

## ACI Asia-Pacific and Middle East response to the Aviation Green Paper of the Australian Government

### 1. About us

- i. ACI Asia-Pacific and Middle East (“ACI APAC&MID”) represents the collective interests of 623 airports in 47 countries/territories of Asia-Pacific and the Middle East to promote professional excellence in airport management and operations. ACI APAC&MID's mission is to advocate for policies and provide services that strengthen its members' ability to serve their passengers, employees, and stakeholders. ACI APAC&MID is one of the five regional offices of Airports Council International.

### 2. Response to Aviation Green Paper

- i. ACI APAC&MID welcome the initiative of the Australian Government to consult relevant stakeholders on the future development of aviation in Australia through the “*the Aviation Green Paper – towards 2050*” (“the Green Paper”).
- ii. The Green Paper explores a range of topics such as the growth of international aviation, efforts towards decarbonization, and regulatory aspects. Its primary goal is to promote a more competitive, sustainable, and efficient aviation industry in Australia. It outlines a strategic plan for policy development, regulatory changes, and investments that are aimed at shaping the future trajectory of the country's aviation sector.
- iii. Despite considering highly relevant all topics included in the Green Paper, ACI APAC&MID wish to offer its international perspective on two topics detailed in the document: **(1) air transport liberalization** (as referenced in Section 11) and **(2) the decarbonization of airports** (outlined in Section 5). These perspectives embody a unified representation of the airport industry across the Asia-Pacific and Middle East regions, striving to

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enhance the entire aviation ecosystem for the benefit of its end-users, including passengers and the communities it serves.

## 3. Air Transport Liberalization

- i. The Green Paper states that *“Air connectivity has a positive link with economic productivity and can generate improved competitiveness, enhanced employment, and economic growth opportunities, such as better access to capital markets and human resources. The number of domestic city pairs has steadily increased since the early 2000s, highlighting increasing connectivity. The number of international city pairs has been subject to more fluctuation but has remained broadly consistent over the past 20 years.”*
- ii. ACI APAC&MID undertook an extensive analysis on airport liberalisation that assess the impact on consumers and the overall economy that could be generated by boosting international traffic beyond the results so far achieved by the Air Transport Policy in Australia. This with the end-goal objective to ensure a more competitive air transport sector in the medium and long term. The **draft** version of the study is enclosed to this response. Once finalised, ACI APAC&MID is available to illustrate the methodology and findings of the full study.

The key findings of the study are listed in the box below and further elaborated in this document and in the enclosed study:

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**Australia's air market liberalization lags behind other countries:** Australia is lagging behind other Asia-Pacific and Middle Eastern countries in its approach to air services agreements and visa policy – stifling its potential as an international tourism market, whilst simultaneously hurting Australian consumers.



**Undergoing further liberalization will benefit all Australian households:** Lower airfares, greater choice and improved service quality resulting from increased competition will enable Australians to spend more of their money on travel – enhancing consumer welfare and standard of living for all Australians. Air liberalization will contribute to reduced costs of imports and will slow transport inflation – a timely benefit in the context of rapidly increasing costs of living.



**It will also support the diversification of Australia's economy:** Increases to inbound foreign tourism is expected to outweigh the displacement of international for domestic travel for Australian citizens. Overall, the local tourism industry will benefit, with air liberalization supporting increased jobs and output in hospitality, transport and services industries – supporting the COVID-19 recovery for the tourism sector through a diversification of growth from overseas travel markets.



