Airline Views

March 2021

1 The commercial viability of international passenger flights

Dwindling passenger volumes, spiraling costs and ongoing operational challenges are all aligning to end the commercial viability of international flights.

A number of members have told BARA they cannot be expected to keep operating passenger flights under such poor commercial and operational conditions.

The Australian and state governments need to decide whether they want to maintain a minimum international network and level of commercial viability for airlines. The quality of the processes and support provided to all staff involved in hotel quarantine also needs to improve.

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2 Northern summer 2021 slot waivers

As requested by the International Air Transport Association and BARA, international flights have been granted slot waivers for the northern summer 2021.

The rules for slot allocation mean airlines must operate at least 80% of their allocated slots under normal circumstances. International flights to Australia are at about 10% of pre-COVID levels.

Suspending the requirement for the entire season (to October 2021) will mean airlines can respond to market conditions with appropriate capacity levels, while providing certainty for slot allocations when border restrictions ease.

3 Submission to the ANAO performance audit

BARA has submitted its views to the Australian National Audit Office's 'Managing travel across the Australian border during COVID-19' performance audit.

BARA's submission focuses on the issues since January 2020, which stem from the communication and implementation of travel restrictions and infection control measures in response to the COVID-19 pandemic.

A fundamental issue raised by BARA is that there is no readily available plan (or prior planning scenarios) to support the effective and orderly response to a biosecurity issue.

4 IATA and BARA call for collaboration

The International Air Transport Association and BARA are seeking to establish a structure and plan for the gradual reopening of international borders.

Airlines have no expectation, nor are they requesting, any substantial reopening of Australia's international borders outside New Zealand in the short-term.

The global roll-out of vaccination programs, as well as other measures to help protect people, create the appropriate environment to begin engaging on developing a plan that can provide clarity and guidance for the industry's recovery.

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The commercial viability of international passenger flights

International airlines are flying to Australia under very poor commercial conditions and ongoing operational challenges. Despite managing to maintain services to allow essential travel during the many months of the pandemic, demand, cost and operational problems continue to mount. Support for airlines and staff involved in hotel quarantine is justified until travel restrictions are eased.

Dwindling passenger volumes

The impact of the tight international passenger arrivals cap is well known, with an estimated 40,000 Australians still stranded overseas. International aircraft continue to arrive largely empty into Australia, with most aircraft into Sydney Airport carrying about 35 passengers.

This means strong departure passenger and freight volumes have been critical to supporting the commercial viability of international flights.

Over the last six months, however, international departures (which are also subject to travel bans) have decreased by about one-third, with corresponding reductions in departing loads.

Departing international passengers
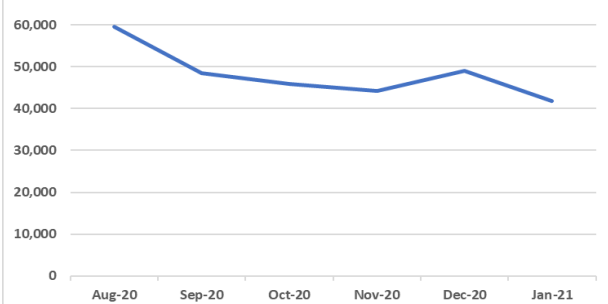
Source: ABS Overseas arrivals and departures (cat 3401.0)

Spiraling operating costs

Australia's aviation infrastructure base was geared to servicing over 560 international flights, carrying on average more than 110,000 passengers every day. Now it services a small fraction, which has caused ongoing financial stress for all industry participants.

For airlines operating into the capital city airports, many costs measured on a per passenger basis have increased by between 50−600% from that charged pre-COVID-19. Members report to BARA that the average increase in costs for the aviation infrastructure, staff and aircrew support services is about $350−500 per passenger.

The air navigation fees charged by Airservices Australia are based on aircraft weight and distanced travelled. In line with the substantially reduced aircraft load factors, per passenger costs have increased over 500% for many flights to about $150 per passenger. This will rise further with dwindling outbound passenger loads.

International security charges, which are levied by the airport operators on a 'cost pass through' basis, have also increased by over 500%, currently at around $25 per passenger. Further to this, large backlogs of costs are mounting across the airports, with delays in travel bubbles continuing to suppress available passenger volumes to recover incurred costs.

Members have reported to BARA that a number of airport operators have provided some relief on staff office and passenger lounge rents, which is appreciated. However, they also report that one airport operator has consistently sought rent increases of between 10-40%, which highlights the differences in attitude to international airlines.

With state governments now providing crew quarantine hotels and transport, any passed through costs are often much higher compared to that previously negotiated directly by airlines. This highlights how many cost increases are outside the control of airlines, and an assumption that these costs will be borne by airlines.

Ongoing operational challenges

Airlines understand the importance of Australia's system of hotel quarantine and infection controls in mitigating the risk of COVID-19. Their implementation, however, at times leads to what can be best described as chaotic outcomes for airlines, passengers and staff involved in hotel quarantine. BARA has seen a number of concerns raised over the strain it is causing on the mental health and wellbeing of staff involved in hotel quarantine.

