IATA Response on Future of Australia's Aviation Sector

Introduction

The International Air Transport Association (IATA) is a global trade association for airlines representing some 290 airline members and accounting for 82% of total global air traffic. Our members include Qantas, Virgin Australia and major foreign airlines that operate services to/from Australia.

The aviation sector is undergoing its biggest challenge thus far as a result of the COVID-19 pandemic. Therefore, it is timely that the Future of Australia's Aviation Sector, published by the Department of Infrastructure, Transport, Regional Development and Communications, seeks to explore the challenges and opportunities facing Australian aviation as it looks ahead to recovery from the COVID-19 crisis. While strict national and international border controls as well as lockdown measures have helped to control the spread of the COVID-19 virus in Australia, Australia will need to overcome key challenges in order to support the recovery of the aviation sector and wider economy.

In this regard, IATA appreciates the opportunity to submit our comments.

Economic impact

COVID-19 has severely impacted the air transport industry globally. Global air travel volume, measured in terms of Revenue Passenger Kilometers or RPKs, is estimated to have shrunk an average of 66% in 2020. Global passenger numbers are expected to plummet to 1.8 billion, which is a decrease of 60.5% from the 4.5 billion passengers carried in 2019 and roughly the same number that the industry carried in 2003. The situation is similar in Australia where the domestic air travel market has seen a drastic drop in demand and is down some 89% in September 2020. This translates to an expected loss of US$19 billion in airline revenues in Australia in 2020. The disruptions in air travel from COVID-19 is expected to negatively impact the wider economy, putting at risk close to 550,000 jobs and US$57 billion in Gross Domestic Product (GDP) supported by the air transport industry and tourists arriving by air in Australia. (The latest IATA revised outlook for airline industry performance 2020/2021 is available at: https://www.iata.org/en/pressroom/pr/2020-11-24-01/)

Despite the impact of COVID-19 on global air traffic, IATA expects global passenger traffic, measured in terms of RPKs, to return to pre-COVID-19 levels by 2024 and passenger numbers to rise above 7 billion in the next 20 years. For Australia, recovery for the air transport sector is expected to be robust in the next few years, with origin-destination passenger numbers for Australia returning to its 2019 levels by 2023, and growing at a compound annual growth rate (CAGR) of 2.4% for the next 20 years, just as the Asia-Pacific region, which includes Australia, is expected to continue to lead global air traffic growth in the coming two decades.

However, the opportunity for robust recovery and future growth of the aviation sector in Australia will only be possible if steps are taken to progressively and safely re-open borders at the earliest possible time.

Safe re-opening of borders

Lifting of international passenger arrival caps

IATA supports the Australian Federal Government's initiatives as it continues to work with States to relax restrictions and re-open borders. In this regard, IATA welcomes the decision by the Australia Government to establish a national cabinet plan that aims to increase the caps on international passenger arrivals since they were first implemented in July 2020.

However, IATA shares the viewpoint of the Board of Airline Representatives of Australia (BARA) that the present international passenger arrival caps remain a key concern, as they have a material impact not only on the economic sustainability of air services to Australia, but more importantly, on the ability for Australian citizens and residents to return home. IATA notes that there is a significant number of Australians who have registered their intent to return home with the Department of Foreign Affairs and Trade (DFAT). Airlines also face considerable difficulties in prioritizing passenger demand based on the passenger caps imposed, resulting in the need for frequent changes to passenger itineraries. As such, IATA would like to reiterate our request for the Australian Government to urgently find ways to further lift the passenger caps and allow more Australian citizens and residents to return home. Some suggestions include:

- Looking at increasing access to hotel infrastructure to meet demand, thereby creating hotel capacity and progressively lifting cap restrictions in Australia,

- Allowing for international-domestic connections to enable optimum usage of quarantine facilities for returning travelers around the country and reduce the pressure on quarantine facilities at the major destination cities,

- Removing the disparity between states in hotel capacity. Whilst local transmission cases remain low and contact tracing measures are at their optimum, key states should contribute equally to hotel capacity for repatriating Australians,

- Opening of travel bubbles or green zones which will alleviate the unnecessary pressure that is placed on hotel capacity and allow more Australians to return from overseas.

COVID-19 testing

While border reopening requires a trade-off between benefit and risk, the ICAO Council Aviation Recovery Task Force (CART) has recommended a temporary risk-based and multi-layered approach to mitigate the risks of transmitting COVID-19 through air travel, which is summarized in the ICAO Take-Off guidance. The observation by the World Health Organization (WHO) that the process of travel has been significantly de-risked as a result of all the measures that have been taken is a recognition of the concerted effort by States including Australia to implement the ICAO Take-Off guidance, which help to create a consistent regulatory framework for the safe re-opening of borders.

