Australian Government
Australian Trade and Investment Commission

Aviation Green Paper

Australian Trade and Investment Commission (Austrade) Submission

30 November 2023

The Australian Trade and Investment Commission (Austrade) is pleased to provide a submission on the Department of Infrastructure, Transport, Regional Development, Communications, and the Arts' (DITRDCA) Aviation Green Paper.

Austrade is the Australian Government's trade and investment promotion agency, helping Australian exporters to grow in global markets and to attract productive, foreign direct investment to Australia. Austrade also leads policy for tourism and the visitor economy for the Australian Government. This submission focuses primarily on Austrade's role in aviation as it relates to tourism and the visitor economy, including:

- Accessibility
- Consumer protections
- Workforce
- Domestic aviation
- International aviation
- Sustainable travel
- Development of sustainable aviation fuels and green technology.

Aviation and the importance of the visitor economy

Under Austrade's policy role on the visitor economy, we have responsibility for the development, implementation and monitoring of THRIVE 2030, the national strategy for the long-term sustainable growth of the visitor economy.

THRIVE 2030's vision is that Australia's visitor economy provides world-leading services and visitor experiences to consumers while delivering significant and sustainable benefits to the Australian community. These benefits include:

- Generating jobs, trade and investment.
- Driving socioeconomic development and inclusive growth by providing diversity in employment.
- Supporting the arts, culture and sport.
- Delivering amenities that benefit local populations as well as visitors.
- Contributing to Australians' overall wellbeing and sense of national identity.

The experience delivered by the visitor economy also influences travellers' impressions of Australia, which can underpin future spending and investment decisions, drive demand for Australian products and services, and create lasting networks.

In terms of economic contribution, the visitor economy (comprising tourism and international education) was Australia's fourth largest export earner in 2019, generating $39.5 billion, behind only iron ore, coal and natural gas. The visitor economy generated $166 billion in visitor expenditure in Australia and was employing directly and indirectly over 1 million Australians (in 2018–19)[1]. While 77 cents from every dollar came from Australians seeing Australia[2], international visitors are important in certain regions and generally higher-spending. Aviation is vital for bringing international visitors to Australia as well as moving Australians around the country. This is only heightened by our

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[1] Tourism Research Australia data, Austrade Submission to Inquiry into Australia's Tourism and International Education Sectors

[2] THRIVE 2030

characteristics of being both a long-haul travel destination, and geographically spread out with long distances between key attractions.

Accordingly, aviation has a key role in achieving the targets under THRIVE 2030. Actions in THRIVE 2030 related to aviation, and the government agencies responsible for delivering these actions, are outlined in Attachment 1.

Improving accessibility and inclusion

The Green Paper notes that the Government is committed to efforts to remove barriers and enable people living with a disability to exercise full choice and control over their lives, including accessing air travel. THRIVE 2030 also recognises that the growing cohort of older travellers, multi-generational families, and people with disability means there must be a focus on accessible infrastructure, quality experiences, and a safe environment.

The previous Aviation White Paper proposed and implemented a number of measures to address accessible air travel including consulting with the Aviation Access Working Group and Disability Access Facilitation Plans. It also noted the review of Transport Standards at the time and relevant international developments. However, despite these measures, many challenges remain and these were particularly evident during the COVID pandemic and resumption of air travel.

- Skills and staffing shortages have led to inadequate support and assistance for travellers across the aviation sector. However, as travellers with accessibility needs are more likely to require services from trained staff at airports and on aircraft, this group experiences heightened challenges and hardship.
- Accessibility infrastructure is often inadequate in airports and on aircraft.
- Roles and responsibilities to cater for people with accessibility needs during the air travel experience, particularly of airports and airlines, are not consistently defined.

Austrade notes that some progress is underway to improve accessibility in the aviation sector. Austrade will continue to work with visitor economy industry and all levels of government, as outlined in THRIVE 2030, to support the development of assets, infrastructure, and experiences that will enable Australia to be more accessible for people with a disability.

In response to questions raised in the Aviation Green Paper, an aviation-specific disability standard for accessible public transport could clearly articulate rights and responsibilities of airlines and airports, to reflect the aviation industry's unique safety and security constraints. This could help ensure travellers of all abilities are able to travel freely and in a consistent manner across Australia, and also provide public recognition to airports and airlines that are meeting standards.

Relevant systems and regulations in markets such as the European Union, Canada and the United States could be used to inform Australia's approach. Areas that could be addressed include carriage of electric wheelchairs and scooters, accessible toilets on aircraft (given Australia is a long-haul destination), compensation for damage to mobility devices and accessible airport facilities in rural areas. Specific consultation with wheelchair and mobility equipment manufacturers may further assist in addressing the challenges that airlines have in carrying this equipment.

