



27th February 1998

Ms Delwyn Rance
International Air Services Inquiry
Industry Commission

Dear Ms Vance

Please find attached Brisbane Airport Corporation Limited submission for the Industry Commission inquiry into International Air Services.

Koen Rooijmans
MANAGING DIRECTOR

BACL SUBMISSION TO THE INDUSTRY COMMISSION
INQUIRY INTO
INTERNATIONAL AIR SERVICES

ECONOMIC IMPACT

Both airports and airlines provide significant economic benefits, within Australia, by creating employment, through all facets of their operations.

Airports play a large role in the growth and economic development of the surrounding community, within their region, due to the great number of industries they support, including a broad mix of airlines. The economic impact, of an airport, consists of initial and flow-on effects.

Initial effects are the activities of those firms (on and off airport) involved in the operation of the airport, the economic activity generated by the visitors to the region and value of freight exported.

Industries involved in the operation of the airport include airlines, aviation services, government agencies, ground transport, freight forwarders and travel agents. Visitors to a region spend money on accommodation, food, tours, attractions etc. Freight exports include seafood, high tech equipment, flowers, fruit and vegetables.

The flow-on effects occur as second, third and subsequent-round purchases flow throughout the economy.

The level of impact on the economy will vary according to the size of the airport. In 1996/97 passengers, travelling via Brisbane and staying overnight in South East Queensland spent \$2.0 billion and \$1.25 billion in freight exports passed through Brisbane Airport.

An estimate of the total impact on the Queensland economy in 1996/97 was - Total Expenditure \$7,499m, wages & salaries \$2,044m, state and federal tax payments \$861m and employment - 83,000 job equivalents.

Airports are major contributors to the economy and their growth and success will have a significant impact on the community.

PRIVITISATION

The major airports are, in effect, now in competition with each other for airline movements and passengers. For the airports to have a return on their substantial investments they must be able to operate within a level playing field. They also must have the opportunity to market themselves with all potential airlines and have the flexibility to promote particular operations at their airports.

AMENDMENTS

Some of the changes that BACL believe should be addressed within the ASAs are as follows:

- Equality within the ASAs for points in Australia that may be served by foreign carriers.

Currently the ASA has instances of particular countries being able to only service particular airports within Australia. For example Canada - Sydney plus one point of choice (Mel) and Egypt - Melbourne and Sydney.

This inequality puts the non designated airports at a disadvantage when trying to market their airport to overseas airlines.

For true competition all airports should have access to all countries.

- Remove restrictions to operating patterns

The current ASA has some restrictions on how an airline may operate to or through a particular airport. For example Brunei's foreign capacity states that there is capacity for 3 X B767 to operate to Darwin and Brisbane and 1 X B767 to operate to Brisbane direct and USA passenger services have restrictions on beyond services for Brisbane.

Restrictions, such as those above, make it more difficult for airlines to fly to a particular airport. Airports without operating restrictions have an advantage in attracting new airlines or services.

- Have a provision for excess capacity entitlements

Prior to the Asian crisis some markets were growing and estimated to continue to grow by up to 12%. These markets should not be put in a position to be stifled because all entitled capacity is utilised.

- Sufficient capacity must also be allowed for the freight market

Currently freight capacity is not included in some ASAs and not allowed to be substituted for passenger capacity in others. Freight is a growing market, adds great value to the economic development of a region and a market that will be targeted as an integral part of airports expansion strategy. For the strategy to succeed there must be sufficient capacity available to cater for the potential growth.

- Increased flexibility towards code-sharing and alliances

With an increased flexibility in code-sharing and alliances, airports can develop strategies, in conjunction with the airlines, to promote a form of operation that would best suit the region, eg having more hub type operations at Brisbane.

- Have the capacity entitlements expressed as units.

Currently the capacities are a mixture of aircraft types and units. A policy of having all capacities expressed as units would give the airlines the flexibility to operate more frequencies with smaller aircraft.

- Remove restrictions on trade process

Airports advocate a greater liberalisation of the International Air Services and must be a part of the consultative process as the agreements are fundamental to the airports ability to attract airlines and therefore expand its business. The growth of the airport in turn is fundamental to the growth of the economy and development of the local community.

- Transparent agreements

Currently the agreements are only made public in an abridged format. Full details of the agreements, including some background to the decision making, should be made available to all concerned parties. As the agreements form the basis of the most fundamental business of the airport, the airports should have greater access to the decision making and the subsequent results

CONCLUSION

BACL believe that the current Air Service Agreements are highly regulated, restrict competition and are not in the national interests to attract more tourists to Australia.

BACL support a more liberalised air service policy to assist in increasing tourism to Australia and subsequently developing Australia's economy.

Koen Rooijmans
MANAGING DIRECTOR