



Business Council of Australia

30 November 2020

Director, Strategic and Economic Policy Projects
Data, Analytics and Policy Division
GPO BOX 594
CANBERRA ACT 2601

Via email: aviationconsultation@infrastructure.gov.au

Submission in response to The Future of Australia's Aviation Sector: Flying to Recovery, Issues Paper 2020

Dear Director

The Business Council of Australia welcomes the Australian Government's focus on supporting the aviation sector and the opportunity to provide feedback to The Future of Australia's Aviation Sector: Flying to Recovery, Issues Paper 2020 (Issues Paper).

The COVID-19 global pandemic has caused unprecedented challenges for the aviation sector - both domestic and international. With planes grounded, airports brought to a grinding halt and aviation-related businesses experiencing a dramatic fall in revenue, 2020 has seen the industry under tremendous pressure.

Although we are starting to see the reopening of domestic borders and the resumption of key domestic routes, there is no doubt that 2021 will continue to present significant challenges for the sector.

Therefore, the Business Council believes that the Australian Government's attention must continue to remain on supporting the industry's survival and ability to bounce back as we recover and a vaccine is rolled out. While we appreciate the important focus of the Issues Paper, unfortunately it is too soon to chart a course beyond the immediate support and recovery phase.

Looking too far into the future brings regulatory uncertainty to an industry that is focussed on immediate survival. As such, the Business Council welcomes engagement on Part A of the Issues Paper, with consideration of Part B deferred until the sector has sufficient bandwidth to engage constructively.

As the Issues Paper clearly articulates, we have seen an unprecedented downturn in the aviation sector. In a complementary piece of work, the Business Council commissioned EY to undertake analysis of the economic fallout of domestic and international aviation over the past seven months. These two reports are attached for your consideration.

The reports recognise that while the safety of Australians remains our number one priority, we must also learn to live with the virus until a vaccine is available. As this analysis demonstrates, our recovery will be stronger and faster if we can agree on a national timetable and transparent protocols for removing domestic travel restrictions and a plan for a gradual and safe reopening our international border.

We acknowledge in these reports that this will require a highly-targeted, careful and staged reopening of the economy based on health advice with robust nationally consistent systems in place for departures and arrivals, quarantining, local containment, and digital tracking and tracing.

Level 42, 120 Collins Street,
Melbourne VIC 3000

GPO Box 1472, Melbourne 3001
www.bca.com.au

T 03 8664 2664
F 03 8664 2666

reception@bca.com.au

The analysis also demonstrates how Australia is lagging behind other countries in recovering aviation activity and the flow on impacts to agricultural exports, regional tourism and Australia's business events industry.

To support the survival and recovery of the aviation section, the Business Council supports the Government maintaining the Australian Aviation Financial Relief Package and the International Freight Assistance Mechanism until the domestic and leisure markets normalise during the first half of 2021. A further decision could be made in mid-2021 on whether this assistance continues to be essential for the survival of the aviation sector.

Once again, thank you for the opportunity to provide feedback on this important issue. The Business Council and its members stand ready to work with the Australian Government to reopen the aviation sector and ensure its speedy, safe and sustainable recovery.

Yours sincerely



Jennifer Westacott AO
Chief Executive

Encl. *The role of aviation in Australia's economic recovery, 22 October 2020*
Wheels up: getting Australia's domestic aviation back flying, 22 October 2020

A photograph of a large commercial airplane on a tarmac at sunset. The sky is a mix of orange, pink, and blue. The airplane is white with a dark tail. Ground service equipment is visible around the plane. A yellow text box is overlaid on the left side of the image.

The role of aviation in Australia's economic recovery

The economic urgency for a plan to safely and sustainably restore Australia's domestic and international air links

22 October 2020



**Business Council
of Australia**



Building a better
working world

Australia and the global community face an ongoing health and economic crisis

The COVID-19 pandemic is the greatest public health challenge in a century.

