

Supporting Australian Aviation

Australian Council of Trade Unions submission to the Senate Standing Committee on Rural and Regional Affairs And Transport's inquiry into the future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic.

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Introduction

Since its formation in 1927, the Australian Council of Trade Unions (ACTU) has been the peak trade union body in Australia. The ACTU consists of affiliated unions and State and regional trades and labour councils. There are currently 43 ACTU affiliates. They have approximately 1.5 million members who are engaged across a broad spectrum of industries and occupations in the public and private sector. ACTU affiliates represent the hundreds of thousands of Australian workers who are either directly employed by the Australian aviation industry or whose jobs are supported by that industry. Unions have watched as this industry has been decimated by the COVID-19 pandemic, following on from years of deliberate action to undermine job security and quality in the sector. We welcome the opportunity to participate in this inquiry.

The Australian aviation industry was facing significant issues at the end of 2019, issues which varied across the industry in both their precise nature and severity, but which were universally serious and largely unaddressed. These issues ranged from the collapse in job security and the insecure work crisis occurring in ground operations through to serious issues with deskilling and outsourcing in crucial safety and regulatory roles. At the end of 2019, these issues desperately needed to be addressed. 2020, and the COVID-19 pandemic, has only exacerbated these issues. The Australian aviation industry is about to complete arguably its most difficult year ever, a year which has presented significant threats to the industry and which has nearly destroyed one of Australia's two major airlines.

This reality has been significantly worsened by a combination of government inaction, at times deliberate neglect of aviation workers, and corporate bad behaviour. That this inquiry focuses on the future of the industry is timely and appropriate. Australia needs a strong aviation sector, and this past year has exposed the reality that we cannot afford for it to continue along its current path. COVID-19 has, as it has in so many other sectors, exposed critical fault lines within the industry which must be addressed by government and regulators to ensure the continuation of a safe and productive aviation sector into the future.

The Importance of the Australian Aviation Sector

Aviation's Contribution to the Economy

Aviation is a critical sector to the Australian economy, both in terms of employment and contribution to GDP but also as a multiplicative factor of the productivity of other industries. Estimates on the size of the aviation industry vary, largely due to differences in how workers are classified by the various estimators, but even the most conservative estimates show that aviation is a significant source of employment for Australian workers. The Australian Bureau of Statistics in 2016 estimated that approximately 50,000 FTE (Full-time Equivalent) worked in the Air and Space Transport sector¹. Deloitte Access Economics, using a more complex methodology that considered more factors, estimated that airport sites alone support the employment of around 206,000 FTEs² while the International Air Transport Association gives a figure of 700,000 workers directly and indirectly employed by air transport in Australia.³ While it should be noted that these figures present pre-COVID estimates, even the lowest figure put forward indicates a significant number of Australian workers depend on the aviation industry for their employment. Aviation also provides significant value to the Australian economy. Estimated at providing somewhere between \$35 billion and \$69 billion in value added, the aviation industry represents approximately 5% of the Australian economy. These figures can often be difficult for laypeople to contextualise – 5% after all doesn't seem like a significant proportion. Considering this within the knowledge that a GDP drop of 3.8% to September has produced arguably the worst year for the Australian economy since the great depression perhaps goes some distance to placing the significance of this sector into context.

Aviation, however, is more than a simple set of number indicating how many people it employs and how much value it provides. The Australian aviation industry acts as a multiplicative factor in the productivity of many Australians industries. There are other industries which it simply enables to exist. Some examples of the key economic benefits delivered by the Aviation industry are:

- **FIFO** – A significant proportion of the Western Australian resources sector moves its workforce through chartered flights from metropolitan centres to remote mine heads. Charter flights for this purpose make up about 14% of all activity at Perth airport⁴ and is a significant source of activity at some sites in Queensland. It is a simple reality that many

¹ Deloitte Access Economics, *Connecting Australia: The Economic and Social Contribution of Australia's Airports*, 2018.

² Ibid

³ International Air Transport Association, *The Importance of the Air Transport to Australia*, 2018

⁴ Western Australia Legislative Assembly, *Perceptions and Realities of Regional Airfare Prices in Western Australia*, 2017

of these sites would not be viable without access to an affordable and rapid method of moving workforces.

