Australian Travel Industry Association (ATIA)

Submission on the Aviation Green Paper

December 2023

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Summary and Recommendations

The Australian Travel Industry Association (ATIA) welcomes the opportunity to comment on the Aviation Green Paper. Australian communities depend on aviation. Domestic and regional aviation are critical for domestic connectivity, and as an island nation, aviation offers a vital connection between Australia and the rest of the world. The travel distribution system plays an important role in this, and as the number one seller of air tickets to Australians, we are uniquely placed to contribute to the policy development process as the Government considers the policy direction for the aviation sector out to 2050.

Competition

There is an urgent need to review airport slots to ensure the growth of Australia's travel and tourism sector is not being limited by outdated regulations. In the domestic market, a concerning trend is now occurring where cancellation rates are 157% higher than pre-COVID.[1] This is being amplified at the country's main airport, Sydney where landing and take-off slots in the peak morning periods are severely constrained, even while cancellations are occurring on up to 10.2% of all scheduled flights in some key routes – suggesting late cancellation to hoard slots and prevent entry of competitors on high-margin routes.

Recommendation 1:

ATIA supports a competitive market for airport slots that allows entry for increased capacity to put downward pressure on the prices of air tickets. The threshold for domestic slot use should be increased to 90% within 2 years and 95% within 5 years from 1 January 2024.

There is an increase in the number of carriers seeking to direct commercial relationships beyond the established airline alliances and seek exemptions to competition law. These have diminished the competitive vigour of the international air transportation market by entrenching market power of the dominant airlines to the detriment of consumers and other stakeholders – for example, see the recent ACCC authorisation of Qantas-Emirates coordination that covers routes between Australia and the UK/Europe, New Zealand, Asia, the Middle East and North Africa.

Recommendation 2:

ATIA maintains that authorisations of airline coordination agreements should be conditioned upon robust analysis of the benefits and detriments of the agreements.

As noted in the Aviation Green Paper, competition would be enhanced if it was easier for foreign airlines to operate in the Australian domestic market, however there are also a number of challenges this may bring. Trialling cabotage arrangements on some routes where there is limited competition, in non-major ports and where further consumer choice is needed would be a balanced and sensible way forward. In any case, transparency in cabotage arrangements and the decision making framework is paramount.

Recommendation 3:

ATIA is supportive of the proposal to publish, in consultation with industry, a decision-making framework and guide for short term cabotage dispensations to provide clarity on existing arrangements and provide an administrative framework to manage any future decision to implement a longer-term agreement.

The Government should trial cabotage on some routes as a means of improving competition.

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[1] BITRE data (Oct-23: 3.77001021798365%; Oct-19: 1.46736176808035%).

Consumer Protections

Competition and consumer protections are interlinked. Generally, more competition leads to greater consumer outcomes. This is recognised by the ACCC, which stated "the lack of effective competition over the last decade has resulted in underwhelming outcomes for consumers in terms of airfares, reliability of services and customer service." In light of this, many of the recommendations made above in relation to competition will also lead to better outcomes for consumers, and these should also be a key priority when looking to improve consumer outcomes.

The Government's recent decision to re-implement quarterly domestic airline monitoring and reporting by the ACCC was welcomed by ATIA, and one that we have been advocating for. As is evident from the previous reports, this will allow consumers and industry stakeholders to receive timely and relevant information about capacity, prices and delays. This is critical to promote an open, free and competitive market – and ensure poor behaviour such as slot hoarding and sales of tickets on cancelled flights are identified and addressed.

Recommendation 4:

ATIA strongly supports the Government's decision to re-implement quarterly domestic airline monitoring and reporting by the ACCC. Consideration should be given to ensuring the report includes a further breakdown in relation to cancellations, including reason for the cancellation.

Globally, consumer rights have been strengthened following the performance of airlines regarding cancellations and credits during COVID. Travel agents are the number one seller of air tickets to Australians. Given agents book on behalf of consumers, there needs to be both business-to-business (B2B) as well as business-to-consumer (B2C) protections. This would ensure consumers have access to the same rights no matter how they choose to book their travel. Reform is needed to simplify refund rights where a flight is cancelled, and passengers are not accommodated on the same day.

Recommendation 5:

Full and equal rights should be provided to travel agents for customer refunds and cancellations that occur, so that airlines cannot discriminate against agents by disabling access to the refund system for their customers as they did during the pandemic.

It is clear that the right frameworks need to be in place to better incentivise airlines to invest in customer service improvements across all aspects of their operations. Increasing competition is a key element that will lead to greater consumer outcomes, and measures to increase competition should be implemented as a priority. Following the implementation of initiatives to increase competition, an assessment can be made as to whether a compensation scheme may be necessary.

Recommendation 6:

Following the implementation of initiatives to increase competition, the Government should review the impact on consumer outcomes and determine whether further measures are needed. Clear timeframes should be set out in the Aviation White Paper for implementation, trialling and review.

If a compensation scheme is to be pursued, it must be carefully considered to ensure it operates effectively and has the intended outcome. ATIA agrees with the Airports Association of Australia that should the Government proceed down this path, an independent agency would need to be established to determine fault of delays and cancellations, given that Airservices Australia, the air traffic operator, would be conflicted. A number of practical implications will need to be worked through, for example where flights are booked as part of a package. Any such scheme should be between the airline and the consumer, regardless of how the consumer purchased their ticket.

Recommendation 7:

Should the Government implement a consumer compensation scheme:

- this needs to be between the airline and the consumer, and

- an independent agency needs to be set up to determine the fault of delays and cancellations.

Disability access

There are various challenges faced by people with disability in accessing air travel. Contributing to the challenge is the number of organisations responsible throughout each point of contact during the passenger journey. People with disability are often impacted by poorly delineated operational responsibilities between airports and airlines, particularly at interfaces where support is required.

Recommendation 8:

To reduce barriers faced by people with disability in accessing air travel, and assist travel agents in providing support:

- The Government should ensure airlines and airports to work together to identify where the responsibility lies for assistance of passengers across the whole journey, and the types of assistance for passengers available.

- The Government should ensure parameters are put in place to encourage industry to deliver on scalable solutions to improve access to air travel for people with disability.

- Ministers for Home Affairs and Infrastructure should convene a roundtable with industry stakeholders to ensure a harmonised and standardised approach to disability access across the Australian aviation sector.

Emerging aviation technologies

As air travel and technology evolved, so has the methods of selling air tickets. Due to the consolidation of major airlines and limited domestic competition, airlines have taken the opportunity to seek to reduce competition for the distribution of airfares. This is done by only making available selected fares through proprietary IT systems - preventing any competition from travel agents on the efficient distribution of these highly sought-after tickets. While airlines may be able to increase their margin by distributing more fares through their own direct channels there is a net loss in competition for distribution across the market, negatively impacting consumers.

Recommendation 9:

A review of unfair contract terms in the aviation industry that may impact distribution. This review should seek to identify any unfair trading practices which are not prohibited by existing provisions of Australia's consumer laws, but which can nevertheless distort competition.

International aviation

International aviation is an integral part of Australia's connectivity and appeal to the world. It underpins our community, economy and way of life. It supports our migration system and our international tourism industry. Promoting strong two-way travel is essential to the tourism, hospitality and travel sectors' growth. It is a commercial reality of aviation that the long-term route viability is determined on both the export and import of tourism and travel services. Australians travelling overseas also, directly or implicitly, promote Australia as a travel destination to those with whom they interact, and outbound travel diplomacy also provides an opportunity for Australia to consolidate its role in the Indo-Pacific region and create mutual benefits with our neighbours.

Recommendation 10:

ATIA calls on the Government to appropriately recognise the critical importance of outbound travel and undertake stronger engagement with the travel sector to ensure that outbound travel is leveraged to the mutual benefit of inbound travel.

Currently, the Australian Government establishes a bilateral air services forward negotiating program to deliver on the Government's policy agenda for international aviation, individual applications are also considered. A clear framework for the process of air service agreement application/negotiation and an unambiguous written decision outlining the weighting of factors considered is required to ensure that investments can be made to efficiently deliver benefits to the Australian economy and community.

Recommendation 11:

The factors pertaining to a consideration of the national interest should be clearly defined. National interest should not be a reason in its own right. A framework based on the FIRB[2] should be established following consultation with the government and industry stakeholders.

The decision and rationale cannot be withheld from the public and the approving authority must justify the reasons why they agree or disagree with the expert advice.

Travel distribution is the forgotten partner of the aviation sector. But as the number one seller of air tickets to Australians, we are uniquely placed to contribute to the discourse on matters, such as the negotiation of air service agreements, with a consumer-focused lens.

Any negotiations for the establishment or alteration of air service agreements should be preceded by, or include, broad, inclusive and transparent consultations amongst Government at all levels, and affected industry sectors – including travel.

Recommendation 12:

The travel and tourism industry, airports and airlines and other export sensitive industries as relevant, must be provided equal opportunity to review each bilateral request and make recommendations.

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[2] https://foreigninvestment.gov.au/sites/firb.gov.au/files/guidance-notes/G11Principlesfordevelopingconditions_0_0.pdf
Australian Government Foreign Investment Review Board, Protecting the National Interest: Guiding Principles for Developing Conditions, 17 December 2020.

Aviation industry policy should not be made in a vacuum but take into account the broader impacts on our travel and tourism industries, international trade, the broader economy, and competition and consumer outcomes, including Australian communities. The ACCC is the agency best placed to make this assessment, with its advice fed into any air service agreement negotiation process.

Recommendation 13:

The ACCC must review and publicly release its assessment of the consumer benefit of each bilateral application.

It is the only government agency which can assess competition settings and ultimate consumer impacts.

With unrestricted, 'open skies' air services agreements with only nine other markets, Australia is well off the pace of leading aviation markets. In comparison, the North American aviation market – where the US has 100 open-skies agreements and Canada has 23 – has been one of the quickest to recover, with the total market in the region now exceeding pre-pandemic capacity levels.

Recommendation 14:

Australia should seek to increase the number of open skies arrangements with likeminded Indo-Pacific countries to increase competition to lower prices for Australians and international travellers who wish to visit Australia.

Maximising aviation's contribution to net zero

There is clear role for government in setting the policy direction and implementing measures that incentivise private sector investment and activity.

There is currently no strategy or government position that provides businesses or consumers with clarity on which portions of the aviation supply chain are responsible for the emissions created through travel. This should be rectified so that each stakeholder is clear on their responsibilities and can work towards achieving their targets.

Recommendation 15:

Ensure there is a clear strategy or government position that provides businesses or consumers with clarity on which portions of the aviation supply chain are responsible for the emissions created through travel.

SAF is the main lever in the immediate and longer term to reduce aviation emissions. This is particularly the case in Australia, given its dispersed population and relative geological isolation from the rest of the world, meaning the dependence on long-haul flights is increased and other options applicable to shorter routes are not appropriate in Australia. There is an important role for government to play in establishing effective policy and regulatory settings to support the development of domestic SAF production capability and industry take-up of SAF.

Recommendation 16:

Australia must lead the development of SAF for the Indo Pacific region, given Australia is the only country with sufficient raw materials. Government must invest in the development of a domestic SAF industry as an immediate priority. The implementation of incentives will also be crucial to the development of a domestic SAF industry in Australia.

User-friendly sustainable aviation fuel accounting methodologies should be implemented.

While the development of a domestic SAF industry is the most viable approach to decarbonising the aviation sector, this should be pursued alongside a range of additional initiatives that will contribute to the sector reaching its net zero goals.

Recommendation 17:

Government commitment to supporting investment in aviation research and technological development is vitally important, including developments in relation to hydrogen and electric aircraft.

Ensure regular meetings at the Jet Zero Council to ensure the sector can continue to work towards successfully achieving its objectives.

Fit-for-purpose agencies and regulations

The Crisis Centre that DFAT has set up is world leading. This a critically important function and we commend DFAT on its ongoing assistance to Australians in need. With significant experience in travel arrangements and crisis response, there is a role for travel distribution to be utilised to enhance Australia's response to a crisis. It would be beneficial for DFAT's Crisis Centre to engage not just directly with airlines, but with the distribution partners, including travel agencies in particular, to utilise their skills and expertise in getting people out of unsafe situations more efficiently and effectively.

Recommendation 18:

A panel of distribution partners should be established that can be utilised to assist in the facilitation of getting Australians home safely, which DFAT's Crisis Centre should engage with as needed.

In our latest analysis, there are at least 12 Ministerial portfolios directly impacting the visitor economy. Analysing government expenditure in key visitor economy portfolios, including, but not limited to, Home Affairs (Border facilitation, Immigration), Agriculture (Biosecurity), Foreign Affairs (Consular Services, Passport Office) and Trade (Tourism Australia and Austrade), can help evaluate the effectiveness of these programs and initiatives. By understanding the impact of these programs, government can make informed decisions about the allocation of resources and improving existing programs.

Recommendation 19:

ATIA recommends that an analytical framework should be developed that illustrates inbound and outbound traveller interactions with different governments and regulatory services or systems.

As Australia considers its aviation policy out to 2050, there is a need for investment in new and refreshed assets and infrastructure, especially in regional Australia. This includes major infrastructure at aviation facilities as well as processes. While Australia did have a clear strategy of modernisation, there is now a clear need for a new overarching strategy bringing together government service providers, infrastructure owners, suppliers and travel management companies.

ATIA is united with other key industry associations in calling for seamless border facilitation. ATIA supports investment into technology solutions to improve the border experience by travellers and to ensure that any impediments do not stifle growth in the travel and tourism industry.

Recommendation 20:

ATIA supports the consideration of a long-term funding structure for the ongoing improvement of airports, domestic and international, (as well as seaports) to enhance visitor experience to produce productivity gains.

ATIA supports exploring where increased cooperation and collaboration with other countries as well as new technologies could improve passenger facilitation.

A government wide standard for the economic modelling of aviation, particularly of air sales, should be investigated and established in the final paper. Currently there are multiple models being used between Austrade, the ACCC, Tourism Australia and Treasury to measure the economic impact of air sales on the visitor economy and what constitutes fair trading conditions. There needs to be a singular approach to how aviation economic impacts are established and reported on by Government.

Recommendation 21:

A government wide standard for the economic modelling of aviation, particularly of air sales, should be investigated and established in the final paper.

The Passenger Movement Charge (PMC) is a poorly designed tax that has moved far from its original intention to recover the necessary costs associated with border processing. Prior to the COVID-pandemic, the PMC was generating close to $1.2 billion in tax revenue each year, which considerably was greater than the $436 million of expenditure on border management by the Department of Home Affairs and the Department of Agriculture and Water.

The PMC reduces inbound visitor spending and impacts, particularly on international visitors in emerging tourism source markets who compare the price of visas and taxes when planning a holiday. The PMC only adds to the cost of fares for travellers.

The reintroduction of the principle of hypothecation by Government in relation to the last increase of the PMC was welcomed and demonstrates the need for the PMC to be spent on service improvements at the border. This is the principle that should be applied given that the PMC is a charge, not a tax.

Recommendation 22:

There should be no further increase to the PMC, as it is already in over collection. What is currently collected should be allocated directly to the security of the Australian border as per its original intention.

Increase transparency about the cost associated with passenger movement that are notionally covered by the PMC and the use of funds.

Future industry workforce

As the number one seller of air tickets to Australians, travel distribution's workforce must also be considered as part of the Aviation White Paper process to ensure the industry has the workforce it to meet the needs of the travelling public. The travel industry was one of the first to feel the impacts of the pandemic restrictions, which resulted in the industry losing more than a third of its skilled workforce. This shortage remains, with the Government's Skills Priority List recording Travel Consultants as in shortage nationally. If the shortages are not addressed now, it will have a snowball effect impacting the workforce into the future.