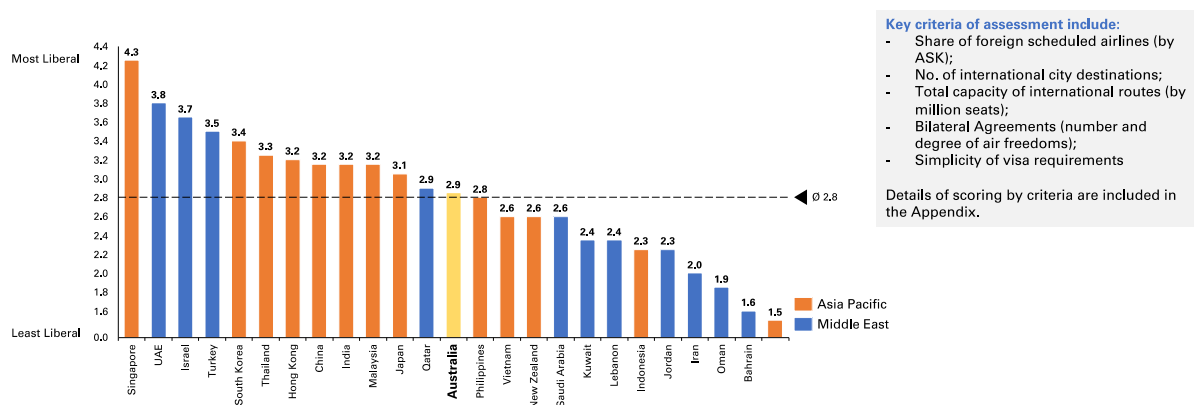
**Carriers will benefit on domestic routes from increased inbound tourism:** Whilst there is still likely to be displacement of domestic in favor of international travel for Australian citizens, there will also be a significant increase in foreign inbound tourism. Local carriers will also benefit from this boost – as inbound tourists will also fly domestically.

- iii. **Global trends clearly point to greater liberalization** to expand aviation markets, facilitate greater passenger traffic growth to benefit local industries such as tourism, and provide benefits to the local communities through more competitive and affordable air fares and associated job growth.
- iv. **Consolidated literature has sought to link air liberalization to positive economic benefits** and frequently points to evidence in European and Asian countries of increases in passenger movements, consumer benefits and the growth of low-cost airlines following liberalization events.
- v. **Recent agreements including the Association of Southeast Asian Nations (ASEAN) Open Skies Agreement (OSA) and the European Aviation Area Agreement (ECAA) have sought to reduce barriers in air travel to facilitate growing connectivity between regions.** The Asia-Pacific region is expected to contribute the majority (54.8%) of global passenger growth over the next 20 years.
- vi. **Australia is lagging other major aviation markets in the region and beyond.** Notably, it scores below the APAC average on the Air Liberalization index created by ACI APAC&MID and PWC, which places Australia at an average ranking of 13th out of 25 selected aviation markets. The methodology for this ranking involves a

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comprehensive assessment across five critical dimensions: the market share of foreign airlines as indicated by Available Seat Kilometers (ASKs), the number of international city destinations accessible, the total capacity of international routes in terms of seats available, the quantity and scope of bilateral air service agreements, and the simplicity of visa entry requirements. See Figure 1. Despite having a robust aviation sector, these metrics show that Australia has considerable room for growth in air transport liberalization, especially when compared to leading countries such as Singapore and the UAE, which rank higher on the scale.

**Figure 1: Air transport liberalization score (scale 0 to 5): Asia-Pacific and Middle East**



Source: ACI Asia-Pacific and Middle East study on Air Transport Liberalization (2023)

- vii. **Rationale:** ACI APAC&MID supports air transport liberalization, recognizing that while it is a long process that can span decades, the benefits are clear and substantial, as evidenced by the experiences of the USA and Singapore. These nations, pioneers in liberalizing their aviation regimes, have shown that such reforms can lead to enhanced aviation services, providing more options for travelers, and a significant increase in air passenger movements. In turn, this has contributed to reduced airfares, bolstering economic growth by contributing to the GDP, and creating a wealth of job opportunities. The journey towards full liberalization is gradual and intricate, but the outcomes in these

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leading countries underscore the far-reaching positive impacts on the aviation industry and the broader economy, particularly within the tourism sector.

- viii. **Case studies:** ACI APAC&MID conducted a comprehensive study to assess and quantify the advantages of air transport liberalization, focusing on specific cases that illustrate these benefits. A prime example is the air service agreement between Australia and the UAE, signed in 2002 and implemented in 2005. This partnership led to substantial growth in traffic on the Australia-UAE route. Since the early 2000s, there has been a consistent increase in both passenger numbers, with a compound annual growth rate (CAGR) of 9% per annum, and the number of airlines operating on this route, growing at 3% per annum. A significant boost was observed in 2013/14 when Emirates, a major UAE airline, entered a global partnership with Australian airline Qantas.

