

27 November 2023

Mr Brendon Buckley  
Assistant Secretary, Aviation White Paper Project Office  
Domestic Aviation and Reform Division  
Department of Infrastructure, Transport, Regional Development,  
Communications and the Arts  
111 Alinga St.  
Canberra, ACT 2601

Dear Mr Buckley

**Submission related to international tourism policy within the Aviation White Paper**

It was a pleasure to meet you during the Sydney industry roundtable sessions. We appreciate your invitation to Griffith University to participate in this White Paper policy discussion.

As Australia navigates the dynamic landscape of international aviation into 2050, it will require a comprehensive and informed policy framework. The Griffith Institute for Tourism (GIFT), with its proven track record in conducting extensive research and global comparisons of aviation policy frameworks, stands ready to collaborate with your office to bolster the research required to formulate and implement such a White Paper.

Our expertise extends to in-depth analyses of aviation frameworks across Europe and the Americas. GIFT is well-equipped to contribute to the research, offering a wealth of knowledge and experience in sustainable aviation, regulatory frameworks, and international best practices.

We welcome the opportunity to engage in further discussions and consultations to outline the specific areas where GIFT can play a crucial role in supporting the development and implementation of the International Aviation White Paper.

Thank you for considering our proposal. Do not hesitate to contact us for further details on any of the points we raise. We would welcome the chance to work closely with your office to advance Australia's interests in the realm of international aviation.

Yours sincerely

**Justin Wastnage**  
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**Professor Gui Lohmann**  
*Leader*

**The Future of Aviation Research Cluster, Griffith Institute for Tourism**

**Submission into the Aviation Green Paper (Towards 2050)**  
Griffith Institute for Tourism (The Future of Aviation Cluster)

**Foreword**

We welcome the Green Paper produced by the Department of Infrastructure, Transport, Regional Development, Communications, and the Arts and welcome the opportunity to comment on the future of aviation in Australia into the year 2050. We note the terms of reference and commend the authors of the Green Paper for thoroughly considering the industry's competing priorities as we approach the middle of the century.

This submission from Griffith University's Griffith Institute for Tourism restricts itself from considering the policy framework required to maximise international tourism in Australia. As such, some of our colleagues from other Griffith institutes, departments, and faculties may provide additional submissions in areas of deeper expertise.

In sustainable aviation, a noteworthy presence is the leading research of the Climate Change Action research cluster of the Griffith Institute for Tourism. Griffith University's research endeavours in sustainable, regenerative, and low-carbon aviation technologies and opportunities in the aviation sector are jointly advanced by the Griffith Institute for Tourism (GIFT) and Griffith Aviation through transdisciplinary research projects. We suggest the White Paper panel considers the publication *Airline Initiatives to Mitigate Climate Impacts*, authored by our colleagues Professor Susanne Becken and Dr. Paresh Pant, published in 2019, which remains a highly regarded peer-reviewed work on this important topic<sup>1</sup>.

We once again express our appreciation for the Australian Government's commitment to exploring and developing innovative solutions to support the sustainable development and zero-carbon objectives of airlines, airports, and the broader aviation ecosystem. As the Green Paper outlines, sustainable aviation fuels and their local production in Australia offer a clear path to achieving specific mid-term emissions reduction targets without compromising the visitor economy.

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<sup>1</sup> Susanne Becken, Paresh Pant, *Airline initiatives to reduce climate impact - Ways to accelerate action*, Griffith University and University of Surrey, 2019

## Executive Summary

Over the past decade, the aviation industry has witnessed significant changes, including the unprecedented challenges brought about by the COVID-19 pandemic and the pressing need for emissions reduction. The Australian Government envisions an aviation sector prioritising safety, job security, and the transition to net-zero operations.

*“A safe, efficient, sustainable, productive and competitive aviation sector is critical to the economy and the standard of living of all Australians.”*

**Hon. Catharine King MP**

*Minister for Infrastructure, Transport and Regional Development of Australia*

It is also worth reinforcing that the visitor economy is vital for maintaining our enviable way of life. Aviation connects communities, fosters economic growth, and brings visitors to our shores. While the industry has shown signs of a strong recovery post-COVID, it has also highlighted regulatory and workforce vulnerabilities.

