



Monday, 18 September 2023

Lyn Beverley
Committee Secretary
Senate Select Committee on Commonwealth
Bi-Lateral Service Agreements
PO Box 6100
Parliament House
Canberra ACT 2600

Sent Via electronic submission

Dear Committee Secretary

RE: Inquiry into Commonwealth Bilateral Air Services Agreements

Brisbane Airport Corporation (BAC) thanks the Inquiry for its invitation to make a submission on this important issue for the aviation, tourism, freight and export industries.

Successive Australian Governments have failed Brisbane Airport (BNE) and Queensland through the denial of additional flight capacity via landing rights for Qatar Airways at BNE.

None of Australia's major political parties have acted in Queensland's interests when presented with an opportunity to address the clear need for services between BNE through Doha and beyond.

For some years, BNE, the primary gateway for Queensland, has been under served by Australian carriers on international routes. It has, therefore, had to rely on international carriers for most of its international services.

Where open skies agreements are in place, the laws of supply and demand and commercial agreements between airports and airlines, dictate capacity. Where bilateral aviation agreement restrictions are in place, Queenslanders should be entitled to expect that their interests, as consumers and exporters, will be front of mind for their Government when negotiating aviation access rights.

Background

In 2016, Qatar Airways sought an expansion of its Air Services Agreement (ASA) with Australia to enable it to service BNE. Over the next four years, despite the pleas of the tourism industry and Queensland exporters, as well as BAC, three successive Transport Ministers of the Turnbull/Morrison government failed to approve that expansion.



In 2018, BAC wrote to the then Minister that Brisbane was the only major capital city without a Qatar service and Queensland was the only major state that did not enjoy the benefit of this additional competition in services – particularly to the Middle East and the onward connections into Europe and Africa.

Leakage from Queensland to other ports to connect to Qatar or other Middle East flights had grown, which was a clear demonstration of passenger demand for this carrier specifically, and of the capacity shortfall out of BNE. In addition, the leakage of inbound passengers arriving in Queensland via other Australian ports also supported our proposition that the absence of a Qatar service into BNE was anomalous and contrary to consumer demand.

Also at stake was 6,000 tonnes of cargo uplift per annum that would have supported primary producers in both Queensland and northern New South Wales, particularly those exporting beef and other perishables to Qatar. Importantly, this was freight that none of the other Middle Eastern carriers could then carry into Doha. This was a lost opportunity for both jobs and export income growth for Australia.

No coherent public explanation as to its reluctance to approve this service was ever provided by the then Government.

Covid impacts and recovery environment

During COVID, when most international carriers, including Qantas Airways and Virgin Australia, ceased international services beyond early repatriation flights, Qatar Airways used its then right to provide services into Australia's main gateways (including BNE). Qatar remained during that period of international border closures and became the lifeline carrier for people needing to enter Queensland from many parts of the world.

The COVID-19 pandemic placed unprecedented pressures on the operation of BNE. From pre-COVID highs of 24 million in FY2019, BNE saw passenger volumes collapse to levels lower than those preceding the September 11 attacks of 2001, the SARS pandemic of 2004, and the economic crisis of 2008. International passenger numbers plummeted 95 per cent from pre-COVID levels.

While domestic passenger volumes have now recovered to 97% of pre-COVID volumes, to date, BNE has recovered less than 70% of its international seat capacity compared to 2019. International route and service recovery has been uneven. Through significant investment by BAC, the Queensland Government, and the Brisbane City Council, routes into North America have been largely returned. China and North Asia are gradually improving, and the Pacific is also gradually recovering. However, services from BNE into Europe are disproportionately lower than what other Australian ports can offer to their communities. In the absence of Qantas services and Virgin services, and with the exception of the single daily Qatar service, BNE has been almost entirely reliant on Emirates - a Qantas code-share carrier - to connect Queensland with European markets over the Middle East.

As a key economic driver in Southeast Queensland (contributing over \$4.3b of economic activity in FY2019 alone), BAC has always strongly supported the granting of additional landing rights for international airlines under current bilateral arrangements, with Qatar being no exception.



Recent application

Some months ago, BAC was made aware that pending Government approval, Qatar Airways would fly an additional daily BNE/Doha service, with either A350 (283 to 327 seats) or B777-300ER (339 to 412 seats) aircraft. The additional service had been planned to commence in 2023 but was withdrawn due to a lack of access under the existing bilateral agreement.

BAC supported Qatar's application for an expansion of its rights under the relevant ASA. As referenced earlier, Qatar Airways' services to Brisbane commenced during the height of the COVID pandemic – a period of unprecedented contraction within the aviation industry. Qatar's then weekly services to BNE demonstrated commitment from the carrier to the Australian market. Qatar has added further capacity since July 2022, increasing to a daily service. During this time, the airline has been able to operate at sustained load factors providing evidence of the market's willingness to use its services.