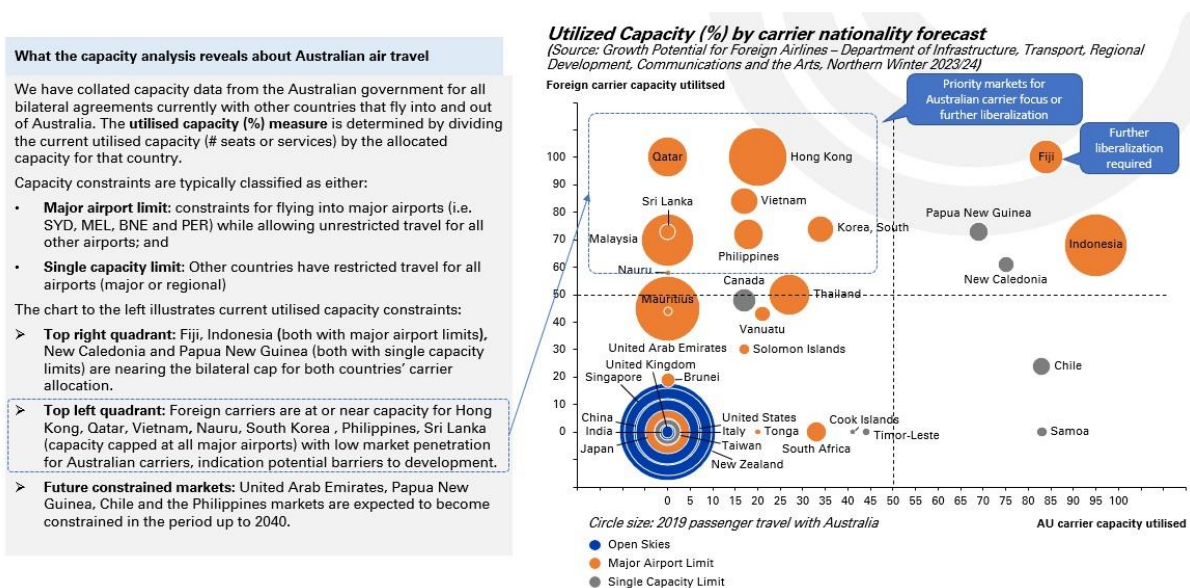
Another critical case is the Australia-China air service agreement. China, being Australia's largest trading partner and a significant source of foreign investment, signed an air services agreement with Australia in 2004, which took effect in 2006. Initially, air travel with China was restricted, with constraints at major airports. However, in December 2015, Australia and China reached a landmark free trade agreement, paving the way for substantial economic development opportunities in Australia. Following this, the two countries signed an Open Skies agreement in 2016, allowing unrestricted travel, although freedom rights were maintained at the 3rd/4th level. These cases underscore the transformative impact of air transport liberalization on passenger growth and economic ties.

The ideal scenario for boosting traffic and benefit the consumer is for States to increase route capacity ahead of demand. Considering the current implementation of ASAs signed with other countries, our analysis shows that the Australian Government's

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capacity ahead of demand approach has fallen short for markets such as Qatar, Hong Kong, South Korea, Vietnam, and Fiji and does not allow airlines sufficient lead time to make informed fleet and network decisions or allow airports to negotiate and incentivize carriers to operate from their airports. See Figure 2.

**Figure 2: Extent of bilateral constraints in selected international air markets for Australia (based on 2019 passenger traffic volumes)**



Source: ACI Asia-Pacific and Middle East study on Air Transport Liberalization (2023)

ix. **Passenger growth:** Econometric modelling of 5 of the 7 open access agreements Australia has in place have led to a 49% uplift in passengers and 12% reduction in average airfares, results which are aligned with international literature. ACI APAC&MID extended its analysis beyond the case studies by conducting an econometric assessment to evaluate how various liberalization scenarios could affect passenger growth. The scenarios modeled include:

1. **Unconstrained base passenger scenario:** This forecasts passenger growth up to 2030, using historical data and

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assuming a continuation of the current level of liberalization.

