

## Tourism & Transport Forum (TTF)

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Director

Strategic and Economic Policy Projects  
Department of Infrastructure, Transport,  
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CANBERRA ACT 2601

Via email: [aviationconsultation@infrastructure.gov.au](mailto:aviationconsultation@infrastructure.gov.au)

Dear Director

Tourism & Transport Forum (TTF) is the peak industry group for the tourism, transport and aviation sectors, representing organisations from airlines and airports to hotel operators and iconic tourism attractions.

I write in response to the Department of Infrastructure, Transport, Regional Development and Communications' Issues Paper on The Future of Australia's Aviation Sector – Flying to Recovery.

TTF would like to reinforce existing contributions made by a number of our aviation members, those being Brisbane Airport, Melbourne Airport, Newcastle Airport, Sydney Airport, Western Sydney Airport and Qantas as well as the aviation sector more broadly. What follows is a snapshot of these contributions, which are only the views of each contributing member.

### Summary of Qantas Contribution

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.

Australia is estimated to be 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 Australian international borders shut, 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 remains 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, the airline has 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). Despite the recent opening of domestic borders, 2021 will remain a very challenging time for the aviation industry as it grapples with a soft economy and the ongoing closure of international borders.

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 2024 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.

### **Summary of Brisbane Airport Contribution**

BAC appreciates the Commonwealth's efforts to support the aviation industry through the early months of the pandemic. Nonetheless, less than 10% of this support has reached airports. Such support was either direct, through infrastructure grants and waivers or deferments of regulatory fees and charges or indirectly from rebates of domestic security screening costs. The economy-wide support provided by the Commonwealth, such as JobKeeper, was welcome and BAC congratulates the Commonwealth on what has clearly been a key initiative in buttressing Australian businesses and individuals through this extraordinary period. However, the consequences of some aspects of the JobKeeper program, including the exclusion of foreign-owned firms has disproportionately impacted the aviation supply chain, most particularly ground handling, and security screening firms. This has meant that skilled workers have drifted away from airports to other parts of the economy, slowing the restart of the aviation industry through the need to re-certify, re-qualify and re-accredit staff coming back into the airport sector.

As has been widely noted, the national economy's recovery from the pandemic, which will take many years, will be compromised if the long-term viability of the aviation industry is fragile. BAC encourages ongoing Commonwealth efforts to implement a nationally consistent, co-ordinated approach to 'triggers' for border closures and opening. The current inconsistent interpretations of health advice have made an already difficult situation for the aviation industry even more complicated and difficult to manage. There are a range of policies and steps the Commonwealth Government could take to support the viability of the airport sector. Whilst the re-opening of some domestic borders is welcome news, airports will not return to pre-COVID passenger numbers, or profitability, for some time yet, particularly given recent events.

In addition to this, there remains the very serious significant financial impact on airports of unrecovered government-mandated charges stemming from the forced collapse of domestic and international aviation through government decisions to close borders. Australian airports are carrying approximately \$160 million in unrecovered government-mandated charges for 2020, including shortfalls between predicted and actual per-passenger costs for domestic and international security screening, increased levels of mandated airfield security due to the parking of grounded aircraft, and additional costs for undertaking enhanced COVID-safe terminal cleaning regimes. Brisbane Airport Corporation, like all Australian airports, has carried these costs as good corporate citizens and as providers of essential transport infrastructure. BAC has also shouldered some of the burden these closures have delivered to our retail tenants and other partners through rent relief and other support packages.

As a recognition of the effort of airports to remain open during the crisis, reimbursing the unrecovered government costs from 2020 and setting out funding to cover the shortfalls in mandated charges through 2021 would cost approximately \$345 million. BAC urges the government to consider this.

The Commonwealth take a greater role in the safeguarding of airports from inappropriate off-airport developments which have the potential to compromise airport operations from both a safety and community impact perspective. Residential encroachment, building heights etc are all areas of concern for airports and the airspace operator, both of whom would, no doubt, appreciate firmer and clearer engagement by the Commonwealth with local authorities on these matters. Also, effective, considered, Airspace management is critical to the successful operation of Australia's airports and to the ability to grow operations to meet consumer demand. While many in the community, and in government, see aircraft noise as an airport problem, it is a tri-partite issue involving airports, airlines and the Commonwealth's airspace manager, Airservices Australia. Nonetheless, it is the airports that have the most to lose if community concerns are not adequately addressed in airspace design, daily air traffic management, and airline operations.