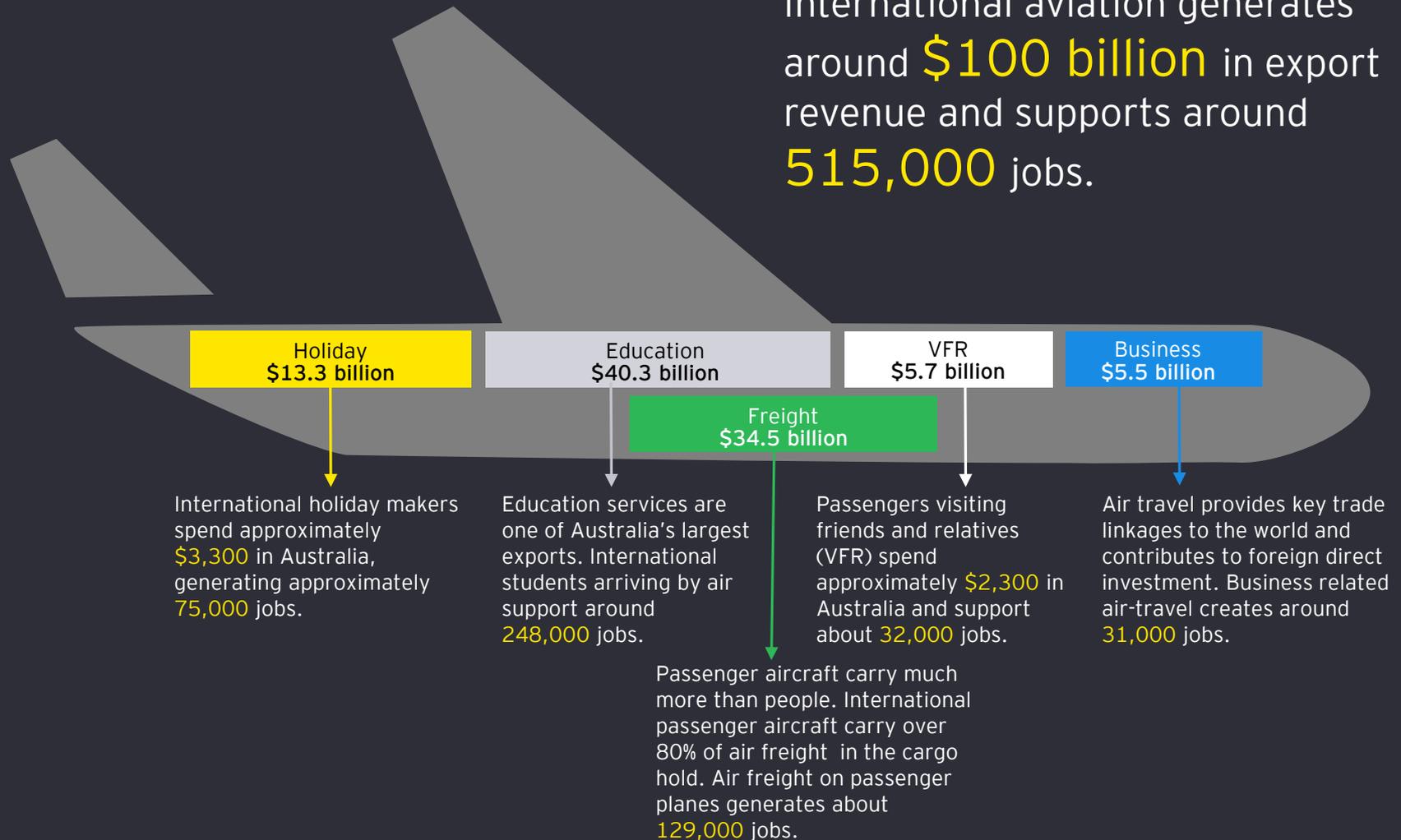
- ▶ The impact of COVID-19 on Australia's community and economy has been unprecedented.
- ▶ The crisis is still unfolding and federal and state governments are working to manage the spread of COVID-19.
- ▶ Policy responses to suppress the virus affect nearly every citizen and business, including:
 - ▶ Effective closing of international borders (tight caps apply on inbound arrivals)
 - ▶ Internal border controls
 - ▶ Quarantine standards
 - ▶ Social distancing
 - ▶ Widespread testing and tracing arrangements.
- ▶ The restrictions placed on individuals and businesses have significantly impacted Australia's economy. Australia is confronting a deep recession, the first in 30 years.

Australia has led the world in its health response to COVID-19. But Australia's economic recovery hinges on the restoration of our domestic and international air links.

We urgently need a plan to safely and sustainably restore travel in a way that ensures the ongoing protection of the Australian community.

International aviation delivers a unique economic benefit to Australia – other sections of the economy can't compensate for its loss

International aviation generates around **\$100 billion** in export revenue and supports around **515,000** jobs.



Air travel supports many Australian industries and jobs and provides key trade linkages to the world

International passenger travel has declined by 95% and more than half of the world's flights have been grounded. While international borders remain closed, Australia is losing **\$7.6 billion** per month in economic value.

