

AVIATION GREEN PAPER NOVEMBER 2023

Maximising the opportunity for tourism & aviation



Foreword

Australia is an island nation. Our geographical location means that access to our country is heavily reliant on an efficient, competitive and reliable aviation sector. Aviation is vital for Australia's economic development, tourism and global connectivity and importantly connects remote and regional areas to metropolitan gateways.

It is well documented that Australia's international leisure tourism sector is still in recovery mode following the shocks caused by the global pandemic, with many markets only just edging past 60% of their pre-covid levels. Sustained high airfares coupled with a lack of airline capacity and competition are impeding growth which in turn affects our tourism trade deficit. Whilst many reports indicate that capacity is close to returning to 2019 levels across all carriers, the data is skewed by a couple of isolated increases: most of our key inbound markets are still somewhere between 50% and 80% of their 2019 capacities.

It is not of course the first time that aviation has sustained severe impacts to its operations – and most certainly will not be the last. What is critical is Australia's aviation sector needs to be more prepared, resilient, strategic and forward-thinking than our competitors in order to be well-positioned for a successful and sustainable future. We're at the end of the global aviation network and we're wholly reliant on aviation access. Significant shifts in air travel, or the way air travel is fuelled will have a major impact on our international travel sector and therefore export earnings.

The Australian Tourism Export Council offers this submission to the Green Paper process in the context of inbound/international tourism. Whilst we accept that there will be views and recommendations from others on domestic and outbound tourism in relation to aviation, this submission will not attempt to address these areas unless there is a specific correlation to inbound access and/or travel. We also support the recommendations in the submission lodged by the Australian Chamber – Tourism. ATEC is an active member and contributor to ACCI advocacy, specifically on international tourism matters.

Introduction

ATEC supports the Green Paper's clear goal of increasing tourism into and around Australia. Of critical importance is ensuring there is absolute synergy between the national aviation strategy and the national tourism strategy. In order to comprehensively address the relevant inbound-focused questions raised in the Green Paper, ATEC gathered together some 100 tourism industry CEOs for a specific roundtable discussion on the Green Paper. In summary, the priority areas covered included:

- stakeholder collaboration
- capacity on key inbound routes
- Australia's international competitiveness
- demand management scheme at Sydney Airport & enabling domestic competition
- cabotage
- streamlining visas and passenger processing – the "customer journey"
- regional connectivity & infrastructure
- sustainable airline fuels, net-zero & the carbon discussion

This submission will explore each of the above in the context of the Green Paper's specific questions.

Stakeholder collaboration

It could be argued that aviation has become a political and community issue rather than an 'air transport' issue. There are many stakeholders with disparate views which is an unenviable task to address. However, with soaring airfares and capacity still under 2019 levels for many routes, the need to align the national aviation strategy with the tourism strategy has never been more important. The facilitation of passengers throughout their 'customer journey' to Australia involves many layers – all of which add complexity, time, money and friction to that journey. ATEC recommends that the government undertakes a complete review of the departments and portfolios involved in the entire customer journey to identify opportunities for streamlining processes and creating efficiencies and less travel 'friction'.

Aviation strategy needs to align with where the demand is. Which are Australia's next growth markets? Which carriers are going to be able to service those markets? Tourism Australia's research will tell us where they're coming from and where in Australia they want to go. It is critical that we recognise the high yield target markets identified in Tourism Australia's market development strategy and align aviation strategy where possible to facilitate the growth of inbound tourism.

Recommendations:

- undertake a review of the departments and portfolios involved in the 'customer journey'
- align aviation strategy with growth markets as identified by Tourism Australia

Capacity on key inbound routes

Whilst our international competitiveness is curtailed by the lack of capacity into Australia from airlines, our attractiveness as a destination is also impacted if the key domestic routes favoured by international visitors are either too infrequent or too expensive. Part of our appeal as a global tourism destination is centred around regional Australia. The most recognisable and sought-after experience for an international guest is often called the 'golden triangle' – Sydney to Uluru and up to Cairns. Reduced capacity on these routes, high airfares and a lack of domestic competition servicing such routes is an enormous risk to Australia's attractiveness. A recent survey undertaken by ATEC showed that 100% of respondents reported that issues with access into and around the Red Centre would likely have an impact on itineraries and therefore impacting not only operators in the centre, but also suppliers in surrounding areas such as Kings Canyon, and tropical north Queensland. 96% stated that for an international tourist, a limited choice of flight options into the Red Centre could impact their overall decision to visit Australia. The 'golden triangle' is a bucket list route for a bucket list trip. International tourists do not travel in school holidays or on weekends – their trips are not dictated by days of the week and therefore itineraries must be able to be curated across 7-days a week/365 days a year: if the flight cannot be booked on a Tuesday to meet the needs of a three-week itinerary then perhaps the entire trip will not materialise – that is the risk.