Travel and border restrictions, including quarantines, are causing economic devastation and have brought the international aviation industry to a virtual standstill. Therefore, the IATA 76th Annual General Meeting (AGM) held on 24 November 2020 unanimously resolved to urgently call on governments, including the Australian Government, to re-open borders to travel, by putting in place systematic testing of international travelers as a means to reopen international borders on a non-discriminatory basis and without quarantine restrictions. The Resolution on the Reopening of International Borders (see Annex 1) that was adopted also:

- Reaffirmed the industry's continuing commitment to implementing globally agreed biosafety protocols,

- Encouraged governments to implement guidance developed by ICAO,

- Asked governments to ensure that aviation staff and international travelers are prioritized for COVID-19 vaccination once safe and effective treatments become available and health care workers and vulnerable groups have been protected.

The call on governments to put in place systematic testing follows a public opinion research by IATA that revealed strong support for COVID-19 testing in the travel process. Some 65% of travelers surveyed agreed that quarantine should not be required if a person tests negative for COVID-19. Passengers' support for testing is evident in the following survey results:

- 84% agreed that testing should be required of all travelers.

- 88% agreed that they are willing to undergo testing as part of the travel process.

In addition to opening borders, public opinion research also indicated that testing will help to rebuild passenger confidence in aviation. Survey respondents identified the implementation of COVID-19 screening measures for all passengers as effective in making them feel safe, second only to mask-wearing. The availability of rapid COVID-19 testing is among the top three signals that travelers will look to for reassurance that travel is safe (along with the availability of a vaccine or a treatment for COVID-19).

IATA believes that given the significant advances in testing technology and the development of the ICAO Manual on Testing and Cross Border Risk Management Measures, more States, including Australia, should consider the use of testing and implement it in a globally harmonized manner.

Pilot programs for COVID-19 testing of travelers are beginning to produce encouraging results proving their efficacy:

- **A study on arriving passengers in Toronto** tested passengers three times: on arrival, at day 5 and at day 14. 1% of passengers tested positive over that period, with 70% being detected with the first test. In other words, the study's results could indicate the potential for about 60 out of every 20,000 travelers to go undetected on arrival, which is significantly lower than the underlying prevalence in Canada.

- **A pre-departure testing program for the Milan/Linate-Rome/Fiumicino route** detected about 0.8% of passengers with COVID-19. As this level of incidence is considerably higher than the reported prevalence of COVID-19 in Italy at the time, it would appear that not only was testing highly effective in identifying infected travelers but that systematic testing is the best way to detect asymptomatic cases and to break chains of transmission.

- **A soon to be published European study** is even more optimistic. It models scenarios for a highly effective testing mechanism. In a low prevalence scenario, there is the potential to see the number of undetected positive cases as few as 5 per 20,000 travelers, increasing to 25 in high prevalence situations. These levels of incidence are still much lower than the underlying prevalence of COVID-19 in Europe.

- **IATA modeled the testing results** to quantify the risk that would remain if systematic pre-departure testing were implemented. Assuming that testing identifies 75% of travelers correctly who have COVID-19 (the effectiveness of the test) from a source population with a prevalence of 0.8% of the population (e.g., similar to Chile), the risk is that 0.06% of passengers would have the disease and go undetected. That would mean 12 undetected positive cases for every 20,000 arriving passengers.

These studies all point in the direction of testing being an efficient means to limit the spread of COVID-19 through air travel.

Significant advances in testing technology will help governments implement testing for travelers without compromising the availability of tests directly related to the healthcare sector, particularly polymerase chain reaction (PCR) testing. For testing to be incorporated into the travel process it must be fast, accurate, scalable, easy to use and affordable. While IATA does not recommend a specific test type, laboratory reported accuracy for the rapid antigen test (RAT) does meet the criteria. The Oxford/Public Health England study indicates 99.6% specificity along with very high sensitivity for RAT.

Risk assessment and travel bubbles

IATA welcomes the comment by the Australian Prime Minister in October 2020 that Australia is exploring potential travel bubbles with selected countries in Asia as well as the establishment of a quarantine Green Travel corridor with New Zealand. The commitment by Australia to establish travel bubbles will be a strong boost to connectivity for the Asia-Pacific region, where travel remains restrictive and the region currently has fewer than 20 established travel bubbles. (See Annex 2 for an overview on travel bubbles in the Asia-Pacific region.)