Essential to this vision is the provision of dependable, competitive, and affordable aviation services backed by a robust framework for consumer protection. We must also ensure international and domestic aviation growth in the regions is achieved to integrate these cities into our national economy further.

As predicted by some at the earliest onset of COVID, the era of cheap flights may be over, as airlines use scarcity and yield management techniques to increase yield of airfares<sup>2</sup>. We thus also welcome proposals to ensure consumer protection into the near future. Care must be taken to develop a model that both bolsters airline customers and allows for airlines to prosper and continue to grow their network.

Finally, the overarching theme of the White Paper should be the challenges Australian air transport faces in meeting sustainability targets while ensuring connectivity. The next challenge for aviation globally is decarbonisation, with a commitment to achieving net-zero emissions. Aerospace has made huge leaps in recent decades in efficient fuselage and engine design to reduce emissions, but aviation remains one of the hardest industries to decarbonise. We welcome the Government’s commitment to finding novel solutions to the problems faced by aviation growth within the commitments to net zero carbon growth.

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<sup>2</sup> Justin Wastnage, *What will the Airline Industry look like Post COVID-19? Why the Era of Cheap Flights May be Over*, Industry Brief – Aviation, United States Studies Center at the University of Sydney, 15 April 2020

**We make the following seven recommendations in the submission:**

1. That the Australian Government introduces greater transparency, data-driven and independent assessed policies into the current process for bilateral air services agreements.
2. That the Australian Government publishes a new negotiating framework for air services agreements that enshrines Australian Values in any future deals to level the playing field for future talks. This process must be done in a transparent, data-driven, and independent way.
3. That the Australian Government pursues greater liberalisation of foreign ownership rules through the International Civil Aviation Organization processes.
4. That the Australian Government ensures that Western Sydney Airport is designated a regional airport under the terms of the Regional Package within international air services agreements to maximise its attractiveness to Asian airlines exploring Greater Sydney as a destination for point-to-point services.
5. That the Australian Government focuses on Northern Australia as a test market for domestic air transport cabotage by foreign carriers, and the Government allows limited exemptions to air cabotage rules for onward services connecting international airlines to regional routes in Northern Australia.
6. That the Australian Government exempts airports in Northern Australia from the passenger movement charge to offset the cost of providing border services.
7. That the Australian Government establishes agile, cross-trained border agent teams drawn from the Australian Border Force, delegated with the responsibility of clearing biosecurity, health checks, and immigration.

## Responses to section 11.1 - Bilateral settings

*The Australian Government proposes to continue the current ‘Capacity ahead of Demand’ approach and negotiate Open Skies style agreements where it is in the national interest and can be bilaterally agreed.*

Air access is essential for tourism and trade. Yet several federal government policy settings can impact the supply of air access into Australia. These include (but are not restricted to): passenger facilitation at airports, airport capacity at Sydney Kingsford-Smith Airport, visa issuance and processing, airport curfew operations, and negotiating bilateral air services agreements with third-party governments<sup>3</sup>.

The policy of successive Australian Governments has been to negotiate this capacity ahead of demand and to pursue unrestricted Open Skies deals with like-minded partners wherever possible. This official policy position is welcomed. However, the liberal and proactive aviation policy is not always reflected in fast-moving events, as witnessed by the recent Senate Select Committee in negotiating bilateral air services with the State of Qatar<sup>4</sup>. In attempting to stay two years ahead of demand, few within the department might have predicted the rapid rise of Qatar Airways as a network carrier in Australia, and few would have also predicted the rapid rebound of international travel after COVID. Nevertheless, the bilateral agreement reached its maximum allocation into the four major airports (Brisbane, Melbourne, Perth, and Sydney) and led to some perverse outcomes, such as Qatar Airways flying empty legs between Adelaide and major ports.