2. **Constrained base passenger scenario:** This also projects growth up to 2030 but considers the current capacity limitations.
3. **Partial liberalization passenger scenario:** This scenario, effective from 2025, assumes a situation where markets currently facing constraints undergo partial liberalization<sup>1</sup>. It assumes an increase in capacity by 40-50% for each constrained market and a fare reduction of 5.8%, in line with findings from the econometric analysis. This scenario does not envision any changes to airline designations or international entry points.
4. **OSA model:** This scenario forecasts passenger growth up to 2030 under a full liberalization model starting in 2025 for markets with existing constraints. It considers two possibilities: an immediate 49% increase in passengers for each constrained market in the year of liberalization, and a fare reduction of 11.9%, consistent with the analysis.

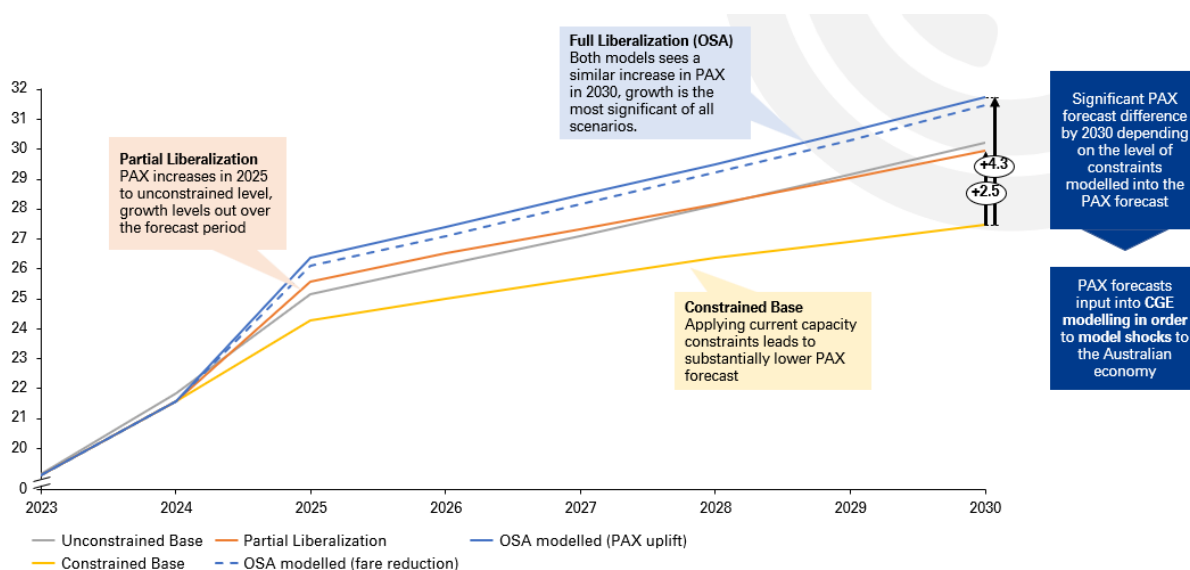
These scenarios are designed to provide a comprehensive picture of the potential impacts of air transport liberalization on passenger growth. The analysis and econometric modeling reveal a substantial increase in passenger numbers under the full OSA scenario compared to the scenarios of partial liberalization or those with constraints. See Figure 3.

### **Figure 3: Impact of partial and full air transport liberalization on one-way international passenger traffic volumes in Australia (million passengers, 2025—2030)**

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<sup>1</sup> ACI APAC & MID differentiates between partial and full liberalization, as seen in the Open Skies Agreement (OSA) framework. Simply put, partial liberalization involves lifting existing limits on seat capacity. In contrast, full liberalization means eliminating all growth impediments, encompassing route, frequency, and seat capacity restrictions, along with allowing expanded rights such as 5<sup>th</sup> and 6<sup>th</sup> freedom rights and increasing the number of designated airlines. It is important to note that both partial and full (OSA) liberalization models presume no changes in the regulations concerning airline ownership and control. This means they continue to comply with the traditional clause of substantial ownership and effective control.

