

Tourism Council Australia

A stronger voice for Tourism

6 March 1998

Dear Delwyn

Re: International Air Services Inquiry

Thank you for the extension to make a submission to the International Air Services Inquiry. Here is Tourism Council Australia's submission.

Please note that the policy does not cover specific bilateral agreements nor the specifics of the role of IASC and ACCC. It concentrates on the broader issues of how governments should do business which is relevant to their, or any government body. It is considered that specific bilateral agreements would be dealt with directly by key stakeholders such as the states/ territories.

Tourism Council Australia welcomes an aviation environment that benefits the aviation and tourism industries through the encouragement of competition.

If you have any questions, please do not hesitate to call Brian Phillips on (02) 6273 1000.

Yours Sincerely

Pamela Sayers
National Policy Manager

TOURISM COUNCIL AUSTRALIA

AVIATION POLICY

OVERVIEW

The broad objective of aviation policy is to maximise the benefits to tourism and aviation by removing constraints on the development of an efficient domestic airline industry and the encouragement of competition whilst recognising the need for some regulation for safety reasons.

In the international arena the Government should actively seek to reduce the barriers to trade in air services and conclude the most liberal and flexible services agreements consistent with the objective above.

CONTEXT

The tourism industry is of growing significance to the Australian economy. The industry contributed an estimated 11.7% to Australia's Gross Domestic Product in 1995/96. Total expenditure in Australia by domestic and international visitors in 1997/98 is expected to be \$65 billion.

Export earnings from tourism in 1996/97 were \$15 billion, representing 13.3% of Australia's export earnings and 63.7% of services exports.

In 1995/96 the industry was directly responsible for employing around 694,000 people and indirectly for employing a further 334,000, giving a total of 1,028,000 which represents around 12.4% of the total workforce in Australia.

Australia is located a long way from many of our key tourism markets. In addition, with the overall increases in travel globally over the last 15-20 years, peoples' desire and ability to travel has increased. Within this context, Australia will continue to face substantial competition from other countries for tourists.

Australia must remain a sustainable and internationally competitive tourist destination providing quality experiences, goods and services for all tourists.

Given Australia is a "long haul" destination, air transport is essential for the tourism industry in Australia. Australia is also a large country and the domestic aviation network is essential for international and domestic tourists to be able to move around the country easily and to access regional areas. In addition, Australia is a small tourism market and there is already intense competition internationally.

As a travel destination, Australia is at the end of the line and lacks the opportunities that many destinations have by acting as an air transport hub. This presents a number of challenges, as Australia has very limited opportunities to pick up stopover travellers.

Over 99% of our international visitors travel to and from Australia by air and around 46% of these visitors use domestic air services during their visit (IVS 1996). In addition, around 7.5 million trips were taken by Australian tourists by plane in 1996/97. This represents 12% of all domestic tourism trips (DTM June Quarter 1997).

It needs to be remembered that business travellers are extremely important to the viability of the aviation sector and the tourism industry both domestically and internationally given that they are higher yielding passengers as they account for a large proportion of revenues of an airline.

Liberalisation has been a feature of Australian aviation over the nest decade. This has included:

- deregulation of the domestic aviation market- 1990,
- increased weight to tourism issues in the negotiation of bilateral aviation agreements which began in 1989 and has increased since,
- integration of domestic and international markets in 1992 and the privatisation of government airlines: this enabled Qantas and Australian Airlines to merge and Qantas to operate in the domestic market,
- multiple designation on international routes enabling Ansett to operate internationally, and further freeing up of Australia's bilateral negotiating position as a consequence,
- establishment of the IASC in 1992 with a policy direction to favour start up carriers in international markets,
- progressive liberalisation of the policy on passenger and freight charter operations, with revised guidelines issued in 1996,
- establishment in 1996 of a single aviation market with New Zealand which allows Australian and New Zealand carriers to operate in each other's domestic markets and operate without limits on the number of trans Tasman services.

Overall these changes have delivered increased competition internationally, greater consumer choice, and reductions in airfares in real terms both domestically and internationally. Within this context it is recognised that some states may have experienced a reduction in total market share of inbound traffic.

PRINCIPLES

Safety and Security

The availability of safe and secure air transport is essential for the development of Australian tourism and should not be compromised.

The Commonwealth Government has a fundamental regulatory and compliance role in air safety and security matters. States and Territories also play an important role at airports maintaining a secure environment. The tourism industry is committed to working with governments and other stakeholders, including airlines, to ensure Australia's high standards of aviation safety and security are maintained.

Australian airlines

TCA considers it is imperative that we have Australian airlines that are viable now and in the longer term as Australian airlines have a commitment long term to Australian tourism. Australian carriers provide significant direct and indirect economic benefits given the scale of their operations in Australia - engineering and maintenance, services, training, food and beverages etc - delivering jobs to Australia.

Within this context, the Australian airline industry is an important employer with in excess of 52,000 employees Australia wide.

Foreign carriers play a significant role in the inbound tourism market for Australia in terms of the numbers of passengers that they bring to as well as their contribution towards promoting Australia as a tourist destination. They employ a large number of people domestically and a significant amount of their services needed within Australia are provided by the Australian carriers.

With further globalisation of air transport, TCA supports the need for Australian carriers to form strong alliances with international carrier(s). This will ensure that Australia can grow its tourism trade by leveraging off the other carrier(s) marketing strengths and market penetration, and increase the range of tourism markets available for Australia.