- **Global Accessibility and Trade** – The aviation industry facilitates access to global markets both for the sale and distribution of Australian goods but also for the sourcing of materials and components.
- **Mobility** - Mobility is a predicator of economic activity, as it satisfies the basic need of moving from one location to another, a need that is shared among passengers, freight and information services. The aviation industry allows for the exploitation of geographical comparative advantages as well as promoting economies of scale. Air freight tends to move high value and time sensitive items, such as legal documents, pharmaceutical and medical isotopes. Although air freight represents less than one per cent of Australia's trade by volume, it makes up over twenty per cent of trade by value.⁵ Over 680,000 tonnes of freight, worth over \$100 billion, was carried on international flights to and from Australia during 2008–09.⁶
- **Investment** – Aviation, and the airport sites the industry operates from, are multi-modal transport hubs. As road and rail links to airports improve available nearby land is able to be capitalised and develop as logistics centres.
- **Tourism** – The Aviation industry facilitates the vast majority of international tourism in Australia and a significant proportion of domestic tourism. In 2016-17, 8 million international tourists travelled to Australia by plane, representing 97% of total international tourists travelling to Australia.⁷ Deloitte Access Economics estimates that international tourism activity facilitated by the aviation sector directly contributes \$12 billion in value added to the Australian economy.⁸ This contribution further stimulates economic activities in upstream industries, creating an additional \$9.5 billion of indirect value added.⁹ The total economic contribution of the tourism activity facilitated by the aviation sector is \$21.6 billion.¹⁰ It is estimated that international tourism activity facilitated by the aviation sector contributes to 218,500 jobs in Australia, including jobs created in industries that have direct contact with tourists and upstream industries.¹¹ Based on the proportion of domestic tourists who travel by air, it was estimated by

⁵ Australian Government, *National Aviation Policy White Paper*, 2009.

⁶ Ibid

⁷ Deloitte Access Economics, Op. Cit

⁸ Ibid

⁹ Ibid

¹⁰ Ibid

¹¹ Ibid

Deloitte that aviation facilitated \$14.7 billion in expenditure nationally. It is estimated that domestic tourism activity facilitated by the aviation sector contributes to 121,200 jobs in Australia, including jobs created in industries that have direct contact with tourists and upstream industries.

These factors mean that other industries are more productive, profitable, are able to attract investment more effectively and, in the case of international tourism, are able to exist at all. While it is not practical to actually quantify the value created through these processes, it would likely add up to tens of billions of dollars per year.

The aviation sector is also a significant driver of innovation and, despite its popular image as being made up primarily of big businesses, is home to a number of innovative small business which are effectively competing internationally. For example, there are a number of small businesses operating in the security space for airports which are demonstrating innovative uses of technology which have the potential to grow significantly in the future. There are also a number of firms, particularly in Melbourne, who are operating successfully in the airport design and engineering industry – particularly servicing the growing Chinese market.

Aviation is, by any measurement, a critical industry for the Australian economy, in terms of both its direct and its indirect economic contribution. However as mentioned above, these figures do not adequately represent the reality on the ground. Nowhere is this more true than in regional Australia.

Aviation and Regional Australia

The aviation industry, particularly those parts of it centred around airports, represent crucial centres of economic activity for regional towns all across Australia. Competition among local government areas for the jobs and economic activity brought by the industry can be fierce, as they often represent a significant proportion of future employment growth for a regional area. This fierce competition is only indicative of the great value that the aviation industry represents for regional areas. For example, 45% of all tourism in Australia is regional tourism, with regional airports acting as transport hubs for passengers and goods. Approximately 15 million passengers pass through regional airports each year in Australia – representing 12% of total air passengers nationally. Tourism brings hundreds of millions of dollars to regional areas each year and supports a plurality of private sector employment in many regional areas. The Australian Airport Association estimates that regional airports alone support the employment of some 4450 people nation-wide – an estimate which does not include the thousands of indirect jobs which would be lost if regional routes were to shut down or see reduced activity levels.

Regional airports provide other direct benefits to their communities as well, particularly in the area of emergency management. Some 500 aircraft were available from regional airports for the purposes of firefighting in 2016 and each year regional airports facilitate more than 6,000

emergency medical evacuations.¹² These services are critical lifelines for the community which provide safety and support during times of crisis and disaster. While less measurable than direct economic benefits – they are no less valuable.

