

## **COVID-19 Support to the Aviation Sector**

Department of Infrastructure, Transport, Regional Development and  
Communications

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Canberra ACT  
22 June 2022

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Infrastructure, Transport, Regional Development and Communications. The report is titled *COVID-19 Support to the Aviation Sector*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

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# Audit snapshot

## Auditor-General Report No.40 2021–22

### COVID-19 Support to the Aviation Sector



#### Why did we do this audit?

- ▶ This performance audit was conducted under phase two of the ANAO's multi-year strategy that focuses on the effective, efficient, economical, and ethical delivery of the Australian Government's response to the COVID-19 pandemic.
- ▶ The audit was conducted to assess the effectiveness of the Department of Infrastructure, Transport, Regional Development and Communications' (the department's) design and implementation of measures to support the aviation sector in response to the COVID-19 pandemic.



#### What did we find?

- ▶ The design and management of measures to support the aviation sector has been effective except for performance monitoring.
- ▶ The design of support measures was effective with some limitations due to time constraints.
- ▶ Implementation of measures has been effective but was reduced by deficiencies in monitoring and evaluating the performance of the suite of measures.



#### What did we recommend?

- ▶ There was one recommendation to the department aimed at improving monitoring and reporting of support measures as a whole, rather than at the level of individual measures.
- ▶ The department agreed to the recommendation.



#### Key facts

- ▶ The Australian aviation sector contributed around \$20 billion to the Australian economy in 2018.
- ▶ Following the implementation of travel restrictions the Australian aviation industry experienced a 95 per cent decrease in passenger activity.

\$5.6bn

Amount of direct Australian Government support committed to the aviation sector.

127

Number of regional air routes supported by the Regional Airline Network Support measure.

15

Number of aviation support measures implemented by the department.

# Summary and recommendation

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## Background

1. Since its emergence in late 2019, coronavirus disease 2019 (COVID-19) has become a global pandemic that is impacting on human health and national economies. From January 2020 the Australian Government commenced the introduction of a range of policies and measures in response to the emergence of COVID-19 that included:

- travel restrictions, international border controls and quarantine arrangements;
- delivery of substantial economic stimulus, including financial support for affected individuals, businesses and communities; and
- support for essential services and procurement and deployment of critical medical supplies (including the national vaccine rollout).

2. In 2018, prior to the COVID-19 pandemic, the aviation sector contributed around \$20 billion to the Australian economy and facilitated other activities across the economy including tourism, mining and higher education. As a consequence of travel restrictions implemented in response to COVID-19, international and domestic passenger flights decreased by 95 per cent in the period from January to April 2020. The decrease in flights impacted the viability of commercial passenger airlines globally.

3. From March 2020 the Australian Government introduced a range of financial and non-financial measures to support the aviation sector in Australia. Aviation sector support measures were introduced in two phases: initial support measures introduced from March 2020 to June 2020 to address the impact of COVID-19 on the aviation sector; and subsequent support measures introduced in late 2020 and 2021. The suite of measures<sup>1</sup> had three core objectives:

- to maintain essential air connectivity without subsidising commercially viable activities;
- to preserve critical aviation capacity to allow the sector to restart after the pandemic; and
- to maintain supply lines for air freight imports and exports.

## Rationale for undertaking the audit

4. The COVID-19 pandemic, and the pace and scale of the Australian Government's response, impacts on the risk environment faced by the Australian public sector. This performance audit was conducted under phase two of the ANAO's multi-year strategy that focuses on the effective, efficient, economical, and ethical delivery of the Australian Government's response to the COVID-19 pandemic.

5. Australia's aviation sector has been significantly impacted by the COVID-19 pandemic. As part of the economic response to COVID-19, the Australian Government has committed over \$5.6 billion to a suite of measures to support the aviation sector from March 2020 through to 2022–23. As a result, there has been significant parliamentary and public interest in the Australian Government's administration of the support measures. The audit was conducted to provide

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1 In total 16 measures were developed. Fifteen provided direct support and were implemented (see Appendix 3). One was developed as a contingency measure and not implemented.

assurance to the Parliament that the Australian Government has designed and implemented the measures effectively.

### **Audit objective and criteria**

6. The objective of the audit was to assess the effectiveness of the department's design and implementation of measures to support the aviation sector in response to the COVID-19 pandemic.

7. To form a conclusion against the audit objective the following high level audit criteria were adopted.

- Were the suite of measures to support the aviation sector designed effectively?
- Are the suite of measures to support the aviation sector being implemented effectively?

8. While the audit considered whether the establishment of measures complied with grant and procurement frameworks it did not examine the administration of individual grants or procurements. In addition, the audit did not examine measures implemented by other entities that supported the aviation sector during COVID-19 (such as the JobKeeper scheme).

### **Conclusion**

9. The department's design and management of measures to support the aviation sector has been effective except for performance monitoring.

10. The department's design of the suite of COVID-19 aviation sector support measures was effective. The department provided sound and timely advice on the design of the measures and their ongoing need. The department adequately considered legislative and procedural requirements for most grant and procurement measures. Consultation on the design of the measures was adequate with some limitations arising from time constraints.

11. The department's implementation of aviation sector support measures has been largely effective. It established fit-for-purpose oversight coordination arrangements, appropriately identified and managed implementation risks, and communicated in a timely and largely effective manner with stakeholders. Effectiveness has been reduced by deficiencies in monitoring and evaluating the performance of the suite of measures.

### **Supporting findings**

#### **Design of aviation sector support**

12. The department provided largely sound and timely advice on the design of aviation sector support measures, generally supported by evidence and risk assessment. In some cases, advice did not include sufficient information on implementation risks. (See paragraphs 2.3 to 2.21)

13. The department adequately considered legislative and procedural requirements for most grant and procurement measures. Demonstration of value for money in managing both grants and procurements could have been improved for three of the fifteen measures. For one measure, the department did not adequately identify requirements under procurement-connected policies. (See Paragraphs 2.22 to 2.46)

14. The department has provided sound and timely advice to the Australian Government on the ongoing need for aviation sector support measures. Advice was provided as measures approached their planned conclusion to enable timely decisions on whether to extend, adjust or end measures. (See Paragraphs 2.47 to 2.49)

15. Consultation on the design of the measures has been adequate. Due to the pace at which measures were developed during the first phase of the pandemic response, there was limited consultation with some impacted industry sectors. (See Paragraphs 2.50 to 2.64)

### **Implementation of aviation sector support**

16. The department has established fit-for-purpose mechanisms to oversee the implementation of aviation sector support measures. To provide oversight, the department undertook a series of organisational restructures and established an internal governance board for the measures. (See Paragraphs 3.3 to 3.10)

17. The department appropriately identified risks to the implementation of the measures. The governance board considered and reviewed the management of key risks related to rapid implementation. There were weaknesses in documenting and updating risk ratings and monitoring and evaluating the effectiveness of controls. (See Paragraphs 3.11 to 3.36)

18. The department has been effective and timely in communicating with stakeholders regarding the administration of measures and has provided clear and consistent communications material. Its handling of complaints was timely but not consistent with departmental policy. (See Paragraphs 3.37 to 3.48)

19. The department has established consistent processes to review the performance of individual measures. It has not effectively maintained oversight of the combined impact of the suite of measures, nor has it reported effectively to the governance board on the aggregate level support provided across measures to individual aviation sector participants. (See Paragraphs 3.49 to 3.73)

## **Recommendation**

**Recommendation no. 1** The department develop mechanisms to:

**Paragraph 3.67**

- (a) monitor and evaluate the extent to which the suite of COVID-19 aviation sector support measures is achieving the three objectives set by the Australian Government; and
- (b) provide oversight of the total amount of support provided to individual recipients and the sector.

**Department response:** *Agreed*

## **Summary of entity response**

The COVID-19 crisis was an unprecedented shock to the aviation sector, requiring swift and decisive action to preserve critical aviation capacity, and ensure essential air routes continued to operate and supply chains could function. The Department of Infrastructure, Transport, Regional Development and Communications (the Department) welcomes the ANAO's report and will use

the report's recommendation, findings and observations to inform and enhance its ongoing policy and program design and delivery.

## Key messages from this audit for all Australian Government entities

20. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

### **Governance and risk management**

- The department established a governance board to oversee the implementation of the suite of aviation sector support measures. For entities managing multiple related measures the creation of a single oversight body contributes to consistent governance and risk management across measures. The inclusion of representatives from outside program delivery areas (for example subject matter experts from finance and assurance teams) further supports quality governance and risk management. Where measures involve other entities in implementation, the inclusion of representatives from these entities contributes to effective coordination and governance.

### **Grant administration**

- The department established mechanisms to support variation of grant funding including providing for taper rates or thresholds as part of the grant agreements. Regular review of the effective operation of grants was also achieved through the provision of multiple grant rounds, where each round operates only for a limited period. This allowed the department to regularly review the operation of the grant and revise grant agreements to address issues identified during implementation or to improve the operation of the grant.
- The department also supported achievement of value for money in grant administration through negotiating grant agreements that: required funding recipients to provide regular information on the performance of the activity being supported; and allowed for the value of the grant to be varied in response to this information. Requiring independent assurance reviews on grant closure as part of grant agreements also supported the achievement of value for money.
- In approving a grant program the department elevated the approval decision to a more senior officer due to the original, nominated decision-maker having insufficient financial delegation within the department's finance system. The senior officer was, however, not authorised by the underlying grant guidelines to make approval decisions in relation to the grant. Entities should ensure that approving officials have appropriate authority and that internal and grant decision-making processes are aligned, so that the decision-maker is not unnecessarily constrained in exercising their authority.
- The department developed a template for grant approvals which clearly captured the requirements of the Commonwealth Grants Rules and Guidelines. The template included statements:
  - demonstrating the legislative authority for the grant;
  - outlining financial considerations including forward commitments;

- outlining how grant applications were assessed and how this demonstrated value for money. The value for money statements individually addressed the *Public Governance, Performance and Accountability Act 2013* considerations of effective, efficient, economical and ethical use of public resources;
- describing how risks were identified and how this had been incorporated into the grant guidelines; and
- describing how grant compliance would be monitored during implementation and how this would inform future payments.

**Performance and impact management**

- For entities managing a suite of multiple related measures, adequate consideration should be given to monitoring not just the performance of the individual measures but the collective performance of the suite of measures. This may require development of key performance indicators (KPIs) aligned with high level outcomes capturing multiple measures. Early development of KPIs assists in the effective ongoing management of a suite of measures.



## **Audit findings**

# 1. Background

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## Introduction

1.1 Since its emergence in late 2019, coronavirus disease 2019 (COVID-19) has become a global pandemic that is impacting on human health and national economies. On 21 January 2020 the Australian Government declared COVID-19 as a listed human disease under the *Biosecurity Act 2015* (Biosecurity Act).<sup>2</sup> The World Health Organisation (WHO) declared COVID-19 to be a ‘public health emergency of international concern’ on 30 January 2020.

1.2 From January 2020 the Australian Government commenced the introduction of a range of policies and measures in response to the emergence of COVID-19. On 18 March 2020, in response to the pandemic in Australia, the Governor-General of the Commonwealth of Australia declared that a human biosecurity emergency exists.<sup>3</sup>

1.3 The Australian Government’s health and economic response has included:

- travel restrictions, international border controls and quarantine arrangements;
- delivery of substantial economic stimulus, including financial support for affected individuals, businesses, and communities; and
- support for essential services and procurement and deployment of critical medical supplies (including the national vaccine rollout).

1.4 With the release of the 2022–23 Budget on 29 March 2022, the Australian Government reported that it had committed over \$29 billion to COVID-19 health support measures and \$314 billion in direct economic support.<sup>4</sup> As part of the economic response to COVID-19, the Australian Government has committed over \$5.6 billion to a suite of measures to support Australia’s aviation sector from March 2020 through to 2022–23.

## Impact of COVID-19 on the aviation sector

1.5 Australia’s aviation sector is made up of a range of participants, which can be categorised into four segments: domestic aviation; international aviation; airports; and ancillary service providers (see Figure 1.1). In 2018 the aviation sector directly contributed around \$20 billion to the Australian economy, or 1 per cent of gross domestic product. The aviation sector supports the activity of other sectors of the economy including the tourism, mining and higher education sectors.<sup>5</sup> The sector also plays a key role in connecting remote and regional Australia to major centres, which provides access to essential services such as healthcare.

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2 Biosecurity (Listed Human Diseases) Amendment Determination 2020, 21 January 2020, available from <https://www.legislation.gov.au/Details/F2020L00037> [accessed 22 February 2022].

3 Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) Declaration 2020, 18 March 2020, available from <https://www.legislation.gov.au/Details/F2020L00266> [accessed 22 February 2022]. The emergency declaration was extended on 15 May 2020, 4 September 2020, 11 December 2020, 3 March 2021, 11 June 2021, 3 September 2021, 11 December 2021 and 12 February 2022.

4 Commonwealth of Australia, *Keeping Australia safe*, Budget 2022–23 factsheet, available at [https://budget.gov.au/2022-23/content/download/glossy\\_safe.pdf](https://budget.gov.au/2022-23/content/download/glossy_safe.pdf) [accessed 21 April 2022].

5 Department of Infrastructure, Transport, Regional Development and Communications, *The Future of Australia’s Aviation Sector: Flying to Recovery*, Issues paper, 2020, p. 4.

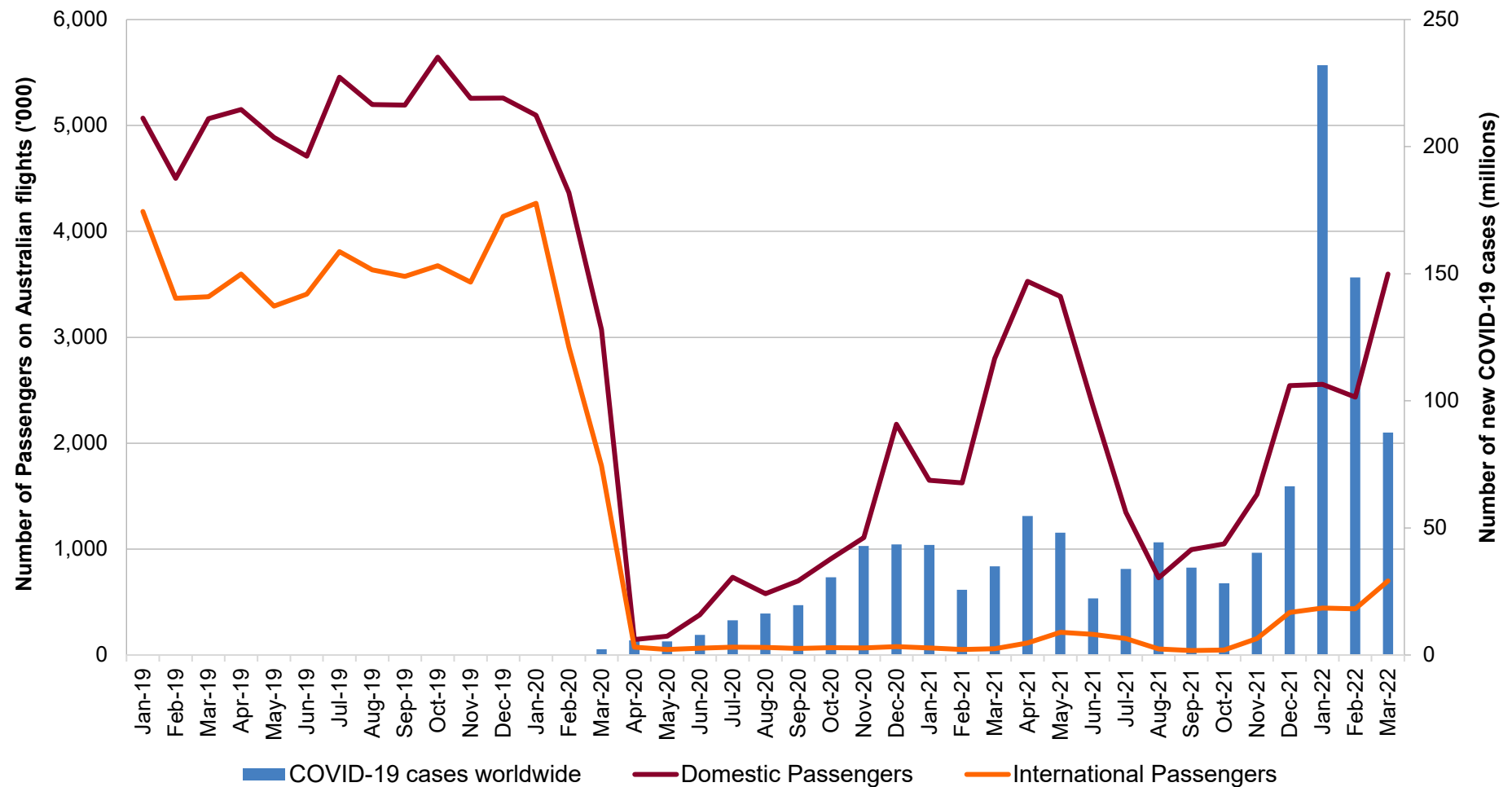
**Figure 1.1: Segments of the Australian aviation sector**

Source: ANAO.

1.6 The COVID-19 pandemic has had a significant impact on the aviation sector. International air passenger volumes decreased globally in early 2020 as many countries, including Australia, implemented travel restrictions in response to COVID-19.<sup>6</sup> Passengers on international flights to and from Australia and domestic flights within Australia dropped by more than 95 per cent at the onset of COVID-19 (see Figure 1.2).

<sup>6</sup> The Australian Government's management of international travel restrictions is examined in Auditor-General Report No.22 of 2021–22 *Management of International Travel Restrictions during COVID-19*.

**Figure 1.2: Air travel passengers in Australia before and during COVID-19**



Source: ANAO analysis of Bureau of Infrastructure and Transport Research Economics flight data from [https://www.bitre.gov.au/publications/ongoing/general\\_aviation\\_activity](https://www.bitre.gov.au/publications/ongoing/general_aviation_activity) and COVID-19 cases from <https://ourworldindata.org/covid-cases> [accessed 22 March 2022].

1.7 While domestic passenger numbers gradually increased during late 2020 and 2021, domestic COVID-19 outbreaks and changes to domestic border restrictions have resulted in fluctuating levels of domestic travel. As at November 2021, international passenger numbers had not recovered to the same extent, with monthly international traveller numbers between April 2020 and September 2021 not exceeding 12 per cent of average 2019 monthly traveller numbers. Air freight volumes declined less than air passenger numbers and were largely correlated with decreases in overall economic activity. The decline in demand for air freight was partially offset by increased air freight demand for medical products.

