



THE SENATE  
SENATE SELECT COMMITTEE ON COMMONWEALTH BILATERAL AIR  
SERVICE AGREEMENTS

Public Hearing – 27 September 2023

Question on notice

Australian Airports Association

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1 PROOF HANSARD, p. 17

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**CHAIR:** One of the issues raised is the dominance of Qantas within our consolidated aviation industry. Does the association have any comments around the government's decision to cancel the ACCC monitoring of cancellations and delays?

**Mr Goodwin:** Yes. In fact the airports, for instance, are formally monitored by the ACCC, and, even going back to June 2022, we called on the Australian government to extend and fund the ACCC's monitoring of airlines. We've had some long correspondence and a long history of calling for that. We feel that provides the evidence that both consumers and the regulator need to be able to make decisions. So that's very important. We go back to a—

**CHAIR:** Do you know why the government cut that?

Mr Goodwin: No, we've not—

**CHAIR:** Have you made representations to the treasurer to reinstate that?

**Mr Goodwin:** Yes, we have, and we included them in our budget submission in January this year.

**CHAIR:** We might get those documents on notice. Finally, we've heard a lot about cancellations and delays out of Sydney, particularly by the dominant airline, Qantas, and issues related to that around the Harris review— the slot review that he conducted. Do you support the recommendations out of the Harris review that would provide more flexibility in and out of Sydney airport and therefore deal, in part, with a lot of the cancellations, delays and gaming that we see, particularly from the most dominant airlines?

**Response from AAA:**

The Australian Airports Association (AAA) has called on the Australian Government to continue the ACCC Airline Monitoring report since the Government's election in 2022. This includes:

- 1) The AAA's Incoming Government brief that was sent to relevant ministers, including the Treasurer and the Minister for Infrastructure, Transport, Regional Development and Local Government on 22 June 2022 (Documents 1, 2 and 3 refer).
- 2) The AAA Budget submission provided to the Treasurer (Document 4).
- 3) Email representations to the Treasurer's office and their response (Document 5).



## INCOMING GOVERNMENT BRIEFING

The Australian Airports Association (AAA) is the national voice for airports, representing the interests of more than 330 airports and aerodromes across Australia. It also represents more than 120 corporate members supplying products and services to airports.

### Airports are critical national infrastructure

Airports are vital to the economic and social wellbeing of all Australians.

Our international gateway airports keep communities connected to essential services and maintain access to world markets. Australia's regional airports support export-oriented agribusiness, assist in medical evacuation and natural disaster relief and are the gateways to world-renowned tourist destinations.

Regional and remote airports often provide the only public transport links between regional and remote Australia and the educational, medical and professional services in larger towns and cities.

Many Australians have an abiding interest in the economic viability of airports, either through their superannuation funds, their share portfolios or as local government ratepayers. While the largest, international gateway airports are owned mostly by superannuation funds most of Australia's airports are owned and operated by local governments.

A viable airport sector adds depth and diversity to Australia's economy. Prior to the pandemic, Australia's airport sector provided employment for more than 206,000 Australians, including 8,700 people directly employed by airports. Airports added \$34.6 billion (around two percent) to Australia's Gross Domestic Product, consisting of \$4.9 billion in direct economic activity from core aviation activities plus a further \$29.7 billion of indirect and value-added airport-related activities.<sup>1</sup>

### The pandemic severely affected the airport sector

While the decision in March 2020 to close Australia's international borders was undoubtedly the right choice from a public health perspective, it had a catastrophic impact on the aviation sector during 2020 and 2021. Numbers of both passenger and aircraft movements plunged dramatically to as low as one percent of pre-COVID levels, as shown in Figure 1 overleaf.

### The sector's recovery is likely to be a 'two-speed' recovery

Globally, the pandemic dealt a major blow to the aviation industry, wiping out 30 years of growth over a few short months in 2020. The industry's recovery is likely to be lengthy, with labour market challenges, skills shortages, and continued passenger uncertainty on international travel in particular. The 'stop-start' nature of the recovery to date shows a 'W' shaped pattern, with demand moving up and down, unlike the short 'V' shaped recovery from the SARS pandemic in 2003, or the 'U' shaped recovery from the 9/11 terrorist attacks. It is shaping that international aviation will recover much more slowly than domestic aviation in the Asia-Pacific region, with a return to pre-pandemic levels likely in 2023 or early 2024.

<sup>1</sup> Australian Airports Association (2018), Connecting Australia – The economic and social contribution of Australia's airports, Deloitte Access Economics, Sydney.

<sup>2</sup> International Civil Aviation Organisation (2022), Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis. Accessed on 25 May 2022 from: [https://www.icao.int/sustainability/Documents/Covid-19/ICAO\\_coronavirus\\_Econ\\_Impact.pdf](https://www.icao.int/sustainability/Documents/Covid-19/ICAO_coronavirus_Econ_Impact.pdf)

Document 1

Figure 2 below shows Australian domestic and international passenger movements from 2019 to 2022. A 'W' shaped pattern of recovery is clearly seen, with a strong return of domestic passenger movements back to long-term average. Due to closed borders and ongoing traveller uncertainty in the Asia-Pacific region, the recovery of international aviation is decoupled from the domestic recovery.