Much as it does for the broader economy, aviation provides a number of immensely valuable economic benefits to regional areas which increase efficiency, innovation and productivity, such as:

- Reducing the tyranny of distance and lowering the costs of doing business because of the ease of travel over distances that would be prohibitively expensive by road.
- Increased competition in regional markets due to greater access to alternative suppliers
- Enhanced innovation due to access to a wider range of human skills
- A more flexible labour market with improved access to specialised personnel, both to bring into the labour market but also to export
- Improved ability to deal with temporary shortages of workers or of goods (such as spare parts etc)
- Enhanced economies of scale and opportunities for specialisation
- Increased investment opportunities catalysed by familiarity with the potential place of investment, potential clients and collaborators
- Allowing for more efficient interaction between different levels of government.

These benefits allow regional economies to operate beyond their geographical boundaries and prevent the tyranny of distance entirely dictating the services which are available to regional areas and the prices at which they can be delivered. The aviation industry provides these areas with not just significant direct economic benefits, but with speedy and efficient access to the wider Australian economy and enhanced emergency response capacity. It is for these reasons that the industry is considered not merely important but critical to the ongoing economic and community health in many regional areas across Australia.

The aviation sector as a driver for skills acquisition

A skilled workforce is universally acknowledged as one of the most critical factors which will determine the long-term health and success of the Australian economy. As we approach a period of, likely rapid, economic change we will need a greater number of workers with transferable

¹² Australian Airports Association, *Regional Airport Infrastructure Study*, Acil Allen Consulting, 2016

vocational skills which allow them to work across industries. Aviation is a critical industry to this endeavour, not merely because it directly employs a significant number of skilled workers but also because it drives skills acquisition in related industries.

Firstly, the aviation industry is a significant primary driver of skills acquisition in that it directly employs thousands of workers with skills ranging from metal fabrication through to transport & logistics and into safety and security. Unlike many other industries, aviation has also largely escaped significant enrolment drops in vocational courses relating to occupations it directly employs. In 2019, there were approximately 5,940 program enrolments in Aviation-related qualifications and around 2,150 completions. Both program enrolments and completions increased between 2015 and 2019.¹³ While some of these qualifications are highly specialised and are not directly transferable to other industries, such as pilot qualifications, the vast majority relate to occupations and work practices which are used in a wide range of industries including manufacturing, logistics, public safety and engineering. Aviation drives demand for highly skilled workers and then, in an ideal industry, ensures those workers skills remain at the top level due to the significant safety and emergency response capacity implications associated with work carried out in the industry. A healthy aviation sector drives demand for these skills which are then either directly utilised in the industry or are useful to other sections of the economy.

Aviation also drives skills acquisition less directly, by creating demand for skills in both upstream and downstream industries to service the aviation industry. There are workers in industries as diverse as government, manufacturing, security, retail, food services, hospitality, engineering, logistics, public safety and tourism whose jobs are supported by the aviation industry. By creating or facilitating the demand for the products or services delivered by these industries the aviation industry indirectly drives skills growth and the development of these workforces.

It is through this combination of both direct and indirect effects that the aviation sector represent a key driver of vocational skills within the Australian economy. Without this sector driving demand for these transferable skills the Australian workforce would be significantly less prepared for the future job market than it already is.

The impact of COVID-19 and the abandonment of the sector

Before COVID-19

Prior to examining the impact of COVID-19 on the aviation sector, it is worth taking a moment to briefly outline the state of the sector prior to 2020. At the end of 2019 the aviation sector was

¹³ Australian Industry and Skills Committee, *Aviation Industry Insights*, Accessed 3 December 2020, <https://nationalindustryinsights.aisc.net.au/industries/transport/aviation>

broadly profitable, with large players like the airlines, the major airports and Airservices Australia reporting strong revenues and, with a few exceptions like some regional airports, healthy profits. This success however was achieved partially through the exploitation of workers. Insecure work and contracting had decimated job security in the sector, with many workers in the industry being asked to work in unacceptable conditions and threatened with loss of employment if they complained. Significant proportions of the workforce had been outsourced to contractors who were often forced to work long hours with insufficient resources. For their own workforce, business were moving to engage workers on low rates with as few hours as possible guaranteed, to be increased at the employers' discretion. This meant workers were underemployed and continually desperate to increase their hours. Regulators and safety organisations were operating on smaller budgets and with fewer staff. Workers in the industry and their unions have been warning for years that this situation represents a real risk to safety. Below is a selection of comments from a Technical Officer at AirServices Australia (and ETU member) and some other workers who did not wish to be identified, which we believe reflect the broader sentiment of many workers in the industry as to the state of the industry prior to 2020. We have also included a case study from the CASA Southern Region office provided by Professionals Australia.