Recommendation 23:

To ensure the travel industry has the workforce it needs to support the needs of the travelling public:

- Provide Government support for all traineeships of no less than 30% in wage subsidy across two years

- Reinstate the fixed monetary completion incentives of $2,500 to employers

- Ensure Travel Consultant remains on the Apprenticeship Priority List

- Federal and state governments need to align funding and priorities.

1. The Australian travel industry is a crucial component of aviation policy

The Australian Travel Industry Association (ATIA) welcomes the opportunity to comment on the Aviation Green Paper. ATIA is the trusted source for advice and best practice in the travel sector. Our mission is to highlight the integrity of our members through effective approaches in advocacy, industry recognition and awards, and ultimately boosting the confidence of the travelling public.

ATIA administers the *Australian Travel Accreditation Scheme* (ATAS), which is the largest and most representative accreditation scheme for travel businesses in Australia. All ATIA members are ATAS accredited and recognised for their highest operational standards including yearly assessment of finances, minimum levels of training and procedures for dealing with consumer grievances. About 85% of consumers are more likely to book with an ATAS-accredited travel agency or tour operator.

Our membership base includes the full spectrum of travel intermediary businesses across Australia including retail, corporate and online travel agents, tour operators, wholesalers and consolidators. Our members range in size from the largest listed organisations such as Flight Centre, Helloworld, Corporate Travel Management and Webjet, through to small independently owned and operated travel businesses.

A large proportion of travel agent members are small to medium businesses, many of whom operate under networks such as Helloworld, Flight Centre Independent, My Travel Group, itravel, Express Travel Group, Travellers Choice and CT Partners. ATIA's membership also includes consolidators, tour operators and wholesalers such as Scenic, APT and The Travel Corporation who are reliant on competitive air prices to maximize ground expenditure.

ATIA has a total of 1,750 ATAS-accredited member locations throughout Australia.

Importance of the Australian travel industry

As noted in the Aviation Green Paper, Australian communities depend on aviation. Domestic and regional aviation are critical for domestic connectivity, and as an island nation, aviation offers a vital connection between Australia and the rest of the world. The travel distribution system plays an important role in this and must be recognised through the Aviation White Paper development process.

Travel professionals have sold over 18 million air tickets worth over $15 billion as at the end of October this year.[3] At least 70% of all international air sales are through agencies rather than direct with airlines. This reliance has increased as a result of the COVID pandemic's immediate and residual impact in making travel more complicated. Over 90% of corporate sales (medium and large businesses) are through agencies, recognising that reliance on a travel professional streamlines processes and makes it easier for companies to ensure compliance with their financial policies and duty of care.

Consumer and corporate reliance on travel professionals increased significantly during the COVID pandemic and the subsequent reopening. Australians turned to our members to help them navigate the multiple challenges of managing COVID pandemic impacted travel, credits and refunds. Our members provided this support throughout the COVID pandemic for negligible financial return and in many cases, at a significant financial cost. The value of a travel professional has been starkly reinforced and consumer confidence and trust in our members has endured post-pandemic. Travel advisors also play a key role in helping Australians return during times of need, the most recent example being the ongoing conflict in the Middle East.

In today's increasingly complex world of travel, demand for professional assistance continues to grow. This is particularly the case as consumer preferences shift, for example, many customers are seeking expert assistance with finding sustainable travel options, or luxury holidays.

It is critical that the two-way nature (in the movement of people) of the aviation industry is specifically examined as part of the Aviation White Paper process. Typically, when the visitor economy is referred

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[3] Ticket defined as individual air tickets sold.

to in the Aviation Green Paper, it focuses solely on the inbound elements of the visitor economy. This significantly discounts the impact of travelling Australians or permanent residents, who represent approximately 12 million trips each year.[4] It also fails to recognise the commercial reality of aviation, that route viability is determined on both the export and import of tourism and travel services – outbound travel by Australians underpins the ability of an airline to maintain air services to Australia that support our domestic tourism industry.

In addition, while the Aviation Green Paper notes that the updated THRIVE 2030 strategy for growing the long-term sustainable growth of the visitor economy is a concurrent process, the inclusion of the travel distribution system as part of the Aviation White Paper development process will allow an assessment of these policy settings in the context of the wider range of matters including competition and consumer outcomes more broadly.

ATAS accreditation

ATIA is committed to continually elevating travel industry standards in Australia by driving increased and continued participation by travel intermediaries (those who buy and sell travel) in the Australian Travel Accreditation Scheme. This is Australia's only accreditation Scheme, for travel agents, wholesalers and consolidators and was developed with full oversight by the Consumer Affairs Forum and CHOICE.

The ATAS *Complaint Appeal Committee* (ACAC) is an independent review body specifically established under ATAS to review and determine customer complaints and allegations of non-compliance with the ATAS Charter and Code. ACAC reviews complaints elevated to it by the Compliance Manager and can issue binding decisions, including sanctions against a Participant. Between January 1 and 31 December 2022, ATAS received 954 complaints, with the most common issues being refunds for COVID-pandemic affected bookings and converting unused credits issued during the COVID-pandemic to refunds.

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[4] See ABS, Overseas Arrivals and Departures.

2. Sector overview & outlook

In setting aviation policy out to 2050, it's important to consider the base from which that policy will be implemented so that appropriate measures can be put in place.

Passenger traffic recovery

During the COVID pandemic, Australia's travel agents, tour operators and other travel businesses had revenue falls of over 90% during extended border closures and experienced a loss of more than a third of its skilled workforce, while the broader tourism industry lost around $4 billion per month.

While the overwhelming majority of ATAS travel businesses have now returned to a profitable position, the lack of airline competition and capacity, and the resulting higher airfares is impacting the number of Australians visitors who can travel both inbound and outbound. As of the end of October 2023, over 18 million tickets have been issued by Australian travel agents worth over $15 billion. ATIA models that this represents nearly 70% of international tickets by Australians travelling overseas.

The *International Air Transport Association* reports a continuing trend of strong growth across passenger air travel.[5]

This recovery is not, however, uniform across global international and domestic travel, with domestic passenger traffic in September 2023 5.0% above 2019 levels, but international remaining 6.9% down. Likewise, available seats in international are 9.2% below 2019 levels. Specifically for Australia, domestic travel is significantly behind global averages, with 3.1% and 0.3% growth respectively for Revenue Passenger Kilometres (RPKs) and Available Seat-Kilometres (ASKs).

The Asia Pacific region has experienced the sharpest growth but still lags behind other regions in narrowing the gap from pre-pandemic levels.

Both trends are a result of a later and staged recovery in the China market, the largest in the region.

Figure 1: IATA International revenue passenger-kilometres (RPKs), YoY% change versus 2019 – Top 10 route areas in 2019

Sources: IATA Sustainability and Economics, IATA Monthly Statistics
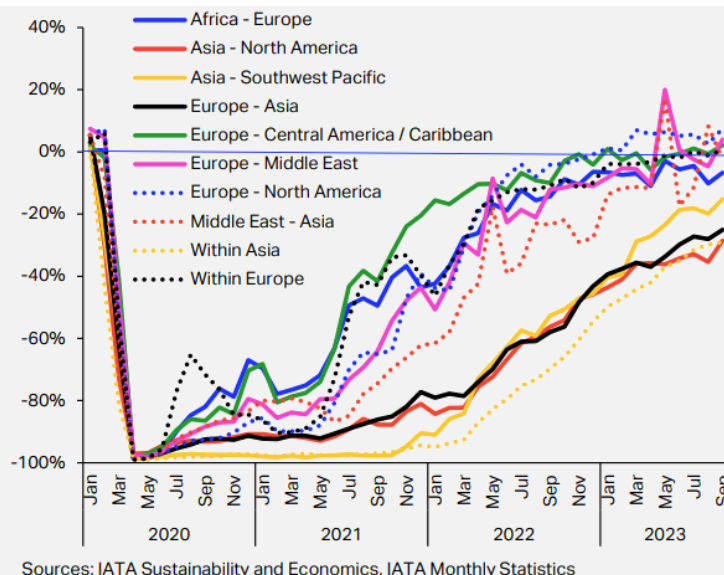
Source: IATA, *Air Passenger Market Analysis*[6]

Figure 1, extracted from the IATA report, shows the recovery of Asia <-> Europe and Asia <-> North America routes, as well as intra-Asia regional travel, around 28% below 2019 passenger numbers - lagging other cross-regional routes that are close to or slightly exceed pre-pandemic levels.

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[5] IATA, *Air Passenger Market Analysis*, September 2023, accessed 17 November 2023, available at https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-market-analysis---september-2023/.
[6] Ibid.

In its 12th and final *Airline competition in Australia* report, the ACCC describe the Australian international air travel recovery, with May 2023 international arrivals and departures recovered to 81% and 79% respectively, compared to the same month pre-pandemic.[7] Likewise, the ACCC notes a Sydney Airport report that international passenger traffic recovered to 80.6% of pre-pandemic levels in April 2023.[8]

In terms of capacity, the *Bureau of Infrastructure and Transport Research Economics* for March 2023 show pre-pandemic capacity out of Sydney has been met or exceeded in half of the top 10 destinations.

While flights to London are now the same as pre-pandemic levels, changes in aircraft flying this route mean that seats are 5.4% down.

It should also be noted that the Doha figures represent flights at the full capacity limit from Australia's major gateway airports. The halving of flights is a result of the discontinuation of the Qatar Airlines Canberra-Doha service which we understand to be airport operational issues due to changes in ground handling services.

Most Middle East and APAC destinations provide capacity for both end-of-line travel and as intermediate hubs through to further destinations in the regions and to Europe.

Table 1: Outbound flights and seats from Sydney, March 2023 compared to March 2019

Sydney to:		Seats	Flights
1	Singapore	99.6%	98.1%
2	Auckland	84.5%	82.1%
3	Los Angeles	89.2%	90.7%
4	Denpasar	119.5%	131.1%
5	Seoul	121.2%	177.4%
6	Kuala Lumpur	109.8%	123.9%
7	Hong Kong	46.0%	45.5%
8	Dubai	56.4%	50.0%
9	Manila	123.1%	100.0%
10	Tokyo	104.7%	112.2%
...			
13	London	94.6%	100.0%
16	*Doha**	*59.1%**	*50.0%**
17	Abu Dhabi	44.3%	50%

Source: BITRE *see text for additional context*

All these datapoints suggest that while the regional figures are exacerbated by a slower recovery in the China market, the recovery of capacity to and from Australia remains well below global markets.

Figure 2 illustrates the strong recovery in Australian outbound capacity in regional short haul, while long haul destinations remain under pre-pandemic levels.

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[7] ACCC, *Airline competition in Australia - June 2023 report*, 5 June 2023, accessed 17 September 2023, available at https://www.accc.gov.au/about-us/publications/serial-publications/airline-competition-monitoring-reports/airline-competition-in-australia-june-2023-report.
[8] Ibid.

Figure 2: Outbound seat capacity heatmap, March 2023 vs. March 2019
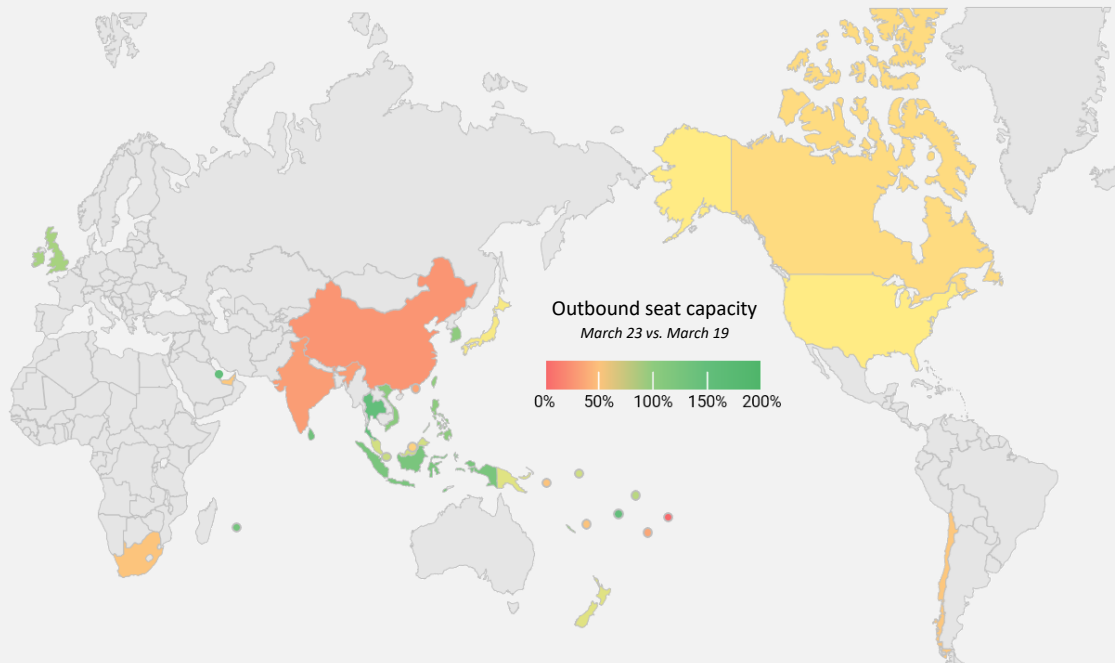
Source: [Growth Potential for Foreign Airlines](#)

Pricing impact

There can be no doubt capacity constraints on routes with strong demand have resulted in higher prices for Australian consumers.

Data from industry ticketing systems[9] show price increases on international fares from Sydney airport in 2023 up to 99% higher than the same period before the pandemic.

Significant price increases have not been confined to a specific class of travel, although the growing popularity of premium economy seating has seen even greater price rises for this category. Some of the highest price increases across classes include:

- Sydney to Hong Kong - Economy – $853 one-way **(+81% increase)**
- Sydney to Los Angeles - Economy – $1254 one-way **(+67% increase)**
- Sydney to Dubai - Economy – $853 one-way **(+64% increase)**
- Sydney to Dubai – Premium Economy – $2224 one-way **(+99% increase)**
- Sydney to Doha - Premium Economy – $959 one-way **(+72% increase)**
- Sydney to Singapore - Premium Economy – $1057 one-way **(+59% increase)**
- Sydney to Doha – Business/First – $3165 one-way **(+68% increase)**
- Sydney to Hong Kong - Business/First – $3692 one-way **(+56% increase)**

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[9] Data ATIA ticketing system analysis. 2023 data is based on Jan-Jul, while 2019 data is full-year.