It is critical that the government either supports increased competition on these routes (Kangaroo Island is and other example) or introduces regulatory measures to ensure reliability, affordability and clarity for the travelling consumer.

Recommendation:

- Government to support/regulate key inbound-focused domestic routes to avoid destination appeal dilution

Australia's international competitiveness

ATEC notes that one of the key pillars raised during the Department of Transport & Infrastructure's roundtable consultations was international competitiveness.¹ Whilst we must always have our national interest at the centre of our decision-making, it is counter-productive when decisions are heavily influenced by a single operator, and/or there is a lack of consultation and transparency around certain decisions. Australia's inbound tourism industry continues to struggle with a recovery more sluggish than anticipated. It is well known that flight costs and capacity into Australia remain at the heart of this struggle. Any airline that is willing and able to add capacity into Australia should be encouraged and enabled to do so, provided all other bilateral considerations are met. This will not only add much-needed capacity inbound from key source markets to drive the recovery, but also assist in adding competition on certain routes, helping to bring down inflated fares. No-one supports a 'race to the bottom' approach to airfares, but limiting competition to allow for market forces to regulate price is counter-productive. By allowing more competition into Australia from international airlines, we are opening up the opportunity for job creation, higher export earnings and lower airfares both into and out of Australia.

Recommendation:

- Allow international airlines to add capacity into Australia to allow market forces to regulate fares within the national interest and bilateral considerations

Demand management scheme at Sydney Airport

In this post-covid period, there are some clear winners - airlines are posting record profits - yet our ability to grow and service inbound visitors, who contribute significantly to our export earnings, is being curtailed by limited access by international carriers into Australia. We accept that in many cases, routes and carriers will return in time but the stark reality is that the current (and archaic) demand management scheme ('slots') at Sydney Airport hinders our global competitiveness and impacts the whole country's access given the 'gateway' status and preference from international airlines to fly into Sydney. In practice, the airport reaches its movement limit less than 1% of the time which actively enables inefficiency, permits airline "manipulation" of the 'slot' regime and hinders competition and consumer choice. ATEC urges the government to implement the recommendations in the Harris Review. Changes to the 'slots' at Sydney Airport could also enable new/additional domestic air carriers into Sydney Airport on key domestic routes (many of which are also consumed by international visitors), again promoting increased competition, a more level playing field and eventually less inflated fares.

Recommendation:

- Implement the recommendations outlined in the Harris Review with regard to Sydney Airport's demand management scheme

Cabotage

There has been much discussion about cabotage in the Australian aviation sector. ATEC is pleased that cabotage remains 'on the table' in the Green Paper as a possible mechanism to address the issues around capacity and fares which are the product of a domestic airline duopoly. ATEC supports the recommendation made by the Australian Airports Association that the federal government could trial cabotage on some routes as a means of improving competition. ATEC accepts that cabotage discussions need to be carefully and collaboratively considered and welcomes the reference in the Green Paper that the Government

¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023), [Aviation Green Paper: Towards 2050](#), September 2023, page 163

proposes to publish, in consultation with industry, a “decision-making framework and guide for short term cabotage dispensations.”²

Recommendation:

- Support a cabotage trial on some routes as a means of improving competition

Regional connectivity & infrastructure

We need to support the development and expansion of Australia’s regional airports. ATEC thanks the government for the roll out of the Regional Airports Program which delivered much-needed upgrades for many remote and regional facilities, but we note that this has now ceased. ATEC supports the Australian Airports Association’s commentary that there is an ‘infrastructure deficit’ at regional airports, and moreover that this deficit impacts an airport’s ability to be able to transition to an international gateway. We respect that additional airport capacity needs to be rolled out under a sustainability lens, but building capacity into Australia via expansion of internationally capable airports is a crucial part of improving passenger facilitation and reducing the strain on current gateways. ATEC supports measures to invest in international capability infrastructure and services at regional airports which in turn will help support dispersal, local economies and employment.

Recommendation:

- Invest in international capability of selected regional airports to assist with inbound capacity, international processing, dispersal and local economies

Streamlining visas and passenger processing – the “customer journey”

According to the World Travel & Tourism Council, traditional visa policies remain an obstacle to both tourism and economic growth and can limit the appeal of travel and hinders cross-border travel with many potential travellers deterred by outdated visa application processes³. It is for this reason that it is essential to continue to review and reflect on existing visa policies and processes and to explore more progressive approaches enabled by technology. It is also important that visa policy-makers consistently engage with the trade and tourism department to ensure a common vision and a full understanding of visa implications on tourism.