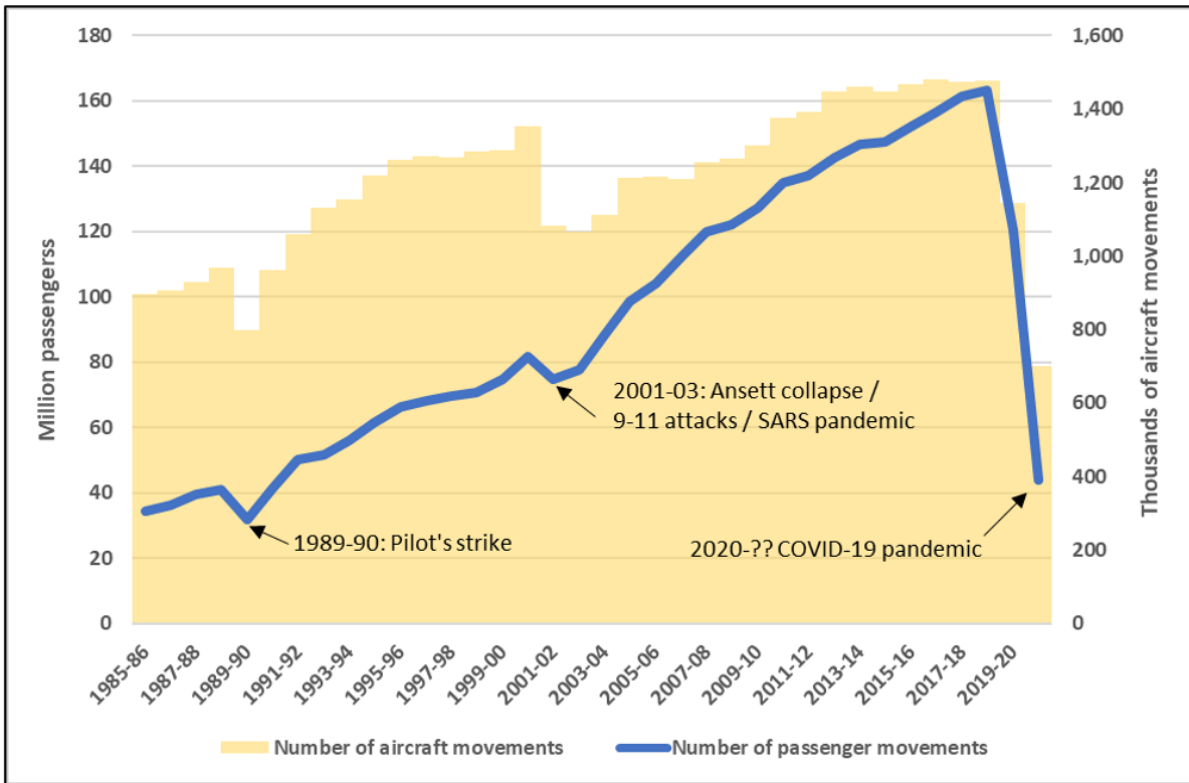


Figure 1: Movements of passenger and aircraft at Australian airports 1985-86 to 2020-21 (Source: AAA analysis of BITRE data)

