



The Future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic

Rural and Regional Affairs and Transport References Committee

Queensland Airports Limited response

18 December 2020



Background

Queensland Airports Limited (QAL) is an Australian-owned, Queensland-based company that operates Gold Coast, Townsville, Mount Isa and Longreach airports. QAL is the largest regional airport operator in Australia.

QAL is a privately-owned company and its shareholders include superannuation and investment funds.

QAL employs almost 150 people directly, and its airport activities facilitate thousands more jobs across Queensland and in northern NSW.

1. The immediate and long-term impacts of the COVID-19 pandemic response on all aspects of the Australian aviation sector.

Response:

COVID-19 impacts

In the year ended 30 June 2020, 6.3 million passengers were recorded across Gold Coast, Townsville, Mount Isa and Longreach airports. This was 25 per cent less than the year before, with a significant drop off in travel from mid-March. At our largest port, Gold Coast Airport, about 1.5 million fewer people travelled in the last three months of the year, or 99 per cent fewer people supporting the tourism and business sectors in this region. Normally the sixth busiest airport in Australia, welcoming and farewelling about 126,000 passengers on 420 flights a week, the Gold Coast Airport terminal was shut for a total of 45 days from April onwards as a result of no RPT services. Last month, the QAL group recorded 82.2 per cent fewer passengers, or 563,135 people, compared to November the year before. That included a 93.2 per cent reduction for the Gold Coast, 47.7 per cent for Townsville, 26.1 per cent for Mount Isa and 18.5 per cent for Longreach.

Despite the effects of COVID-19 management measures, the company is continuing to progress a few priority capital projects. On the Gold Coast, the terminal expansion is more than halfway along and scheduled to open in 2022 – representing a delay of approximately 12 months. The Rydges Gold Coast Airport hotel opened recently, and vital airside works were completed. However, the Townsville terminal expansion has been paused and other infrastructure projects across the group have been delayed or stopped due to the COVID-19 induced reduction in revenue.

The crisis also required a company restructure, with our workforce reduced by about 30 per cent since the start of the pandemic. Our partners have been similarly affected.

Despite the recent rebuilding of domestic services in response to the re-opening of state and territory borders, our business will continue to be significantly impacted for some time to come. QAL recorded an 80 per cent fall in revenue from April to November 2020, and there is an ongoing reduction in flights – with fewer domestic services and no international flights. This could result in long-term delays to capital projects, along with the rescheduling or cancellation of company programs and initiatives.

2. The immediate and long-term impacts of the COVID-19 pandemic response on all sectors that rely on aviation (e.g. tourism).

Response:

Tourism industry impacted

The Gold Coast, Townsville, Mount Isa and Longreach airports are the gateways to the Gold Coast, northern NSW, North Queensland, central-west and north-west Queensland. As such, tens of thousands of tourism operators across these two states rely on their airports to deliver millions of visitors to the region annually. Prior to COVID-19, about 8.4 million passengers travelled through QAL ports each year, on their way to and from these destinations. But that number dropped 80 per cent or more as a result of COVID-19 management measures from April to November. And while some of these customers were replaced by the drive market, many tourism operators were forced to close or reduce the size of their businesses this year in response to severe changes to domestic and international passenger movements. The largest and most tourism-dependent of our markets, the Gold Coast, was losing more than \$1 billion in tourist expenditure per quarter due to domestic and international border closures.

It is worth noting that much of QAL's sponsorship program was paused when the extent of the pandemic was first understood and it will take time for this to be re-established, impacting community groups and events.

Our airport precinct partners were also directly impacted by the dramatic change in passenger numbers, with businesses changing their operating hours and staff numbers in response to fewer customers. Border closures have directly impacted a range of other businesses including ground handlers, ground transport operators, food and beverage operators, retailers, and catering companies. We have been working closely with our partners throughout this crisis.

3. The adequacy of government industry support and procurement and programs for the social and economic well-being of workers for all sections of the aviation industry to survive the downturn caused by the pandemic.

Response:

QAL welcomed Federal Government assistance delivered since the COVID-19 crisis hit, with the JobKeeper initiative supporting the business and allowing us to retain as many of our employees as possible.

The security cost rebates that were part of the Federal Government's \$715 million aviation relief package were also critical, as was assistance provided for Ex-Gratia Land Tax. The need for this support to continue is addressed below.