1.8 Decreases in passenger volumes have impacted the viability of commercial passenger airlines globally. In March 2020 the International Aviation Transport Association (IATA) reported that debt levels within the sector were rising and that the typical airline had two months' worth of cash reserves and would not survive in the medium term without government assistance. On 20 April 2020 Virgin Australia entered voluntary administration.

1.9 In December 2020 the IATA estimated that global passenger volumes would not return to 2019 levels until 2024.

## Government support to the aviation sector during COVID-19

1.10 Many governments, worldwide, have implemented financial support measures (refer Table 1.1).

**Table 1.1: Types of measures used to support the aviation sector**

Type of measure	Description	Example
Liquidity support	Governments have provided loans to organisations to ensure that organisations can continue to pay employees, suppliers and creditors.	The Norwegian Government provided around US\$537 million in loans to Norwegian Airlines.
Equity purchases	Governments have provided cash in return for equity stakes in the organisations.	The Singaporean Government provided around US\$10 billion in support to Singapore Airlines in return for an equity stake.
Deferral or waiving of taxes or charges	Governments have deferred or waived the requirement of organisations to pay government taxes, fees and charges.	The Hong Kong Government provided waivers and deferrals of fees to Cathay Pacific valued at around US\$453 million.
Nationalisation	Governments have taken total ownership and control of organisations.	The Italian Government nationalised the airline Alitalia at a cost of €500 million.
Subsidies	Governments have provided funds to organisations with or without conditions, with no obligation for the organisation to repay the amount.	The United States Government offered a US\$32 billion support package that largely consisted of grants to airlines.

Source: McKell Institute, *Australian Aviation and COVID-19 Analysis of support and impact*, January 2021.

1.11 From March 2020, after the onset of COVID-19, the Australian Government introduced a range of financial and non-financial measures to support the aviation sector in Australia (see Figure

1.3 and Table A.1 in Appendix 3).<sup>7</sup> Aviation sector support measures were introduced in two phases: initial support measures introduced from March 2020 to June 2020 to address the impact of COVID-19 on the aviation sector; and subsequent support measures introduced in late 2020 and 2021, which included four measures introduced following the conclusion of the Australian Government's JobKeeper payment scheme in March 2021.<sup>8</sup> The suite of aviation sector support measures<sup>9</sup> had three core objectives:

- maintaining essential air connectivity on regional and major routes without subsidising commercially viable activities;
- preserving critical aviation capacity so that a competitive aviation market can restart as the economy emerges from COVID-19 and COVID-19 related restrictions are lifted; and
- maintaining supply lines for air freight exports and imports, including essential medical supplies and equipment.<sup>10</sup>

1.12 Under the *Emergency Response Plan for Communicable Disease Incidents of National Significance: National Arrangements*, during a communicable disease emergency the Department of Infrastructure, Transport, Regional Development and Communications (the department) is responsible for providing advice on transport security matters and providing additional commercial airline resources or access to airports.<sup>11</sup> The department has been responsible for the implementation of 14 of the 15 measures introduced by the Australian Government to support the aviation sector.<sup>12</sup> In June 2020 the department established an Aviation Response Programs Governance Board to oversee measures introduced in response to COVID-19.

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7 Non-financial measures designed to support the aviation sector included: a direction made by the Minister for Infrastructure, Transport and Regional Development to adapt the approach to slot management at Sydney Airport; and the Australian Competition and Consumer Commission providing Regional Express the right to coordinate its flight schedules with Virgin Australia and Qantas Airways on ten regional flight routes.

8 The JobKeeper payment scheme provided wage subsidies to eligible businesses and not-for-profit organisations between 30 March 2020 and 28 March 2021. Administration of the JobKeeper scheme is examined in Auditor-General Report No.22 of 2021–22 *Administration of the JobKeeper Scheme*.

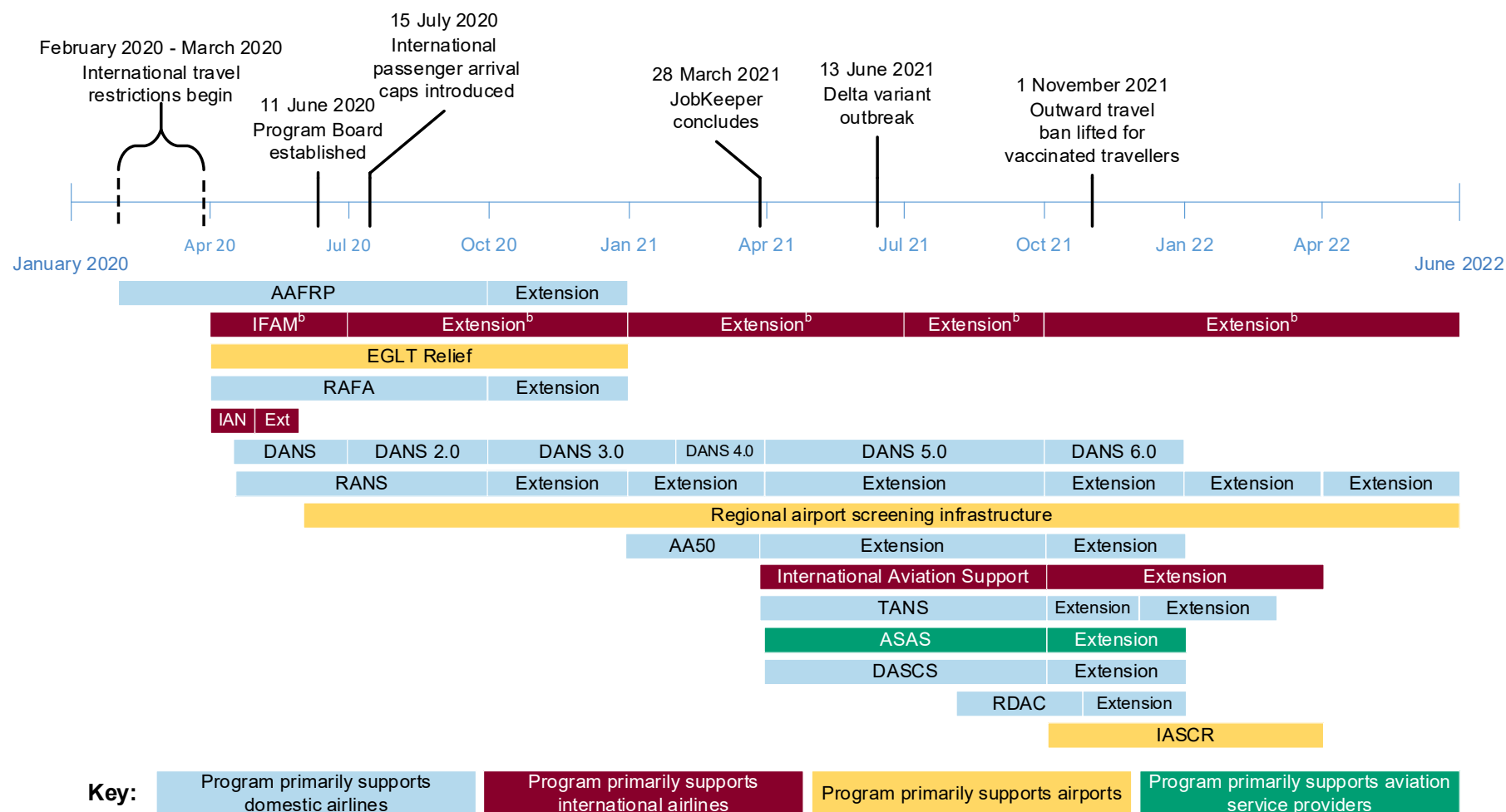
9 In total 16 measures were developed. Fifteen provided direct support and were implemented. One was developed as a contingency measure and not implemented.

10 Department of Infrastructure, Transport, Regional Development and Communications, *The Future of Australia's Aviation Sector: Flying to Recovery*, Issues Paper 2020, August 2020, p. 7.

11 On 25 February 2020 the Chief Medical Officer within the Department of Health activated the *Emergency Response Plan for Communicable Disease Incidents of National Significance* (National CD Plan). The National CD Plan establishes national arrangements for the management of communicable disease incidents consistent with high-level crisis management arrangements defined by the *Australian Government Crisis Management Framework*.

12 The International Freight Assistance Mechanism (IFAM) measure was funded by the Department of Infrastructure, Transport, Regional Development and Communications but administered by the Australian Trade and Investment Commission.

**Figure 1.3: Timeline of Australian Government measures to support the aviation sector<sup>a</sup>**



Note a: AAFRP = Australian Aviation Financial Relief Package; ASAS = Aviation Services Accreditation Support; AA50 = Airservices Australia 50% Fee Waiver; DANS = Domestic Aviation Network Support; DASCS = Domestic Airports Security Costs Support; EGLT Relief = Ex-Gratia Land Tax Relief; IAN = International Aviation Network; IASCR = International Airports Security Costs Rebate; RAFA = Regional Airlines Funding Assistance; RANS = Regional Airline Network Support; RDAC = Retaining Domestic Aviation Capability; and TANS = Tourism Aviation Network Support.

Note b: International Freight Assistance Mechanism (IFAM) was administered by the Australian Trade and Investment Commission (Austrade).

Source: ANAO analysis.

1.13 Expenditure on measures administered by the department has varied over time, with 45 per cent of expenditure occurring during 2020–21 (see Table 1.2). The highest value measure has been the Australian Aviation Financial Relief Package, which comprised a number of sub-measures (including Regional Airports Screening Infrastructure), with expenditure of \$674.9 million between February 2020 and January 2022. For one measure (International Airports Security Costs Rebate) there has been no expenditure as at January 2022 due to its recent commencement.

**Table 1.2: Expenditure on aviation support measures (February 2020–January 2022)<sup>a</sup>**

	2019–20 (\$million)	2020–21 (\$million)	2021–22 <sup>b</sup> (\$million)	TOTAL (\$million)
Australian Airline Relief Package (AAFRP) <sup>c</sup>	305.2	336.6	-	641.7
Domestic Aviation Network Support (DANS)	122.7	201.5	156.6	480.7
International Aviation Support (IAS)	-	65.2	130.6	195.8
Regional Airline Network Support (RANS)	27.3	113.3	44.5	185.1
Domestic Airports Security Costs Support (DASCS)	-	30.4	92.0	122.4
International Aviation Network (IAN)	109.4	-	-	109.4
Airservices Australia 50% Fee Waiver (AA50)	-	71.4	32.2	103.5
Tourism Aviation Network Support (TANS)	-	82.1	2.7	84.8
Regional Airlines Funding Assistance (RAFA)	52.3	18.3	-	70.6
Retaining Domestic Aviation Capability (RDAC)	-	-	45.7	45.7
Aviation Services Accreditation Support (ASAS)		15.9	21.5	37.4
Regional Airports Screening Infrastructure (RASI)	-	23.4	9.8	33.2
International Airports Security Costs Rebate (IASCR)	-	-	-	0.0
<b>Total</b>	<b>616.9</b>	<b>958.1</b>	<b>535.5</b>	<b>2110.5</b>

Note a: The table does not include the Ex-Gratia Land Tax Relief measure where the support was solely revenue foregone by the Australian Government. Totals do not add up due to rounding.

Note b: 2021–22 totals are to 30 January 2022.

Note c: Excluding RASI, which was originally approved as part of AAFRP and then continued as a separate measure. RASI is listed separately in the table.

Source: ANAO analysis of departmental data.

1.14 In addition to the specific aviation sector support measures, the aviation sector received support through the JobKeeper payment scheme. Published corporate data shows that seven aviation companies received more than \$1.2 billion in JobKeeper payments (refer Table 1.3). State governments also introduced measures to support the aviation sector; for example, the Western Australian Government introduced the Affordable Airfares program (\$21.4 million) and the Queensland Government introduced the Aviation Route Restart program (\$15 million).

**Table 1.3: JobKeeper payments received by aviation sector organisations**

Company	2019–20 employees supported	2020–21 employees supported	2019–20 amount received (millions)	2020–21 amount received (millions)	Total received (millions) <sup>a</sup>
Qantas Airways <sup>b</sup>	26,843	27,419	\$160.5	\$695.5	\$856.0
Virgin Australia <sup>c</sup>	Not reported	Not reported	\$80.5	\$205.4	\$285.9
Regional Express <sup>b</sup>	884	913	\$5.3	\$24.2	\$29.4
Sydney Airport <sup>b</sup>	509	400	\$11.8	\$3.8	\$15.6
Brisbane Airport Corporation <sup>c</sup>	Not reported	Not reported	\$3.6	\$8.3	\$11.9
Australia Pacific Airports Corporation <sup>c</sup>	Not reported	Not reported	Not reported	\$8.9	\$8.9
Adelaide Airport <sup>c</sup>	196	Not reported	\$2.0	\$3.8	\$5.8
<b>Total</b>	<b>28,432</b>	<b>28,732</b>	<b>\$263.6</b>	<b>\$949.9</b>	<b>\$1,213.5</b>

Note a: Totals do not add up due to rounding

Note b: Company disclosed the amount received from JobKeeper to the Australian Stock Exchange (ASX) consistent with the requirements of subsection 323DB(1) of the *Corporations Act 2001*, which applies to listed entities.

Note c: Company was unlisted and therefore not required to disclose the amount of JobKeeper payments received to the ASX. The company disclosed the amount received from JobKeeper in annual reports published on the company's website or lodged with the Australian Securities and Investments Commission.

Source: Annual reports and Australian Securities and Investments Commission, *JobKeeper consolidated report* [internet], ASIC, available from <https://asic.gov.au/regulatory-resources/corporate-governance/jobkeeper-notice/> [accessed 21 January 2022].

## Future of Australia's aviation sector

1.15 During 2020 the department began a consultation process to identify challenges and opportunities in the Australian aviation sector. As part of this process, the department released an issues paper titled *The Future of Australia's Aviation Sector* examining:

- Australian Government support for aviation during the COVID-19 crisis, and how best to manage, and ultimately withdraw, support as the economy and sector recover; and
- longer-term policy and reform options to be implemented over five years, to strengthen aviation once COVID-19 restrictions are lifted.

The department received 59 public submissions on the paper from a range of stakeholder groups including: airlines; airports; unions; industry associations; and state and local governments.<sup>13</sup>

1.16 On 12 December 2020 the Minister for Infrastructure, Transport and Regional Development formed a Future of Aviation References Panel (the panel) and instructed it to engage with senior aviation industry leaders with the objective of providing advice to the

13 The issues paper and public stakeholder submissions are published at Department of Infrastructure, Transport, Regional Development and Communications, *Aviation Recovery Framework* [Internet], DITRDC, available from <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/future-australias-aviation-sector> [accessed 28 February 2022]. The department informed the ANAO that a further eight confidential submissions were received.

Australian Government on policy options to shape the future of aviation in Australia.<sup>14</sup> In March 2021 the panel provided a report with 14 recommendations to the Minister, largely focused on workforce training and aviation regulation. Recommendation four stated that the COVID-19 support measures:

should continue, and the Government should allow these programs to taper down in an organic way as Australia's scheduled vaccination program is rolled out and consumer confidence in aviation, in particular interstate domestic (followed by international) air travel returns.

1.17 In December 2021 the Australian Government released the *Aviation Recovery Framework*.<sup>15</sup> The framework notes the Australian Government's COVID-19 aviation sector support measures and outlines six strategic priorities for the Australian Government's future activities to support the aviation sector to recover from the impacts of COVID-19: supporting aviation efficiency; building a sustainable pipeline of workforce skills; optimising airport infrastructure; connecting regional communities; revitalising general aviation; and embracing new technologies.

### **Senate inquiry into the future of Australia's aviation sector**

1.18 On 9 November 2020 the Senate referred the matter of the future of Australia's aviation sector to the Rural and Regional Affairs and Transport References Committee (the committee) for inquiry. The committee was instructed to have regard to matters including:

- the importance of Australia's aviation sector in supporting the economic and social wellbeing of all Australians;
- the immediate and long-term impacts of the COVID-19 pandemic response on all aspects of the Australian aviation sector;
- the adequacy of government industry support and procurement and programs for the social and economic well-being of workers for all sections of the aviation industry to survive the downturn caused by the pandemic; and
- what policy and practical measures would be required to assist the industry to recover in the medium term.

1.19 In March 2021 the committee released an interim report including three recommendations relating to government policy on the replacement of JobKeeper payments to the aviation sector. The report noted the committee's view that there were 'some issues with the timing and design' of economic support measures in response to COVID-19.<sup>16</sup> In March 2022 the committee issued its final report, which included nine recommendations primarily relating to maintaining skills and capability within the aviation workforce.

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14 The panel comprised five experts in the aviation sector and was chaired by Professor Patrick Murray, Chair of the Aviation Safety Advisory Panel at the Civil Aviation Safety Authority.

15 Department of Infrastructure, Transport, Cities and Regional Development, *Aviation Recovery Framework* [Internet], DITRDC, available from <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/aviation/future-australias-aviation-sector> [accessed 28 February 2022].

16 Rural and Regional Affairs and Transport References Committee, Parliament of Australia, *The future of Australia's aviation sector, in the context of COVID-19 and conditions post pandemic* (2021), p. 25.

## Rationale for undertaking the audit

1.20 The COVID-19 pandemic, and the pace and scale of the Australian Government's response, impacts on the risk environment faced by the Australian public sector. This performance audit was conducted under phase two of the ANAO's multi-year strategy that focuses on the effective, efficient, economical, and ethical delivery of the Australian Government's response to the COVID-19 pandemic.<sup>17</sup>

1.21 Australia's aviation sector has been significantly impacted by the COVID-19 pandemic. As part of the economic response to COVID-19, the Australian Government has committed over \$5.6 billion to a suite of measures to support the aviation sector from March 2020 through to 2022–23. As a result, there has been significant parliamentary and public interest in the Australian Government's administration of the support measures. The audit was conducted to provide assurance to the Parliament that the Australian Government has designed and implemented the measures effectively.

## Audit approach

### Audit objective, criteria and scope

1.22 The objective of the audit was to assess the effectiveness of the department's design and implementation of measures to support the aviation sector in response to the COVID-19 pandemic.

1.23 To form a conclusion against the audit objective the following high level audit criteria were adopted.

- Were the suite of measures to support the aviation sector designed effectively?
- Are the suite of measures to support the aviation sector being implemented effectively?