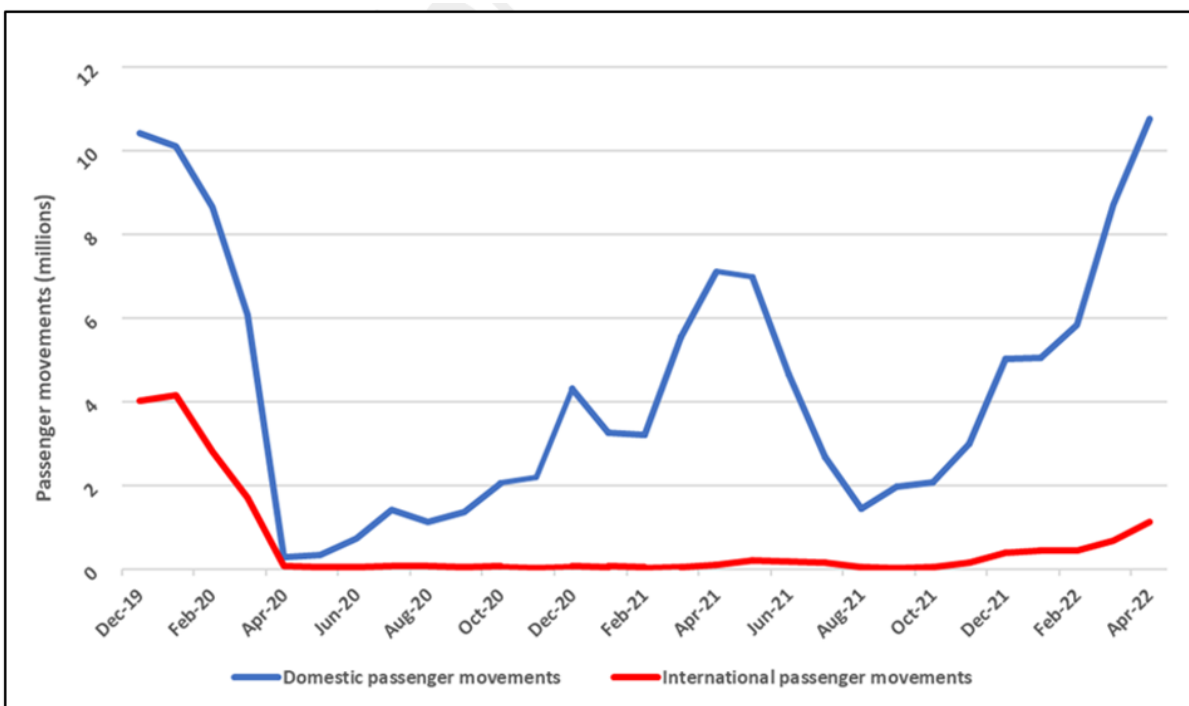


Figure 2: Domestic and international passenger movements at Australian airports December 2019-April 2022 (Source: AAA analysis of airport and BITRE data)

### Airports continued to provide an essential service...

In 2020, passenger numbers dropped 71% below 2019 levels and 2021's 'stop-go' recovery imposed significant cost pressures on the sector with passenger volumes dropping by as much as 99%. At the height of the pandemic in 2020, the AAA calculated the sector faced lost revenues of more than \$320 million a month and by the end of 2020 faced total revenue losses of over \$3.5 billion. Despite some sporadic recovery of aviation in 2021, the combined losses of revenue across the airport sector in 2020 and 2021 were calculated to be more than \$6 billion.

Airports were forced to carry most of their financial losses from the pandemic, with minimal support from government. The costs of keeping airports open and operational are high and mostly fixed, relying on customer volumes to offset operating costs. The AAA calculates it costs approximately \$4 million a day to keep the national airport network open. This includes fixed costs of providing security screening and aviation safety measures – all government-mandated requirements.

### ... yet received less than 5 per cent of aviation support

Airports bore the brunt of their pandemic-related losses from either their own resources or reprioritising spending with only minimal support from the Australian Government. As shown in Figure 3 below, in the \$5.2 billion of aviation industry support from 2020 to 2022, only \$220 million (4.3%) went to airports, as rebates of government-mandated security screening charges (which ultimately benefited airlines anyway). Of the remainder, \$3.2 billion (63.5%) went to airline support programs, \$1.04 billion (20.5%) went to freight forwarders under the International Freight Assistance Mechanism, and a further \$591 million (11.7%) to top up revenues at the Civil Aviation Safety Authority (CASA) and Airservices Australia.<sup>3</sup>

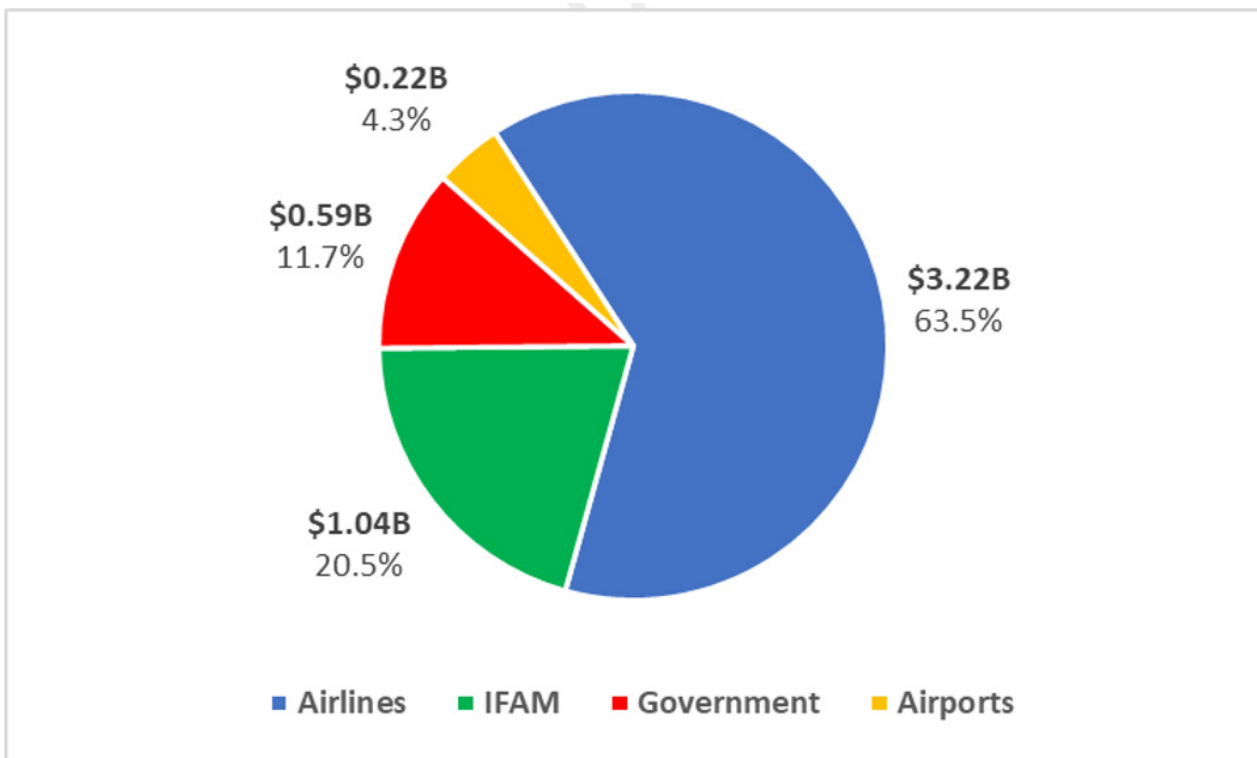


Figure 3: Australian Government support to aviation industry by sector 2020-2021. (Source: AAA analysis of Australian Government data)

