

## **1 Executive Summary**

1.1 Singapore Airlines has an extensive commitment to Australia and is currently the largest international airline to operate in the country – second only to Qantas. Singapore Airlines is committed to the continued growth and prosperity of the \$46 billion Australian transport industry and the \$85 billion Australian tourism industry.

1.2 Singapore Airlines welcomes the opportunity to contribute to the development of a National Aviation Policy. Our submission addresses a number of questions posed in the Issues Paper released by the Minister for Infrastructure, Transport, Regional Development and Local Government in April 2008 and comments on the following: International Air Services, Aviation Infrastructure – Airports, Aviation Security, Aviation Emissions / Aircraft Noise and Stamp Duty on Insurance Premiums.<sup>1</sup>

1.3 In summary, Singapore Airlines:

- believes the international air services policies of past Governments have not adequately balanced competing interests and that this has come at a cost to the tourism industry and consumer generally, through missed opportunities to capitalise on growth;
- believes the existing price-monitoring regime at Australia's privatised airports could be enhanced;
- urges the Australian Government to review existing aviation security legislation and procedures to remove onerous and inconsistent measures;
- encourages the Australian Government to recognise the work undertaken to date by the aviation industry to address key issues of environmental concern before imposing measures upon the industry; and
- challenges the decision by some State Governments to impose stamp duty on airline insurance premiums.

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<sup>1</sup> Singapore Airlines is a member of the Board of Airline Representatives of Australia Inc. (BARA), the industry association representing the interests of international airlines operating to and from Australia. In addition to Singapore Airlines contribution to the process, the Airline supports the submission made by BARA.

## 2. Introduction

- 2.1 Singapore Airlines is a full-service network airline with premium product offerings that strives to remain competitive through constant product innovation and effective cost-management.
- 2.2 Singapore Airlines has served the Australian market continuously for over 40 years, first commencing services to Sydney and Perth in 1967, and is deeply committed to the Australian market, our Australian consumers and the Australian tourism industry. The Company now employs around 300 Australians and transported over 2,500,000 million passengers to and from Australia last year. In addition to direct employment, Singapore Airlines outsources a number of services to Australian companies and buys substantial Australian produce and products to support its international operations, resulting in the creation of long-term employment across a range of fields. Furthermore, the Airline's pilots – as well as those of its sister companies, SilkAir<sup>2</sup> and Singapore Airlines Cargo – are all trained in Australia.
- 2.3 Operating 92 flights each week to and from five Australian gateways, Singapore Airlines is the largest overseas airline serving the Australian market. The Airline has invested hundreds of millions of dollars in Australia to support our operations. Serving Perth, Adelaide, Sydney, Melbourne and Brisbane, the Airline's commitment to the growth of Australian tourism is significant, with the airline accounting for almost one in every eight overseas arrivals.
- 2.4 Singapore Airlines prides itself on operating one of the youngest, most modern fleets of any international airline, flying customers to their destinations not only faster and more conveniently but also in greater comfort. Apart from being more fuel-efficient and capable of flying further non-stop, younger aircraft require less maintenance and are more efficient and reliable.

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<sup>2</sup> SilkAir is a regional airline based in Singapore, flying a network of points around Asia using a fleet of A319 and A320 aircraft. SilkAir operates weekly charter flights between Singapore and Christmas Island.

2.5 The airline is a company, listed on the Singapore Exchange, and subject to the laws and listing rules that apply to all listed companies in Singapore. Notably, the Government of Singapore does not protect Singapore Airlines from competition. The Singapore Government practices a very liberal aviation policy; one in which airlines seeking to fly to and from Singapore are welcomed. The Company pays tax in accordance with the relevant Singapore and overseas laws, pays landing and airport charges levied by the Airport, and the many other regulatory charges imposed on airlines and local authorities.

2.6 Singapore Airlines is a long-term player in the Australian market with a keen interest in developing a strong relationship with the new Australian Government

### **3. International Air Services**

3.1 Singapore Airlines believes it is in the best interests of the consumer and the \$85 billion Australian tourism industry to further liberalise Australia's international air services agreements. It has been demonstrated that greater competition on routes has resulted in new service options, increased inbound tourism and greater variety of fares and loyalty programs<sup>3</sup>.

3.2 The 2005 review of international aviation policy by the former Government correctly found that the policy of liberalising Australia's air services arrangements and negotiating capacity ahead of demand is right and in the national interest.

