

The Hon Michael Sukkar MP
Assistant Treasurer
PO Box 6022
Parliament House
Canberra, ACT 2600

2021-22 Pre-Budget Submission – Supporting Australia’s Aviation Workers

Dear Minister,

We write on behalf of Australia’s aviation industry to recommend the Federal Government allocate \$583M in the 2021-22 Budget to support the retention, re-training, and re-certification of highly skilled workers across the aviation industry.

To safeguard the Federal Government’s existing investment in the Australian aviation industry’s recovery, maintain regional connectivity and ensure that the industry is able to scale up operations to meet the needs of the Australian community and economy as we emerge from the COVID-19 pandemic, we recommend the Morrison Government consider the following measures in the short-term (FY 2021-22);

- *\$78M to support Australian airlines to re-train and re-certify pilots and other aircrew who may have been stood down, redeployed, or lost employment as a result of the COVID-19 pandemic;*
- *\$5M to support the re-training and re-certification of aviation security screeners and other aviation security and airport staff who may have been stood down, redeployed, or lost employment as a result of the COVID-19 pandemic; and*
- *\$500M for an aviation sector-specific wage subsidy to retain highly skilled aviation workers, as JobKeeper is withdrawn.*

Australia’s robust aviation industry has been decimated by the COVID-19 pandemic

Prior to the COVID-19 pandemic, Australia’s aviation industry supported more than 206,400 jobs directly, with the air transport sector overall supporting – either directly or indirectly – more than 770,000 jobs.¹ Furthermore, in rural and regional Australia, the aviation industry provides employment for more than 15,000 full time equivalents – this is a significant contribution when considering the populations of Australia’s regional and remote areas.²

Throughout the pandemic, Australia’s aviation industry has played an important role in ensuring essential connectivity of both people and critical freight; worked with government to develop and implement COVID-Safe flying protocols, and has supported government efforts in repatriation, contact tracing and the application of new border restrictions.

However, as you would be aware, the entire industry has been devastated by the COVID-19 pandemic and will likely be among one of the last industries to recover. Passenger volumes across Australia plummeted by more than 90% in 2020, with Australia’s airlines foregoing more than \$25 billion in revenue³, and Australia’s airports losing \$3.5 billion in revenue by the end of 2020.⁴

The devastating impact of COVID-19 on the aviation industry has led to redundancies and stand-downs across the sector of more than 34,000 people – with Australia’s two major airlines alone being forced to lay off more than 11,500 people.⁵ Furthermore, more than 25% of the 8,700 workers across Australia’s airports have lost their jobs, and with a further 50% on reduced hours.⁶

Additionally, many skilled aviation workers have had to find alternative work during the pandemic – most in other parts of the economy.^{7,8} This, coupled with the significant redundancies and stand-downs at airports and airlines, has resulted in a major loss of skills and experience from the aviation industry– at least in the short-term. For highly skilled workers (e.g. pilots), the time and cost involved to return to job-ready status creates a significant barrier to retention.

Government support for the aviation industry has been, and continues to be, critical to recovery

The aviation industry has greatly appreciated the Australian Government's support for the industry over the last year and has welcomed the December 2020 decision to extend the Domestic Aviation Network Support (DANS) and Regional Aviation Network Support (RANS) programs into the early part of 2021, and the additional support of a partial waiver for *Airservices* charges. The rebates of government-mandated domestic security screening charges which expired at the end of 2020 was also an important measure, offsetting operating costs for both airports and airlines.

The RANS program has been especially critical in ensuring that regional and remote communities across Australia have continued to have access to essential air services – in some cases, these services being the only way that communities can continue to access essential medical, educational, and financial services.

However, given the stop-start nature of the industry's recovery from COVID-19 – more support is needed to safeguard the sector's recovery and the Government's existing investments, and ensure that the entire aviation industry is able to rebuild networks and stand workforces back up at a sufficient rate.