Worker Testimonials

“For years, Airservices employees have always been threatened with outsourcing of works to contractors. We have seen contract work and the low and inferior standards they bring even to the point of dangerous workmanship. Drawing never corrected, Maintenance short-cuts - relying on breakdown to make their money. Some of us have even been instructed to train the contractors to do our work.” - **Technical Officer at AirServices Australia**

“Every day the managers ask our System Technical Authorities to cut back on maintenance, we are at bare minimum's and yet they still ask for more. What will eventually happen is that unaccountable errors of failures will occur jeopardising life's and endangering the assets/environment. This has shown to be the case in some many Airline and privately run companies around the world, cut back on maintenance int and risks occurs.”
- **Technical Officer at AirServices Australia**

“[At Air Services Australia] We've had two Accelerate & Restructure Programs over the last 4 years...They [the organisation's plans] do echo a lot about the future of Aviation in Australia especially about the loss of skilled labour.”
- **Anonymous aviation worker**

Case Study – CASA Southern Region

CASA's Southern Region Office is located in Melbourne and provides regulatory services and industry surveillance across regional New South Wales, Regional Victoria and Tasmania, including major cities like Melbourne and Hobart.

Professionals Australia members report significant staffing attrition, failure to replace technical staff and an increase in non-technically qualified staff being tasked with work previously completed by experienced technical professionals.

The office has had six different Regional Managers in seven years. In the same period staffing numbers have dropped from 53 to 24. Since February 2020, Southern Region have had their Certificate Management Teams (CMT) re-organised three times. In the current organisation, one of the CMTs has responsibility for managing 215 certificates, with only 3 Flying Operations Inspectors in the team. The most recent development has seen the resignation of their last Regional Manager, with the Southern Region now being remotely managed from Brisbane. This workforce instability and constant organisational change presents psychosocial risks to staff.

"The loss of output within CASA today due to disharmony, lack in trust and respect between management and staff, the failure of management to communicate and the lack of transparency with change, is huge. While CASA may produce figures to suggest we are achieving the same volume, the loss of inspector time due to the disharmony, stress and inability to cope is a major concern and is definitely having an impact on industry. Staff continue to achieve the results we do in spite of internal challenges, solely because as staff at the grass roots we care, we are professional in our approach and we understanding the needs of industry and we work extremely hard to support industry despite the continual internal battles"
– CASA Southern Region staff member.

The reality on the ground prior to 2020 was that the aviation workforce was already under significant pressure. Workers in the industry were doing their utmost to continue to deliver high quality and safe aviation services but were feeling increasingly constrained by what management characterised as 'necessary cost savings' despite years of healthy profits. Regulators seemed less able to oversee the industry effectively and there was a perception that safety was being put behind profit. This put the industry in an extremely vulnerable position when the COVID-19 pandemic arrived.

The impact of COVID-19 on the aviation industry

When the COVID-19 pandemic truly hit Australian shores in March/April of 2020, the aviation industry was immediately one of the most severely impacted industries. Border closures, a collapse in domestic travel and state-wide lockdowns had an impact across the industry, bringing vast swathes of the aviation industry to a grinding halt. Aviation services had been experiencing strong growth over the four years though 2018-19 due to rising domestic and international passenger numbers increased foot traffic at major airports.¹⁴ This trend was immediately reversed however with industry revenue forecast to decline 28.8% in the 2020/2021 financial year – creating a five-year decline in revenue of 3.4% over the five years through 2019-20.¹⁵

Airlines were no less hard hit. Airline industry revenue is expected to fall at an annualised 13.7% over the five years through 2020-21, to \$6.5 billion.¹⁶ In April 2020, domestic revenue passenger kilometres (RPKs) totalled just 2.6% of the same month in 2019.¹⁷ Although RPKs have steadily risen in the following months, RPKs in September 2020 were only 13.1% of those reported in the same month in 2019.¹⁸ This collapse in revenue was so significant that Virgin Australia was forced into administration and was eventually sold, putting thousands of jobs at risk.