As such, the current capacity ahead of demand approach needs review, and the inclusion of a greater number of stakeholders needs to be prioritised. The International Air Services Commission is the independent advisory body assigned by the government to investigate each request by foreign countries for more capacity. Yet its workings are opaque, so we may never know the extent of lobbying by interested parties. A new framework, where the national interest is better defined, is required.

Additionally, the consideration of what constitutes the national interest needs greater transparency. It is understood, for example, that the decision to refuse an increase in flights from Qatar was due, in part, to concerns over the treatment of women in the state and, in particular, the strip searching of female passengers at Doha Airport in 2020<sup>5</sup>. This is a laudable approach that could have lasting ramifications in Qatar and engender positive change in behaviours.

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<sup>3</sup> Tim Mahoney, *Productivity Commission research paper: Australia’s international tourism industry - Submission by Tourism Australia*, Tourism Australia, Sydney, November 2014.

<sup>4</sup> Michelle Grattan, *Senate committee says government should ‘immediately review’ its rejection of Qatar flights*, The Conversation, October 9, 2023

<sup>5</sup> Elias Visontay, *Catherine King says treatment of women was ‘a factor’ in Qatar Airways decision*, The Guardian, Sydney, 7 September 2023

However, there is a way to codify Australian Values in negotiation positions. The European Union, for example, concluded an Open Skies deal with Qatar in 2021 in which it enshrined provisions around workers' rights and aircraft emissions standards<sup>6</sup>.

*“This agreement, the first one between the EU and the Gulf region, is a global benchmark for forward-looking aviation agreements. It is testimony to our shared commitment to economically, socially, and environmentally sustainable aviation, based on a modern framework covering fair competition and closer cooperation on social and environmental matters. This agreement will bring new opportunities, more choice and higher standards for passengers, industry, and aviation workers.”*

***Adina Vălean, European Commissioner for Mobility and Transport***

As was noted by the European Commission, the prize of unrestricted access to large aviation markets such as Europe represents an important bargaining chip with many states. Australia remains an extremely attractive source market for many of our Asian neighbours, not least due to Australians' high propensity to travel overseas. As Australia's aviation landscape changes, we will likely see increased interest in accessing bilateral rights from our Asian neighbours. The carrot of air access must be coupled with the stick of ensuring Australian Values are enshrined in future deals.

This approach will be easiest with the European Union, with which Australia has largely shared values. Bilateral talks with Europe have been a low priority for many years, as alliances and code-sharing agreements replaced European airlines flying their own aircraft from Europe to Australia and vice-versa. However, for Australian airlines to conclude new alliances or to deploy new ultra-long-haul aircraft on direct flights from Europe, a new Open Skies agreement between the European Union and Australia can once again be seen as a priority, not least in the context of an imminent free trade deal. This Open Skies deal could then be used as a template for future multilateral and bilateral Open Skies talks with prospective partner countries.

**Recommendation 1:** That the Australian Government introduces greater transparency, data-driven and independent assessed policies into the current process for bilateral air services agreements.

**Recommendation 2:** That the Australian Government publishes a new negotiating framework for air services agreements that enshrines Australian Values in any future deals to level the playing field for future talks. This process must be done in a transparent, data-driven, and independent way.

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<sup>6</sup> Press release: *Aviation: EU and Qatar sign landmark aviation agreement*, European Commission, Luxembourg, October 2021

## Differentiated rules for Northern Australia

Northern Australia boasts some of Australia's most prominent tourist attractions, including the globally renowned Great Barrier Reef, Kakadu National Park, and the Bungle-Bungles. But while the Whitsundays, the Daintree Rainforest, and Cable Beach can reliably attract Australian holidaymakers throughout the year, thanks to domestic air links, would-be visitors to Arnhem Land, The Kimberley, or Cape York seeking to explore the ancient heritage of our vast continent's first peoples are welcomed in smaller numbers due to less frequent air connections<sup>7</sup>. Airlines often cannot offer the low fares that many leisure travellers demand, due to government taxes, security restrictions or airport infrastructure requirements. Some potential visitors are also deterred by expensive and cumbersome visa application processes<sup>8</sup>.