<sup>3</sup> AAA analysis of Australian Government aviation industry support data

## Document 1

Unlike airlines, airports did not benefit fully from the former government's range of broader economic stimulus. The ineligibility of local governments for Jobkeeper meant most airports (owned by local councils) had minimal support for key operational and safety-critical staff. This also held true for third-party service providers to airports, particularly aviation security screening and ground handling firms.

Although airports tried their utmost to avoid wholesale job losses during the pandemic, more than 75% of Australia's airport workforce were affected, with AAA data indicating more than one-third of the core workforce lost their jobs in 2020 and 2021, with another 50% put on reduced hours or furloughed. Again, these effects also occurred in third party workforces, such as security providers and ground handlers.

This significant 'churn' in the airport workforce has made the restart of the sector very difficult in such a tight labour market, and this is now playing out in the form of long queues at airports.

## Strategic Priorities

Given the circumstances faced by the airport sector and the aviation industry more broadly, the AAA has developed five strategic priorities for the incoming government to pursue during its first term in office.

### 1. A long-term strategy for Australia's aviation industry

A long-term aviation industry strategy is essential to create a policy environment supporting a thriving, sustainable aviation industry after years of short-term policies and reactive decision making. Noting that the incoming Government has pledged to deliver an Aviation White Paper,<sup>4</sup> the AAA's view is that aside from the White Paper's four priorities, the following priorities of vital interest to airports should also be considered:

- Maintaining a sensible and proportionate policy and regulatory environment to support a thriving and sustainable airport sector into the future. Key changes might include:
  - A united partnership between government and airports to provide safe and efficient air travel
  - Improvements to planning approvals including an increase to the threshold for Major Development Plans for larger airports, and transferring the 'service' role of Airport Building Control permits to external pre-qualified surveyors
  - A national approach to protect airports from conflicting or inappropriate land uses through state and territory planning systems adopting the National Airport Safeguarding Framework (NASF)
  - Resolving policy issues at federally leased airports from recent court decisions on ex-gratia payments in lieu of land tax and rates
  - Addressing earlier lease renewals to give investment certainty to federally airports
  - Shift the next Productivity Commission inquiry into the Economic Regulation of Airports to 2024-25 once the aviation industry reaches a post-pandemic footing
  - Ensuring the ACCC's Airline Monitoring Report moves to a permanent footing at the end of its current 3-year term.
- Upholding the aviation industry's social license by balancing airport infrastructure investment with community expectations, particularly on flight paths and aircraft noise
- Ensuring appropriate safety regulation to maintain Australia's aviation safety culture
- Recognising the role of airports as economic and employment hubs through tighter integration into the national transport network by developing, building or upgrading ground transport links from investment in improved urban public transport services and faster regional or high-speed rail
- Developing a regulatory framework to manage the introduction of new aviation technologies for passenger and freight transport

### 2. Supporting mandated upgrades to aviation security

In 2018, the Australian Government mandated upgrades to the security screening of passengers, checked baggage and cargo. For Australia's 10 largest airports this means compliance costs of more than \$1.6 billion by 2025. The total amount is multiples greater than previous mandated upgrades, and far over and above the "cost of doing business." The implementation is also at a scale of complexity airports have not had to contend with before, all against the backdrop of the biggest disruption to aviation in its history.

<sup>4</sup> Catherine King MP, 'Aviation White Paper to chart the future', Media Release 30 March 2022

## Document 1

In turn, the Government should consider:

- Providing a financial assistance program for the five largest airports to meet their compliance targets on schedule, and extend the existing Regional Aviation Security Infrastructure (RASI) program to upgrade the next five of the top ten airports
  - This could be in the form of a DASCs or IASCR style funding program to account for the 'gap' funding, over and above previous upgrades. As passengers return and threat levels heighten, there is an overriding public interest in Government contributing funding to these mandated upgrades in the context of national security).
  - The potential economic costs of an airport-funded solution at the major airports over the next five years could be as high as 6.5 million fewer domestic and international passengers, \$4 billion in foregone tourism spending, and 2,400 fewer tourism jobs.<sup>5</sup>
  - Beyond the financials, the new body scanners for domestic travel are a dramatic change in process after 20 years of walk-through metal detectors. Airports would request that both the Department of Home Affairs and Department of Infrastructure form a working group with airports to work on process, implementation and communication with the travelling public. This is paramount during the transition as significant media criticism is emerging due to the negative passenger experience of the government mandated screening upgrades.
- Maintain the recently expired International Aviation Security Charges Rebate (IASCR) program into 2023-24 to offset security screening costs until international aviation recovers
- Help bridge the gap on domestic security screening costs by topping up and extending the operating costs component of the RASI program to mid-2023
- Investigate the challenges of affordable security screening at regional airports, which must spread fixed security costs over limited passenger numbers, making costs up to 40% more expensive than major airports