## Summary of Melbourne Airport Contribution

The reality that airports provide an essential service for a country like Australia has been proven beyond doubt through COVID-19. The sector has incurred material financial losses while at the same time many industries have relied on our continued operation for their own survival. While we appreciate the support provided through the economy wide measures such as the JobKeeper program, there has been little to no direct support in recognition of either the impacts or the essential service we provide. Melbourne Airport notes the critical importance of the International Freight Assistance Mechanism (IFAM) program in maintaining the connection between Australian exporters and international markets. In implementing this program, government should be watchful that the consolidation of freight through any one port does not become entrenched as we emerge on the other side of the crisis.

The Regional Aviation Network Support (RANS) and Domestic Aviation Network Support (DANS) programs should be applauded for ensuring a basic level of connectivity for essential travel between Australia's cities and regional areas even as COVID-19 rendered these routes unviable. At the same time, while the design of the scheme has sustained airlines, airports have been unable to generate enough revenues to cover the cost of the servicing flights. While there are encouraging signs that the Australian economy has commenced its recovery, the aviation sector will remain in a perilous position for the foreseeable future. Even as domestic travel gradually returns, the prospect of international travel before late 2021 is remote. As such, our submission recommends that existing measures to support the sector are continued and economy wide measures are retained for the sector. These include:

- Extension of JobKeeper for the aviation sector
- Extension of the IFAM funding beyond 2021
- Gradual tapering of RANS and DANS
- Funding for international security screening charges
- Funding support for the implementation of any future COVID safe travel requirements that may be required.

Australia will be competing globally for passengers and airline routes in an aviation sector that will be severely constrained in the medium term. This creates a greater imperative to resolve existing issues relating to visa fees and processing, and the Passenger Movement Charge. We also recommend that there is an opportunity for the federal government to establish a fund to support aviation attraction and build on the previous work which has been done on destination marketing. We expect to see a dramatic shift in the aviation industry, with airline consolidation a key feature. The ability to compete for and attract new routes, or the consolidation of existing routes will require funding support.

## Summary of Sydney Airport Contribution

Aviation was the first sector hit by COVID-19 and will likely be the last to recover. For this reason, SYD welcomes the Government's focus on the recovery of the aviation sector over the medium-term. Like many businesses in the aviation and tourism sectors, SYD has been placed under considerable financial strain in keeping the airport operating as an essential service to support the movement of people and goods. This has occurred in an environment where passenger numbers have declined by approximately 97% at SYD since April 2020. Prior to COVID-19, SYD facilitated ~\$38 billion in economic activity (equivalent to 2.2% of the national economy and 6.8% of the NSW economy), supporting over 330,000 jobs including 33,000 jobs across 800 businesses on the airport site itself.

Regulations, policies and procedures should never be set in stone and need to be constantly reviewed to ensure they remain fit-for-purpose – accounting for structural changes and innovations in the industries they service. Taking a macro-level view of the aviation sector and the regulatory, legislative and procedural settings that underpin it is a welcome first step.

Given the breadth of the topics covered in the Issues Paper, SYD would encourage the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) to undertake further targeted and specific consultations with industry as the five-year plan is developed and any subsequent changes implemented.

Like airports, airlines and other businesses reliant on aviation, the traditional revenue streams for aviation services provided by Australian Border Force, the Department of Agriculture, Water and the Environment, the Civil Aviation Safety Authority and Airservices Australia have come under considerable strain during COVID-19. Looking to the future, it is prudent to consider the sustainability of funding arrangements for Government departments and entities providing services to the aviation sector. A wholesale review should be undertaken of all fees and charges in providing aviation services, including considering the sustainability of the aviation sector being relied upon to fund these services. This has shown itself to be particularly problematic in the context of COVID-19 and will continue to remain an issue as the industry seeks to recover.

For example, at one stage the Passenger Movement Charge (currently levied at \$60 per departing international passenger) was raising approximately double the amount it cost to administer border services. While a 5-year moratorium on increasing the PMC was put in place in 2016, these costs should be subject to frequent review as they have a distortionary effect on the market in terms of dampening demand as it adds to the cost of travel. It also worth considering whether these funds should be deployed to support other critical functions that serve a public interest such as in meeting security costs.

This will be particularly important as the aviation sector moves into the recovery phase. Any changes to funding arrangements that increase costs for aviation businesses, also increases the cost of travel. This could have an adverse impact on the recovery prospects of the sector and the jobs and economic benefits that flow from it throughout the whole economy.

### **Summary of Newcastle Airport Contribution**

Newcastle Airport agrees with the government that restoring confidence in the aviation sector is critical to stimulate investment and employment in the sector. The airport also understands that a strong aviation industry will be vital to seeing a broader nationwide economic recovery in 2021 and beyond. Unfortunately, current aviation policy setting, particularly grant arrangements, fail to unlock the significant economic potential of mid-tier regional airports, of which, Newcastle is an obvious example. Current Newcastle Airport lease arrangements are already in the form of an income contingent loan which facilitates long term recycling of capital and may be a pathway for future aviation sector funding.

