

AUSTRALIA'S INTERNATIONAL AVIATION INDUSTRY



2018–19 SNAPSHOT

THEMES FOR 2018–19

Australia's international aviation has delivered a period of unprecedented growth, diversity and affordability. It has doubled in size and halved airfares for passengers over the last 14 years to 30 June 2019. International airlines now provide over 550 international flights each day to and from Australia, serving over 42 million passengers annually.

Recent rises in international airfares, however, show the long-term trend of sustained reductions in airfares and industry growth cannot be taken for granted.

International airlines' ability to deliver on key service outcomes, namely to operate to schedule and deliver passengers' bags to their destination airports, is under increasing pressure. Some service outcomes were below what international passengers and freight forwarders should receive.

Australia's aviation infrastructure, including its airports, air navigation services and jet fuel supply chains, represents a crucial component of Australia's aviation industry. Substantial scope exists to improve their cost-efficiency and quality so they can better support increasingly efficient, safe aircraft operations for international flights.

Improved accountability, service asset reliability and integration in aviation infrastructure are needed to underpin the efficiency of Australia's international aviation industry. These goals are achievable and will support growth and affordability in international travel. Problems with implementing them in Australia include conflict with individual business interests as well as a lack of publicly available data that includes measurements for specific service areas of industry performance.

Where services outcomes are consistently below a reasonable standard and there are no firm plans in place to address matters, there is merit in government and its departments taking a more direct interest. This should include a review of accountabilities and regulations, supported by international benchmarking of industry performance.



Industry growth and diversity

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

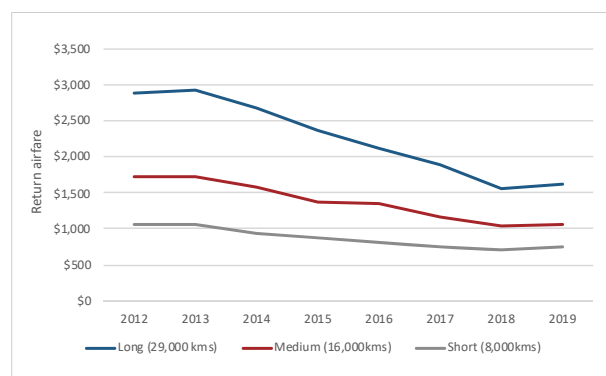
2018–19 statistics

- 42.6 million passengers
- 15% 'low cost' carrier seats
- 1.14 million tonnes of freight
- \$34 billion in passenger revenues

Australia's international aviation has been underpinned by greater affordability in travel. Between 2013 and 2018, there were sustained reductions in inflation adjusted airfares, following long-term global trends. As one example, the estimated return economy airfare for travel from Melbourne to Singapore fell from \$1,390 in 2013 to \$980 in 2019.

In 2018–19, however, a move away from the longer-term trend began, with airfares increasing on average by 4.6%. This highlights how Australia's international aviation industry is not immune to rising costs or airlines withdrawing or reducing capacity on routes that are not commercially viable. In addition to increased prices from some suppliers, congestion, delay and other operating inefficiencies all increase the cost to international airlines of providing air transport services to and from Australian airports.

Return economy class airfares (\$2018–19)



Source: BARA estimates derived from IATA PaxIS and ABS (customised report)



Delivering on customer needs – operating to schedule

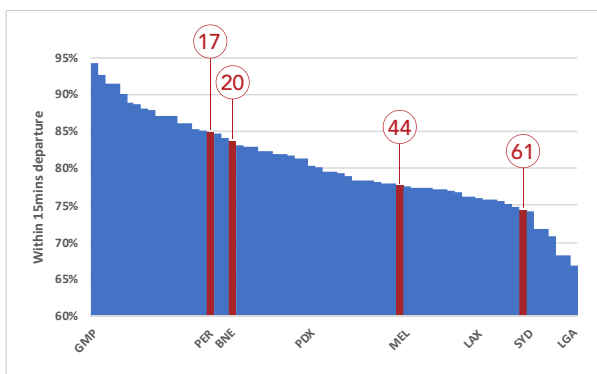
Operating to schedule remains a high priority for international passengers, freight forwarders and international airlines. The quality of Australia's aviation infrastructure is essential for facilitating efficient flights and aircraft turn arounds.

From a representative sample of 67 international airports¹, Sydney Airport and Melbourne Airport ranked 61st and 44th, respectively for on time departures for international flights in 2018–19.

Outcomes for Brisbane and Perth airports were better at 20th and 17th, respectively. The current top 10 performing airports for international flights included Gimpo (South Korea), Sacramento (US), Haneda (Japan) and Guangzhou Baiyun (China).