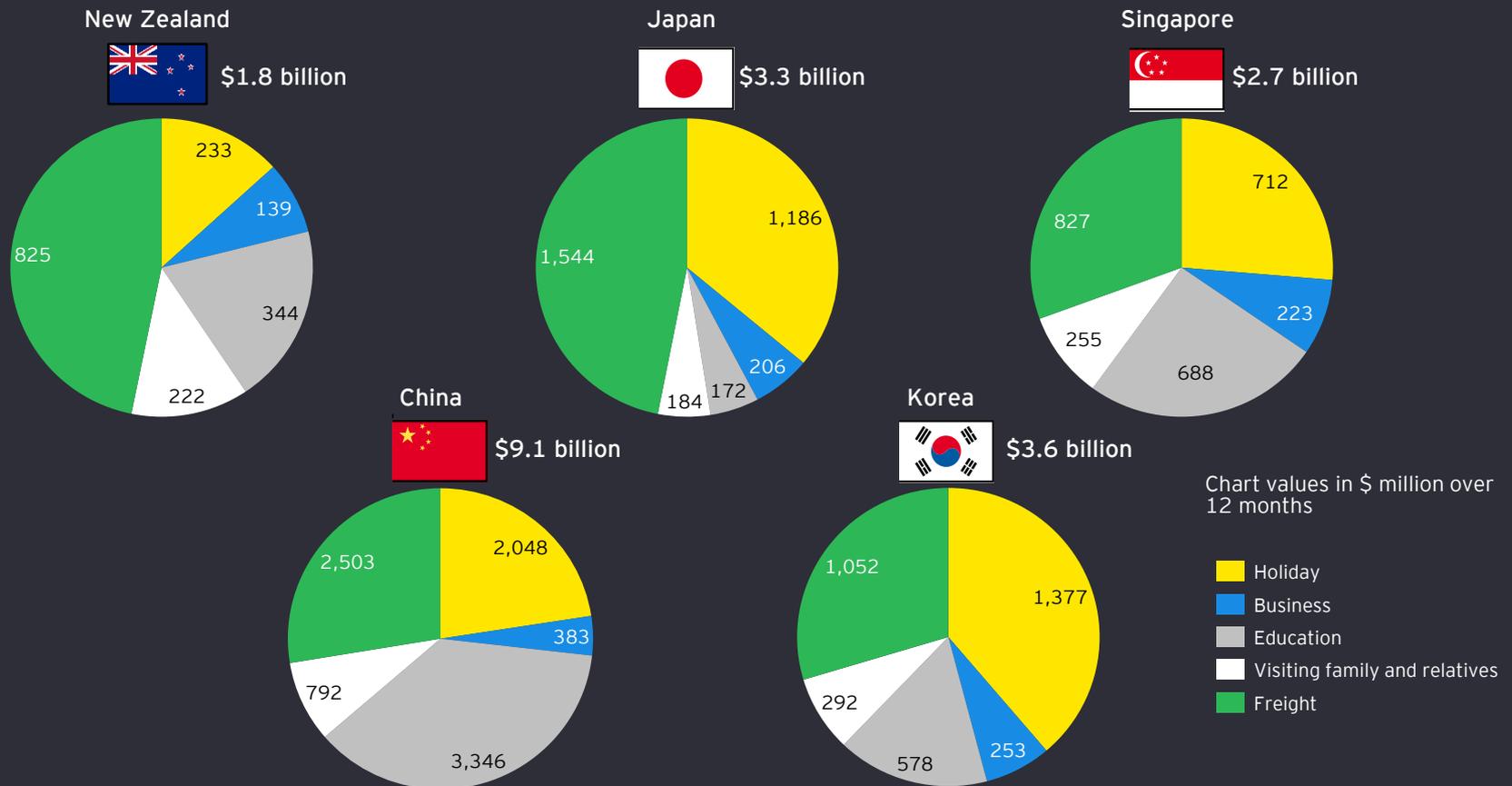
- ▶ The flow of tourists, overseas students, business travellers and air freight to Australia has been profoundly disrupted.
- ▶ Agricultural exports are among the high value exports constrained due to COVID-19 international travel restrictions.
 - ▶ Air freight beef and sheep meat exports declined by 13% and 34% respectively in 2020 compared to 2019.
 - ▶ Over 75% of seafood exports are airfreighted, with the value of lobster exports declining by around 36% in 2020 compared to 2019.
- ▶ The International Freight Assistance Mechanism (IFAM) has been a crucial action by Government to maintain international trade and must continue. However the only way for air freight to rebound is with greater capacity through passenger aircraft.

Higher domestic tourism from Australians holidaying at home will not offset tourism and trade losses due to the dislocation of international air travel.

- ▶ On average, international visitors (e.g. tourists, business travellers and short term students) spend \$5200 per trip in Australia. But some travel markets are more lucrative, for instance Chinese travellers spend around \$9300 per trip.
- ▶ In contrast, domestic travellers spend around \$700 per trip.
- ▶ The capacity for domestic travel revival will be constrained by current travel restrictions.

Bilateral travel corridors between countries, with non-quarantine safeguards, could offer significant benefits

- ▶ Safe travel corridors with selected countries are estimated to generate **\$20.5 billion** for Australia over a period of 12 months.
- ▶ When it is safe, and based on countries' management of COVID-19, travel corridors could include New Zealand, Japan, Singapore, China and Korea.



All parts of our aviation sector have been disrupted by COVID-19

Australia's domestic air travel has not bounced back like many other countries that have closed external borders.

- ▶ State border closures affecting aviation services are costing about \$69 million per day.
- ▶ There has been widespread job losses across the aviation sector, including airlines, airports, catering and ground handling and transport services.
 - ▶ Australia's two major carriers have laid off around 11,500 employees.
 - ▶ The extent of direct job losses and furloughed positions is already affecting more than 34,000 people.
- ▶ We need to plan now so we are ready to ramp up air travel when health conditions allow.
- ▶ Any delay would unnecessarily impact the aviation sector and heavily dependent sectors, such as tourism and business events.