With this in mind, Newcastle Airport strongly urges the government not to wait on policy reviews but recognise the time criticality of this project and act immediately to take advantage of the once in a generation opportunity to upgrade the Defence owned runway at Newcastle Airport. This upgrade will allow the Airport to deliver on its key objectives of being the airport the region deserves. Providing significant short and long-term benefits to the industry, the region and the nation. This upgrade is supported by Defence, key industries and other tiers of government. It also has an incredibly strong mandate from its region which extends far beyond the boundaries of the Hunter. Timing is critical and, as Newcastle Airport has demonstrated, the business case is compelling.

In order to release billions of dollars in economic benefit, Newcastle Airport's runway requires an upgrade to Code E status, which will allow it to accommodate long-range, wide- bodied aircraft. This upgrade will directly connect the Hunter and Northern NSW to the rest of the world. In doing so, it will create an immediate and permanent stimulus to the visitor economy, generate a huge uplift in freight activity and deliver significant jobs and growth to Australia's largest regional economy.

This project is a strategic aviation sector infrastructure investment, funding a Commonwealth owned asset that will deliver benefits across multiple sectors of the economy and across a broad geographic area of regional NSW. It will trigger private sector investment and also provide growth and confidence to the aviation sector and the broader economy.

Importantly, this runway upgrade offers a return on investment that sets it apart from all other airport infrastructure projects, generating over \$12B in new economic activity and 4,400 jobs and a Benefit Cost Ratio (BCR) of >2.1. Despite its compelling business case and economic impact there is currently no grant/funding pool that is suitable to support this project under the current policy settings.

Newcastle Airport's arrangements with Defence means that a Federal Government investment to bring the runway to Code E status will result in increased passenger numbers throughout and thus increased revenues, resulting in increasing lease payments to the Commonwealth. For the Code E upgrade, this more than returns the government investment over the life of the asset. This arrangement has the character of an income contingent loan and could be a model for future government support to the aviation sector. Newcastle Airport's efforts during the last three years to secure funding provides a compelling case study of how current aviation grant funding fails to unlock the significant economic potential of a mid-tier regional airport. Only through strategic grant funding from the government, will this key piece of regional infrastructure be delivered. Direct benefits to Newcastle Airport are insufficient to raise debt to fund this vital project as the vast majority of these benefits will flow to the broader community.

### **Summary of Western Sydney Airport Contribution**

The 2026 horizon for the Government's Five-Year Plan for aviation is highly relevant to Western Sydney International (Nancy-Bird Walton) Airport (WSI) given the Airport is expected to become operational by the end of that year. WSI is a transformational infrastructure project that will generate economic activity, provide employment opportunities in the Western Sydney region, and meet Sydney's long-term aviation needs. The commencement of construction of WSI is noted in the Issues Paper as a key recent aviation Government policy initiative.

Measures implemented in response to the COVID-19 pandemic have seen severe declines in air traffic in Australia, in line with trends in global markets. However, Australia's size, geographically dispersed population and long distances between major urban centres mean that aviation will continue to play a pivotal role in connecting people and businesses, as well as facilitating tourism and the movement of goods within Australia. Similarly, key export sectors of the Australian economy such as inbound tourism, education and high-value agricultural goods are heavily dependent on international air links. Initial demand when WSI opens is expected to be about five million users annually – equivalent to 75 – 80 percent of passenger numbers at Gold Coast Airport in 2019. The first stage of WSI's development will be capable of serving around 10 million passengers in total, including up to two million international passengers. This level of demand is likely to be reached by the mid-2030s and is comparable with passenger numbers and the domestic/international profile of traffic at Adelaide Airport in 2019.

WSI's treatment under Australia's international airline access policy will have an important bearing on its ability to attract international services. While initial operations will be dominated by domestic and trans-Tasman services, international markets, which are larger and less mature, represent a key source of growth. This is reflected in the Airport Plan, which assumes an approximately even domestic/international split of traffic by 2050. Fostering these overseas markets and building early momentum in them will be vital to WSI's success and the economic benefits the Airport is able to deliver to Western Sydney in terms of employment, tourism and trade.

### **TTF Conclusion**

TTF looks forward to working closely with the Department on behalf of these members and the aviation sector more broadly on these and other issues into the new year. TTF's contact on my behalf is TTF Manager Policy and Government Relations Lindsay Hermes and his details are \_\_\_\_\_

Yours sincerely

**Margy Osmond**

Chief Executive

Tourism & Transport Forum