

# **Tasmanian Government**

Ms H Silver  
International Air Services Inquiry  
Industry Commission  
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MELBOURNE VIC 8003

Dear Ms Silver

Thank you for providing the opportunity for the Tasmanian Government to participate in your Inquiry into International Air Services.

At this stage the Tasmanian Government does not intend to make a formal submission, however, there are some points concerning International air services that I wish to raise with the Commission.

Tasmania is a relatively small domestic market surrounded by sea. Its economic potential in tourism and primary production is linked to success in external markets, particularly overseas markets. On a per capita basis Tasmania is a substantial exporter with approximately 17% of Gross State Product being derived from exports.

To take advantage of the long term strategic market development work already undertaken, Tasmanian exporters must have an efficient, timely and cost effective international air link infrastructure.

In terms of many perishable products exported from Tasmania, sea freight is not a timely option. These exporters must by necessity rely on air freight services if they are to compete in international markets.

The current air freight infrastructure and service levels are seen by some of these exporters as a major constraint to further development of their export potential. If produce cannot reach their desired market places in a timely and well-handled manner, there is little point in trying to expand the business. The opportunity cost of such action is of course difficult to quantify.

Not all the constraints on developing export markets by Tasmanian exporters are imposed by international agreements. Some of the constraints stem from domestic airlines' policies. Many of the constraints relate to the inability of the domestic service providers to match services with the needs of exporters in both volumetric and scheduling policies.

Tasmanian exporters suffer all the problems of exporters from the other States plus have the additional problems of limited flights to Melbourne and Sydney, and transshipping products from domestic to international flights. In particular domestic services don't have the capacity to carry international containers and pallets. There are a number of significant constraints placed on exporters by the levels of air freight services provided by the existing carriers. These issues all represent opportunities for improvement in services and allow for continued expansion of markets and to the range of perishable products that can be exported

The current arrangements do not provide seamless air freight services. This is a critical factor given that Tasmania's only international service is a weekly flight to New Zealand over the summer months. Tasmania is not likely to have additional international flights in the foreseeable future, apart from ad hoc charter services. In comparison many of Tasmania's competitors in the premium quality food sector in the international arena have direct international air freight services.

The Commonwealth Government's decision to relax the bureaucratic requirements for freight charter flights was welcomed. There is however a long term need for export freight services not to be based on an ad hoc charter basis but to have scheduled arrangements that meet market requirements. This is particularly important where products have to meet the timing and delivery requirements of Asian markets. Long term industry planning and consistency are essential building blocks for Tasmanian exporters.

It is important to note that there are few dedicated wide bodied freighter aircraft on the Australian register. The Commonwealth Government needs to ensure that there is an appropriate policy framework in place that allows the private sector to undertake appropriate investment to broaden the aviation industry's freighter capacity.

We again strongly recommend that all future bilateral negotiations also cover the requirements for dedicated freighter services, in addition to negotiations on passenger services. These additional requirements for freight should not be traded off against passenger allocations unless there is likely to be a continuance of under utilised passenger capacity on routes.

There are clearly opportunities for improved co-ordination of activities at all points in the air freight chain. In the Tasmanian context, it is often difficult for exporters to work together and build up critical mass. As most of these exporters are very lean operations, they tend to focus on activities that provide immediate and direct financial benefit. A number of initiatives undertaken by the Tasmanian Government have blossomed briefly only to fall by the way due to a lack of ongoing industry support and participation.

The key issues relating to market development and access go much further than the impacts on air freight. Quite clearly the greater the market size for Tasmanian perishable products overseas, the greater the demand for air freight services.

The output from Tasmania's aquaculture industry is expected to reach some 10,000 tonnes per annum by the year 2000. Much of this will be destined for overseas markets. There will always be issues of the frequency and number of services to specific markets but this is largely determined by volume.

For example we tend to generalise about the Japanese market but Japan is made up of a number of significant but discrete markets for Tasmanian aquaculture. Air freighting all product to Tokyo (Narita) does not necessarily give ready or timely access to other Japanese cities. In some cases the delays of transshipment within Japan may effectively eliminate participation in that particular market. In addition, as up to 90% of freight is carried in the bellyload of aircraft, the proliferation of codeshare arrangements between carriers following the downturn in the Asian market will result in a reduction in available freight capacity. It is expected that this will negatively impact on Tasmanian seafood exporters in the near future.

It is expected that the popularity of Tasmania as a tourist destination and the demand for Tasmanian produce will increase. The Tasmanian Government considers that constraints on providing air services to meet this expected demand should be removed.

The use of Sydney as a hub rather than Melbourne as an international transshipment point imposes additional costs for Tasmania. Melbourne is seen as a better transshipment point for Tasmania both for tourism and export products. Sydney airport is subject to an operational time curfew, generally transshipment is required through Melbourne, and Sydney is subject to flight delays.

The Tasmanian Government supports liberalising charter guidelines and policies, the freeing up of bilateral agreements in regard to port specific requirements, stop over rights and intermediate ports and overcoming of limitations for airlines to service secondary gateways. In addition the States should have a greater role in establishing the national position in regard to bilateral negotiations. There is a particular need to increase the information exchange between the Commonwealth and the States.

It is important that the Commonwealth consider these issues in their negotiation of bilateral aviation arrangements and in the continuation of access to Fifth Freedom rights.

The capacity of overseas air flights for both freight and passengers is an important issue for Tasmania and I look forward to receiving your draft report.

Yours sincerely

Tony Rundle MHA  
**Premier**