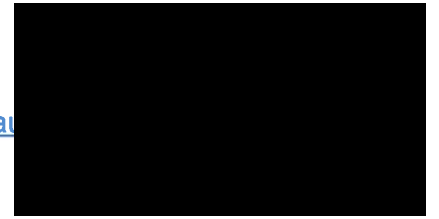


27 November 2020

Director, Project Strategy Unit
Strategy & Economic Projects
GPO Box 594
CANBERRA ACT 2601



Via electronic submission – aviationconsultation@infrastructure.gov.au



Dear Sir / Madam

RE: Future of Australia's Aviation Sector Issues Paper

On behalf of the South Australian Freight Council's (SAFC) Executive Committee and Membership I thank you for the opportunity to provide a submission into the 'Future of Australia's Aviation Sector – Flying to Recovery' Issues Paper.

As you may be aware, SAFC is the State's peak, multi-modal freight and logistics industry group that advises all levels of government on industry related issues. SAFC represents road, rail, sea and air freight modes and operations, freight services users and assists the industry on issues relating to freight logistics across all modes.

Aviation is a critical enabler in connecting Australia to the world – both in terms of passengers and freight. While air freight represents less than 1% of Australia's exports by volume, it represents between 10% and 20% in value in normal times.

However, these are not normal times, and the COVID-19 Pandemic has hit the aviation sector harder than any other transport mode. Domestic aviation currently operates at a fraction of pre-pandemic capacity, and international aviation is barely operating – providing a few key international connections, often only viable due to subsidy by government(s).

Australia is an island nation, isolated from its international markets. We must have strong transport links, by both sea and air, if we are to flourish in a globalised international economy.

Our responses are set out below.

Again, I thank you for the opportunity to provide a submission on this important topic. Should you wish to discuss any element of this submission further, or for SAFC to appear before the Committee, please feel free to contact me on ([REDACTED])

Evan Knapp
Executive Officer, SA Freight Council.

Part A – COVID Response

Firstly, the Government and Department must be congratulated for its COVID aviation response – maintaining essential connectivity across Australia’s long internal distances, preserving critical capacity for a quick industry ramp up post-COVID and, critically, maintaining a core network of international freight flights to provide a route to market for high value export industries.

Depending on which set of figures is used, and whether they are jurisdiction specific or not, air exports represent between 10% and 20% of total exports (by value). While sea exports have faced only limited challenges from COVID-19, the challenges for air freight exports have been enormous.

Given the significant percentage of export value that air based exports represent, the value of those exports to the national economy, and the significant number of jobs these export industries support, it is clear that there is no full economic recovery from the crisis without an air export recovery.

The International Freight Assistance Mechanism (IFAM) is a critical part of this recovery. It:

- Maintains supplier relationships between Australian exporters and their clients over the crisis period. Once lost, these are difficult to re-establish.
- Provides a route to market for high value export-based industries that would not survive without it (such as the Southern Rock Lobster fishery)
- Maintains international airline presence on Australian routes, and Australian offices for these airlines, making re-establishing routes easier post-crisis.
- Provides a mechanism for critical time sensitive supplies (like vaccines) to be imported.

IFAM has been well received, and has operated relatively well – but it is not perfect (nor would we expect any crisis response mechanism to be).

IFAM’s focus has been on keeping the goods moving, not keeping a similar percentage of service levels at each major export airport. This has led to a larger than normal percentage of IFAM supported flights out of Sydney and Melbourne. Unofficial statistics we have sighted suggest that approximately 1% of IFAM supported volume has been through Adelaide Airport, for example.

This means that there will be a larger and more difficult task for Adelaide Airport, and other non- MEL & SYD airports to bring the number of international airlines and flights back to pre-COVID levels.

It will be important in the IFAM step-down period that this is considered. IFAM support should be withdrawn at a higher level from Melbourne and Sydney flights first, as:

- these will be the most independently financially viable flights
- Airlines that have maintained a presence in markets will be more likely to return and ramp up flight numbers than those that have left for the COVID period, benefiting MEL & SYD.

This will assist those jurisdictions that have had less support for services during COVID to recapture flights. We would suggest that when the IFAM expenditure share matches the jurisdictional population share that support should then decline equally across all jurisdictions.

Federally leased airports – the former Federal Airports Corporation (FAC) airports – have also ‘done it tough’ during the crisis. Unlike airlines, they cannot cease airside services. Many have faced tenant losses, or have provided costly rent relief to tenants. Their usually solid and predictable income is likely to be impacted (by the government’s own view in the issues paper) until 2024.

Given these facilities are providing essential services that can not be shut, even when unprofitable or barely used, support should be considered for airports as critical infrastructure and service providers. This could be done in a number of ways – early lease renewals, access to development funds (particularly for on-airport freight facility development, which may unlock export potential for economic multipliers), pauses on fees and equivalence charges etc.

Early support for the resumption of international travel, either through the creation of travel bubbles; or through an internationally recognised and accepted ‘health passport’ and COVID vaccination recognition system would also benefit this group.

Given that full COVID recovery for the sector is not expected until 2024, recovery will need to remain a central pillar of the 5 year aviation plan.

The Commonwealth can greatly assist this process by:

- Forming international ‘travel bubbles’ with other low risk countries, with strict but reasonable safety protocols, as soon as possible. Based on infection suppression, New Zealand is the first target followed by the Pacific islands.
- Leading international efforts to negotiate a protocol for the movement of persons that have been vaccinated against COVID through a ‘Health Passport’ or similar scheme, plus attendant airport safety protocols. Given vaccine development is proceeding apace, efforts towards this goal should begin now, to allow these movements to begin in the middle of 2021.
- Working with State Governments, International Airports and others on re-attraction of international airlines to provide services to/from Australian destinations.

Part B - 5 year Plan

Please see the above two paragraphs on COVID related elements that should be included in the 5 year plan, given the expected long term effect of the pandemic on the sector.

Domestic Aviation competition is important for Australia, to keep fares and freight rates reasonable. With the collapse of Virgin and purchase by Bain Capital, it is unknown what level of competition this reborn airline will provide the dominant market player, QANTAS. Cabotage liberalisation, where the regulatory safety, security and industrial relations standards are acceptable is an option that should be explored to reduce the market power of the current dominant player.

Aviation is the hardest transport sector to improve carbon dioxide equivalent emissions from, in order to combat climate change. Unlike trucking, large electric planes are not on the horizon, and significant fuel improvements (like in international shipping) also seem less likely, and where possible are likely to have less impact. As such, offsetting will be the key measure to address international aviation’s carbon emissions.

It has been 20 years since the Adelaide Airport Curfew Act was passed – and a similar period for the much better known Sydney Airport Curfew. If the government is looking to

reduce the regulatory burden on the sector, reviewing these instruments makes sense given their age.

SAFC is not advocating for curfew removal in Adelaide, but there are opportunities to look for 'win wins' for both residents and aviation stakeholders. Removing the list of aircraft permitted to operate during curfew or for LNHF (Low Noise Heavy Freight) movements, and replacing these with a noise standard that allows the industry to improve over time by purchasing newer, quieter and more fuel-efficient aircraft as they come to market is one such opportunity.