

**National Interest Analysis [2015] ATNIA 15**

**with Attachment on Consultation**

*Agreement between the Government of Australia and the Government of Lao People's  
Democratic Republic relating to Air Services*

**(Brisbane, 4 July 2015)**

**[2015] ATNIF 22**

## NATIONAL INTEREST ANALYSIS: CATEGORY 2 TREATY

### SUMMARY PAGE

#### *Agreement between the Government of Australia and the Government of Lao People's Democratic Republic relating to Air Services*

(Brisbane, 4 July 2015)

[2015] ATNIF 22

#### **Nature and timing of treaty action**

1. The proposed treaty action is to bring into force the *Agreement between the Government of Australia and the Government of Lao People's Democratic Republic relating to Air Services*, done at Brisbane on 4 July 2015 (the proposed Agreement).
2. Pursuant to its **Article 20** (Entry into Force), the proposed Agreement will enter into force when the Parties have notified each in writing through an exchange of diplomatic notes that their respective requirements for the entry into force of the proposed Agreement have been satisfied. The Department of Foreign Affairs and Trade will exchange diplomatic notes with the Government of the Lao People's Democratic Republic as soon as practicable after receipt of recommendations from the Joint Standing Committee on Treaties (JSCOT).
3. The proposed Agreement will establish for the first time a treaty-level air services relationship between Australia and Laos. It will allow the airlines of Australia and Laos to develop international air services between the two countries.
4. The text of the proposed Agreement was settled in February 2012. The proposed Agreement was settled in conjunction with aviation arrangements of less-than-treaty status, in the form of a *Memorandum of Understanding* ('MOU'), also signed in February 2012. In accordance with established Australian and international practice, the MOU applies the provisions of the proposed Agreement on an administrative, non-legally binding basis until the proposed Agreement enters into force. This means that the proposed Agreement is observed by the aeronautical authorities of Australia and Laos pending its entry into force so as to allow airlines to access the rights made available to them as soon as possible.

#### **Overview and national interest summary**

5. The key objective of the proposed Agreement is to provide a binding legal framework to support the operation of air services between Australia and Laos. The proposed Agreement will facilitate trade and tourism between the two countries and will provide greater opportunities for airlines to develop expanded air travel options for consumers.

#### **Reasons for Australia to take the treaty action**

6. The proposed Agreement grants access for Australian airlines to the Laos aviation market and allows for the establishment of air services between the two countries. The proposed Agreement will enable Australian and Laos carriers to provide services between any point in Australia and any point in Laos, based on capacity levels decided from time to time between the aeronautical authorities of the Parties.

7. Australian travellers and Australian businesses, particularly in the tourism and export industries, could potentially benefit from the proposed Agreement through the opening of increased commercial opportunities.

## Obligations

8. Australia and Laos are both Parties to the *Convention on International Civil Aviation*, done at Chicago on 7 December 1944 ('the Chicago Convention')<sup>1</sup>. The proposed Agreement was made in accordance with and pursuant to the Chicago Convention, which entered into force for Australia and generally on 4 April 1947.

9. The proposed Agreement is based on Australia's model air services agreement and obliges Australia and Laos to allow the 'designated airlines' of each country to operate scheduled air services carrying passengers, baggage, cargo and mail between the two countries on specified routes in accordance with the provisions of the proposed Agreement. To facilitate these services, the proposed Agreement also includes reciprocal provisions on a range of aviation-related matters such as safety, security, competition laws, customs regulation and the commercial aspects of airline operations, including the ability to establish offices in the territory of each Party and to sell fares to the public.

10. **Article 2** (Designation, Authorisation and Revocation) of the proposed Agreement allows each Party to designate any number of airlines to operate the agreed services and to withdraw or alter those designations (Article 2(1)). On receipt of such a designation, and an application from a designated airline for operating authorisation, the other Party must grant the appropriate authorisations provided that the airline being designated complies with the conditions for incorporation and principal place of business set out in the proposed Agreement, holds the necessary operating permits and meets the conditions the Party normally applies to the operation of international air transport (Article 2(2)). It is also a condition of granting an authorisation to a designated airline, that the Party designating the airline complies with the safety and aviation security provisions of the proposed Agreement. In the event of any non-compliance with the terms of Article 2(2), or if the airline otherwise fails to operate in accordance with the conditions set out in the proposed Agreement, the other Party may withhold, revoke, suspend or limit that airline's authorisations (Article 2(4)).

