

Our Ref: Let.845

27 February 1998

The Secretary
International Air Services Inquiry
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 8003

Dear Sir/Madam

The Board of Airline Representatives of Australia Inc. (BARA) is the industry association representing the interests of international airlines operating to and from Australia. BARA aims to establish a recognised means of communication between member airlines and statutory and other bodies whose interests and actions influence or affect member airlines and the aviation industry. Its purpose is to act on issues affecting the aviation industry in Australia and to provide a single concerted voice on policy and other matters when dealing with the Federal and State governments and other aviation industry stakeholders.

BARA's membership currently comprises 48 scheduled airlines, operating out of 40 different countries around the world. It is not unusual, therefore, for the members of BARA to hold differing views on aviation policy matters, including the effects of the current international framework of bilateral air services agreements on competition in the global and regional markets for air transport.

However, there are some general observations and principles regarding Australia's position in the international aviation industry and the industry's regulatory framework which BARA would like to provide to the Inquiry.

It is worth noting that:

- (i) Australia is a "long haul" destination and air transport is essential for the tourism industry. Over 99 per cent of Australia's international visitors travel to and from Australia by air.
- (ii) There is a need for adequate frequency of services to meet the demands of travellers to and from Australia. The Government's overarching policy of negotiating capacity well ahead of demand supports this requirement.

- (iii) The Australian aviation market has been liberalised over the past decade. This has included increased weight to tourism issues in the negotiation of bilateral aviation agreements, multiple designation on international routes resulting in a further freeing up of Australia's bilateral negotiating position, establishment of the IASC with a policy direction to favour start up carriers in international markets and progressive liberalisation of the policy on passenger and freight charter operations.
- (iv) The Commonwealth Government has a key role in competition policy, principally through the activities of the Australian Competition and Consumer Commission. The Commonwealth Government also has a commitment to remove duplication between government agencies and unnecessary "red tape" that imposes costs and constraints on business.

The interaction of each of the above factors has generally resulted in increased competition in international air transport, greater consumer choice and real reductions in air fares.

In reviewing issues related to Australia's approach to negotiating international air services arrangements, the Commission should consider that:

- (i) Liberalisation of international air services can be achieved through the bilateral process. However, the extent of any potential benefits that the Australian Government can deliver is constrained by what other countries are prepared to concede.
- (ii) Administration of the regulatory framework related to international air services should ensure there is no duplication between government agencies in terms of responsibilities and policy making; decision making and administrative processes should be simple, transparent, fair and timely; outcomes should be consistent; and there should be full and meaningful consultation with stakeholders prior to decisions being taken.
- (iii) Consistent with its approach to the negotiation, administration and regulation of international air services, the Government should ensure that the supply of airport and airways infrastructure at least matches expected demand. It is also essential that existing facilities are operated efficiently and that their utilisation is maximised, particularly with regard to the timing needs of travellers, i.e. there should be minimal or no resort to artificial constraints on operating capacity, such as arbitrarily imposed operational modes or curfews.

BARA maintains that the Industry Commission should also give careful consideration to Australia's approach to international charter policy. BARA accepts that international charter flights have a role to play in international air travel and tourism development. However, charters are unable to provide the range of network services that scheduled carriers provide. Charters are point to point operators, whereas scheduled services offer consumers a network. Those networks also extend to mail and freight services. With alliances, the networks are expanded, thereby providing consumers with greater choice. BARA does not support the use of charter flights as defacto bilateral scheduled services if this impacts adversely on the ability of scheduled operators to provide services on those routes.

I trust that the above comments assist you with the Inquiry.

Yours faithfully

WARREN BENNETT
Executive Director