As Australia explores border re-opening with these destinations, it should consider risk mitigation measures in a holistic manner as part of a comprehensive risk assessment. This includes looking at importation risk as a function of several factors:

- incidence in departure country - before application of mitigation measures

- impact of multi-layered risk mitigation strategy

- travel volume between two countries

A holistic and comprehensive risk assessment will provide Australia with the flexibility to implement travel bubbles in a customized manner. In additional to bilateral travel bubbles to facilitate essential and business travel, Australia could also consider the various examples of customized travel bubbles in the region, such as the unilateral lifting of quarantine restrictions by Singapore for visitors from Australia, which was implemented by the Singaporean authorities in consideration of the comprehensive public health surveillance system and successful control over the spread of the COVID-19 virus in Australia.

IATA hopes that States would also heed the second recommendation in the updated ICAO Take-off guidance that encourages States which are considering the formation of a Public Health Corridor (PHC, more commonly known as travel bubbles) to actively share information with each other to implement these in a harmonized manner. Information sharing among States in the Asia-Pacific region and beyond will support the setting up of more travel bubbles, helping to boost connectivity and aid in the recovery of travel demand.

IATA will be happy to support the Australian Government in its efforts to re-open borders safely. IATA has been participating in the National Passenger Facilitation Committee (NPFC) Reopening of Borders Working Group (RTBWG) where there is a good exchange of views between the government and industry on passenger facilitation issues that are operational, legal or policy related to facilitate safe travel. (See Annex 3 for the recent presentation by IATA and BARA to the RTBWG.)

Continuation of relief measures

As Australia explores ways to safely re-open borders, the air transport industry in Australia will continue to need support to mitigate the devastating impact of COVID-19. IATA appreciates the strong and timely support by the Australian Government for the aviation industry since the start of the COVID-19 pandemic through relief measures that include:

- Australian Airline Financial Relief Package (AAFRP)

- COVID-19 Relief and Recovery Fund

- Domestic Aviation Network Support (DANS) Program

- International Freight Assistance Mechanism (IFAM)

- JobKeeper allowances

- Regional Airlines Funding Assistance program

The relief measures, both financial and regulatory, have helped airlines maintain services to provide critical air connectivity for Australia, and will continue to be vital in helping the air transport industry on the road to recovery. The safe re-opening of borders without quarantine will be instrumental to restart aviation and bring about the recovery of the air transport sector and the wider Australian economy. Governments around the world, including the Australian Government, have recognized the importance of aviation to their economies and have shown good support for the airline industry, through aid that totals

some USD 173 billion thus far. However, IATA notes that many of these programs, including wage subsidy programs which are critical to prevent substantial job losses, are coming to an end (see Annex 4 for a summary of the government aid to airlines). The progressive withdrawal of Government relief measures will only be possible once quarantine restrictions are lifted and borders progressively re-open. Therefore, in line with a resolution passed at the 76th IATA AGM calling on governments to ensure the industry's viability with continued financial and regulatory support, IATA urges the Australian Government to ensure the extension of relief measures at least until the end of 2021, which would be essential to sustain the air transport sector and wider economy until COVID-19 trials are completed and a vaccine is distributed that will allow for an accelerated re-opening of borders.

Technology

COVID-19 has resulted in a new normal for air transport, much like most other segments of society. The need to minimize contact to lower the risk of contagion, coupled with other demands such as the need for collection of additional information from passengers, have spurred the development of innovative technological solutions.

Near-term solutions

In the immediate near term, Australia could consider exploring technology solutions in contact tracing and testing verification to aid the recovery of aviation as it re-opens borders. While the COVID-19 outbreak has made it clear that there is a need for a temporary process for collecting additional health information on passengers, identity management remains a responsibility of national authorities, especially during health outbreaks. Therefore, IATA believes that setting up government web portals supplemented optionally by mobile applications is the most efficient and cost-effective solution for passengers to provide necessary data to authorities during the COVID-19 crisis and in the future. (Annex 5 provides more details of IATA's position on the collection of self-declared passenger health data.)

Whilst testing is the first key to enable international travel without quarantine measures, the second key will be the global information infrastructure needed to securely manage, share and verify test data matched with traveler identities in compliance with border control requirements. In this regard, IATA is in the final development phase of the IATA Travel Pass, a digital health pass that will support the safe reopening of borders.

