



Airline Views

September 2021

1 Supporting returning Australians



There are a reported 45,000 Australians seeking to return home and many international airlines report a growing backlog.

Some 6,000 empty seats are arriving into Sydney Airport each day, which could be used to return home many Australians before the end of 2021.

With over 10% of flights departing Sydney Airport delayed on average by an hour and a half, international airlines are seeking better operational support to minimise unnecessary costs and delay.

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2 International air freight



Air freight volumes were some 840,000 tonnes in 2020–21, down about 30% pre-pandemic.

Many international passenger aircraft currently operate as freight only, supported by the Australian Government's International Freight Assistance Mechanism (IFAM).

These financially assisted flights have allowed Australian businesses to maintain their air freight trade during the pandemic.

3 International flight revenues and operating costs



Operating international flights is expensive and not commercially sustainable at low aircraft passenger load factors.

Before the pandemic, a medium-haul B787-900 flight to Australia could be expected to obtain over \$200,000 in passenger and freight revenue.

The direct operating costs of the flight were some \$8,000 per hour in fuel and aircrew. Added to this are air navigation, airport and security charges, ground handling and catering. More revenue is needed for airlines to cover corporate and capital costs.

4 Commercial viability and immediate issues



The sustainable commercial viability of Australia's international aviation is directly linked to its scale of operations.

Commercially sustainable international flights to and from Australia need clear operating rules and for governments to maintain arrangements.

BARA has identified five key issues relating to airline operations and passengers that need to be resolved as part of the initial reopening of international borders.

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Supporting returning Australians

2020–21 passenger volumes were 3% of those pre-pandemic. They have since collapsed further with the closure of the trans-Tasman bubble and cuts to the number of permitted international arrivals. Despite this, there are still more than enough flights and seats to bring Australians who are still overseas home before the end of 2021.

Pre-pandemic, airlines operated some 2,000 international flights to and from Australia each week, providing air transport services to over 850,000 passengers.

International airlines now operate about 200 commercial international passenger flights per week, which have been progressively reducing in line with the sustained cuts to the number of permitted international passenger arrivals.

Will these empty seats be used to bring home Australians?

The small number of international passenger flights still land largely empty into the major capital city airports. Aircraft load factors are now about 5–15%, which means about 6,000 empty seats for Sydney Airport each day, and which includes many passenger aircraft operating as freight only.

The Prime Minister recently confirmed that once 80% double vaccination targets are achieved, Australians overseas with an approved vaccination can return home on commercial flights, as the arrival caps for them will be lifted.¹ While the number of international flights into the

major capital city airports has declined, there is still enough capacity to meet the immediate needs of Australian overseas.

To make this happen, however, government first needs to resolve a number of practical issues covering international flights and overseas vaccination status, which are explained in the next section of the newsletter. International airlines remain able and willing to assist government in dealing with these practical issues.

Operating performance

Unfortunately, even at the present very small activity volumes, over 10% of the remaining international passenger flights are subject to large departure delays that average over an hour and a half (see Sydney Airport results below). These delays are often due to the extensive, manual, health and border clearance processes.

Large delays at departure are particularly a problem for network airlines because their passengers miss connecting flights at the global hubs. This can create further problems for these passengers by affecting COVID-19 test time (making the test result invalid) and quarantine requirements in their destination country.

International airlines need better support so they can operate closer to schedule. These delays can be markedly reduced with the anticipated integrated digital verification system and allowing airlines to manage their aircrews to and from the crew hotels.

On time departure performance, Sydney Airport

April – June 2021	Outcome
Total flights	1,257 (14 per day)
Within 15mins	88%
Flights delayed >15mins	150
Avg delay when >15mins	100

Source: Based on airline performance data provided by Cirium.

¹ Transcript, 24 Sep 2021, Washington DC, USA, Prime Minister www.pm.gov.au/media/doorstop-washington-dc-usa-1



Commercial viability and immediate issues

The *National Plan to transition Australia's National COVID-19 Response* (National Plan) has options for greater international travel associated with progressively higher rates of vaccination and the health outcomes in both Australia and overseas. International airlines are keen to collaborate with governments and their agencies over the implementation of the listed measures.

The sound implementation of the National Plan is critical to the sustained commercial viability of international flights. The more understanding governments and their agencies obtain about how airlines operate flights and passenger ticketing systems, the better placed they will be to develop efficient and sustainable plans, especially when it comes to implementing them.

