



Economy and Infrastructure Committee  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002

By email: [tourisminquiry@parliament.vic.gov.au](mailto:tourisminquiry@parliament.vic.gov.au)

16 April 2021

Dear Committee members,

### **Inquiry into the impact of the COVID-19 pandemic on the tourism and events sectors**

Thank you for the opportunity to make a submission to the Victorian Parliament's Economy and Infrastructure Committee's ('the committee') inquiry into the impact of the COVID-19 pandemic on the tourism and events sectors ('the inquiry').

The purpose of this submission is to discuss the importance of the aviation industry to the success of Victoria's tourism and events sector.

Aviation is vital for the success of tourism and events in Victoria, bringing both domestic and international visitors to our state. Without adequate ongoing support for the aviation industry until the economy returns to normal activity settings, the crippling impact of the pandemic on aviation may hamper its rebound to pre-pandemic activity levels and this will have effects for the recovery of the tourism and events industry, even if the rest of the economy feels the recovery sooner.

#### *Our research in this area*

The Mckell Institute has prepared two reports in the last year on the impact of the COVID-19 pandemic on Australia's aviation industry. They are:

- *Australian Aviation After COVID-19: the urgent need for an Australian aviation plan* - released in June 2020
- *Australian Aviation and COVID-19: analysis of support and impact* – released in January 2021

Both reports are provided to the committee in full as attachments to this submission (Attachments A and B).

#### *Impact of COVID-19 on tourism and events related aviation*

The Australian and global aviation industries have been decimated by the COVID-19 pandemic and attendant border closures. By mid-April last year, an estimated 12,400 aircraft were "moth balled" globally and passenger revenues for 2020 plummeted by \$314 billion – a drop of almost 50 per cent.

The pandemic has decimated tourism related aviation across Australia, and Victoria is no exception.

According to the Bureau of Infrastructure and Transport Research Economics (BITRE) there was a 79.4 per cent decrease in domestic commercial aviation activity in October 2020 compared to the same time in the previous year.

A stark example is that the Melbourne to Sydney route accounted for 14.6 per cent of all domestic air passengers in October 2019 or around 823,000 passengers. In October 2020, just 11,000 passengers flew the route, a decline of 98.7 per cent.

Even with the gradual opening up of Australian's state borders towards the end of 2020, aviation was still lagging.

According to latest statistics from the BITRE 'for the month of January 2021, Gold Coast – Melbourne was Australia's busiest [regular public transport] route with 125.7 thousand passengers, a decrease of 36.1 per cent compared with January 2020.'<sup>1</sup>

A significant part of domestic aviation activity is leisure related travel, relating directly to the tourism and events industry in Victoria.

Other submissions will have noted in detail the importance of the visitor economy to Victoria's overall economic activity. However, it is worth noting that according to the latest visitor economy performance report from the Department of Jobs, Precincts and Regions, all domestic source markets for visitor spend in Victoria was down by approximately 70 per cent.<sup>2</sup>

#### *The need for ongoing government action and support for aviation*

The Commonwealth Budget 2020-21 assumed that international travel is expected to remain low until the latter part of 2021.

While we note the inquiry's terms of reference ask the committee for recommendations for State Government support measures, we think that it would be a missed opportunity for the Committee if the inquiry did not acknowledge the need for ongoing support for the aviation industry from the Commonwealth Government.

Victoria's tourism and events industry won't adequately recover if the aviation industry remains damaged by the aftereffects of the pandemic.

Our research referred to above demonstrates that the Australian Government support for the aviation industry has been comparatively modest by international standards.

The Federal Budget (released in October 2020) stated that the total amount of Commonwealth assistance to the aviation sector was \$2.7 billion, via the Domestic Aviation Network Support and the Regional Airline Network Support programs.

Australia's annual Gross Domestic Product is around \$1,985,000 million. With a total aviation support from the Commonwealth at \$2,700 million, this represents approximately 0.136% of Australia's GDP. This compares a mean of 0.24% of GDP in support provided by countries analysed by the McKell Institute.

<sup>1</sup> BITRE, *Domestic aviation activity*, <https://www.bitre.gov.au/statistics/aviation/domestic>

<sup>2</sup> DJPR, *Victoria's Visitor Economy: latest performance results – year ending December 2020* at [https://business.vic.gov.au/\\_data/assets/pdf\\_file/0003/1983252/Victorias-Visitor-Economy-performance-infographic-year-ending-December-2020.pdf](https://business.vic.gov.au/_data/assets/pdf_file/0003/1983252/Victorias-Visitor-Economy-performance-infographic-year-ending-December-2020.pdf)

Other detailed investigations into government packages for aviation relief confirms this analysis. According to the OECD, Australia's support for the aviation industry ranks 18<sup>th</sup> out of 28 countries analysed.

Australia's back of the pack status is also confirmed by analysis jointly undertaken by economists at the World Bank, the European Commission and the Economics Research Institute for ASEAN and East Asia. In their detailed analysis the authors demonstrate that 'most governments give a high priority to maintaining air transport connectivity in order to protect economic activity and jobs, in aviation itself and in related sectors such as tourism.'<sup>3</sup>

However, it is clear from the comparative analysis undertaken that the Australian Government's support compares poorly to that provided by the governments of other countries. Based on the author's figures, the value of the Australian Government's assistance to the aviation industry was ranked 21<sup>st</sup> out of 38 countries analysed.

The World Bank has undertaken further analysis of the size of support for the aviation industry compared to the overall size of the relevant governments' support by way of economic stimulus in the context of COVID-19. Australia ranks poorly on this comparison, with only 0.33% of our stimulus package being spent on aviation, compared to 2.4% of the stimulus provided by the United State and New Zealand.


Our June 2020 report outline detailed measures necessary for an Australian aviation plan to support the industry through the pandemic and into its recovery.

However, it is clear that ending JobKeeper before the restoration of normal activity in the aviation industry is problematic, and a form of ongoing wage support for workers in the aviation industry is required. Some form of an AviationKeeper benefit is required to support the industry.

#### *About us*

The McKell Institute is an independent not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary challenges. The Institute also regularly convenes a bipartisan roster of policymakers, business leaders, trade union leaders, and leading voices from across civil society in regular roundtable discussions and public events. We have offices in Sydney, Melbourne and Brisbane.

Thank you again for the opportunity to make this submission to the Committee. Please do not hesitate to get in contact if you require any further clarification on our submission.



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<sup>3</sup> see Attachment B for detailed references.