1.24 While the audit considered whether the establishment of measures complied with grant and procurement frameworks it did not examine the administration of individual grants or procurements. In addition, the audit did not examine measures implemented by other entities that supported the aviation sector during COVID-19 (such as the JobKeeper scheme).

### Audit methodology

1.25 The audit involved:

- reviewing submissions and briefings provided to the Australian Government;
- reviewing other entity documentation, including meeting papers and minutes, policies and procedures, and correspondence with stakeholders;
- analysis of data from AusTender, GrantConnect and the department's financial information management systems;
- reviewing one submission received from an industry peak body; and
- meetings with staff from the department, other relevant Australian Government entities, industry peak bodies and industry participants.

17 Further details on the ANAO's COVID-19 multi-year audit strategy can be found at: <https://www.anao.gov.au/work-program/covid-19>.

1.26 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$539,000.

1.27 The team members for this audit were Jonathan Muller, Lily Engelbrethsen, William Richards, Michael Commens, Henry Maher and Daniel Whyte.

## 2. Design of aviation sector support

### Areas examined

This chapter examines whether the Department of Infrastructure, Transport, Regional Development and Communications (the department) effectively designed the suite of measures to support the aviation sector in response to the COVID-19 pandemic.

### Conclusion

The department's design of the suite of COVID-19 aviation sector support measures was effective. The department provided sound and timely advice on the design of the measures and their ongoing need. The department adequately considered legislative and procedural requirements for most grant and procurement measures. Consultation on the design of the measures was adequate with some limitations arising from time constraints.

2.1 Robust policy-making processes and advice support effective government decision-making. The *Cabinet Handbook* states that in upholding the Cabinet guiding principles and operational values, ministers must 'ensure that proposals prepared for Cabinet consideration have involved thorough consultation across Government, are timely and of high quality, and provide concise and robust advice on implementation challenges and risk mitigation strategies'.<sup>18</sup> The Australian Public Service (APS) has traditionally played a key role in support of ministerial decision-making, with subsection 10(5) of the *Public Service Act 1999* providing that: 'The APS is apolitical and provides the Government with advice that is frank, honest, timely and based on the best available evidence.'<sup>19</sup> These are the general characteristics of impartial and robust policy advice.

2.2 This chapter examines whether the department: provided sound and timely advice to inform the design of COVID-19 aviation support measures and on the ongoing need for the measures; undertook adequate consultation to inform the design of the measures; and adequately considered the legislative and procedural requirements for individual measures.

### Did the department provide sound and timely advice, supported by evidence and risk assessment, to inform the design of the measures?

The department provided largely sound and timely advice on the design of aviation sector support measures, generally supported by evidence and risk assessment. In some cases, advice did not include sufficient information on implementation risks.

### Timely advice

2.3 As discussed at paragraph 1.11, the design of the Australian Government's COVID-19 aviation sector support measures was characterised by two phases:

- initial support measures introduced from March 2020 to June 2020 to address the impact of COVID-19 on the aviation sector; and

18 Department of the Prime Minister and Cabinet, *Cabinet Handbook*, 14<sup>th</sup> Edition, 2020, p. 11.

19 Section 10 sets out the APS Values. Subsection 10(5) relates to the APS value of 'Impartial'.

- subsequent support measures introduced in late 2020 and 2021, which included four measures introduced following the conclusion of the Australian Government’s JobKeeper scheme in March 2021.

2.4 Due to the need to respond to an unfolding crisis, the department’s program development activities for initial support measures, from identification of the need for a measure through to the consideration of the measure by government, followed short timeframes.

- Australian Aviation Financial Relief Package (AAFRP) was a package of five separate measures<sup>20</sup> designed to reduce the cost base of aircraft operators during the COVID-19 pandemic. Regional Airports Screening Infrastructure (RASI) provided grant funding to regional airports to assist them in complying with enhanced security screening requirements. These measures were developed and submitted within approximately one week of being requested by government. The government requested the department to develop measures providing relief from fuel excise and other government charges on 10 March 2020. Government approved the AAFRP and RASI measures on 17 March.
- Regional Airline Networks Support (RANS) provided grant funding to domestic commercial airlines to support the operation of 127 different regional routes that operated regular public transport (RPT) services prior to COVID-19 (see Appendix 4 for depiction of the routes supported). International Freight Assistance Mechanism (IFAM) provided grant funding to maintain international air freight links in response to significantly reduced international aviation activity. These measures were developed as part of the government’s \$1 billion Relief and Recovery Fund, which was established on 10 March 2020 to provide temporary and targeted support to trade-exposed sectors, regions and communities adversely affected by COVID-19.<sup>21</sup> The department was provided the high-level principles of the fund on 20 March 2020 and was requested to develop measures to achieve its intent. The department held coordination discussions with other government departments on 22 March. RANS and IFAM were approved by government as measures under the fund on 30 March 2020.
- Regional Airlines Funding Assistance (RAFA) provided grant funding to smaller regional airlines to manage cash flow issues resulting from the impacts of COVID-19 (such as requirements to refund prepaid fares). The department received a letter on 20 March 2020 from a regional airline indicating that it proposed to suspend operations in the absence of government support. A funding assistance measure was in development on 25 March and RAFA was approved by government on 30 March 2020 as part of the Relief and Recovery Fund.
- International Aviation Network (IAN) involved procuring and coordinating scheduled international flights to assist overseas Australians seeking to return to Australia. The department commenced consultation on development of the measure with the

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20 Component measures of AAFRP were: waiver of fuel excise; waiver of Airservices Australia charges; waiver of passenger movement charge; Domestic Aviation Security Rebate; and Regional Aviation Security Funding.

21 Department of Infrastructure, Transport, Regional Development and Communications, *Relief and Recovery Fund* [Internet], DITRDC, available from <https://www.infrastructure.gov.au/territories-regions-cities/regional-australia/regional-and-community-programs/covid-19-relief-and-recovery-fund> [accessed 18 March 2022].

Department of Foreign Affairs and Trade (DFAT) on 21 March 2020.<sup>22</sup> IAN was approved by government on 31 March 2020.

- Domestic Aviation Network Support (DANS) provided support to domestic commercial airlines by underwriting the cost of flights along 48 designated high-volume interstate routes (see Appendix 4 for depiction of the routes supported). Departmental discussion of the need to deliver such support in parallel to RANS occurred on 25 March 2020. DANS was approved by government on 11 April 2020.
- Ex-gratia Land Tax (EGLT) relief was provided to federally leased airports, which are required to pay EGLT to the Commonwealth in lieu of state land tax. The measure was approved by government on 5 June 2020, three months prior to the next round of EGLT payments, which were due in September 2020.

2.5 Development of subsequent support measures was timely, with the department generally providing advice to government prior to known events (such as the cessation of the JobKeeper scheme) or soon after unforeseen events.

- Airservices Australia 50 per cent Fee Waiver (AA50) was a re-design of the existing 100 per cent waiver of Airservices Australia (ASA) fees which formed part of AAFRP. The re-design focused the measure on regular public transport (RPT) and aeromedical operators<sup>23</sup>, as they required the greatest level of ongoing support, and decreased the waiver to 50 per cent. Advice was provided to government in early December 2020, before the expiry of the existing measure on 31 December 2020.
- Aviation Services Accreditation Support (ASAS), Domestic Airports Security Costs Support (DASCS) and International Aviation Support (IAS) were developed to maintain aviation sector capacity and capability following the end of the JobKeeper scheme. The measures provided funding to international airlines (IAS), domestic airports (DASCS) and businesses delivering ancillary support services to the aviation sector (ASAS). Government consideration and approval of these measures occurred on 19 February 2021, before JobKeeper ceased on 28 March 2021.
- Tourism Aviation Network Support (TANS) provided support by subsidising 50 per cent of the cost of over 800,000 airfares and underwriting the cost of additional flights on certain routes to key tourism regions (see Appendix 4 for depiction of the routes supported). Following consideration of an Australian Trade and Investment Commission (Austrade) proposal to support the tourism sector, the government requested the department develop a tourism support measure with an aviation focus on 10 February 2021. TANS was developed in consultation with Austrade and Treasury and approved by the government on 19 February 2021 along with other aviation related post-JobKeeper proposals.
- Retaining Domestic Airline Capability (RDAC) was developed in response to the impacts on aviation of various state and territory COVID-19 lockdowns. RDAC provided funding to eligible airlines which could demonstrate at least a 30 per cent reduction in their network

22 During the COVID-19 pandemic DFAT has been responsible for assisting Australians to return through facilitated flights. The ANAO is separately conducting a performance audit on the effectiveness of the DFAT's management of the return of overseas Australians in response to the COVID-19 pandemic, which is due to table in June 2022.

23 Aeromedical operators provide specialist medical air transport services (for example, the Royal Flying Doctor Service).

following the declaration of a COVID-19 hotspot by the Chief Medical Officer. Development of the measure commenced in late July 2021 and government approval was provided on 2 August 2021.

- International Airports Security Costs Rebate (IASCR) provided grant funding to eligible airports to maintain security obligations. Design of the measure commenced in August 2021, with departmental documentation referencing a letter from the Australian Airports Association sent on 29 June 2020 that requested support for international security screening costs. IASCR was approved by government on 28 September 2021.

## **Sound advice**

2.6 To assess whether the department provided sound advice to government on aviation sector support measures, the ANAO examined whether the advice:

- defined the problem to be addressed and aligned with the government's policy intent;
- estimated the level of support required to achieve government policy objectives;
- was informed by robust analysis and evidence;
- considered alternative design options, including assessing costs and benefits; and
- appropriately assessed implementation risks.

### *Problem definition and alignment with policy intent*

2.7 The department provided comprehensive advice to government on the problem that measures were intended to address for all proposals.

2.8 The government provided the department with high level guidance on its ongoing policy intent for COVID-19 aviation support as part of its approval of AAFRP. The government's policy intent was to provide sector-wide, rather than business-specific support, which maintained a policy and regulatory approach aligned with existing frameworks. This policy intent was incorporated into the analysis and rationale provided in support of future measures presented for approval.

### *Estimated level of support*

2.9 In developing advice on aviation sector support measures the department estimated the level of support required to achieve government objectives. In estimating the level of support required, the department used various information sources including:

- current or historical costs:
  - the International Aviation Support measure was aligned to the level of support previously provided by JobKeeper to this section of the industry; and
- information from industry participants:
  - for IAN, RANS and DANS, the department requested operating cost estimates from airlines to assist in determining the cost of the measure;
  - for International Airports Security Costs Rebate, the department considered cost estimates provided by the Australian Airports Association as part of a June 2020 letter;

- for Aviation Service Accreditation Support, the Australian Ground Handling Industry Alliance provided information that outlined the operational context for industry participants.

2.10 For measures designed to waive or refund monies already paid to the government, the department estimated the maximum potential cost of measures based on current fees charged, historical fees paid and estimated decreases in flights and passenger volumes.

- In developing AAFRP, the department worked with Civil Aviation Safety Authority (CASA) and Airservices Australia (ASA) to quantify the value of fees likely to be foregone and the additional funding the government would need to provide to supplement CASA and ASA's lost revenue.
- For EGLT, the department utilised internal analysis of land values and contractual clauses to evaluate the likely value of land tax owing for each federally leased airport.

### *Robust analysis and evidence*

2.11 The department generally undertook an appropriate level of analysis to inform the design of aviation sector support measures. For example the proposals for IAS and ASAS provided detail on the impact of JobKeeper payments being withdrawn and the need for continued support for capability within the aviation sector. Across the measures reviewed by the ANAO, the department demonstrated both quantitative and qualitative approaches to analysis.

2.12 Quantitative analysis was most evident where clear operational or financial data was available. For example, during later iterations of RANS and DANS, the department undertook detailed analysis of historical and current route data and information submitted by airlines on the costs of their operations. For ASAS, the department analysed costs with reference to the number of ground handling staff requiring training that was provided by the Australian Ground Handling Industry Alliance.

2.13 As discussed at paragraph 2.4, analysis informing the design of initial support measures frequently occurred within a limited timeframe.

2.14 Following the first phase of aviation support from March to June 2020, the department's subsequent design activities were based on progressively more robust analysis and evidence, including engaging external advisors to support redesign of measures.

2.15 The AA50 measure demonstrates the increasing analysis and evidence underpinning the design of measures. The proposal to government reviewed the operation of AAFRP and identified that waiving Airservices Australia fees had a demonstrable effect on the financial operation of airlines by decreasing operating costs and that a waiver mechanism had benefits over a rebate as cash flow was maintained (since the air operator did not have to pay the fees prior to them being rebated). The AA50 measure revised the eligibility rules for the waiver to exclude charter operators. The department outlined that charter operators had maintained their operations closer to pre-COVID levels and therefore did not require the same support as RPT operations. The department also outlined that the overall level of support to the aviation industry was maintained. RPT operations paid a greater proportion of fees, since fees are levied based on the size of aircraft and RPT airlines generally operate larger aircraft.

2.16 The ANAO received feedback from an aviation industry participant that the department had taken a 'trickle down' approach to designing aviation support measures — that is, the department sought to provide direct support to airlines on the assumption that there would be flow-on income generated for other aviation industry participants who provided services to airlines (for example airports and ground handlers). Support measures in place during 2020 focused on maintaining the capabilities of the aviation industry by supporting the financial viability and operations of aviation sector organisations. In 2021 measures developed by the department had a greater focus on directly supporting workforce capability.

### *Alternative design options*

2.17 There was limited evidence of consideration of alternative design options across the aviation sector support measures examined. The only measure for which the department actively considered alternative design options was Tourism Aviation Network Support (TANS).

2.18 Two approaches to providing support for tickets to tourism destinations were considered for TANS. The first was a simple flat subsidy model tied to average ticket costs prior to COVID-19, and the second was a more complex model with variable levels of subsidy tied to airline determined fares and pre-COVID average ticket prices. The flat subsidy model was simpler to administer and with a clearer cost to government but could not respond to dynamic ticket pricing, whereas the more complex option could respond to dynamic ticket pricing but would have been more complex to administer. The department opted to use the flat subsidy model.

### *Risk assessment*

2.19 The department's advice to government addressed the risks of implementing proposed aviation sector support measures for all but two measures. The advice on International Aviation Network and Regional Airlines Financial Assistance did not address risks arising from the implementation of the measures.

2.20 The department identified a range of risks across measures, including:

- risks to the financial viability of CASA and Airservices Australia if fee revenue forgone as part of AAFRP was not supplemented by government;
- risks that measures may not prevent job losses or changes in business operations as individual aviation businesses make decisions on their operations;
- risks that aviation entities not eligible for support may be dissatisfied or challenge the application of a measure;
- uncertainty over uptake which may limit the impact of measures; and
- risks of aviation businesses 'double dipping' due to overlapping measures.

2.21 The department also identified legislative and procedural risks relating to measures. Program design teams regularly obtained legal advice, both internally and from the Australian Government Solicitor (AGS). Examples of risks identified and addressed during design include: constitutional risks associated with ASAS; legislative processes necessary to support EGLT; and advice on the development of appropriate grant agreements and procurement contracts.

## Did the department adequately consider the legislative and procedural requirements for individual measures?

The department adequately considered legislative and procedural requirements for most grant and procurement measures. Demonstration of value for money in managing both grants and procurements could have been improved for three of the fifteen measures. For one measure, the department did not adequately identify requirements under procurement-connected policies.

2.22 The Department of Finance's Resource Management Guide No. 411 *Grants, Procurements and other financial arrangements* outlines three categories of financial arrangements:

- grants — arrangements whereby the Commonwealth provides financial assistance to other entities (grantees) that addresses government policy outcomes while assisting grantees to achieve their objectives;
- procurements — arrangements to acquire goods or services; and
- other financial arrangements — tax concessions and offsets, investments, loans and other payment types.<sup>24</sup>

2.23 Resource Management Guide No. 411 states:

At the outset, the decision to use a particular financial arrangement should be part of a considered process to assess whether a particular financial arrangement, such as a grant, is the most appropriate mechanism to address the Government's policy outcomes. All decisions to use a particular financial arrangement should be underpinned by analysis and a strong policy rationale.

In determining which financial arrangement to use to address the Government's policy outcomes, officials should focus on the substantive purpose and characteristics of the arrangement. Officials should document the reasons for deciding to use a particular arrangement. Officials must apply the relevant framework (i.e. policy, processes and legal requirements) to the financial arrangement once chosen.<sup>25</sup>

For grants the relevant framework is the Commonwealth Grants Rules and Guidelines (CGRGs) and for procurements it is the Commonwealth Procurement Rules (CPRs). The CGRGs and CPRs are issued by the Minister for Finance under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

2.24 Support to the aviation sector administered by the department has been delivered as grants, procurements, and relief from government fees:

- ASAS, DASCS, IASCR, RASI, RAFA, RANS, RDAC, TANS and IAS were established as grants;
- DANS and IAN were managed as procurements;
- AA50 and EGLT were fee waivers; and
- AAFRP incorporated a mix of fee waivers and grants.

24 Department of Finance, *Grants, Procurements and other financial arrangements*, Resource Management Guide No. 411, June 2018, pp. 5–11. Other payment types include: act of grace payments; compensation payments; benefit or entitlement payments established by specific legislation; and payments to states and territories.

25 Department of Finance, *Grants, Procurements and other financial arrangements*, Resource Management Guide No. 411, June 2018, p. 5.

## Decision-making on financial arrangements

2.25 The ANAO examined whether decision-making on financial arrangements for aviation sector support measures was underpinned by analysis and a strong policy rationale, and whether the department adequately documented the reasons for deciding to use a particular arrangement.

2.26 Review of departmental design activities found limited evidence of active consideration of the financial arrangement selected for each support measure. There is evidence that the choice of financial arrangement was considered during the initial design of some measures, but where this occurred the department did not document the basis for selecting the financial arrangement prior to commencing the measure. For example, design activities for TANS included discussion of different financial arrangements including whether the measure would be best delivered as a grant or procurement. However, the department did not subsequently document why a grant approach was adopted.

2.27 The department designed three measures (RANS, IAN and DANS) during March and April 2020 to subsidise the operation of domestic and international flights that would otherwise not have been commercially viable. Two of these measures (IAN and DANS) were designed as procurements, whereas RANS was designed as a grant. Given the functional similarities between these measures, there would have been value in the department documenting the basis for using different financial arrangements prior to commencing the measures.

