types to be utilised for overnight freight operations, specifically the Boeing 737 or Airbus A320 type aircraft which are built or modified to Chapter 4 noise compliance. When compared to the BAE-146, these modern aircraft deliver a significant community benefit in terms of noise reduction on flight paths to the south of the airport;
- Amending the Curfew Dispensation Guidelines at Sydney Airport to include weather, aircraft serviceability, security, safety, airport infrastructure constraints and force majeure to better serve air travellers and the community at large.

¹⁰ See page 30 Qantas Group Submission – Productivity Commission Inquiry into Economic Regulation of Airports dated September 2018.

During peak periods, several flights can be delayed as a result of the measurement methodology, which adds to pressure on aircraft to arrive back in Sydney prior to the evening curfew. This can also cause a higher than usual number of arrivals prior to the commencement of curfew at 11pm. Qantas believes that adding some flexibility to the 80 movements an hour in 15-minute intervals would ensure the cap and the principles underpinning it are preserved while continuing to benefit the community at large.

Liquor Licensing

Currently airports and airlines are subject to both State/Territory and Federal jurisdiction when it comes to liquor licensing laws. The *Airports Act* and Regulations create a specific liquor licensing regime for Sydney Airport, along with modifications of the state-based regulatory regime in every other state for each airport that falls under the *Airports Act*. In the interests of streamlining the compliance regime, it would be useful if the liquor licensing regime for Sydney Airport could be modified to mirror the New South Wales regime, such that premises that do not sell liquor do not require a licence. As most airline lounges do not sell liquor, this would remove a tranche of reporting and administration from both the airlines that operate lounges at Sydney Airport and the Department that administers the regime.

LOCAL GOVERNMENT OWNED AERODROMES

Questions for consideration:

Are there options to improve how ALOP aerodromes are regulated?

Are there other ways the Commonwealth could support state, territory and local governments in their operation and management of regional and local aerodromes?

Qantas does not have comments on this section of the Issues Paper.

FUNDING OF REGIONAL AIRPORTS

Questions for consideration:

Do current Government airport grants target key priorities for regional airports?

Qantas considers Government airport grants provide invaluable support to regional and remote airports and communities that would otherwise not be able to fund upgrades or critical infrastructure development given their thin margins. However, Qantas considers there is opportunity to consolidate a number of different grant programs administered by local, state, territory and Federal Governments to streamline applications and adopt a more strategic outlook on necessary airport investment.

Qantas also considers transparency, accountability and consultation with the broader aviation industry critical to achieving Government objectives in administering grant programs. This would be more likely to drive more sustainable, efficient investment and avoid gold plating or unnecessary development. Qantas has had varied experience with airports who are the recipients of Government grants. Some areas of concern relate to:

- Airports seeking to charge airlines for the infrastructure/works as though a grant had not been provided; and
- Airports using grant funding to commence significant, gold-plated infrastructure development that is not necessary to meet current or future projected demand but for which the cost was passed on to airlines.

AVIATION SKILLS AND WORKFORCE DEVELOPMENT

Questions for consideration:

Noting the complexity added by COVID-19 to the changing nature and structure of the aviation workforce:

- ***Are there other or modified options to improve the aviation workforce training framework to better meet the current and future needs of industry, beyond those identified in the Expert Panel Report?***
- ***Are there options to improve the longer term development and/or retention of aviation skills?***

The large scale stand down of employees and lack of flying opportunities to keep certifications current has been one of many challenges for the aviation industry presented by COVID-19. Short-term, Qantas will face significant risk in ensuring our operational workforce certification remains current.

The elapse of 180 days of no flying training in a simulator triggers significant retraining requirements for pilots. When a large proportion of the workforce is stood down and redeployed into secondary employment, it is both difficult and expensive to recall employees in order to undertake simulator training to maintain currency, particularly when it is unclear when an operational need for these pilots will arise. Qantas has also experienced a 'bottleneck effect' in terms of availability of simulator training facilities to accommodate the number of pilots requiring simulator training to maintain their currency. Internationally, this risk is even higher given the anticipated long period of time before the industry may return to pre-COVID flying levels. This will mean a large proportion of our international pilot workforce will require significant retraining in order to receive their currency certification.

The lack of continued flying opportunities for our operational staff has led to a significant proportion of our workforce gaining secondary employment, particularly for our international employees. Qantas has created a dedicated internal Secondary Employment and Career Transition Support Service focusing on connecting employees with key partners for employment opportunities, giving support for employees and providing a variety of resources, webinars and virtual career fairs. Examples of the secondary employment and career transition support provided to our employees are outlined in the diagram below. This service has identified occupation specific transferrable skills matched to growth industries and identified career paths with strong future demand and necessary upskilling and further education required to qualify for these roles. This process has contributed to success in placing Qantas staff into secondary employment, with over 5000 employees securing secondary employment and permanent opportunities. Approximately 2,500 of these individuals have been placed in alternative employment directly by the Qantas Support Team.

