



Australian Chamber
– Tourism

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Committee Secretary
Select Committee on Commonwealth Bilateral Air Service Agreements
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Dear Secretariat

RE: Inquiry into all Federal Government decisions relating to any proposals since 2016 for additional services to Australia's airports

Australian Chamber – Tourism (the Chamber) welcomes the opportunity to provide a submission to the inquiry into Australia's bilateral air service agreements and proposals in the past six years.

The Chamber is part of the Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business network. The Chamber is a peak body representing Australian businesses engaged in the visitor economy. It brings together key participants in the tourism and travel sector to advocate better policies, including tax, regulation, tourism marketing, research, labour supply, visas and infrastructure.

The Chamber recognises and welcomes the Federal Government's commitment to the recovery of Australian tourism and travel. It is necessary for the Government to support industry using the policy and decision levers at its disposal, and air service agreements form part of these.

Noting that tourism and travel is still recovering from pandemic restrictions, the Chamber has focused this submission on the recent decision to decline the application from Qatar Airways for additional flights.

Impacts on competition

The Government's recently released Aviation Green Paper says increased competition in Australia's aviation industry can help deliver better value, service and more choices for travellers.¹

Increased competition through additional flights will bring more tourists to Australia and reduce the cost of those flights – a win-win for travellers and Australia's visitor economy.

The rebuilding of Australian tourism and travel needs additional inbound and outbound air capacity. While other international travel methods contribute to the visitor economy, air travel carries the majority of travellers to and from Australia. Any limitations on inbound and outbound capacity will stunt the growth of tourism and travel, through seat numbers and price competitiveness.

¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Aviation Green Paper: Towards 2050*, pg.3, <https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>.



The Aviation Green paper notes that Government policy has consistently maintained a 'capacity ahead of demand' approach.² It appears this has not been the case in the Qatar Airways decision, where demand outweighs capacity.

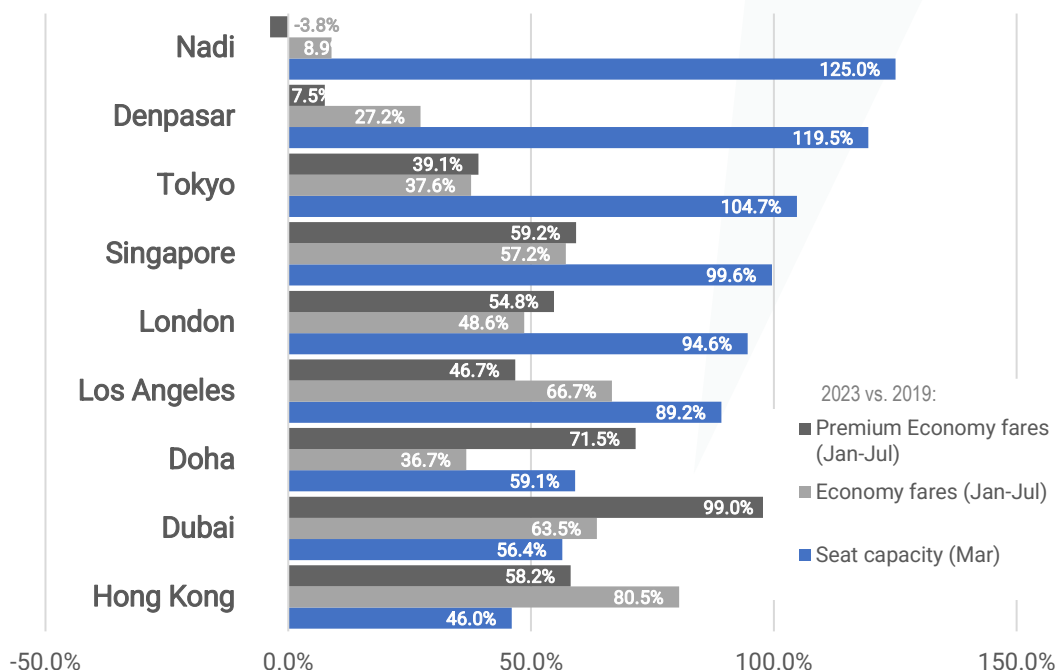
By denying Qatar Airways' application, the Government has restricted the number of tourists who can visit Australia and, effectively, inflated the cost of airfares. This is a significant deterrent for tourists to travel to Australia.