## Consideration of grant requirements

2.28 For aviation sector support measures structured as grants, the ANAO assessed each measure for alignment with the following components of the CGRGs, which collectively outline requirements relating to the development of a grant and grant guidelines:

Before entering into an arrangement for the proposed commitment of relevant money there *must* be legal authority to support the arrangement. [Paragraph 3.6]

Officials *must*: develop grant opportunity guidelines for all new grant opportunities, and revised guidelines where significant changes have been made to a grant opportunity. [Paragraph 4.4a]

Grant opportunity guidelines *must* be made publicly available on GrantConnect<sup>26</sup>, except where there is a specific policy reason to not publicise the grant opportunity guidelines or grants are provided on a one-off or ad hoc basis. [paragraph 5.2]<sup>27</sup>

2.29 In addition, the ANAO assessed whether approval documentation for grants awarded under these measures included adequate documentation of the basis for proposed grants relative to the grant guidelines and the key principle of achieving value with relevant money (as required under paragraphs 4.5 and 4.6 of the CGRGs). The results of this assessment are outlined in Table 2.1.

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26 GrantConnect is the Australian Government's grants information system. It provides centralised publication of forecast and current grant opportunities and grants awarded.

27 Department of Finance, *Commonwealth Grant Rule and Guidelines*, Canberra, 2017, pp. 10, 11, 14, 21. Emphasis in original text.

**Table 2.1: Compliance with selected CGRG requirements**

Measure	Legal authority (3.6)	Develop guidelines (4.4a)	Publish guidelines (5.2)	Document basis for grants awarded (4.5/4.6)
AAFRP	✓	✓	✓	✗
ASAS	✓	✓	✓	✓
DASCS	✓	✓	✓	✓
IAS	✓	✓	✓	✓
IASCR	✓	✓	✓	✓
RAFA	✓	✓	✓	✓
RANS	✓	✓	✓	✓
RASI	✓	✓	✓	✓
RDAC	✓	✓	✓	✗
TANS	✓	✓	✓	✓

Source: ANAO analysis.

### *Development of grant and grant guidelines*

2.30 The department's initial development of aviation support grants was appropriate, with the department documenting the legal authority for grants and developing grant guidelines for all grant measures. The department published grant guidelines on GrantConnect for all grant measures.

2.31 The majority of grant measures relied upon item 409 in Schedule 1AB of the Financial Framework (Supplementary Powers) Regulations to provide the necessary legal authority. During the development of TANS the constitution and legal risk assessment by the AGS identified that TANS was at high risk of not having an appropriate legal authority for operation. In response, the department, with the assistance of the Department of Finance, developed an additional clause for inclusion in Schedule 1AB to provide the necessary authority. The change to Schedule 1AB was made on 1 April 2021. The change was reviewed by the Senate Standing Committee for the Scrutiny of Delegated Legislation and no disallowance motion was made.

2.32 The development of grant guidelines is an important element of the grants administration framework. Paragraph 8.6 of the CGRGs states grant guidelines should include, where relevant: grant objectives and purposes; eligibility criteria; assessment criteria and the weighting of the criteria; the approval process; expected terms and conditions of the grant agreement; and indicative reporting and acquittal requirements.<sup>28</sup> The ANAO's analysis of alignment with paragraph 8.6 found six of eleven aviation support measures that developed grant guidelines did not include assessment criteria within the guidelines or stated that applications would be assessed against eligibility criteria. For these measures, the intent of the grant was to provide support to all

28 Department of Finance, *Commonwealth Grant Rule and Guidelines*, Canberra, 2017, p. 21.

eligible recipients through a demand driven or non-competitive grants approach, making assessment beyond eligibility unnecessary.

2.33 Department of Finance guidance on the development of grant guidelines requires that the Minister approve the publication of the grant guidelines. For the IAS grant program the minute seeking approval requested the Minister to note that the department was the decision-maker. However the IAS grant guidelines state that a single, specified senior departmental official is the decision-maker. A decision-maker cannot be an entity, it can only be an official.<sup>29</sup>

### *Documenting the basis for grants awarded*

2.34 Paragraph 4.5 of the CGRGs requires an official approving the commitment of money in relation to a grant to document in writing the basis for approval relative to the grant opportunity guidelines and the principle of achieving value for money.<sup>30</sup> For eight of ten grant measures that were approved by a departmental official, the approving official documented the basis for approval against grant guidelines and achievement of value for money. For two measures, approval documentation did not meet the requirements of paragraph 4.5.

- The minute to the approving official for grants under AAFRP did not include a statement confirming alignment with grant guidelines and did not address achievement of value for money.
- Approval documentation for RDAC grants included evidence of assessment against the grant guidelines but did not demonstrate how value for money was to be achieved. The department informed the ANAO in April 2022 that value for money was considered at the time the grant guidelines were developed, but the grant approval documentation did not clearly link this consideration.

2.35 The approval process for IAS provides an example of where the department clearly addressed the requirements of paragraph 4.5. The official who approved two grant offers under IAS to Qantas and Virgin Australia (Virgin) noted an assessment that outlined how the grants represented a proper use of relevant money, which included comprehensive consideration of value for money against the PGPA Act principles of efficient, effective, economical and ethical spending.

2.36 The minute seeking approval of IAS grants provided the approver assurance that the grants represented proper use of relevant money and were aligned to the grant guidelines. There was however an anomaly in the process of grant approval.

- The IAS grant guidelines identified a senior departmental official (a First Assistant Secretary (FAS)) as the final decision-maker, 'in all matters including the approval of the grant, the grant amount to be awarded [and] the terms and conditions of the grant'.
- The approval to commit money was given by the Deputy Secretary in a minute dated 23 April 2021. The approval by the Deputy Secretary was needed because while the First Assistant Secretary held the necessary PGPA Act delegations, the value of the grant exceeded their authority in the department's financial management system. The disconnect between PGPA Act and financial management system delegations was rectified

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29 The PGPA Act defines an official of a Commonwealth entity as 'a person who is in, or forms part of, the entity' (section 13(2)).

30 Department of Finance, *Commonwealth Grant Rule and Guidelines*, Canberra, 2017, p. 11.

in August 2021 with the issuing of a new Accountable Authority Instruction which removed the financial management system limitation from the instruction.

The guidelines identified the FAS as the decision-maker, however their ability to operate as a decision-maker was restricted by internal system limitations. Consideration should have been given to ensuring that internal and grant decision-making processes are aligned, so that the decision-maker is not unnecessarily constrained.

2.37 The Regional Airports Screening Infrastructure measure was approved by the Minister for Infrastructure, Transport and Regional Development under paragraph 4.6 of the CGRGs. The approval documentation for RASI addressed requirements of the CGRGs and included a necessary additional letter for the Minister to send to the Minister for Finance in relation to grants within the Minister's own electorate. The briefing to the Minister provided a clear outline of how value for money was achieved by the grants.

### Consideration of procurement requirements

2.38 The ANAO assessed the two aviation sector support measures that were managed as procurements (International Aviation Network (IAN) and Domestic Aviation Network Support (DANS)) against the following components of the CPRs, relating to value for money and encouraging competition:

Achieving value for money is the core rule of the CPRs. Officials responsible for a procurement *must* be satisfied, after reasonable enquires, that the procurement achieves a value for money outcome. [paragraph 4.4]

All potential suppliers to government *must*, subject to these CPRs, be treated equitably based on their commercial, legal, technical and financial abilities and not be discriminated against due to their size, degree of foreign affiliation or ownership, location, or the origin of their goods and services. [paragraph 5.4]<sup>31</sup>

The results of this assessment are outlined in Table 2.2.

**Table 2.2: Compliance with selected CPR requirements**

Measure	Achieving value for money (4.4)	Encouraging competition (5.4)
DANS	✓	✓
IAN	✗	✓

Source: ANAO analysis

#### *Achieving value for money*

2.39 Both IAN and DANS were delivered as limited tenders under the CPRs. A limited tender involves approaching one or more potential suppliers to make submissions in relation to a procurement. Where the value of a procurement exceeds specified values, a limited tender may only be undertaken if specific criteria apply. Both IAN and DANS were conducted as limited tenders through the application of paragraphs 10.3b and 10.3d(iii) of the CPRs:

31 Department of Finance, *Commonwealth Procurement Rules*, Canberra, 2019, pp. 11 and 14. Emphasis in original text.

A relevant entity must only conduct a procurement at or above the relevant procurement threshold through limited tender in the following circumstances:

- when, for reasons of extreme urgency brought about by events unforeseen by the relevant entity, the goods and services could not be obtained in time under open tender... [paragraph 10.3b]
- when the goods and services can be supplied only by a particular business and there is no reasonable alternative or substitute... due to an absence of competition for technical reasons. [paragraph 10.3d(iii)]

2.40 For IAN, the department relied upon paragraph 10.3b with the reasons for urgency being to assist Australians returning home from overseas with limited or unavailable commercial options.

2.41 For DANS, the department relied upon both paragraphs 10.3b and 10.3d(iii):

- under paragraph 10.3b, the department noted the government's decision that the reestablishment of a limited capacity domestic network must happen immediately in response to the sudden cessation of the two major airlines; and
- under paragraph 10.3d(iii), it noted the airlines to be approached represented the majority of air travel capacity and were the only two domestic airlines with the regulatory approvals, assets, personnel, maintenance and other logistics available across Australia for immediate effect.

2.42 Approval documentation for IAN did not document the basis on which value for money was achieved. Further analysis found that the department had undertaken actions to achieve value for money in the procurement, but that this was not referenced in the approval minutes.<sup>32</sup> In addition, IAN was only partially compliant with paragraph 10.5 of the CPRs as the approval signed by the Deputy Secretary and filed in the department's records management system did not clearly address how the procurement represented value for money.<sup>33</sup>

2.43 For DANS, the department addressed how value for money was achieved by each tenderer when contracts were approved. As DANS progressed through its series of extensions, the department introduced additional features to further achieve and demonstrate value for money. For example, the extension of DANS in June 2020 included a taper mechanism in the contracts, which ensured government costs would decrease in response to improvements in the operation of contracted routes.

### *Encouraging competition*

2.44 For both IAN and DANS, the department has maintained an equitable approach to procurement.

- The operation of IAN was equitable as the department invited tenders from both Australian airlines with the requisite capability to deliver the requested services. Capability

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32 For example, the ANAO identified documentation demonstrating negotiations with Virgin in relation to the type of activities and materials underpinning contracted prices. In addition, the second extension of IAN in May 2020 included negotiation recognising Qantas already had aircraft and staff in operation and did not have to stand up new aircraft or staff.

33 Paragraph 10.5 requires officials to prepare and appropriately file a written report for limited tender contracts outlining the value and type of goods and services procured, the circumstances and conditions that justified the use of limited tender, and how the procurement represented value for money in the circumstances.

included both the necessary equipment to operate the required service, as well as the legal right to access the desired overseas airport (for example, landing slot allocation).

- For DANS, the department sought to invite tenders from suitably capable airline operators. The initial design of DANS included only Qantas and Virgin as invited tenderers, but subsequent iterations of the measure expanded this to include Regional Express (Rex) and Airnorth. The inclusion of only Qantas and Virgin in the initial tender invitations was justified by the department based on urgency and the timeframes within which DANS needed to be established. The department informed the ANAO that DANS was initially a network approach and routes operated by smaller airlines were supported under RANS.

### *Compliance with procurement connected policies*

2.45 In addition to the requirements of the CPRs, there are a series of specific whole-of-government policies for which procurement has been identified as a means of delivery.<sup>34</sup> Compliance with procurement connected policies is not a mandatory requirement of the CPRs, but officials should take them into account during a procurement process.<sup>35</sup>

2.46 In early 2021 the department identified that DANS had not complied with certain procurement connected policies (including the mandatory minimum requirements component of the government's Indigenous Procurement Policy).<sup>36</sup> Case study 1 outlines factors contributing to the non-compliance and actions the department undertook to address it.

#### **Case study 1. DANS non-compliance with procurement connected policies**

DANS was developed over a few weeks during March 2020 due to the need to support the aviation industry in response to the impacts of COVID-19. The requirement to quickly develop appropriate contractual terms for DANS led to the contracts being drafted based on terms already in development for IAN. This decision was made because both DANS and IAN involved the same airlines and IAN had already agreed a broad contractual framework.

IAN was exempt from the mandatory minimum requirements policy because the procured services were not being delivered solely within Australia. However, the services procured through DANS were delivered solely within Australia and were thus not exempt.

When seeking approval to proceed with procurements under various iterations of DANS, the requirement to address procurement connected policies in contracts was included in approval minutes in most instances. Approval minutes stated that necessary documentation '...will be sought from suppliers as required'. However, documentation was not sought and relevant clauses were not included in DANS contracts.

34 Information on the policies can be found at: <https://www.finance.gov.au/government/procurement/buying-australian-government/procurement-connected-policies> [accessed 21 March 2022].

35 Section 21 of the PGPA Act requires an entity's accountable authority to govern the entity in a manner not inconsistent with the policies of the Australian Government.

36 Under the mandatory minimum requirements policy, entities must ensure procurement contracts valued at \$7.5 million or above in specified industry categories include requirements for contractors to achieve minimum Indigenous participation targets. Auditor-General Report No.25 of 2019–20 *Aboriginal and Torres Strait Islander Participation Targets in Major Procurements* found the effectiveness of this policy had been undermined by ineffective implementation and insufficient compliance.

The failure to seek documentation and include relevant contractual clauses arose through a misunderstanding of paragraph 2.6 of the CPRs, which states:

These CPRs do not apply to the extent that an official applies measures determined by their Accountable Authority to be necessary for the maintenance or restoration of international peace and security, to protect human health, for the protection of essential security interests, or to protect national treasures of artistic, historic or archaeological value.<sup>a</sup>

The DANS team operated on the assumption that, as the measure was in response to COVID-19, it was exempt from key aspects of the CPRs. When the department's procurement team queried compliance with procurement connected policies, it was provided with assurances from the program team that DANS was exempt under paragraph 2.6.

The department identified its failure to comply with the Indigenous Procurement Policy in early 2021, and the procurement team, in conjunction with the DANS team, gained agreement from the Secretary in April 2021 that DANS be exempted from 'certain procurement connected policies' under paragraph 2.6 of the CPRs. The paragraph 2.6 exemption provided by the Secretary applied only to procurement connected policies and DANS continued to be subject to all obligations of the CPRs.

Note a: Department of Finance, *Commonwealth Procurement Rules*, Canberra, 2019, p. 6.

## Has the department provided sound and timely advice to government on the ongoing need for measures?

The department has provided sound and timely advice to the Australian Government on the ongoing need for aviation sector support measures. Advice was provided as measures approached their planned conclusion to enable timely decisions on whether to extend, adjust or end measures.

2.47 As the pandemic response and resulting disruption to air travel lasted longer than first anticipated, many aviation sector support measures have been extended multiple times and the mix of measures has been adjusted over time. The department advised the ANAO that measures were intentionally designed with short implementation periods to enable regular review and adjustment and ensure they were fit-for-purpose in an evolving environment.<sup>37</sup> As a result of this strategy, to support the extension, adjustment or closure of aviation sector support measures, the department has provided regular advice to government on the ongoing need for measures.

2.48 Aviation sector support measures have been implemented with an average duration of around four months. As a result of the duration of the pandemic, some measures have needed to be extended up to five times. Prior to each extension, the department has provided advice to the Australian Government on the implementation of the measure and any adjustments needed to optimise the achievement of objectives (see Table 2.3 for examples of advice provided). The short duration of measures has ensured the Australian Government has received sound and timely advice on issues with measure implementation and the ongoing need for measures. The department

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37 The short implementation period for measures was also consistent with advice on the urgency principles relied upon in the design of measures.

provided advice on the intended closure of eight measures prior to the end of the measure (see Table 2.3). The remaining measures lapsed as planned under their original approval.

**Table 2.3: Advice on the extension, closure or adjustment of measures**

Measure	Description of advice
AAFRP	<p>The department provided advice in June 2020 that the decrease in aviation activity in 2020 had reduced the ability of applicants to claim expenses for the domestic aviation security rebate and fuel excise waiver components of AAFRP. It recommended extending AAFRP to enable recipients to claim expenses against the currently unexpended portion of the previously agreed AAFRP funding.</p> <p>In December 2020 the department advised that AAFRP was due to end and the Airservices Australia fee waiver had been the most successful component of the AAFRP as it had provided the most benefit, quickly, to more operators and at a low administrative burden to the sector. The advice recommended continuing the fee waiver at a 50 per cent rate through AA50 and excluding charter flight operators as that component of the aviation sector has not been affected to the same extent as RPT operators.</p>
AA50	<p>The department recommended extending AA50 in February 2021 and August 2021, noting that continuing uncertainty in the aviation sector meant there was a need for measures that reduce operating costs for RPT operators.</p>
ASAS	<p>The department provided advice in August 2021 that the ASAS measure was intended to support aviation service providers to meet prescribed costs once the aviation recovery began, and that the imposition of lockdowns and travel restrictions had delayed the aviation recovery. Consequently, aviation service providers had been prevented from conducting training and therefore claiming expenses. The department advised that without extension the measure was unlikely to meet its objectives.</p>
DANS and RANS	<p>The department provided advice in June 2020 that it had identified opportunities to improve the design of the DANS and RANS measures.</p> <ul style="list-style-type: none"> <li>It was noted that, on a small number of routes operated by two airlines, in some cases one airline was supported by DANS and the other by RANS. The department recommended adjusting the routes supported under each measure.</li> <li>It also identified that in some cases airlines had used DANS and RANS payments to cover expenses not related to the direct operation of supported flights. Consequently, it recommended introducing a new pricing mechanism to ensure the Australian Government only funded the shortfall between flight operating expense and revenue.</li> </ul> <p>The department provided additional advice on the operation of DANS and RANS in September 2020. It noted that some routes were likely to return to commercial viability prior to others and the recovery was unlikely to be consistent, so there was a need to enable greater flexibility in funding arrangements. Additional taper mechanisms were recommended to ensure funding would decrease as revenue from increasing passenger volumes increased.</p> <p>In December 2020 the department advised that state-regulated routes should be removed from RANS from March 2021 as these routes were marginal under business-as-usual conditions and were unlikely to return to commercial viability. The Australian Government decided to continue supporting these routes following consideration of the advice.</p>
DASCS	<p>The department provided advice to the government in August 2021 that continuing the DASCS measure was required in recognition that domestic airports continue to face an uncertain operational environment. The department advised that the measure had no inbuilt taper and therefore it should be reviewed in December 2021. In early December the department provided advice to the government that DASCS should be allowed to cease on 31 December 2021.</p>

Measure	Description of advice
IAN	<p>In April 2020 the department provided advice on the performance of IAN, which noted that there had been strong passenger utilisation of subsidised flights from London and Los Angeles but travel restrictions and availability of commercial alternatives had resulted in reduced utilisation on subsidised flights from Hong Kong and Auckland. The advice noted there was a continuing need for IAN due to the linkage with domestic networks and the symbolism of maintaining international connections, but that the network could be better targeted by reducing it to two hubs.</p> <p>In June 2020, approximately one week prior to its expiry the department advised that there was no requirement to extend IAN as the number of passengers requiring repatriation flights had diminished, and that residual demand could be met by existing commercial channels.</p>
IAS	<p>The department provided advice in September 2021 noting that domestic travel restrictions, lockdowns and the COVID-19 environment had delayed the return of international travel. The advice further noted that IAS had been successful in supporting airlines to maintain key staff for the return of international travel and closure of IAS would likely result in airlines being unable to maintain an international aviation capability.</p>
IFAM	<p>The department has provided advice on several occasions to Australian Government (June 2020, February 2021 and July 2021) that continued volatility in the availability of international flights and freight costs necessitated extension of IFAM. The advice noted the outcomes of IFAM and that it was generally successful in supporting international air freight into and out of Australia.</p>
RAFA	<p>The department provided advice around one month prior to the end of RAFA that the measure was on track to achieve its objectives and that termination was unlikely to lead to insolvencies.</p>
TANS	<p>The department provided advice in August 2021 that TANS had sold 96 per cent of all available tickets. It advised that the imposition of border restrictions and lockdowns had resulted in ticket cancellations and recommended TANS be extended with no additional funding to enable resale of the tickets.</p>
DANS, AA50, ASAS, RDAC and DASCS	<p>The department provided advice in early December 2021 that aviation support measures currently approved through to 31 December 2021 should be allowed to cease at the end of the approved period, with the exception of RANS and TANS. The RANS and TANS measures were recommended for extension until March 2022. Closure of programs was recommended based on increasing activity within the sections of the aviation sector supported by the programs.</p>

Source: ANAO analysis.