Competition

The Commonwealth Government has a key role in competition policy exercised principally through the Australian Competition and Consumer Commission (ACCC). TCA supports the application of competition principles to the aviation industry.

The Government's Role

TCA supports the Commonwealth Government's commitment to remove duplication and unnecessary "red tape" that imposes costs and constraints on businesses. More specifically, TCA considers that it is essential that:

- there is no duplication between government agencies in terms of responsibilities, policy making and administration;
- decision making and administrative processes are simple, transparent, consistent, fair and timely;
- the government should have the ability to obtain independent technical advice, when necessary;
- outcomes are consistent; there are effective and regular consultative mechanisms established;
- there is full and meaningful consultation with stakeholders prior to decisions being taken.

Overall the Commonwealth Government's role is to maximise the net benefits to Australia, and more specifically tourism.

Consultation

The tourism industry is committed to working with all levels of government to achieve the best outcomes for the industry. It is imperative that governments are also committed to consulting with the tourism industry, as well as the aviation sector in particular.

Provision/availability of air services

There is a need for adequate frequency of services to meet the demands of travellers including tourists. The Government's policy of negotiating capacity well ahead of demand supports this requirement eg at June 1997 Australia had negotiated 37 million seat entitlements; this compares with 14.5 million passengers for the year ending June 1997. This policy needs to be applied in markets that have a genuine opportunity to deliver the greatest tourism benefits to Australia and right across Australia. It is important that there are no restrictions which may prevent bilaterals being exercised or which limit the viability of services.

Liberalisation of international air services

Currently international air services are provided within a framework of bilateral agreements TCA supports liberalisation of air services and recognises that this can be achieved through the bilateral process. In negotiating these agreements it is important to remember that the extent of the benefits that the Australian Government can deliver is constrained by what other countries are prepared to concede.

If Australia is viewed internationally as a country that supports liberalisation it is important that this perception does not result in agreements that disadvantage Australia as a whole and tourism in particular. When negotiating bilateral agreements, TCA considers that it is important that the Commonwealth Government achieves a balanced package which delivers maximum benefits for Australian tourism. The Australian

policy should take account of the need to distribute services and hence travellers around Australia. TCA generally supports removing the practice of point specific gateways.

If multi-lateral arrangements are ever to supplant bilateral agreements, this is most likely to be achieved through evolution of the bilateral process. TCA would support the evaluation of multilateral options through organisations such as APEC, WTO, and GATT provided they deliver significant and clearly identified benefits for Australian tourism and aviation. The tourism industry does not support “open skies” per se.

Deregulation of international air services

In supporting liberalisation and improved market access for foreign carriers, TCA believes that Australian carriers should be given commensurate ability to respond to market opportunities quickly and flexibly. Regulatory procedures should not create barriers to market efficiency. In particular:

- it is important to ensure that Australian carriers are not forced to clear hurdles which do not apply to foreign carrier;
- duplication is avoided, particularly in the application of competition policy;
- where there is unlimited capacity or no competing airlines, decisions should be automatic and "reasonable capability" principles should continue to apply to IASC decisions.

Inbound Charter services

TCA supports a liberal international charter policy. The policy should be sufficiently liberal to accommodate competition with scheduled air services. However, the industry does not support the use of charter flights as de facto bilateral scheduled services if this impacts adversely on the ability of scheduled operators to provide services on those routes.

Air Freight

The tourism industry supports liberalised freight services. It is recognised that in many instances the cost-effective carriage of freight is directly linked to the provision of passenger services. In effect air freight capacity is a direct by-product of travel and tourism.

Domestic air services

It is essential that Australia has a sustainable domestic air services network that provides regional and trunk route services given its importance for international and domestic tourism. TCA believes that the national interest is served best if domestic services are provided by Australian carriers.

TCA supports the continuance of trading stop over rights within the bilateral arrangements to support foreign carriers servicing secondary gateways.

Infrastructure

Governments should take steps to ensure that the supply of airport and airways infrastructure at least matches projected demand. It is also essential that existing facilities are operated efficiently and that their utilisation is maximised.

In addition, governments need to ensure that airport charges reflect the cost of supplying services and are operating at world best practice levels. . Charges that reduce Australia's competitiveness for both international and domestic tourists will have a significant negative impact on tourism's growth and employment potential.

In addition, airport infrastructure needs to be readily accessible so that air services meet the timing needs of travellers - i.e. time of day, time of the year, and with minimal delays. One of the biggest challenges in operating an airport is balancing capital "needs" against airport user charges.

It is also important that transport services - road, rail, water and air - are integrated as efficiently and effectively as possible.

Other charges

Likewise other charges associated with the provision of air services such as customs, immigration and quarantine are often related to providing services and policing requirements that are delivered in the interests of the entire Australian community. As such these should be provided by Governments with funding from consolidated revenue as community service obligations.

If government agencies request the assistance of the industry in the delivery of their services, such as collection of passenger movement charge tax and checking of electronic travel authorities, operators, whether airlines or other service providers, should be reimbursed for any capital and operating costs that they incur.

Definition

For the purposes of this paper the term "open skies" is defined as a situation under which any number of carriers could operate free of restrictions on capacity from any point in the home country through an intermediate point/port to any point in the other country and beyond points in any other country with full traffic rights. This includes free rights to determine routes and free rights to determine capacity. This definition reflects "open skies" agreements in the Asia-Pacific region it does not include cabotage i.e. the right for a foreign carrier to travel between domestic points.