

SUBMISSION TO CARBON POLLUTION REDUCTION SCHEME - GREEN PAPER

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A•S•U
Australian Services Union

ASU Submission

‘Climate Change & Aviation’

Department of Climate Change

**Carbon Pollution Reduction Scheme
Green Paper July 2008**

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Executive Summary

Building a sustainable aviation industry

The ASU holds serious concerns for the future of the aviation industry. As a vital industry that connects Australia to the world economy through the provision of international and domestic travel and access to world markets, it is of critical importance to Australia's future. Yet it is a growing contributor to climate change with no significant options for carbon abatement available in the near future.

The ASU supports the inclusion of domestic aviation in the Carbon Pollution Reduction Scheme. However the ASU has concerns over the lack of transitional assistance to support the aviation industry and the price dynamic that is created within the transport sector.

The ASU recognises the serious impact of aviation on climate change. The reports of the Intergovernmental Panel on Climate Change (IPCC) provide compelling evidence that aviation makes a significant contribution to climate change. Little has been done to curb the growth of the aviation industry and conservative estimates now put aviation's contribution at 1% of Australia's national emissions.

If aviation is to be a sustainable industry into the future it is going to have to make significant changes to its operations and business practices. It can not do this alone; industry, government and aviation workers must work together to find carbon abatement solutions, and in the long term develop alternative fuels.

Recommendations

1. Creation of a sustainable aviation fund to invest in research and development of alternative fuel technologies and best practice in the industry generally
2. Transitional Assistance for the aviation industry, possibly including access to free permits
3. No further deregulation or so called 'open skies'
4. Australia should engage in international efforts to create a global carbon market to address emissions from international aviation

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Introduction

1. The Australian Municipal, Administrative, Clerical and Services Union (ASU) is one of Australia's largest Unions, representing approximately 120,000 employees.
2. The ASU has members in every State and Territory of Australia, as well as in most regional centres. The Union has approximately equal numbers of males and females as members, although proportions vary in particular industries. In aviation around 65% of our members are female.
3. Today, the ASU's members work in a wide variety of industries and occupations. In aviation, ASU members work both in the transport of passengers and freight.
4. They work in airports in check-in and operations, in call centres, retail reservations, in maintenance, freight, catering, IT, finance and administration.
5. The ASU is the largest Australian union covering aviation industry workers, with members in the widest number of companies and activities in the industry. Our members work for Qantas, Jetstar, Virgin Blue, Regional Express, QantasLink, Singapore Airlines, United Airlines, Emirates, Malaysia Airlines, Thai, Garuda, Cathay, Air Niugini, South African Airlines, Air France – KLM, Air New Zealand and twenty other overseas airlines, as well as contractors in the industry like Menzies Aviation Services and Toll Dnata, and airfreight companies such as Australian Air Express.

Climate Change and the Vulnerable

6. Climate Change most adversely affects the most vulnerable in our society.
7. In our community extreme weather patterns and rising sea levels will have an effect. Those without the means or mobility to avoid or adapt to these new realities will suffer.
8. As public opinion and the need for action on climate change intensifies workers in unsustainable industries may lose their employment as carbon intensive activities become unpopular and are made obsolete.
9. Low income households will also be disproportionately affected by a rise in the cost of basic household goods as carbon is factored into the price of goods and services.
10. Workers and the most vulnerable in our society have the most to lose from climate change, but also risk losing out in the transition to a new low carbon economy. The ASU strongly supports the measures outlined in the green paper to support low and middle income households through the transition. Support for these groups must remain a priority throughout the policy development and planning on how we adapt to climate change.

The Aviation Industry

11. The aviation industry is the backbone of the Australian economy and our connection with the rest of the world. As a large island nation flying is the only realistic means of getting to other countries, as well as travelling

within Australia. In the Australian context options such as substitution with rail, or other travel methods are not realistic in most circumstances. There may be limited opportunities on certain well frequented routes to build a high speed train line but this opportunity is the exception not the rule. Aviation will still be necessary to travel to regional destinations and remains the only time efficient and economical option for travel across the country. The aviation industry is an integral part of our transport system.