2.49 The department's advice to the Australian Government on the extension and adjustment of aviation sector support measures has generally:

- clearly and succinctly identified the outcomes of the measures (including the amount expended, number of applications, and number of individuals supported);
- provided data on the operational environment for the aviation sector (including the number of passengers, and number of flights taking place across the Australian aviation network);
- outlined where changes to the operational environment have occurred and extensions to measures were required to achieve the Australian Government's objectives for aviation sector support;
- provided proactive advice on opportunities to resolve issues encountered during implementation or improved the design of measures to better target support; and

- disclosed where assumptions regarding the future progression or need for measures were made.

## Has the department undertaken adequate consultation to inform the design of the measures?

Consultation on the design of the measures has been adequate. Due to the pace at which measures were developed during the first phase of the pandemic response, there was limited consultation with some impacted industry sectors.

### Consultation with impacted industry sectors

2.50 Australian Aviation Financial Relief Package (AAFRP) was the first aviation sector support measure developed by the department in response to COVID-19, and it was designed, approved and announced in one week. Under these circumstances the opportunity to consult with impacted sectors was limited. The department relied primarily upon industry representations (for example letters and emails), which had been received following the emergence of the pandemic, as the mechanism for determining the industry position on potential support mechanisms. The types of support included in AAFRP broadly reflected proposals outlined in industry representations received up to that point.

2.51 Support measures subsequent to AAFRP continued to be developed within limited timeframes, as discussed at paragraph 2.4. Consequently, the department consulted with the aviation sector predominantly through email, telephone or virtual meetings.

- Consultation on international airline support measures was evident, with Qantas and Virgin consulted on relevant measures. As the sole Australian registered international RPT operators, consultation with these operators was appropriate.
- For domestic airline support measures, Qantas and Virgin were consulted during the design phase for all measures for which they would be eligible. Consultation with other domestic RPT operators during design occurred only for the Tourism Aviation Network Support (TANS) measure, with Rex, Alliance, Airnorth and Fly Pelican invited to provide input. In contrast, for Regional Aviation Network Support (RANS) the department sought input only from Qantas and Virgin despite other RPT operators potentially being eligible for the measure.
- Consultation with ancillary service providers predominantly involved the ground handling industry in relation to the Aviation Services Accreditation Support (ASAS) measure. Prior to the development of ASAS, the Australian Aviation Ground Handling Industry Alliance (AAGHIA) contacted the department on a regular basis to outline issues being experienced in the ground handling industry.

2.52 Consultation supporting the design of measure extensions was generally comprehensive as the department had processes in place to collect and analyse feedback from those entities participating in measure.

### Consultation with other relevant government entities

2.53 The department consulted with other government entities during the initial design of measures and subsequent design of extensions to measures. The department's consultation focussed

on four broad groups: central agencies; Australian Government Solicitor (AGS); entities with an interest in individual measures; and state governments.

2.54 In addition to this direct consultation, the department engaged in high level communication of its activities at a whole-of-government level. From November 2020 the department provided regular updates on aviation sector support measures through a Commonwealth COVID Initiatives Tracker managed by the Department of the Prime Minister and Cabinet (PM&C). The tracker provided visibility of departmental measures to other government entities.

### *Central agencies*

2.55 During the initial development of aviation sector support measures in March and April 2020, the department undertook consultation with the Department of Treasury (Treasury), Department of Finance (Finance) and PM&C. The focus of consultation was the development of the Australian Government's response to the pandemic and legislative changes required to support this. On 22 March 2020 the department convened a meeting with representatives from the Department of Industry, Science, Energy and Resources, DFAT and Treasury to discuss sectors impacted by COVID-19 and principles that should be applied in designing a response.

2.56 The department continued to engage with Treasury, Finance and PM&C in subsequent design activities:

- PM&C was consulted during the design of IAS and TANS;
- Treasury was consulted during the design of IAS, TANS, RANS and EGLT; and
- Finance was consulted during the design of TANS and EGLT.

### *Australian Government Solicitor*

2.57 The department frequently sought AGS advice on determining a suitable approach and legislative basis for measures, as well as in developing contractual documents or legislation.

2.58 Early 2020 consultations with AGS predominantly related to components of the Coronavirus Economic Response Package Omnibus Bill 2020, which was passed in March 2020. The bill provided the legislative basis for aviation sector support measures that were subsequently announced.

2.59 AGS was consulted in relation to several measures including:

- the design of the DANS procurement and subsequent development of contractual documents;
- advice on mechanisms for providing EGLT waivers that were legally compliant;
- continuation of AAFRP aviation fuel rebates until available funds were exhausted and the extension of Airservices Australia fee waivers through AA50;
- the design of RANS; and
- extensions to the RDAC and ASAS measures.

### *Australian government agencies with an interest in individual measures*

2.60 The department engaged with other Australian Government agencies in relation to multiple measures.

- Department of Home Affairs was consulted in relation to the design of aviation security related measures (DASCS, IASCR and RASI).

- DFAT was consulted in the design of IAN.
- Austrade was consulted in the design of the TANS measure, with fortnightly meetings occurring between Austrade and the department to support TANS. Austrade was also invited to be a member of the Aviation Response Programs Governance Board (discussed at paragraphs 3.8 to 3.10). The department also engaged with Austrade in relation to the IFAM program.
- ASA and CASA were consulted in the design of AAFRP and AA50, especially in relation to the financial impact of fee waivers on the operating budget of these entities. Both entities assisted the department to identify and communicate with relevant industry participants during the program implementation phase.

### *State governments*

2.61 Consultation with state governments was evident during the initial design of DANS and RANS in March 2020. The department sought input from state governments to identify critical air routes that should remain operating and therefore be considered for inclusion in DANS and RANS. Feedback from states identified a range of routes, frequencies and outlined the basis for requesting support of the proposed routes.

2.62 The department also consulted state governments to identify aviation routes receiving, or planned to receive, support or subsidies in response to COVID-19.

### **Internal departmental consultation**

2.63 Internal consultation occurred between program teams responsible for aviation sector support measures at a management level, with regular sharing of information, especially in relation to the design and revision of measures.

2.64 Staff from program teams engaged with other sections of the department where required. Commonly engaged areas included the legal, grants management and procurement teams.

- Consultation with the legal team occurred across all aviation sector support measures, with an elevated level of engagement during the design of measures.
- The grants management team primarily supported aviation measures through the provision of advice on the CGRGs and undertaking GrantsConnect related activities, such as publishing new grant opportunities and reporting grants awarded.
- Consultation with the procurement team was limited during the initial design of the DANS and IAN procurements. The procurement team was only engaged by the DANS team at the point of seeking to publish finalised contracts on Austender. Following on the initial publication of DANS contracts, the DANS team maintained contact with the procurement team, which provided advice on subsequent iterations of the measure (including addressing the non-compliance with procurement connected policies discussed in Case Study 1).

### 3. Implementation of aviation sector support

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#### **Areas examined**

This chapter examines whether the Department of Infrastructure, Transport, Regional Development and Communications (the department) has effectively implemented the suite of measures to support the aviation sector during COVID-19.

#### **Conclusion**

The department's implementation of aviation sector support measures has been largely effective. It established fit-for-purpose oversight coordination arrangements, appropriately identified and managed implementation risks, and communicated in a timely and largely effective manner with stakeholders. Effectiveness has been reduced by deficiencies in monitoring and evaluating the performance of the suite of measures.

#### **Areas for improvement**

The ANAO made one recommendation aimed at improving monitoring and evaluation of the suite of measures. The ANAO made two suggestions to improve the use of risk registers and evaluation of risk controls.

3.1 The department has been responsible for implementing 15 measures to support the aviation sector during COVID-19: Airservices Australia 50 per cent Fee Waiver (AA50); Australian Aviation Financial Relief Package (AAFRP); Aviation Services Accreditation Support (ASAS); Domestic Aviation Network Support (DANS); Domestic Airports Security Costs Support (DASCS); Ex-gratia Land Tax Relief (EGLT); International Aviation Network (IAN); International Aviation Support (IAS); International Airports Security Costs Rebate (IASCR); Regional Airports Screening Infrastructure (RASI); Regional Airlines Funding Assistance (RAFA); Regional Airline Network Support (RANS); Retaining Domestic Aviation Capability (RDAC); and Tourism Aviation Network Support (TANS). In addition, the department provided advice on the design and implementation of the International Freight Assistance Mechanism (IFAM), which was administered by the Australian Trade and Investment Commission (Austrade).

3.2 Successful implementation is underpinned by effective oversight, risk management, stakeholder communication and monitoring and evaluation. Fit-for-purpose oversight mechanisms during implementation provide organisational awareness of the operation of measures and support timely response to, and management of, changes in the operating environment. Fit-for-purpose oversight incorporates the identification and management of implementation risks impacting the success of measures. Timely and effective communication ensures that stakeholders can engage and contribute to the operation of the program. The monitoring and evaluation of measures contributes to improving the efficiency and effectiveness of their implementation.

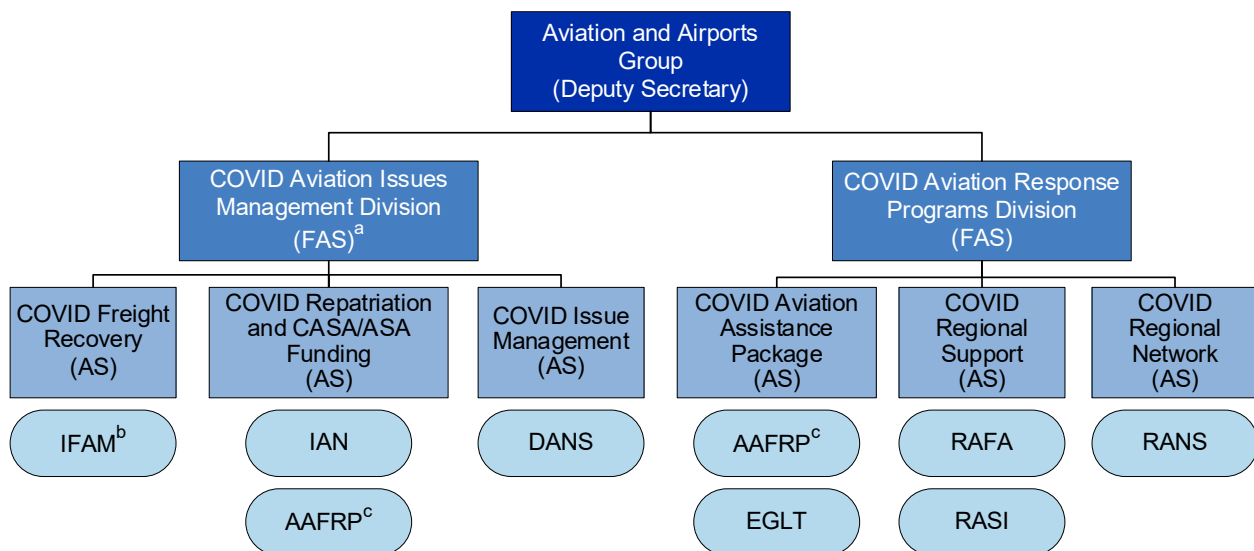
## Has the department established fit-for-purpose oversight mechanisms?

The department has established fit-for-purpose mechanisms to oversee the implementation of aviation sector support measures. To provide oversight, the department undertook a series of organisational restructures and established an internal governance board for the measures.

### Organisational restructures

3.3 Following the announcement of Australian Aviation Financial Relief Package (AAFRP) on 18 March 2020 and Regional Airlines Network Support (RANS) and Regional Airlines Financial Assistance (RAFA) on 28 March 2020, the department undertook an organisational restructure in early April 2020 to support oversight of the design and implementation of aviation sector support measures. The restructure involved creating a new Aviation and Airports Group (prior to April 2020, the department's aviation functions were managed by a single division within a broader Transport Group) and elevating responsibility for overall management of aviation to a deputy secretary. The group comprised two divisions, each led by a first assistant secretary (FAS), with assistant secretaries (ASs) assigned to deliver individual measures (see Figure 3.1).

**Figure 3.1: Aviation and Airports Group structure, April–August 2020**



Note a: The COVID Aviation Issues Management Division was responsible for pre-COVID-19 activities and international engagements related to COVID-19.

Note b: While IFAM was implemented by Austrade, the department was involved in the design of the measure.

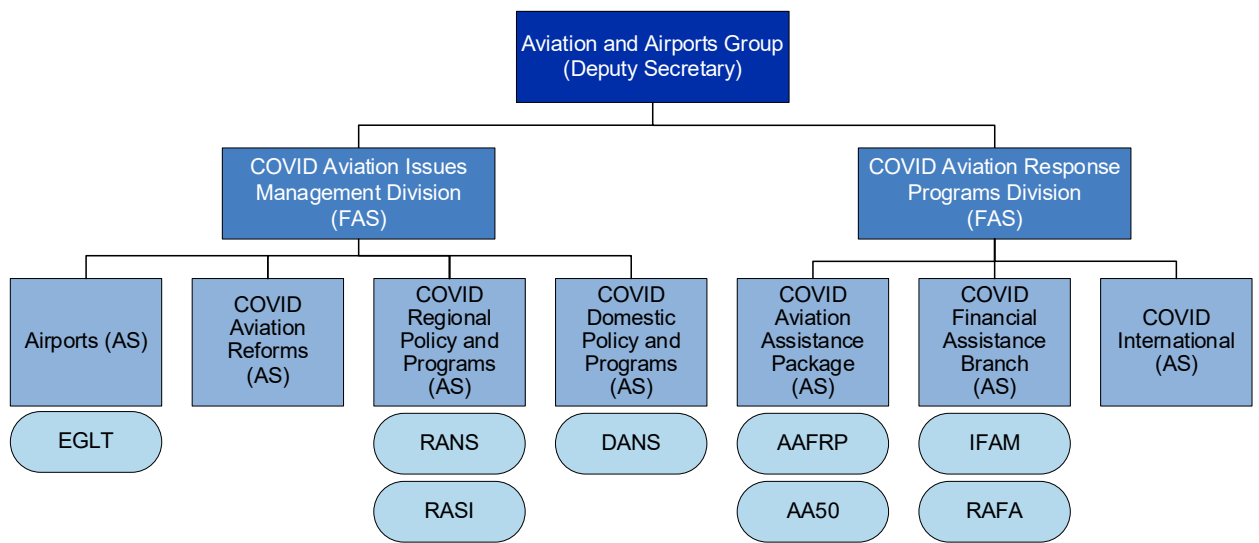
Note c: Management of specific components of AAFRP was separated across two branches. The Airservices Australia (ASA) fee waivers, associated supplemental funding provided to ASA, and Civil Aviation Safety Authority (CASA) funding were managed by the COVID Repatriation and CASA/ASA Funding Branch. The remaining measures were managed by the COVID Aviation Assistance Package Branch.

Source: ANAO analysis.

3.4 The Aviation and Airports Group established the Program Governance and Compliance (PGC) team in mid-April 2020 to coordinate the preparation of key governance documents and provide guidance on the application of the *Commonwealth Grants Rules and Guidelines 2017* (CGRGs). Documentation developed by the PGC team included template risk management plans, risk registers and monitoring and evaluation plans. The PGC team also developed a governance and management framework to support the design and implementation of the measures, which was approved by the deputy secretary in June 2020. The framework included information on reporting arrangements, delegations, risk management, program compliance checks, communications planning and evaluation and review.