The economic fallout

Losses from shutting international aviation since the pandemic

\$61 billion

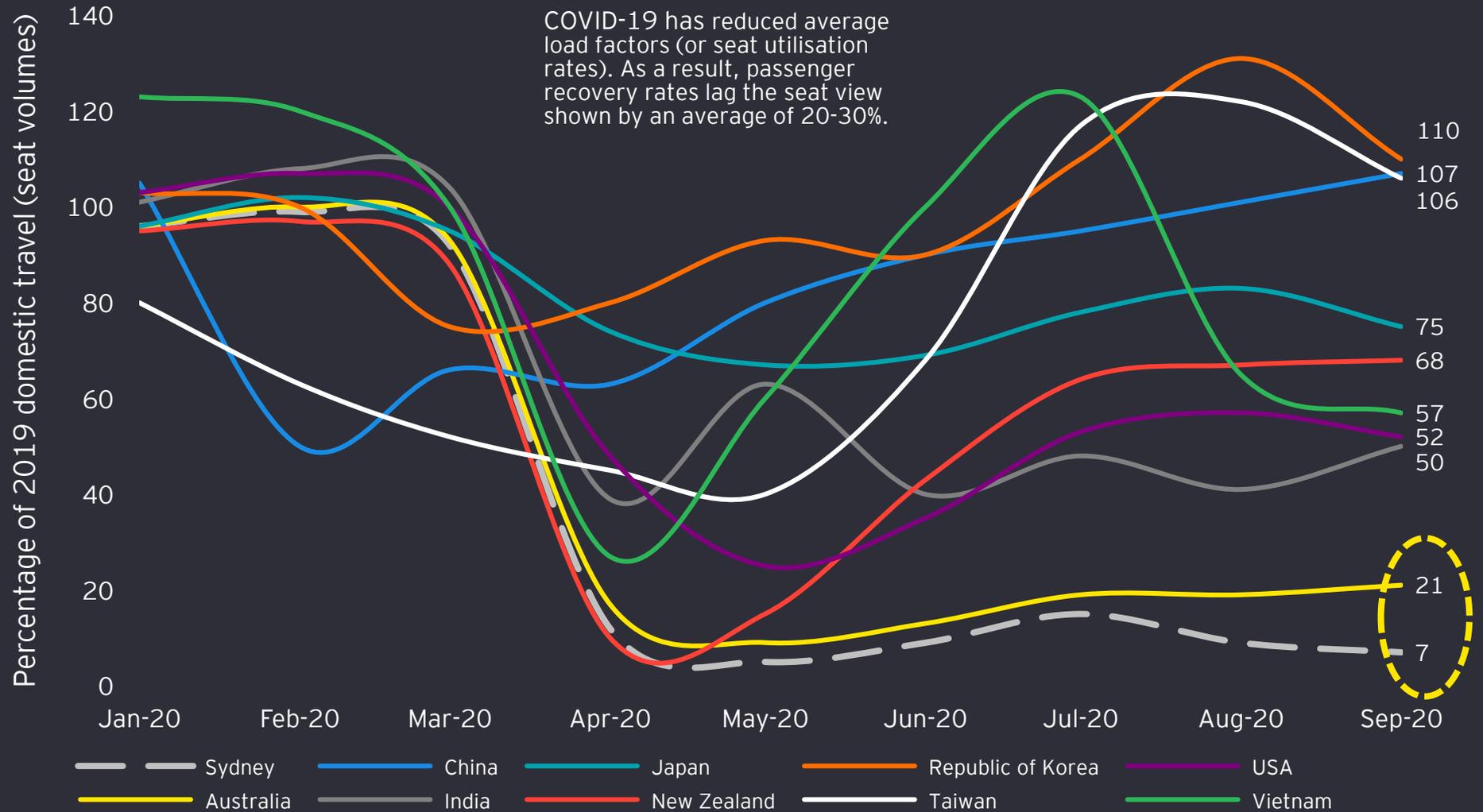
Mar to Oct 2020

The shutdown will continue costing Australia

\$7.6 billion per month
or **\$250 million per day**



Australia is lagging other countries in recovering domestic aviation activity



Source: SRS Analyzer, courtesy of Sydney Airport

The urgent need for a plan to restore Australia's international aviation links

Air travel is critical to the Australian economy. Travel corridors can be developed to rebuild the **\$100 billion** generated by international aviation at the same time as keeping Australians safe.

- ▶ Domestic tourism activity as Australians holiday at home rather than abroad will provide some economic support.
- ▶ It will not substitute for the lost activity in business, education and air freight which is a critical component of our global air travel links.
- ▶ We need to start planning for borders, first state and then international, to reopen once the health situation permits.



Start slowly and build up in structured, incremental steps. It requires trust and the ability to contain the virus, including widespread testing, contact tracing and effective quarantining.



Travel corridors could be an effective means to open up travel within Australia and then with other select countries.



Rigorous public health measures to facilitate safe travel will be essential, including being prepared to halt travel again if the situation changes.



Strong coordination between tourism commissions, airlines and airports, industry associations and government agencies will be essential to manage reopening.

Sources

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- ▶ **Tourism Research Australia (2019)**, International Visitors Survey