12. Aviation also generates certain social goods. Aviation facilitates the social inclusion and connection of regional and remote communities with the wider Australian community. Regional aviation services deliver medical and educational supplies into communities, as well as flying people to capital cities to access services.
13. Aviation encourages Australia's social connection with the rest of the world. The increase in Australians travelling overseas encourages better cross cultural communications and greater understanding. This has positive effects for foreign relations and trade, contributing to a positive image of Australia within the international community.
14. Our schools and universities are encouraging students to travel as part of their degrees in recognition of the important role it plays in education.
15. Aviation underpins Australia's economic interactions with the rest of the world. Whether it is transporting overnight freight or fresh produce to Asian markets, or getting Australians to meetings all over the world, aviation is integral to the Australian economy.
16. Aviation will continue to play an important and integral part in the Australian transport system. The challenge is how to make this sustainable.

The Future of the Aviation Industry

Alternative Fuels

17. Alternative fuels provide a long term carbon abatement opportunity for the aviation industry. The development of algae based fuels would significantly reduce aircraft emissions and make aviation environmentally competitive with alternative forms of transport such as rail. In reality aviation has very few carbon abatement options in the short term. Better air traffic management, operational efficiencies and fleet renewal will reduce aviation's carbon footprint, but will not negate the heavy impact that aviation fuel emissions contribute to environmental degradation.
18. For this industry the focus must be on a long term solution through research and development. Short term cost pressures such as those created by the Carbon Pollution Reduction Scheme encourage airlines to find short term solutions and can only ever produce marginal environmental benefit in this industry. Australia and the industry must invest in finding practical and economical alternative fuels.

Sustainable Aviation Fund

19. As part of any climate change strategy in the aviation industry must be a commitment to invest in alternative fuels. The ASU recommends the creation of a sustainable Aviation Fund. The Fund would be a positive investment in research and development of alternative fuel technologies and a means to encourage best practice in the industry.
20. The development of alternative fuels is a key factor in the viability of the aviation industry in the long term. Due to our geographic position in the

world and our reliance on aviation, Australia should be a leader in development of these technologies.

21. Similar to the motivation behind the National Clean Coal Fund, a sustainable Aviation Fund seeks to find a real solution to climate change in an essential activity area.
22. The US set up a similar sort of fund in January this year the 'Commercial Aviation Alternative Fuels Initiative'. The fund is focussed of developing alternative fuels for the aviation industry to promote energy security and environmental sustainability. The US have recognised the need for a sustainable aviation industry as aviation drives approximately 6% of the U.S. gross economic output, and nearly 9% of national employment.¹
23. The ASU also believes that the Sustainable Aviation Fund should be utilised to make the Australian aviation industry into a best practice model for the worldwide aviation industry. A significant amount of aviation industry work in Australia is performed in offices or at airports. A focus on sustainable practices in these workplaces together with alternative technologies and fuels should be a target of such a fund.

Addressing Consumer Demand

24. Some environmental leaders and groups advocate that the easiest way to reduce the impact of aviation on the environment would be to ground all

¹ Federal Aviation Administration '*Fact Sheet- Commercial Aviation Alternative Fuels Initiative, Supporting solutions for secure and sustainable aviation.*', January 3, 2008, <Available at: http://www.faa.gov/news/fact_sheets/news_story.cfm?newsId=10112>

planes tomorrow and cease the operation of the aviation industry. The ASU does not support such a position.

25. As a community Australia needs to make some decisions about the role aviation plays in our lives. Aviation demand increased by 68.5% over the period from 1990 to 2000 primarily because flying has become more affordable and accessible². People who previously could not afford to travel can now fly. The primary outcome of the Carbon Pollution Reduction Scheme for consumers is to make flying more expensive. To what extent is yet to be determined, but in theory the scheme should be sending a price signal to consumers that they need to be flying less, or pay more. While this serves the purpose of limiting environmental damage, it may have some undesirable social costs.
26. In its analysis of the aviation industry the green paper acknowledges that people treat aviation as a luxury good and will continue to fly despite a price increase. Certainly that is true of some sections of the market. At the high cost end of the market many people will continue to fly, as they always have, not reducing their demand or the environmental damage caused by their behaviour.
27. However in other sections of the market flying may become unaffordable altogether. Depending on the carbon price working families may find family holidays out of their price range. There is a fundamental inequity in the design of the Carbon Pollution Reduction Scheme as it relates to aviation, as any reductions in consumer demand will be focussed at the bottom end of the market, rather than addressing overall consumption. Individuals may need to think carefully about when they fly. It may be that Australians cannot fly with the same frequency as they have in the past