The sudden and extensive cancellations across Australia's air network following the COVID-19 outbreak in Sydney prior to Christmas, and in Brisbane, and Perth more recently – with the subsequent reintroduction of domestic border controls – have created further major setbacks for airlines and airports in their path to recovery, demonstrating just how fragile the industry's recovery is, and will be for some time.

Australian airlines and airports have estimated that the most recent state and territory border closures and restrictions have set recovery back at least three months – significantly delaying planned increases in capacity.

Governments in developed countries around the world (the majority of which do not have domestic border controls) have offered major relief packages to airlines to support them through the entirety of the COVID-19 pandemic.

While the Australian Government's support for the industry has been welcomed, recent analysis by the OECD notes that Australia's support for the aviation industry through the pandemic ranks 18th out of 28 countries analysed⁹ - with World Bank analysis confirming the gap between the average level of international government support for the aviation industry, and the Australian Government's response.¹⁰

Governments in developed countries have recognised the need to provide additional financial support to the industry through the protracted recovery period, and have offered subsequent packages to support the retention, re-training, and re-certification of aviation workers.^{11,12}

Skills retention and training is a significant expense for a fragile aviation industry

The aviation industry in Australia is a significant employer of a highly-skilled and specialised workforce.

The large scale standdown of employees, and the lack of flying and other work opportunities to keep certifications current has been one of many challenges the COVID-19 pandemic has presented to the aviation industry. Airlines, airports, and other parts of the aviation eco-system, such as aviation security providers, will face significant cost to ensure that their workforces are operationally ready, fully-trained, and have current certifications.

For example, 90 days of no flying training triggers significant retraining requirements for pilots. When a large proportion of the workforce is stood down and redeployed into secondary employment – as has been the case with pilots across Australia – it is both difficult and expensive to recall employees in order to undertake simulator training to maintain currency, particularly when it is unclear when an operational need for these pilots will arise.

Given that the Australian domestic market has been operating at just over 20% of capacity for the better part of a year, and international flying has practically ceased, a large proportion of Australia's pilot workforce will require significant training in

order to receive their currency certification.¹³ For those made redundant, the costs involved could create an insurmountable barrier to their return to flying.

Similarly, highly-skilled and specialised workers at airports in critical aviation safety and security roles – including passenger and baggage screeners – will require re-training and re-certification prior to resuming their duties at airports across the country, particularly with new government-mandated aviation security regulations being implemented in December 2020. Airports are also facing significant financial pressure, and will struggle to accommodate the re-training and re-certification requirements of their workforce.

To ensure that the sector is able to continue its recovery, and ramp up capacity as required, we propose that the Federal Government provide:

- *\$78M to support Australian airlines to re-train and re-certify their pilots and other aircrew who may have been stood down, redeployed, or lost employment as a result of the COVID-19 pandemic, and*
- *\$5M to support the re-training and re-certification of aviation security screeners and other aviation security and airport staff who may have been stood down, redeployed, or lost employment as a result of the COVID-19 pandemic.*

Retaining a highly skilled and specialised workforce is critical to the aviation industry's recovery

We appreciate the challenge presented to government by the requests to extend the JobKeeper program for specific industries. However, the aviation industry's recovery will look different to other sectors of the economy and as such, it will need a different response from government.

Much of the support that has been put in place thus far reflects how our aviation ecosystem works – it starts with people and freight moving through airports, to having planes in the sky, with the benefits then flowing to all parts of the system and the wider economy.

Moving forward through the industry's recovery from COVID-19 however, we are urging the government to consider the provision of a wage subsidy for workers in industries such as aviation, which continue to be hardest hit by the sudden and inconsistent state and territory responses to virus outbreaks.

To safeguard the Australian Government's existing investments in the aviation industry, and ensure that Australia's aviation sector continues to remain one of the most safe, secure, and efficient in the world, it is critical that our highly skilled and specialized workforce remains supported through the recovery period – including through continued border closures and restrictions.