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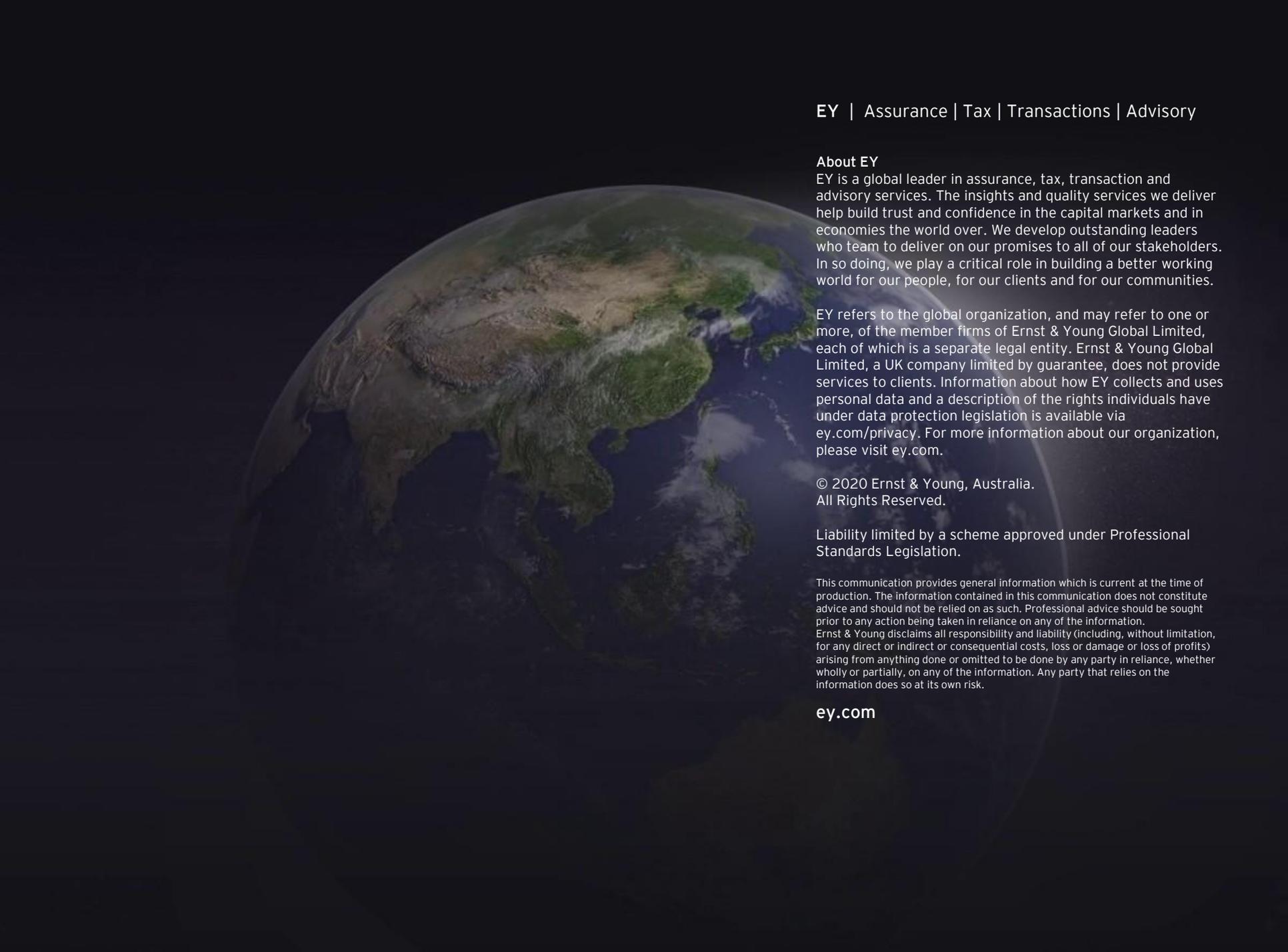
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Wheels up: getting Australia's domestic aviation back flying

22 October 2020



**Business Council
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Building a better
working world

COVID-19 has grounded domestic air travel

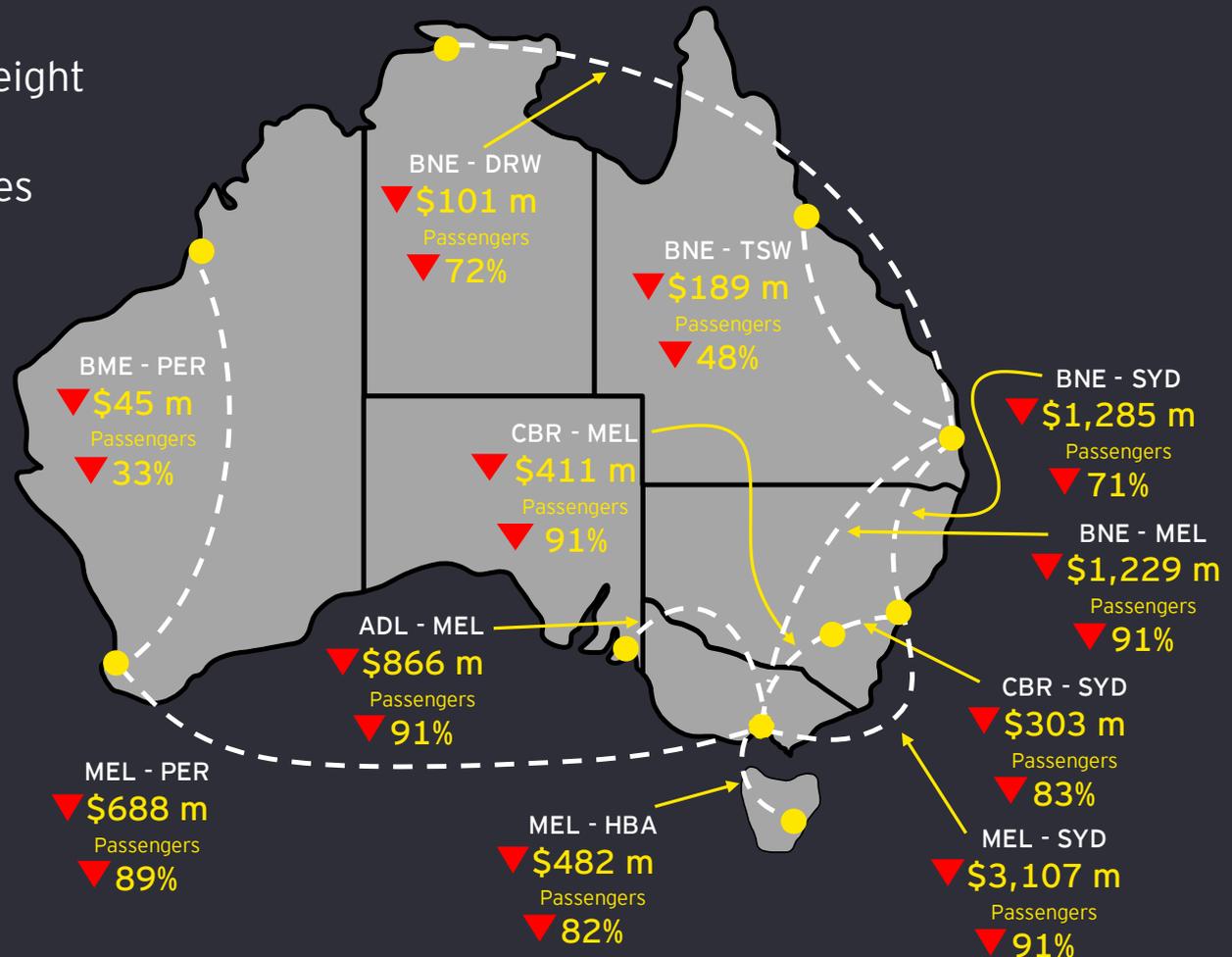
All Australia's domestic air routes have been decimated since the pandemic.