² Australian Bureau of Statistics '1301.0 Yearbook Australia, 2003'. 24/1/2003, ABS, Canberra.

decade but this sacrifice must be carried by all users of aviation not just those who can be priced out of the market.

Transitional Assistance

Road & Aviation

28. The ASU has concerns about the intention to provide transitional assistance to one part of the transport sector, the road transport sector, while leaving aviation and other forms of transport to deal with a harsh transition.
29. Road users cause the greatest environmental damage in the transport sector. In the year 2000 road users contributed 90% of the transport sectors emissions. Passenger cars contributed 43 Mt Co₂-^e 56% of Australia's transport emissions. While domestic Aviation produced 4 Mt Co₂-^e just 6% of Australia's transport emissions.³
30. The fuel offset scheme allows road users to escape any level of accountability for their carbon emissions.
31. One of the primary objectives of the Carbon Pollution Reduction Scheme is to create a price dynamic within a market that favours less carbon intensive products. In the Melbourne to Sydney transport market there are several options, car, bus, rail and flight. The pricing of each transport option should reflect the level of carbon emissions produced by each mode. The assistance given to road users skews this price dynamic in favour of road and bus, against rail and air. The Carbon Pollution

³ Australian Bureau of Statistics '1301.0 Yearbook Australia, 2003'. 24/1/2003, ABS, Canberra.

Reduction Scheme can only work properly and fairly if all transport modes can compete on a level playing field.

Free permits

32. The ASU has some concerns over the government view that aviation will not be a 'strongly affected industry'. This is certainly not the view of the Qantas workers who have recently faced 1500 job cuts because of rising oil prices and must now brace themselves for further cost pressures due to the Carbon Pollution Reduction Scheme.
33. The ASU fully supports the inclusion of aviation in the scheme, and is committed to addressing the environmental impacts of aviation, however the ASU believes aviation should be eligible for assistance and that assistance should be consistent with what else is offered to other industries i.e. free permits.
34. The ASU supports the arguments put forward by the industry that it is both emissions intensive and trade exposed. Further the ASU believes that aviation has other unique factors that mean it requires assistance in transitioning to a low carbon economy.

Effect on Australian Employment

The green paper takes the view that demand for aviation is demand inelastic, that due to the perception that aviation is a luxury good and so consumers will accept price increases and demand will remain relatively constant. While this may be true of some sections of the market, it is certainly not the case for regional, low cost carriers or for passengers booking holidays.

35. The ASU is most concerned that airlines will not feel able to pass on costs to consumers and instead absorb carbon costs into the current ticket price, and make cuts elsewhere. Australian airlines have a tried and true formula for dealing with cost pressures, they cut jobs and move operations offshore.
36. Qantas announced the loss of 1500 jobs in July of this year, due to rising oil prices and a slowdown in demand.⁴ When times get tough Qantas and most other airlines worldwide cut jobs. Carbon costs create another cost pressure for an industry already under stress.
37. There is also the very real risk that airlines will move operations such as call centres and administration offshore. Qantas has already started to move jobs offshore. In 2005 they announced their intention to move 2500 engineering jobs overseas and 7000 jobs across the Qantas Group.⁵ In 2006 Qantas moved two thirds of its IT support to India.⁶
38. The Carbon Pollution Reduction Scheme will increase cost pressures for airlines at a difficult time with world fuel prices. With few short term carbon abatement opportunities and high price sensitivity in some sections of the market, airlines will need to make significant cuts in other areas. Airlines have a proven record of making these savings through jobs cuts and moving jobs offshore. The Carbon Pollution Reduction Scheme should not provide an impetus for this trend of offshoring jobs.
39. The ASU also believes that because international aviation is not included in the Carbon Pollution Reduction Scheme, there is a real likelihood of

⁴ Matt O'Sullivan 'Oil prices, slowdown force Qantas job cuts.', July 19 2008, Sydney Morning Herald.