The 2032 Olympic and Paralympic Games in Brisbane present an opportunity to improve air travel and accessible infrastructure nationally, and change industry culture and attitudes to make inclusivity 'business as usual'. With the necessary reforms and improvements, the Olympics could showcase Australia internationally as an accessible and inclusive 'go to' destination, while bringing strong and enduring benefits to the visitor economy.

The opportunity is particularly high in regional Australia, where infrastructure at airports does not consistently meet the accessibility and inclusivity needs of passengers (for example, a lack of aerobridges). Consideration should therefore be given to supporting accessible infrastructure works, and applying consistent accessibility standards at regional airports to drive regional dispersal during the Olympics and beyond.

Consumer protections

Austrade supports further investigation into strengthening consumer protections for air travel to provide clearer guidelines and/or agreed levels of support for passengers in the event of cancellations or delays. Changes to consumer protections could include considering the regulations that Australia's competitors, such as the European Union and the United States, have in place.

There is currently a lack of clarity around when and how consumers are entitled to compensation from airlines. Improved consumer protections will give both domestic and international passengers increased confidence in booking air travel and improve the perception of Australia as an attractive travel destination.

State and territory stakeholders note that delays and cancellations impact the visitor economy, especially in regional Australia, where passengers are more likely to need connecting flights. In particular, international visitors are vulnerable to delays and cancellations as this negatively impacts their forward travel plans and may result in them missing parts of their itinerary. These disruptions hamper the visitor experience and the reputation of Australia as a travel destination, and there is a risk to Australia's competitiveness if our consumer protections are out of alignment with our competitors'.

Visitor economy stakeholders note the need to consider how consumer protections would operate for different booking types, for example through travel agents as opposed to direct with airlines, and have cautioned about changes to consumer protections extending beyond airlines.

Workforce

Consistent with THRIVE 2030, Austrade recommends that the aviation sector look for opportunities to employ workers from underrepresented cohorts including workers with a disability, First Nations Australians, older Australians and women. This also aligns with the productivity themes within the Employment White Paper, to engage underrepresented cohorts in the broader workforce. Austrade would support analysis of the skills required to meet the aviation industry's workforce needs for the future as outlined in the Green Paper.

Stakeholders note the requirement for skills in all sectors of the visitor economy and that the aviation workforce is critical for passenger facilitation.

Domestic aviation

Regional aviation

Airfares to regional Australia continue to be high due to lack of capacity and competition. Tourism stakeholders across industry and state and territory governments note the high cost of some domestic flights inhibits demand and impacts the frequency and locations airlines are willing to fly. This is of particular concern to tourism destinations in remote and regional Australia which are dependent on aviation for visitation and regional dispersal of tourism expenditure. This limited aviation capacity and the high cost of air travel to regional and remote Australia also has an outsized impact on supply of and demand for First Nations tourism experiences, which are more likely to be in regional and remote locations.

For example, visitor economy stakeholders are concerned a lack of capacity and infrequent flights into Central Australia is limiting the ability of international and domestic visitors to travel to Uluru. This region is dependent on aviation for visitation and workforce outcomes for First Nations tourism and economic development.

Regional airports are often owned by local governments and have many costs including infrastructure and compliance costs. Stakeholders report these costs put a lot of pressure on local communities to keep the airport functioning. In addition, security screening at regional airports is increasing the cost pressures on these airports and the burden on passengers flying to regional airports. Stakeholders have advised some regions rely on Australian Government funding including the Remote Air Services Subsidy Scheme and the Regional Airports Program.

Austrade is supportive of policy, program or regulatory reforms that assist airlines to promote affordable aviation links to regional and remote Australia.

Competition

On some routes, new airlines have contributed to competition, giving consumers choice of carriers and price points. Visitor economy stakeholders note that further increases to competition across Australia will lead to increased capacity and competitive fares as well as provide new opportunities for growth of the visitor economy. Specifically, stakeholders note the need for reform of the demand management scheme at Sydney Airport. Austrade welcomes the recent announcement that the Australian Competition and Consumer Commission will resume domestic airlines monitoring.

Linkages with the broader transport and travel system

Austrade recommends that the broader relationship between aviation and other modes of transport such as buses and trains, and the broader travel sector (including travel agents and wholesale travel providers) be considered. Transport needs to be well connected, accessible and affordable. If aviation is considered without the broader transport and travel system in mind it can impact other areas of the system inadvertently.

