

Aviation White Paper: Terms of Reference

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Aviation White Paper –Terms of Reference

Australian Logistics Council (ALC) welcomes the opportunity to comment on the Department of Infrastructure, Transport, Regional Development, Communication and the Arts' (the Department's) Aviation White Paper Terms of Reference (**ToR**).

ALC is the peak national body representing major companies participating in the end-to end freight supply chain and logistics industry with a focus on delivering enhanced supply chain safety, efficiency and sustainability.

Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators. Australia's population is expected to grow by 10 million by 2040, an increase which must be supported through proactive investment in infrastructure.

Airfreight plays a significant role in the Australian economy, providing a critical link between industries and markets around the world. Air freight is essential for the transportation of time-sensitive and high-value goods, such as perishable goods, medical supplies, and high-tech electronics. As the world becomes increasingly connected and globalised, the role of airfreight will continue to be a crucial aspect of global transportation, logistics and safeguarding Australia's economic prosperity.

Before the COVID-19 pandemic in 2020, the aviation industry played a significant role in the Australian economy by contributing approximately \$20 billion and supporting a range of activities, including tourism, mining, and higher education. However, with the implementation of travel restrictions in response to the pandemic, the number of domestic and international passenger flights fell by 95% between January and April 2020, resulting in a significant decline in the viability of commercial passenger airlines worldwide.

It is surprising that the terms of reference do not include airfreight, given its significance. According to the Department's own investigation into National Freight and Supply Chain Priorities in 2018, airfreight makes up 21% of Australia's overall international trade value while representing less than

0.1% of its volume. The majority of airfreight, about 80%, is transported in passenger aircraft holds¹. During the pandemic, the Australian Government invested over \$1 billion, which is more than 20% of its total aviation support funding, into the International Freight Assistance Mechanism (IFAM) to keep international airfreight connections. IFAM helped reconnect crucial global supply chains and supported the import of critical medical supplies, equipment and other goods of national importance. It also provided the opportunity, on the outbound legs, for high-value and time-sensitive perishable products to be exported to established markets. Since 1 April 2020, IFAM reconnected 9 Australian ports to 63 international destinations enabling direct international connections for Australian businesses reliant on airfreight to get their products to customers.

By keeping existing airfreight routes open, IFAM preserved jobs and provided Australian businesses disproportionately affected by the COVID-19 pandemic, time to adapt their business models and adjust to a new and tougher trading environment. The Australian Government's investment in IFAM demonstrated the importance of airfreight to the industry and the broader economy.

Some important lessons were learned from the operation of the International Freight Assistance Mechanism, that identified areas that may require government policy support. Some of the lessons include:

1. The importance of maintaining airfreight capacity and connectivity: IFAM helped maintain airfreight capacity and connectivity during the pandemic, which was critical for Australian businesses to continue trading internationally. Australia is a geographically isolated country, and airfreight is the primary mode of transport for high-value, time-sensitive perishable goods such as fresh produce, seafood, pharmaceuticals, and electronics. IFAM helped move high-value perishable Australian products to existing international markets. It also enabled the import of nationally important goods, aiding Australia's pandemic response.

Agriculture is a significant export industry for Australia with roughly two thirds of food and fibre exported to overseas markets. One of the key determinants in ensuring that Australian agriculture can reach its full potential are least-cost pathways to transport food and fibre from paddock to port. At present, logistics are the largest single cost item in the production of many agricultural industries, amounting to as much as 48.5% of farm-gate cost in case studies.

Key to improving transport efficiencies for agriculture is to invest strategically in infrastructure and determining how best that infrastructure should be funded. It also requires a strategic planning and regulatory framework to ensure infrastructure can be efficiently utilised by industry. The perishable products required rapid transport to maintain their quality and freshness. Without access to air freight, these products would have been unable to reach international markets, severely impacting the Australian export industry. It highlighted the importance of maintaining a sustainable air freight capacity for the Australian supply chain, particularly during times of crisis.

2. Rapid Antigen Tests imports and critical medicines: The IFAM model made a significant contribution to Australia's pandemic response by matching limited airfreight capacity to critical health imports and coordinating an extraordinary number of stakeholders to bring up to 52 million RATs into Australia.

IFAM was a great example of private and public collaboration. IFAM brought together the best of private sector, military and government logistics expertise to work hand-in-hand with Australian supply chain providers and airlines to secure space on planes for critical health inputs and premium perishable exports to established markets.

¹ Department of Infrastructure, Regional Development and Cities (2018), Inquiry into National Freight and Supply Chain Priorities, Supporting paper No. 1, Air freight, March 2018, p. 2. Viewed on 6 March 2023 at: <https://www.infrastructure.gov.au/sites/default/files/migrated/transport/freight/freight-supply-chain-priorities/supporting-papers/files/Supporting Paper No1 Air freight.pdf>

In addition to reconnecting global airfreight lanes, IFAM provided logistical and administrative support for international air freight movements by aggregating cargo loads, negotiating with airlines and dealing with partner governments to facilitate clearances and improve transparency of freight costs during the pandemic.

ALC has carefully examined the proposed ToRs for the Aviation White Paper and believes, given the lessons from the covid pandemic set out above, that a **specific** ToR focussing on airfreight is necessary to ensure that the needs of the Australian freight and logistics sector can be brought out in submissions, and then subsequently developed into suitable policy through the white paper process.

ALC accordingly **recommends** that a ToR reading:

- *The policy settings necessary to ensure a sustainable airfreight capacity for the Australian freight and supply chain.*

be added.

ALC looks forward to working with the Department and facilitating the supply chain and logistics sector's participation in the White Paper process to the greatest possible extent. Should you require further information regarding this submission, please contact Sheena Fardell Chief of Policy on telephone 0415 986 432 or via email at: sheena.fardell@austlogistics.com.au.

Yours sincerely

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