These exceptional experiences command a premium from visitors. Still, there is a limit to this potential, particularly as growth in the number of tourists from Australia's traditional source markets in Europe and North America slows down, replaced by the burgeoning middle class of Asia. Indigenous Australia is more of a drawcard for Europeans and North Americans than for Asians, a study by Tourism Australia found<sup>9</sup>.

Yet despite its obvious drawcards and outstanding natural attractions, Northern Australia underperforms in visitor numbers relative to Southern cities. The cost of conducting business in Northern Australia is notably high. For many tourism operators, it becomes prohibitively expensive, rendering them unable to compete with sectors endowed with greater financial resources, such as mining and exploration.

However, unlike the resource boom, tourism is a sustainable industry deeply intertwined with regional communities, fostering economic growth through employment. For every dollar directly spent by visitors on tourism-related activities, an additional 92 cents are channelled into the community through indirect expenditures<sup>10</sup>. Tourism also generates employment opportunities across all strata of society, from unskilled labour to senior executives, while affording a flexible work environment for caregivers seeking to re-enter the workforce. In short, it is an industry that aligns perfectly with the government's goals of sustainable aviation growth and the development of Northern Australia.

The provision of federal government support for aviation infrastructure is highly welcome in Northern Australia. Successive federal governments have extended support to Darwin and Cairns by exempting them from capacity constraints stipulated in bilateral air services agreements

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<sup>7</sup> Justin Wastnage, *Tourism & Transport Forum submission to the Joint Select Committee on Northern Australia inquiry into the development of Northern Australia*, April 2014

<sup>8</sup> *Joint Select Committee on Northern Australia - 20/05/2014 Development of Northern Australia*, Hansard Transcript, 20 June 2014, Darwin

<sup>9</sup> *International Market Performance Statistics*, Australian Bureau of Statistics for Tourism Australia, September 2023

<sup>10</sup> *NT's Tourism Industry Strategy 2030*, Tourism Northern Territory, Darwin 2020

under the (Enhanced) Regional Package. These exemptions have played pivotal roles in incentivising foreign-owned carriers to establish<sup>11</sup>.

Several airlines have also been granted fifth freedom rights to offer ‘beyond’ onward services (principally to New Zealand) from major gateways to bolster their services. An example is a route from Singapore to Auckland via a stop in Canberra. New Zealand airports welcome this right as way to get lower cost services<sup>12</sup>.

In many cases, foreign airlines also have access to the eighth freedom-of-air rights, or limited cabotage. Referred to as ‘own stop-over rights,’ these grant airlines the ability to include stopovers at multiple Australian locations as a part of an international journey. However, in practice, few airlines take up these opportunities due to the market economics of additional stopovers.

However, a provision within the Air Navigation Act imposes limitations on international flights originating within Australia by foreign carriers. In the context of foreign low-cost carriers with Australian subsidiaries, this restriction impedes the utilisation of Darwin or Cairns as intermediate stopover points. If a carrier intends to offer a flight commencing from Melbourne or Sydney and subsequently proceeding to destinations such as Singapore or Manila, separate crews and aircraft operating under distinct Aircraft Operators' Certificates are mandated for each leg. This results in suboptimal utilisation of aeronautical assets and hampers the potential of Northern Australian airports as stopover hubs.

Thus, there is scope for the Australian Government to consider introducing greater cabotage rights for foreign airlines (seventh and eighth freedom rights), allowing them to operate on domestic routes. We welcome the decision by the Australian Government to publish a decision-making framework and guide for short-term limited cabotage dispensations to clarify existing arrangements and provide a framework for future arrangements.

The eighth freedom is the right of a carrier of one country to provide a service between two points situated in another country as a continuation of inbound services. This freedom is commonly referred to as ‘limited cabotage’ and an example would be a flight from Singapore to Perth that stopped in Broome to pick up passengers.

Ninth freedoms go further and allows foreign carriers to fly domestic legs inside a third country with no connecting flights. Widely practiced in the European Union where Ryanair, an Irish carrier, operates services not only between France and Italy, but also domestic routes within Italy. An example of ninth freedom in Australia would be an Emirati airline operating Sydney to Melbourne using Emirati crew under an UAE aircraft operator’s certificate. This is currently prohibited under foreign ownership regulations.