Figure 3: Seat Capacity and Fares, selected routes ex-Sydney, 2023 vs. 2019
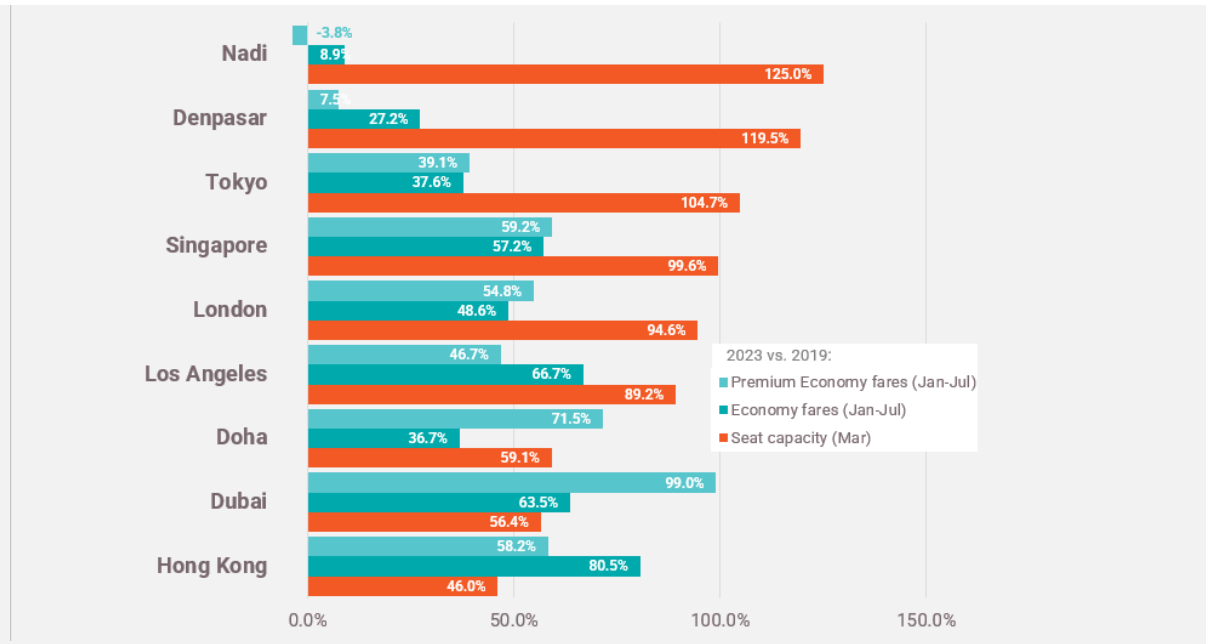
Source: Market Intelligence Global Demand Data (GDD) and <u>Growth Potential for Foreign Airlines</u>[10]

While not linear, Figure 3, above, illustrates the strong link between capacity and higher fares. Competition on the Fiji and Bali routes has resulted in capacity growth, and constrained pricing increases – with economy fares falling on the Sydney to Nadi route.

In comparison, capacity constrained routes to the Middle East and Hong Kong have seen the highest fare increases – particularly in premium cabins.

Cost-of-living pressures on families and business

It is clear that strong demand and capacity limits have allowed airlines to achieve higher margins. The ACCC final report notes that, *"[t]he Qantas Group said that yields are expected to remain materially above pre-pandemic levels through to the next financial year, particularly for international services.* ***Based on revenue intakes over April–May, yields from domestic travel are 118% of pre- pandemic levels, and 125% for international travel."***

As a result, Qantas and most major airlines have reported record profits while ordinary Australians face significant cost-of-living pressures.

Living on an island nation, Australians must cross the ocean by air or sea to realise their international travel intentions – whether for holidays, visiting friends and family, education or business. After the period of COVID restrictions, Australians are eager to travel, and many have been willing to pay the higher prices. However, many others cannot.

In practical terms past decisions have had real impacts which include:

- Additional cost to Australians looking to holiday abroad after the challenges of COVID lockdowns and travel restrictions;

- Australian families missing out on important family reunions and events, such as births, marriages and funerals;

- Limiting choices for Australian SME businesses to resume face-to-face meetings and development opportunities;

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[10] Department of Infrastructure, Transport, Regional Development, Communication, and the Arts, *Growth Potential for Foreign Airlines,* 26 April 2023.

- Increased freight cost for perishable and other goods that require air transport – this is limiting opportunities for Australian SMEs to build export markets and to be competitive in the global marketplace.

In economic terms there is a deadweight loss that is the economic benefit foregone by these Australians who are priced out of the market.

Outlook for outbound Australian travel

Long-term travel trends

Prior to the COVID pandemic and associated travel restrictions, the number of outbound Australian travellers had strong and consistent year-to-year growth with a CAGR of 5.2%. *Figure 1*, below, depicts the number of short-term resident departures for 2010-2019.[11]

Figure 4: Short-term resident departures
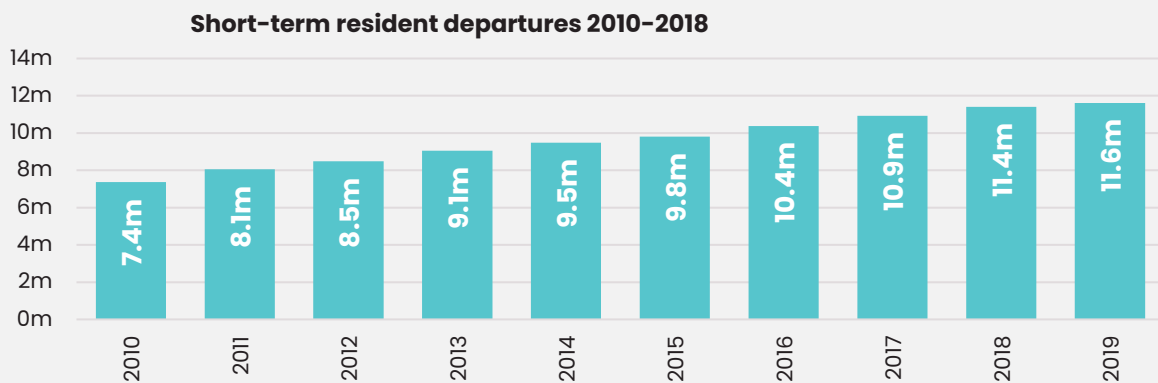
The latest data reveals that Australians have maintained this desire for international travel in the wake of the re-opening of Australia's borders – with increasing numbers of outbound travellers, indicating a strong recovery.

In September 2023, short-term resident departures were 1.06m – only 6.2% below figures for the same month in 2019.[12] Tourism Research Australia (TRA) forecast pre-pandemic levels will be surpassed in 2025 – and 13.4 million outbound departures are forecast by 2027.[13]

Australian visitors to New Zealand – the number one destination country for Australians travelling overseas in 2022-2023 – is leading the recovery trend and forecast (by the NZ Ministry of Business, Innovation & Employment) to be 16% above 2019 levels in 2024.[14] The growth rate of resident departures is forecast by TRA to slow into 2027,[15] towards longer-term trend growth.[16]

Alongside travel volume, spending on travel has increased over the past decade at a rate exceeding growth in household income - demonstrating the increased priority and importance placed on travel.[17]

Consumer priorities and preferences for outbound travel

Trends in consumer priorities and preferences for outbound travel are shaped by environmental, social, cultural, and financial factors and have shifted since the pandemic. Food tourism, wellness tourism and sustainable travel were popular tourism trends in 2023.[18]

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[11] Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australian Dec*, accessed 20 November 2023 < https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/dec-2019/340102.xls >.
[12] Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australia*, accessed 17 November 2023 <Overseas Arrivals and Departures, Australia, September 2023 | Australian Bureau of Statistics (abs.gov.au)>.
[13] Austrade, Tourism Research Australia, *Tourism Forecasts for Australia 2023-2028*, accessed 30 November 2023 <Tourism forecasts | Tourism Research Australia>.
[14] Ibid and Ministry of Business, Innovation & Employment, *2018-2024 International Tourism Forecast for the 2018-2024 period*, accessed 20 November 2023 <2018-2024 | Ministry of Business, Innovation & Employment (mbie.govt.nz)>.
[15] Austrade, Tourism Research Australia, *Tourism Forecasts for Australia 2023-2028*, accessed 30 November 2023 <Tourism forecasts | Tourism Research Australia>.
[16] Ibid.
[17] Luxury Escapes, *Travel 2023 – A New Era,* accessed 20 November 2023 <LE-TrendReport-DIGITAL-FA-144ppi.pdf - Google Drive>.
[18] Ibid.

Sustainable travel is an emerging trend – with Australians demonstrating a growing awareness, and concern, of their environmental and social impact. This is tempered by other considerations, including cost and a consistent enthusiasm for travel.

A 2021 *Sustainable Travel Report* found that the pandemic has influenced 51% of Australian travellers to travel more sustainably, and 63% would avoid popular destinations so to not contribute to overcrowding or to benefit other, less-popular destinations.[19] Respect for the local community is a priority, with 65% seeking authentic experience that are representative of the local culture when they travel.[20] The travel industry is adjusting to consumer needs and preferences, by providing opportunities for responsible tourism, that minimises negative social, economic, and environmental impacts.

A recent report on travel trends found that the most important motivators driving Australians' travel plans were:

1. To experience new things
2. To relax and unwind
3. To explore different cultures
4. To improve health and wellbeing
5. To meet new people

International travel is also reflective of cost-of-living increases and inflation, with consumers booking longer stays with multiple tours to maximise value despite higher air fares.

Despite economic and environmental concerns, Australians have demonstrated an on-going enthusiasm for travel – with 56.5% stating that the pandemic has increased their motivation to travel, and 35% aiming to travel overseas in the next year [June 2023-June 2024].[21]

Destination-based demand

In 2022, the five most visited countries by Australian tourists included New Zealand, Indonesia, the United States (US), the United Kingdom (UK), and India – with the top four spots the same as in 2019.[22]

For 2023, popular regions amongst those with international travel plans include Europe (39%), North America (24%), the UK (23%) and New Zealand (18%).[23]

In 2024, Asia-Pacific will be a major tourist destination for Australian travellers. Data also suggests that Manila, Singapore, Bangkok, Tokyo, Fiji, Christchurch, Queenstown, London, Bali, and Auckland will be popular destinations for Australian travellers in 2024.

The demand-cycle

The demand for travel is seasonal, with desirable weather, events and activities creating consistent peaks and troughs year-to-year. For example, certain northern hemisphere destinations including France, Italy, and Greece peak July to August,[24] reflecting the European summer. In Canada, tourist arrivals steadily increase from December through to March,[25] during the Canadian winter. Seasonal events like Chinese New Year and Cherry Blossom season in Japan also increase demand at certain times.

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[19] Samantha Smith, 72% of Australian travellers think sustainable travel is vital, do you?, Karryon, accessed 17 November 2023 < 72% of Australian travellers think sustainable travel is vital, do you? – KARRYON>.

[20] Ibid.

21 Travel Weekly, Study Finds 90% of Australians Plan to Travel in 2023, their Destination Preferences Revealed, accessed 17 November 2023 < Study finds 90% of Australians plan to travel in 2023, their destination preferences revealed - Travel Weekly> and Nielsen, Nielsen data reveals Australia's changing travel trends and the brands spending big to attract Aussie tourists, accessed 17 November 2023 <Nielsen data reveals Australia's changing travel trends and the brands spending big to attract Aussie tourists | Nielsen>.

[22] Katherine Scott, Most popular destinations for Australian in 2022: Where we travelled this year, The Sydney Morning Herald, accessed 17 November 2023 < Most popular destinations for Australians in 2022: Where we travelled this year (smh.com.au)>.

[23] Nielsen, Nielsen data reveals Australia's changing travel trends and the brands spending big to attract Aussie tourists, accessed 17 November 2023 <Nielsen data reveals Australia's changing travel trends and the brands spending big to attract Aussie tourists | Nielsen>.
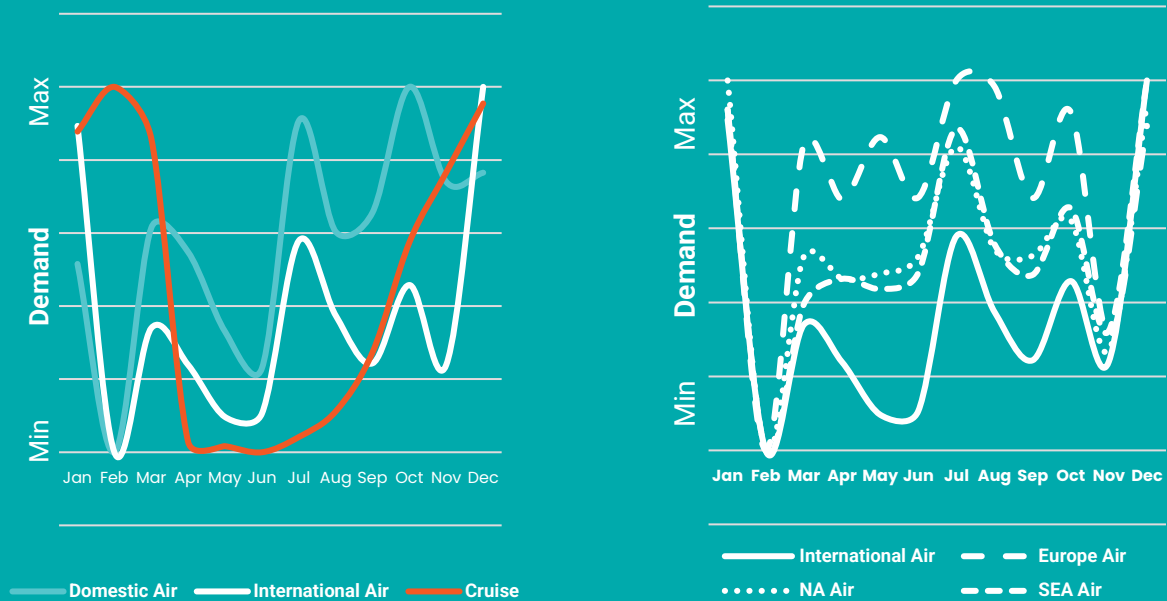
[24] UNWTO, Tourism Dashboard, accessed 17 November 2023.

[25] Ibid.

Figure 5: Seasonality of Australian Travel Demand[26] and International Air Demand [27]

Domestic Air   **International Air**   **Cruise**

International Air   **Europe Air**
NA Air   **SEA Air**

The demand-cycle can be both supply and demand driven. For example, cruise lines move their ships seasonally to cater to demand – and are generally deployed from Alaska and Europe in the northern hemisphere summer and the equator and southern hemisphere in the northern hemisphere winter. Across international air demand peaks are seen across school holiday periods, with the strongest peak in the European summer with multiple smaller peaks in the side-seasons.

As with other economic variables, the demand growth for tourism is cyclical and is driven by economic, social, political change and health crises like pandemics.[28] It is likely that longer-term trends will be cyclical with a substitution of different destination types in response to factors such as changing consumer income, foreign exchange rates and broader macroeconomic trends. Overall, Australians have demonstrated an on-going enthusiasm for travel and the sector will enjoy continued growth.

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26 Air figures based on average outbound seats between 2003 and 2019 as reported by BITRE. Cruise figures from Douglas, Neil & Ellis, Ben & Luke, Frost, The Demand and Economic, Environmental & Social Impacts of Australian Cruise Tourism, 2018.
27 Air figures based on average outbound seats between 2003 and 2019 as reported by BITRE.
28 Ilsé Botha and Andrea Saayman, Forecasting tourism demand cycles: A Markov switching approach, accessed 17 November 2023.

3. Competition

Healthy competition is critical for the effective operation of markets so that businesses have the incentive to operate efficiently, price competitively and offer products valued by consumers. This in turn delivers benefits to the Australian community and economy through lower prices, innovation and improved product offerings.

Airport slots

There is an urgent need to reform the system that regulates domestic airport slots to ensure the growth of Australia's travel and tourism sector is not being artificially constrained by outdated regulations. This is supported by a comprehensive report commissioned by ATIA from Dr Tony Webber, Managing Director, Airline Intelligence and Research Pty Ltd, attached to this submission as **Attachment A**.

While slot management is an issue at all major airports in Australia, at Sydney Airport the dual regulations of the Worldwide Airport Slot guidelines and the Sydney Airport Demand Management Scheme, results in difficulties. While most airports are not constrained on slot movements, Australia's gateway, Sydney Airport is significantly constrained in its ability to operate.

Airlines that have scheduled take-off and landing times at airports in the current year have the right to retain these scheduled take-off and landing times in the following year if they have used 80% of those take-off and landing times in the current year. If an airline with historical rights to a take-off or landing slot cancels more than 20% of the services attached to that take-off or landing slot, then the airline will lose the right to have access to that take-off or landing slot in the following year. There is also further dispensation to the 80-20 rule as any cancellations out of the airlines control such as adverse weather conditions, failure or defect in equipment required for safe operation of the airport, and certain industrial action may not be included in the enforcement of this rule.[29]

During the COVID pandemic, airlines received relief from their obligations to use their allocated slots to take off and land at airports. Most of the requirements on airlines to use their allocated slots were reinstated by the Minister for Infrastructure, the Hon Catherine King MP in August 2022 as a result of the recovery in domestic and international flying.