3.3 International aviation has traditionally been one of the most protected industries: an irony, given it is the industry that most facilitates globalisation in trade of goods and services, and exchange of people across borders. This is largely because the system of treaties that govern international aviation - bilateral air services arrangements - are often highly restrictive and become even more complex when airlines seek to operate on to a third country that is not party to the

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<sup>3</sup> See Econtech, "ANALYSIS OF THE TRANS-PACIFIC FLIGHT ROUTE", Canberra, December 2005

treaty. As a consequence, many elements of international aviation have not yet been genuinely exposed to competition. While Australia appears to be taking steps towards liberalisation, this restrictive legacy continues in Australia today, particularly on the route between Australia and the United States of America (the “Trans-Pacific route”). The fact is, while Australia once led the liberalisation of air service agreements, recent developments in the USA and European Union have left Australia’s progressive, but slow, approach behind.

- 3.4 Liberalisation is essential to provide not only competition, but also the necessary access to global trade and tourism markets, so vital for an island nation like Australia. Unfortunately, Australia's regulatory approach maintains protection for Australian carriers, which is counter to its position supporting open and free trade elsewhere. As a consequence, today there is simply not enough competition on the Trans-Pacific route with only Qantas and United Airlines servicing the route directly from Australia and fares are very high and uncompetitive as a result<sup>4</sup>.
- 3.5 Singapore Airlines appreciates that the Federal Government might make decisions to liberalise air services agreements after consideration of ‘the national interest’. However, the Airline believes that past Governments have inadequately balanced competing interests and that the desire to protect the Australian-based aviation industry has come at a high price, namely the loss of opportunities for the Australian tourism industry and Australian consumer. The concept of the national interest has often become confused with the considerably narrower national carriers’ interests. The reality is that what is in the national interest may not be always in the national carriers’ interests, despite their assertions to the contrary.
- 3.6 Past Governments have liberalised air services agreements for routes that are unlikely to ever be flown commercially, putting into question how genuine their efforts to liberalise really are. Efforts to liberalise should be focused on routes where there will be immediate and tangible benefits to consumers and the tourism

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<sup>4</sup> JP Morgan, *Qantas Airways Ltd: Trans-Pacific Route – Quantifying the Potential Risk*, 7 February 2005

industry, especially where capacity constraints already exist and where the lack of competition has led to unacceptably high fares and few product choices.

- 3.7 Furthering the Airline's intention to introduce greater competition and choice for Australian travellers, Singapore Airlines remains committed to greater liberalisation of the Trans-Pacific route between Australia and the United States, and will not give up its quest to see this route liberalised, in line with a growing tendency across global markets to open access. Tourism stakeholders, airports, economic analysts and consumer groups all agree that this route is under-served. Consequently, we will continue to articulate the benefits of competition and the overall benefits to the nation of allowing Singapore Airlines to offer services on the Trans-Pacific route.
- 3.8 Singapore Airlines believes Australians would be best served with more competition on the Trans-Pacific route. It does not serve Australia's national interest to protect Qantas from competition; this just comes at a direct cost to consumers. Continued protection is serving only the interests of Qantas, not Australia's national interest, which depends on tourism growth. We are confident that while it will take time, the arguments for competition on the Trans-Pacific route will appeal to Australian's sense of fair play.
- 3.9 Singapore Airlines believes that competition should be given greater weight in considering policy decisions around air service agreements. The importance of diversifying access to the Australian aviation market has strong consumer benefits, which should be an important microeconomic reform policy goal for any government, building on the significant reforms of other areas of the Australian economy since the 1980s. Singapore Airlines believes competition principles should be applied when Government is developing the national position on negotiating air service agreements.

- 3.10 We understand the new Government has numerous priorities. The previous Australian Government indicated it wanted to give V Australia time to establish itself on the Trans-Pacific route. Singapore Airlines is patient. We believe the new entrant will stimulate competition and grow the size of the market by stimulating more traffic, however we do not believe one daily flight will address the constraints on the route and that will become clearly evident in time. Importantly, Singapore Airlines has never argued a position that it should be granted rights in preference to another Australian operator: the basis of the Airline's position is that opening access to the route is a good thing, generally.
- 3.11 In the meantime Singapore Airlines will continue to reinforce its commitment to the Australian market through the introduction of new aircraft and increased services. Should the level of competition on the Trans-Pacific route decline for any reason, Singapore Airlines would welcome the opportunity to discuss with the Government options for expanding competition on the route for the benefit of Australian consumers and the Australian tourism industry.