Unfortunately, the list of operational challenges experienced is not dissipating despite requirements being in place for many months.

Airlines wish to strongly note that greatly reducing the number of permitted arrivals (including international border closures) at short notice continues to cause significant disruption, stress and cost for passengers and airlines.

The imposition of mandatory quarantine arrangements in Australia in response to cases of COVID-19 in New Zealand effectively ends travel between New Zealand and Australia while the requirements are in place.

At an operational level, airlines continue to raise issues of concern over the organisation and delivery of arrangements for aircrew. They include delays at the airport and late arrival at hotels, with the hotel operator at times then unable to provide meals.

The efficiency of safe aircraft operations must be supported by properly rested aircrew, basic dietary provisions and efficient travel to and from the airport to the crew hotels.

When crew testing was introduced, it created problems for airlines because of the lack of clear guidance over what a state health authority would do to an airline crew member who tested positive for COVID-19 in Australia. BARA continues to see reports of a lack of adequate testing capacity at airports, leading to ongoing delays and problems for all staff involved in hotel quarantine.

Maintaining commercial viability

A holistic approach to supporting the commercial viability of a minimum network of flights and the wellbeing of staff is needed, as industry participants face what is one of the most difficult periods of the pandemic to date.

BARA notes international passenger flights receive no financial assistance from the Australian Government for air navigation fees or security costs as provided to virtually every other regular passenger transport (RPT) and freight service. Presently, airlines are expected to 'commercially' deal with 500% per passenger cost increases, which a number of airlines have told BARA is no longer feasible.

In the interests of supporting Australians stranded overseas and key trade links, there is merit in providing financial support in line with that provided to other RPT flights. Improving on the number of passengers permitted on arriving flights is also critical to commercial viability.

Standardised rules and application of the international passenger arrival caps, crew testing requirements and infection control procedures would better support the commercial viability of international passenger flights and the ability of airlines to return home stranded Australians. Airlines remain open to working with state health authorities to develop a consistent approach to these important issues.

BARA also urges a structured and consistent monitoring of the operational outcomes at the major international airports as part of a proactive effort to reduce the delays and problems experienced by airlines, passengers and all staff involved in hotel quarantine.

Ultimately, only the resumption of international travel can enable the industry to re-establish itself and restart Australia's international tourism sector. Until this occurs, airlines and staff are seeking support through the improvement of the conditions under which they are expected to operate international passenger flights.

IATA and BARA call for collaboration

The International Air Transport Association (IATA) and BARA want to collaborate with governments on developing a staged, risk-based plan to guide reopening Australia's international borders, and have identified four building blocks for doing so safely. This should now be possible if vaccinations allow COVID-19 to be managed similarly to other viruses.

IATA and BARA have jointly written to Australian Government Ministers and their departments seeking support to establish a structured and collaborative approach to the outcomes for, and processes to underpin, the gradual re-opening of international borders.

An orderly resumption of international aviation

Global international aviation, especially in the Asia-Pacific region, has been effectively shut down, and will take some time to recover and re-establish operations. It will also likely take some months to bring aircraft back online and recertify international aircrew. Airlines also need to plan schedules to meet anticipated demand, as well as market and sell passenger tickets. These considerations require a process that allows for the orderly resumption of the industry.

The building blocks of reopening international borders

IATA and BARA have identified four building blocks for indicating when reopening Australia's international border with an overseas country becomes permissible, and that also describe the requirements for passenger travel. They do not set dates to reopen Australia's international border with any overseas country and recognise the need to protect the Australian community, while exploring all possible options to return home more Australians from overseas.

The first block forms the basis for government and the industry to understand and monitor the conditions necessary to permit an international border to gradually reopen. Blocks 2 to 4 are considered necessary under any future arrangements for international travel and can be pursued and implemented as priority outcomes.

1. Identify risk-based measures and outcomes: health authorities need to decide the measures and outcomes they deem necessary to support the lowering or removing of quarantine requirements. Airlines remain well positioned and willing to return home more Australians stranded overseas should the opportunity arise without the need for them to be included under the passenger arrival cap.

2. Implement vaccination protocols: government needs to decide what vaccinations it will accept for travel to and from Australia and for aircrew.

3. Develop testing protocols: pre-departure and on-arrival testing is anticipated to remain in place for some time as a pre-requisite of entry to some countries. The acceptance of COVID-19 tests and the timing before departure is critical. There must also be enough testing capacity at airports.

4. Adopt the IATA Travel Pass standards: the IATA Travel Pass digitally joins up-to-date passenger information through a mobile app that allows travellers to store and manage certifications for COVID-19 tests or vaccines. Airlines globally have already committed to piloting new platforms. Government support and endorsement is needed to link these platforms with electronic systems in Australia (eg access to electronic vaccination and testing certificates).

Initial feedback to the IATA/BARA initiative has been positive and we welcome the opportunity to continue constructive engagement.