The JobKeeper program, along with other aviation support programs is set to expire at the end of March 2021. However, given that the industry's domestic recovery has been delayed by the spate of recent border closures and restrictions, and international flying is not expected to resume until 2022, many aviation workers – including air crew, pilots, and airport staff – will remain stood down with no financial support.

The aviation industry is at risk of a major exodus of highly-skilled and experienced workers – putting at risk the sector's ongoing recovery and ability to scale up capacity as the economy recovers and demand for travel increases.

To safeguard the industry's recovery and ensure that Australia retains a highly skilled and experienced aviation workforce to support our national economic comeback, we urge the Federal Government to consider allocating \$500M for the provision of an aviation worker wage subsidy up to 31 December 2021.

We thank the government for its consideration of these necessary measures and would welcome the opportunity to discuss this submission in further detail.

Yours faithfully,

Dr Alison Roberts
CEO, Airlines for Australia & New Zealand (A4ANZ)

Mr James Goodwin
CEO, Australian Airports Association (AAA)

Mr Steven Campbell
CEO, Regional Aviation Association of Australia (RAAA)

Captain Shane Loney
Vice President, Australian and International Pilots Association (AIPA)

Mr Simon Lutton
Executive Director, Australian Federation of Air Pilots (AFAP)

Mr Michael Kaine
National Secretary, Transport Workers' Union (TWU)

References

- ¹ Air Transport Action Group. 2020. Aviation: Benefits Beyond Borders. (Analysis by Oxford Economics) At: https://aviationbenefits.org/media/167186/abbb2020_full.pdf
- ² Deloitte Access Economics (2018), Connecting Australia: The economic and social contribution of Australia's airports
- ³ IATA. 2020. IATA Response on Future of Australia's Aviation Sector. At: https://www.infrastructure.gov.au/aviation/future/files/future_aviation_39_IATA_2020.pdf
- ⁴ AAA. 2020. Submission to the Future of Aviation Issues Paper. At: https://www.infrastructure.gov.au/aviation/future/files/future_aviation_44_AAA_2020.pdf
- ⁵ Business Council of Australia. 2020. Wheels Up: Getting Australia's domestic aviation back flying. At: https://d3n8a8pro7vhm.cloudfront.net/bca/pages/5386/attachments/original/1603278064/Domestic_travel_corridors_EY_Analysis_22_October_Final.pdf?1603278064
- ⁶ AAA. 2021. Federal Budget Submission
- ⁷ AAA. 2020. Op cit (4)
- ⁸ Qantas. 2020. Submission to the Future of Aviation Issues Paper. At: https://www.infrastructure.gov.au/aviation/future/files/future_aviation_31_Qantas_2020.pdf
- ⁹ OECD. 2020. COVID-19 and the aviation industry: Impact and policy responses. At: <http://www.oecd.org/coronavirus/policy-responses/covid-19-and-the-aviation-industry-impact-and-policy-responses-26d521c1/>
- ¹⁰ Abate, M., Christidis, P., & Purwanto A.J. 2020. 'Government support to airlines in the aftermath of the COVID-19 pandemic'. Journal of Air Transport Management. At: <https://doi.org/10.1016/j.jairtraman.2020.101931>
- ¹¹ Civil Aviation Authority of Singapore. 2021. Government to Provide Further Support to the Aviation Sector. At: <https://www.caas.gov.sg/who-we-are/newsroom/Detail/government-to-provide-further-support-to-the-aviation-sector/>
- ¹² Flight Global. 2020. Trump signs law providing pandemic aid to US airlines. At: <https://www.flightglobal.com/strategy/trump-signs-law-providing-pandemic-aid-to-us-airlines/141762.article>
- ¹³ AFAP. 2020. Submission to Inquiry into the future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic . At: <https://www.aph.gov.au/DocumentStore.ashx?id=c937dd9f-8935-483e-a1e9-3195128a635c&subId=699627>