The closure of international borders, which are largely still in place internationally, meant that Air travel to and from Australia essentially stopped. There is currently no credible timeline for when international air-travel will return to pre-COVID figures. According to the Bureau of Infrastructure, Transport and Regional Economics (BITRE), only 69,000 people took international flights in April 2020, a 98.0% decline from April 2019.¹⁹ Similarly, low numbers are expected to be reported in May and June when those figures are released.²⁰ Airfreight, which many considered likely to remain relatively stable due to increased demand particularly through online shopping, was been less affected, but still fell, with tonnage declining by 35.5% from April 2019 to April 2020.²¹

Aviation was also one of the first industries to experience significant layoffs and standdowns as a result of the pandemic, with tens of thousands of workers stood down in the first months of the pandemic. This has been significantly worsened by the actions of Qantas which, in the opinion of Australian unions, could be interpreted to represent an attempt to capitalise on the opportunity for workforce cost-reductions rather than genuine responses to the pandemic (see box-out).

¹⁴ Youl, Tom, *Ibisworld Industry Report I5220*

¹⁵ *Ibid*

¹⁶ Youl, Tom, *Ibisworld Industry Report I4902*

¹⁷ *Ibid*

¹⁸ *Ibid*

¹⁹ Youl, Tom, *Ibisworld Industry Report I4901*

²⁰ *Ibid*

²¹ Youl, Tom, *Ibisworld industry Report OD5177*

While some sectors of the industry have escaped devastation (major airport operators for example have largely been forced to delay capital works but experienced no other major negative impacts) it is clear from the above that significant portions of the aviation industry were tremendously impacted by the COVID-19 pandemic. What this situation demanded was a comprehensive and targeted assistance program from government – unfortunately this is not what the industry received.

Qantas' attempts to exploit the COVID-19 Pandemic.

Below are some examples from Qantas employees and unions outlining how they believe Qantas has attempted to exploit the extraordinary situation created by the COVID-19 pandemic and poor government oversight of assistance programs. Qantas appears poised to consider itself in 'survival mode', in order to justify extreme demands on its remaining workforce, well into 2021 and beyond the end of JobKeeper.

The major and most far-reaching change Qantas has engineered during the pandemic is the plan to wipe out its entire ground operations workforce. Qantas is aiming to never employ another baggage handler, ramp worker or cabin cleaner again. – Transport Workers Union

“[Qantas] Deliberately staggering employee work stand ups and stand downs to fall partially in and out of jobkeeper payment weeks so that company maximises the amount of money they retain from the Job Keeper subsidy.” – Matt, Aircraft Maintenance Engineer.

“Using COVID 19 as a catalyst to attempt to implement permanent changes to rostering, reducing average shift loadings and removing long standing entitlements eg. 20th days.” - Matt, Aircraft Maintenance Engineer

“35% - 40% reduction in skilled AME workforce. No plans to train apprentices to fill the shortfall once flying returns to pre-covid levels. High suspicion Qantas are using COVID19 as an excuse to cut the workforce with plans to backfill with casual labour once demand returns.” - Matt, Aircraft Maintenance Engineer

“Seemingly Qantas will continue to use the ability to stand up and down workers at their discretion to maintain a part time labour force for as long as possible.”
- Matt, Aircraft Maintenance Engineer

Critical skills in engineering, IT and STEM broadly are at risk of being lost from the industry due to stand downs, restructures and redundancies. For example in Qantas' engineering workforce, even with redundancies and an increase in flights in December there will still be approximately 85% of staff working less than full time – Professionals Australia

The government's response to the Aviation sector in crisis

The government's response to the crisis brought about in the aviation sector by the COVID-19 pandemic has been to largely ignore the sector and to create programs which deliberately leave aviation workers out. From the gaps in the JobKeeper program through the limited support provided even to the government's own regulator, the government has shown callous indifference to the fate of the aviation industry and the hundreds of thousands of workers it employs or supports.

