TOURISM AUSTRALIA'S SUBMISSION

INTRODUCTION

Tourism Australia's focus is to maximise opportunities that will help convert consumer interest in a holiday or business event in Australia.

Tourism Australia plays a unique and ongoing role engaging with aviation stakeholders to help facilitate the international tourism recovery for Australia in 2023 and beyond. Tourism Australia is a strong supporter of THRIVE 2030 and is working alongside Austrade in implementing the commitments outlined in THRIVE 2030.

Tourism Australia's submission provides an overview of our strategy to expedite the recovery of the aviation sector that is informed by a range of analytical insights including aviation capacity data. In this submission, Tourism Australia also provides three case studies that reflect some of the work being done in the route analysis and sustainability space, which enhances Tourism Australia's Aviation Strategy.

Tourism Australia is supportive of the Aviation White Paper and is committed to working alongside the Department of Infrastructure, Transport, Regional Development, Communications and the Arts in assisting with guidance that will set the long-term policies for the next generation of growth and innovation in the aviation sector.

ABOUT TOURISM AUSTRALIA

Tourism Australia is the Commonwealth government agency responsible for the international marketing of Australia as a destination for leisure tourism and business events. Tourism Australia is a Corporate Commonwealth Entity established by the *Tourism Australia Act 2004* (Cth). Tourism Australia is governed by a board that is appointed by the Government.

Through its head office in Sydney and international hubs, Tourism Australia undertakes consumer marketing and industry development activity in 15 core markets being:

- **Americas:** US and Canada.
- **Europe:** UK, Germany, France and Italy.
- **East Asia:** China, Hong Kong, Japan and South Korea.
- **Southeast Asia:** Singapore, Malaysia, India and Indonesia.
- **Oceania:** New Zealand.

Today, Tourism Australia promotes Australia as a compelling tourism destination for leisure travel and business events. Tourism Australia's purpose is to grow demand to enable a competitive and sustainable Australian tourism industry. The current priority is to support a full recovery of Australia's tourism industry to 2018-19 expenditure levels by 2024-25, in line with the goals set out in the THRIVE 2030.

TOURISM AUSTRALIA'S AVIATION STRATEGY TO EXPEDITE THE RECOVERY OF THE AVIATION SECTOR

Tourism Australia recognises that the health of Australia's international aviation industry is integral to the success of our tourism industry, and to ensure the tourism industry bounces back from the COVID-19 crisis in a sustainable manner. Tourism Australia continues to evolve its Aviation Strategy that broadly aims to:

- Expedite the re-establishment of sustainable air routes from key markets to Australia through commercial partnerships and a 'Team Australia' approach;
- Identify and target international air routes that are at risk of not returning or slower to return in line with inbound demand; and
- Provide a world leading platform for 'Team Australia' aviation partners to attend and exhibit at international trade events e.g., Routes events and the Australian Tourism Exchange.

Tourism Australia is afforded with a unique holistic view of the Australian aviation landscape. Tourism Australia has the capability to fully track and understand the overall international aviation recovery for Australia, whilst also maintaining an appreciation of specific aviation issues at the State & Territory or individual airport level. With its unique perspective and the establishment of long-term trust amongst stakeholders, Tourism Australia leads a 'Team Australia' approach to aviation development by harnessing its access to its data sources, confidential information and industry insights to galvanise a collaborative approach toward airline attraction involving airports, government departments and airlines.

The key to a full recovery involves capturing existing international demand through destination marketing, building aviation capacity and growing air frequencies.

AVIATION CAPACITY AND INCREASED AIRFARE IMPACT

Throughout 2023, inbound air connectivity for Australia continues to improve. While supply constraints still exist, airlines are increasing capacity to meet strong demand for travel and most travel restrictions globally have now eased.

International inbound air schedules for Australia indicate the following levels for 2023:

- **77%** of seats scheduled to return in Mar-23 (compared to Mar-19).
- **87%** of seats scheduled to return in Jun-23 (compared to Jun-19).
- **89%** of seats scheduled to return in Sep-23 (compared to Sep-19).

*(Source: **Cirium SRS Analyser** airline schedule data, as at 27 Feb-23)*

Refer to **Appendix A** for a percentage breakdown of seats recovered to Australia by country in 2023 and refer to **Appendix B** for international seat recovery at key Australian cities in 2023.

Tourism Australia research indicates Australia is still at the top of the list when travellers are thinking about where they want to spend their next international holiday. The high value tourists that visit Australia are also often less price and distance sensitive and are willing to pay to experience Australia's premium experiences. This segment of visitors is less likely to be affected by higher-than-average airfare prices as they are willing to pay for the holiday they have been dreaming about for whilst borders were closed.

