



**SUBMISSION TO
PRODUCTIVITY COMMISSION
INTERNATIONAL AIR SERVICES INQUIRY
DRAFT REPORT**

Introduction

Tourism Council Australia (TCA) is pleased to provide feedback on the Productivity Commission's International Air Services Draft Report.

The tourism industry depends on a reliable and certain air services market to carry travellers safely to and within Australia. TCA believes in the need to have a competitive and efficient airline industry and welcomes a practical approach to air services liberalisation.

TCA supports some core recommendations of the report however the report promotes radical solutions, which the industry believes could create a more competitive but volatile marketplace. Such policies would not be in the best interests of the industry. TCA's responses to the draft recommendations are:

Australia's aviation policy and processes

- 4.1** TCA supports the Government regularly updating and publishing a statement of aviation policy.

- 4.2** TCA also supports Department of Transport and Regional Development (DTRD) developing formal consultation processes with all major stakeholder groups to obtain their views and ensure that these mechanisms provide informative and timely feedback on the outcomes of the negotiation process. However, mechanisms already exist to provide such feedback (eg Office of National Tourism, Tourism Aviation Group) and strategies must be developed to ensure these processes and groups are recognised. The consultative mechanisms that already exist should be factored into any new consultative arrangements.

A regional reform package

- 5.1** TCA supports the recommendations to remove restrictions on city designation of secondary gateways and to allow unrestricted rights for foreign airlines to codeshare on Australian airlines to all points in Australia.

However, TCA does not support foreign airlines having unrestricted rights to carry their own-stopover traffic. TCA believes that Australia should not move too swiftly without reviewing initiatives in place in other countries. Furthermore, TCA would not welcome unilateral liberalisation if that means abandoning the negotiating coin that currently allows Australia to expand its air services agreements with partner countries on an equitable basis.

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- 6.1** TCA supports the recommendation that contested capacity should continue to be allocated by the International Air Services Commission (IASC) using a public benefit test. However, every effort should be made to reduce the administrative complexities of the proposed structure so as to reduce costs and boost responsiveness to swift market changes in capacity needs.
- 6.2** TCA does not support the proposed amendment to the objectives of the IASC. TCA believes that the amendment proposed is not a pragmatic approach to air services liberalisation and may be used to promote full scale open-skies liberalisation.
- 6.3** Similarly, TCA does not support the recommendation not to involve the IASC in assessing the viability of airlines, or anticipating approvals by other government agencies. TCA stresses the need to have efficient, reliable carriers to transport passengers reliably and safely. The industry is in need of certainty and without a body experienced enough to assess these issues, tourism would be affected by carrier default and airlines' inability to ensure long-term sustainable air service operations.
- 6.4** TCA recognises that when international capacity becomes available, or is applied for, it should be advertised by DTRD. Where an application for capacity is uncontested, or capacity is not constrained, the allocation of that capacity should be approved automatically by DTRD.

Additionally, airlines should be responsible in meeting other regulatory and financial requirements before the commencement date.

- 6.5** TCA agrees that submissions should not be called for unless a contested application is referred to the IASC and that the criteria used by the IASC to allocate capacity be simplified.

Further Liberalisation

- 8.1** TCA does not support a more liberal means of designating airlines other than a process that relies on ownership restrictions.

TCA does not support removing ownership restrictions further. Relaxing such restrictions may produce anti-competitive behaviour, much to the detriment of the tourism industry.

- 8.2** With the exception of specific regional reform package elements, TCA does not support the core package of the recommendation that Australia should seek to negotiate bilateral “open-skies” agreements with like-minded countries.

The industry supports competition and the eradication of capacity constraints that may deter foreign travellers from visiting Australia. However, increasing competitive pressure by removing restrictions on cabotage, seventh freedom rights and other key points of the bilateral “open-skies” approach would fundamentally reshape the airline industry and create uncertainty.

- 8.4** TCA supports the recommendation to invite like-minded countries to discuss the formation of an open club of nations committed to liberalising international aviation through a common plurilateral “open-skies” agreement.

TCA believes that if Australia embarks on full-scale aviation market liberalisation it is critical that like-minded countries reciprocate.

- 8.5** TCA supports the establishment of a working party of World Trade Organisation members to determine a process for including all air services in the General Agreement on Trade in Services (GATS).

TCA believes that the WTO should consider trade in air services to ensure an internationally consistent approach to aviation market liberalisation.

- 8.6** TCA does not support the establishment of a full common aviation market with New Zealand with multiple designation of Australasian carriers in international markets. Such an arrangement would provide significant competitive advantages for the New Zealand market that would far outweigh any benefit accruing to Australia.

Additional Comments

Australia's aviation policy and processes

TCA supports the recommendation that DTRD should make an in principle commitment that all of Australia's Air Services Agreements (ASAs) should be publicly available, limiting confidentiality strictly to those parts of the ASAs specifically required by other countries.

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TCA supports the recommendation to remove start-up provisions from the policy statement of the Minister for Transport and Regional Development in a bid to reduce the complexity of the policy statement and to introduce competition through the additional criteria which apply on all contested applications.

Access to airports

TCA supports that greater use should be made of peak load pricing at congested airports in Australia provided this does not result in significant price hikes across all slots.

Finally, TCA agrees that a market for trading landing and take-off slots should be investigated.

Conclusion

Once again, TCA welcomes the opportunity to provide comments to the Productivity Commission's Inquiry into International Air Services. Should you wish to discuss any of the issues raised in this submission, please call Stephen Albin, National Policy Manager, on 02 9358 6055.

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