For example, COVID-era funding to airlines resulted in some flights becoming cheaper than coach travel, which did not receive financial support. When coaches stopped operating, vulnerable and low-income cohorts were the most significantly affected, as for these groups air-travel still remained unaffordable or inaccessible. The opportunities

to connect trains and electric buses with airports should also be considered to reduce carbon impacts for the entire transport and traveller experience.

International aviation

Diversification

As the Green Paper notes, aviation plays a vital role in connecting Australia to international visitor markets. As Australia looks to recover and sustainably grow the visitor economy through increasing international visitation and spend, aviation links and increased air capacity will be critical to rebuild international markets and grow new and emerging markets. Under THRIVE 2030, Austrade is responsible for the delivery of the International Diversification Strategy for the Visitor Economy (Diversification Strategy).

During consultations for the Diversification Strategy, Austrade heard from stakeholders that aviation capacity and high airfare costs continue to be a barrier to recovery and growth in the visitor economy. Industry highlighted the critical need to ensure sufficient aviation capacity to meet future demand, particularly from emerging markets of the Indo-Pacific, with industry supportive of providing additional rights to international carriers to help attract new capacity, enable greater competition in domestic markets and greater dispersal to regional areas. The outbound travel market was also identified as an important component of demand that helps underpin two-way aviation capacity.

Key markets of interest for diversification and growth identified in developing the Diversification Strategy include India, Indonesia, Vietnam, Malaysia, Philippines and Thailand. Austrade would support the negotiation of increased air capacity to these markets, and 'open skies' agreements, where aligned with the national interest. Ensuring air capacity and access to these markets will be a critical underpinning for diversification of Australian's international travel markets.

Bilateral Air Services Agreements (ASAs)

International aviation capacity is a key priority for the visitor economy sector. In bilateral negotiations, Austrade encourages a strong emphasis on the contribution the visitor economy makes to the Australian economy, particularly in regional Australia. Regional visitation accounts for over 60 cents in every dollar spent in the visitor economy[3] though only a small proportion of this is sourced from international visitors. A combination of international capacity and improved connectivity between cities and regions would enable more international visitors to travel to the regions and contribute to regional GDP.

Austrade supports the 'capacity ahead of demand' approach and the negotiation of 'open skies' agreements as outlined in the Green Paper. This will ensure enough capacity to meet current and future demand from our key aviation markets as well as emerging markets.

Austrade recommends that future ASAs take into account the impact of government priorities on growth and align with international agreements. For example, Recommendation 13 of *Invested: Australia's Southeast Asia Economic Strategy to 2040*

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[3] Tourism Research Australia analysis

(the Strategy), a report to Government from Special Envoy for Southeast Asia, Mr Nicholas Moore AO, recommends:

> "Australian Government to prioritise updates to air services agreements and explore reciprocal open skies agreements with interested Southeast Asian partners where in the national interest."

This alignment would allow capacity to be negotiated well ahead of demand to provide international airlines the confidence to commence new routes and expand existing routes into Australia. As the Strategy notes, increased links with Southeast Asia would also help Australia seize the vast trade and investment opportunities our region presents.

Austrade strongly supports the request by visitor economy stakeholders, including industry and states and territories, to consulted on ASAs and for ASA negotiation outcomes to be communicated to them. Likewise, Austrade requests clear and consistent consultation on ASA matters.

Role of Government and regulation

Industry and state and territory government feedback is that the many Australian Government agencies with responsibilities around aviation and passenger facilitation makes it difficult for these stakeholders to navigate Australian Government processes and decisions. We have heard industry ask for more coordinated engagement between industry, state and territory governments and the Australian Government, for example around New and Redeveloping International Ports. This could be addressed through a clearly identified (and where appropriate, single) point of contact within the Australian Government to discuss issues and challenges as they arise.

Austrade supports continual upgrades to modernise traveller facilitation and border clearance processes, which are a priority under THRIVE 2030. Such upgrades need to keep pace with our major competitors as these improve the perception of Australia as an attractive travel destination.

Visitor economy stakeholders have voiced concerns around the increase to the Passenger Movement Charge (PMC) and how the revenue is allocated, suggesting it should be re-invested in the visitor economy, such as through improvements in passenger facilitation processes.

Sustainability and net zero

Sustainable travel

Australia is an isolated island located far from many key markets. The vast majority of our international visitors arrive by air. Visitors are becoming increasingly aware of the high-intensity carbon emissions associated with air travel. A 2021 McKinsey consumer survey showed that over a quarter of respondents had a 'bad conscience' about flying, and that 54 per cent agreed that aviation should definitely become carbon neutral.

Being a long-haul destination puts Australia at risk of a reduction in travel not only due to changing visitor sentiment, but increasingly from new regulation mandating airlines to offset their emissions. This could negatively affect capacity if airlines choose to reduce their flights to Australia given the high emissions attributable to long-haul routes.