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Source: ACI Asia-Pacific and Middle East study on Air Transport Liberalization (2023)

- x. **Impact on living standards: undergoing further liberalization will benefit all Australian households.** Lower airfares, greater choice and improved service quality resulting from increased competition will enable Australians to spend more of their money on travel – enhancing consumer welfare and standard of living for all Australians. Air liberalization will contribute to reduced costs of imports and will slow transport inflation – a timely benefit in the context of rapidly increasing costs of living.
- xi. **Air transport liberalization significantly influences the economy and living standards in Australia.** According to econometric analyses, full liberalization, such as through an OSA, is projected to reduce average international airfares by approximately 11.9%. This decrease in fares directly translates to a 9.3% reduction in average international airfares for Australians. As a result, total household consumption from 2025 to 2030 is expected to increase \$7.6<sup>2</sup> billion in the scenario of full liberalization and \$3.6 billion in partial liberalization.

<sup>2</sup> All financial figures pertaining to the economic impact are expressed in Australian dollars (AUD)



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- xii. **Boost to tourism industry:** The tourism sector is set to benefit immensely from liberalization. Full liberalization is estimated to increase passenger volumes by about 49%, while partial liberalization could result in a 13% increase. This surge in international visitors is expected to boost tourism expenditure significantly, leading to a \$9.9 billion increase in foreign tourism industry output from 2025 to 2030 in the full liberalization scenario and \$4.9 billion in the partial liberalization scenario. Employment in the tourism sector is also expected to rise, with an average of 4,600 tourism jobs supported annually in the full liberalization scenario, compared to 2,300 jobs in partial liberalization. However, increased international travel may slightly decrease domestic tourism and associated spending, but the net effect remains positive with expansion of tourism spending in Australia under full and partial liberalization.

The study conducted by ACI APAC&MID on air transport liberalization acknowledges the importance of thoroughly evaluating its widespread effects across different economic sectors. Nonetheless, the overall results derived from the Computable General Equilibrium (CGE) model suggest that liberalizing air transport is a viable strategy for stimulating the Australian economy, bolstering the tourism sector, and elevating living standards. The key findings of this analysis are concisely presented in Figure 4.

**Figure 4: Economic impact of full and partial air transport liberalization (2025—2030)**

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## Full liberalization (2025 – 2030)



## Partial liberalization (2025 – 2030)



Overall, increases to international visitation and cheaper average airfares result in a strengthened local tourism industry and an improved standard of living for Australians. To underscore this point, while Australians will spend less domestically, this is more than offset increased spending by foreigners visiting Australia. In the short term, these benefits deliver a boost to Australian GDP, which fades as other export industries adjust. Despite being lengthier to introduce, full liberalization delivers both larger direct and indirect benefits to the Australian economy by better matching of international and domestic demand with capacity.

Note: Both scenarios represent further air liberalization between Australia and the United Arab Emirates, Indonesia, Hong Kong, Qatar, Fiji, Philippines, Vietnam, Papua New Guinea and Chile. AUD

Source: ACI Asia-Pacific and Middle East study on Air Transport Liberalization (2023)

Overall, further air liberalization represents an effective reform by the Australian Government that increases living standards across the country, supports the diversification of the economy during a time of transition and benefits the local tourism and aviation industries.

Increased international passengers, boosted by open air service agreements, are expected to increase domestic travel, since they often travel to multiple places within Australia beyond the immediate entry points such as Sydney, Melbourne, or Brisbane. Being generally regarded as higher spenders than domestic passengers, international passengers' growth should also be beneficial to Australian tourism and the economy of the country. Similarly, a more open international market has the potential to connect home-based carriers with the domestic feeder market, thereby boosting demand for domestic services. This will likely lead to more domestic flights, offsetting any drop caused by a shift to international travel.

ACI APAC&MID is available to illustrate in a future occasion the methodology and findings of the full study, including the impact of a longer-term time horizons.

## 4. Decarbonization

- i. **Initiatives by Australian airports:** Australian airports have been actively engaging in decarbonization efforts. These initiatives include the electrification of traditionally fossil-fuel-powered equipment and the integration of on-site renewable energy infrastructures. These efforts are recognized through the Airport Carbon Accreditation (ACA) program, an international, voluntary certification scheme that acknowledges the steps taken by airports to measure, manage, and reduce greenhouse gas emissions, as outlined in [Australia's State Action Plan](#). The process involves stages ranging from mapping emissions footprints to achieving carbon neutrality for direct emissions through offsetting, and progressing towards net zero, including Scope 3 emissions. As of November 2023, over 550 airports globally have received accreditation, with 14 Australian airports recognized at various levels. This framework offers a model for how more airports can engage in such environmentally conscious practices, supporting Australia's emissions reduction targets.