As has been demonstrated by the Department of Infrastructure Transport Regional Development Communications and the Arts' recent review into the economic contribution of BNE, additional flights have a direct correlation with growing key industries in Queensland (and ultimately, Australia). This view is predicated on a range of factors, including:

- Increased seat capacity on key trade routes, both direct to the Middle East and to beyond markets in Europe including the United Kingdom, Germany, and Italy, amongst others
- Increased tourism visitation to the region driven by increased market access and lower air fares
- Increased air cargo capacity available to Queensland based exporters, particularly for high value, time sensitive goods; and
- Increased demand for aviation support services, infrastructure maintenance and freight.

Depending on the aircraft operated by Qatar Airways, an additional daily service to BNE would generate annual seat volumes between 206,590 and 300,760. At an assumed 80% load factor, a new service would be expected to handle 165,272 and 240,608 passengers annually. From an inbound tourism perspective, it is estimated the new service would handle between 41,000 – 60,000 inbound visitors to Queensland.

The current aviation environment has been characterised by a very strong recovery in demand. The supply side constraints have unfortunately hampered the markets' ability to meet this demand. This has resulted in stubbornly high air fares and lack of access for passengers from key source and trade markets. A search of publicly available websites confirms that prices for international travel to and from BNE are around 75% higher than pre-covid. The solution to these problems is additional services from key carriers.

The Government's rejection of Qatar's latest application therefore is extremely disappointing, as it will restrict the very services that will facilitate lower prices for passengers and exporters.

Airport Investment

The privatisation of Brisbane Airport in 1997 was part of a suite of micro-economic reforms introduced to unlock investment and drive performance and efficiency through the airport's operations. A key objective of the lease was to secure purchasers with the capability to drive the expansion necessary to increase the global competitiveness of the airport and its users.



In line with its lease obligations, BAC has invested billions of dollars over the past 25 years in developing Brisbane Airport (BNE), spanning terminal expansions and redevelopments, ground transport upgrades, localised road upgrades and the construction of the new parallel runway.

This investment reflected consumer demand, with passenger numbers increasing from just over 10 million in 1997 to nearly 24 million in 2019. Continued capital investment in aviation upgrades remain a key priority. BAC's forward capital projection is for an additional \$5 billion to be invested by it over the next decade. By the early 2040s, the population growth of Queensland will see Brisbane Airport likely surpass 40 million passengers annually, requiring further investment in terminal infrastructure, runway upgrades and supporting infrastructure.

In this context, BAC is concerned by an apparent lack of interest from all sides of politics in enabling a competitive, and fair operating environment through the liberalisation of key ASAs.

A way forward

BAC continues to encourage the Government to take a more strategic, integrated approach to bilateral air services arrangements. In particular, it is important to address bilateral arrangements ahead of time (as opposed to 'just in time'). Forecasting bilateral capacity ahead of demand allows airlines to plan procurement and deployment of aircraft, and airports to plan infrastructure and terminal capacity with certainty.

As a result, aviation market growth can be created through informed capacity and pricing decisions. Further, better Commonwealth and state co-ordination for negotiations in priority markets is critical to ensure investment is targeted efficiently and effectively.

Better coordination between the Commonwealth's ability to negotiate slots in bi-lateral agreements and airport operating companies' abilities to offer incentives to airlines serving priority markets could provide greater growth in air services to Australia and reduce unproductive competition by jurisdictions for limited numbers of slots.

Finally, ASAs need to be considered as part of broader Commonwealth migration, education, tourism and foreign policies. We note that the review of Australia's migration system and enquiries into the tourism and education sectors provides the opportunity to calibrate ASAs with government priorities in growth markets. A misalignment between key government objectives and policies will only serve to curtail the recovery of the aviation sector, rather than assist in building further opportunities.

Tourism industry view

In preparing this submission, BAC sought the views of the Flight Centre Travel Group, the Brisbane-based leisure and corporate travel business. The following feedback was provided by them:

"The Australian Government has made it clear to us in the travel industry and to the general public that they do not want more capacity into the international Australian market, in particular through Qatar Airways because they do not believe it is in the national interest. In fact, they believe it is against the national interest. This lack of capacity into and out of Australia clearly leads (and has led) to higher airfares through a lack of competition. So logically, the Australian Government clearly believe (and have been promoting the view) that they believe higher airfares into and out of the Australian marketplace is in the national interest. We understand it is part of their policy.



As part of the Australian travel and tourism industry we disagree, believing higher airfares are not in the national interest. In fact, we believe it is against the national interest, particularly the interest of the outbound travel industry (including low-income travellers, travel agents, and overseas tour operators).

It is also not in the interest of the inbound travel industry (including returning Australians and migrants, tourists to Australia, Australian tourism operators, and general businesses in tourism areas).

As a travel Industry, we believe in more capacity, more seats in and out of Australia and more competition. This is not about Qantas - it is about Governments believing higher airfares are in the national interest which they have repeatedly stated but for reasons they have not yet enunciated."

Brisbane Airport Corporation implores all parties to support Air Service Agreement policy settings that deliver real competition and better outcomes for the Australian people. A more balanced, transparent and strategic approach to ASAs will not only benefit passengers, exporters and tourism businesses, but also ensure that this country remains well connected to the world's key aviation hubs, both now, and into the future.

Yours sincerely

Gert Jan de Graaff
Chief Executive Officer