

Department of State Growth



Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir / Madam

The Department of State Growth welcomes the opportunity to respond to the Rural and Regional Affairs and Transport References Committee inquiry into *'the future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic'*.

Air services are a key component to Tasmania's connectivity with its regional communities – inter-State destinations and internationally - they are critical for community connectivity, the transport of time sensitive produce and consumer products (including health supplies) and for the export of high value Tasmanian products. Tourism, has been an increasingly growing market across Tasmania.

An overview of COVID-19 response arrangements to support core services in Tasmania is provided below.

I. Maintaining core networks and critical freight access

The Tasmanian Government welcomed the Australian Government's early response initiative to support a baseline network of domestic passenger flights, including between metropolitan areas and on key regional routes.

Intra-State and inter-State travel restrictions implemented as part of Tasmania's COVID-19 response measures resulted in severely restricted passenger movements to the Bass Strait Islands. Air services are the only real means of passenger travel to these Islands and support critical resident health, education and social access. Tourism, particularly from Victoria but increasingly from Tasmania, is a growing market for these economies.

In addition to the Australian Government's initiatives, the Tasmanian Government committed \$1.6 million to support essential air freight services to King and Flinders Islands through its Social and Economic Support Package, with a further \$4.13 million committed in the 2020-21 Budget to ensure maintenance of essential air freight and passenger services across Bass Strait, including the Bass Strait Islands, and to facilitate development of new services.

Passenger demand for travel to and from the Tasmanian mainland has been slowly improving since June. However, it is only with the recent opening of inter-State borders, in particular with Victoria, that scheduled passenger and freight services, and capacity, is returning closer to pre-pandemic levels.

The Tasmanian Government's funding is providing direct support to:

- maintain a core network of scheduled Regular Passenger Transport (RRPT) services to King and Flinders Islands, including capacity for passengers and time sensitive freight. Support has also been provided for temporary air freight services to King Island from Tasmania while Victoria experienced some supply chain disruption during its recent COVID-19 outbreak;
- maintain regular services between Tasmania and King Island and Victoria for the export of live seafood and the transport of time sensitive medical supplies into Tasmania; and
- stand-up regular air services to support the transport of time sensitive medical supplies to Launceston and Hobart that were previously carried on the large RPT passenger services to Tasmania.

It is noted that regular passenger services to Cape Barren Island is supported by the Australian Government through its Regional Aviation Access Program.

2. International trade

The stoppage of Australia's international air passenger network due to COVID-19 has posed significant challenges for Tasmania's time sensitive freight exporters. In normal circumstances, much of Tasmania's fresh and live seafood exports are carried as under-floor cargo on passenger services to overseas markets.

The Tasmanian Government has made an early and ongoing funding commitment to support international air freight exports as part of its COVID-19 response measures. This includes an initial \$1.0 million as part of its Social and Economic Support Package, with \$2.4 million committed in the 2020-21 Tasmanian Government Budget to facilitate access to key international markets for time sensitive freight, through domestic and/or direct international air services.

The Tasmanian Government welcomed the Australian Government's International Air Freight Assistance Mechanism (IFAM), as a measure to assist exporters nationally, while air freight capacity was severely diminished. The importance of this program to deliver vital medical supplies, medicines and equipment to Australia should also be recognised.

The Australian Government's IFAM measure has supported Tasmanian exporters in two ways:

- direct assistance is provided to support Tasmanian salmon exports, which is the largest portion of Tasmania's time sensitive freight task. Under these arrangements, products such as salmon continued to be sea freighted to Melbourne and then transported by road to multiple locations for air export; and
- the Tasmanian and Australian Governments co-funded additional air freight flights between Hobart and Sydney from late May to early December. This freight 'air bridge', operating up to twice a week, allowed Tasmanian producers of high value, time sensitive products to link with international flights enabling access to key markets within Asia within 24-hours of being caught, harvested or processed.

Cathay Pacific is commencing a new freight flight from Hobart to Hong Kong, via Melbourne, over the summer peak, to meet increased market demand over the summer peak season. The first flight operated on 16 December 2020

The Tasmanian Government released its Interim Trade Action Plan in June, setting out near term actions to support Tasmanian exporters, including through freight and market access, and continues to work closely with producers of time sensitive goods to monitor air freight demand and supply as the frequency of air services increases.

3. Passenger services and the tourism market

Prior to COVID-19, Tasmania has a growing visitor economy from both domestic and international markets, supported by the Tasmanian Government's goal of attracting 1.5 million visitors annually to Tasmania by 2020.

This resulted in greater travel options through increased air services and range of direct routes.

In 2018-19, air capacity into Tasmania increased by 260 166 new seats on key routes, with an overall six per cent growth in air capacity to major airports, compared to 0.1 per cent growth nationally. 152 450 more air passengers arrived in the State compared to the prior year

2.7 million passengers were welcomed through Hobart Airport and 1.39 million through Launceston Airport.

Border restrictions arising from COVID-19 reduced passenger traffic through these airports to negligible levels, with domestic flight schedules reduced to a skeleton service for an extended period.

In August 2020, the Tasmanian Government released the T21 Visitor Economy Action Plan 2020-2022 (the T21 Plan), focused on rebuilding visitation to the Tasmania and restoring the value of Tourism to the Tasmanian economy and for the benefit of the community as quickly as possible.

The re-opening of Tasmanian Borders is allowing an increase in passenger flights into the State, with very positive signs that airlines are responding to market demand, including new services not previously operated into the Tasmanian market.

In early November, Link Airways commenced four weekly direct flights from Canberra to Hobart, providing new opportunities for tourism and business travel.

The Tasmanian Government is providing direct support to Sharp Airlines to establish new direct passenger services between Hobart and King Island and Hobart and Flinders Island that support growth in the Tasmanian tourism market to the Islands.

The Tasmanian Government is also working with stakeholders to support the introduction of direct international flights to Tasmania. The focus of this work is participation in the Australian Government's recently announced New Zealand 'travel bubble', which currently allows for quarantine-free entry for passengers from New Zealand. The recent announcement by the New Zealand Prime Minister indicates that two-way travel may be expected to be in place from early-2021.

4. Airports

It is estimated that almost 90 per cent of all travellers to Tasmania arrive or depart from one of the four major airports in Tasmania (Hobart, Launceston, Devonport and Burnie).

Between April to September, Launceston, Burnie and Hobart Airports experienced a decline of over 90 per cent in seats. RPT flights to Devonport ceased altogether. COVID-19 has also impacted key regional airports across Tasmania and the Bass Strait Islands, with loss of revenue from reduced landing fees.

In contrast to airlines, airports have not received any industry-specific funding assistance through COVID-19.

The Tasmanian Government recognises the unprecedented financial challenges facing airports in Tasmania and is working with airport owners to unlock investment and infrastructure development which can support increased capacity and diversify operations.

The Tasmanian Government committed \$15 million funding in the 2020-21 Budget to facilitate airport terminals, with:


- \$10 million to be provided to Hobart International Airport as part of a \$17.5 million project to support the re-establishment of direct international air services; and
- \$5.0 million to be provided to Launceston Airport as part of \$10.3 million project to expand the airport's departures and arrivals terminals.

Thank you for the opportunity to contribute to the Inquiry and I trust that the information provided may be of assistance to the Committee in its deliberations.

If you have any queries in relation to this submission, please contact Mr James Verrier, Director Transport Systems and Planning Policy, by email at james.verrier@stategrowth.tas.gov.au.

Yours sincerely

Kim Evans
Secretary

 December 2020