Australia's domestic air schedules indicate that in Mar-23 96% of domestic seat capacity will operating in Australia (compared to Mar-19), up from 92% in Dec-22, 88% in Sep-22. Forward schedules for 2023 suggest that domestic seats will exceed 100% (for the first time since Jun-22) with entrant Bonza starting new routes and creating a higher capacity equilibrium overall.

CASE STUDY 1: INDIA TO AUSTRALIA AVIATION CAPACITY SHOWS POTENTIAL

The India market was Australia's fastest growing inbound tourism market for three consecutive years (2017-19) and achieved six consecutive years of double-digit growth in visitor arrivals and expenditure in Australia (2014-2019). Strong growth from India is set to be perpetuated by an influx of new aviation capacity in the coming years. With the recent increase in aviation capacity, direct aviation capacity on the India-Australia route has more than doubled when compared to pre-COVID levels.

As the fastest growing large and emerging economy in the world, India is well poised to deliver a surge in outbound travel. Data from the International Air Transport Association (**IATA**) shows that just 13% of travellers from India to Australia flew on direct non-stop flights in 2019, while more than a third flew via Singapore and a quarter via Malaysia. IATA estimates there is already sufficient demand existing to support up to seven additional air routes between India and Australia (e.g. BOM-SYD/MEL, DEL-BNE/PER), and a further eight new routes by 2032 (e.g. AMD-SYD/MEL, BOM-BNE, DEL-ADL, MAA-SYD/MEL).

Increased aviation capacity between Australia and India is an important step in growing outbound travel and more specifically there is growing importance in securing direct non-step aviation routes between India and Australia to capitalise on the existing demand for travel to Australia.

CASE STUDY 2: JAPAN TO AUSTRALIA AVIATION CAPACITY EXPANSION HIGHLIGHTS TOURISM GROWTH

Australia and Japan are key economic and strategic partners in the aviation sphere. Australia has recently secured several additional new air routes from Japan that has led to growth in inbound tourism numbers. All Nippon Airway's (**ANA**) ANA's introduction of their Tokyo (Haneda)-Sydney route that commenced in 2015 was the catalyst for the further growth in foreign carriers from Japan. The expansion of air services from Japan to Australia continued in 2019, with ANA successfully launching a new Tokyo (Narita)-Perth route, which commenced on 1 September 2019. This service filled a strategic gap in Japan-Australia air routes adding Perth as a gateway into Australia, and Tourism Australia is optimistic this route will return in late 2023. Since 2015 Australia has welcomed the following new Japan routes:

- **August 2015** - Qantas: Tokyo to Brisbane
- **December 2015** – ANA: Tokyo (Haneda)-Sydney
- **December 2016** - Qantas: Tokyo (Narita) to Melbourne
- **September 2017** - Japan Airlines: Tokyo (Narita) to Melbourne
- **December 2017** - Qantas: Osaka (Kansai) to Sydney
- **September 2019** – ANA: Tokyo (Narita)-Perth

With the release of new slot allocations from Haneda Tokyo airport in 2020, Australia secured two additional slots, with one each for both national carriers (Qantas and Virgin Australia). As a result, Australia stands to benefit with the entry of Virgin Australia on Japan routes with a new Tokyo (Haneda)-Cairns 7 flights per week route commencing in June 2023.

The introduction and continuance of aviation routes between Australia and Japan will assist in driving tourism demand for Australia.

CASE STUDY 3: SUSTAINABLE AVIATION

It is important to recognise that the health of Australia's international aviation industry is integral to the success of our tourism industry, and to ensure tourism develops in a sustainable manner.

Tourism Australia's Aviation Strategy aims to expedite the re-establishment of sustainable air routes from key markets to Australia through commercial partnerships and a 'Team Australia' approach. The term 'sustainable' in this context refers to the broad range of economic and environmental considerations of each air route.

Tourism Australia has partnered with the UNSW School of Aviation to publish a first-of-its-kind academic paper, 'The sustainability characteristics of international air routes: a composite index approach' (the **Study**). The Study analysed data between 2014 – 2018 to create a reusable framework for combining novel and multiple sources of data to create an early prototypical information system for air route sustainability analysis. An output of the Study was to rank international air routes on sustainability criteria that includes:

- emissions;
- tourism expenditure;
- regional dispersal;
- passenger volumes; and
- airline yield.