⁵ AAP 'Qantas staff 'ready to fight overseas job shift'' January 17 2005, The Age.
Scott Rochfort and Nick O'Malley 'Qantas move offshore might cost 2500 jobs' October 22 2005, The Age.

⁶ Steven Pearce 'Qantas offshores to India, 340 jobs gone' 19 October 2006, ZDNet Australia.

carbon leakage as consumers for holidays for example switch to cheaper international destinations unaffected by the Carbon Pollution Reduction Scheme. Similarly price sensitive international tourists will choose destinations other than Australia that are not subject to a Carbon Pollution Reduction Scheme. The follow on effects for the aviation industry and the tourism sector of a decrease in demand is an obvious consequence. The need for a leadership role in international aviation is discussed below to address these problems.

Viability of regional airlines

40. The Green Paper provides no detail on how the Carbon Pollution Reduction Scheme might affect regional airlines. Regional air travel is subsidised by all levels of government in recognition of its importance in the social inclusion and connection of rural and remote communities with the rest of Australia. Regional travel is not profitable and extra cost pressures from the introduction of a carbon price could mean travel to capital cities becomes unaffordable for many regional Australians.

Other Issues

'Open Skies'

41. Airlines have advocated 'open skies' as a solution to climate change. The ASU warns against the environmental value of this policy position.

42. The stated objective of 'open skies' policies are to increase competition, dropping prices and thereby increasing demand. Such an outcome is contradictory to the aims of the Carbon Pollution Reduction Scheme,

which seeks to increase prices and curb demand for emissions intensive products such as aviation.

43. 'Open skies' creates a "flag of convenience" style arrangement for aviation. That airlines must be registered with their country of origin ensures they must also comply with our environmental, safety and labour standards. Qantas is an Australian flagship carrier and thereby must be compliant with Australian standards. 'Open skies' allows foreign airlines to operate on Australian routes but not be subject to Australian standards. In the shipping industry companies deliberately register their vessels in countries such as Panama because of their low standards. 'Open skies' promotes carbon leakage as it allows companies to operate offshore avoiding Australian environmental regulation yet still allows access to Australian markets.
44. If Australia is serious about reducing emissions we need to ensure aviation activity undertaken on Australian routes complies with Australian environmental regulation, and where relevant (at this stage just on domestic routes) is accountable for its emissions through the Carbon Pollution Reduction Scheme. 'Open skies' allows companies to avoid their responsibility for carbon emissions and pollution in Australia.

International Aviation

45. Aviation contributes most of its carbon footprint along international routes. International aviation contributes 2% of total global CO₂ emissions.⁷ International Aviation is not considered in the Carbon Pollution Reduction Scheme, presumably because emissions produced on international flights are not calculated in the Kyoto national emissions targets.

⁷ Intergovernmental Panel on Climate Change 'Climate Change 2007: Synthesis report' 17 November 2007, Valencia, Spain.

46. The ASU believes that to truly address the impact of Aviation emissions we must consider international aviation. Australia must engage with the ICAO to develop a global strategy to reduce emissions caused by international aviation.

47. In a previous section we have discussed the carbon leakage that will occur because of the lack of an international approach to aviation carbon reduction. Australia is well placed to advocate a worldwide scheme and we believe must take a leadership role in this area. This should be addressed as a matter of urgency and priority in all relevant international forums.

Summary

48. The ASU recognises the large impact that the aviation industry has on the environment. The ASU wants to see the implementation of a scheme that minimises any loss of jobs in the industry. The Australian government must invest and promote investment in alternative fuels and best practice to secure jobs in the industry and that where job losses may occur, that new job opportunities associated with a sustainable aviation industry are identified.