

AEROLINEAS ARGENTINAS

SUBMISSION

1. Aerolineas Argentinas (AR), as the designated airline of the Argentine Republic continues to seek expansion on the air links between Argentina and Australia. Given the continuous growth in trade and tourism, this is clearly in the national interests of both countries. The development of traffic between Australasia and South America is also of importance.
2. AR has been servicing New Zealand and Australia since 1981. The air route being known as "Transpolar" from Buenos Aires via the southern ocean to Auckland and on to Sydney. This service has been operated with much difficulty over the years, due to the lack of fifth freedom traffic rights between Auckland and Sydney. This situation was rectified only recently, in late 1996. The lack of these rights prevented AR from realizing full revenue opportunities on the route, necessary to offset operating costs which on long thin routes are high. AR nevertheless persisted.
3. During the 17 years of operation, progress has been difficult due to an Air Services Agreement that was extremely limiting, and designed solely to protect the interests of Qantas Airways, which at the time was the sole Australian designated carrier. QF has never exercised its right to operate the route, and held the key to any further development of the route by AR. Qantas' refusal to use or yield up that key year after year, could only be construed as being in restraint of trade.
4. Whilst the situation was greatly improved in November 1996, after Senate Committee Hearings, submissions to Government etc, the existing continuing restrictions should be characterised as amounting to an on-going restraint on trade, which tends to empower the Australian designated carriers to set the pace of development of the route without having regard to the particular contribution or interests of the Argentine designated carrier. This situation will ultimately prevail regardless of any commercial agreement or code sharing between Aerolineas and an Australian carrier.
5. As we enter the era of globalisation, cross ownership of airlines by interests from different nations is a common occurrence. In Australia we have witnessed the British Airways participation in Qantas, and Air New Zealand in Ansett. This makes the current bilateral system totally inadequate. The development of code shared flights between partner carriers, which seek economies of scale are in many cases hindered by the present system.
6. Today, airlines need a system that is fair and equitable to allow adequate returns for risk and investment, and one that allows them to operate in a commercially viable manner. Aerolineas Argentinas should be permitted to serve the whole of the Australian market that desires to travel between Australia and South America. AR is prevented from achieving this by the terms of the current Air Services Agreement, which facilitates the anti-competitive behaviour of the Australian carriers.

7. The current bilateral system was perfectly adequate during the era of government owned air carriers and protectionism. Today most world economies are becoming market driven and the air traffic rights negotiating system must be modernised accordingly.

8. Aerolineas Argentinas welcomes the recent changes in the Australian conduct of bilateral talks, where we now see the trade, tourism and foreign affairs interests taking a seat at the negotiating table that was previously occupied only by the Department of Transport and the Australian government owned airline. However it is the experience of Aerolineas that the interests of the transport bureaucrats, and the Australian airlines, continue to take precedence over other equally important elements of the national interest. It appears to AR that this factor in particular is holding back progress towards a truly competitive and market-oriented situation in airline access to Australia.

Axel G. Bendixsen
Regional Manager