

Mr Jason Dymowski
Assistant Secretary
Aviation White Paper and Reform Branch
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
111 Alinga Street
Canberra ACT 2601

By email

Dear Jason,

Re: Aviation White Paper – Terms of Reference

BARA welcomes the opportunity to provide comments as input to the Department's Terms of Reference (TOR) framework and looks forward to engaging in further feedback workshops and providing submissions to the Green Paper in due course.

With respect to the TOR, from the perspective of international airlines operating to Australia, BARA provides the following input.

1. Aviation's role in economic development & trade

It is well established that aviation is an economic multiplier and critical to delivering ongoing economic growth. BARA believes it would be helpful to add to the TOR a clear aim for the government to establish some goals for the size and composition of the total visitor economy. In the context of the Aviation White Paper, this will help develop parameters that flow through to all the elements of policy that are being considered.

International airlines will match capacity to demand (assuming open bilateral markets) as long as passengers want to fly to Australia (for whatever reason – business, tourism, VFR, education, health etc). Over the time-period outlined (to 2050), assuming total air services operating to/from/within Australia continues to increase, such growth will inevitably result in a skewing of the proportion of inbound to outbound pax. Australian residents travel by air at a rate of 3.09 air travel trips per capita (2019 – Our World In Data) which is amongst the highest globally (excluding small island nations). There is a limit therefore to the extent that outbound (ex-Australia) passenger traffic can support the desired rate of aviation growth. International airlines will therefore lead by providing access to Australia, sourcing passengers from their feeder markets. The extent to which Australia wants to encourage such growth therefore needs to be evaluated and specified more clearly.

More explicit targets and timelines for the desired level of passengers travelling to/from Australia would prove valuable to the aviation industry & government in being better able to evaluate the collective growth plans of all aviation stakeholders, in particular for airlines and airports (as carriers and gateways), and assist evaluation of the complete range of supporting infrastructure required. This can ensure international demand and supply are balanced, allowing for appropriate & economically efficient infrastructure development in line with demand expectations.

2. Economic Regulation of the Airports and Airline Commercial Relationship.

BARA believes that the lack of reference to this as an over-arching framework topic is an omission in the TOR. A balanced and sustainable commercial relationship between airports and airlines is a pre-requisite to achieving the wider aims of the Aviation White Paper. The broader objectives of the paper will not materialise if there is not the air passenger volume (driven by international demand) to underpin the policy initiatives.

The 2009 White Paper included a significant review of this explicit issue. Even if the government are satisfied with the current regulatory settings governing airline-airport interactions, and further satisfied that the Productivity Commission and Treasury are the appropriate channels through which to gather further input, the issue should still be reviewed as a framework policy setting within this White Paper, as it is critical to the delivery of many of the broader policy aspects covered.

It is BARA's understanding that the next Product Commission review into this subject has been deferred due to the Aviation White Paper, which ensures that a White Paper review of the issue will not be duplicating other current activity.

BARA supports the view that in a light-handed regulatory environment, there needs to be an independent referee or form of arbitration available (separate to the courts) that can be called upon to intervene and set some parameters around what is 'reasonable' when parties cannot agree or have widely different views as to what 'reasonable' means within the aviation ecosystem. The current execution of 'commercial agreements' between airlines and airports should not be taken as evidence that satisfactory commercial outcomes have or are being reached.

The current regulatory regime has created a lopsided negotiating environment in favour of the major monitored airports, with a creeping cost of operation therefore inevitable as high rates of return and significant capital expenditure to support projected future capacity are sought.

Within the current light-handed regulatory regime, without an external reference point to temper and balance this critical commercial relationship, the government is unlikely to directly observe an outcome that could be perceived as a failure of policy. Rather, as the cumulative result of numerous independent commercial decisions taken airline-by-airline, evaluating the risk/reward premium for operating new or expanded services to Australia and deciding that these are outweighed by the high cost of operation, over the medium term would instead observe growth in international aviation to Australia not meeting expectations.

Consumer demand for air services to Australia is not inelastic. Australia will risk becoming too expensive & financially risky for international airlines to serve beyond operating a commercially constrained capacity. Airlines will instead focus their resources on other competitive destination markets.

3. Maximising the aviation sector's contribution to achieving net zero carbon emissions including through sustainable aviation fuel (SAF) and emerging technologies.

The international carriers that comprise BARA members are already cooperating and operating within jurisdictions that have defined sustainability policies. As predominantly Scope 1 emitters, International Airlines are heavily focused and committed to reducing their carbon intensity. However, being able to do so is not within their control without the support of the entire eco-system that supports the aviation sector. Airlines' core business is not in refining jet fuel, SAF or otherwise, nor do they control the infrastructure required to develop and deliver the volume of SAF required to reduce their emissions significantly and meaningfully. International carriers have shown their desire to adopt and uplift SAF, should availability, cost and volume not be restrictive.

Aviation is a global industry, and aviation's contribution to net zero extends beyond aviation policy alone; it is a genuine 'whole of government' issue. It is important therefore that policy initiatives to support sustainability even if specific to the Aviation White Paper should not be developed in isolation to broader government policy settings. As an illustration, jet fuel production today represents around 15% of global oil demand and is regarded by the oil and gas industry as primarily a commercial industrial product stream. A SAF production industry for Australia whilst providing specific product to the aviation industry should be similarly regarded as an industry that will respond to general industrial and environmental policy settings, just as much as to specific aviation policies.

4. Changing aviation technologies

Australia is both a sophisticated market and heavily reliant on aviation for access. The White Paper presents an opportunity for Australia to formulate policies and strategies to become a global leader in the application of secure, efficient, and cost-effective digital technology across all parts of the aviation ecosystem, including air navigation, border control, passenger facilitation and security.

5. Timetable

BARA encourages the government to move swiftly on the key issues of economic regulation and sustainability. International aviation is recovering quickly to pre-pandemic levels and given Australia's reliance on international aviation for its future economic success, it is critical that the Aviation White Paper process delivers actionable and specific outcomes that will facilitate Australia's ongoing participation in this growth.

BARA appreciates the opportunity to provide these comments to the Department, which we trust will be considered alongside those of other industry participants. Please contact BARA should you wish for any further clarification on any comments provided.

Yours sincerely



Stephen Pearse
Executive Director