While substantive quarantine requirements for passengers arriving into Australia remain necessary, Australia's international aviation industry will likely remain at a modest fraction of pre-pandemic levels. The first steps to reopening Australia's international borders over the coming months are unlikely to foster a commercially sustainable industry. What they can do is allow more Australians to return home, reconnect families and provide the basis for more open travel in the future.

BARA's international airline members have identified five immediate issues that need to be resolved so as to allow the orderly initial reopening of international borders.

A new model for international passenger arrivals caps

If Australians are to return home as quickly as possible, then those states that will have set up home quarantine for vaccinated passengers will require a new regulatory model for the capped number of unvaccinated passengers and passengers from 'high risk' countries.

The National Plan reflects the differing vaccination status of Australians overseas, which contemplates capped numbers of unvaccinated arrivals (and potentially those with overseas vaccinations which are not approved), who presumably will be subject to hotel quarantine, and uncapped approved vaccinated arrivals (at 80% fully vaccinated as per the National Plan).

International airlines have told BARA the current method of allocating individual flights a set number of capped passengers will not work with the move to home quarantine for approved vaccinated passengers. This is because global ticketing systems are not designed to sell a tiered number of tickets for individual flights based on passengers' vaccination status, which is unknown to airlines at the point of sale. As such, airlines will not know if the passenger is included within the cap allocation at the point of sale.

A further issue is the potential for the risk-rating of overseas countries. Passengers and airlines require real-time border information/verification to ensure that before passengers board the plane, they will satisfy border control and health authorities in Australia. Airlines, however, do not necessarily know this information at the point of sale, and hence whether or not the passenger is included within the per-flight cap allocation.

Australians vaccinated overseas

If Australians vaccinated overseas can be allowed to return home as per those vaccinated in



Australia, this should allow many more of them to return much faster than via hotel quarantine.

BARA understands the vaccination status QR codes for Australians will currently cover only those vaccinated in Australia, as they are linked to the Australian Immunisation Register (AIR).

So, it would appear that a short-term 'work around' solution to recognise the status of Australians vaccinated overseas would be of the utmost benefit in helping more Australians return home before the end of 2021.

Pre-departure testing

Australians considering travel overseas need clear information whether they will require a negative COVID-test to return home so they can make an informed decision about their willingness to travel. A negative COVID-19 test 72 hours before departure is currently a required condition for entry into Australia. If a test is required, they will also need clear information about what is expected from them should they test positive. For international airlines, pre-departure testing can be expected to dampen demand, especially discretionary travel.

International airlines report a number of 'no show' passengers, or late booking cancellations, for arriving flights into Australia. It is reasonable to assume they are mainly passengers that returned a positive COVID-19 test or were the close contact of a positive case. Passengers are not obligated to tell airlines of a positive COVID-19 test result if they cancel their booking or do not show for their flight. Governments therefore need to consider carefully how Australians that contract COVID-19 overseas can then return to Australia.

Quarantine arrangements

The differing options for quarantine in Australia are yet to be finalised, with home quarantine pilot trials in South Australia and New South Wales. The quarantine time, physical requirements (eg

separate room/bathroom etc.) and monitoring arrangements will all affect whether people can travel overseas (ie suitable home facilities) and influence their desire to do so.

It is not expected there will be much discretionary international tourism to Australia if overseas tourists must first undergo one to two weeks of quarantine on arrival. Quarantine arrangements are more palatable to overseas travellers who intend to spend a long time in Australia, such as students and workers. This is another reason why a commercially viable international aviation industry remains unlikely with substantive quarantine requirements, as the number of overseas arrivals can be expected to be small.

Airport operations, including aircrew quarantine

The processes for both departures and arrivals, covering passengers and aircrew, will need to be substantially streamlined if there is to be any increase in international passenger numbers.

Members report it is taking about 10–20 minutes to process each passenger for departure from Australia. Removing the travel restrictions in tandem with bringing in the QR codes covering vaccination status with electronic verification should greatly reduce how long it takes to check-in departing passengers.

All international passengers who arrive at the capital city airports are extensively and directly managed. The arrivals process cannot be practically scaled up to accommodate more passenger arrivals as it would greatly increase the health and police resources required.

Arriving international aircrew follow the same process as passengers but are also given a PCR COVID-test. New arrangements that allow airlines to efficiently manage their aircrew are also required, noting that the vast majority of international aircrew are now fully vaccinated.