

7 January 2022

The Hon Dan Tehan
Minister for Trade, Tourism and Investment
Parliament House
CANBERRA ACT 2600

CC:

Th Hon Josh Frydenberg – Treasurer

The Hon David Littleproud - Minister for Agriculture, Drought and Emergency Management

Via Email

Contingency planning for the international trade and the aviation sector

Dear Minister

I am writing to you on behalf of the peak industry alliance representing the Australian freight logistics and international trade sectors.

Freight & Trade Alliance (FTA) represents 445 businesses (including Australia's largest international trade logistics service providers, exporters and importers) and several industry associations including a dedicated secretariat role for the Australian Peak Shippers Australia (APSA) – the designated peak body for Australia's exporters and importers under Part X of the Competition and Consumer Act 2010 and by the Federal Minister of Infrastructure and Transport – further detail of our membership and advocacy activity is available at www.FTAlliance.com.au

As you are aware, aviation has been one of the hardest hit sectors by the COVID-19 pandemic, devastated by the restrictions affecting passenger movements.

Approximately 80% of Australia's air cargo volume is usually moved in the belly of passenger aircraft. With dedicated freighter aircraft operating at capacity, airlines are increasingly deploying passenger aircraft for freight purposes and have initiated some new freight only services. This has been complemented by freight forwarders who have also initiated chartered services utilising what would otherwise be idle passenger aircraft.

As a result of this operational environment, air freight costs have understandably substantially increased without the cross-subsidisation and demand of passenger traffic.

While industry has been proactive, continuity of service could not have been sustained without the combination of Federal Government initiatives being the International Freight Assistance Mechanism (IFAM) administered by the Australian Trade and Investment Commission (Austrade), Cash Flow Boost and JobKeeper Payment schemes.

The combined efforts of commerce and government has facilitated continuation of access to global markets for Australian exporters, importation of time-sensitive goods (including medical, PPE and other essential supplies) and has maintained residual Australian jobs in the aviation sector by keeping aircraft flying.

Our alliance commended the Federal Government's announcement on 27 August 2021 to extend IFAM until mid-2022. At the time of the announcement, with the vaccine rollout well on target and in anticipation of a significant uptake in travel generating additional belly space availability for cargo movements, this seemed to be a logical end date for this important financial relief measure.

That was prior to the arrival and rapid global spread of the Omicron variant of COVID-19 that has again generated considerable uncertainty for the airfreight market for the foreseeable future.

A recent example is Cathay Pacific who has announced there will be substantial reductions to their cargo long-haul freighter capacity, including to Australia and New Zealand, in the first quarter of this year. This is directly attributed to the latest aircrew quarantine measures imposed by the Hong Kong SAR Government due to rising Omicron case numbers. This response is likely to have a significant effect on supply and consequently rates. We are expecting similar decisions and impacts across the broader aviation industry.

Whilst we hope that the Omicron outbreak will soon peak in Australia and other key overseas markets, we urge the Federal Government to make contingency plans with appropriate budgetary considerations to continue IFAM, on a needs basis, post the scheduled termination in mid-2022.

We look forward to an opportunity to further engage with the Federal Government in addressing strategies to maintain global air connections and to retain Australia's reputation as a reliable global trading partner.

Your sincerely



Paul Zalai

Director, Freight & Trade Alliance (FTA)
Secretariat, Australian Peak Shippers Association (APSA)
Director, Global Shippers Forum (GSF)