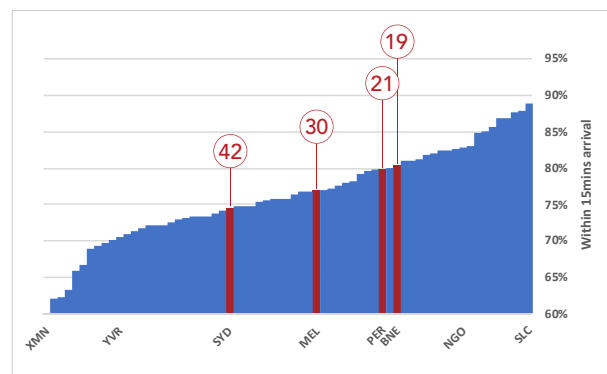
International airlines were generally better at arriving to schedule into Australia's major international airports, especially at Sydney Airport (42nd) and Melbourne Airport (30th).

On time departures performance



Source: Derived from Flightstats

On time arrivals performance



Source: Derived from Flightstats

¹ International airports with more than 10 million passengers and with less than 50% international passengers.



Delivering on customer needs – baggage

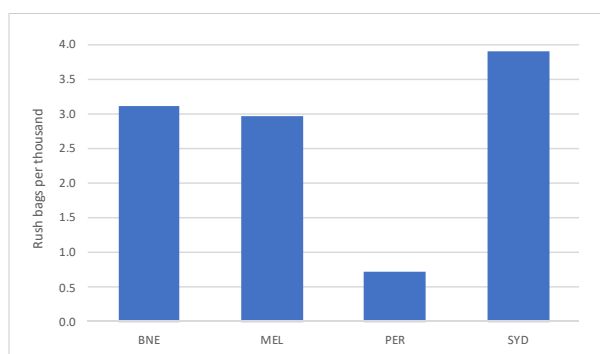
BARA estimates over 82,000 international bags were mishandled in 2018–19. It is possible some 80% of departing international flights from Australian airports are missing passenger bags, which are delivered on later flights. A largely unknown number is lost or damaged.

In 2018–19, the number of ‘rush bags’ that did not make their passenger’s flight and were put on follow up flights, varied from less than 1 per thousand at Perth Airport to nearly 4 per thousand at Sydney Airport.

Many member airlines continue to report problems in international baggage, especially transfer bags, for which mishandled rates are very high. Unfortunately, international passengers can be let down at Australian airports when service outcomes require coordination and sound procedures across multiple parties.

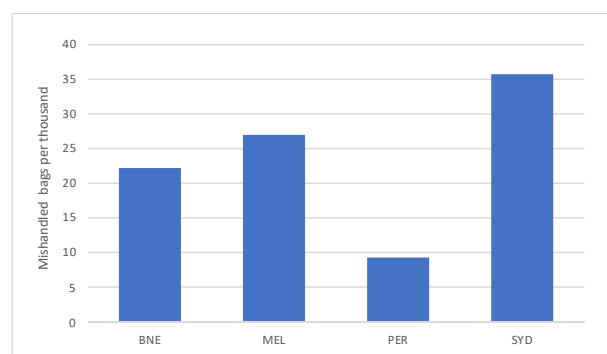
Baggage outcomes generally deteriorate during the busy months of December and January each year. These months are a key indicator for the potential deterioration of baggage outcomes with ongoing growth in bag volumes.

‘Rush bags’ per thousand



Source: Derived from Unisys baggage report

Mishandled transfer bags per thousand



Source: Derived from Unisys baggage report

² BARA's estimates for mishandled bags are derived from data provided by Unisys Australia. The data Unisys provided is for general information and Unisys does not represent or warrant the suitability of the data or information for any particular purpose.



Delivering on service outcomes

Improving outcomes for international passengers and airlines through Australia's aviation infrastructure requires a deeper understanding of customer needs and service delivery capability. Better data, improved accountability and cooperation will deliver high quality outcomes.

BARA's members have identified a number of improvements and initiatives, some of which are ongoing, for Australia's aviation infrastructure that would best support efficient and safe aircraft operations.

The Australian Government plays a critical role in shaping the environment in which international airlines, airports, jet fuel suppliers and Airservices Australia operate. Where the industry is not delivering to a reasonable standard, there is merit in the Australian Government taking a direct interest. This can include ensuring all parties are accepting appropriate accountabilities and regulations are aligned with supporting industry efficiency.

International benchmarking of service outcomes for passengers and freight forwarders would also support a better understanding of industry performance. Ensuring performance figures are transparent and publicly available is an important component in encouraging improved service outcomes.

Major international airports	<ul style="list-style-type: none">• Accountability through useful performance metrics• Clean and actively managed airfield operations• Critical asset reliability
Airservices Australia	<ul style="list-style-type: none">• Delivery of 'Onesky' performance benefits• Progressing airport collaborative decision making• Modern airspace designs for new runways
Jet fuel supply infrastructure	<ul style="list-style-type: none">• Greater transparency in supply capability• Infrastructure plans linked to user needs• Workable access arrangements