

Senate Rural and Regional Affairs and Transport Legislation Committee

Tuesday 9 June 2020

Opening statement from the Secretary of the Department of Infrastructure, Transport, Regional Development and Communications

Good afternoon.

I would like to update the committee on the substantial developments in this portfolio in the 14 weeks since we last met. My apologies that it is longer than usual, but there is a lot to cover.

The impacts of COVID19 have been felt across Australia. Individuals, communities, businesses and entire industries have been affected including those within our portfolio.

We have been working with ministers, APS colleagues, key industries, unions and state, territory and local governments, to respond to COVID19 developments as they happened.

Through this period, particularly in aviation, commercial shipping and road freight, I have seen unprecedented levels of cooperation, with people banding together to make these critical services and supply chains work during this challenging time.

As you would be aware, on 1 February, the Australian Government imposed travel restrictions on arrivals from China. On 20 March, Australia closed its border to foreign citizens. On 26 March, the Government implemented a ban on Australians travelling overseas. And on 28 March, a 14 day mandatory quarantine period for Australians returning from overseas was introduced.

These caused massive, rapid changes for commercial shipping and aviation in particular.

In response to requests from industry, the Government announced the Australian Airline Relief Program on 18 March. This initial step provided for fee waivers and financial relief to decrease the costs of Australian airlines flying.

On top of these measures requested by the aviation industry, the Government introduced economy-wide assistance including Jobkeeper, which provides very substantial assistance to airlines.

Initially, the downturn was expected to be around 40% but it ended up being 98%. To put this in context, on Easter Sunday last year Brisbane Airport handled 39,509 domestic passengers, but on Easter Sunday this year it was just 31.

As the severity of the aviation downturn became clear, there was almost a complete shutdown of all commercial domestic services on 9 April, with no bookings available to anyone, including those leaving mandatory quarantine to return to their home city.

In dealing with this, it was important to maintain essential connectivity on regional and major routes during the COVID-19 crisis and preserve critical capacity, particularly in thin markets, while not distorting market shares so a competitive aviation market could restart post COVID-19.

To maintain basic connectivity for Australians and enable movement of key personnel and freight including medical products and services, and ensure a minimal level of connectivity to regional communities, the Government announced on 16 April the Domestic Aviation Network Support (DANS), which included Virgin and Qantas regional and trunk services, and on 28 March the Regional Airline Network Support (RANS), which included all other regional services. Combined, these provided a national minimum network.

On 21 April, Virgin Australia's board decided to put the airline into voluntary administration to seek a rapid restructuring and recapitalisation of the airline. During this, Virgin has continued to operate flights under DANS and the signs are positive that a market solution will be found to secure Virgin's future.

Previous global and domestic shocks to the aviation industry such as 9/11, the collapse of Ansett and the Global Financial Crisis have shown the disproportionate impacts on regional air routes.

Regional communities, with their lower population bases, were particularly vulnerable as airlines experienced falling demand, declining yields and a contraction of global credit markets. It is also much more difficult to restart thin markets once services stop. An example of this volatility in thin markets is that between 2007 and 2017 172 locations received an RPT service, but only 102 of them had a continuous RPT service.

To deal with this, and ensure critical capacity is preserved in regional aviation, the Government announced the Regional Airline Funding Assistance program to provide direct cash flow support for regional air services operators severely impacted by COVID19.

On 7 June, the Government announced the extension of this program along with the extension of the Australia Airline Financial Relief package, DANS and RANS. We are negotiating the implementation of these now.

We also funded Qantas and Virgin to get Australians home through aviation hubs in London, Auckland, Hong Kong and Los Angeles and we have helped facilitate commercial charter flights from places such as Peru, Argentina, South Africa and India.

In addition to helping Australians get home, we are working across Government, with Australian businesses and the freight industry to keep international supply chains open.