The Ministerial Direction contains a protection mechanism to ensure that allocated slots that airlines opt to forgo or lose under usage requirements will remain available for international services in the future. ATIA supports this important protection.

Cancellation rates

Domestically, a concerning trend is now occurring where cancellation rates are 157% higher than pre-COVID. Under the Worldwide Airport Slot Guidelines airlines must maintain an average of 80% use of a slot to maintain access to it. Cancellation rates on international flights are rare given current load factors, however, there is a continued elevation of cancellations for domestic flights arriving or departing Sydney:[30]

- Melbourne-Sydney route at 10.2%;
- Sydney-Melbourne route at 9.9%;
- Canberra-Sydney route at 8.2%;
- Sydney-Canberra route at 7.6%;
- Sydney- Brisbane route at 6.3%.
- Brisbane-Sydney route at 6.1%.
- Adelaide-Sydney route at 5.6%;
- Sydney-Adelaide route at 5.5%; and
- Sydney-Hobart route at 5.1%.

ATIA notes that the cancellation rate between 2009 and 2019 was 2.3%.

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[29] See Sydney Airport Demand Management Act 1997, s 11 and Sydney Airport Slot Management Administration Manual.
[30] BITRE, *Airline On Time Performance Statistics —Monthly*, October 2023, accessed 27 November 2023, available at https://www.bitre.gov.au/statistics/aviation/otp_month.

In terms of cancellation rates at airports:[31]

- The average domestic cancellation rate at Australia's busiest airport, Sydney, has more than quadrupled over the pre-COVID period 2003 to 2019, increasing from 0.3% to 3.3%. The 2023 cancellation rate sits at 5.3%, which is 2 percentage points higher than 2019 levels.
- Melbourne Airport's average cancellation rate in the case of its domestic business has increased more than five-fold between the 0.6% recorded in 2003 up to the pre-COVID high of 3.2% over the 2019 calendar year. After the large spike in the cancellation rate during the COVID pandemic in 2021, the cancellation rate in 2023 has fallen but still remains elevated compared to pre-COVID levels at 4.8%.
- Canberra Airport's cancellation rate was 1.2% in 2003, which is almost twice the cancellation rate of the airport with the second highest cancellation rate in 2003, which was Sydney at 0.8%. The cancellation rate subsequently declined to more normal levels over the following four years but increased sharply between 2008 and 2010 in response to the Global Financial Crisis and has remained elevated since. By 2019 the cancellation rate rose to 2.4% and remains at 5.3% in 2023.

There is a very high level of correlation between cancellation rates at Australia's domestic airports because a departing cancellation also coincides with an arriving cancellation. Full details and analysis of the average cancellation rate at major airports, as well as the average cancellation rate by airline are set out in Dr Webber's report.

Why do airlines cancel services?

As detailed in Dr Webber's report, airlines cancel services because of weather events, sick flight crew and air traffic control staff, aircraft mechanical issues, and to make higher profits.

Take-off and landing slots at highly congested airports are so highly valued by airlines that they often form a part of the intangible assets of an airline. If the landing or take-off slot occurs at a morning or afternoon peak, this raises the value of the asset to the airline. This is because the airline is likely to generate more income by flying aircraft during the morning and afternoon peaks compared to an off-peak time of the day. The morning and afternoon peaks will generate higher seat factors, higher yield, and greater revenue for airlines because passengers place a higher value on flying during these more convenient times of the day. Airlines do not like to give up these slots because they are highly profitable, and they don't want to turn them over to a competitor who could profit from them.

Airlines will cancel a flight when the variable costs that are saved by cancelling the flight are greater than the revenue that is lost by cancelling the flight. The variable costs that an airline avoids when it cancels a service includes fuel, flight and cabin crew costs, air meals, station engineering, ground handling, and airport and terminal navigation charges. Key drivers for cancellation are when jet fuel prices are unexpectedly high, and when demand is much lower than expected on marginally profitable flights.

Costs of cancelling services – impact on travel intermediaries, passengers, airports and the economy

Cancellation rates significantly increase the cost travel for consumers and travel intermediaries that must manage these cancellations. For business clients there is a significant productivity loss, while for travel intermediaries (agents, tour operators, air consolidators), airports, ground operators there is a real negative financial cost of reissuing tickets and management for forward travel which the consumer ultimately pays. There is also a cost to airports and the general economy, see analysis and Table 2 below.

In the case of travel agents and travel intermediaries who issued the original tickets, the major cost associated with cancellation of flights includes the time that it takes travel agent staff to reorganise trips on behalf of passenger. This includes rebooking the passenger on flights, accommodation, car rental, land transport and tourism experience activities. They also face an opportunity cost, which is the revenue that may be lost by the agency because the travel agent staff could have used the time to reorganise a cancelled flight and other bookings, to book a new flight for new clients.

Cancelled flights will also result in lost aeronautical and non-aeronautical revenue at airports if passengers decide not to travel in response to the cancellation of a flight. Dr Webber conducted

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[31] Bureau of Infrastructure, Transport and Regional Economics - On-time Performance Database.

modelling on the economic impact if 5%, 10%, 15% or 20% of passengers decide not to travel at all in response to airlines cancelling their flights in the Australian domestic aviation market. It was found that if just 5% of passengers on cancelled domestic flights decide not to travel, then the impact on aeronautical revenue at Australia's top ten airports totals around A$4.8m per year at current, listed aeronautical charges while the impact on non-aeronautical revenue is estimated to be A$1.5m per year.[32]

When cancellations occur, a passenger may be notified prior to attending the airport or while they are already at the airport. If an airline cancels a service and the passenger is first notified about the cancellation on arrival at the airport, then a passenger that decides to cancel the trip bears the out-of-pocket costs of travel to and from the airport as well as the opportunity cost of time that could have been spent on a more productivity activity.

Cancellations also lead to seats being withdrawn from the market, which raises airfares for those passengers who are yet to book a flight. Passengers are therefore likely to pay higher airfares than they otherwise would if there had not been flight cancellations. In response, the passengers may decide not to travel, or they decide to pay the higher airfare, both of which have a negative impact.

When passengers decide not to travel because of domestic flight cancellations this affects domestic tourism. If we assume that 5% of passengers on cancelled flights decide not to travel at all, then as demonstrated in Table 2, the estimated impact on domestic tourism that is facilitated by Australia's top ten domestic airports is estimated to be A$405m over the 12 months to October 2023.[33]

Table 2: Estimated Impact on Domestic Tourism Spending of Flight Cancellations by Home State / Territory

	Estimated impact on Tourism Expenditure			
	5% Non-Flying	**10% Non-Flying**	**15% Non-Flying**	**20% Non-Flying**
Sydney	$143,003,124	$286,006,248	$429,009,372	$572,012,496
Melbourne	$114,048,081	$228,096,162	$342,144,243	$456,192,324
Brisbane	$51,996,445	$103,992,890	$155,989,335	$207,985,780
Perth	$21,195,311	$42,390,621	$63,585,932	$84,781,242
Adelaide	$21,107,632	$42,215,264	$63,322,896	$84,430,528
Gold Coast	$24,174,395	$48,348,790	$72,523,185	$96,697,580
Hobart	$7,298,723	$14,597,446	$21,896,170	$29,194,893
Canberra	$13,709,452	$27,418,903	$41,128,355	$54,837,806
Darwin	$1,436,924	$2,873,849	$4,310,773	$5,747,698
Cairns	$6,804,522	$13,609,044	$20,413,566	$27,218,088

Economic benefits of moving to a 95/5 rule

ATIA is an advocate for a significant change to domestic slot allocation to improve the level of competition in the domestic aviation sector. As detailed in this submission, the level of competition directly impacts the service standards and prices Australians, and our international visitors pay.

With the long-term average of 2.3%, consideration should be given to increasing threshold for slot use to 90% within 2 years and 95% within 5 years. This would provide a significant incentive for airlines to operate scheduled flights or provide a new opportunity for new entrants to compete.

This is reinforced by the recent Select Committee Inquiry in relation to Commonwealth Bilateral Air Service Agreements, where the majority recommended that the Government urgently respond to the Review of the Sydney Airport Demand Management Scheme including the Mr Peter Harris AO recommendations to improve airport slot management and strengthen the 'use it or lose it' rule.

The economic benefits of moving to a 95/5 rule are outlined comprehensively in Dr Tony Webber's report.[34] Evidence indicates that airlines are more likely to cancel services during the colder off-peak

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[32] Dr Tony Webber, Slot Misuse and its impacts, November 2023, p 10.
[33] See Dr Webber, Slot Misuse and Its Impacts, November 2023, p 54.
[34] Dr Webber, Slot Misuse and its Impacts, November 2023, from p 56.

months in air travel in Australia, notably between May and July. Under the 80/20 rule the airline is able to cancel 10 services associated with a particular slot over the year. This number of allowable cancellations approximately coincides nicely with the number of weeks between the May and June colder months. This means that an airline could potentially cancel flights at a particular slot in each week of the off-peak winter months of May and June and still retain the slot under the 80/20 rule. A 95/5 slot allocation rule will prevent this from occurring, because this rule will only allow the airline to cancel 2 services per year rather than 10. Rather than potentially cancelling most flights for a particular slot over May and June, the airline will only be able to cancel one fifth of those flights.

This is likely to reduce the costs associated with cancelling services for travel agents, passengers, airports and the economy, as set out above.

Recommendation 1:

ATIA supports a competitive market for airport slots that allows entry for increased capacity to put downward pressure on the prices of air tickets. The threshold for domestic slot use should be increased to 90% within 2 years and 95% within 5 years.

Bilateral air services agreements

The current bilateral policy settings are having the impact of limiting new capacity. This is creating a function of suboptimal competitive tension in the aviation industry. The most effective option to increase capacity and allow it to adapt to demand variation over time, is the negotiation of adequate capacity limits that offer significant margin for growth.

As detailed further in **Section 8 – International Aviation**, a clear framework for the process of air service agreement application/negotiation is required, including clarity around the factors pertaining to a consideration of the national interest. Aviation industry policy should take into account the broader impacts on travel and tourism businesses, international trade, the broader economy, and Australian communities, and relevant industries should be consulted. Given the ACCC's strong expertise in assessing competition settings and consumer impacts, the ACCC should also feed advice into this process.

Open Skies

With unrestricted, 'open skies' air services agreements with only nine other markets, Australia is well off the pace of leading aviation markets. In comparison, the North American aviation market – where the US has 100 open-skies agreements and Canada has 23 – has been one of the quickest to recover, with the total market in the region now exceeding pre-pandemic capacity levels.

ATIA further addresses this in **Section 8 – International Aviation**, where we outline that Australia should seek to increase the number of open skies arrangements with likeminded Indo-Pacific countries to increase competition and to lower prices for Australians and international travellers who wish to visit Australia.

Carrier coordination agreements

There are currently 60 airlines that fly aircraft to Australia, two less than prior to COVID.[35] An additional 85 airlines sell to Australians by operating service agreements with their partners to provide services from hub destinations such as Singapore, Hong Kong, and Thailand. Once a passenger reaches that hub their own aircraft will connect each traveller to their final destination.

ATIA recognises that this type of carrier coordination can improve convenient connections for passengers, lowering barriers for both inbound and outbound travel. As an industry that specialises in

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[35] BITRE, Airline by country of port data–passengers, freight and mail–2009 to current International Airline Activity: Table 1 2009 to current - July 2023, accessed 22 September 2023, available at https://www.bitre.gov.au/publications/ongoing/international_airline_activity-time_series.

coordinating multi-leg itineraries and products across suppliers, ATIA can also attest to the benefits consumers enjoy from an integrated experience.

However, in recent times, there has been an increase in the number of carriers seeking to direct commercial relationships beyond the established airline alliances (Oneworld, Star Alliance, Sky Team).

Exacerbating an already unhealthy competitive landscape, a similar process was playing out in the international air market. Airlines were allowed to consolidate operations into global alliances and have been provided with exemption to competition law. The largest three such alliances – Star Alliance, SkyTeam and Oneworld – collectively include 59 participating airlines operating in 195 countries.[36] These partnerships have allowed airlines to expand their routes by sharing resources to ostensibly provide a more seamless travel experience for international passengers who benefit from access to multiple destinations and more convenient connections.

The impact of these developments in conjunction with exemptions to competition law can hardly be overstated, especially where airlines operate aircraft to the same destinations.

Interestingly, as was the case with the New Distribution Capability (NDC), global alliances were largely promoted by IATA and others as pro-consumer but have greatly diminished the competitive vigour of the international air transportation market.

ATIA has recently made submissions to the ACCC on a number of authorisations seeking clarification on the overall public benefit.

In these decisions, some airlines have stated that they would withdraw from certain routes or activities, however, ATIA considers this is highly unlikely given the propensity for Australians to travel internationally.

ATIA assessment and that of our global partners[37] found that these processes entrench market power of the dominant airlines to the detriment of consumers and other stakeholders is also happening in an increasingly uncompetitive international market.

Recommendation 2:

ATIA maintains that authorisations of airline coordination agreements should be conditioned upon robust analysis of the benefits and detriments of the agreements.

Cabotage

The Aviation Green Paper notes that some stakeholders have suggested that competition could be enhanced if it was easier for foreign airlines to operate in the Australian domestic market. However, it also points to a number of difficulties related to the high degree of reliance on foreign regulators and regulatory frameworks to achieve policy outcomes.

There may be some use for cabotage in limited circumstances. For example, where a foreign airline sets down passengers in Melbourne and then flies to a non-major port such as Adelaide, it appears reasonable for the airline to be able to pick up domestic passengers on the leg they were flying already.

ATIA supports the recommendation by the Airports Association of Australia that given the current market structure of the domestic aviation industry is so concentrated, a pilot program of cabotage could be trialled in some routes. For example, where there is limited competition, in non-major ports, or where the government is concerned that consumers could benefit from better choice.

Transparency in cabotage arrangements is paramount, and ATIA is supportive of the proposal in the Aviation Green Paper to publish, in consultation with industry, a decision-making framework and guide

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[36] Altexsof, Airline Alliances Explained: Benefits, Major Players, and Other Types of Partnership, 28 March 2023, accessed 17 September 2023, available at https://www.altexsoft.com/blog/airline-alliances-explained/.
[37] American Society of Travel Advisors, *Complaint of The American Society of Travel Advisors, Inc. Against American Airlines*, 31 July 2023, accessed 17 September 2023, available at https://www.asta.org/docs/default-source/testimony-filings/2023/asta-complaint-to-dot.july-2023.pdf

for short term cabotage dispensations to provide clarity on existing arrangements and provide an administrative framework to manage any future decision to implement a longer-term agreement.

Recommendation 3:

ATIA is supportive of the proposal to publish, in consultation with industry, a decision-making framework and guide for short term cabotage dispensations to provide clarity on existing arrangements and provide an administrative framework to manage any future decision to implement a longer-term agreement.

The Government should trial cabotage on some routes as a means of improving competition.

4. Consumer Protections

Australians turned to travel industry professionals to help them navigate the multiple challenges of managing COVID impacted travel, credits and refunds. Consumer frustrations due to difficulties accessing credit and refunds have often been borne by travel agents even though the policies are controlled by the airlines.

ATIA members want to ensure positive consumer experiences when they travel. This is both for the benefit of the consumer, as well as the travel agent, who spends additional time assisting where changes are needed due to delays and cancellations.

It is evident that the current legal system for cancelled flights and disruptions is not working as intended. The evidence given at the recent Select Committee Inquiry on Bilateral Air Service Agreements reinforces this and confirms that reform is needed. It is important that issues are addressed between the airline and the consumer at the point of disruption rather than through the agent. This ensures this is clear transparency of responsibility.