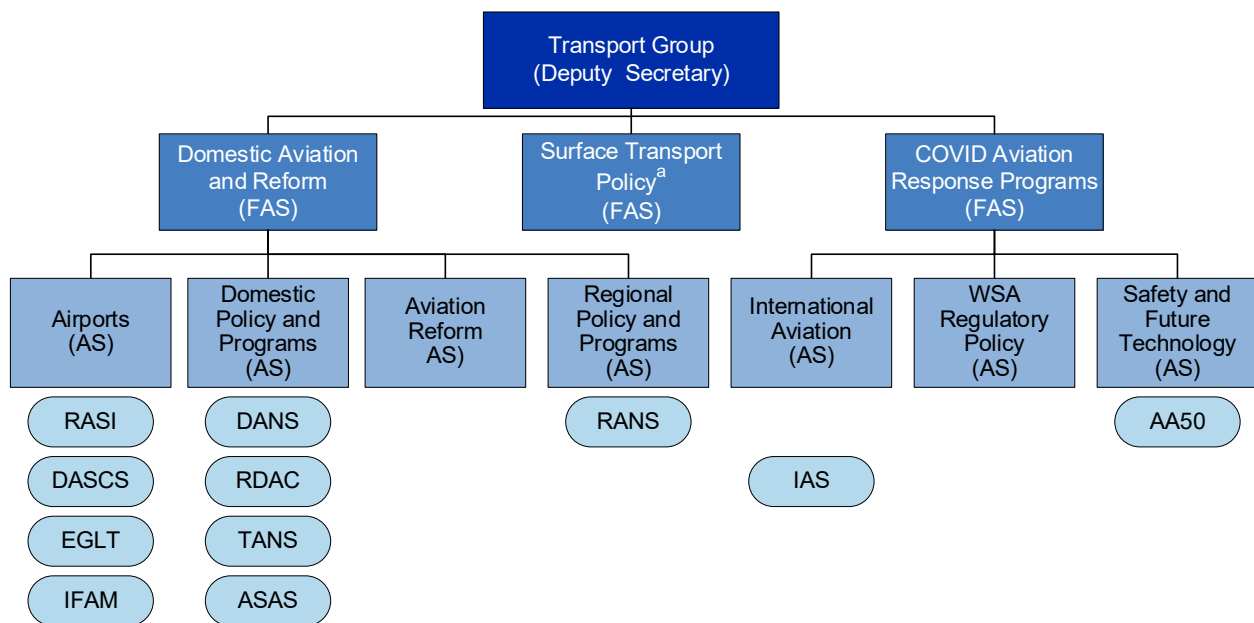
3.5 In August 2020 the group was restructured to ‘optimise the alignment of functions and balance workloads’, grouping related programs together under the same AS (see Figure 3.2). In February 2021 the department re-established the Transport Group to focus on post-COVID-19 recovery (see Figure 3.3), with the former Aviation and Airports Group forming two divisions within the new group.<sup>38</sup>

**Figure 3.2: Aviation and Airports Group structure, August 2020–January 2021**



Source: ANAO analysis.

38 The Surface Transport Division which had previously been part of the Transport Group prior to COVID-19 was re-integrated into the new group.

**Figure 3.3: Transport Group, February–September 2021**

Note a: The Surface Transport Policy Division was not responsible for any aviation sector support measures.

Source: ANAO analysis.

3.6 In October 2021 the Domestic Aviation and Reform Division was restructured to place all domestic aviation sector support measures that remained active, except for the newly created Retaining Domestic Aviation Capability (RDAC) measure, under a single AS.<sup>39</sup>

3.7 Throughout the period, the Secretary of the department was kept informed at all times of changes to the aviation support measures.

### Aviation Response Programs Governance Board

3.8 The Aviation Response Programs Governance Board (the governance board) has been the department's main mechanism for overseeing the implementation of aviation sector support measures. From its establishment in June 2020 it comprised the deputy secretary and two FASs responsible for aviation sector support measures, and three members from other areas of the department who were not directly involved in the administration of the measures.<sup>40</sup> A Senior Executive Service (SES) officer from Austrade also attended meetings of the governance board from April 2021.

3.9 At its first meeting in June 2020 the governance board endorsed terms of reference that stated it was responsible for:

- providing high level strategic advice on the progress of aviation sector support measures;
- encouraging greater focus on better practice through evidence-based evaluation and audit, appropriate risk management and capability support;

39 The International Aviation Technology and Services Division did not change its structure and continued to administer the IAS.

40 The members from other members of the department were: Director, Evaluation, Audit and Risk Division (subsequently Acting Assistant Secretary, Assurance and Risk); First Assistant Secretary, Finance Branch; and First Assistant Secretary, National Water Grid Authority.

- oversight of governance of the measures and discussion and treatment of emerging issues;
- oversight of the monthly dashboard summary of measures; and
- ensuring appropriate governance and assurance arrangements are in place to support internal and external review of measures.

In September 2020, the governance board amended its terms of reference to clarify it had responsibility to manage implementation risks.

3.10 The governance board has met approximately every six weeks since June 2020. The PGC team has provided secretariat services to the governance board. All meetings of the governance board have been minuted, with action items arising from meetings recorded and monitored.

### Has the department appropriately identified and managed implementation risks?

The department appropriately identified risks to the implementation of the measures. The governance board considered and reviewed the management of key risks related to rapid implementation. There were weaknesses in documenting and updating risk ratings and monitoring and evaluating the effectiveness of controls.

### Risk identification, analysis and evaluation

3.11 The June 2020 governance and management framework (discussed at paragraph 3.4) stated that program teams managing individual measures should ‘establish a risk register to document risks as they arise and identify actions for minimising or removing them’. Risk registers have provided details of the risks identified for the measure, supported by risk analysis, evaluation and treatment. The registers were generally developed for consideration at the first governance board meeting following the implementation of a measure and updated for subsequent governance board meetings. As outlined at Table 3.1, risk registers were not prepared for two measures (Ex-gratia Land Tax and Airservices Australia 50 per cent Fee Waiver) and were not timely for the majority of others, with only three measures (Aviation Services Accreditation Support, International Aviation Support and Tourism Aviation Network Support) having registers prepared before their commencement date.

3.12 The decision not to create risk registers for EGLT and AA50 was reasonable as EGLT was limited to waiving a liability to the Commonwealth and AA50 was a modified extension of a waiver already in place under AAFRP. The related AAFRP risks would have continued to be relevant.

3.13 The timeliness of the development of risk registers improved between the initial and subsequent phases of responding to COVID-19. During the initial response in April 2020 the department designed and implemented seven measures within a short period but risk registers took approximately two months to develop due to the level of activity required to respond to COVID-19. The exception was DANS for which a register was not completed until August 2020. Of the seven measures developed in 2021 three had registers prior to commencement, one within eight days, two within two months and one relied upon an existing register.

3.14 While not a requirement, some program teams have developed risk management plans for individual measures. Risk management plans summarised key risks and defined which officers

within the department were responsible for managing identified risks. As outlined at Table 3.1, plans were not prepared for four measures, for three measures drafts were prepared but not endorsed, and seven measures had plans endorsed by the responsible AS or FAS.

**Table 3.1: Timeliness of risk documentation for aviation sector support measures**

Measure	Date measure commenced	Date risk register first prepared	Date risk register provided to board	Date risk management plan endorsed
AAFRP	1 April 2020	29 May 2020	21 August 2020	4 August 2020 (by AS)
EGLT	1 April 2020	No register prepared	N/A	No plan prepared
IAN	1 April 2020	3 April 2020	11 May 2021	No plan prepared
RAFA	1 April 2020	22 May 2020	21 August 2020	6 July 2020 (by FAS)
RANS	1 April 2020	8 April 2020	21 August 2020	Draft prepared, not endorsed
RASI	1 April 2020	26 May 2020	21 August 2020	12 August 2020 (by FAS)
DANS	16 April 2020	11 August 2020	21 August 2020	No plan prepared
AA50	1 January 2021	No register prepared	N/A	No plan prepared
ASAS	29 March 2021	24 March 2021	15 April 2021	12 July 2021 (by AS)
DASCS	29 March 2021	7 April 2021	26 May 2021	21 April 2021 (by FAS)
IAS	1 April 2021	10 March 2021	15 April 2021	18 May 2021 (by AS)
TANS	1 April 2021	24 March 2021	15 April 2021	Draft prepared, not endorsed
RDAC	2 August 2021	28 August 2021	14 October 2021	Draft prepared, not endorsed
IASCR	1 October 2021	10 December 2021	24 January 2022	10 December 2021 (by FAS)

Source: ANAO analysis of DITRDC risk documentation.

3.15 Four of the twelve measures with risk registers had risks that were assessed as ‘high’ either in the first draft or the first register presented to the governance board. These risks related to:

- underutilisation of the measure;
- oversubscription of funds;
- failure to achieve grant objectives; and
- achieving value for money.

All these risks were accepted by the department according to its risk tolerance policy. Where subsequent risk registers were developed, ‘high’ risks were eventually downgraded and additional treatments were considered by program teams.

3.16 The most identified risks across the twelve risk registers related to:

- insufficient resources or skills — identified for all twelve measures and generally rated as a low risk;
- fraud and non-compliance — identified for all twelve measures and generally rated as a low risk; and
- inability to access and/or lack of understanding or engagement — identified for ten measures and generally rated as a low risk.

## Risk treatment

3.17 Risk controls are processes, practices or other actions within an entity's internal operational environment that modify the likelihood and/or consequences of a realised risk. The department's risk management framework defines control levels on the following five-point scale.

- **Level 1 (weak)** — limited or no credible control. The department has little confidence that an appropriate degree of control is being achieved due to poor control design or operational effectiveness.
- **Level 2 (gaps exist)** — although some controls are operating, gaps currently exist.
- **Level 3 (mostly effective)** — most controls are designed correctly, are in place and operating effectively. Some work is required to improve operating effectiveness or reduce the department's doubts about operational effectiveness and reliability.
- **Level 4 (very effective)** — controls are well designed, address the root causes and management are confident they are very effective and reliable. A high level of assurance of the effectiveness of the control is available, and it is regularly monitored and reviewed.
- **Level 5 (strong)** — the strength of controls and the standard reporting processes leave no doubt that, even in exceptional circumstances, issues will be noticed and managed with minimal impact on the department or other stakeholders.

3.18 Risk registers developed for aviation sector support measures identified controls to reduce the risk level of identified risks. Most controls were self-assessed by the department to be levels 3 or 4. The most common controls put in place were:

- regular stakeholder engagement — implemented to control the risk of misinterpretation or lack of awareness of grant opportunities and was generally rated as level 4;
- verification reports — implemented to control the risk of fraud and generally rated as level 4; and
- multiple assessors, or quality assurance, on assessments — implemented to control the risks of fraud and generally rated as level 4.

## Risk monitoring

3.19 The department's risk management framework notes that the department 'must regularly monitor changes in the external and internal operating environments to enable early identification of emerging risks'. It also defines responsibilities for monitoring controls:

- risk owners are responsible for challenging the effectiveness of controls; and
- control owners are responsible for maintaining and actively monitoring the effectiveness of controls.

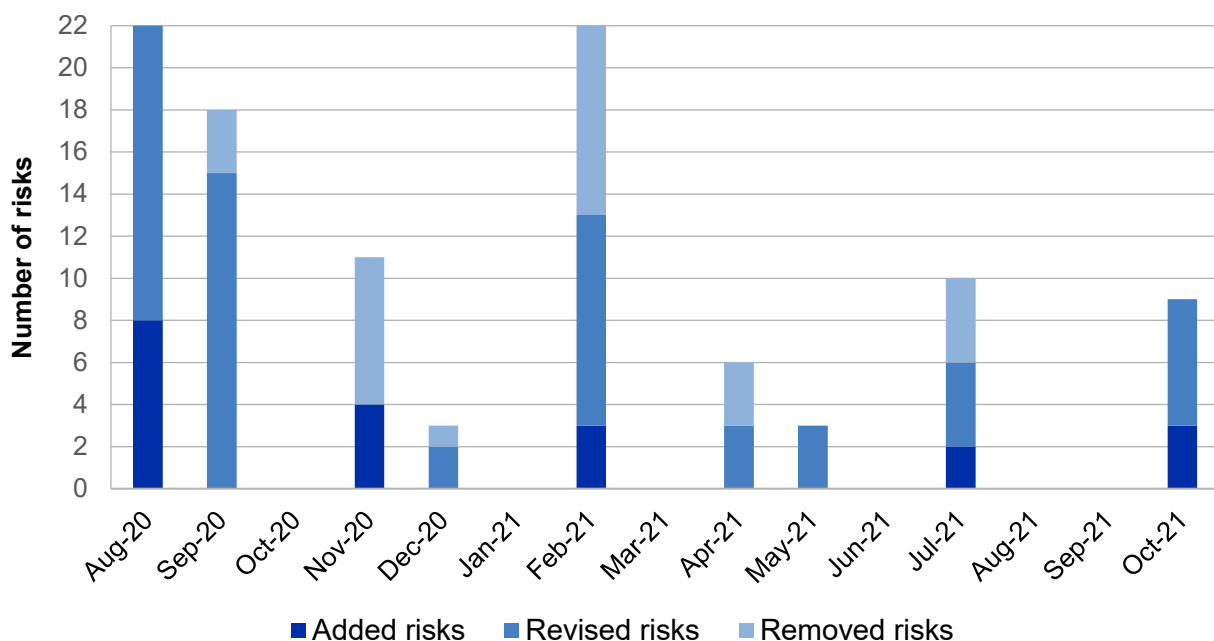
### Monitoring the operational environment

3.20 The governance board has included a standing agenda item in all meetings to discuss changes in the operational environment. These discussions have covered a variety of topics relating to the impact of COVID-19 on the aviation sector and its implications for aviation sector support measures. Issues discussed have included:

- the impact of quarantine capacity and passenger arrival caps on the commercial viability of the aviation sector;
- domestic border restrictions and their effect on domestic aviation demand; and
- the end of the JobKeeper payment scheme and its impact on the aviation sector.

3.21 In addition, as noted at paragraph 3.11, the governance board has received updated risk registers from program teams managing aviation sector support measures. Program teams have added, removed, and revised risks as well as adjusting the risk ratings (refer Figure 3.4).

**Figure 3.4: Changes across risk registers<sup>a</sup>**



Note a: In May 2021, the governance board decided that programs were to alternate submission of risk registers, with the new measures (TANS, ASAS, DASCs, and IAS) to present first at the next meeting. At each board meeting thereafter only registers from half of the measures were presented.

Source: ANAO analysis of risk registers presented to the governance board.

3.22 The risk registers presented to the governance board generally demonstrate that risks have undergone review with programs marking changes to controls and risk descriptions in red text and including brief updates on the impacts of certain risks. However, while traffic light reports to the governance board provided high level commentary on risks, issues and changes to risk ratings since the last board meeting, these reports did not record changes in risk controls applied. In order to effectively monitor risks, decision-makers should be able to clearly identify changes in risk ratings and understand the reasons for changes. There would be merit in the department taking steps to ensure that any changes are clearly identified.

## *Monitoring controls*

3.23 Risk management plans developed for aviation sector support measures state that the program manager (usually an AS) will nominate a risk owner. Risk registers include a section for identifying the risk owner, but none have been nominated in risk registers.

3.24 Program teams have been including commentary of the implementation of their controls in risk registers, but the department has not formally tested their effectiveness. The department undertook an internal audit, completed in June 2021, evaluating management of key risks to the delivery of aviation sector support measures. However, the audit did not directly test the effectiveness of controls implemented to address key risks.

3.25 A common control identified in all but one risk register was review and approval of funding agreements by an appropriate delegate. In most risk registers the control was rated as level 3 (mostly effective). The ANAO's 2020–21 financial statement audit identified two instances of funding agreements being executed by individuals with insufficient spending delegations.<sup>41</sup> The department should ensure that controls are evaluated regularly.

## **Management of key risks to aviation sector support measures**

3.26 The June 2020 governance and management framework (discussed at paragraph 3.4) identified key risks related to the implementation of aviation sector support measures, including: failure to maintain probity; instances of fraud and non-compliance with legal requirements; and duplication of Australian Government support across different measures.

### *Probity*

3.27 Program teams managing aviation sector support measures must comply with the department's Accountable Authority Instruction (AAI) on probity. The AAI provides instructions on ensuring probity in activities that may be considered high risk or sensitive, and states that:

- a probity plan must be prepared for all procurements over \$500,000, for all grants and for any decision-making activity considered to be high risk or sensitive;
- an internal probity adviser may be appointed. For grants this role is filled by the Program Owner. For procurements over \$500,000 this must be an SES officer external to the division managing the procurement; and
- where probity issues cannot be resolved internally, an external probity adviser may be engaged to assist, following consultation with the department's procurement team.

3.28 The department has developed probity plans for all aviation sector response measures implemented to date. Probity plans outline the roles of departmental staff and the processes that will be implemented to ensure compliance with probity principles, including managing conflicts of interest.

3.29 All program teams appointed an internal probity adviser in accordance with departmental policy. The program team for Aviation Services Accreditation Support (ASAS) engaged a probity

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41 The two identified failures in the control related to AAFRP and were part of a sample of 64 agreements examined by the ANAO. The department reviewed the two agreements and found they were linked to valid expenses and within the intent of the program. The department subsequently obtained retrospective approval for these agreements from an appropriate delegate.

adviser from outside the Aviation Group due to unresolved probity issues regarding a grant application that was initially not assessed on receipt.

3.30 The internal audit completed by the department in June 2021 (discussed at paragraph 3.24) found that there was inconsistency in program teams' management of conflicts of interest. In response, the department implemented a new process for managing conflicts of interest across the department in July 2021. Staff are now required to submit all declarations online to the Governance Division, and make declarations regardless of whether they have identified conflicts of interest. In addition, the annual declaration process that takes place in July has also been updated to include both SES officers and non-SES officers in 'identified positions', including positions within the aviation support measures. ANAO analysis of conflict of interest documentation confirmed that conflict of interest processes have been implemented for aviation sector support measures.

### *Fraud and non-compliance*

3.31 In response to the increased risk of fraud due to COVID-19 the Australian Government established the Commonwealth COVID-19 Counter Fraud Taskforce (fraud taskforce), which developed a toolkit to assist Australian Government entities designing and implementing COVID-19 support measures.

3.32 The Aviation and Airports Group Deputy Secretary requested that program teams consider the advice from the fraud taskforce as part of the development of assurance processes for aviation sector support measures. The Program Governance and Compliance (PGC) team, in consultation with the department's audit and risk team, developed a paper for the Deputy Secretary in May 2020 detailing countermeasures implemented for the measures, including:

- requirements for applicants to hold specific registrations or certificates;
- cross-verification with Air Operator Certificate datasets from Civil Aviation Safety Authority (CASA);
- requirements for applicants to make statutory declarations (with penalties for making false statements);
- development of monitoring and evaluation programs and review mechanisms; and
- reporting requirements from recipients such as audited financial statements and other reports which may be verified or audited by the department.

3.33 In addition, 11 measures identified 41 risks related to fraud and compliance. On average program teams identified three controls for each fraud or compliance risk with the majority of controls being rated as level 4 (very effective). The most common control identified was review and verification of progress reports or other data submitted by funding recipients.

### *Duplication of Australian Government support*

3.34 As the number of measures to support the aviation sector introduced by the Australian and state governments increased, there was an increasing risk of duplication of support to aviation sector recipients.

3.35 The department identified the risk of funding recipients 'double-dipping' in risk registers for Regional Airports Security Infrastructure (RASI), Regional Airlines Financial Assistance (RAFA), Domestic Airports Security Costs Support (DASCS) and Retaining Domestic Aviation Capability (RDAC). Three identified risks were rated low and two medium. The most common control

identified was a requirement for applicants for funding to declare all funding received from third parties. This control was rated as level 2 (gaps exist) by the RAFA team and as level 4 (very effective) by the RASI, DASCS and RDAC teams. The department subsequently developed additional controls for RAFA to mitigate the risk of double-dipping (see Case study 2).