Data collected by the Australian Travel Industry Association's (ATIA) ticketing systems show price increases on international fares from Sydney airport in 2023 are up to 99 per cent higher than the same period before the pandemic.³ Significant price increases have not been confined to a specific class of travel, although the growing popularity of premium economy seating has seen even greater price rises for this category. Some of the highest price increases include:

- Sydney to Dubai – Economy – \$853 one-way (+64 per cent increase);
- Sydney to Dubai – Premium Economy – \$2224 one-way (+99 per cent increase);
- Sydney to Doha – Premium Economy – \$959 one-way (+72 per cent increase); and
- Sydney to Singapore – Premium Economy – \$1057 one-way (+59 per cent increase).

It is clear that there is a strong link between capacity and airfares – namely, that reduced capacity results in higher airfares. The below graph illustrates this correlation on selected routes from Sydney.

Seat Capacity and Fares, selected routes ex-Sydney, 2023 vs. 2019



Source: Market Intelligence Global Demand Data (GDD) and Growth Potential for Foreign Airlines⁴

² Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Aviation Green Paper: Towards 2050*, pg.186, <<https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>>.

³ Data source ATIA 2023 data is based on Jan-Jul, while 2019 data is full-year.

⁴ Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Growth Potential for Foreign Airlines*, 26 April 2023.



Tourism Australia analysis indicates that airfares between Australia and Europe more generally are, on average, 49 per cent higher than they were pre-pandemic. Between January 2022 and June 2023, average flight costs were 48 per cent higher than in 2019, and in June 2023 alone they were 58 per cent higher.

Carriers including Qantas acknowledge they will not return to full international capacity until at least March 2024.⁵ It is difficult to foresee an easing in prices in the immediate future without increased competition. Industry sources have suggested the additional flights provided by Qatar Airways could have reduced the cost of flights by up to 40 per cent.⁶

Any measures that can reduce the financial impost on international travellers should be carefully considered particularly in light of the 2023-24 Federal Budget, which saw increases to the Passenger Movement Charge (PMC). The Chamber is supportive of measures to increase competition to drive down travel costs and aid the recovery of Australian tourism and travel.

With unrestricted, 'open skies' air services agreements with only nine other markets, Australia is well off the pace of leading aviation markets. This compares to the 100 open-skies agreements negotiated by the United States (US),⁷ Singapore with more than 60,⁸ and Canada with 23.⁹ The US, Singapore, as well as New Zealand, are also parties to an eight-nation multilateral open-skies agreement (the Multilateral Agreement on the Liberalization of International Air Transportation). Australia is not a party to this agreement but does have bilateral agreements with the US and Singapore and operates Single Aviation Market (SAM) arrangements with New Zealand.

Impact on the Australian economy, including on tourism

Prior to the COVID-19 pandemic and resulting travel restrictions, tourism was a major contributor to the Australian economy. Domestic and international tourism and travel spend totalled \$166 billion and it was the fourth largest export sector.¹⁰ There was a direct benefit to the regions, with 44 cents of every tourism dollar spent in regional destinations,¹¹ and the industry supported over one million jobs, directly or indirectly.¹²

The data shows Australian residents returning and visitor numbers still remain below pre-COVID levels.¹³ In 2022-23, short-term resident returns have reached 87 per cent of levels prior to COVID-19 restrictions, and short-term visitor arrivals reached 82 per cent of pre-restriction levels.

⁵ Qantas 2023, [Qantas adds more than 250,000 international seats as aircraft return](#), 21 August 2023.

⁶ Mizen, R and de Kretser, A 2023, [Aviation cut from competition review amid Qatar row](#), The Australian Financial Review, 29 August 2023.

⁷ Bureau of Economic and Business Affairs 2016, [Open Skies Partners](#), US Department of State, 14 November 2016.

⁸ Civil Aviation Authority of Singapore n.d., [Adopting A Progressive Approach](#).

⁹ Transport Canada 2022, [The Blue Sky Policy: Made in Canada, for Canada](#), 2 December 2022.

