

Tasmanian Government

Ms H Silver
International Air Services Inquiry
Productivity Commission
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 8003

Dear Ms Silver

Thank you for providing the opportunity to comment on the Draft Report of the Inquiry into International Air Services. I am supportive of the general thrust of the report and would like to make the following specific comments on issues that have a bearing on Tasmania.

The Tasmanian Government supports the regional development package proposed by the Productivity Commission. Easing of restrictions on foreign airlines using secondary gateways will stimulate tourism growth and will help to create a level playing field so that Tasmanian airports can compete for air services in the market place.

Providing unrestricted access for foreign airlines to codeshare and carry their own stopover traffic within Australia will encourage foreign airlines to utilise secondary gateways. However, it is considered this will be of limited effectiveness without providing specific capacity to operate to these destinations or ensuring that there is abundant capacity specified in bilateral agreements. As long as capacity is limited, the opportunity costs associated with operating to a secondary gateway will dissuade a foreign airline from implementing new services or expanding existing services to secondary airports. Where capacity is scarce the airline will continue to concentrate its services on the highest yielding ports.

It is accepted that the application and approval process of the International Air Services Commission would benefit from streamlining and simplification as outlined in the Draft Report.

The recommendation for improved consultation process based on open information exchange between Commonwealth and States is welcomed. My Government supports a recent plan outlined by the Federal Department of Transport and Regional Development to introduce a new consultative forum to ensure that all issues are addressed in bilateral negotiation processes, in recognition of the fact that the Tourism Aviation Group only provides a forum for tourism issues.

We expect that the Tasmanian routes will be serviced by smaller rather than larger aircraft. As the larger aircraft attract higher landing fees, I have some concerns that Tasmania will not get access to the 'slots' necessary to connect with overseas flights leaving from the Eastern States. It is likely that the smaller regional carriers will need some protection if 'slots' are to be traded.

Further liberalisation of freight services, including the removal of restrictions for foreign airlines to offer freight services within Australia is supported. Tasmania may have to rely increasingly on dedicated freighters to link with other domestic and international markets if the size of passenger aircraft servicing Tasmania declines. Domestic cabotage for freighter services would allow foreign airlines to carry domestic freight on domestic stages of the journey, would provide a greater choice of freight services for producers, and increase competition between interstate transport modes.

Thank you again for the opportunity to comment on the Draft Report.

Yours sincerely

Tony Rundle MHA
Premier