#### **Case study 2. Additional controls to mitigate the risk of double-dipping for the RAFA measure.**

The department noted that multiple recipients made public announcements regarding business expansions. Following these announcements, the department contacted the airlines and required them to provide information to demonstrate RAFA funding was not used for business expansion.

In addition, the department contracted EY Australia to provide assurance that RAFA grants were not subject to double dipping. This work identified instances of double dipping across Australian Government measures. For example, one recipient received a \$400,000 JobKeeper payment after receiving RAFA support (RAFA guidelines precluded receiving other forms of support for the same function). As a result, the department obtained a \$400,000 reimbursement of RAFA funding from the airline.

3.36 The internal audit of aviation sector support measures completed by the department in June 2021 (discussed at paragraph 3.24) identified double-dipping across measures as a high risk. The audit report recommended that the department assess current controls across government agencies and consider whether additional controls were warranted to manage the risk. On 5 July 2021 the governance board considered a paper outlining the controls in place to prevent double dipping across COVID-19 response measures, including:

- agreements and contracts outlining that funds could not be used for activities funded under other Australian Government programs;
- close consultation between program teams working on measures with potential for overlap;
- documentation of key risks and controls in risk registers; and
- end-of-program acquittal processes.

The board noted additional detail could be provided in the paper on interactions with other entities to prevent double dipping across the Australian Government. The paper was updated and recirculated to board members with additional detail on program teams' consultation with other entities during implementation of measures.

### **Has the department communicated with stakeholders in an effective and timely manner?**

The department has been effective and timely in communicating with stakeholders regarding the administration of measures and has provided clear and consistent communications material. Its handling of complaints was timely but not consistent with departmental policy.

3.37 As noted at paragraph 1.12 under the *Emergency Response Plan for Communicable Disease Incidents of National Significance* (National CD Plan), the department is responsible for providing advice on transport security matters during a communicable disease emergency. The National CD

Plan outlines communication principles that Australian Government entities should apply during a communicable disease response, including:

- regular, timely provision of tailored information;
- consistent, clear messages; and
- communications as a two-way process.

### **Communication planning**

3.38 The department developed a communications plan in July 2020 for four aviation sector support measures (AAFRP, RANS, RAFA, and DANS) that targeted airlines.<sup>42</sup> To identify and notify eligible recipients the department liaised with CASA and sent an email to air operator certificate holders notifying them of relevant measures.

3.39 When the department introduced measures targeting new segments of the aviation sector, it developed new communications plans.

- DASCS involved engagement with domestic airports. The department approached the Department of Home Affairs to identify potential funding recipients and developed a communications plan identifying communication activities, key messages, communication channels and timelines.
- ASAS was the first aviation sector support measure to involve engagement with ancillary service providers. The department developed a communication plan that identified relevant stakeholders, communication objectives, channels and key messages.
- IASCR was the first measure to involve engagement with international airports. The department developed a stakeholder engagement and communications plan that identified eligible applicants, key messages and communication channels.

### **Regular, timely provision of tailored information**

3.40 Consistent with the ‘regular, timely provision of tailored information’ principle, most aviation sector support measures have been announced through ministerial media releases and press conferences within 48 hours of the Australian Government’s decision.

3.41 For grants, detailed grant guidelines and associated documentation was published within three weeks of the measure being announced (with the exception of IASCR for which grant documentation was released seven weeks later). When extending measures, extensions for four measures were announced less than three weeks in advance of scheduled end dates. Of the eighteen extensions made within these four measures only six occurred less than three weeks prior to the end date.

### **Clear and consistent messages to the sector**

3.42 Communication plans developed for aviation sector support measures identify key information to be communicated to stakeholders, to guide clarity and consistency in communications by program teams implementing measures.

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42 At the time, the department noted that consideration should be given to developing a communications plan for RASI, but no communications plan was subsequently developed.

3.43 The department developed a range of communications material, including media releases, grant guidelines, fact sheets, frequently asked questions and applications forms. These documents were updated when changes to measures were announced. The ANAO reviewed the department's communications material, including emails sent to target audiences, and found no material inconsistencies in messages. In addition, communications material was generally written in plain and clear language that was appropriate to the audience.

### **Communications as a two-way process**

3.44 The ANAO met with aviation industry groups to discuss their views on the department's management of aviation sector support measures. Industry groups were largely positive about the quality of interactions with the department, noting that the department was responsive to queries.

#### ***Complaints handling***

3.45 The department included reference to complaint procedures in all published grant guidelines. The guidelines instructed complainants to contact the department's governance team. This is inconsistent with the department's complaints management policy, which states complaints should be handled within the relevant program area in the first instance.

3.46 The internal audit completed by the department in June 2021 (discussed at paragraph 3.24) noted it had not documented its complaints process or established a complaint register. In response the department committed to developing a formal, consistent process for managing complaints. In July 2021 the governance board discussed its approach to managing complaints and agreed that documentation be amended to direct complainants to the program area. The board noted program teams should develop logs of complaints received and respond to any complaints within 10 days.

3.47 No program teams have developed complaints logs. The department advised the ANAO that six complaints had been received relating to the management of the aviation sector support measures. Four of the six complaints received a response within 10 days. One complainant was unsatisfied with the department's response and referred the matter to the Commonwealth Ombudsman.<sup>43</sup>

3.48 The department published six grant guidelines for aviation sector support measures since the governance board's decision in July 2021 to refer complainants to program areas. The guidelines were not consistent with the decision and continued to refer complainants to the governance team.

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43 The Commonwealth Ombudsman requested information from the department, investigated the matter and determined that no further action was required.

## Has the department effectively monitored and evaluated the performance of the measures?

The department has established consistent processes to review the performance of individual measures. It has not effectively maintained oversight of the combined impact of the suite of measures, nor has it reported effectively to the governance board on the aggregate level support provided across measures to individual aviation sector participants.

### Monitoring and reviews of individual measures

#### *Monitoring by program teams*

3.49 Three program teams developed monitoring and evaluation strategies for aviation sector support measures, which set out the goals and parameters of the measure and information and evidence needed to assess its efficiency and effectiveness. The strategies used logic models to assist in identifying the most appropriate information upon which to develop performance measures. Program teams advised the ANAO that the monitoring and evaluation strategies were used as an initial brainstorming exercise and were not intended to be fully implemented.

3.50 When appropriate, program teams also developed tracking sheets for measures that included applications received, value of funding awarded, and value of payments made. The governance board required program teams to undertake reconciliations of tracking sheets to the department's financial information management system. Program teams have continued to utilise tracking sheets to monitor progress and movement of funds.

#### *Monitoring by the governance board*

3.51 The department's June 2020 governance and management framework for the aviation sector support measures (discussed at paragraph 3.4) outlines requirements for reporting to the governance board on individuals measures, with reporting to cover:

- expenditure to date, including a breakdown by participant;
- a timeline of key decisions; and
- outcomes of the measure to date, such as number of flights supported and passenger movements.

3.52 In accordance with this requirement, program teams have provided regular dashboard reports to the governance board since July 2020. Information in dashboard reports has been consistent with the framework, and minor adjustments have been made in response to governance board requests for additional information (such as an assessment of future risks).

3.53 In addition to dashboard reports, program teams have provided reporting on the status of measures in achieving their objectives through a consolidated traffic light report. Status ratings are based on program teams' judgement and not directly linked to performance indicators. Ratings use the following scale:

- green — delivery of the measure is on track;
- amber — risks or issues are impacting delivery of the measure, but managing these is within the department's control; or

- red — risks or issues are impacting delivery of the measure, and managing these is outside the department's control.

Traffic light reports have been presented at all governance board meetings since July 2020, with the report including all active measures (see Table 3.2).

**Table 3.2: Reported status of aviation sector support measures<sup>a</sup>**

	2020					2021						
	Jul	Aug	Sep	Nov	Dec	Feb	Apr	May	Jul	Aug	Oct	Dec
AAFRP <sup>b</sup>	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
RAFA <sup>b</sup>	◆	◆	◆	▲	▲	▲	▲	▲	▲	▲	◆	◆
RANS	◆	◆	▲	◆	◆	◆	◆	◆	◆	▲	▲	◆
DANS	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
IAN	◆	—	—	—	—	—	—	—	—	—	—	—
RASI	—	◆	▲	▲	▲	▲	▲	▲	▲	◆	◆	◆
TANS	—	—	—	—	—	—	—	◆	◆	▲	▲	▲
IAS	—	—	—	—	—	—	—	◆	◆	◆	◆	◆
DASCS	—	—	—	—	—	—	—	▲	▲	◆	◆	◆
ASAS	—	—	—	—	—	—	—	▲	◆	▲	▲	▲
RDAC	—	—	—	—	—	—	—				▲	◆
IASCR	—	—	—	—	—	—	—					◆

Key: ◆ = Measure on track ▲ = Issues or risks are being managed ■ = Issues need direct intervention Grey cells indicate the measure was not active at the time of reporting.

Note a: EGLT was not included in the department's dashboard reports.

Note b: Program teams continued reporting on the status of closure activities for these measures. AA50 was included in the dashboard report for the AAFRP.

Source: ANAO analysis of Aviation Program Traffic Light Dashboard Reports.

## Reviews

3.54 The department has reviewed all extended measures, with reviews generally occurring as a measure neared its planned end date. Most reviews were undertaken internally and informed the preparation of advice to the Australian Government on extensions and amendments to measures (discussed at paragraphs 2.48 and 2.49).

3.55 The department engaged external consultants to review the implementation of five measures.

- Domestic Aviation Network Support and Regional Aviation Network Support (June 2020) — BCG reviewed the performance of the minimum network measures to help inform the design of future iterations of the measures and better define pricing mechanisms. The review recommended new pricing and tapering mechanisms as well as adjustments to the distribution of routes between DANS and RANS. The revised pricing and taper mechanism were used in the design of later rounds of the DANS and RANS program. EY Australia also provided advice on the cost base paid to RANS airlines.
- International Freight Assistance Mechanism (July 2020) — BCG analysed the global freight market and provided advice on changes to pricing and tapering in future iterations of IFAM. The review recommended future iterations of the measure include tapering and principles-based mechanisms around freight grouping to provide more targeted support. The department agreed to the recommendation.
- Tourism Aviation Network Support (October 2021) — LEK Consulting analysed the impact of TANS in supporting the recovery of the aviation sector and improving sustainability in the sector. The review found that TANS had supported the return of the aviation sector, but lockdowns and travel restrictions had dampened the effect. The reviewed suggested that extension of the measure could further stimulate recovery, but timing was important. TANS was extended to March 2022.
- Regional Airline Financial Assistance (April 2020) — EY Australia undertook analysis of the split between RANS and RAFA costs for individual recipients.

### *Closure reports*

3.56 The internal audit completed by the department in June 2021 (discussed at paragraph 3.24) found that, given the focus on developing new support measures in 2021, there was a risk that appropriate closure activities would not be completed. In response to the finding, the department committed to ensuring that a closure report, including a final review and financial reconciliation, be presented to the governance board within six months of each measure closing.

3.57 The department conducted closure reporting for three of the four measures that closed in 2020 (AAFRP, IAN and RAFA). The fourth measure finalised in 2020 was EGLT which did not undertake a closure report. The RAFA closure report provided a financial reconciliation, but the remaining three closure reports reviewed did not contain financial reconciliations. None of the closure reports were presented to the governance board within six months of the measure concluding (refer Table A.2 in Appendix 5).

3.58 Reviews conducted for closure reports were high level and provided discussion of the outcomes of measures. Discussion of outcomes was limited to statements of quantity of support delivered and did not clearly state the measure's contribution to the achievement of the Australian Government's overall objectives for the suite of aviation sector support measures.

## **Monitoring, evaluation and reporting on the suite of measures**

### *Monitoring and evaluation*

3.59 As discussed at paragraph 1.11, the Australian Government set three objectives for the suite of measures to support the aviation sector during COVID-19:

- maintaining essential air connectivity on regional and major routes without subsidising commercially viable activities;
- preserving critical aviation capacity so that a competitive aviation market can restart as the economy emerges from COVID-19 and COVID-19 related restrictions are lifted; and
- maintaining supply lines for air freight exports and imports, including essential medical supplies and equipment.

3.60 Most measures introduced have been primarily targeted at the preservation of critical aviation capacity (see Figure 3.5).

**Figure 3.5: ANAO analysis of aviation sector support measures and aviation sector support objectives<sup>a</sup>**

	Maintain essential air connectivity		Preserve critical aviation capacity		Maintain supply lines		Other objectives <sup>a</sup>	
Primary measures	<u>20-21</u> IAN RANS DANS	<u>21-22</u> RANS DANS	<u>20-21</u> AAFRP RAFA RASI EGLT	<u>21-22</u> AA50 IAS DASCS RDAC ASAS IASCR	<u>20-21</u> IFAM	<u>21-22</u> IFAM	<u>20-21</u> IAN	<u>21-22</u> TANS
Secondary measures	<u>20-21</u> AAFRP	<u>21-22</u>	<u>20-21</u> IAN RANS DANS	<u>21-22</u> RANS DANS TANS	<u>20-21</u> IAN RANS DANS	<u>21-22</u> RANS DANS	<u>20-21</u>	<u>21-22</u>

Note a: The 'other objectives' referred to in the diagram included: Repatriation of Australians on regular, scheduled and non-scheduled flights; and protecting the aviation sector from the loss of government assistance with the end of JobKeeper.

Source: ANAO analysis of the alignment of measure objectives with the overall objectives for the aviation sector support.

#### Monitoring expenditure across measures

3.61 The June 2020 governance and management framework (discussed at paragraph 3.4) stated that performance monitoring and reporting should include analysis of expenditure across the aviation sector support measures. The department informed the ANAO that monthly analysis of expenditure for individual measures was undertaken but the department did not provide consolidated reporting of expenditure incorporating all measures to the governance board. The department has also not provided reporting to the governance board on the amount of funding

received by aviation sector organisations from measures managed outside the department such as the JobKeeper payment scheme.<sup>44</sup>

3.62 The ANAO reviewed funding agreements, contracts and notifications of fee and tax waivers provided to the aviation sector. The top four recipients of support were passenger airlines, which collectively received around 91 per cent of all aviation sector support provided. Of the top ten recipients, six were passenger airlines, three were airports and one was an ancillary service provider (see Table 3.3).

**Table 3.3: Top ten recipients of Australian Government support in the aviation sector, to August 2021<sup>a</sup>**

Recipient	Segment	Approved funding <sup>b</sup> (\$m)	% of total	AAFRP (\$m)	DANS (\$m)	RANS (\$m)	Other measure (\$m)
Qantas Airways	Passenger airline	2,134.6	56.7	229.8	528.7	40.1	1,335.8
Virgin Australia	Passenger airline	1,084.9	28.8	99.4	605.8	18.2	361.5
Regional Express	Passenger airline	162.6	4.3	4.8	1.3	64.2	92.2
Airnorth	Passenger airline	54.6	1.4	5.3	16.8	18.4	14.1
Swissport	Ancillary services	29.2	0.8	–	–	–	29.2
Sydney Airport	Airport	28.4	0.8	–	–	–	28.4
Brisbane Airport	Airport	23.7	0.6	–	–	–	23.7
Vee H Aviation	Passenger airline	21.5	0.6	0.6	–	13.5	7.4
Australia Pacific Airports	Airport	20.5	0.5	–	–	–	20.5
Alliance Airlines	Passenger airline	19.5	0.5	18.9	–	0.4	0.2
All other recipients	N/A	185.6 <sup>a</sup>	4.8	75.7	–	11.7	98.2

Note a: The table does not include amounts received through the IFAM as this measure was administered by Austrade. Totals do not add up due to rounding.

Note b: Approved funding represents the maximum amount payable under relevant funding agreement. Because many COVID-19 aviation support measures operated on a shortfall basis, with commercial revenue offsetting the

44 At the request of the office of the Minister for Infrastructure, Regional Development and Transport, the department attempted on two occasions (in August 2020 and January 2021) to obtain data on the amount of funding the aviation sector had received from the JobKeeper scheme. In August 2020 the department was advised by the Department of the Treasury that data was not available at the appropriate level. In January 2021 the department was able to obtain data showing the number of recipients and amount received through JobKeeper as at 30 November 2020 for the air and space transport sector. This data was not presented to the governance board.

level of government support provided, actual payments to recipients may differ from the maximum amounts listed in the table.

Source: ANAO analysis of departmental agreements and records.

3.63 As a result of the volume and value of measures, and the extent to which individual organisations were seen to benefit from multiple measures, there has been considerable public interest in aviation support measures. There would have been value in the governance board having awareness of the total amount of funding across the various measures and of the funding distribution across recipients and sector segments. This consolidated reporting would also provide greater assurance to the governance board that duplication of support has not occurred.

Monitoring and evaluating achievement of objectives across measures

3.64 The June 2020 governance and management framework (discussed at paragraph 3.4) included two sections related to performance monitoring and reporting:

- monitoring and reporting; and
- governance board reporting.

The framework does not define any monitoring at an objective or aggregated level. The governance board has not discussed any adjustments to reporting requirements that would provide it with analysis of the performance of the suite of measures against outcomes.

3.65 The department's internal audit (discussed at paragraph 3.24) included a finding and two recommendations regarding closure of measures and performance evaluation. The report noted that, without adequate closure and assessment processes for the suite of measures implemented in 2020, there was a risk that the department would be unable to evidence the effectiveness those measures in achieving their intent. In response the department committed to three actions, including that the governance board would consider engaging an independent consultant to undertake an overall evaluation of the aviation sector support measures. The ANAO found no record that the governance board discussed this matter. As at April 2022 the department had not commenced work on an evaluation of the suite of measures.

3.66 Given the number of measures established to support the aviation sector, and the interrelationships between the measures, there would be value in the department establishing a framework to monitor and evaluate the collective performance of the measures in achieving the Australian Government's objectives.

## Recommendation no. 1

3.67 The Department develop mechanisms to:

- (a) monitor and evaluate the extent to which the suite of COVID-19 aviation sector support measures is achieving the three objectives set by the Australian Government; and
- (b) provide oversight of the total amount of support provided to individual recipients and the sector.