¹⁰ Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Aviation Green Paper: Towards 2050*, pg.30, <<https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>>.

¹¹ Tourism Australia n.d., [The Economic Importance of Tourism](#).

¹² Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Aviation Green Paper: Towards 2050*, pg.30, <<https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>>.

¹³ Australian Bureau of Statistics 2023, [Overseas Arrivals and Departures, Australia](#), 12 September 2023.



The average stay of short-term visitors declined from 25 days in 2021-22 to 14 days, and the short-term resident median is down from 19 days in 2021-22 to 15 days.

Any assistance that could drive more visitors into hotels, restaurants, cafes and tourist attractions amongst others at no cost to the Government should be carefully considered. The Chamber understands that the cost of the Qatar decision may be between \$500 and \$788 million in foregone revenue for tourism and travel.¹⁴ Another estimate puts the cost of the decision at up to \$1 billion in lost income, when considering business travel and freight as well as tourism.¹⁵ It is crucial that the policy settings encourage growth of this industry as tourism and travel is a driver of growth for the Australian economy.

Value of Working Holiday Makers

Australian Bureau of Statistics data shows that short-term visitor arrivals from Europe, a key market for Australia, is yet to recover to pre-COVID levels.¹⁶ This is also the case for resident returns. Recovery of the European market is imperative for the Australian visitor economy, and the Australian economy more broadly; it is typically travellers from Europe that take up Working Holidaymaker (WHM) visas.¹⁷

In June 2019, more than 72,000 travellers came from Europe to Australia; this amount grew in July 2019 and steadily increased from August through to December 2019.¹⁸ In June 2023, there were around 62,000 travellers arriving from Europe. In December 2019, total short-term visitor arrivals from Europe exceeded 260,000 travellers. In December 2022, with no COVID-19 restrictions, there were just over 190,000 short-term visitor arrivals from Europe. Visitation from the United Kingdom (UK) in 2022-23 is only back to 80 per cent of 2019 levels; resident returns from the UK are at 81 per cent of 2018-19 levels.¹⁹

WHMs are important for Australian tourism, particularly in rural and regional Australia. This is due to their spend as visitors and their contribution to the labour market. The WHM program delivers enthusiastic and mobile workers to regions where labour is most needed. This enables regions and rural businesses to meet seasonal labour needs thanks to the flexibility of the visa.

WHMs contributed \$3.2 billion to the Australian economy in the year immediately prior to COVID-19 restrictions.²⁰ This shows they spend the money they earn in Australia, much of which is in the regions. Prior to the COVID-19 restriction period, 22 per cent of WHMs extended their visa past the first year; this accounts for around \$577 million of spending in the visitor economy. This is an important contribution, particularly when spent in regional tourism areas struggling to recover after years of disruption.

¹⁴ de Kretser, A 2023, [Blocking flights 'could cost \\$500m', but minister says it saves jobs](#), *Australian Financial Review*, 9 August 2023.

¹⁵ Merkert, R 2023, [What will putting the interests of Qantas ahead of Qatar Airways cost? \\$1 billion per year and a new wave of protectionism of legacy carriers](#), *The Conversation*, 1 September 2023.

¹⁶ Australian Bureau of Statistics 2023, [Visitor arrivals and resident returns, Selected Countries of Residence/Destinations](#), 2023.

¹⁷ Department of Home Affairs 2022, [Working Holiday Maker visa program report](#), 31 December 2022.

¹⁸ Australian Bureau of Statistics 2023, [Visitor arrivals and resident returns, Selected Countries of Residence/Destinations](#), 2023.

¹⁹ Australian Bureau of Statistics 2023, [Overseas Arrivals and Departures, Australia](#), 12 September 2023.

²⁰ Tehan, Hon D and Hawke, Hon A 2022, [Attracting more Working Holiday Makers](#), 31 January 2022.



In the most recent Budget, the cost of the WHM visa rose to \$640. This increase, along with the increase to the PMC of \$10, makes it more difficult to attract working travellers. Australia is competing with the rest of the world, and is already disadvantaged by increased airfares and distance.