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<sup>11</sup> *Productivity Commission Issues Paper — Barriers to Services Exports*, Department of Infrastructure and Regional Development submission, Productivity Commission, Canberra, March 2015

<sup>12</sup> Justin Wastnag, *Linking the long white cloud - Why New Zealand’s smaller airports and their communities need a national infrastructure fund*, New Zealand Airports Association, Wellington, 2017



The Mexican government is actively considering allowing US carriers to offer services within its domestic aviation area<sup>13</sup>. The bill would allow foreign carriers to fly “routes of strategic interest for the development of the country's airport infrastructure”. The motivation for this reform has been the experience of Chile, which allowed air transport cabotage in 1979, and now has carriers from ten Latin American states able to offer services within Chile<sup>14</sup>. By 2013, Chile had more air traffic (by a factor of 0.75) per person than any other Latin American country<sup>15</sup>.

We consider it valuable to consider the experiences of other jurisdictions (notably the EU and Chile) in the framing of limited cabotage rights for Northern Australia.

**Recommendation 3:** That the Australian Government pursues greater liberalisation of foreign ownership rules through the International Civil Aviation Organization processes.

**Recommendation 4:** That the Australian Government ensures that Western Sydney Airport is designated a regional airport under the terms of the Regional Package within international air services agreements to maximise its attractiveness to Asian airlines exploring Greater Sydney as a destination for point-to-point services.

**Recommendation 5:** That the Australian Government focuses on Northern Australia as a test market for domestic air transport cabotage by foreign carriers, and the Government allows limited exemptions to air cabotage rules for onward services connecting international airlines to regional routes in Northern Australia.

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<sup>13</sup> *Mexico's President Presents Bill to Allow Cabotage Flights*, Jones Day, Mexico City January 2023

<sup>14</sup> *Agenda Item 39: Economic Regulation of International Air Transport — Policy Opening of Cabotage in Chile*, International Civil Aviation Organization, 26 September 2016, Montreal

<sup>15</sup> Proposal for market access liberalization - (Presented by Chile), Worldwide Air Transport Conference Sixth Meeting, International Civil Aviation Organization, Montréal March 2013

## **Responses to section 11.2 - Foreign investment in Australian international airlines**

*The Australian Government proposes to maintain the current legislative settings for foreign investment in Australian international airlines under the Air Navigation Act 1920, the Qantas Sale Act 1992, and the Foreign Acquisitions and Takeovers Act 1975. Where possible, the Australian Government will also continue to seek to include the ‘incorporation and principal place of business’ criteria in bilateral agreements.*

It is noted that The Australian Government received limited feedback on foreign investment issues. In response to the terms of reference. The Business Council of Australia suggested the ‘government should review and potentially revise any barriers to the access of capital in the aviation industry,’ including ‘foreign ownership restrictions currently in place for some parts of the industry.’ However, the Australian Government is not at complete liberty to further deregulate foreign ownership of airlines, as international air services typically contain provisions over national ownership and principal place of business.

*No scheduled international air service may be air services operated over or into the territory of a contracting State, except with the special permission or other authorization of that State, and in accordance with the terms of such permission or authorization.*

### **Convention on International Civil Aviation 1944**

As noted in the previous section, ninth freedom rights whereby foreign carriers operate domestic sectors with no connecting flights might be applicable in Northern Australia. For example, an Indonesian low-cost carrier might find a Cairns to Darwin leg a profitable route to increase aircraft utilisation between its domestic legs. However, using an Indonesian aircraft operator’s certificate and Indonesian crew would present a political, ethical, and potential safety issue for Australian regulators. Therefore, the Australian Government is unlikely to want to (or be able to) renegotiate and amend all existing bilateral with third countries to have any change in ownership provisions recognised.

Therefore, any change in international ownership provisions will rely on a global change of rules and a new International Civil Aviation Organization and International Air Transport Association-led treaty to amend or replace the Chicago Convention<sup>16</sup>. Australia has a permanent mission to ICAO based in Montreal, and could pursue the issue further.