- ▶ Capital city air connections virtually disappeared at the height of the pandemic.
- ▶ Major intrastate routes were also heavily impacted.

A pre and post pandemic picture of Australia's key air routes

March - Oct 2019 vs. March - Oct 2020

Selected routes cover 50% of all passengers



*The economic losses and the collapse of passenger volumes would be even greater in the absence of the Regional and Domestic Network Support programs.

Internal border restrictions continue to be a brake on our economic recovery from COVID-19

In March, States and Territories imposed unprecedented travel bans and border restrictions to manage the pandemic.

- ▶ Domestic aviation services were virtually shut down.
- ▶ International border closures stopped entry of foreign travellers who also use domestic services.

While suppression of COVID-19 has been successful in all states, many border controls remain in place.

- ▶ Queensland remains closed to NSW and Victoria.
- ▶ Western Australia is closed until April 2021.
- ▶ Tasmania remains closed but has announced plans to ease controls in late October.

Internal border controls have rarely been adopted in other countries as part of their COVID responses – Australia remains well behind other countries in getting domestic aviation flying.

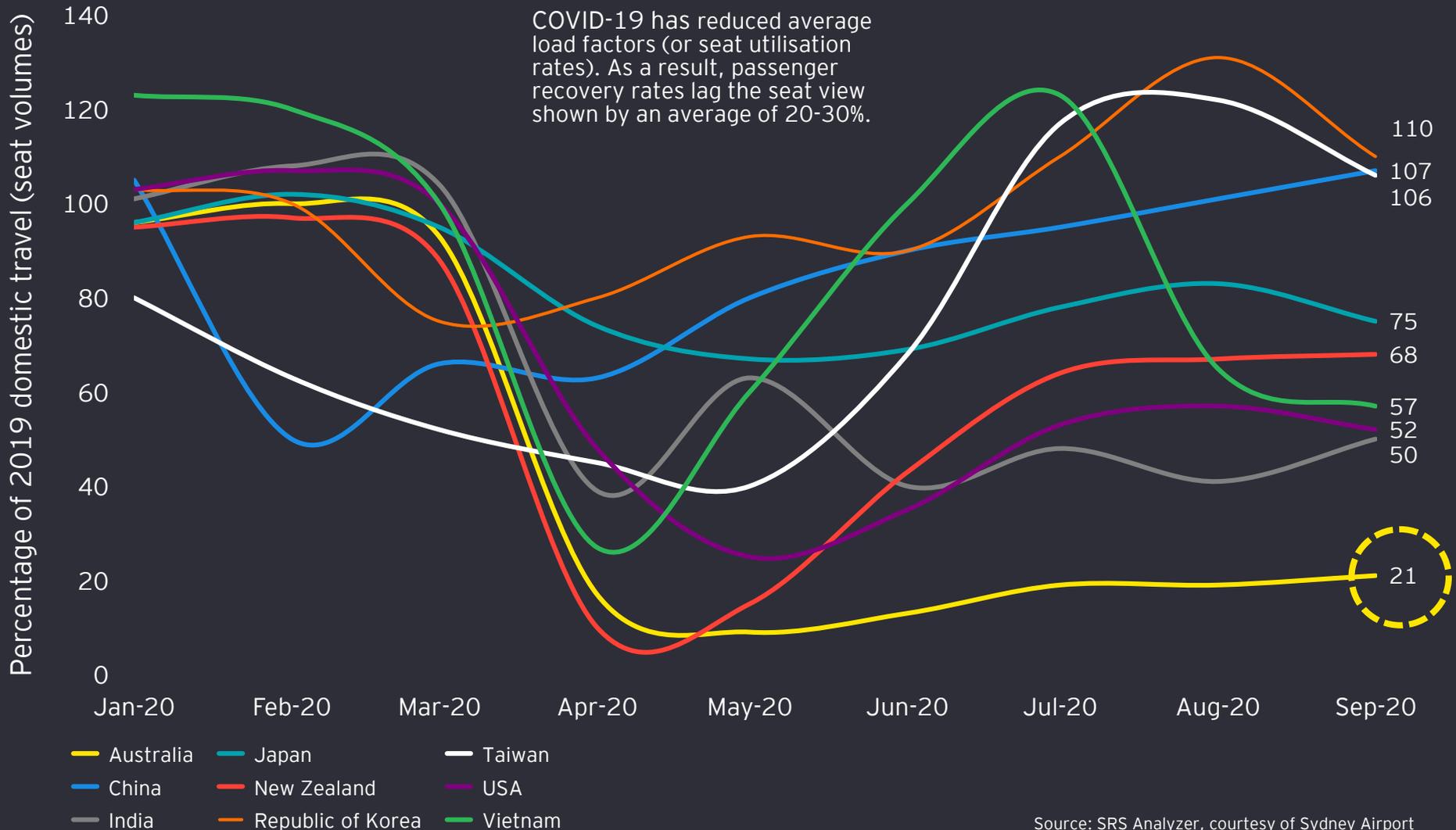
Maintaining critical aviation connectivity