11. Under **Article 3** (Grant of Rights) of the proposed Agreement, each Party grants the airlines of the other Party the right to fly across its territory without landing and to make stops in its territory for non-traffic purposes (such as refuelling). **Article 3** also provides the right for designated airlines to operate on the routes specified in **Annex 1** for the purpose of taking on board and discharging passengers, cargo and mail (Article 3(1) (c)). **Article 3** also precludes designated airlines from carrying purely domestic traffic (cabotage) within the territory of the other Party (Article 3(2)).

---

<sup>1</sup> [1957] ATS 5

12. **Article 4** (Application of Laws) of the proposed Agreement confirms that each Party's domestic laws and regulations relating to the operation and navigation of aircraft apply to the airlines of the other Party when they are entering, within or leaving the territory of the first Party. Each Party's laws and regulations relating to entry and exit of passengers, crew, baggage, cargo and mail, and aircraft (for example, immigration, aviation security, customs and quarantine) must be complied with in the territory of that Party. This Article prevents either Party giving preference to any airline – including its own airlines – in applying any such laws (Article 4 (3)). It also provides that passengers, baggage and cargo in direct transit may be subject to aviation security, narcotics control and immigration checks (Article 3 (4)). Baggage and cargo in direct transit shall be exempt from customs duties and other similar taxes. **Article 4** also confirms that each Party's competition laws apply to the operation of airlines within their respective jurisdictions (Article 4(5)).

13. Under **Article 5** (Recognition of Certificates), each Party is required to recognise certificates of airworthiness, certificates of competency and licences issued or rendered valid by the other Party, provided the standards under which such documents were issued conform to the standards established by the International Civil Aviation Organization (ICAO). Each Party can, however, refuse to recognise certificates and licences held by its own nationals or airlines that have been issued by the other Party.

14. Under **Article 6** (Safety), each Party may also request consultations with the other Party at any time concerning the safety standards maintained by the other Party. If required, the other Party shall be informed of the corrective action required to be undertaken to conform to the standards pursuant to the Chicago Convention. The other Party shall then take appropriate corrective action (Article 5 (2)). **Article 6** also provides that each Party may, in its territory, arrange ramp inspections of aircraft of the other Party to verify the validity of the relevant aircraft documents and those of its crew and ensure that the aircraft equipment and the condition of the aircraft conform to the standards prescribed under the Chicago Convention (Article 6(2)). Each Party can take immediate action essential to ensure the safety of an airline, including varying or suspending operating authorisation, if it considers such action to be necessary (Article 6(7)).

15. Under **Article 7** (Aviation Security), both Parties are required to protect the security of civil aviation against acts of unlawful interference and, in particular, to act in conformity with multilateral conventions relating to aviation security. Each Party must advise the other Party of any differences between its national regulations and the standards established by ICAO, and either Party may request consultations at any time to discuss any differences (Article 7(3)). A Party may require the designated airlines of the other Party to observe the first Party's aviation security provisions for entry into, departure from or while within the territory of that Party. Parties shall ensure adequate measures are applied to protect aircraft and to inspect passengers, crew, carry-on items, and baggage, cargo and aircraft stores, prior to and during boarding or loading (Article 7(4)). The Parties shall assist each other in the event of an incident or threat of an incident (Article 7(5)). Each aeronautical authority may request, on sixty days' notice, to conduct a security assessment in the other Party's territory (Article 7(6)). Such assessments are to be conducted in accordance with arrangements agreed between the aeronautical authorities without delay.

16. **Article 8** (User Charges) requires each Party to use its best efforts to ensure that user charges imposed or permitted to be imposed on the designated airlines of the other Party for the use of airports, their facilities, technical and other installations and services, are

reasonable, non-discriminatory and equitably apportioned. Reasonable charges reflect, but do not exceed, the full costs to the competent charging authorities of providing the facilities and services. For charges to be non-discriminatory, they should be levied on foreign airlines at a rate no higher than the rate imposed of a Party's own airlines operating similar services (Article 8 (2)).

17. **Article 9** (Statistics) provides that the aeronautical authorities of one Party may require a designated airline of the other Party to provide statistics related to the traffic carried on services performed under the proposed Agreement.

18. **Article 10** (Customs Duties and Other Charges) lists the equipment and stores used in the operation of the agreed services that the Parties are required, in accordance with international practice, to exempt from import restrictions, customs duties, excise taxes and similar fees and charges. Article 10(4) also provides that the customs laws of each Party are to be observed in relation to the supervision, re-exportation and/or disposal of equipment and supplies.