Pre-COVID, over 80% of international airfreight travelled in the belly-hold of passenger planes. The substantial reduction in international flights as a result of COVID disrupted supply chains, drove up air freight prices, and hampered access to essential imports.

The Government announced on 1 April that it would provide \$110 million to an International Freight Assistance Mechanism (IFAM) to assist vital trade flows and secure access for Australians to medical, medical equipment and PPE stocks and the supply of Australian goods to international markets relying on them.

We have been in daily contact with the aviation industry as we work through evolving issues. The programs outlined above maintained critical capacity and essential connectivity but only created 3% of normal domestic capacity. The only thing that will restore the aviation sector to a normal commercial basis is the reopening of the economy and people resuming travel for business and tourism in a COVID-safe way.

To support the re-start and recovery of the aviation sector we have worked with industry on nationally consistent arrangements for supporting COVID-safe aviation travel. A set of protocols has been developed and endorsed through the Australian Health Protection Principles Committee, to instil public confidence, reopen domestic air travel, and unlock tourism opportunities.

Based on restrictions and previous demand, we expect aviation segments to return to commercial viability at different rates, with major domestic routes first, followed by major regional routes then small regional routes and then international routes. Subsidies under DANS and RANS will taper off as routes become commercially viable - hopefully quickly, as the Australian public realise they can travel in a COVID-safe way.

We have worked with all levels of government and industry to keep shipping lanes open and maintain efficient road and rail freight movements. This enabled the continued flow of domestic freight and key exports and imports - everything from iron ore exports, to groceries and household essentials, to medical supplies.

The huge efforts we have made with other stakeholders to keep bulk commodity and containerised shipping operational in a safe way have ensured

these critical parts of the economy, worth many billions of dollars a week, have continued through COVID

The department has played an important role in facilitating the ongoing movement of freight into and around Australia, and managing the impacts of international and state border closures, which temporarily disrupted freight in some instances until solutions to allow freight movements were put in place.

The Deputy Prime Minister and other portfolio ministers also held regular meetings with state and territory counterparts, local government representatives and the maritime industry around COVID19.

From 3 February, we stood up weekly teleconferences with the Maritime freight industry, ports, Australian Border Force, the Department of Health and the Department of Agriculture, Water and Environment, where we raised and helped resolve issues as they arose.

We also worked with industry, and state and territory officials to develop consistent national practices for non-cruise maritime crew, which were agreed by National Cabinet on 9 April.

On 20 March, the department commenced regular teleconferences with road and rail freight industry representatives, regulators and state and territory counterparts.

On 30 March, the Australian Health Protection Principal Committee (AHPPC) and the National Cabinet also approved a model allowing roadhouses, dedicated truck stop facilities and truck driver lounges to remain open so Australia's heavy vehicle drivers have access to showers, restrooms and facilities to undertake their mandated fatigue management breaks.

We worked with truck and the road house industry representatives, the National Heavy Vehicle Regulator, Department of Health and all states and territories to deliver this approach.

The department is also delivering the \$1 billion COVID Regional Relief and Recovery fund which is a mix of measures and programs supporting regions, communities and industry sectors hardest hit by COVID-19.

We have also worked to protect vulnerable communities right across Australia, including managing states of emergency in all the territories we administer.

We made substantial changes to our organisation as part of our response to COVID.

In early April, the department transitioned to a temporary structure which realigned our workforce to deliver critical COVID-related priorities in the incredibly tight timeframes necessary.

Through this period, the department has also continued to deliver its essential ongoing business in program, policy and regulatory areas.

All of this has occurred with most of the department working remotely from home.

I would like to take this opportunity to thank the stakeholders we have partnered with in responding to COVID19.

I would also like to thank the people that are my department – many of whom I have not seen in person since early April – as well as our portfolio agencies for their extraordinary efforts.

A strong and well-functioning public service has been a key part of Australia's effective response to the crisis. I have been so impressed by the commitment and willingness of our staff to step up and serve the people, businesses and communities of Australia during this challenging time.

Thanks.