### 3. A skilled and ready workforce

Post-COVID airports are suffering from critical shortages in skilled personnel in a range of safety and security critical roles, particularly in regional Australia. This shortage has causes including demographics, regulatory changes and competition for workers in a tight labour markets. In recent years, Australian Government inquiries into aviation skills have focused only on pilots and aviation engineers, rather than across the entire value chain of aviation jobs. Given the loss of jobs through the pandemic, issues relating to resourcing are absolutely time critical. For a thriving and sustainable industry, the Government should:

- Conduct significant policy work on the skills needs of airports as part of the Aviation White Paper process and look at ways to professionalise airport-related skills to provide a career path in the airport sector
- Ensure aviation is considered as a specific industry skills cluster, which would help address pandemic-related workforce disruption and longer-term skills challenges
- Better promote careers for women and girls in the broader aviation industry with access to skills and training and the existing Women in the Aviation Industry initiative
- Improve regulatory oversight of airports, by ensuring recruitment and training regimes at key aviation regulators (CASA, Home Affairs, Airservices) attract, train and retain staff with skills and expertise needed to meet the current and future regulatory challenges
- Work with the National Skills Commission to add aviation related roles to the National Skills Priority List

<sup>5</sup> Airline Intelligence & Research (2021), Economic Impact of Security Screening Upgrades Funding: Major Australian Airports - Research commissioned by the AAA.

#### 4. Airports are the key to net zero aviation

By providing policy certainty and sector-specific plans, the next Federal Government can help airports address their part of the challenge to get domestic aviation to net zero. This will ensure communities, particularly in regional and remote Australia can remain connected to national and international networks by:

- Using the *Powering Australia* plan to help drive the electrification of airports by:
  - Electrifying functions currently powered by fossil fuels (aircraft tugs, starter carts)
  - Increasing on-airport use of renewable energy for heating, lighting and power
  - Continuing the transition of safety critical runway lighting at airports to LED lighting, augmented with renewable energy, particularly at remote airports
- Substitute recycled soft plastics, cement and other products for fossil fuel intensive bitumens and concretes required to maintain the significant asset base of runways and taxiways at Australia's airports
- Ensuring Australia's aviation industry has access to locally sourced sustainable aviation fuels and future aircraft propulsion systems

#### 5. Protecting remote, regional and mid-sized airports

Most Australian airports are located outside capital cities, in regional and remote Australia, and providing essential passenger and freight connections for communities across the nation. The Government can protect remote, regional and mid-sized airports by:

- Supporting mid-sized airports serving productive, economically diverse regions with passenger, freight and emergency aviation to have fit for purpose infrastructure
- Providing a sustainable grant funding program to ensure regional and remote airports can continue to provide essential transport service safely and in a state of good repair
- Improving development approval processes for regional airports, particularly Environmental Effects Study and EPBC Act approvals, which are often disproportionate to the environmental impacts they seek to mitigate

The AAA has identified 76 shovel-ready projects at mid-sized, regional and remote airports worth \$565 million, including airfield lighting, pavements and drainage, taxiways, fuel storage and other aviation-related infrastructure. Initial project evaluation by the AAA indicates that these projects would create at least 3000 direct construction jobs, up to 28,000 direct and indirect ongoing jobs, and generate \$19.6 billion in wider economic benefits.

The AAA will also work with airports and the Government to deliver the \$119.5 million of infrastructure upgrades at mid-sized and regional airports pledged during the election campaign, including:

- Upgrading Hobart Airport's runway to 'Code E' standard (\$60 million)
- A new International Terminal at Newcastle Airport (\$55 million), and
- The next stage of terminal expansion at Bendigo Airport (\$4.5 million).





22 June 2022

The Hon. Catherine King MP  
Minister for Infrastructure, Transport, Regional Development and Local Government  
House of Representatives  
PO Box 6022, Parliament House  
Canberra ACT 2600  
Via email:

Dear Minister,

**Incoming Government briefing on Australia's airports**

I am writing to congratulate you on your confirmation as the new Minister for Infrastructure and Transport and outline to you the key issues facing Australia's airport sector.

The Australian Airports Association (AAA) is the national industry body for airports in Australia and represents the interests of more than of more than 450 members including airport owners and operators and providers of goods and services to airports.

Australia's airports are diverse and dynamic parts of our national transport network, from international gateways to airports serving regional cities and outer regional and remote aerodromes.

I have enclosed a copy of the AAA's incoming government briefing that outlines the five major issues facing the airport sector today:

1. The urgent need for a long-term aviation industry strategy
2. Support from government for mandated upgrades to aviation security
3. A skilled and ready airport workforce
4. A supported pathway to net zero in aviation
5. Protecting remote, regional, and mid-sized airports

The AAA looks forward to discussing the briefing with you. We will be in touch with your office to find a time to meet with you when you are in Canberra to discuss the key issues facing the airport sector that are relevant to your portfolio.

Should your office require further information please contact Scott Martin

Yours sincerely,

James Goodwin  
**Chief Executive**

Enc: AAA incoming government briefing



23 June 2022

The Hon. Dr Jim Chalmers MP  
Treasurer  
House of Representatives  
PO Box 6022  
Parliament House  
Canberra ACT 2600

Dear Treasurer,

### **Incoming Government briefing on Australia's airports**

I am writing to you today to congratulate you on your confirmation as the new Treasurer and outline to you the key issues facing Australia's airport sector.