Impact of competition on consumer outcomes

Competition and consumer protections are interlinked. Generally, more competition leads to greater consumer outcomes. This is recognised by the ACCC, which stated "the lack of effective competition over the last decade has resulted in underwhelming outcomes for consumers in terms of airfares, reliability of services and customer service."[38] In light of this, many of the recommendations made above in relation to competition will also lead to better outcomes for consumers, and these should also be a key priority when looking to improve consumer outcomes.

ACCC quarterly reporting

The Government's recent decision to re-implement quarterly domestic airline monitoring and reporting by the ACCC was welcomed by ATIA, and one that we have been advocating for. As is evident from the previous reports, this will provide important independent data on the performance of the aviation sector and its critical role in the economy. It will allow oversight into the overall health and recovery of the domestic aviation sector to support Australia's overall economic growth. This quarterly report will also allow consumers and industry stakeholders to receive timely and relevant information about capacity, prices, cancellation and delays.

The ACCC itself noted that its monitoring role has significantly expanded its knowledge of the airline industry, and it has developed a deep understanding of airline practices that may contravene the *Consumer and Competition Act 2010*. It also noted that it enables the ACCC to act more quickly should competition or consumer issues arise, because it already has dedicated staff members with industry knowledge and expertise through ongoing access to, analysis and reporting on industry data. This reinforces the critical importance of independent reporting and the positive impact it has on consumer outcomes.

Importantly, the ACCC has noted that airlines have been providing a declining level of customer service.[39] Complaints regarding airline performance are still tracking above 2019 levels, so it is clear there is significant room for improvement.[40]

A key element impacting consumer experience is cancellations. The ACCC's previous reports contained useful information about cancellation rates, tracking rates for each airline along with the industry average and industry long-term average. A useful addition would be to break down the cancellations further and track the reason for cancellations in further detail. For example, those cancelled by the airline, those cancelled at the initiative of Airservices Australia, and the relevant reason, e.g. weather, operational issues, etc.

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[38] ACCC, Airline competition in Australia, June 2023
[39] Ibid.
[40] ACCC, Aviation White Paper: ACCC submission in response to the terms of reference, 15 March 2023, p 24.

ATIA strongly supports the Government's decision to re-implement quarterly domestic airline monitoring and reporting by the ACCC. Consideration should be given to ensuring the report includes a further breakdown in relation to cancellations, including reason for the cancellation.

Consumer protection frameworks

It is clear that the right frameworks need to be in place to better incentivise airlines to invest in customer service improvements across all aspects of their operations.

Travel agents have acted as a market balance for consumers at the point of sale, playing an important role as consumer advocates to find the best value for money and provide an additional level of support and expertise. However, recent changes to industry commission structures, distribution standards, remuneration models and the implementation of the New Distribution Technology (NDC) has changed the dynamic and impacted consumer choice and service delivery. This is further detailed in **Section 7 – Emerging Aviation Technologies**.

Globally, consumer rights have been strengthened following the performance of airlines regarding cancellations and credits during COVID. Reform is needed to simplify refund rights where a flight is cancelled, and passengers are not accommodated on the same day. Full and equal rights should be provided to travel agents for customer refunds and cancellations that occur, so that airlines cannot discriminate against agents by disabling access to the refund system for their customers as they did during the pandemic.

The Aviation Green Paper is also considering whether policies pursued in other jurisdictions would deliver benefits to the Australia's aviation sector, for example, like that present in the EU for statutory compensation in certain instances of delay or cancellation.

As set out above, ATIA believes that increasing competition is a key element that will lead to greater consumer outcomes, and measures to increase competition (detailed above) should be implemented as a priority. Reducing barriers for airlines to compete with one another is essential. Given that travel agencies are in competition with airlines for the sale and distribution of airfares, having greater competition at a supplier level will increase purchasing power and autonomy for the Australian consumer.

Following the implementation of initiatives to increase competition, an assessment can be made as to whether a compensation scheme may be necessary. The Aviation White Paper should set out clear timeframes for how long such measures should be trialled and monitored for, and when the impact of those should be assessed so as to determine whether further measures to increase consumer outcomes are necessary.

If any such scheme is to be pursued, it must be carefully considered to ensure it operates effectively and has the intended outcome. Generally, the compensation scheme does not apply where the reason behind the flight disruption can be connected to 'extraordinary circumstances', and the issue is outside the airline's control.

The issue of who is at fault for delays and cancellations would be contentious, given that day delays and cancellations can occur on a network for legitimate reasons, such as weather, air traffic control and safety issues, medical emergencies, etc. ATIA agrees with the Airports Association of Australia that should the Government proceed down this path, an independent agency would need to be established to determine fault of delays and cancellations, given that Airservices Australia, the air traffic operator, would be conflicted. It would be concerning if the intended consumer outcomes were impacted due to disagreements about the reason for the delay or cancellation and where the fault lies.

Given such schemes have operated internationally for some time, we should ensure key learnings from the implementation of those schemes are understood, and a number of practical implications will need to be worked through, for example where flights are booked as part of a package. Any such

scheme should be between the airline and the consumer, regardless of how the consumer purchased their ticket.

Recommendation 5:

Full and equal rights should be provided to travel agents for customer refunds and cancellations that occur, so that airlines cannot discriminate against agents by disabling access to the refund system for their customers as they did during the pandemic.

Recommendation 6:

Following the implementation of initiatives to increase competition, the Government should review the impact on consumer outcomes and determine whether further measures are needed. Clear timeframes should be set out in the Aviation White Paper for implementation, trialling and review.

Recommendation 7:

Should the Government implement a consumer compensation scheme:

- this needs to be between the airline and the consumer, and
- an independent agency needs to be set up to determine the fault of delays and cancellations.

5. Disability access

ATIA welcomes the Government's focus on addressing the barriers people with disability face in relation to access to travel. Travel agencies support travellers with disability in arrangements for their travel. There are also disability specialist travel agencies who are experts in designing and arranging personalised travel experiences for people with disabilities, and who are registered NDIS service providers.

There are various challenges faced by people with disability in accessing air travel. Contributing to the challenge is the number of organisations responsible throughout each point of contact during the passenger journey. People with disability are often impacted by poorly delineated operational responsibilities between airports and airlines, particularly at interfaces where support is required. Set out below are some of the reported issues, a number of which are focused on mobility as these were commonly raised during our consultation and research:

- For domestic travel within Australia, certain customers who require a carer to travel may be eligible for a reduced fare for both themselves and their carer. However, travel agents have been excluded from booking these tickets, including travel agencies who are registered NDIS service providers and who specialise in arranging travel for people with disabilities. This means the only option is to book directly, thus reducing consumer choice and denying them the benefits of using a travel agency and accessing the additional assistance they can provide.

- Lack of clear information as to how disabilities may be accommodated on a flight. Consumers have reported that the policies are difficult to locate, and are not easy to understand. Information about accessibility in relation to restrooms on airplanes are reported to be particularly difficult to find.

- Airlines not being willing to talk a person about the specifics of accessibility until the booking itself is made and paid for. This can be particularly problematic, for example, where a person or agent is seeking to determine whether there is availability for wheelchair assistance on the particular flight they are looking at booking (given that airlines limit the number available on each flight).

- Lack of consistency between different airlines and airports as to policies and procedures to assist people with disability. This includes policies relating to medical equipment and taking medicines on board, as well as procedures in relation to parking pick up zones.

- Miscommunication and lack of flow through of information between airline reservation staff and staff on the ground, resulting in ground staff and crew not being aware of mobility aids that were requested at time of booking. This has resulted in a number of issues, including for example having a wheelchair approved on a particular flight, but being told at the airport the flight is over its wheelchair capacity and that the customer will need to be moved to a later flight.

- A person's own wheelchair is not currently permitted in the main cabin of an aircraft, and there are frequent reports of damage to a person's wheelchair or other mobility equipment that have to be stowed as luggage.

- Treatment by airport and airline staff, including lack of respect, such as speaking with the person with disability's travel companion rather than directly with the person themselves. Lack of understanding about how to best support people with disability.

- Practices that remove a person's independence, such as taking away a person's wheelchair during check-in, and replacing it with an alternative that is less suitable, as well as leaving a person at the gate without further assistance being provided until check-in time.

In order to address these issues, ATIA agrees with the recommendation set out in the Aviation Green Paper, that airline and airport operators should develop a common user experience from 'kerb to aircraft' by identifying where responsibility lies for assistance of passengers across the whole journey, and the types of assistance for passengers available. Clear lines of responsibility would assist in each party understanding what assistance they are responsible for, and would assist travel advisors in providing advice on the accessibility measures available and the process.

ATIA also agrees with the assessment in the Aviation Green Paper that industry collaboration ad investment is necessary to reduce barriers to accessing travel. As part of this, the solutions need to be scalable so that they provide adequate assistance to passengers.

There are also some interesting developments occurring overseas. Delta Flight Products, a subsidiary of Delta Air Lines, this year unveiled a first-of-its-kind prototype of a plane seat inclusively designed to allow passengers who use power wheelchairs to remain in their own wheelchairs throughout the entire flying experience. Other initiatives to examine include allowing wheelchairs to be stowed in the cabin of the aircraft, reducing the potential for damage.

Recommendation 8:

To reduce barriers faced by people with disability in accessing air travel, and assist travel agents in providing support:

- The Government should ensure airlines and airports to work together to identify where the responsibility lies for assistance of passengers across the whole journey, and the types of assistance for passengers available.

- The Government should ensure parameters are put in place to encourage industry to deliver on scalable solutions to improve access to air travel for people with disability.

- Ministers for Home Affairs and Infrastructure should convene a roundtable with industry stakeholders to ensure a harmonised and standardised approach to disability access across the Australian aviation sector.

6. Regional and remote aviation services

Aviation plays a key role in ensuring Australia's regional and remote communities remain connected. Air travel also facilitates a substantial number of Fly-In, Fly-Out (FIFO) workers, and ATIA has a number of members who have specialist teams to support the complexities of remote site travel management.

As noted by the Airports Association of Australia, the Government's implementation of an enhanced security screening framework before consulting with industry, resulted in several regional airports having to introduce Electronic Trace Detection (ETD) and metal detection screening of passengers and bags, in situations where it only facilitates a single Regular Public Transport (RPT) service three to four times a week and some irregular open charters.

Generally, these airports have annual departing passenger numbers of 6000 or less and are often in remote locations where readily available resources to conduct screening are not available.[41] The airports face significant challenges in terms of the ongoing operational expenses associated with employing staff to undertake screening functions, particularly when services are infrequent and in many cases the airports are located in towns with very small populations. In these situations, it was not possible to establish screening services without incurring significant operational costs, and in many instances, the economic feasibility of that SAT service continuing was jeopardised.

ATIA agrees with the Airports Association of Australia that given the cost-sensitive nature of the aviation industry and the importance of its viability in supporting both national and local economies, it is important that the Government and industry continue to take an intelligence driven, risk based, outcomes focussed approach to airport security regulation. This approach recognises that not all airports are the same and taking a more tailored approach to the implementation of security measures at regional airports is appropriate. We must get the balance right in terms of airport security, ensuring security is fit-for-purpose, and not 'gold plating' where it is not necessary to do so.

To enhance regional and remote aviation services, there should also be a focus on ensuring the right sized aircraft to service demand.

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[41] Information provided by Airports Association of Australia.

7. Emerging aviation technologies

New Distribution Capability (NDC)

In recent years, there has been a significant change in the commercial relationships between airlines and their preferred distribution partners. As air travel and technology evolved, so has the methods of selling air tickets. The most significant change was the introduction of the *Computerised Reservations Systems* or the EDIFACT protocol, which as of 1984, was deemed by the US Department of Transportation as an essential facility. This resulted in guaranteed access to full supply of product for an airlines agent.

Due to the consolidation of major airlines and limited domestic competition (Qantas Group domestic market share; 61.7%) airlines have taken the opportunity to seek to reduce competition for the distribution of airfares. This is done by only making available selected fares through proprietary IT systems which do not contain the same functionality of the EDIFACT protocol.

The new system, which is in various stages of development, is called New Distribution Capability (NDC). It is a technology communication standard developed by the International Air Transport Association (IATA) that fundamentally changes how airlines provide fare and ancillary content to travel agencies, travel management companies (TMCs) and other ticket distributors. These changes are enabling airlines to become the sole price makers and therefore increase the margins on their cheapest products with no pressure from the market, creating the following;

- Parallel airfare markets to the internationally recognised Global Distribution System (GDS) and forcing travel agents to access these proprietary systems to maintain access to the lowest fares. This results in significant costs, without comparable levels of functionality to the GDS, resulting in a substandard customer experience, or driving customers to airlines' direct sales channels, which limits choice and the ability to easily mix and match airlines. These systems impose reduced 'at-source commissions' for travel agents; and

- Not providing access to all airline availability to travel businesses and reserving sales of the cheapest cohort of airfares to its direct channel with consumers. This prevents any competition from travel agents on the efficient distribution of these highly sought-after tickets. It also prevents the ability of consumers to easily mix and match airlines, a common practice used in the domestic market, enabling consumers to find the best/cheapest flights through their preferred channel.

Indeed, due to the lack of competition, it is clear that airline commitment to the local distribution model is under significant pressure. While the industry is supportive of the new standard, its deficiencies are impacting choices for Australian consumers and businesses.

This is because the travel and aviation industries as a whole were (and remain) largely supportive but unprepared to fully adopt NDC. While internationally, NDC can be somewhat mitigated, domestically, the concentration of market power has caused disruption to the air ticket distribution ecosystem. It has resulted in serious consumer harm in the form of higher airfares and further reduced competition, in terms of both airline travel itself as well as air ticket distribution.

While airlines may be able to increase their margin by distributing more fares through their own direct channels, the above behaviours demonstrate a net loss in competition for distribution across the market. These practices make it even harder for consumers to assess varying price points and trust what is available on fare aggregator websites without navigating to each airline's direct sales channel.

Impacts on consumer service

When consumers are forced to go directly to airlines websites to access fares, they are also missing out on the valuable offerings that travel agents provide in:

- Professional advice to tailor travel to suit specific requests and find packages and products that suit the consumer's needs;
- Advice on critical travelling requirements such as visas, other travel documentation, medical/vaccines and travel insurance;
- Support for the consumer when problems are experienced while travelling; and

- Time-saving and convenience of a consolidated itinerary with airlines tickets, ground transfers, accommodation, tours and activities.

Australians turned to travel industry professionals to help them navigate the multiple challenges of managing COVID impacted travel, credits and refunds. The travel industry has provided this support through many months of closed domestic borders and an international travel ban, often without remuneration.

Consumer frustrations due to difficulties accessing credit and refunds have often been borne by travel agents, even though the policies are controlled by the airlines.

Credits commonly have strict terms and conditions attached (e.g. they can only be used for tickets of an equal or higher value) and have associated fees that erode their value. There are instances where the airline will waive the fee (generally where they are at fault, or a force majeure event) but the process of applying the waiver is convoluted and places risk on the agent. Minor coding errors can result in financial penalties being issued to the agents.

Nevertheless, travel agents have been proactive in supporting consumers understanding their refund and rebooking rights and have created bespoke tools so that consumers can see the value of credits held and facilitate their use.

Credits are held not only by individuals but also by business, including many SMEs. Agents can report credits at the company level allowing these businesses to make decisions on where they may want credits to be availed by other employees.

Recommendation 9:

A review of unfair contract terms in the aviation industry that may impact distribution. This review should seek to identify any unfair trading practices which are not prohibited by existing provisions of Australia's consumer laws, but which can nevertheless distort competition.

8. International aviation

Critical importance of two-way travel

International aviation is an integral part of the Australian aviation landscape, maintaining connectivity with the rest of the world and attracting visitors from abroad to Australia.