Perhaps the most obvious example of the government's disinterest in supporting the industry was the decision taken to allow Virgin Australia to fail, to withhold support from an airline employing tens of thousands of Australian workers. From our position in December 2020, with the airline sold and with many workers likely to keep their jobs, entirely due to the fact that workers and unions stood together to demand that this be the case, it would be easy to dismiss this as a matter of little consequence. We must however remember the situation at the time, when the sale of the airline was by no means guaranteed and the government had made the callous decision to leave the fates of the employees hanging in the balance – there was a very real possibility of an outcome significantly worse than the one which occurred. This decision not only threatened the livelihoods of thousands of workers but risked the creation of a monopoly on domestic air travel in Australia, a monopoly held by a company which had already proven its willingness to profit hugely from inflated airfares in markets where it held a position of power and which already had a poor record of fair dealing with its employees. This reckless disregard for aviation employees and the health of the industry as a whole truly set the tone for the government's response.

When, after lobbying by unions and weeks after many aviation workers had been stood down, the government implemented its JobKeeper program, many aviation workers were dismayed to find that they had been left out of the scheme. Many were casuals who did not meet the tenure requirement the government put in place. Thousands more aviation workers were excluded from the JobKeeper program due to the nature of their employer, specifically prevented from accessing the program due to the rules drafted by the Treasurer. This included workers such as those employed at Dnata – because of the structure of the company. These workers were largely performing roles that, if duplicated with a different employer, would have qualified for the JobKeeper program- indeed thousands of Dnata workers had worked with the Qantas catering arm only 18 months previously, before the Federal Government approved its sale to Dnata. Many were employed in regional areas. Supporting these workers would have had significant benefits to the economy and the community and these workers had a right to the same level of support as workers in other sectors or with different employers – yet they were left out.

The Government has also only provided limited relief for the Civil Aviation Safety Authority (CASA) and Airservices, who's funding has been gutted by the downturn in industry activity. These agencies have an appropriation of funds for the rest of this financial year but are on their own after, required to self-fund through a fee-for-service model. These organisations, which are critical for safe and efficient air travel have been told by government that they are expected to restructure to 'meet the size of the industry' – with no regard for the impact that the unprecedented shutdown of the aviation industry has on this effort. The deliberate decision by government to ignore the funding cut experienced by these organisations can only have significantly negative long-term repercussions for the aviation industry and the consumer. A cased study provided by Professionals Australia illustrates the extent of the effect this lack of support has had on CASA.

Case Study - CASA Eastern Region

CASA's Eastern Region Office is based in Brisbane and provides industry regulatory services and surveillance across most of Qld and northern NSW as well as some coverage in Darwin. Eastern Region Office staff report significant technical staff attrition, deployment of staff onto projects and into long-term acting roles. Of specific concern is the reduction of Safety System Inspectors (SSIs) in Eastern Region. SSIs were introduced to CASA in 2007 as part of the response to 2005 Lockhart River air disaster in which 15 people died. The role of the SSI includes oversight of industry processes such as the management of change, hazard identification, and risk management. Eight years ago, the Eastern Region Office had six full time Safety System Inspectors managed by a Team Leader Safety Systems. Eastern Region now has only 1.4 persons directly and actively assigned to the Safety System Inspector role. One result of this shortfall is that for the past two years, there has been no SSI permanently assigned to the oversight of Virgin Australia.

“Despite the significant changes and potential for risks impacting Virgin Australia, CASA has had no inspector specialising in change and risk management assigned to the team overseeing them. This as they entered into administration, slashed operations and jobs, placed aircraft into storage or sold them off, and then slowly coming back from the brink” – CASA Eastern region staff member.

Australia's support, or lack thereof, for its aviation industry has not only been disappointing and short-sighted but also out of step with international examples. Support for the industry totalling in the billions of euros was granted to the industry in countries all over Europe, including: Austria, Belgium, Cyprus, Denmark, Germany, France, Hungary, Ireland, Italy, The Netherlands, Norway,

Poland, Romania, Russia and Sweden.²² Major government bailouts were also extended to companies which compete with Australian airlines, including Korean Airlines, Cathay Pacific, Singapore Airlines, Qatar Airways and Emirates. Even the United States provided billions of dollars in the form of both direct handouts and loans to its struggling airline industry.²³ All around the world countries other than Australia are recognising the importance of their aviation industry and taken steps to secure it. COVID-19 has placed the sector in Australia further into crisis and we cannot afford to ignore it and hope that it gets better on its own. The outcomes that inaction will bring should not be risked.

The implications of an unsupported sector for the future.