**Recommendation:** Pursue greater liberalisation of foreign ownership rules through the International Civil Aviation Organization process.

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<sup>16</sup> *Convention on International Civil Aviation*, International Civil Aviation Organization, Chicago, December 1944

### **Responses to section 11.3 - International aviation engagement**

*The Australian Government proposes to continue its program of international and regional aviation engagement including capability and capacity building in the Asia-Pacific. The Australian Government will also consider additional opportunities to provide support, such as a targeted Pacific program that collaborates closely with other countries and Pacific aviation organisations.*

As noted in the Green Paper summary of submissions, the federal government plays little role in international aviation engagement. State and territory governments typically maintain and deploy airline attraction or route development funds. Both subsidies are designed to offset the costs of starting new routes to Australian airports by foreign carriers.

We note the Green Paper's suggestion to work more closely with Pacific partners. Griffith has a long history of working with Pacific tourism projects and air links are crucial to the continued success of Pacific tourism. It should also be noted that in several Pacific countries and territories, notably New Caledonia, Guam, Fiji and French Polynesia, long-haul stopover possibilities exist. A service from Canberra to Los Angeles via Nadi might make commercial sense, or indeed one from Gold Coast to Tokyo via Noumea. New Caledonia has recently had trade rights devolved from Paris<sup>17</sup> and so, in the context of bilateral negotiations covered earlier, fifth freedom rights with our Pacific neighbours needs to be included to get additional long-haul routes to secondary airports with a stopover.

The Australian Government also has a role to play in making Australian airports attractive to new foreign carriers by clearing away artificial restrictions to new services. These are most severe at Sydney Kingsford-Smith, but also exist as curfews at Adelaide and Gold Coast airports.

Curfew restrictions and movement caps dissuade low-cost international carriers from flying into those ports, as high aircraft utilisation is often a key economic driver. Many require turnaround times of 120 minutes and then depart to another location.

The Australian Government has a unique opportunity with the opening of Western Sydney International Airport in 2026 to mitigate this position. In the United States, secondary airports in greater metropolitan areas have provided opportunity for local populations as low-cost carriers have moved in. For example, despite being 60km from downtown Los Angeles, Ontario International Airport in LA's San Bernardino Valley has prospered due to the sizeable ethnic population nearby requiring international flights to Latin America and elsewhere. Similarly, Greater Sydney needs to function as a multi-airport system, with the new airport able to respond to ongoing capacity constraints at Sydney Airport. Policymakers need to consider the mechanisms by which they can make Western Sydney attractive to point-to-point traffic to Asia.

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<sup>17</sup> *La coopération dans le Pacifique – Australie - Gouvernement de la Nouvelle-Calédonie, Nouméa, Avril 2023*

The Australian Government should ensure Sydney functions as a multi-airport system, with the new airport able to respond to ongoing capacity constraints at Sydney Airport by keeping the new airport free to accept international services at any time. The two airports also need to operate within one city system<sup>18</sup>.

**Recommendation:** The Australian Government should ensure that Western Sydney Airport is designated a regional airport under the terms of the Regional Package within international air services agreements to maximise its attractiveness to Asian airlines exploring Greater Sydney as a destination for point-to-point services.

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<sup>18</sup> Justin Wastnage, *American airport cities: Lessons for Western Sydney Airport*, United States Studies Center at the University of Sydney, Sydney, 28 May 2018

## Responses to section 11.4 International airport designation and development

*The Australian Government is considering changes to the Framework for designating international airports and associated funding issues.*

One avenue for expanding international tourism lies in the opening of additional points of entry. The confluence of a growing number of travellers, a strong preference for non-stop flights, and the cost-efficiency associated with new long-range aircraft suggests that point-to-point air travel is poised for global growth in the aviation sector. However, Australia's current capacity to leverage this shift is limited, as international entry is restricted to only eight airports.

