

Submission to the Senate Inquiry into the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024 - September 2024



To whom it may concern,

The Regional Aviation Association of Australia (RAAA) welcomes the opportunity to provide a submission to the Senate Inquiry into the Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024.

About RAAA

The Regional Aviation Association of Australia (RAAA) is a not-for-profit organisation formed in 1980 (formerly known as the Regional Airlines Association of Australia) to protect, represent and promote the combined interests of its regional aviation organisations across Australia.

RAAA members operate in all States and Territories and include airlines, airports, engineering and flight training organisations, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional and remote areas of Australia.

The RAAA has approximately 126 organisational members who directly employ over 10,000 people, many in regional areas. On an annual basis, the RAAA's Air Operator Certificate (AOC) members jointly turnover more than \$1.5 billion, carry well more than 2 million passengers and move over 23 million kilograms of freight. Our regional airport members also provide and manage critical infrastructure across Australian.

The aim of the Association is to support our members by working with Government, the regulatory authority, and the community, to promote the maintenance of a safe and viable regional aviation industry.

Many of our members are registered Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) providers and offer flight training services in Australia for both domestic students as well as overseas students sponsored by their employers (foreign airline operators).

Introduction

The RAAA acknowledges the Government's policy intent to reduce net immigration to ensure that housing affordability is kept at a reasonable level and there is a level of availability for Australians.

However, the Association is deeply concerned that what has been proposed has serious implications for Australian aviation businesses that provide, and rely on, flight training activities in support of the Australian economy.

In short, if the allocated caps that are due to come into effect from 1 January 2025 were to proceed as currently determined there will be a number of large, medium, and small flight training organisations that will no longer remain viable businesses and they will be forced to close and cease operations. As the cost of the courses provided by our members range from \$120,000 to \$150,000 per person, the net impact to the industry is well over \$100 million dollars.

The Government's recently released Aviation White Paper (AWP) set out the following priorities for General Aviation that are directly impacted by the decision to reduce international student numbers. The decisions on individual caps appear to be a direct contradiction of the policy intent detailed within the AWP to:

- Improve training pathways for aviation maintenance engineers through modular licencing, aligning training requirements, and recognising licences from authorities with similar standards to support reducing the shortage of engineers available to service the GA sector.
- Simplify the visa process for pilots and other highly skilled aviation workers to address the shortage of pilots and instructors in the GA sector and allow easier entry into the Australian labour market.

Australia's aviation industry continues to experience one of its most challenging skills shortages for commercial and air transport pilots, flight instructors and flight examiners. These challenges are not new. The industry has historically managed other peaks and troughs in pilot demand and availability, however, the current shortages are ubiquitous and are being felt across all aviation sectors and by large and small operators, both here and overseas. Additionally, the pool of appropriately skilled and experienced pilots in Australia continues to be under considerable stress as the level of global competition for the pilot cohort continues to increase.

The current situation is also being felt more significantly post-covid as many skilled pilots have not returned to full time work in the aviation industry, whilst many that are back are actually in the aging workforce demographic, with a substantial proportion of the pilot population approaching retirement age.

Whilst every effort is being made to grow the pilot training pipeline within Australia it remains a fact that the timeline to train and gain sufficient experience to fly commercially for an airline takes many years.

The pilot shortage has already had significant impacts for many operators. In some instances, it has meant flight cancellations and/or delays leading to reduced availability and connectivity and increased operation costs to attract and retain experienced pilots. These costs may also be passed onto consumers with increased ticket prices.

The flight training industry that foreign students support is a major provider of experienced local pilots who are needed to support Australia's general aviation and airline sectors. The local instructors and examiners who are required to train these foreign pilots are part of an invaluable employment pathway for the industry. Restricting this stream of local pilots will only exacerbate the shortage of pilots in Australia.

Aviation is a very capital-intensive industry; some of our members have spent tens of millions of dollars on building training and accommodation facilities and establishing fleets of modern aircraft. This investment has only been possible due to the revenue available from training foreign pilots. Australian trainee pilots benefit from this investment and receive training that wouldn't otherwise be available to them.

Subsequently it is of utmost importance that all avenues and channels to facilitate the successful recruitment of student pilots from overseas remains available to Australian flight training schools and air transport operators alike.

Impacts

The direct impacts of the revised student visa allocations are:

- Some of the numbers are so low that it will not cover the cost of maintaining registration and administration of the overseas pilot students.
- International pilot students enrolled in courses with domestic pilot students help create an economy of scale to keep the course delivery costs to domestic pilot students at a minimum.
- Any reduction in foreign student pilots will severely impact the employment of Australian flight instructors, flight examiners and other supporting jobs.
- Flight training schools in regional Australia that train international pilot students increase and bring value to the local economy and the regional communities where they operate.
- Flight schools training international pilot students employ Australian low time pilots who gain flying and instructing experience before moving into the airlines and into larger aircraft which also contributes massively to business and tourism and the Australian economy.
- Australia has a highly regarded and internationally recognised pilot licencing system and we have an excellent reputation for international pilot training, including international airline cadet courses. The international student caps send the message that Australia is 'closed for business' and will make it difficult for operators to re-enter the export market at a later date due to the sovereign risk.
- It appears that in all industries, organisations have not had any international students have been given a new limit of 30, while organisations that have had less than 30 students in the past have been given even fewer students than they have previously had. It seems unfair to those organisations with current international students to have a lower allocation than organisations that have not had any. It is recommended that all flight training organisations have at least 30 students.