The Australian Airports Association (AAA) is the national industry body for airports in Australia and represents the interests of more than of more than 450 members including airport owners and operators and providers of goods and services to airports.

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Should your office require further information please contact Scott Martin

Yours sincerely,

James Goodwin  
**Chief Executive**

Enc: AAA incoming government briefing

2 September 2022

Pre-Budget Submissions  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600  
Via Email:

To Whom it May Concern,

### **Australian Airports Association's 2022-23 Federal Budget submission**

I am writing to you today to provide a submission to the October 2022 Federal Budget process from the Australian Airports Association (AAA). The AAA is the national voice for airports, representing the interests of more than 330 airports and aerodromes across Australia. It also represents more than 150 corporate members supplying products and services to airports.

This Pre-Budget submission is based on the one provided to the previous Government for their April 2022 Budget. Given the change of Government and changing economic circumstances, however, this submission contains updated information and a focus on low or no cost funding requests for the airport sector as follows:

#### **'Low Cost/No Cost' regulation and policy initiatives**

The aviation industry is among the most heavily regulated sectors of the Australian economy. Sensible and proportionate regulatory reform is a straightforward action the Australian Government can undertake now to support the airport sector's recovery. Reform measures the Australian Government should consider implementing at the earliest opportunity to support the airport sector include:

- Lifting Major Development Plan (MDP) thresholds from \$25 million to \$50 million at Federally leased airports (FLAs). Thresholds were last set in 2018, with the previous Government allowing a proposed increase to \$35 million lapse in September 2021. Requiring FLAs to work up a full MDP process for relatively low value projects creates a considerable time and money burden, particularly where lengthy public exhibition processes are involved. An increase would also recognise the significant growth of input and delivery costs in Australia's civil construction industry since 2018.
- Adoption of the National Airspace Safeguarding Framework (NASF) Review recommendations by state and territory land-use planning systems ahead of the 2027 date. The 2021 NASF Review recommended an inter-governmental agreement on a national approach to airport safeguarding and the adoption of the NASF Principles and Guidelines by state and territory government planning systems by 2027.<sup>1</sup> Bringing these goals forward would provide important support to airports and ensure their ability to function effectively is not compromised by contradictory planning decisions.
- Early lease renewal for Airport Leasing Companies at FLAs. Allowing FLA to exercise the second half of their 99-year leases ahead of schedule would enable the successful private sector investment journey undertaken by Airport Leasing Companies (ALCs) at FLAs to continue and provide certainty for both the Australian Government and ALCs. The head lease allows for ALCs to exercise this option in year 40 of the initial lease term (between 2037 and 2043). The AAA suggests the Government bringing forward the date for ALCs to exercise their options from 2027 at year 30 of

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<sup>1</sup> Department of Infrastructure, Transport, Regional Development and Cities (2021), 'Review – National Airports Safeguarding Framework implementation'. Accessed on 20 August 2022 from: <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/aviation-safety/aviation-environmental-issues/national-airports-safeguarding-framework/implementation-review>

the lease. As planning, development and delivery of infrastructure requires long renewals will provide confidence for long-term investment in airport infrastructure to support future growth.

- Extension of Master Plan 'due dates'. Several smaller FLAs are due to lodge their updated Master Plans (MP) by 2022. These airports' current MPs were on the then 5-year renewal cycle prior to the 2018 amendments to the *Airports Act 1996*. These amendments placed most FLAs on an 8-year MP cycle, except for Sydney, Melbourne, Brisbane, Perth and Western Sydney airports, which remain on a 5-year MP cycle.<sup>2</sup> Given the time and money cost to FLAs of developing and exhibiting an MP to gain Ministerial approval, the alignment of pre-2017 MP due dates to the new 8-year cycle is recommended to provide some relief from compliance costs of mid-tier 'metro' and regional FLAs.
- Bring forward the review of the National Freight and Supply Chain Strategy. The review is due to take place in 2024 but should be brought forward to 2023 given the effects of climate change, the pandemic and geopolitical shocks on Australia's supply chains and freight networks. The review should also examine the National Freight Network Planning Principles, the adoption of land use protections for critical freight corridors and infrastructure (such as the NASF) by state and territory planning systems. As data is key to good government decision making, maintaining funding for the National Freight Data Hub across the forward estimates is essential to deliver the Strategy and guide future planning and investment by Government.

### Aviation security

In May 2018, the Australian Government mandated measures to strengthen Australia's aviation security screening regime after the disruption of an alleged terror plot in July 2017. Airports committed to these upgrades, of security screening to computerised tomography (CT) based scanning of passengers and baggage so Australia can remain a trusted destination in the global aviation network and a leader in aviation security. Since this decision, the effects of the pandemic on the aviation industry, volatility of national and international aviation networks and Government policy decisions has made the delivery of aviation security upgrades challenging:

- The long queues for security screening at 'Designated' and 'Tier 1' security-controlled airports in the capitals and large regional cities are one of the more visible components. The Department of Home Affairs mandate for 100% body scanning slowing throughput, while also requiring a high percentage of re-scanning of passengers (unintentionally creating risk in landside areas).
- At smaller 'Tier 2' regional airports, increased operating costs from new CT security screening equipment has also become an area of concern caused by volatility in the regional aviation network, anomalies in Home Affairs' screening methodology<sup>3</sup> along with high labour and service delivery costs in regional job markets.

