

BARA Industry Function

Chairperson's address

I would like to extend a very warm welcome to you all and thank you for joining us this evening. As it's been some time since BARA has held an event like this, I hope you find the evening interesting, informative and somewhat thought provoking.

As I look around the room I can see many guests who represent the broad range of relationships held by BARA. From government agencies, to key suppliers, the travel industry, investor organisations, legal firms, the media and many of BARA's member airlines. The fact that we have such a large and diverse cross section of people here this evening really highlights the strategic importance the international aviation industry has within Australia's community and economy.

The first thing I would like to do is put things into a longer term context by talking about the "very prosperous decade", a decade where the international aviation industry has experienced significant growth, change and reform.

Over the last ten years, the industry as a whole has experienced a very strong annual growth trend of on average, around 5%.

In 2005, passenger numbers were just over 20 million, in 2015, this number had increased to just under 34 million, representing an average growth of some 1.3 million extra passengers per year. This statistic is quite staggering considering Australia's population of 24 million people.

The average distance travelled is over 7,000 km one way with individual flights to the US and Canada exceeding 12,000 km, and the total amount spent on international airfares is currently estimated to exceed \$30 billion each year.

More so than ever before, Australia is truly connected to the globe and international aviation is a key facilitator of this trend. International air travel continues to shape opportunities for Australians to experience the world and it most definitely provides a pathway for overseas visitors to come and enjoy our great country.

Many people, both outside and within the industry have been asking what exactly has been driving the sustained growth? BARA's view is that there are really three key pillars that have enabled us to get to today's position.

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Firstly is the Australian Government's approach to encouraging the ongoing liberalisation of international aviation. Australia's international aviation policy settings have served Australia well. This is reflected throughout the last decade where we have seen the entry of a number of significant new airline carriers, in particular from Asia and the Middle East.

Secondly, rising incomes both in Australia and especially Asia, have provided the means for people to spend the \$30 billion each year, previously referred to, on international air travel. Specific to Australia over the past few years, the mining boom greatly increased the number of high vis shirts at both Australia's mine sites and in its international airport terminals.

Finally, driven by market opportunities created by the first two pillars, strong competition between international airlines and underlying productivity improvements through the introduction of new aircraft such as the A380 and B787, have made international travel increasingly affordable.

So, all the key levers have been favorable towards international aviation over the last decade and as an industry, we've done well in capitalising on the opportunities available resulting in ongoing sustained growth.

International aviation is a combined effort. Our airports, regulators, service providers including, Airservices Australia, and jet fuel suppliers – alongside ourselves – all rely on each other in providing today's frequency and range of services.

While the industry is doing well today, there are a number of clear 'early warning' signs that our core infrastructure is starting to struggle with the level of industry growth and passenger demand.

Some signs of this stress on our current infrastructure include International OTP which generally averages below the 80% mark. This is about 8 percentage points below the average for global top performing airports and is a symptom of growing congestion, in both airspace and on the ground, at the major international airports.

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A growing number of lost or mishandled bags leading to the need to arrange reconnections to passengers. During 2014-15, the number of mishandled bags exceeded 100,000. More frequent extended waiting periods for travellers to clear border security and quarantine processes, and two jet fuel rationing 'black traffic lights' last year.

Given these challenges, in order to continue success and growth, it will be critical over the next few years that all stakeholders work together to find ways of boosting industry capacity and efficiency to continue to provide safe and high quality services.

Many of you will be aware, BARA has identified four key areas for reform, efficiency and improvement, including the areas of airport infrastructure, jet fuel competition and supply, air navigation services, and the environment and community impacts. While we often discuss and progress these issues individually, the reality is that they are all deeply interconnected in providing high quality passenger and freight services.

The importance of getting it right across the infrastructure chain can't be understated. There's actually little value in efficiently sequenced aircraft landings if they're not matched to the available airport infrastructure, leaving aircraft waiting around for 40 minutes or so, perhaps after a 14 hour flight, for a gate stand.

In the same vein, we can deploy the latest on optimal flight path technologies, literally 'surfing the winds' to shorter flight times and less fuel burn. Again, this can go to waste if the plane can't then depart on time because we're still chasing passengers stuck in clearance processing or lost in retail shops.

The future industry needs to be a better integrated one. The tools necessary to achieve this are already available to us. The challenge, therefore, is to continue to break down the barriers and obstacles faced by different suppliers and get everyone focused on delivering higher quality and more efficient outcomes.

There are three high level initiatives that I would like to talk about tonight, which BARA believes would make a big difference to outcomes, that are a priority for us over the next twelve months and beyond.

First... we need the on-airport jet fuel storage and distribution facilities at the major international airports opened up for new suppliers. BARA has great confidence that given the opportunity, new and existing jet fuel importers will support ongoing efficiencies and reliability in the supply of our most expensive operating cost item. There is also a clear need to better integrate the delivery of jet fuel supply infrastructure with the overall developments and improvements at the airports.

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Second... the continual renegotiation of airport agreements needs to be more outcome-focused. To drive better outcomes we need one consistent set of performance data with agreed capital and operating resources, matched to achieving improved results.

It's important to note that these outcome-focused airport agreements also provide the platform for more effective engagement across all suppliers. By having one set of consistent performance data that can be shared with all suppliers, they provide the basis for more constructive engagement, transparency and accountability between all the parties.

And the third & final initiative... involves improved integration between the airlines, Airservices Australia and the airports. There are established ways of improving co-ordination, known as 'Airport Collaborative Decision Making'. Real time and accurate information is shared between Airservices, the operators of the major international airports and airlines to generate efficiencies in the aircraft turnaround process.

While just three of a series of improvement initiatives BARA would like to see implemented, it would be great to think that when we gather next time we can reflect upon on their implementation and the value delivered to the industry as whole – not to mention the resulting flow on benefits to the broader economy, travellers and freight forwarders.

Tonight I've focused on what BARA considers real opportunities for change, reform and simply doing things better for all of us. Like many industries, international aviation faces some considerable infrastructure challenges and collectively we need to continue to drive specific infrastructure improvements.

BARA genuinely wants to work with our key stakeholders, whether they be regulators, suppliers or government through open dialogue, and in good faith to ensure the industry participants in 10 or 20 years from now look back with satisfaction at the foundations being laid today for the industry of tomorrow.