In response to COVID-19, the Australian Government has provided emergency support to keep essential air services running.

- ▶ Under the **Domestic Aviation Network Support**, Qantas and Virgin Australia Groups have operated a minimum domestic network servicing the most critical metropolitan and regional routes in Australia.
- ▶ A **Regional Airline Network Support** program also supports smaller regional airlines.

Both programs were extended to early next year under the 2020-21 Budget. It will be critical for the sector's recovery that other important programs under the Australian Airline Financial Relief Package are able to continue until international travel resumes.

Australia is lagging other countries in recovering domestic aviation activity



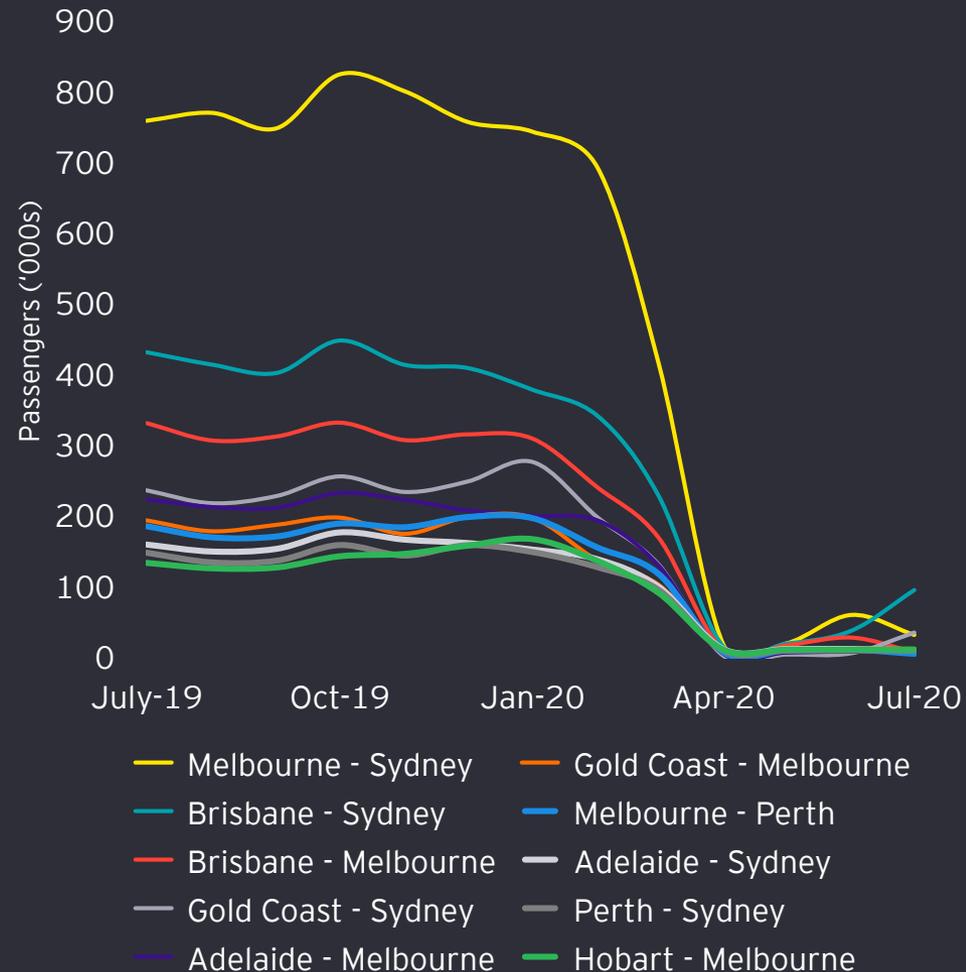
Source: SRS Analyzer, courtesy of Sydney Airport

All Australia's domestic routes have been decimated by COVID-19

Before COVID-19, Australia's domestic airline industry carried more than 65 million passengers – that's more than 2.5 flights per person each year.

- ▶ Even with the support provided by government, our aviation sector has been devastated by the pandemic, with passenger volumes plummeting by 89% this year.
- ▶ We have some of the busiest air routes in the world.
 - ▶ Melbourne – Sydney is the second busiest route globally by flight frequency with 54,000 flights in 2019.
 - ▶ Brisbane – Sydney had 33,000 flights in 2019.
- ▶ These flights support jobs, tourism, business linkages, and connection with family and friends.

Passengers on our top ten domestic routes



The economic damage to aviation from state border closures continues to escalate

As a result of the shutdown, there have been widespread job losses across the aviation sector, including airlines, airports, catering and ground handling and transport services.

- ▶ Direct job losses and furloughed positions are already affecting more than 34,000 people.
- ▶ Australia's two major carriers have laid off around 11,500 employees.