**Figure 4: Australian airports under the Airport Carbon Accreditation program (November 2023)**

LEVEL 1   MAPPING	Broome International Airport
LEVEL 1   MAPPING	Longreach Airport
LEVEL 2   REDUCTION	Gold Coast Airport
LEVEL 2   REDUCTION	Mount Isa Airport
LEVEL 2   REDUCTION	Perth Airport
LEVEL 2   REDUCTION	Townsville Airport
LEVEL 3   OPTIMISATION	Adelaide Airport
LEVEL 3   OPTIMISATION	Melbourne Airport
LEVEL 3   OPTIMISATION	Parafield Airport
LEVEL 3   OPTIMISATION	Sydney Airport
LEVEL 3+   NEUTRALITY	Hobart Airport
LEVEL 3+   NEUTRALITY	Sunshine Coast Airport
LEVEL 4   TRANSFORMATION	Brisbane Airport

Source: ACI Airport Carbon Accreditation Programme (2023)

- ii. **Focus areas for emissions reduction:** To achieve net zero by 2050 in aviation, specific measures require more emphasis and support. Key among these is the decarbonization of the electricity grid and the enhancement of renewable energy capabilities at airports. This approach will provide the aviation ecosystem with green energy. Setting ambitious mid-term targets for 2030, particularly for Sustainable Aviation Fuels (SAF), is recommended as a starting point for establishing a meaningful vision. This could stimulate new investments in SAF facilities within the necessary timeframe.
- iii. **Components for the net zero roadmap:** ACI welcomes the third ICAO Conference on Aviation and Alternative Fuels (CAAF/3) [resolution](#) last week in Dubai, where ICAO and its Member States strive to achieve a collective global aspirational Vision to reduce CO<sub>2</sub> emissions in international aviation by 5% by 2030 through the use of SAF, LCAF and other aviation cleaner energies. The Australian Government's Transport and Infrastructure Net Zero Roadmap and Action Plan should include significant investments in infrastructure transition at airports. This transition is essential to accommodate innovative technologies such as electric, hydrogen-powered, and SAF-fueled aircraft. Such investments are crucial for the aviation sector to align with the net zero by 2050 goal.

## 5. Conclusion and way forward

- i. The two objectives of air transport liberalization and decarbonization are pivotal for the future of Australian aviation. The benefits of liberalizing air transport are manifold, ranging from

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enhanced economic growth and improved living standards to a revitalized tourism industry. Simultaneously, the urgent need for decarbonization efforts in the aviation sector is clear, as it aligns with global environmental goals and Australia's commitment to achieving net zero emissions by 2050.

- ii. The role of the Australian government in this endeavor is critical. It is essential for the government to maintain and deepen its collaboration with Australian airports, which are already at the forefront of implementing sustainable practices. By working closely with local airports and tapping into the international expertise and resources of ACI APAC&MID, the government can foster an environment conducive to both liberalization and environmental stewardship.
- iii. In view of future revision of ASAs, we would welcome the Australian competent authorities to engage in a transparent and timely manner the aviation stakeholders, including ACI APAC&MID and its Australian airports. This enhanced engagement will allow for a more cohesive and informed approach to policy-making, ensuring that the strategies adopted are comprehensive, well-aligned with industry capabilities, and geared towards long-term sustainability and growth in the aviation sector.
- iv. Similarly, ACI APAC&MID will be piloting in 2024 a program to help airports to set their local decarbonization roadmap consistently with the aviation industry's 2050 net zero carbon goal. Regional airports, including those ones located in the Pacific islands, have already expressed their interest to receive such support. ACI APAC&MID would highly welcome to coordinate with the Australian Authorities in this endeavour and would be keen to explore options for a concerted effort to build the necessary capacity for decarbonizing the sector by 2050.

## 6. Key contacts

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