

# **AUSTRALIAN TOURIST COMMISSION INTERNATIONAL AIR SERVICES DRAFT REPORT**

## **Introduction**

The Australian Tourist Commission (ATC) welcomes the release of the Productivity Commission's Draft Report following its inquiry into international air services. The ATC provided a written submission to the inquiry and subsequently also appeared before the Commission at public hearings.

The ATC welcomes the opportunity to comment briefly on some of the issues and recommendations contained in the Draft Report.

## **Current Air Services Arrangements (ASA)**

In its earlier submission to the Productivity Commission, the ATC outlined concerns with the current arrangements. Specifically, the ATC believes that the terms and conditions which currently regulate international air services are unnecessarily restrictive. These restrictions do in turn lead to operational inefficiencies.

In essence, current arrangements have a degree of inflexibility which do not provide the airlines with the ability to respond to consumer and market changes. On this matter, the ATC is in agreement with the conclusions reached by the Productivity Commission which has recognised the inefficiencies of the current arrangements.

The ATC believes that a more liberalised approach should be pursued where it can be demonstrated that it will deliver greater consumer benefits and a seamless air service. It is this agency's view that a less restrictive arrangement has the potential to lead to greater competition, reduced fares, new routes and an improved quality of service.

The ATC does recognise however that the Department of Transport & Regional Development (DoTRD) has been pursuing a policy of gradual liberalisation within the current bilateral arrangement. DoTRD is to be commended for this approach and encouraged to continue to pursue liberalised objectives.

## **Australia's aviation policy and processes**

The ATC welcomes the recommendation concerning the need for DoTRD developing a more formal direct consultation process with all major interested parties before during and following the negotiating process.

As stated in its earlier submission to the Productivity Commission, the ATC has an excellent and open relationship with DoTRD. On occasions this has

provided the ATC with the opportunity to supply input directly to the negotiating team. This ultimately benefits Australian tourism since it provides the industry with a direct link to Australia's negotiating position.

Nevertheless, the current arrangement is informal. As the Commonwealth agency responsible for marketing Australia as a tourist destination, the ATC maintains that it is in a unique position to enhance the negotiations by offering in-depth market knowledge and expertise. Accordingly, and in the better interests of Australian tourism, the ATC believes it should formally participate directly in those negotiations particularly where the current bilateral negotiation arrangements are to continue.

### **Regional Reform Package**

The ATC welcomes the Productivity Commission's proposals for the further liberalisation of international air services. A number of these were commented on by the ATC in its' earlier submission to the Productivity Commission. The removal of restrictions on foreign airlines using secondary gateways is especially desirable as it would undoubtedly assist international tourism and regional development.

In addition, the option of enabling foreign based carriers to service a wider range of destinations, both on their own and through codeshares with Australian based carriers, would encourage the marketing of a wider range of destinations. This in turn would positively affect customer service. The ATC supports these recommendations.

### **Further liberalisation**

The ATC acknowledges that the recommendations contained in the Draft Report would deliver a significantly less regulated air service arrangement than currently exists. On this basis alone, further consideration of the options raised in the Draft Report is warranted and desirable.

As it stated in its earlier submission to the Productivity Commission, the ATC is of the view that Australia must make progress towards a more liberalised arrangement in relation to air services if it is to maintain a competitive edge and if it is truly committed to delivering benefits to consumers. The option pertaining to a working party of WTO members is one such approach.

As stated previously, the ATC believes a more liberalised sector should only be pursued where it clearly can be demonstrated that it would increase economic efficiencies as well as delivering consumer benefits. As the Productivity Commission has correctly alluded to, the small size of the Australian aviation sector is a factor that must be taken into account during the decision making process.

**Charter Policy**

As noted in its earlier submission, passenger charter services are non scheduled air services offering international travellers the advantages of more flexible air travel than might be available by flying with the conventional scheduled carriers. From a tourism perspective, passenger charter services play an important role in developing new markets, servicing countries where scheduled services are limited and in servicing regional Australia.

The current regulatory framework is unnecessarily inflexible offering a competitive advantage to scheduled carriers over charter operators. The ATC is strongly supportive of further liberalisation in the current policy pertaining to passenger charter services in recognition of the extensive range of consumer benefits this policy would deliver for Australian tourism. In particular, further liberalisation in this area is required to encourage operators to service secondary gateways to Australia.

**Australia's aviation policy and processes**

The ATC welcomes and supports the recommendation relating to making available all of Australia's air service agreements.