While some aviation security issues require heavier regulatory intervention, issues the Government can address in the forthcoming Budget through low cost/no cost initiatives include:

- A review of security screening processes and protocols at 'Designated' and 'Tier 1' airports to ensure they remain the most appropriate way to meet airside and landside threats to national security. This would help airports to better manage the spectrum of security risks including the ongoing resource challenges facing the aviation industry. Any review of the current aviation security posture should consider recommendations from the previous Government's review of transport security arrangements (the Proximity Review).
- Continuing operating cost support for regional security screening at Tier 2 airports. The previous Government allocated \$28.5 million in its 2022-23 Budget to support funding for regional airport security screening to 31 December 2022. While this has helped to provide a short-term 'bridge' of the operational cost issue, the tapering of support at the end of 2022 means decisions must be made now to either renegotiate or cancel screening contracts. A further extension of the operational cost support for Tier 2 airports to the end of FY2022-23 will help bridge the gap until a long-term solution for regional airport screening is determined.

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<sup>2</sup> Department of Infrastructure, Transport, Regional Development and Cities (2018), *Airports Act 1996 Airports Amendment October*. Accessed on 24 August 2022 from: <https://www.infrastructure.gov.au/sites/default/files/migrated/aviation/airport/planning/files/181015-Airports-Act-amendment-guidelines.pdf>

<sup>3</sup> The Department requires screening of passengers and baggage flying on aircraft with 40 or more seats on Regular Public Transport (RPT) and open charter services, but for aircraft below this limit, screening is not required. This decision to put a 'dual track' screening system in place increases operating cost of security screening and the inefficient use of terminal space.

## Visa processing services

Since Australia's borders have re-opened in February 2022, Australia's immigration and border services have had to scale up quickly from a standing start. The AAA commends the Government's efforts to reduce delays in issuing visas to inbound migrants and travellers. In the next Budget, adequate resourcing for visa processing functions is essential to reduce backlogs in issuing times and fast track visa applications, particularly for existing growth nations (India, Malaysia) and once countries feeding significant inbound tourists and migrants (China) reopen to the world.

## Competition Policy

Australia's major capital city airports are perceived by competition regulators as having significant market power. However, four successive Productivity Commission reviews from 2002 to 2019 of airport economic regulation concluded airport market power is balanced by the countervailing power of airlines, particularly where competition among airlines is reducing through mergers and acquisitions.

The AAA proposes that the Airline Competition Monitoring regime continues beyond June 2023. In June 2020, the previous Treasurer was sufficiently concerned by the state of competition in the airline industry to direct the Australian Competition and Consumer Commission (ACCC) to "...monitor prices, costs and profits relating to the supply of domestic air passenger transport services, and of related goods and services, for a period of 3 years".<sup>4</sup> This direction is due to expire in 2023. The AAA recommends the ACCC receives further direction and funding to continue maintaining effective, long-term oversight of airline competition equivalent to the existing airports monitoring regime.

## Supporting regional, remote and mid-sized airports

Most Australian airports are located outside capital cities, in regional and remote Australia, providing essential passenger and connections for communities across the nation. The AAA appreciates the role Government has taken to support these airports and help overcome the challenges of maintaining this significant asset base. Government should also have a role in supporting mid-sized airports in regional and urban Australia serving highly productive, economically diverse regions hosting passenger, freight and emergency aviation facilities. Support is also needed to bring forward critical infrastructure projects at mid-sized airports which are 'too urban' or 'too large' for existing regional airport grant programs.

The AAA has identified 78 shovel-ready projects at regional, remote and mid-sized, airports worth \$451 million, covering airfield lighting, pavements and drainage, taxiways, fuel storage and other aviation-related infrastructure. Initial project evaluation by the AAA indicates at these projects would create more than 2700 direct construction jobs, 25,000 direct and indirect ongoing jobs and generate \$17 billion in wider economic benefits. To help bring forward these essential projects, the Government should consider the following actions in the Budget:

- Recharges the Regional Airport Program (RAP) and Remote Airstrip Upgrade Program (RAUP). Both programs have been invaluable to ensure regional and remote airports maintain aeronautical infrastructure in a state of good repair and meet modern aviation safety standards, however RAP and RAUP will both end in FY2022-23. Topping up the RAP and RAUP jointly with \$100 million over four years from FY2022-23 will help place regional and remote airport funding on a more certain footing. Funding certainty will help bring forward projects and unlock matching investment from airports to create jobs and wider economic benefits in regional and remote Australia.
- Maintains full Government funding for RAP and RAUP projects under \$300,000. In 2020, the former Government extended the RAUP's full funding of small projects (below \$300,000) to airports seeking funding for small projects under the RAP. This measure should be re-instated, as outer regional and remote councils will continue to have difficulty in co-funding small-scale safety critical aviation infrastructure projects.
- Set up a mid-sized airport grant funding program. The diverse range of ownership models and activity levels at mid-sized airports make them either ineligible for existing regional airport grant programs or constrain their access to long-term capital for investment in essential infrastructure maintenance and upgrading. Bringing forward these projects could be facilitated through a targeted infrastructure grant program of \$160 million over four years from FY2022-23.