We need a plan to ramp up air travel now, based on clear health protocols.

- ▶ Any delay is imposing heavy economic costs to aviation and dependent sectors such as tourism and events.

The economic fallout

Economic losses from the shutdown of domestic aviation are now

\$17 billion

Mar to Oct 2020

The border closures will continue costing Australia

\$2.1 billion per month

or \$69 million per day



A clear plan for restarting domestic aviation activity will build confidence in Australia's economic recovery

While some progress to open aviation routes between states has been made, there is no roadmap for lifting travel restrictions and reinstating our domestic aviation sector.

- ▶ The lack of certainty continues to deter business confidence, including in broader aviation, tourism and regional Australia.
- ▶ Australians are being held back from making plans to holiday and visit friends and relatives interstate.

Economic recovery will be stronger and faster if the timing and priorities for removing travel restrictions are clear.

- ▶ Transparent protocols for the resumption of domestic air routes should be developed and announced before December.
- ▶ This will help keep Australians connected, allow people to visit family and friends, and provide critical stimulus for the regions and our tourism sector.

A Christmas gift to the nation

- ▶ A strong domestic aviation network is critical to Australia's success, supporting businesses and the community.
- ▶ Getting Australians flying again before Christmas would be a social and economic gift to the country.
- ▶ The direct economic gains from restarting domestic aviation over the summer holiday period could be:

\$3.3 billion

Mid Dec 20 to
end Jan 21



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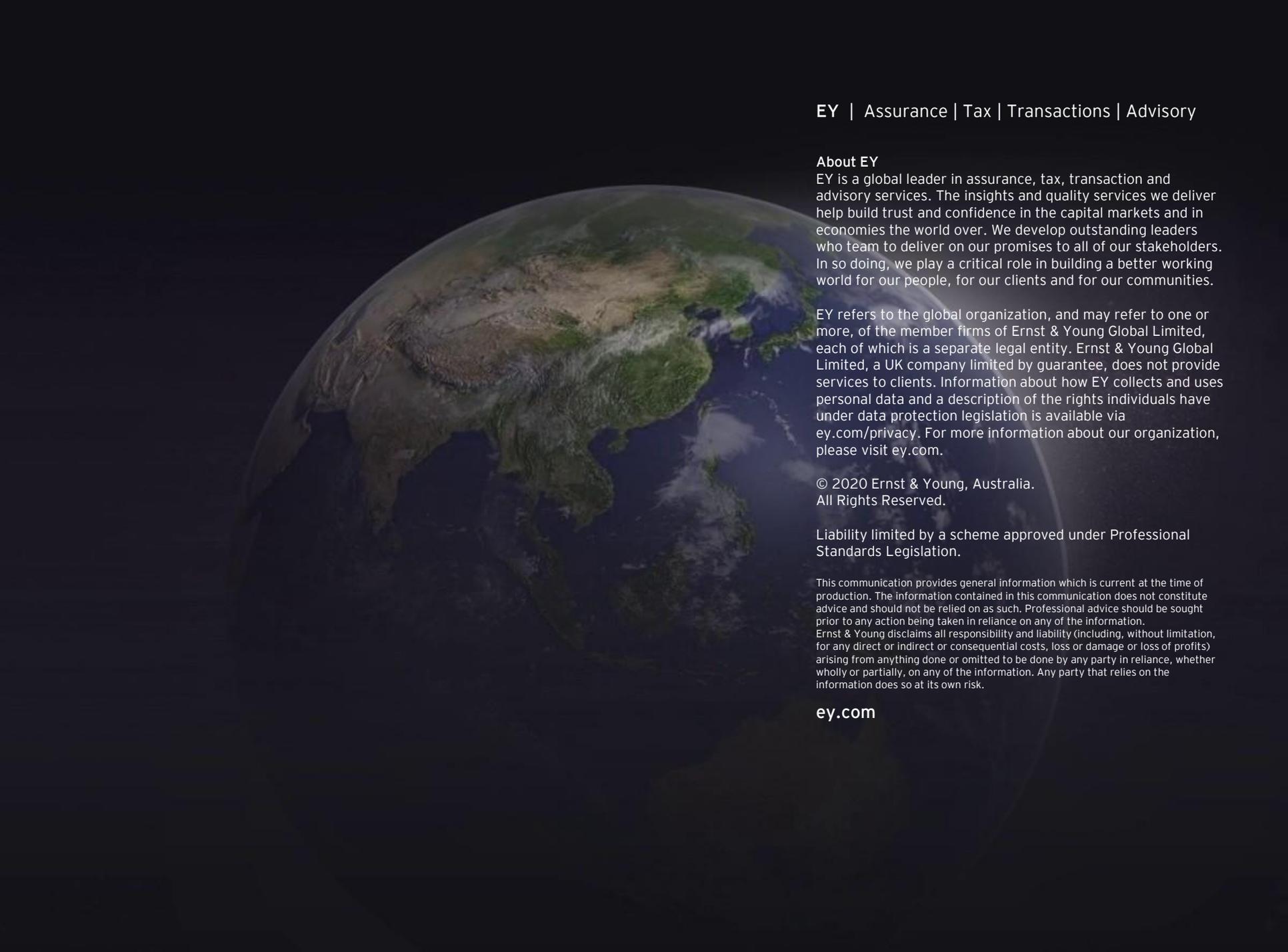
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