As demonstrated in various regions worldwide, airlines can create entirely new areas of interest by establishing services to regional airports, thereby stimulating demand<sup>19</sup>. This trend is evident across the European continent, with smaller airports, those servicing fewer than five million passengers per year, experiencing a remarkable 79 percent increase in traffic during the decade leading up to 2012, while larger airports registered a comparatively modest 29 percent growth. The expansion of secondary airports has notably invigorated the economies of many regions in Europe.

Research indicates that, rather than diverting passengers from major airports, the promotion of secondary airports by low-cost carriers also benefits full-service carriers by enhancing overall destination awareness. In Spain, for instance, tourist arrivals in the lesser-known Mediterranean region of Murcia surged by approximately 62 percent between 2001 and 2011, following the introduction of flights by low-cost carriers<sup>20</sup>. Simultaneously, arrivals in the Catalonia region of Barcelona also saw a notable increase of 42 percent over the same period.

Aviation access is crucial to the development of tourism in Northern Australia as well as the economy in this region more generally. Over the past decade, the decline in Japanese tourism has led to a decline in international services to Cairns, while Darwin has aggressively targeted new international routes. Domestic services have strengthened to both these cities, as well as to other points in the northern Australia zone. A notable new entrant has been Airnorth, a regional airline specialising in services linking the northern towns and cities.

The differing fortunes of the region's two international airports, Cairns and Darwin, is symptomatic of the wider economy: While Cairns is rebuilding its international air connectivity after a decline linked to Japanese tourism slow down, Darwin has been building its services steadily, due in part to the resources boom. Tourist traffic alone will struggle to sustain yields high enough for sustained commercial flights. Business traffic and freight must be encouraged alongside passenger air transport if the north is to unlock its true potential.

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<sup>19</sup> Peter Bronski & Greg Rusk, *Getting to the Point: Why air travel is ripe to migrate from hub-and-spoke to point-to-point*. Outlet Rocky Mountain Institute, January 2013

<sup>20</sup> *Global Report on Aviation: Responding to the needs of new tourism markets and destinations*. United Nations World Tourism Organization, Madrid 2012

## Exemption of the Passenger Movement Charge (PMC)

Tourism is the only export industry in Australia to be directly taxed. The passenger movement charge, a levy of \$60 applies to all international passengers over twelve years departing Australia regardless of nationality, destination, or class of travel. The flat tax dampens demand by raising the cost of travel to Australia<sup>21</sup>. For example, the International Air Transport Association estimated in 2016 that if the PMC were abolished, an extra \$1.2 billion would flow to the Australian economy, more than offsetting the \$700 million in lost tax receipts<sup>22</sup>.

Darwin and Cairns are particularly sensitive to the PMC due to their relatively short distance from Asian source markets. The PMC is not distance-tiered, so Australia's shortest international sector, from Darwin to the Timor-Leste capital Dili, some 700km over the Timor Strait, is taxed at the same rate as Australia's longest sector from Sydney to Dallas-Fort Worth, despite being some 1,600km further to fly.

Looking at a sample ticket from Darwin to Denpasar on the Indonesian island of Bali, for example, the \$60 departure tax equals almost half the airline base fare of \$126. As Darwin competes for a short break and long weekend tourism from expatriates based in Singapore and other parts of Asia, its proposition is weakened at the intention to travel stage of booking by being \$50 more expensive than Australia's Asian counterparts, most of whom do not charge a departure tax.

Take Taipei, for example. The Taiwanese city is approximately the same distance from Singapore as Darwin, yet lead-in fares are S\$70 cheaper and typical fares some S\$210 cheaper, leading many Singaporeans to holiday in Taiwan at the expense of Darwin.

Although further from the core cities in Asia, Cairns could benefit from a lower PMC, especially in attracting the price-sensitive Asian market. Although the market is moving away from organised package tours, there remains a keen sense of receiving extra value among Asian consumers. This translates into a desire for lower ticket prices, which places pressure on airlines and airports.

Reducing the levy for flights departing any northern Australian airport would help Darwin, Cairns, and potential international airports in Queensland and Western Australia level the playing field and offer attractive fares to Asian travellers.