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<sup>4</sup> The Treasurer (2020), *Competition and Consumer (Price Monitoring—Domestic Air Passenger Transport) Direction 2020*. Accessed on 25 August 2022 from: <https://www.legislation.gov.au/Details/F2020L00763>

## Document 4

The AAA also supports the Australian Local Government Association's call to increase Financial Assistance Grants to councils, as these will help councils fund the 50% co-contribution for future RAP projects, which some local government airports identified as a significant hurdle for proponents.

### **Delivering election commitments**

The AAA calls the Government's attention to the \$119.5 million of infrastructure upgrades at mid-sized and regional airports pledged during the election campaign. The AAA appreciates the recent start of construction of the new terminal at Bendigo airport, a \$4.5 million election commitment, but also looks to funding in the Budget for the delivery of other airport infrastructure election commitments including:

- Upgrading Hobart Airport's runway to 'Code E' standard (\$60 million)
- A new International Terminal at Newcastle Airport (\$55 million)

Should you have any questions regarding this submission, please contact the AAA's Director of Policy and Advocacy,

Yours sincerely

James Goodwin  
**Chief Executive**



## Document 5

**From:**  
**To:**  
**Subject:** RE: ACCC monitoring of airlines [SEC=OFFICIAL]  
**Date:** Friday, 14 April 2023 8:02:39 PM  
**Attachments:**

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### OFFICIAL

Hi Merrick,

Thanks for your email and I understand these concerns.

While noting the ACCC has a lot to manage, we have no in-principle objection to an extension, providing it is a priority of Minister King.

Kind regards,

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#### Ruth Moore

Senior Adviser | Office of the Hon Jim Chalmers MP | Treasurer

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### OFFICIAL

**From:** Merrick Peisley  
**Sent:** Thursday, 13 April 2023 5:12 PM  
**To:**  
**Cc:** James Goodwin Scott Martin  
**Subject:** AAA: ACCC monitoring of airlines

Hi Ruth

Great to run into you yesterday at the Press Club. As discussed, the AAA is concerned at the ending of the quarterly ACCC monitoring of airlines – something that was picked up by journalists on the day.

The AAA concerns are broad ranging:

- **Consumers are paying too much:** despite recent falls, airfares are well above pre-pandemic levels and down slightly from historical highs in late 2022. The costs of flying haven't increased anywhere near these increased costs of airfares, with increased airfares being pure profit (and being reported as much on Qantas Group and Rex). None of these price increases are a result of airport costs. Some routes, such as Adelaide (which is double or almost double the cost), Coffs Harbour (triple the cost), Cairns and Gold Coast are much higher than pre-pandemic fares. AAA market research shows that the biggest barrier to people travelling domestically or internationally is cost of flying (55% domestic travellers and 69% international travellers). Airports are concerned that consumers are being priced out of travel and it's hurting the economy. Tourism and Transport Forum (TTF) research also found 57% of Australians are concerned about cost-of-living pressures and these are impacting travel patterns.
- **Emboldens an already difficult monopoly player – Qantas:** The AAA is concerned that

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the ACCC taking a step back at a time when Qantas is making record profits is a terrible signal to send to the industry. In 2021–22 the ACCC received 1,740 contacts involving Qantas, the most of any company and 68% higher than the previous year. With a 61.7% market share, it is well known that Qantas ‘games’ slots in airports to decrease competition, it squeezes other payers on competitive routes, and once beaten, increases fares and decreases services. I can’t think of another sector in the economy that the Government would accept that a market participant would openly withdraw supply and increase prices to no comment from the Government or competition regulator. Indeed, having recently come from the electricity sector, Qantas’ behaviour mirrors the domestic gas market – where the Government did intervene.

- **Uneven playing field of regulation:** AAA finds it difficult to understand the Government’s rationale where airlines are no longer actively monitored and there are real competition issues, but airports are monitored, with further costs and monitoring being considered in the form of additional performance metrics being proposed by the ACCC. AAA and airports accept that monitoring of the sector should occur, but it should be even-handed and proportionate to where the risks are to consumers.

While I accept Gina’s answer that the ACCC continues to have the remit to monitor airlines, it loses the important component – a regular credible reporting line that would keep airlines honest. Despite the fact that even with airline monitoring there is no enforcement action was taken against Qantas where there is open withdraw of supply and massive increase in fares, it is still vitally important that the ACCC and the Government continue to hold airlines to account. Our conversations with the ACCC and Department indicate that they are keen to continue these reports, with the ACCC proud of their work and the innovative way the team was structured.

Having worked on over 20 Commonwealth Budgets, I very much understand the Budget situation facing the Government. But I find it hard to reconcile that for a relatively small amount of money, consumers are likely to be negatively impacted from this decision.

I wanted to raise this issue with you first and see what could be done about it. AAA members are keen to raise this issue formally with the Treasurer and we also intend to undertake further media and advocacy on the issue.

Always happy to discuss.

Kind regards

Merrick

**Merrick Peisley**

General Manager – Major Airports

**Australian Airports Association**

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