**Department of Infrastructure, Transport, Regional Development and Communications response:** *Agreed.*

3.68 *The Department acknowledges the importance of measuring the extent to which Australian Government initiatives achieve their objectives, and has closely monitored the COVID-19 aviation measures over the course of the pandemic to ensure they remained fit-for-purpose in a rapidly evolving environment and could be adjusted where necessary. Noting the measures have now largely concluded or are winding-up, the key objectives of maintaining critical air connectivity, preserving critical aviation capacity and protecting supply chains have been achieved, based on current network activity and performance. However, the Department will ensure the effectiveness of the COVID-19 aviation measures as a suite of support measures is considered as part of program closure arrangements. As part of this process, the Department will also ensure consideration is given to the mechanisms necessary to best monitor and evaluate measures as a suite, where appropriate, in future.*

3.69 *The Department has been monitoring the total amount of support provided to the sector, and to individual recipients, and has recently expanded the suite of financial reports provided to the governance board to include this information.*

### Public reporting

3.70 Under the Commonwealth Performance Framework, entities must demonstrate how public resources have been applied to achieve their purposes.<sup>45</sup> As a non-corporate Commonwealth entity, the department is required to publish<sup>46</sup>:

- a corporate plan, which meets the minimum requirements outlined in section 35 of the PGPA Act and section 16E of the PGPA Rule, setting out the entity's purposes, key activities, operating context, and how performance will be measured and assessed, through measures that meet the requirements of section 16EA of the PGPA Rule; and
- annual performance statements that present the entity's results against its performance measures as identified in its corporate plan and an analysis of the factors contributing to the results.

3.71 Section 16EA of the PGPA Rule sets out the requirements that all performance measures must meet for the purposes of section 16E of the PGPA Rule in preparing a corporate plan for a

<sup>45</sup> The framework is set out in section 37 of the *Public Governance, Performance and Accountability Act 2013* (PGPA) and the PGPA Rule.

<sup>46</sup> The Commonwealth performance framework is established by the PGPA Act and Rule. It applies to non-corporate Commonwealth entities, corporate Commonwealth entities and Government Business Enterprises. It sets out the minimum requirements that entities are to meet, including the clear read principle.

Commonwealth entity. The performance measures for an entity meet the requirements of section 16EA if, in the context of the entity's purposes or key activities, they:

- relate directly to one or more of the entity's purposes or key activities;
- use sources of information and methodologies that are reliable and verifiable;
- provide an unbiased basis for the measurement and assessment of the entity's performance;
- where reasonably practicable, comprise a mix of qualitative and quantitative performance measures;
- include measures of the entity's outputs, efficiency and effectiveness if those things are appropriate measures of the entity's performance; and
- provide a basis for an assessment of the entity's performance over time.<sup>47</sup>

3.72 The department's 2020–21 and 2021–22 Portfolio Budget Statements (PBS) identify eight outcomes, with outcome 2 relating to activities to support the aviation sector during COVID-19:

Outcome 2

An efficient, sustainable, competitive, safe and secure transport system for all transport users through regulation, financial assistance and safety investigations.

3.73 The PBS and corporate plans for 2020–21 and 2021–22 each defined one performance measure related to the aviation sector support measures as part of outcome 2 (see Table 3.4). Both performance measures aligned to the Australian Government objective to maintain a minimum domestic network. No performance measures were included to report on the achievement of the other objectives for the COVID-19 aviation sector support measures.

**Table 3.4: Performance criteria for Outcome 2**

Year	Performance criteria	Methodology	Target	Result
2020–21	Aviation network connections	Analysis of departmental records, including on the number of airports connected by domestic and international regular public transport flights, and on the maintenance of airfreight	In 2020–21, maintain minimum connections	Target met Air connectivity was maintained between 124 domestic locations throughout the pandemic
2021–22	Performance of the Domestic Aviation Network Support (DANS) and Regional Airline Network Support (RANS) measures	Analysis of DANS and RANS data. Including the number of: a) domestic commercial airlines receiving DANS or RANS support b) locations receiving DANS or RANS flights	No target	To be reported on in 2021–22 Annual Report

Source: Corporate plans and annual reports.

<sup>47</sup> In addition to section 16EA, subsection 16E(2) item 5 of the PGPA Rule states an entities corporate plan should specify targets for each performance for which it is reasonably practicable to set a target.

3.74 The ANAO assessed whether the department's performance measures for the aviation sector support measures were consistent with the requirements of the section 16EA and subsection 16E(2) item 5 of the PGPA Rule.<sup>48</sup>

3.75 The performance measures were largely appropriate. They provide quantitative information on the effectiveness of support measures, are clearly related to Outcome 2, and internal documentation clearly defines source data (including verification processes) and calculation methods. Public reporting by the department appropriately discloses that the impact of COVID-19 limits the ability of the measure to assess performance over time. The performance measures were limited because the public description of the methodology and reporting does not provide a reader confidence that the measure is an unbiased assessment of the performance of the entity and is not affected by selective reporting. In 2020–21 a target was identified as maintaining minimum connections without defining a minimum target. For 2021–22 the department did not set a target with the rationale that the outcome of the measure was directly affected by changes in the environment driven by COVID-19.

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Grant Hehir  
Auditor-General

Canberra ACT  
22 June 2022

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48 The ANAO did not assess the completeness of the department's performance reporting overall. Analysis is limited to those measures related to the COVID-19 aviation sector support.



## **Appendices**

## Appendix 1 Entity response



**Australian Government**  
**Department of Infrastructure, Transport,**  
**Regional Development and Communications**

**Secretary**  
**Mr Simon Atkinson**

PDR ID: EC22-000426

Mr Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr Hehir

**Auditor-General Proposed Audit Report on COVID-19: Support to the Aviation Sector**

Thank you for providing the Department of Infrastructure, Transport, Regional Development and Communications (the Department) with the opportunity to comment on the Australian National Audit Office's (ANAO) proposed audit report on COVID-19: Support to the Aviation Sector.

The Department acknowledges the ANAO's overall findings and agrees with the single recommendation. The Department's summary response and response to the recommendation is attached.

Please contact Ms Janet Quigley, First Assistant Secretary, Domestic Aviation and Reform Division on 02 6274 6061 if you would like to discuss this response.

I would like to thank the ANAO audit team for their professional approach, and the open and transparent manner in which the audit has been progressed.

Yours sincerely

Simon Atkinson

6 June 2022

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## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.
  - The department informed the ANAO that it considered an ANAO insights publication on rapid implementation during the early stages of delivering aviation support and that it informed its approach to designing and implementing measures.
  - The department has continued to review its operational structure to support the delivery of aviation support measures (see paragraph 3.3 to 3.7).
  - The department has improved its management of conflicts of interest. The department revised its policy in response to an audit of aviation measures by the department (see paragraph 3.30).

## Appendix 3 Australian Government measures introduced to support the aviation sector

**Table A.1: Measures introduced by the Australian Government to support the aviation sector during COVID-19**

Measure	Date announced	Period of operation	Responsible entity	Segment supported	Description	Committed (millions) <sup>a</sup>
Australian Aviation Financial Relief Package (AAFRP) <sup>b</sup>	18 Mar 20	Feb 20–Dec 20	Department of Infrastructure, Transport, Regional Development and Communications (DITRDC)	Airlines	<p>Provided support through five separate measures that reduced the cost base of aircraft operators, improving the financial viability of flight operations.<sup>b</sup> The measures included:</p> <ul style="list-style-type: none"> <li>• rebates of fuel excise (\$46 million) and supplemental appropriation to the Civil Aviation Safety Authority (\$30 million);</li> <li>• waivers in full of Airservices Australia fees and supplemental appropriation to Airservices Australia (\$400 million); and</li> <li>• rebates of domestic aviation security costs (\$173 million).</li> </ul>	\$641.7
Regional Airports Screening Infrastructure (RASI) <sup>b</sup>	18 Mar 20	Mar 20–Jun 23	DITRDC	Airports	<p>Provided grant funding to assist regional airports with the minimum necessary capital (\$46 million) and initial operating costs (\$20 million) associated with enhanced security screening requirements.</p>	\$94.5
Regional Airlines Funding Assistance (RAFA) <sup>c</sup>	28 Mar 20	Mar 20–Dec 20	DITRDC	Airlines	<p>Provided grant funding to assist smaller regional domestic airlines to manage cash flow issues they were experiencing as a result of the impacts of the COVID-19.</p>	\$100.0
Regional Airline Network Support (RANS) <sup>c</sup>	28 Mar 20	Mar 20–Jun 22	DITRDC	Airlines	<p>Provided grant funding to domestic commercial airlines to support the operation of 127 different regional routes that operated regular public transport services prior to COVID-19.</p>	\$242.3

Measure	Date announced	Period of operation	Responsible entity	Segment supported	Description	Committed (millions) <sup>a</sup>
International Freight Assistance Mechanism (IFAM)	1 Apr 20	Apr 20–Jun 22	Australian Trade and Investment Commission	Air freight	Provided logistical and administrative support for international freight movements by aggregating cargo loads, negotiating with airlines and dealing with partner governments to facilitate clearances and improved transparency of freight costs.	\$1,062.3
International Aviation Network (IAN)	3 Apr 20	Apr 20–Jun 20	DITRDC	Airlines	Procuring and coordinating scheduled international flights to assist Australians overseas seeking to return to Australia.	\$114.2
Domestic Aviation Network Support (DANS)	16 Apr 20	Apr 20–Dec 21	DITRDC	Airlines	Provided support to domestic commercial airlines by underwriting the cost of flights along 50 designated high-volume interstate routes.	\$926.6
Ex-gratia Land Tax (EGLT) Relief	5 Jun 20	Apr 20–Dec 21	DITRDC	Airports	Provided relief to eligible airports by waiving their EGLT payments for the first six months of FY 2020–21, and off-set EGLT payments already paid for the last quarter of FY 2019–20.	\$26.3
50 per cent Airservices Australia Fee Waiver (AA50)	14 Dec 20	Jan 21–Dec 21	DITRDC	Airlines	Provided a 50 per cent waiver of charges for air services provided by the Australian Government, for regular public transport and aeromedical services. Supplemental appropriation provided to Airservices Australia.	\$139.1
Aviation Services Accreditation Support (ASAS)	11 Mar 21	Mar 21–Dec 21	DITRDC	Ancillary service providers	Provided support to businesses providing ancillary support services to the aviation industry, for example ground handling companies, for the cost obtaining and maintain appropriate accreditation of its workforce.	\$54.0

Measure	Date announced	Period of operation	Responsible entity	Segment supported	Description	Committed (millions) <sup>a</sup>
Domestic Airports Security Costs Support (DASCS)	11 Mar 21	Mar 21–Dec 21	DITRDC	Airports	Provided financial assistance to Australia's eligible domestic airports to assist with costs associated with mandated security screening requirements that must be met regardless of the volume of aviation activity.	\$155.5
International Aviation Support (IAS)	11 Mar 21	Apr 21–Mar 22	DITRDC	Airlines	Supported airlines to maintain a core Australian international aviation capability and ensure airlines could quickly recommence commercial international flights as international restrictions are lifted.	\$319.7
Tourism Aviation Network Support (TANS)	11 Mar 21	Mar 21–Nov 21	DITRDC	Airlines	Provided support by underwriting the cost of additional flights on certain routes to key tourism regions that remain at minimum connectivity levels.	\$336.4
Retaining Domestic Airline Capability (RDAC)	2 Aug 21	Aug 21–Oct 21	DITRDC	Airlines	Provided funding to eligible airlines which could demonstrate a 30 per cent reduction in their network following the declaration of a COVID-19 hotspot by the Chief Medical Officer.	\$185.5
International Airports Security Costs Rebate (IASCR)	20 Sep 21	Oct 21–Mar 22	DITRDC	Airports	Provided grants to eligible airports to maintain regulated security obligations that must be met regardless of the reduced volume of aviation activity during the COVID-19 crisis.	\$64.0
Total funding committed by the Australian Government to support the aviation sector						\$4,462.1

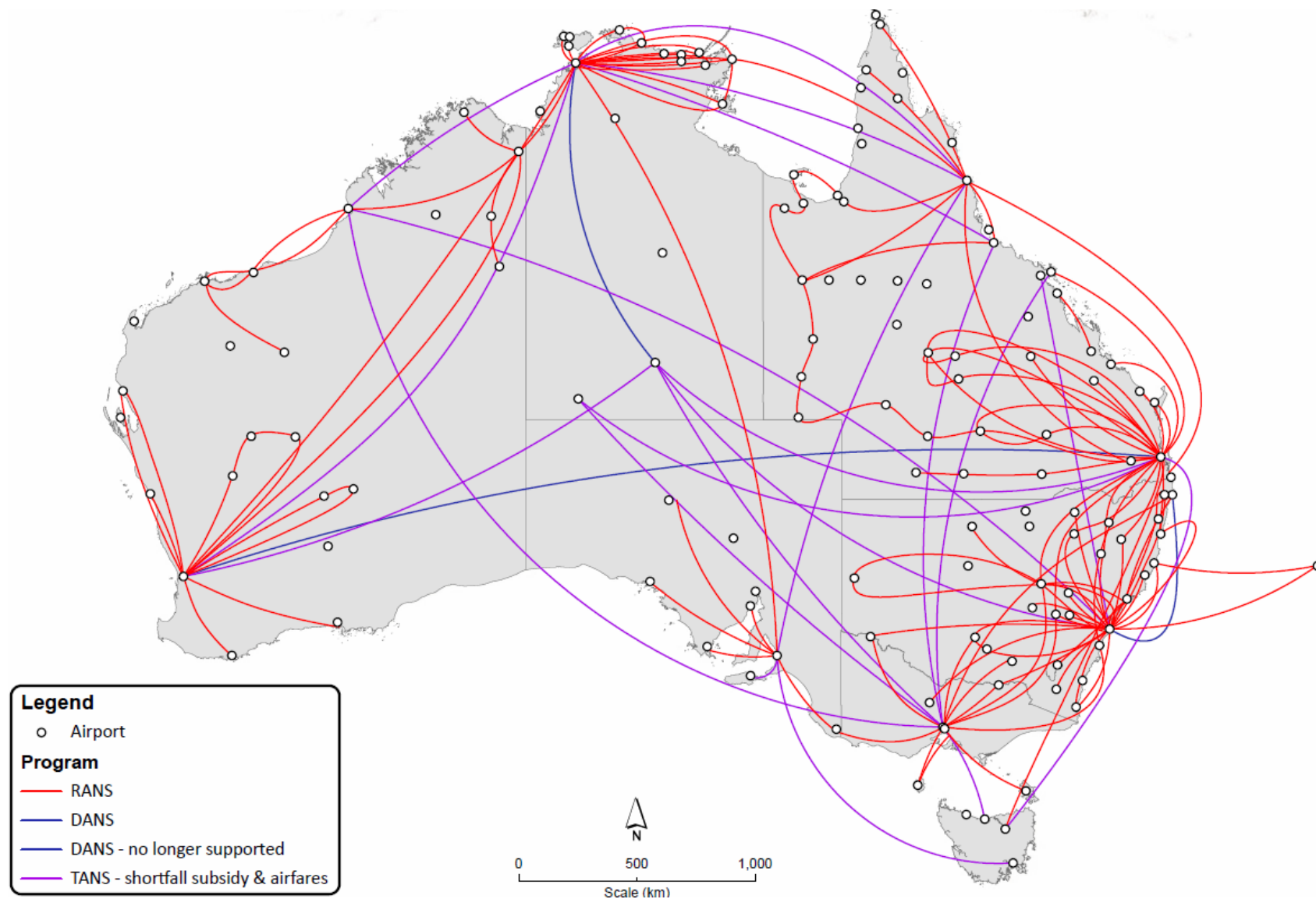
Note a: Culminative amount committed to the measure including all extensions, as at October 2021.

Note b: The AAFRP also included offsets against the operational costs (\$20 million) and grants to support new infrastructure at regional airports (\$46 million), to assist in the implementation of new enhanced security screening requirements required by the Department of Home Affairs. RASI was originally approved as part of AAFRP and then continued as a separate measure. RASI is listed separately in the table.

Note c: Measure introduced as part of the COVID-19 Relief and Recovery Fund announced on 28 March 2020.

Source: DITRDC.

## Appendix 4 Aviation network support routes as at July 2021



Source: Department of Infrastructure, Transport, Regional Development and Communications.

## Appendix 5 Closure reporting

**Table A.2: Closure reporting**

Measure	Months after closure	Post-closure review	Lessons learned	Payments reconciled	Conclusion of the internal review	Lessons learned
AAFRP	8	Yes	Yes	No	AAFRP successfully met the Australian Government's objectives. The measure reduced the cost of conducting flights and contributed to keep the aviation industry viable during the COVID-19 pandemic, albeit at a reduced rate of activity.	<p>Program teams should always be mindful of the legislative basis for the grant.</p> <p>Formulate guidelines and practices in accordance with parliamentary intent as per the language of the legislation. If unsure, seek legal advice.</p> <p>Always check the authority and financial delegation of the officer (delegate) signing grant agreements.</p>
IAN	7	Yes	Yes	No	All five policy objectives (repatriation; freight support; Aviation industry support; fast implementation; and value for money) were achieved.	<p>The flat fare payment structure reduced complexity, but reduced revenue as a result decreased the commercial viability of IAN.</p> <p>The short timeframe for ticket sales reduced IAN utilisation in early weeks.</p> <p>IAN did not generate sufficient revenue from ticket sales and cargo services to demonstrate the ongoing value of IAN.</p> <p>The urgency of the implementation led to challenges in achieving full transparency on airline costs, a capped funding approach should be considered in future.</p>
EGLT Relief	N/A	No	No	N/A	N/A	N/A

Measure	Months after closure	Post-closure review	Lessons learned	Payments reconciled	Conclusion of the internal review	Lessons learned
RAFA	12 <sup>b</sup>	Yes	No	Yes	The key objectives and outcomes of RAFA were achieved. Without RAFA support, it is likely that a number of regional airlines and essential service providers would have become insolvent, resulting in regional communities losing critical air transport connectivity. RAFA also complemented RANS in maintaining a minimum level of connectivity across the regional RPT network.	<p>Establishing the level of funding required to maintain solvency without improving the financial position of the entity was a key challenge for RAFA, given the complexity of airline operations and finances.</p> <p>The grant guidelines provided a deliberately high-level definition for what would be considered to be an 'essential air service provider' beyond aeromedical providers. This enabled flexibility in selection but increased the amount of clarification required with stakeholders.</p>

Note a: No payments were made as part of this Measure.

Note b: Review completed after ANAO request a copy of the review in December 2021.

Source: ANAO Analysis.