Examples of Consequences

To further demonstrate the severity of the drastically reduced allocation of student visa numbers the following are de-identified actual organisational impacts. These have been deidentified due to the commercial sensitivities and arrangements in place.

Flight Training Organisation A

Flight training organisation A is one of the nation's largest flight training organisations. Established over 10 years ago the organisation trains pilots for both overseas airlines and Australian airlines. It has invested over \$35 million in multiple campuses in regional Australia that also include dedicated on-airport student accommodation as part of the existing training contracts in place with a prominent overseas airline. Campus 1 has the capacity to train over 170+ students at a time. Under the proposed places offered they have been allocated only 15 positions. Campus 2 has had their number cut to 59. The numbers being offered will effectively mean that the flight training organisation may cease operations.

Flight Training Organisation B

Flight training organisation B is a small flight training school operating at a state capital city. They specialise in ab-initio flight training through to commercial pilots' licences (CPL). The pilot graduates move on to work in the organisation's own flying operations as well as feeding into other regional airlines and charter operators. They have been allocated one (1) overseas pilot place for the next 12 months.

Flight Training Organisation C

Flight training organisation C is a large flight training organisation who at any given time has approximately 150+ students at various stages of their flight training. Their pilot graduates feed into airline and charter operations around Australia and overseas. They have been allocated two (2) international student places for next year.

Flight Training Organisation D

Flight training organisation D is a mixed business of flight training, charter, and scenic flights. Flight training organisation D has been highly successful in securing government assistance through export subsidies post-covid and has worked hard at establishing and negotiating contracts with international airlines operating in India. They have contractual arrangements in place for more international students than the 30 places they have been allocated for next year. The allocation is unworkable and will see the hard-won contract fall over due to these decisions.



The World-Wide Pilot Shortage

According to aircraft manufacturer Airbus over the next 20 years the aviation industry will continue to face a critical talent shortage of more than 585,000 pilots world-wide to meet ever growing air traffic demand.

Boeing's 2022 Pilot and Technician Outlook projects that 602,000 new pilots, 610,000 new maintenance technicians, and 899,000 new cabin crew members will be needed to fly and maintain the global commercial aviation fleet over the next 20 years. This forecast (which does not include business aviation and helicopter sector demands) assumed that air traffic demand would recover to 2019 levels by 2024. This has been almost realised.

According to the International Air Transport Association (IATA) international traffic in 2023 climbed 41.6% from 2022 levels and reached 88.6% of 2019 levels. In the fourth quarter of 2023, traffic was at 94.5% of 2019 levels.

As the size of the aircraft fleet continues to increase worldwide, coupled with the recovery of air travel to 2019 levels, many in the industry believe the pilot shortage will accelerate. IATA says that projections show the pilot shortage in the Asia-Pacific could reach more than 22,000 pilots by 2025.

Australian flight training organisations are well placed to contribute positively to address some of the pilot shortages and bring economic benefit to the Australian economy.

The Pilot Shortage in Australia

A report prepared for the Department of Infrastructure, Transport and Regional Development, Communications and the Arts by the Expert Panel on Aviation Skills and Training also clearly defined the problem back in 2018. The report summary stated:

“Australia is experiencing severe shortage of aviation personnel, and the situation is growing worse. The current shortage of qualified pilots and aircraft maintenance engineers is a global problem and a major issue for Australia's aviation system. Urgent action is required if the country is to avoid major disruptions”.

Post-covid many airlines in Australia have been forced to reduce their schedules due to a shortage of pilots and crew. This has also led to an increase in delayed and/or cancelled flights. Data from the Bureau of Infrastructure and Transport Research Economics (BITRE) shows that only 73.4% of domestic flights arrived on time in January 2024, and 3.1% were cancelled. This is less than desirable when compared to the long-term averages of 81% and 2.2%.

Many of the RAAA member airlines have been forced to cut some regional services as they cannot properly crew and/or source the necessary spare parts for their aircraft fleets.

It has been publicly reported that both Qantas and Virgin have also been challenged to fill and/or maintain pilots with their regional subsidiaries National Jet Systems, Sunstate, Eastern, Network Aviation and Virgin Australia Regional Airlines (VARA) that run many regional services as well as fly-in-fly-out charter services.

Jetstar has also made changes to its recruiting policy and would consider employing pilots (rather than first or second officers) from outside the company for the first time, to fill vacancies in Perth and Sydney.

This is all against a backdrop of aircraft fleet expansions and renewals and in coming years, a significant proportion of current pilots will also reach retirement age, leaving a considerable gap of expertise.

Conclusion

The current and projected demand for suitably qualified and experienced pilots in Australia and overseas is extremely high and is expected to continue to grow over the near and longer term. Whilst every effort has been, and will continue to be, made to train and develop the required numbers of pilots within Australia, a significant shortfall in numbers will remain. This delta will be further deepened with many of the existing pilot cohort at, or nearing, retirement age.

The RAAA acknowledges the government's policy intent to reduce net immigration to ensure that housing affordability is kept at a reasonable level for Australians. However, the Association is deeply concerned that what has been proposed has serious implications for Australian aviation businesses that provide and rely on flight training activities in support of the Australian economy.

If the allocated caps that are due to come into effect from 1 January 2025 are to proceed there will be a number of large, medium, and small flight training businesses that will no longer remain viable - they will be forced to cease operations and close down resulting in significant job losses.

The RAAA strongly requests that the Federal Government does not include pilot training candidates in the international student caps or at least reconsiders and revises up the numbers of international student places that have been allocated to Australian flight training organisations.



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