IATA Travel Pass incorporates four open sourced and interoperable modules which can be combined for an end-to-end solution:

- Global registry of health requirements – enables passengers to find accurate information on travel, testing and eventually vaccine requirements for their journey.

- Global registry of testing / vaccination centers – enables passengers to find testing centers and labs at their departure location which meet the standards for testing and vaccination requirements of their destination.

- Lab App – enables authorized labs and test centers to securely share test and vaccination certificates with passengers.

- Contactless Travel App - enables passengers to (1) create a 'digital passport', (2) receive test and vaccination certificates and verify that they are sufficient for their itinerary, and (3) share testing or vaccination certificates with airlines and authorities to facilitate travel. This app can also be used by travelers to manage travel documentation digitally and seamlessly throughout their journey, improving travel experience.

IATA and International Airlines Group (IAG) have been working together in the development of the IATA Travel Pass solution and will undertake a trial to demonstrate that this platform combined with COVID-19 testing can reopen international travel and replace quarantine. The first cross-border IATA Travel Pass pilot is scheduled for later this year and the launch slated for first quarter 2021.

Medium and long-term evolution

Technology will also need to be an integral part of the new normal in the longer term given the expected strong air traffic growth. The development and deployment of tools to enable more efficient and seamless operations, which enhances passenger experience at the same time, will support Australia to better meet future demand in air travel.

IATA's One ID initiative was endorsed by a resolution at the IATA 75th AGM in 2019 to securely facilitate travel processes with a single identity token. Through One ID, IATA is developing tools that will allow travelers the option of creating a trusted, digital identity (a possible local point of reference would be the NSW Digital Driver's License), on a personal device such as a mobile phone which will validate the traveler identity and travel document credentials so that the information can be safely stored and backup of their identity, contact information, recent travel history, any travel authorizations, as well as health declaration forms. The digital storage of information, with the inclusion of biometric recognition, will make it much easier for the passengers to go through the existing processes, regain their confidence to travel, reduce repetitive entries, and provide a digital representation of higher quality data to governments, while removing physical contact or exchange of documents between individuals on many touchpoints.

One ID supports the vision of a seamless Trans-Tasman air travel experience, as expressed by the Prime Ministers of Australia and New Zealand in February 2019. Australia has been a world-leader in integrating information and communication technology (ICT) into passport and border operations, including being a pioneer in issuing ePassports and in operationalizing

the use of Automated Border Control (ABC) gates. This puts Australia in an excellent position to leverage technology to meet the needs of air travel as it evolves in the medium to long term. (Refer to Annex 6 for the draft Seamless Trans-Tasman Air Travel White paper.)

IATA would welcome the opportunity to discuss with the Australian Government the above technology developments in more detail.

Longer-term priorities for the aviation sector

COVID-19 is undoubtedly the biggest challenge to the aviation sector in Australia thus far. While the current situation remains difficult, the sector looks forward to a strong recovery and robust future growth. IATA appreciates the forward-looking nature of the Future of Australia's Aviation Sector publication and would like to take the opportunity to highlight some of the key longer-term priorities of the aviation sector for consideration.

Costs

Travel costs, including Airport and Air Navigation Charges, Fuel Fees and Taxes, will remain a critical consideration for the general travelling public. By keeping travel costs low, Australia will be able to stimulate demand and maximize the traffic growth that is expected in the coming decades, boosting not only the travel sector but also the wider economy. To this effect, the Australian Government could consider the temporary waiver (either full or partial) of the Passenger Movement Charges (PMC) to reduce the overall ticket costs and help stimulate travel demand into Australia once travel restrictions are lifted.

IATA fully supports the Australian Government's long-term policy objective of establishing a competitive and efficient aviation sector, at a lower cost without compromising service levels. However, there are noticeable gaps especially when it comes to regulating monopoly service providers such as airports. It is our opinion that the existing price monitoring regime has failed to deliver the envisaged policy outcomes to date. This observation is attested to by the Australian Competition and Consumer Commission (ACCC) where it has highlighted the current regulatory shortfalls in effectively exercising its mandate as the economic regulator. IATA has provided our submissions to the Productivity Commission with clear examples of private airport operators exercising their market power and recommended some changes such as the negotiate-arbitrate approach. Unless these changes are implemented, airports will continue to exercise their market power leading to higher user charges that will be detrimental to the aviation sector and the Australian economy at large.