JOB SEARCH OPPORTUNITIES	CALENDAR OF WEBINAR EVENTS	TRANSITION TO RETIREMENT	STARTING YOUR OWN BUSINESS
Connect to our available job opportunities with our key partner organisations by location across Australia, New Zealand, UK and US <ul style="list-style-type: none"> • Australia roles • NZ roles • UK roles • US roles 	Webinars on: <ul style="list-style-type: none"> • Interview Skills & Preparation • Starting Your Job Search • Staff Travel: Post-Employment • Qantas Super: When Leaving Qantas • Wellbeing: Managing Physical, Mental & Financial Wellbeing 	Self-service resources for individuals considering transitioning to retirement including <ul style="list-style-type: none"> • Transition to retirement strategy resources • Government resources and support • Tax information from the ATO • Financial considerations and individual support 	A guide and resources to help with starting a business and information from the Franchise Council of Australia (FCA).
EXPRESSIONS OF INTEREST	VIRTUAL CAREER FAIRS	GOVERNMENT RESOURCES	1:1 SUPPORT PROGRAM
Register for any of our Expression of Interest (EOI) databases to receive email job alerts tailored to your preferences with our key partners <ul style="list-style-type: none"> • Health Services • Contact Centre • General, Operations & Grain Harvesting • Corporate 	A series of Virtual Career Fairs held via Webinar with key partner organisations to understand more about their organisation, available job opportunities and how to apply. Recordings of previous organisations are available to view.	Self-service resources to explore available government jobs, how to apply for a role in the public service, skills matching, financial support and links to Services Australia and Department of Education	Service available to those impacted by redundancy who opt into Career Transition Support. Personalised program of support including a number of individual support calls focused on next steps and resources available.
JOB SEARCH RESOURCES	WELLBEING & PEOPLE SUPPORT	QANTAS SUPERANNUATION	SAMPLE COVER LETTERS & CV's
A range of support guides, videos, external sites, articles and samples to download covering: <ul style="list-style-type: none"> • Writing a resume and cover letter • Interview preparation • LinkedIn profile • Mapping the job market 	The Wellbeing and People Support Series is a collection of weekly webinars focused on equipping you with skills to manage your physical and mental wellbeing, financial wellbeing and support you personally as you consider your options and explore secondary employment and career transition.	Series of Webinars focused on important decisions when leaving Qantas Access to Learning Hub and webinars Helpful resources including calculators for super contribution and retirement income	A downloadable example of a Pilot Cover Letter and CV that can be tailored to an individuals personal experience and circumstances.
TRANSFERABLE SKILLS	EMPLOYEE ASSISTANCE PROGRAM	DEVELOPMENT & UPSKILLING	POSITION PROFILES
Self-service guide to identifying transferable skills across the Qantas Group, and specific transferable skills matrix for: pilots, engineers, cabin crew, ground operations and customer service agents	Our Employee Assistance Program (EAP) is a professional counselling and coaching service that offers confidential, free, short-term support for a variety of work related and personal challenges including Employee Assist, Career Assist, Money Assist, Legal Assist & Conflict Assist	Advice on how and why you should upskill as well as a variety of paid and fee-free courses via educational institutions based on your location. Recommendations linked to your transferable skills and growth industries	We've created position profiles for the Pilot work group to assist them in presenting and talking about their experience on their Resume, LinkedIn profile or in an interview.

Qantas considers the key threats to the industry in the medium term include the accelerated retirement plans for pilots based in the Asia Pacific region as a result of COVID-19 and employees who will need to exit the industry due to the need to obtain long-term secure employment. In order to overcome this second hurdle, confidence needs to provide to the workforce that the industry will bounce back once a vaccine is widely available. Confidence is also critical to ensure young aviation enthusiasts continue to enrol and invest in the necessary training to become a pilot or engineer. There are significant financial and time investments required in order to attain these qualifications and it is critical interest remains to ensure the industry has a pipeline of talent to draw upon in a post COVID-19 environment. Feedback from our seven university partners suggests university enrolments in Bachelor of Aviation courses have fallen considerably when compared to pre-COVID levels.

Qantas is optimistic that given the passion, dedication and career investment required to work in the aviation industry, a significant number of our pilots currently undertaking secondary employment opportunities will return to Qantas when the pandemic subsides and flying returns to pre-COVID levels.

