

ANSETT INTERNATIONAL LIMITED

1 May, 1998

Ms Delwyn Rance
International Air Services Inquiry
Industry Commission
Level 28 Collins Tower
35 Collins Street
MELBOURNE VIC 3000

Dear Ms Rance

INTERNATIONAL AIR SERVICES INQUIRY

This letter comments on a number of issues that arose during Ansett's appearance before the Industry Commission's Inquiry into International Air Services.

'Open skies' club

Ansett's submission indicates that its preferred position is progressive liberalisation of air services agreements, taking into account the costs and benefits to Australia on a case by case basis. As you are aware, Australia already has a number of very liberal agreements with bilateral partners and Ansett would expect that this trend should continue.

Our reservations about a plurilateral approach to liberalisation still remain however. Until the details are on the table it is not possible to analyse whether key benefits from a plurilateral "open skies" agreement would be negated by restrictions imposed through agreements with third countries. Such restrictions could significantly disadvantage some countries in the group at the expense of others and there is no guarantee that a plurilateral approach will persuade third countries to liberalise. By way of example, if the United States were a member of the group and Japan were not, US carriers would have unrestricted access to the Australia-Japan market because of the US agreement with Japan but Australian carriers would still be limited in terms of capacity expansion in the Japan-Australia market and would also be unable to access the Japan-US market because of restriction in the Australia-Japan agreement.

Even if third country restrictions were resolved fairly quickly, given the intensity of competition in international aviation, particularly in the current economic circumstances, the advantages gained during the period by the airlines of one country may be sufficient to entrench their position on the routes in question.

Air New Zealand's submission to the Commission also proposes "an APEC accord limited to certain aspects on which all could agree to adopt a liberal position, with a view to adding others over time." Ansett supports the initiatives taken within the Transportation Working Group of APEC towards this objective.

Tariff Setting

Currently Australian and overseas governments are involved in the approval of published international airfares. When the airlines have approval from the applicable government bodies, the fares are also 'filed' with IATA, which in turn publishes the fares in Tariff books.

As indicated in its submission, Ansett supports the tariff option included in the APEC Air Services Group paper recommending "that APEC economies support the removal of progressive easing of tariff regulations through the bilateral air services arrangements where this promotes competitive pricing to the benefit of consumers".

Although the Australian Government supports tariff liberalisation, some countries in the region strictly enforce the tariff provisions in air services agreements. A bilateral approach is therefore required to ensure Australian carriers are not disadvantaged vis a vis foreign carriers.

If you have further queries please contact Darren Giri on (03) 96234487.

Yours sincerely

Craig Wallace
General Manager International