Capacity

Australia will need to ensure sufficient capacity, including infrastructure, air traffic management and safety regulatory oversight, to allow it to reap the full potential of the strong long-term growth in air traffic. IATA advocates a consultative approach and integrated planning at the national level for key infrastructure investments. A clear national roadmap with action plans should be developed jointly with all stakeholders. The inputs from users are critical but most commonly omitted from such endeavors. It is imperative that the Australian Government continue to promote inclusive planning both at the national and local levels to ensure that infrastructure investments or adjustments are executed in an integrated and optimal manner.

Where there is insufficient airport capacity, IATA recommends alignment with the Worldwide Airport Slot Guidelines (WASG), a set of rules for the allocation of capacity to aircraft operators. The WASG facilitates the efficient use of airport infrastructure, but it is not a solution to the fundamental problem of a lack of airport capacity.

The WASG is published by Airports Council International (ACI), IATA and the Worldwide Airport Coordinators Group (WWACG) to provide the global air transport community with a single set of standards for the management of airport slots at coordinated airports.

The standards published in the WASG aim to ensure the most efficient declaration, allocation and use of available airport capacity, in order to optimize benefits to consumers, considering the interests of airports and airlines. WASG objectives aim:

- To facilitate consumer choice of air services, improve global connectivity and enhance competition at congested airports for passengers and cargo.

- To provide consumers with convenient schedules that meet demand, are consistent from one season to the next, and reliable in terms of their operability.

- To ensure that slots are allocated at congested airports in an open, fair, transparent and non-discriminatory manner by a slot coordinator acting independently.

- To realize the full capacity potential of the airport infrastructure and to promote regular reviews of such capacity and demand that enable effectual capacity declarations for slot allocation on a seasonal basis.

- To balance airport access opportunities for existing and new airlines.

- To provide flexibility for the industry to respond to regulatory and changing market conditions, as well as changing consumer demand.

- To minimize congestion and delays.

The WASG is a living document that is reviewed and revised on a regular basis to remain up to date with industry and regulatory changes. The current version of the WASG can be found at www.aci.aero/wasg, www.iata.org/wasg and www.wwacg.org.

The consistent application of the WASG is vital to ensure the fair and non-discriminatory management of slots at both ends of every route. No airport can be considered in isolation of another and so the same principles need implementing at all congested airports. Where WASG divergence exists, such as the preferential treatment of an airline, bilateral friction can develop. Therefore, core to the WASG is the existence of the independent slot coordinator who is tasked to manage airport slots in a neutral, transparent and nondiscriminatory way.

IATA takes this opportunity to thank the Australian Government for commencing the review of legislation governing Sydney Airport's demand and slot management. We believe opportunities exist to further align legislation with the global standard in support of Australian connectivity and the continued independent management of airport slot coordination at Sydney Airport.

Climate Change

Reducing climate change is a critical global challenge. Commercial aviation is responsible for about 2-3% of global carbon emissions and IATA recognizes the need to address the global challenge of climate change. The IATA 76th AGM unanimously approved a resolution re-confirming the airlines' unwavering commitment to safely and sustainably re-connect the planet, including a commitment to reduce net CO_2 emissions to half of 2005 levels by 2050. The resolution also called on governments to aid the industry in reaching its 2050 goal of cutting emissions to half of 2005 levels while exploring pathways to net zero carbon emissions through economic stimulus investments in commercializing Sustainable Aviation Fuel (SAF). (Refer to Annex 7 for the Resolution on Aviation's Commitment to Reconnect the World Safely and Sustainably.)

Conclusion

IATA welcomes the consideration given by the Australian Government to the challenges and opportunities facing Australian aviation as it looks towards recovery from the COVID-19 crisis and future growth. To embark on the road to recovery, the Australian Government should urgently find ways to further lift the international passenger arrival caps, to allow more Australian citizens and residents to return home and for the economic sustainability of air services to Australia.

A robust recovery of Australia's aviation sector can only come about with the safe re-opening of international borders ongoing financial support into 2021. To this end, Australia should implement systematic testing of international travelers at the earliest opportunity so that it will be able to re-open international borders on a non-discriminatory basis and without quarantine restrictions. The Australian Government should also ensure that relief measures are extended at least through 2021, which would be necessary to sustain the air transport sector and wider economy until COVID-19 trials are completed and a vaccine is distributed that will allow for an accelerated re-opening of borders.

IATA looks forward to further opportunities to engage and support the Australian Government in its efforts on the recovery and growth of the aviation sector in Australia.

Should further clarification be required please contact;

Matteo Zanarini
Area Manager South West Pacific
e-mail: █████████████