Failure to support the Australian aviation industry will have a number of serious short and long-term consequences. These consequences would be felt across the economy, impacting severely on both the aviation industry directly as well the economies of regional towns. There would also likely be significant employment and safety impacts as well as a significant reduction in the industry's capacity to act as a driver for skills acquisition. In this final section we will explore the likely impacts of the government's failure to support this industry in the hopes that it will catalyse some action to avoid these serious consequences.

The impact on the economy, particularly in regional areas.

A weakened aviation sector would have significant negative impacts on the Australian economy. We have already seen the unsupported sector shed tens of thousands of jobs over 2020, an outcome which will drive down demand in the economy and weaken the positive indirect effects that aviation has for the whole economy if it continues unabated.

The impact would be, if anything, greater in regional areas as these are likely to be disproportionately impacted by any reduction in the size or vigour of the sector. Regional areas would experience a devastating loss of economic activity and potentially a loss of emergency response capacity. With an unsupported aviation industry, regional communities risk being cut off from the health care, education, economic and travel opportunities that the industry provides. Additionally, most regional airports are council-owned and are not well-capitalised or self-sustaining (in terms of direct fees received for use). What this means is that ultimately shortfalls are met through general council revenue, meaning that regional airports are predominantly supported by ratepayers. Costs associated with operating a regional airport are often fixed, meaning that if usage drops costs are unlikely to drop commensurately. Data shows that 61 per

²² Airports Council International (Europe), *State Aid to Airports*, November 2020

²³ Rappeport, Alan & Chokshi, Niraj, *Crippled Airline Industry to get \$24 billion Bailout, Part of It as Loans*, New York Times, April 2020.

cent of regional airports had budget deficits in 2014-15 and that many regional airports are operating runways and infrastructure that is 70+ years old, with substantial upgrades needed to meet modern aviation safety standards.²⁴ In fact, there is an estimated \$170 million shortfall in infrastructure funding for regional airports over the next 10 years, with costs to increase by 40 per cent over the same period. Many regional areas, without industry assistance, will therefore likely face a reduced connection to the aviation industry and the loss of the significant benefits to the economy and the consumer that this connection brings, not to mention the employment and direct economic activity. Even worse, many will face significant funding shortfalls which will have to be met by local ratepayers in order to continue to realise this reduced benefit.

Impact on working conditions, skills demand and safety.

A weakened aviation sector would no longer act as a strong driver for skills acquisition across the Australian economy, creating a less effective aviation workforce and an overall less skilled Australian workforce. This is also likely to manifest as worse working conditions for employees in the industry and for greater pressure to move towards contracting and casual workforce arrangements. As discussed above, even prior to the pandemic we were seeing the deskilling of aviation workforces as workers were forced to do more in less time and as less skilled contractors were brought in to replace employees as a cost saving measure. A failure to support the aviation industry would likely accelerate these trends. As regulators and business struggle to contain the significant costs brought about by the pandemic they will likely return to the same measures they have used in the past to save money – contracting out work to less skilled (and therefore cheaper) contractors and placing pressure on workers to cut corners to save time and money.

Additionally, the weakening of the sector is likely to result in a direct loss of skills amongst those aviation workers whose skills are in demand in other sectors of the economy – particularly STEM workers. Science technology engineering and maths skills are essential in underpinning multiple facets of the aviation sector. From the advanced manufacturing and technical supply chains that engineer, build and maintain aircraft, to the IT professionals enabling the operation of airlines and our airports in a complex operating environment, to the air safety and regulatory professionals ensuring that the industry meets high levels of operational safety. STEM skills are the foundation of a strong, safe aviation sector.

In contrast to pilots, aircrew and other aviation-focussed occupations, the STEM workforce is in demand across the economy and don't need to be coupled to aviation for their career. There needs

²⁴ Australian Airports Association, Op. Cit

to be a plan which includes specific strategies to attract and retain the STEM workforce, at a time when the aviation sector is struggling to provide market competitive employment conditions.