Promoting strong two-way travel is essential to the tourism, hospitality and travel sectors' economic growth. It is a commercial reality of aviation that the long-term route viability is determined on both the export and import of tourism and travel services. On major routes, it is outbound travel by Australians that underpins the ability of an airline to maintain air services to Australia that support our domestic tourism industry. In other words, outbound flights from Australia require appropriately loaded inbound flights to ensure it makes business sense for operators and that all travellers have access to competitive fares. In turn, this impacts Australia's competitiveness in the market for global tourism.

Australians travelling overseas also, directly or implicitly, promote Australia as a travel destination to those with whom they interact. Outbound travel diplomacy also provides an opportunity for Australia to consolidate its role in the Indo-Pacific region and create mutual benefits with our neighbours through increased tourism in the region that will grow and improve development outcomes.

The past approach by all governments has underemphasized the role of the outbound market in the nation's policy approaches, and ATIA strongly believes this should be rectified.

Recommendation 10:

ATIA calls on the Government to appropriately recognise the critical importance of outbound travel and undertake stronger engagement with the travel sector to ensure that outbound travel is leveraged to the mutual benefit of inbound travel.

Negotiation of bilateral air service agreements

Currently, the Australian Government establishes a bilateral air services forward negotiating program to deliver on the Government's policy agenda for international aviation. It consults with a limited number of identified stakeholders (recently identified as 57) in the lead up to each year.[42] ATIA understands that when a specific application is made, the Department consults with a smaller group of stakeholders, in the case of the recent Qatar application for example, Qantas Group and Virgin Australia.[43]

Travel distribution is the forgotten partner of the aviation sector. But as the number one seller of air tickets to Australians, we are uniquely placed to contribute to the discourse on matters, such as the negotiation of air service agreements, with a consumer-focused lens.

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[42] Select Committee on Commonwealth Bilateral Air Service Agreements, Evidence of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Committee Hansard, 28 September 2023.
[43] Select Committee on Commonwealth Bilateral Air Service Agreements, Evidence of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Committee Hansard, 28 September 2023.

Past practice of the Department in preparing for bilateral air services talks is described in the Department of Infrastructure and Regional Development's submission to the Productivity Commission research paper – Australia's international tourism industry: trends, drivers and barriers to growth:

> *In preparation for bilateral air services talks, Infrastructure undertakes extensive consultation with our major airlines, airports, tourism groups and other Government Agencies including the Department of Foreign Affairs and Trade (DFAT), and the Australian Trade Commission (Austrade). Advice from these consultations is taken into account in developing a proposed negotiating mandate that reflects Australia's national interest and the Government's policy settings.*
>
> *- Department of Infrastructure and Regional Development[44]*

ATIA acknowledges the need to foster aviation industry growth in an environment that is safe, competitive and productive. Aviation industry policy should not be made in a vacuum but take into account the broader impacts on our travel and tourism industries, international trade, the broader economy, and of course, Australian communities.

ATIA believes that any negotiations for the establishment or alteration of air service agreements should be preceded by, or include, broad, inclusive and transparent consultations amongst Government at all levels, and affected industry sectors – including travel.

Competition and consumer impacts are also highly relevant considerations. During the recent decision making process concerning the application by Qatar to add additional services to Australia for example, the ACCC was not consulted in relation to competition on consumer matters that may impact the national interest.[45] The Chair of the ACCC gave evidence that competition issues should be 'one key area considered' with regard to the national interest.[46] In addition to consultation with industry, ATIA submits that the ACCC should make an assessment on competition related matters, with its advice fed into any air service agreement negotiation process. This is also reflected as part of the recommendations of the Select Committee's Inquiry into Commonwealth Bilateral Air Service Agreements.

In recent decisions, national interest has featured heavily yet there is no transparency on what these grounds are. A framework based on the FIRB[47] should be established following consultation with the government and industry stakeholders.

The factors to be taken into account when consideration the 'national interest' must clearly defined to ensure transparency. There also must be a clear framework in relation to the processes and timelines of air service agreement application and negotiation is required to ensure that appropriate investments can be made to efficiently deliver benefits to the Australian economy and community, regardless of the decision on any single agreement.

This consultation process should be incorporated into a public timeline that concludes with a published outcome providing the key factors considered by the responsible Minister.

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[44] Department of Infrastructure and Regional Development, submission to the Productivity Commission research paper – Australia's international tourism industry: trends, drivers and barriers to growth, 4 December 2014, accessed 17 September 2023, available at https://www.pc.gov.au/research/completed/international-tourism/comments/submissions/submission-counter/sub022-international-tourism.pdf.

[45] Commonwealth Bilateral Air Service Agreements Report, p20.

[46] Commonwealth Bilateral Air Service Agreements Report, p38.

[47] https://foreigninvestment.gov.au/sites/firb.gov.au/files/guidance-notes/G11Principlesfordevelopingconditions_0_0.pdf

Recommendation 11:

The factors pertaining to a consideration of the national interest should be clearly defined. National interest should not be a reason in its own right. A framework based on the FIRB[48] should be established following consultation with the government and industry stakeholders.

The decision and rationale cannot be withheld from the public and the approving authority must justify the reasons why they agree or disagree with the expert advice.

Recommendation 12:

The travel and tourism industry, airports and airlines and other export sensitive industries as relevant, must be provided equal opportunity to review each bilateral request and make recommendations.

Recommendation 13:

The ACCC must review and publicly release its assessment of the consumer benefit of each bilateral application.

It is the only government agency which can assess competition settings and ultimate consumer impacts.

Current bilateral air services agreements

There are currently 109 Australian bilateral air services agreements or associated arrangements governing traffic rights, capacity, designation, ownership and control, tariffs and competition law.
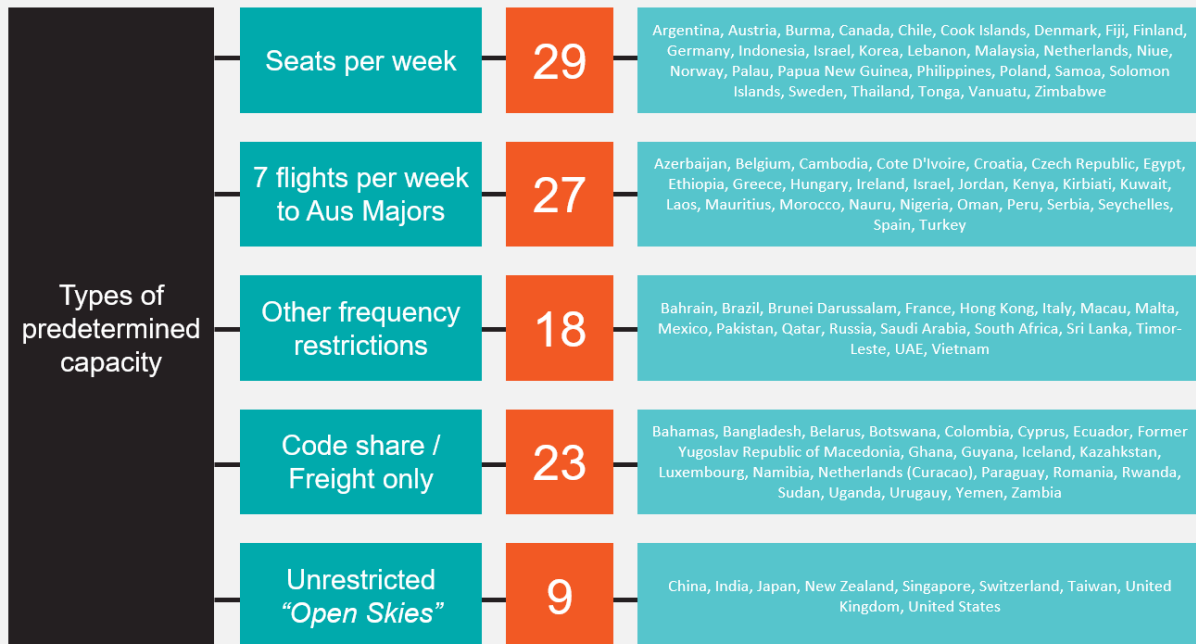
These agreements form part of the overall 3,000 interlocking bilateral air services agreements across the world providing the framework in which international air travel is conducted.

Of the 106 agreements/arrangements where information in publicly available, 9 – China, India, Japan (exc. Haneda airport), New Zealand, Singapore, Switzerland, Taiwan, the USA and the UK - have 'open-skies' style, unlimited agreements. In contrast, 23 arrangements allow for code share or freight only operations.

The remaining 74 have some form of capacity limit applied, on either a seats per week or flights per week basis. See Figure 6, below.

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[48] https://foreigninvestment.gov.au/sites/firb.gov.au/files/guidance-notes/G11Principlesfordevelopingconditions_0_0.pdf

Figure 6: Predetermined capacity in Australia bilateral air services agreements

Types of predetermined capacity	Seats per week	29	Argentina, Austria, Burma, Canada, Chile, Cook Islands, Denmark, Fiji, Finland, Germany, Indonesia, Israel, Korea, Lebanon, Malaysia, Netherlands, Niue, Norway, Palau, Papua New Guinea, Philippines, Poland, Samoa, Solomon Islands, Sweden, Thailand, Tonga, Vanuatu, Zimbabwe
	7 flights per week to Aus Majors	27	Azerbaijan, Belgium, Cambodia, Cote D'Ivoire, Croatia, Czech Republic, Egypt, Ethiopia, Greece, Hungary, Ireland, Israel, Jordan, Kenya, Kirbiati, Kuwait, Laos, Mauritius, Morocco, Nauru, Nigeria, Oman, Peru, Serbia, Seychelles, Spain, Turkey
	Other frequency restrictions	18	Bahrain, Brazil, Brunei Darussalam, France, Hong Kong, Italy, Macau, Malta, Mexico, Pakistan, Qatar, Russia, Saudi Arabia, South Africa, Sri Lanka, Timor-Leste, UAE, Vietnam
	Code share / Freight only	23	Bahamas, Bangladesh, Belarus, Botswana, Colombia, Cyprus, Ecuador, Former Yugoslav Republic of Macedonia, Ghana, Guyana, Iceland, Kazakhstan, Luxembourg, Namibia, Netherlands (Curacao), Paraguay, Romania, Rwanda, Sudan, Uganda, Urugauy, Yemen, Zambia
	Unrestricted *"Open Skies"*	9	China, India, Japan, New Zealand, Singapore, Switzerland, Taiwan, United Kingdom, United States

Source: Register of available capacity for Australian international airlines[49,50]

Figure 7 shows that the vast majority of air service agreements negotiated by Australia permit hub operations which allow travellers to book air services that transit through the foreign market to a final destination.

Unsurprisingly given the geographical distance between major Australian airports and other destination markets, a greater proportion of air service agreements limit foreign airline to end-of-line services to Australia. However, nearly 70% of agreements analysed do permit hub operations at Australian airports to other on-ward destinations.

In this Section we detail the shortcoming of the existing system and the need to place consumers at the heart of the decision making, not just airlines.

[49] Department of Infrastructure, Transport, Regional Development, Communication and the Arts, *Register of available capacity for Australian international airlines*, 1 February 2022, accessed 17 September 2023, available at https://www.infrastructure.gov.au/sites/default/files/documents/register_available_capacity_080923_0.pdf.
[50] Department of Infrastructure, Transport, Regional Development, Communication, and the Arts, *Growth Potential for Foreign Airlines,* 26 April 2023, accessed 17 September 2023, available at https://www.infrastructure.gov.au/department/media/publications/growth-potential-foreign-airlines.

Figure 7: Bilateral air services agreements, Hub or End-of-line
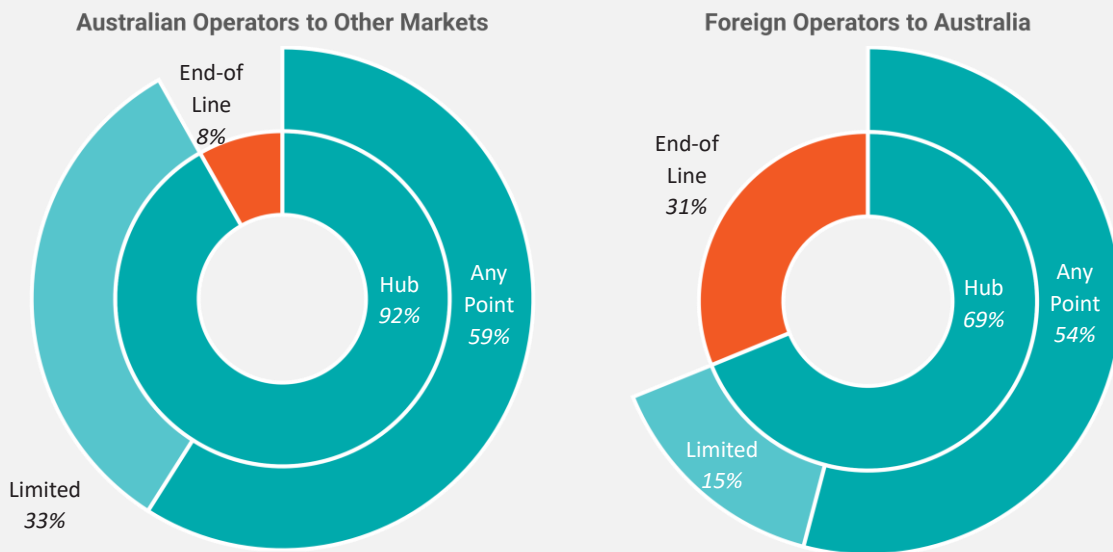
Source: Register of available capacity for Australian international airlines[51]

Unutilised capacity

In the *Aviation Green Paper*, the Government acknowledges a continued commitment to the policy to negotiate bilateral agreements that provide 'capacity ahead of demand.' This is even more important as the aviation and travel industry recover from the impacts of pandemic travel restrictions, and as Australia determines its policies to be fit for the future of the industry out to 2050.

Over the past decade there has been significant improvement in bilateral capacity, enabling greater travel opportunities to Australians and facilitating international visitors to our shores. However, since the COVID pandemic the bilateral system has not enabled the recovery of supply of air capacity to ensure supply is ahead of demand.

Data submitted in *Growth Potential for Foreign Airlines* by the then *Department of Infrastructure and Regional Development* to the 2015 Productivity Commission *Research paper on Australia's international tourism*,[52] shows that at the time, 4 of Australia's top 15 markets (**Malaysia, Hong Kong, China** and **Qatar**) were at capacity, with zero growth capacity at Australia's major gateway airports (*Australian majors*). **Fiji**, at the time, had only 2% growth potential (ratio of available capacity to capacity in use), with 123 seats available each week under capacity limits. **Philippines** also had only 13% growth potential, with 683 seats available per week under capacity limits.

At the time one-third of the markets listed had 'open-skies' style, unlimited agreements (**NZ, Singapore, USA, Japan** and the **UK**).

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[51] Ibid.

[52] Department of Infrastructure and Regional Development, *Growth Potential for Foreign Airlines,* 2015, accessed 17 September 2023, available at https://www.pc.gov.au/research/completed/international-tourism/comments/submissions/submission-counter/sub022-international-tourism-attachment.pdf.

A similar document for the Northern Winter 2017-18[53] and 2019-20[54] seasons show:

- 'Open-skies' style, unlimited agreements for **China** and then **India**;

- Incremental increases in seat capacity to/from **Fiji** to Australian majors that is rapidly filled to near or close to capacity;

- Incremental increases in seat capacity to/from **Philippines** to Australian majors keeping pace with passenger growth to build and retain reasonable growth potential (>20%);

- Additional increase in seat capacity to/from **Malaysia** to Australian majors to retain reasonable growth potential (>20%);

- Additional services capacity for the **UAE** and **Sri Lanka** preceding any pressure on earlier capacity limits.

In the latest documentation from the *Department of Infrastructure, Transport, Regional Development, Communication, and the Arts* for the Northern Winter 2023 season, four markets reach the capacity limits of the relevant air services agreement: **Fiji** (Australian Majors), **Japan** (Haneda) **Qatar** and **Vietnam**.