#### **4 Aviation Infrastructure - Airports**

- 4.1 Airports are an integral part of aviation transport. As the Minister for Infrastructure, Transport, Regional Development and Local Government articulated recently, air passenger numbers are expected to double to 228 million by 2026. It is essential that airports are well run and deliver the necessary infrastructure to support the anticipated growth in passenger numbers, airlines and aircraft movements. At all times, development of infrastructure must maintain its pre-eminent goal of safety.
- 4.2 Privatisation of airports in Australia has led to substantial aeronautical and non-aeronautical infrastructure development. In a few instances, Singapore Airlines has noticed a decline in the quality of services provided at airports as they focus on non-aeronautical business developments. To counter this, we would welcome the continued overview of the management of these key pieces of national

infrastructure by either the Productivity Commission (PC) or the Australian Competition and Consumer Commission (ACCC).

- 4.3 Singapore Airlines strongly believes the Australian Government should continue scrutiny of airport aeronautical services price monitoring for greater transparency, given that airports effectively operate as monopoly providers because of the extent of their land use around major metropolitan centres. Airport operators can use their discretion to levy charges on airlines via a number of methods and Singapore Airlines believes the current regulatory regime may not adequately protect airport users from potential abuses of market power. While not wanting to suggest that the existing price monitoring regime has failed, Singapore Airlines believes that a price monitoring regime that is overseen by the PC and subject to greater regulatory oversight would provide enhanced transparency and greater comfort for airport users, including airlines.

## **5 Aviation Security**

- 5.1 Singapore Airlines places primary importance on the safety and security of its staff and customers. The Airline supports the development of security policies and practices by governments in order to achieve the requirements and expectations of the travelling public, provided such policies and practices are based on proper assessments of the risk, and wherever possible, are generally consistent with practices in the international community. The Airline does recognise that governments have access to a range of data, including intelligence and assessments by security agencies, which are both essential and helpful in the formulation of a risk-based approach to security.
- 5.2 Singapore Airlines believes that security measures in place at airports in Australia are generally in accordance with world's best practice aviation standards. Airports and airlines operating in Australia today appreciate that a coordinated approach is essential to ensuring aviation security policy is developed and implemented in accordance with world's best practice.

- 5.3 However, compliance with aviation security programmes comes at a price, both financially and administratively. Singapore Airlines notes the Government's intention to increase the Passenger Movement Charge from \$38 per person to \$47 per person with effect from 1 July 2008. Singapore Airlines believes the Government should fund primary security measures at airports, as it is a primary function of national security and border control.
- 5.4 Some security procedures do unnecessarily restrict airline operations, come at considerable expense and deliver little security benefit. An example of this is the requirement in Australia that airlines are generally unable to carry metal knives. No other country in the world maintains this requirement – even the USA – and compliance comes at considerable expense to the company and inconvenience to customers.
- 5.5 Singapore Airlines urges the Australian Government to review existing aviation security legislation and procedures to remove onerous and inconsistent measures. We are confident the result would be a more flexible, proactive and efficient approach to aviation security that benefited all aviation stakeholders, and one that is confidently based on proper risk assessment.

## **6 Aviation Emissions / Aircraft Noise**

- 6.1 Singapore Airlines encourages the Australian Government to adopt realistic measures that take into account the true impact and the work undertaken to date by the aviation industry to address key issues of environmental concern. In particular, governments around the world should not contribute further to misconceptions about aviation's impact on the environment by seeking to stifle growth of the industry, or by seeking to introduce punitive taxation measures aimed at dampening demand.

- 6.2 Arguably, no other industry has done more over the past forty years to reduce its impact on the environment than aviation. In that time, emissions per passenger kilometre have reduced by over 70%. It is estimated that globally, the aviation industry accounts for only 1.6% of the world's total carbon emissions.
- 6.3 Aviation accounts for over 29 million highly skilled jobs worldwide and over 8% of World Gross Domestic Product (GDP). Around 2 billion passengers are carried by the world's 900 airlines each year<sup>5</sup>.
- 6.4 Singapore Airlines leads the industry in its efforts to reduce noise pollution and air emissions by ensuring that its planes are new (the average age is 6 years and 6 months – almost half the industry average) and is actively committed to adopting initiatives that improve the environmental performance of its businesses.
- 6.5 The Airline is:
- committed to working with Air Navigation Service Providers (ANSP), such as Airservices Australia, to eliminate inefficiencies in air traffic management. The Airline is already working with a number of ANSPs to improve route access and air traffic control systems that can contribute to lengthy flight delays.
  - committed to continually adopting new technologies that reduce emissions and decrease noise.