Furthermore, mandatory climate risk disclosure and emissions reporting requirements affecting larger companies also poses a risk to Australia. At present, this risk is most acute with business or 'meetings, incentives, conferences & exhibitions' (MICE) travel, where climate concerns are increasingly factored into decision making. In many key MICE source markets, larger companies are now subject to mandatory climate risk disclosure and emissions reporting. Without action, Australia's competitiveness as a business events destination will decline as companies look for alternate destinations involving less air travel.

In addition, corporate emission reduction policies could have a flow-on effect that reduces airfare demand, resulting in decreased flight capacity to Australia. Australia's airlines play a critical role in contributing towards Australia's reputation as a sustainable destination. Austrade looks forward to continuing to work with airlines, government agencies and the broader visitor economy to support actions that grow sustainable practices in Australian travel.

Development of Sustainable Aviation Fuels Industry

The Green paper notes that the Australian Government is determined to work with industry to ensure a strong and sustainable aviation sector that supports emissions reduction targets on the path to net zero by 2050, while growing jobs and innovation.

Sustainable aviation fuels (SAF) are on a rise to replace conventional jet fuel, with many in the global air transport industry committed to net-zero by 2050. This has created a competitive global environment for SAF, which is accepted as a promising path to achieve net zero air travel in the short to medium term, with governments and airlines around the world pursuing implementation.

Industry advice is that Australia has a large reservoir of agricultural feedstock for SAF production, and that there is opportunity to increase domestic production of renewable fuel to help reduce global aviation emissions, and to lead on behalf of Pacific nations. SAF will be needed across the region, but Pacific countries do not have the capacity to produce commercial amounts of SAF.

Austrade looks forward to continuing to work with DITRDCA and other Government agencies and industry to progress the development of the sustainable aviation fuel industry in the future.

Aviation and trade

As an island nation, maintaining air connectivity is essential for Australia's trading future, particularly for small and rural businesses. Prior to COVID disruptions, air freight accounted for around 20 per cent of Australia's merchandise exports by value,[4] and now 40 per cent of all shipments from Australia are by air freight[5]. This means new air routes or increased services to existing routes can have a direct and immediate benefit for Australia's exporters, particularly those exporting perishable or time-sensitive goods.

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[4] Future of Australia's Aviation Sector Issues Paper (infrastructure.gov.au)

[5] Australian State of Exporters Report 2022 | Austrade

The criticality of the aviation sector to trade was exposed during the COVID pandemic, when on 20 March 2020, Australia's borders closed and commercial passenger flights fell by approximately 90 per cent overnight[6]. This had an immediate and devastating effect on Australia's ability to airfreight goods, as around 80 per cent of Australia's airfreight was carried in the bellies of passenger flights[7].

In response, in April 2020, the Australian Government established the International Freight Assistance Mechanism (IFAM) to rebuild and maintain air links. Throughout the life of the program, IFAM reconnected Australian ports to 63 international destinations, enabling crucial imports to aid Australia's pandemic response, as well as the export of high-value, perishable Australian products to existing international markets.

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[6] Source: Internal Paper prepared for the Department of Infrastructure, Transport, Regional Development and Communications, Boston Consulting Group, 2020)

THRIVE 2030 aviation-related actions

No	Action	Action lead (Partners)
5.8	Ensure that regional airport facilities meet the needs of visitors and communities. • Continue to support regional and remote aviation, for example, through the Remote Airstrip Upgrade Program, which supports improved aviation safety and accessibility at remote aerodromes.	Department of Infrastructure, Transport Regional Development, Communications and the Arts, local government, Visitor Economy (VE) industry.
5.9	Continue to upgrade passenger facilitation methods and infrastructure consistent with approaches to modernise traveller facilitation and border clearance.	Australian Border Force, VE industry
5.10	Deliver an Aviation White Paper to set the long-term policies to guide the next generation of growth and innovation in the aviation sector.	Department of Infrastructure, Transport Regional Development, Communications and the Arts (VE industry)
5.11	Work cooperatively to maximise the return of inbound aviation capacity.	State and Territory Government, Tourism Australia, Austrade, VE industry
6.3	Develop an International Diversification Strategy for the visitor economy to identify emerging markets for travel and education; and strengthen key bilateral relationships in the Indo-Pacific region and beyond through the growth of people-to-people links and Brand Australia marketing. • The diversification strategy will also look at attraction of certain growing (and higher yield) traveller cohorts including people seeking luxury, nature and cultural experiences.	Austrade, Tourism Australia (State and Territory Government)
6.5	Develop and implement a coordinated approach for direct and affordable long-haul flights to Australia.	VE Industry