The company also successfully applied for funds under the Federal Government's Regional Aviation Screening Infrastructure (RASI) Fund for Townsville and Mount Isa airports, which will see essential security screening infrastructure upgrade works completed at a time when the company continues to be significantly impacted by COVID-19 management measures.

Considering the adequacy of Federal Government support as a whole, it is worth stating airlines were subsidised to operate flights for essential services, while airports were not. This meant that, for example, Gold Coast Airport was required to open the terminal for one flight a day, and was required to maintain runway operations at all times. This came at a significant cost, which in turn reduced the funds available for other measures such as capital projects or employee retention.

In considering mechanisms that have assisted throughout the crisis, the Queensland Government Aviation Recovery Fund, which delivered valuable support towards the re-establishment of services impacted by COVID-19 management measures, is worth highlighting.

4. What policy and practical measures would be required to assist the industry to recover in the medium term.

Response:

Government support

Funding from the Federal Government will continue to be required for an extended period to support essential aviation services across the country due to the significant impacts of COVID-19 management measures.

In assessing the approach and timeline of support mechanisms, we would encourage the Federal Government to constantly engage with all facets of the industry to understand how the impacts are being felt at any one time. There is no doubt that some markets will recover more quickly, while others will be impacted longer and potentially, more deeply. Therefore, a flexible approach will be necessary. It is also worth highlighting that current forecasts anticipate recovery for the aviation sector will take about four years.

It is also important to state that while the Federal Government has supplied significant funds for the industry during this crisis, the majority of this support has gone to airlines rather than airports or other critical segments of the aviation supply chain. Much of this funding covered the cost of essential flights for airline operators, particularly through the Domestic Aviation Network Support (DANS) and Regional Airline Network Support (RANS) programs, while airports like Gold Coast Airport kept terminals open to support these flights and operated at a loss.

As the re-opening of international borders progresses, we would see benefit in the Federal Government establishing a similar scheme to the Queensland Government's Aviation Attraction Fund, which, working with airports, supported the restart of domestic services and the establishment of new ones. A similar Federal Government-funded scheme focused on international services would allow a quicker re-establishment of safe international routes, in the same way as the Queensland Government scheme has assisted. This environment is unprecedented and the restarting of a valuable section of the tourism market requires a special approach, particularly since it will come at a time when other countries, with more to invest, will be doing the same and airlines' financial ability to invest in long-haul routes will be at an all-time low.

Government support – domestic security

The relief provided by the Federal Government in the area of domestic aviation security charges, as part of the Australian Airline Financial Relief Package, has supported services during the worst crisis to ever hit the industry. Federal Government funding for domestic aviation security charges will continue to be critical into 2021, as airlines and airports work to rebuild the sector in what we suspect will continue to be an extremely challenging environment for some time to come. Using the Gold Coast as an example, the per passenger charge for Gold Coast Airport is expected to increase significantly and impact the price of fares for travel between the key routes of Gold Coast-Sydney and Gold Coast-Melbourne. For Townsville, security costs per passenger are expected to increase, compared to the 2019 costs. Such imposts could result in the customer choosing not to travel, spending less when they get to the destination or forgoing access to critical services including medical care. Therefore, an end to this scheme could not only further threaten the sustainability of the aviation sector but also put the greater national economic and social recovery at risk given the

importance of the tourism and aviation sector in restarting growth, creating jobs and providing regional access.

Government support – administering ex-gratia land tax at federally leased airports

As stated recently in QAL's response to the Department's position paper on administering land tax at federally leased airports, the relief in this area provided by the Federal Government this year to companies including QAL has been critical in supporting operations during an extremely challenging time. Given the ongoing impacts of the crisis, QAL is appealing to the government to continue this relief past 31 December 2020. Under the proposed methodology, QAL would expect its annual EGLT liability to increase by more than 100 per cent at a time when financial challenges for airports have never been more extreme.

The review into this matter is being conducted at a time when the industry does not have the resources to participate in any significant way and, therefore, should be paused until the crisis has come to an end and the sector has sufficiently recovered.

Government support – support for essential services

Given the ever-changing aviation environment currently, it is relevant to highlight the importance of the Federal Government ensuring essential services, such as air traffic control, are appropriately resourced to safely manage and support the expected growth in air traffic over coming months and years.