It is clear more needs to be done to encourage prospective WHMs. In response, the Chamber has established an initiative whereby employers across the Australian travel, tourism, hospitality, accommodation and events industry reimburse the visa fees paid by WHMs after six months working for them.²¹ Around 140 employers are participating in the scheme. While this is something the Chamber is proud to be administering, it is undoubtedly more difficult for tourism operators to provide the refund where prices of the visas are increasing along with the cost of doing business. Furthermore, there is only so much industry can do to support WHMs and, more broadly, the recovery of Australian tourism without Government assistance.

Appeal of decisions

The Chamber believes Bilateral Air Services Agreements (BASA) should be undertaken in a clear and transparent process, with a clear understanding of the guiding principles, as well as consultation and timeline for the agreements.

It would be appropriate for the Australian Competition and Consumer Commission (ACCC) to review the consumer benefit of each BASA application, and publicly release its findings. It is the only Government agency which can assess competition settings and ultimate consumer impacts. In addition, there should be sufficient opportunity for tourism, travel, aviation and other export sensitive industries to provide feedback on each BASA request. In making the decision, the approving authority should have regard to the views of relevant stakeholders, such as Ministers, Departments, agencies, tourism, travel and aviation industry bodies, as well as the expert advice of the ACCC.

The outcome of decisions should be published. This should include decisions to grant or deny applications for additional bilateral air rights, and on any appeal of a decision. It would also be appropriate for the approving authority to justify the reasons why they agree or disagree with advice provided during the decision-making process.

In addition, noting Australia's preferred 'capacity ahead of demand' approach,²² BASA negotiations should be conducted proactively to avoid capacity issues.

Improving these processes will greatly enhance the ability of the Minister to receive and consider relevant information before making a more informed decision. In the case of the Qatar Airways decision, the Minister for Trade and Tourism has informed the Senate that he received no advice, briefings or submissions from his Department regarding the Qatar Airways application.²³ Given this admission, it is difficult to understand how the recovery of Australian tourism and travel was adequately considered when the decision was being considered and ultimately made.

²¹ Australian Chamber of Commerce and Industry n.d., [Working Holiday Makers Initiative](#).

²² Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023, *Aviation Green Paper: Towards 2050*, pg.186, <<https://www.infrastructure.gov.au/department/media/publications/aviation-green-paper-towards-2050>>.

²³ Farrell, Senator the Hon D 2023, [Order of 5 September 2023 \(302\) relating to Qatar Airways - flight services to Australia \[11 September 2023\]](#), Parliament of Australia, 11 September 2023.



The Chamber notes that the process for applications, and any decision taken regarding applications for additional air services, can be very lengthy. In the case of Qatar Airways, it took nine months,²⁴ during a time when additional air capacity would have created much-needed competition. Without knowledge of the reason for declining the application, it is difficult for a stakeholder to provide the relevant information for consideration and appeal the outcome as needed.

The Chamber is raising these concerns to ensure a poor precedent for future applications for additional flights from other airlines is not established. This would be a grave outcome for Australian tourism and travel as the Government considers applications from other airlines, including Turkish Airlines.

Conclusion

The Chamber strongly supports Government decisions that support the growth of Australian tourism and travel. While the industry continues to recover from the COVID-19 pandemic and the accompanying restrictions, anything industry and the Government can do to assist in that recovery is essential.

The Chamber was disappointed to discover that, despite the importance of tourism and travel to Australia's economy, industry needs were not adequately considered when Qatar Airways' application for additional international flights was denied. The decision has set a poor precedent for future applications from other airlines and will have a significant financial impact on Australian tourism and travel.

The Chamber encourages additional transparency to assist industry and relevant Ministers and Departments to assess all relevant information ahead of making future decisions regarding BASA. We urge the Government to consider permitting additional flights to increase competition and reduce prices of airfares, and encourage travellers to come to Australia.

The Chamber would welcome the opportunity to answer any questions the Committee may have on these or related issues.

Yours sincerely

John Hart OAM
Executive Chair
Australian Chamber – Tourism

²⁴ ABC News 2023, [The government is facing an investigation over not letting Qatar Airways run more flights into Australia. This is how it unfolded](#), ABC News, 8 September 2023.



Australian Chamber - Tourism Members