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<sup>21</sup> Justin Wastnage, *Passenger-Movement-Charge-Explainer*, Tourism & Transport Forum, 2013.

<sup>22</sup> *The Economic Impact of Increasing the Passenger Movement Charge in Australia*, International Air Transport Association, Singapore, October 2016

## Low-cost customs

In Northern Western Australia, there is a notable absence of international services despite Broome and Port Hedland being designated as restricted-use international airports. The current situation presents a paradox: transitioning from this restricted status to full international airport status necessitates substantial infrastructure investments to meet the International Airport Operators' Guidelines, as issued by the Department of Infrastructure and Regional Development on behalf of border agencies. However, in the absence of this designation, the financial burden of customs, immigration, and quarantine staff falls upon the airport operator, unlike full international airports, where the Commonwealth bears the cost.

The smallest team required to process passengers on international flights at trial or ad hoc airports consists of approximately 12-16 staff, based on the experiences gained during a three-year trial of trans-Tasman services to the Sunshine Coast<sup>23</sup>. However, such a level of service would be impractical for Broome to sustain, particularly considering that this staff would need to be sourced from Perth, the nearest Australian Border Force port.

On the East Coast, there is a compelling argument for a limited customs presence at restricted airports that have handled flights from New Zealand (notably Sunshine Coast and Canberra). The rationale behind this proposal is that New Zealand, as a trusted and familiar neighbour, represents a lower-risk source market. To address this issue, GIFT suggests the establishment of agile, cross-trained border agent teams drawn from the Australian Border Force, delegated with the responsibility of clearing biosecurity, health checks, and immigration.

Any international service to Broome would likely originate in Singapore, which also falls within the trusted neighbour category akin to New Zealand. Therefore, the proposal for swiftly deployable, lightweight customs clearance teams could be extended to Broome, accommodating limited air services, and addressing the requirements of its cruise ship terminal.

**Recommendation 6:** That the Australian Government exempts airports in Northern Australia from the passenger movement charge to offset the cost of providing border services.

**Recommendation 7:** That the Australian Government establishes agile, cross-trained border agent teams drawn from the Australian Border Force, delegated with the responsibility of clearing biosecurity, health checks, and immigration.

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<sup>23</sup> Justin Wastnage, *Bringing our Neighbour Closer – Five Reforms to Maximize Tourism from New Zealand, Australia's Largest International Tourism Market*, Tourism & Transport Forum, Sydney August 2014

## Conclusion

In conclusion, we believe that the Australian Government has a unique opportunity to shape the future of international air connectivity to our country by adopting a proactive and informed approach. The recommendations presented above, coupled with the commitment of the Griffith Institute for Tourism (GIFT) to contribute valuable research, can pave the way for a robust International Aviation White Paper.

The introduction of greater transparency, data-driven policies, and independent assessments in bilateral air services agreements is imperative for fostering equitable and informed negotiations. We recommend the publication of a new negotiating framework that aligns with Australian Values, promoting fairness in future agreements through a transparent and data-driven process.

Furthermore, we advocate for the pursuit of greater liberalization of foreign ownership rules, ensuring alignment with International Civil Aviation Organization processes. Designating Western Sydney Airport as a regional airport within international air services agreements will enhance its appeal to Asian airlines, positioning Greater Sydney as a destination for point-to-point services.

To harness the potential of Northern Australia, we suggest focusing on the region as a test market for domestic air transport cabotage by foreign carriers, with limited exemptions to air cabotage rules for connecting international airlines to regional routes. Exempting Northern Australian airports from the passenger movement charge can alleviate financial burdens and encourage growth.

Lastly, establishing agile, cross-trained border agent teams from the Australian Border Force, as outlined in our recommendations, will facilitate efficient customs clearance, biosecurity, health checks, and immigration processes at smaller airports.

We look forward to the opportunity to collaborate with your office in the development of the International Aviation White Paper, leveraging GIFT's expertise in global comparisons of aviation frameworks. Together, we can shape policies that align with Australia's strategic goals, ensuring a thriving and sustainable future for the nation's international aviation sector.