Four have unutilised capacity of 10% or less. Figure 8 below, illustrates available capacity in selected Australia bilateral air services agreements.

Figure 8: Available capacity in selected Australia bilateral air services agreements - Northern Winter 2023-24 season
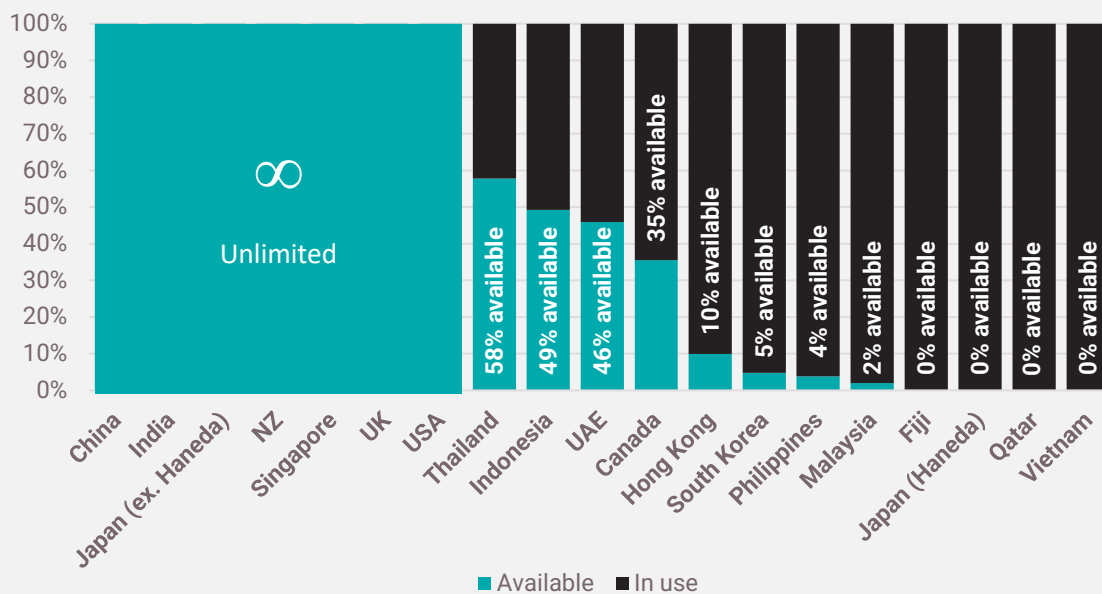
Source: Growth Potential for Foreign Airlines

Over the past decade, there are several examples of effective implementation of the 'capacity ahead of demand' policy – notably 'open skies' agreements for secondary hubs such as Malaysia and the Philippines.

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[53] Department of Infrastructure, Regional Development and Cities, *Growth Potential for Foreign Airlines,* 6 February 2019, accessed 17 September 2023, available at
http://web.archive.org/web/20190317153417/https://infrastructure.gov.au/aviation/international/files/Growth_Potential_Foreign_Airlines-Northern_Winter_2017-18.pdf.
[54] Department of Infrastructure, Transport, Cities and Regional Development, *Growth Potential for Foreign Airlines,* 27 May 2022, accessed 17 September 2023, available at
http://web.archive.org/web/20200325215425/https://www.infrastructure.gov.au/aviation/international/files/Growth_Potential_Foreign_Airlines-Northern_Winter_2019.pdf.

However, as the COVID pandemic recovery continues, a number of markets have remained near or at capacity over that period – Hong Kong, Fiji, Japan (Haneda) and Qatar.

On the United Arab Emirates bilateral which is a major hub for travellers transiting to Europe, we expect there to be continued significant capacity in the bilateral with lower numbers of services, as Emirates and Etihad have expanded their interline agreement and Etihad has publicly stated they are shifting their strategy to remove ultra long-haul routes such as Australia[55].

ATIA believes it is essential to increase the bilateral opportunities outside of the major hubs of Singapore and UAE to create the opportunity of growth in supply. Qatar, Malaysia, Hong Kong represent opportunities to place lower prices on airfares and achieve the economic flow-on benefits across the economy, including the travel sector, but extending to many others.

Open skies

With unrestricted, 'open skies' air services agreements with only nine other markets, Australia is well off the pace of leading aviation markets.

This compares to the 100 open-skies agreements negotiated by the US,[56] Singapore with more than 60[57] and Canada with 23.[58] See Figure 9, below.

Figure 9: Unrestricted, 'open skies' air services agreements, Australia, US, Canada and Singapore
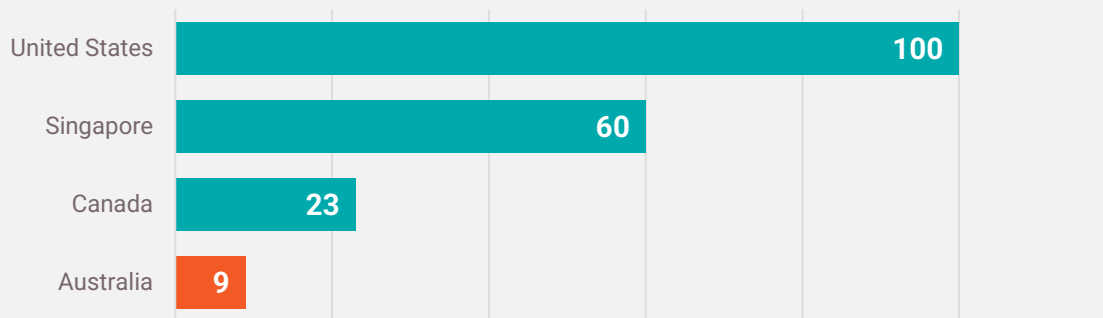
Source: Growth Potential for Foreign Airlines[59]

The US, Singapore, as well as New Zealand, are also parties to an eight-nation multilateral open-skies agreement (the Multilateral Agreement on the Liberalization of International Air Transportation). Australia is not a party to this agreement but does have bilateral agreements with the US and Singapore and operates Single Aviation Market (SAM) arrangements with New Zealand.

The 2016 Key Policy Fact sheet for *Open Skies Partnerships: Expanding the Benefits of Freer Commercial Aviation*[60] notes benefits including:
- The Brookings Institution estimates that Open Skies agreements add approximately $4 billion in annual economic gains to consumers.
- U.S. Airlines for Open Skies estimates that full liberalization through Open Skies agreements would lead to a 16% increase in air traffic and support 9 million jobs in aviation and related industries.

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[55] Etihad makes bold changeshttps://www.etihad.com/en-au/news/etihad-makes-bold-changes-to-organisational-structre-to-address-impact-of-covid-19-pandamic.
[56] Department of Infrastructure, Transport, Regional Development, Communication, and the Arts, *Growth Potential for Foreign Airlines,* 26 April 2023.
[57] US Department of State, Bureau of Economic and Business Affairs, *Open Skies Partners*, 14 November 2016, accessed 17 September 2023, available at https://2009-2017.state.gov/e/eb/rls/othr/ata/114805.htm.
[58] Civil Aviation Authority of Singapore, *Adopting A Progressive Approach*, accessed 17 September 2023, available at https://www.caas.gov.sg/who-we-are/areas-of-responsibility/growing-singapore-as-a-global-air-hub/air-services-policy.
[59] Transport Canada, *The Blue Sky Policy: Made in Canada, for Canada*, 2 December 2022, accessed 17 September 2023, available at https://tc.canada.ca/en/corporate-services/policies/blue-sky-policy-made-canada-canada.
[60] US Department of State, Bureau of Economic and Business Affairs, *Open Skies Partnerships: Expanding the Benefits of Freer Commercial Aviation*, 16 September 2016, accessed 17 September 2023, available at https://2009-2017.state.gov/r/pa/pl/262022.htm.

- A private study found that new direct service between a U.S. city and a point in the European Union generates up to $720 million annually in new economic activity for the U.S. city and its local region, depending on the size of the markets.
- Portland International Airport estimates that its direct international flights to Tokyo, Amsterdam, and Frankfurt generate over $240 million in airport and visitor revenue.
- The Greater Orlando Aviation Authority estimates that aviation liberalization with Brazil helped increase the number of visitors from Brazil to Orlando from 74,000 in 2004 to 768,000 in 2013, and that Emirates' service from Dubai will add $100 million in new economic activity in Central Florida and create 1,500 jobs.

The North American aviation market has been one of the quickest to recover, with the total market in the region now exceeding pre-pandemic capacity levels for a second quarter. This has been buoyed by a strong domestic market, but also reflects international revenue passenger-kilometres (RPKs) in Sep 2023 5.3% higher than the same period of 2019. See Figure 10.

RPK from Middle Eastern and Latin American carriers now both exceed pre-pandemic level.

Even while airlines in the Asia Pacific region maintained their fast recovery, with international RPKs growing by 92.6% YoY in September, it remains 20.3% below 2019 levels.

Figure 10: IATA International RPK growth by airline region of registration, YoY% change versus 2019

Sources: IATA Sustainability and Economics, IATA Monthly Statistics
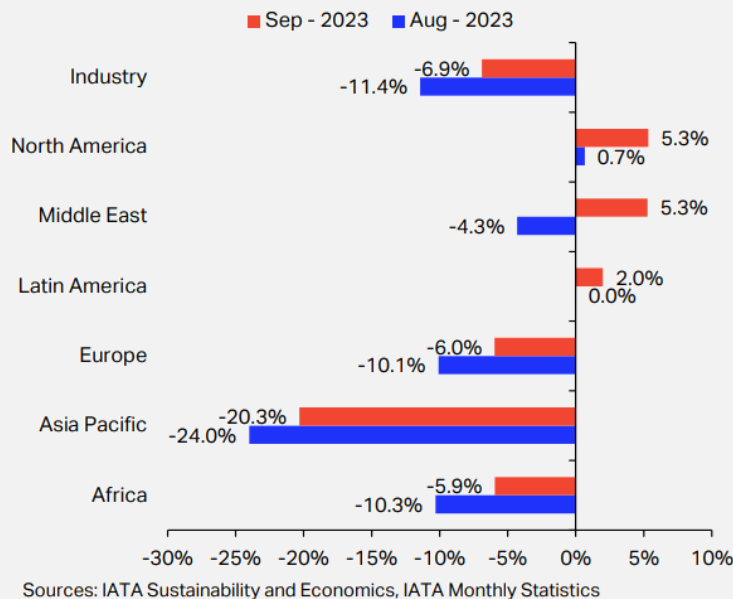
Source: IATA, *Air Passenger Market Analysis*

North America, with the broadest 'open skies' policy, has been the only region to have recovered to this magnitude. The Asia Pacific region has been significantly impacted by a slower recovery in the China market.

The 100 open-skies agreements negotiated by the US cover markets across the globe, and include Australia, New Zealand, EU markets, Qatar and the UAE.

The Bureau of Economic and Business Affairs, US Department of State has noted the following about its Open Skies agreements:

> *Open Skies agreements have vastly expanded international passenger and cargo flights to and from the United States, promoting increased travel and trade, enhancing productivity, and spurring high-quality job opportunities and economic growth. Open Skies agreements do this by eliminating government interference in the commercial decisions of air carriers about routes, capacity, and pricing, freeing carriers to provide more affordable, convenient, and efficient air service for consumers.* [61]

Australia does not have an open skies agreement with Canada, with the agreement list having a strong Caribbean, Central and South American focus – but also including Ireland, New Zealand, South Korea and the UK.

Recommendation 14:

Australia should seek to increase the number of open skies arrangements with likeminded Indo-Pacific countries to increase competition to lower prices for Australians and international travellers who wish to visit Australia.

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[61] US Department of State, Bureau of Economic and Business Affairs, *Open Skies Agreements*, accessed 17 September 2023, available at https://2009-2017.state.gov/e/eb/tra/ata/

9.   Maximising aviation's contribution to net zero

The Australian Government has adopted emissions reduction targets of 43 per cent below 2005 levels by 2030 and net zero emissions by 2050. The aviation industry is described as 'hard-to-abate', meaning these emissions are either prohibitively costly or not able to be reduced with currently available abatement technology. This is due to factors such as the need for light, high energy density fuels and limited available substitutes. Travel agencies are heavily reliant on the aviation industry meeting their targets to make flying more sustainable in order to meet their own emission targets. Scope 1 and 2 are relatively straightforward for travel agencies, covering emissions that the organisation makes directly or indirectly. The challenge lies in scope 3 emissions, which are all indirect emissions that occur in the value chain of the organisation, including both upstream and downstream emissions. This includes purchasing goods and services, which for a travel agency includes airfares. Therefore in order for a travel agency to reduce its scope 3 emissions, they either need to reduce their sold products – i.e. the amount of air tickets they sell – directly impacting their business, or they need to be confident that the airlines will meet their net zero targets.

Importance of meeting the 2050 deadline

If the aviation industry does not meet the 2050 deadline, in addition to the environmental impacts, there could be serious impacts for the travel industry, including travelling Australians:

- There could be carbon budgets placed on each airport which would then limit numbers of flights on any given day from each airport
- Low supply/high demand could then mean that travel is a luxury only available to the very wealthy (already less than 10% of the world's population have ever been on an aircraft), and limiting choice for Australian SME businesses to continue face-to-face meetings and development opportunities
- Travellers could be inclined to travel shorter distances using electric vehicles or trains rather than flights, and companies could be inclined to reduce their business travel
- Travel agents would be unable to meet their own net zero targets as aviation makes up the majority of the supply chain (Scope 3).
- The travel industry could be drastically impacted, including financial loss and job losses, should any of these scenarios come to fruition.

Ensuring a strong and sustainable aviation sector

The Aviation Green Paper considers the question of how Government can work with industry to ensure a strong and sustainable aviation sector that supports emissions reduction targets while growing jobs and innovation. Achieving net zero in Australia's aviation sector will require collaboration between all sectors of the aviation industry. There is clear role for government in setting the policy direction and implementing measures that incentivise private sector investment and activity.

There is currently no strategy or government position that provides businesses or consumers with clarity on which portions of the aviation supply chain are responsible for the emissions created through travel. This should be rectified so that each stakeholder is clear on their responsibilities and can work towards achieving their targets.

Recommendation 15:

Ensure there is a clear strategy or government position that provides businesses or consumers with clarity on which portions of the aviation supply chain are responsible for the emissions created through travel.

Sustainable Aviation Fuel (SAF)

SAF is the main lever in the immediate and longer term to reduce aviation emissions. This is particularly the case in Australia, given its dispersed population and relative geological isolation from the rest of the world, meaning the dependence on long-haul flights is increased and other options applicable to shorter routes are not appropriate in Australia.

While carbon emission reductions differ across feedstocks (or SAF raw materials) and production pathways, most achieve a reduction of between 60–100% compared to conventional jet fuel (CJF).[62] In addition to net carbon emission reductions, the combustion of SAF also provides co-benefits when compared to fossil-derived jet fuel, including reduction in particulates, renewable co-products, and higher energy density and thermal stability, resulting in reduced fuel consumption by engines.[63]

The cost of SAF is currently prohibitively high, being significantly more expensive than existing jetfuel. There is currently no SAF produced in commercial quantities in Australia, so Australian airlines must import the fuel source. As noted in the CSIRO's Sustainable Aviation Fuel Roadmap, Australia is very well placed to develop a diversified portfolio of feedstocks for a domestic SAF industry.[64] There is an important role for government to play in establishing effective policy and regulatory settings to support the development of domestic SAF production capability and industry take-up of SAF.

ATIA supports the recommendations by the Airports Association of Australia that initiatives that should be implemented as a priority are the establishment of a book and claim system for trading SAF credits and proper integration of SAF sourced from common use infrastructure with the NGER scheme.