The key challenge for the aviation industry is to improve the fuel productivity of aircraft as this reduces the amount of carbon and other pollutants produced. Fuel efficiency has improved by 20% in the last decade, and by 5% in just the last two years alone. More can be done, but

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<sup>5</sup> Air Transport Action Group, 2005: *THE ECONOMIC AND SOCIAL BENEFITS OF AIR TRANSPORT*, Geneva.

requires substantial capital investment by airlines, aircraft manufacturers, engine makers and other vendors – first in research and development, then in commercialising new technologies to bring to market.

Modern passenger aircraft such as the A380 and B777-300ER are quieter and more fuel efficient than their predecessors. Despite the increased capacity, the A380 uses 20% less fuel on a per seat kilometre basis than the next largest passenger aircraft - the Boeing 747-400. The use of a large capacity aircraft such as this is beneficial, as more people can be moved with a single flight - which is better for the environment.

- committed to implementing green strategies across the business.

In March 2006, Singapore Airlines set up an Environmental Committee to track emerging aviation environmental issues, coordinate responses and provide counsel to management on issues that may impact operations.

- 6.6 In tackling environmental issues, Singapore Airlines urges the Australian Government to continue its leadership role in the international community in pioneering new air traffic management techniques to address airport and airspace inefficiencies, introduce incentives to support the development of new environmental technologies and reject the notion of an environmental tax on tickets, especially where its revenue is not hypothecated to environmental causes.
- 6.7 The fundamental flaw with the European Union emissions trading scheme's extension to aviation is that it adopts a regional solution to address a global problem. We believe solutions should be implemented on a global basis and be underpinned by credible research, as is the stated position of the International Civil Aviation Organisation (ICAO).

- 6.8 With the introduction of new technology, aircraft are also improving their noise footprints dramatically. For instance, a Boeing 727 – an aircraft that came into service around the time a Jet Curfew was imposed at Sydney Airport – now fitted with a noise reduction “hush” kit (available from the 1980s), has a noise footprint of 13.5 square miles at 90 EPNdB (the level typically similar to background noise on a city street). The newer-generation Boeing 777s have a noise footprint at the same EPNdB reading of 1.0 square mile<sup>6</sup>. At the larger aircraft level, the noise footprint generated by a new Airbus A380 on take-off is 46% smaller than the Boeing 747-400, despite the aircraft being up to 40% heavier on take-off for a similar range mission. That figure improves to a difference of 52% on landing<sup>7</sup>. In both cases, the noise footprint is confined to the direct path of the aircraft – unlike aircraft from another era – so Sydney’s advantage of an over-water runway can be of significant assistance in mitigating the impact of noise on local residents from night operations.
- 6.9 The Australian Government should consider updating the noise management regimes at airports located in metropolitan areas (particularly Adelaide and Sydney, which are governed by curfews). There needs to be some balance between the amenity around airports and the economic impact of carefully managed operations during night hours. Singapore Airlines suggests a system similar to that used in London could be adopted in place of the blanket curfew, which would allow some limited (and potentially slots-capped based on noise quota per hour) movements of specific types of aircraft appropriately noise-rated. This would allow a few movements of quieter aircraft during the night hours. For instance, night departures from Sydney, like those from Melbourne, Brisbane and Perth, do open substantial access to Asia and Europe for customers travelling from Sydney, and have the effect of increasing the range of connections for tourists returning to their home countries after holidays.

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<sup>6</sup> Thomas, G. Forbes-Smith, C; 2005: FLIGHTPATHS, Aerospace Technical Publications, Perth

<sup>7</sup> source: Airbus A380 technical data

**7 Stamp duty on insurance premiums**

7.1 SIA urges the Australian Government to continue to challenge State Governments that have imposed stamp duty on airline insurance premiums. The imposition of this duty has added significantly to the cost of international air services to and from Victoria, Western Australia and South Australia. We understand the Office of International Law (OIL) initially advised the duty was contrary to international law. Regardless of the legality of the tax, Australia is the only country in the world to impose it and we believe it is another hidden tax on the international tourism industry. It was clearly never intended to charge this tax, and is a blatant revenue grab from state governments.