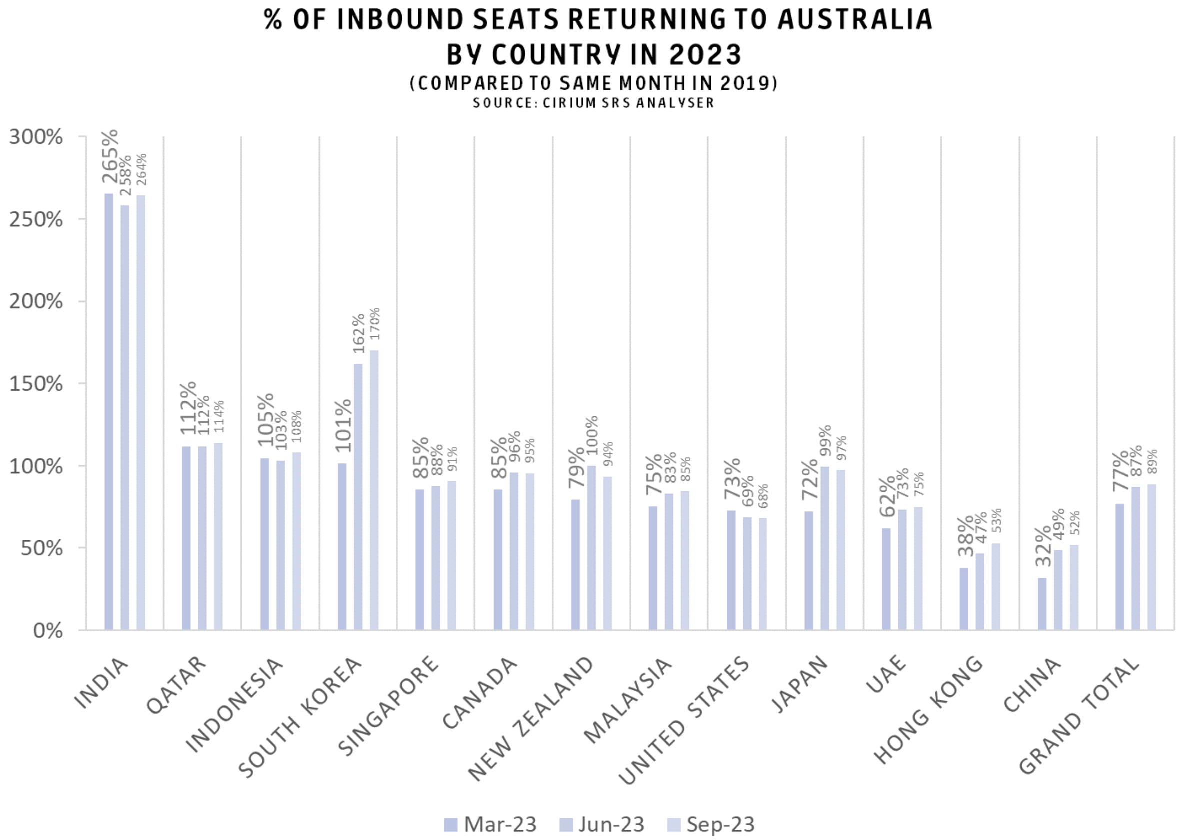
The analysis of international air routes based on the above sustainability criteria provides that:

> *"...while routes that completely meet the objectives of all stakeholders (airports, destinations, airlines and governments) remain elusive, **there is clear evidence that drivers of route sustainability are associated with level of competition, seasonality, low cost carrier presence, and inbound-outbound traffic ratio of the route.** As the analysis is enabled at the route level, **the results can aid route development decisions, which can involve the spending of significant amount of public funds**".*

The Study developed a composite index that analysed the 100 most popular direct air routes into and out of Australia. Among the findings, the Study revealed that shorter routes with lower seasonality tend to perform better; these routes are denser and have higher low-cost carrier share. A result from the Study suggests that top and poor performing routes are associated with certain cities but not necessarily countries. In addition, breaking with commonly held tacit knowledge in airline management, a sustainable route (based on the measurements in the Study) does not necessarily mean it is a business class-oriented route. These may have high economic 'sustainability', but the data shows they also often have very low percentage of foreign visitors on the route.

Tourism destinations need to consider the balance between tourism benefits and air route's environmental performance which will almost always mean trade-offs; this conflict is most pronounced among the clustering of routes which have the largest share of inbound visitors.

APPENDIX A – COUNTRY BREAKDOWN OF PERCENTAGE SEATS RECOVERED



*(Source: **Cirium SRS Analyser** airline schedule data, as at 27 Feb-23)*

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APPENDIX B - AUSTRALIAN CITY BREAKDOWN OF PERCENTAGE SEATS RECOVERED

Australian city	% recovered
Adelaide	95%
Brisbane	64%
Cairns	54%
Darwin	91%
Gold Coast	74%
Hobart	No int flights prior
Melbourne	82%
Perth	78%
Sydney	81%
GRAND TOTAL	79%

*(Source: **Cirium SRS Analyser** airline schedule data for Mar-23, as at 27 Feb-23)*