Travellers see visas mainly as a formality that imposes a cost. If the cost of obtaining a visa – either the direct monetary cost imposed in the form of fees or the indirect costs, which can include distance, time spent waiting in lines, and the complexity of the process – exceeds a threshold, potential travellers are simply deterred from making a particular journey or choose an alternative destination with less hassle. Visas play an important role in the overall ‘customer journey’ to Australia.

Like visas, passenger facilitation impacts the ‘customer journey’. As part of our broader commitment to seamless and frictionless travel to Australia, we need to continue to invest in technologies that support and streamline passenger movement through air and seaports. Expanding Smart Gates and exploring new ways to support international processing at regional airports are all important steps in improving the first impressions a visitor has upon arrival.

As from 1 July 2023, the passenger movement charge (PMC) now sits at AUD\$70 per departing passenger. The PMC is often a much-maligned ‘departure tax’ that quietly hikes up despite political parties’ promises to maintain a freeze. The tourism industry sees the PMC not only as a disincentive to travel given the added cost, but also a tax on tourism that does not deliver any material benefit or re-investment into the industry. It is well documented that the PMC is an ‘over-collect’ and generates far more than the costs of the border

² Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023), Aviation Green Paper: Towards 2050, September 2023

³ World Travel & Tourism Council, Visa Facilitation (2019)

management operations for which it was introduced. It simply lands directly into consolidated revenue and is an easy cash-grab for any government of the day. ATEC would support a policy change whereby a percentage of the PMC revenue is directly channelled back into tourism development, capability and marketing, thereby ensuring transparency and a performance-based measure of success.

These measures or policy adjustments create efficiency along the customer journey, but also facilitate longer traveller stays – again supporting a sustainable approach to travel.

Recommendations:

- make visas simple, quick and easy to obtain
- explore a PMC model that directs funds back into tourism development
- invest in digital passenger processing

Sustainable airline fuels, net-zero & the carbon discussion

It is vital for Australia’s aviation & tourism sectors to contribute to the achievement of the Australian Government’s net zero emissions target by 2050. Deployment of sustainable aviation fuel (SAF) is a key emissions reduction measure and therefore it is important that all relevant stakeholders including airports and tourism authorities are represented on the Jet Zero Council.

Given the travel distances to, from and around Australia, sustainable aviation fuels will be essential to reducing the carbon emissions from the aviation industry as other alternatives such as rail are not likely to meet demand or be a practical alternative. Alternative aircraft power sources such as hydrogen are still decades away therefore the priority for the government should be to support the development of sustainable aviation fuels here in Australia – and to position us as a global supplier. Currently, there are international carriers arriving in Australia using SAF but they are unable to refuel for their return...

The reality is that governments across the world are moving to impose restrictions/taxes on flights that have a carbon impact – not to mention the increasing consumer sentiment of ‘flight shaming’ for long-haul routes. The reality is that the long-haul flights are our highest-yielding and with added potential disincentives to travel to Australia given the sustainability piece, the very real risk is that our appeal as a destination reduces and therefore so does the associated visitation and revenue. SAF must be at the top of the priority list in terms of investment and reform over the next decade.

Recommendation:

- Invest in holistic long term development of SAF in Australia to protect our destination’s appeal

Thank you to the Minister and Department for the opportunity to make a submission.

About the author

ATEC has a 50-year history as an association that supports the business to business relationships and development of Australia's export tourism industry. Our members represent the full expanse of the inbound tourism supply chain including product suppliers/ sellers (attractions, hotels, transport operators, wineries, activity-based products etc) and inbound tour operators (ITO) and online travel agents (buyers) who distribute Australian tourism product internationally, and allied services including legal, insurance, finance, language services etc.

For over ten years ATEC has run industry specific training and development, helping Australian tourism businesses to build their pathway to export. In the past six years, ATEC has expanded its capacity to meet the demand for high quality industry training, often partnering with state tourism organisations (STO), regional tourism organisations (RTO) and federal government agencies and is a recognised expert in delivering industry enabling programs which were previously unavailable.

ATEC at a glance:

- Industry association with a 50-year history
- Started as a group of keen exporters known as inbound tour operators who wanted to collaborate on promoting Australia to the overseas traveller
- Members are scattered across all of Australia and we count amongst our constituents more than
- 40 regional tourism organisations, who collectively in turn represent thousands of SMEs

Our core functions are to:

- Facilitate business-to-business opportunities for our members
- Deliver relevant, contemporary and industry-supported training and capability building programs
- Provide business development advice, opportunity and support to our members
- Foster and promote excellence in service delivery and business best practice management
- Represent the collective views of our membership to governments and other external stakeholders and advocate on their behalf
- Liaise with industry and government to facilitate cohesion between commercial imperatives and policy development
- Raise the profile of the tourism export sector to the broader community

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