In terms of safety, maintenance and regulator workers, unions are already aware that AirServices are implementing a further round of redundancies in their corporate EBA, which includes safety critical employees in electrical, radio and radar disciplines from trade level, through technical and up to engineering staff. We would expect this situation only to worsen if this safety body is left without ongoing support at the end of this financial year as the government plans. One likely impact of this loss of expertise in safety and regulation (as it is generally older and more experienced staff who leave during voluntary redundancy processes) will be an overall looser regulatory environment. This in turn means that those cutting corners, responding to their own economic pressures are less likely to be caught. When combined with the possibility that some companies may decide to respond to cost pressures by offshoring maintenance, the safety implications begin to appear deeply concerning. To make matters worse, we would expect to see poor working conditions contribute to a greater issue of fatigue among ground staff. Unlike pilots and other airborne staff as well as air-traffic controllers, there are no regulatory controls on fatigue for most ground staff in the industry, staff who nonetheless have roles which have serious national security, safety and emergency response capacity implications. Fatigue is already a serious issue among some sections of the aviation workforce. Anything which threatens to exacerbate it as an issue must be of deep and abiding concern.

In addition to the above, these likely changes to the nature of the aviation workforce if government direction is not reversed would also significantly weaken the industry's ability to act as a driver for skills acquisition, both in terms of the deskilling of its own direct workforce but through reduced demand for skilled labour in other industries. This would leave not only aviation workers worse off but would have a negative impact on the skills make-up of the rest of the economy.

We have already seen pandemic cost the aviation industry tens of thousands of jobs, throwing the industry into chaos and exposing the seriousness of the issues the sector faced even before the pandemic occurred. Without government intervention and support for the industry and its workforce we are likely to see dire consequences over the next decade – consequences which will severely impact public safety, job quality, working conditions as well as skills development.

In Summation

The aviation industry is a critical sector to Australia's ongoing economic health. It provides hundreds of thousands of the direct and indirect jobs, as well as billions of dollars of economic activity, and is a major driver of skills acquisition in the Australian workforce. It is also central to the economies and many regional areas and brings with it a significant array on intangible economic benefits that mean regional economies are more productive and competitive and regional communities can stay connected to metropolitan Australia. The sector is also a critical

part of our national security and emergency response infrastructure. Sadly, the sector has been among those hardest hit by the COVID-19 pandemic and government's response has largely been to let aviation businesses fail and to leave aviation workers out of crucial support packages. Safety regulators have been left to take the hit of reduced fee-for-service income and may be financially crippled going forward. If this is allowed to continue, we can only expect the effect on the workforce, on safety and on the economy, particularly in regional areas, to be devastating. If Australia is serious about maintaining an aviation industry, as every other major advanced economy appears to be, we must begin to support the industry to improve working conditions and halt the deskilling of the workforce.

Recommendations

- Establish a Safe and Secure Skies Commission (SSSC) which brings together Government, Employers, Union and Airports and has the ability to:
 - Make binding and enforceable orders to ensure that there are appropriate standards (including safety) for all participants in the aviation supply chain which will ensure that competition is underpinned by a level playing field aimed at creating jobs and a sustainable and viable aviation industry;
 - Provide for enforceable terms and conditions for all aviation workers based on the principle of 'same job, same pay' that maximises secure and direct hire jobs and ensures that any tenders do not undercut existing terms and conditions of workers;
 - Resolve any dispute on a single or industry basis within the supply chain;
 - Make any orders on any supply chain participant/s necessary to fulfil the aims of the SSST; and
 - Inquire and make recommendations to Government with regards to any issues facing the industry including the use of significant Government purchasing power through procurement policy
- Cyber Security - Australia requires specific strategies to address Issues with ICT and data security coupled with vulnerability to cyber-attack in the aviation context, as well as the expansion of the government's directly employed, sovereign owned cybersecurity workforce.
- Workforce planning - A recovery plan for the aviation sector must include a plan for the aviation workforce. There needs to be a comprehensive, industry workforce plan developed through a tripartite process with industry stakeholders, employers, and representatives of aviation workers. This plan must include specific strategies to attract and retain the STEM

workforce, at a time when the aviation sector is struggling to provide market competitive employment conditions.

- Workplace Health and Safety - As organisations across the sector are undergoing significant workplace change, action should be taken to develop and implement an industry plan to mitigate workload intensification and psychosocial hazards among the workforce in consultation with staff, unions and workplace health and safety representatives.
- Government funding - The reliance on the operation of industry, particularly commercial aviation, to generate funding for the functioning of CASA and Airservices Australia has been demonstrated as deficient by the COVID-19 driven downturn. Alternative funding models should be investigated with a view to developing one robust enough to weather industry disruption such as that caused by COVID-19, while being well-designed to fairly and transparently distribute cost recovery.