In addition, investment in the development of a domestic SAF industry should also be an immediate priority for government. Some type of government incentive will be vital to support this. The government should consider providing funding or co-financing to encourage the development of commercial SAF refining capability in Australia. Implementing user-friendly sustainable aviation fuel accounting methodologies will also be important to support the industry reach its goal.

ATIA considers that any measures to address emissions in the travel supply chain must be supported in a way that prevents the customer from being burdened with additional costs. This includes the implementation of sustainable aviation fuel policies that set realistic and gradual targets for sustainable fuel mandates and ensure sufficient supply across Australia to ensure consistency in airline fare pricing.

Recommendation 16:

Australia must lead the development of SAF for the Indo Pacific region, given Australia is the only country with sufficient raw materials. Government must invest in the development of a domestic SAF industry as an immediate priority. The implementation of incentives will also be crucial to the development of a domestic SAF industry in Australia.

User-friendly sustainable aviation fuel accounting methodologies should be implemented.

Additional initiatives

While the development of a domestic SAF industry is the most viable approach to decarbonising the aviation sector, this should be pursued alongside a range of additional initiatives that will contribute to the sector reaching its net zero goals. Government commitment to supporting investment in aviation research and technological development will be vitally important, including developments in relation to hydrogen and electric aircraft. This is particularly relevant for short-haul flights.

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[62] International Civil Aviation Organisation (ICAO) (2022) CORSIA default life cycle emissions values for CORSIA eligible fuels. (accessed 20 April 2023).
[63] See CSIRO, Sustainable Aviation Fuel Roadmap, 2023.
[64] CSIRO, Sustainable Aviation Fuel Roadmap, 2023.

Infrastructure and operations is another important consideration, including airlines looking at how they operate their aircraft and what changes they can make on each of their planes at the airports, including improving waste management and reducing ground emissions. As noted by the Airports Association, another short-term option is optimisation of Air Traffic Management (ATM). A recent report found that improvements to ATM have the potential to deliver modest environmental benefits in the short to medium term (c.5-10% emissions reduction on short haul routes). This could include free route airspace, improved collaborative decision making, and AI-enabled dynamic route planning.[65]

The establishment of the Australian Jet Zero Council is commended, bringing together a range of key stakeholders in the aviation sector and its supply chains to lead efforts to deliver net zero aviation in Australia. Having only met once since its establishment, regular meetings of the Jet Zero Council will be vital to ensure the sector can continue to work towards successfully achieving its objectives.

Recommendation 17:

Government commitment to supporting investment in aviation research and technological development is vitally important, including developments in relation to hydrogen and electric aircraft.

Ensure regular meetings at the Jet Zero Council to ensure the sector can continue to work towards successfully achieving its objectives.

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[65] L.E.K. Consulting, Aviation White Paper Scenario Analysis of the Future of Australian Aviation, 2023, p 15.

10. Fit-for-purpose agencies and regulations

Crisis management arrangements

The Department of Foreign Affairs and Trade (DFAT) provides important services to Australian permanent residents in the event of a crisis overseas, including government-assisted evacuations. It also manages Crisis Hub, an information portal for major international incidents including consular, humanitarian and security crises. This is a critically important function and we commend DFAT on its ongoing assistance to Australians in need.

The Crisis Centre that DFAT has set up is world leading, and should continue to be engaged. With significant experience in travel arrangements and crisis response, there is a role for travel distribution to be utilised to enhance Australia's response to a crisis. It is critical that all suppliers and distribution partners are actively involved in these processes, and ATIA supports the establishment of a panel of private companies that can be utilised to assist in the facilitation of getting Australians home safely. This worked extremely well during the COVID pandemic. For example, Flight Centre managed the travel of every person who entered New South Wales and went into hotel quarantine.

It would be beneficial for DFAT's Crisis Centre to engage not just directly with airlines, but with the distribution partners, including travel agencies in particular, to utilise their skills and expertise in getting people out of unsafe situations more efficiently and effectively. This should form part of the whole of Government travel contract going forward.

Recommendation 18:

A panel of distribution partners should be established that can be utilised to assist in the facilitation of getting Australians home safely, which DFAT's Crisis Centre should engage with as needed.

Traveller interaction framework

As noted in the Aviation Green Paper, the visitor economy is particularly dependent on aviation. Domestic and international visitation generates jobs, investment, and growth in communities throughout Australia. Prior to the COVID pandemic, the visitor economy contributed over $166 billion to our economy, was our fourth largest export sector and, directly and indirectly, supported over 1 million jobs.

In our latest analysis, there are at least 12 Ministerial portfolios directly impacting the visitor economy. The *Thrive 2030 Strategy* does provide some framework to coordinate these functions, however a holistic analysis is required to determine the effectiveness of these departments and to identify potential productivity gains. It is the inherent complexity of the tourism and travel industry that means there is a clear lack of transparency of the current expenditure by government, its effectiveness and its impact on Australia's competitiveness as a destination.

Analysing government expenditure in key visitor economy portfolios, including, but not limited to, Home Affairs (Border facilitation, Immigration), Agriculture (Biosecurity), Foreign Affairs (Consular Services, Passport Office) and Trade (Tourism Australia and Austrade), can help evaluate the effectiveness of these programs and initiatives. By understanding the impact of these programs, government can make informed decisions about the allocation of resources and improving existing programs.

For the travel and tourism industry, ATIA envisages that improved data and insights could be used to develop an analytical framework that illustrates inbound and outbound traveller interactions with different governments and regulatory services or systems. The framework would allow traveller activities and tasks in the journey to be linked to industry subsectors and identify the pain and/or gain points they are experiencing.

ATIA considers that a framework of this nature would provide the industry with a framework to diagnose and collaborate on the improvements needed to modernise the regulatory environment

impacting travellers. It would also provide the industry and policymakers with additional insights into the complex regulatory frameworks impacting traveller experience.

Recommendation 19:

ATIA recommends that an analytical framework should be developed that illustrates inbound and outbound traveller interactions with different governments and regulatory services or systems.

Passenger facilitation

As Australia considers its aviation policy out to 2050, there is a need for investment in new and refreshed assets and infrastructure, especially in regional Australia. This includes major infrastructure at aviation facilities as well as processes.

While Australia did have a clear strategy of modernisation, there is now a clear need for a new overarching strategy bringing together government service providers, infrastructure owners, suppliers and travel management companies. It is critical that this work is undertaken with a wholistic perspective as part of the Aviation White Paper. There is a risk that Australia has a two-tiered approach one for airports and another for seaports. This would be detrimental to Australia's overall competitiveness and have negative implications on productivity improvements.

ATIA is united with other key industry associations in calling for seamless border facilitation. ATIA supports investment into technology solutions to improve the border experience by travellers and to ensure that any impediments do not stifle growth in the travel and tourism industry. There are a number of key areas that are critical elements of a seamless border experience. This includes visa requirements, where there are opportunities to enhance international cooperation on visa policies and technologies to expedite the process for travellers. Another key area is more efficient entry and screening technologies to process passengers, including examination of standardised digital identity systems. It would also be beneficial to explore where increased cooperation and collaboration with other countries as well as new technologies could improve passenger facilitation.

As noted in the part above, there is currently no overarching strategy to coordinate government and private sector investment (e.g. by airports) and their service departments, such as Australian Border Force (ABF) or the Department of Agriculture.

It is critical that a long-term strategy be developed that defines the security risks which need to be addressed, service levels at all ports and the coordination of services across the Australian Border Force and Department of Agriculture. This strategy needs to also address the funding requirements of each department and port owners to limit any potential gold plating and to minimise costs for travellers.

Recommendation 20:

ATIA supports the consideration of a long-term funding structure for the ongoing improvement of airports, domestic and international, (as well as seaports) to enhance visitor experience to produce productivity gains.

ATIA supports exploring where increased cooperation and collaboration with other countries as well as new technologies could improve passenger facilitation.

Government-wide economic modelling standard

A government wide standard for the economic modelling of aviation, particularly of air sales, should be investigated and established in the final paper. Currently there are multiple models being used between Austrade, the ACCC, Tourism Australia and Treasury to measure the economic impact of air

sales on the visitor economy and what constitutes fair trading conditions. There needs to be a singular approach to how aviation economic impacts are established and reported on by Government.

Recommendation 21:

A government wide standard for the economic modelling of aviation, particularly of air sales, should be investigated and established in the final paper.

Agency funding and cost recovery approaches

The departments and agencies that provide critical border security for aviation are largely funded through budget appropriations. Home Affairs collects the Passenger Movement Charge (PMC). This was introduced in 1995 replacing the departure tax to recover the cost of customs, immigration and quarantine processing of travellers and to fully offset the cost of issuing short-term visitor visas.

The Passenger Movement Charge (PMC) is a $60 cost for the departure of a person from Australia for another country, whether or not the person returns to Australia. The departure tax was first introduced at a rate of $10. The PMC is currently $60, and the 2023-24 Federal Budget signalled an increase to $70 on 1 July 2024. This is an increase of 600 per cent from when a departure tax was first introduced. It is the second highest departure tax in the world after the United Kingdom's Air Passenger Duty.

According to IATA modelling in 2016, the PMC represents more than 9 per cent of the average return fare on Trans-Tasman routes and 5 per cent on routes between Australia and the rest of Asia. Importantly the PMC currently reduces passenger traffic to Australia at 4.2 per cent per annum.[66]

Over time, the link between the PMC and cost recovery of delivering border services has been broken, with PMC funds flowing into Treasury as consolidated revenue. Prior to the COVID pandemic, the PMC was generating close to $1.2 billion in tax revenue each year, which considerably was greater than the $436 million of expenditure on border management by the Department of Home Affairs and the Department of Agriculture and Water. Revenue generated through the lifting of the PMC to $70 on every departure is expected to rise to $1.3 billion in 2026-27, compared with $447 million expenditure on border management.

The travel and tourism industry is united that no further increases to the PMC are required. What is currently collected should be allocated directly to the security of the Australian border as per its original intention. The Government has used hypothecation for the latest increase, and we believe that principle should be included going forward, and adopted in a bipartisan approach. ATIA is of the firm belief that the PMC is a poorly designed tax that has moved far from its original intention to recover the necessary costs associated with border processing. As part of this, there should be greater transparency about the cost associated with passenger movement that are notionally covered by the PMC and the use of funds.

The PMC reduces inbound visitor spending and impacts, particularly on international visitors in emerging tourism source markets who compare the price of visas and taxes when planning a holiday. The PMC only adds to the cost of fares for travellers. This White Paper process provides an important opportunity to reset and ensure the funds are allocated to improving border processes.

Recommendation 22:

There should be no further increase to the PMC, as it is already in over collection. What is currently collected should be allocated directly to the security of the Australian border as per its original intention.

Increase transparency about the cost associated with passenger movement that are notionally covered by the PMC and the use of funds.

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[66] IATA, 2016, the Economic Impact Of Increasing The Passenger Movement Charge In Australia

11. Future industry workforce

The Aviation Green Paper has a strong focus on jobs such as pilots, aircraft engineers, and skills necessary to respond to developments in net zero technologies and future fuels. These are no doubt critically important, and ATIA supports measures to ensure an appropriately skilled workforce.

As the number one seller of air tickets to Australians, travel distribution's workforce must also be considered as part of the Aviation White Paper process to ensure the industry has the workforce it to meet the needs of the travelling public. At least 70 per cent of all international air sales and over 90 per cent of corporate sales are through agencies rather than direct with airlines.

In pre-COVID times there were over 44,000 people directly employed in the travel industry.[67] The percentage of the workforce that are female is above average: the female share of travel consultants and travel agency managers is 80 per cent and 57 per cent respectively.

The travel industry was one of the first to feel the impacts of the pandemic restrictions, which resulted in the industry losing more than a third of its skilled workforce. The industry is now finding itself in a position where it is again growing, and where it is crucial to attract people back to the workforce of the industry. As demand for travel continues to increase, many businesses are facing challenges finding sufficient workers to effectively deliver their operations and meet rising demand. This has proven to be particularly difficult in the regions. This sentiment is supported by the data, with the Government's Skills Priority List recording Travel Consultant as in shortage nationally.[68]

The Aviation Green Paper requires consideration out to 2050. Analysis by Jobs and Skills Australia predicts that the future demand for the specific occupations of Travel Consultants and Travel Agency Managers are in line with the economy-wide average.[69] What is clear is that if the shortages are not addressed now, it will have a snowball effect impacting the workforce into the future.

Ensuring a pipeline of skilled workers

There has never been a greater need for trainees in the travel industry. The data set out above indicates that total VET enrolments in the entry level qualification of Certificate III in Travel are 80 per cent down the pre-COVID numbers from 2018 and 2019.

It is clearly understood, in industry and in government, that any significant break in apprenticeship and traineeship training cycles can take over five years to see a sustained labour force recovery which is why a holistic approach to the skills shortage now is so important.

Earlier this year, ATIA succeeded in having "Travel Consultants" added to the Australian Apprenticeships Priority List. This means that Employer Incentive Support under the apprenticeship program now covers traineeships in Certificate III Travel all the way through to the Advanced Diploma of Tourism and Travel Management.

However, the Australian Apprenticeships Incentives System is ending its current funding levels on the 30 June 2024. While the Budget is yet to be released, the current status is that from the 1 July 2024 support will be available for priority occupations only, through a mix of employer and apprentice payments, including a Hiring Incentive for employers, and Training Support Payments for apprentices. It is not year known what occupations will remain on the priority list. Removing Travel Consultants from the priority list after only a year is not long enough to see the benefits flow through.

The ending of general baseline subsidies would likely plummet as they did the last time they were removed, and this was during a time Australia's economy was prosperous. Now businesses are operating in a different financial environment, the impacts of no baseline subsidies could be dire.

Whether as part of a traineeship, or industry placements as part of a training qualifications, there is a direct as well as opportunity cost to the operator. Government funding support is necessary as it is very hard for particularly the smaller agents to have to time to undertake the supervision.

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[67] ABS, Australian National Accounts: Tourism Satellite Account, 2018-19 financial year (released 12 December 2019)
[68] See https://www.jobsandskills.gov.au/data/skills-priority-list?code=451612 and https://www.jobsandskills.gov.au/data/skills-priority-list?code=142116
[69] See https://www.jobsandskills.gov.au/data/skills-priority-list?code=451612

Recommendation 23:

To ensure the travel industry has the workforce it needs to support the needs of the travelling public:

- Provide Government support for all traineeships of no less than 30% in wage subsidy across two years

- Reinstate the fixed monetary completion incentives of $2,500 to employers

- Ensure Travel Consultant remains on the Apprenticeship Priority List

- Federal and state governments need to align funding and priorities.

Additional initiatives

There are a number of additional initiatives that would assist ensuring Australia has the workforce it needs to support how Australians like to book their air travel. These include:

- Elevating the attractiveness of VET pathways, including by:

  - The development of a co-ordinated, proactive approach to promoting VET in schools targeting career counsellors.

  - A coordinated approach with state and territory governments for the key cohorts of youth, women, First Nations and job seekers on the benefits of undertaking VET.

- Government, in consultation with industry, identify the barriers to school-based traineeships in the travel industry, and take measures to increase participation in travel-related qualifications.

- Implement measure to improve VET completion rates, including:

  - Ensuring appropriate consultation and industry involvement as Government looks to implement approaches to increase completions as part of the commitment in the National Skills Agreement, to commence in 2024

  - Ensuring that there is appropriate funding for the Australian Apprenticeship Support Networks to deliver mentor services to assist trainees

- Ensuring the skills and training system provides people with the skills needed to thrive, including by:

  - In addition to the upcoming review of training packages, the Department of Employment and Workplace Relations Assurance Body should develop clear guidelines that should allow for minor updates to be more frequent, to reflect the changing demands in the travel industry.

  - Governments, State and Federal, fund and recognize micro-credentials which lead to recognition in the formal training system through units of competency.