Long term, according to research conducted by Boeing¹¹, from 2039, the industry will experience a shortage of skilled labour through pilots, engineers and cabin crew. Boeing anticipates that 763,000 new civil aviation pilots, 739,000 new maintenance engineers and 903,000 new cabin crew members will be needed to fly and maintain the global fleet over the next 20 years. The forecast assumes air traffic recovers to 2019 levels within the next few years. Qantas is concerned that over the long term, we will experience a significant skills shortage in engineering specialisation, given the aging demographic of this workforce.

As Boeing identifies, meeting the projected long-term demand will require a collective effort across the global aviation industry. As tens of thousands of pilots, engineers and cabin crew members reach retirement age over the next decade, educational outreach and career pathway programs will be essential to inspiring and recruiting the next generation.

Qantas also recognises the need to address the chronic gender imbalance in aviation. With a global pilot community which is 97 per cent male, addressing this imbalance is key to meeting long-term market demand. Qantas is at the forefront of encouraging women to become pilots, and has previously announced the Nancy Bird Walton initiative – named after the pioneering Australian aviator – to improve the number of women in its pilot population. The initiative commits Qantas to a 20 per cent intake of

¹¹ Boeing pilot and technician outlook 2020–2039.

qualified women in its Future Pilot Program (which is in line with the proportion of women in aviation courses nationally) and to reach at least 40 per cent over the next decade.¹² Qantas welcomes the Government's 'Women in Aviation' initiative but considers more needs to be urgently done to close the gap in the aviation sector.

The anticipated shortage of skilled labour in the aviation sector could negatively affect Australia's regional general aviation sector. This is due to commercial airlines being considered an 'apex' employer resulting in a preference from skilled employees to work for commercial airlines and not incentivised to relocate or remain in regional Australia working in general aviation. Consideration should be given to how the Government can support providing skilled aviation to regional communities over the longer term.

¹² See 'Our Commitment to People, Culture and Leadership' <https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-people.html#inclusion-and-diversity>

A SUSTAINABLE AND EQUITABLE FUNDING BASE FOR CASA

Questions for consideration:

Are there options to rationalise the number of fees and methods of charging the aviation sector?

Qantas recognises that as a result of COVID-19 CASA and Airservices funding from industry has been significantly disrupted, as have the revenue streams of all businesses associated with aviation. As set out above, Qantas has embarked upon a three year recovery plan in order to survive and permanently reduce its cost base by ~\$1 billion per year, involving restructuring and right-sizing the business to ensure it is fit for purpose, now and well into the future.

Given Australia's aviation industry will look very different during the COVID pandemic and for some time into the future, it is imperative that all aviation businesses, including CASA and Airservices adopt similar 'right-sizing' approaches to remain sustainable. Qantas is supportive of a review into the charging methodology for CASA, however in order to provide more meaningful feedback, a series of options or models under consideration from Government would greatly assist us in forming a view.

There are four critical elements to any new funding regime:

1. Any change in funding arrangements should come at no additional cost to industry;
2. The domestic industry cannot subsidise the lost costs from international flying whilst both sectors struggle to recover from the COVID-19 pandemic;
3. Airlines should not cross-subsidise the regulation of eVTOL (drone) aircraft. Qantas supports the imposition of fees from CASA on commercial drone operators, particularly as the market for commercial drone operators grows; and
4. Charges should not be levied on airports without restrictions limiting them from passing the cost on to airlines. In Qantas' experience, airport operators will not only pass on additional fees to airlines, but they will also apply a margin on top of the charge. This is an inefficient method and will ultimately mean the customer pays more. If such an option were considered, it is important that appropriate legislative or regulatory measures are put in place that would prevent airports from passing on and profiteering from these additional charges.

Qantas has considered various funding options for CASA such as:

- International models, which use passenger or aircraft charges, such as that adopted in New Zealand. Qantas supports such a model on a per passenger charge, however we do not support this model on a maximum take-off weight basis, applying to passengers on domestic and international services. However, Government must remain cognisant of the need to stimulate strong demand in the aviation industry in Australia. Applying any additional levies or charges on passengers will detract from the industry's ability to recover as it may stifle demand;
- Introduction of a landing fee on domestic and international operators and removing the fuel excise. This is problematic in the short term given the significant lack of international flying, which is likely to remain muted for some time. In the long-term, Qantas conditionally supports such an option, however, how the costs are split between international and domestic operations is critical; and
- Payment of an aircraft registration fee to achieve simplification of charging for airlines and general aviation. Qantas is broadly supportive of such a suggestion on the basis that it would result in no cost up to airlines. This would likely lead to identification and increased visibility of other general aviation operators.