19. **Article 11** (Tariffs) provides that each Party shall allow each airline to determine its own airfares (tariffs).

20. Under **Article 12** (Capacity), both Parties are obliged to ensure that the designated airlines of each Party receive fair and equal opportunity to operate services in accordance with the proposed Agreement (Article 12 (1)). The passenger and cargo capacity which may be provided by the designated airlines of each Party must be determined by the aeronautical authorities of the Parties before the commencement of such services, and from time to time thereafter (Article 12 (2)). That capacity was mutually decided in a non-legally binding MOU with Laos signed on 27 February 2012. These capacity arrangements are intended to remain in effect once the proposed Agreement enters into force.

21. **Article 13** (Commercial Opportunities) provides a framework for airlines of one Party to conduct business in the territory of the other Party. The framework includes provisions allowing designated airlines to establish offices, bring in and employ staff, sell air transport services to the public, perform ground handling and use the services and personnel of any organisation, company or airline operating in the territory of the other Party, to conduct its business. Each Party shall permit airlines of the other Party to freely convert and move currency (Article 13(3)). The Article allows airlines to utilise leased aircraft to conduct their services, provided they meet the applicable operating and safety standards and requirements of the Parties (Article 13 (7)). Designated airlines may also enter into code share arrangements with any other appropriately authorised airline (Article 13(5)). Each Party is also required to provide the airlines of the other Party with access to airports and the allocation of slots (aircraft movements at an airport) on a non-discriminatory basis and in accordance with local laws and regulations (Article 13 (8-10)).

22. **Article 14** (Intermodal Services) permits the designated airlines of each Party to use, in connection with the operation of the agreed services, any surface transport (for example, road or rail transport) within the territories of each Party or third countries, making it possible for airlines to provide intermodal connections.

23. Under **Article 15** (Consultations), either Party may request consultations with the other Party at any time on the implementation, interpretation, application or amendment of the proposed Agreement.

24. **Article 17** (Settlement of Disputes) provides a process for dispute resolution on matters, other than those relating to tariffs (ie. airfares) or the application of domestic competition laws, which cannot be settled by consultation or negotiation or mediation (in accordance with **Annex 2**). If the Parties fail to resolve any dispute by negotiation, consultation or mediation, there is provision for compulsory settlement through submission of the dispute to arbitration by either Party (Article 17(1)). A three-person arbitral tribunal (Article 17 (2)) shall make a decision on the dispute, which is final and binding upon both Parties (Article 17(6)) and the expenses of the arbitration are shared equally between the Parties (Article 17(7)). Failure to comply with the award is grounds for one Party to suspend or revoke the rights granted under the proposed Agreement to the other Party, or its designated airlines, for the duration of the non-compliance (Article 17(8)).

25. **Annex 1** to the proposed Agreement contains a route schedule which specifies the routes that may be operated by designated airlines, as well as operational provisions.

26. **Annex 2** of the proposed Agreement contains a non-binding option for mediation, as an alternative to undertaking dispute resolution procedures. The mediation process is without prejudice to the continuing use of the mechanism for consultation, the subsequent use of arbitration or termination under **Article 18**.

## **Implementation**

27. Australia's obligations under the proposed Agreement will be implemented through existing legislation, including the *Air Navigation Act 1920* (Cth) and the *Civil Aviation Act 1988* (Cth). The *International Air Services Commission Act 1992* (Cth) provides for the allocation of capacity to Australian airlines. No amendments to these Acts or any other legislation are required for the implementation of the proposed Agreement.

## **Costs**

28. Implementation of the proposed Agreement is not expected to result in any direct financial costs to the Australian Government. Similarly, implementation of the Agreement will have no financial implications for any State or Territory Governments.

## **Regulation Impact Statement**

29. The Office of Best Practice Regulation has advised the Department of Infrastructure and Regional Development that a Regulation Impact Statement is not required for bilateral international aviation agreements.

## **Future treaty action**

30. **Article 16** (Amendment of Agreement) provides that the proposed Agreement may be amended by agreement in writing between the Parties. Any amendment to the proposed Agreement shall enter into force when the two Parties notify each other in writing through diplomatic channels that their internal legal requirements for its entering into force have been fulfilled. **Article 16(3)** provides that the proposed Agreement will be deemed to be amended as far as is necessary to comply with any multilateral agreement relating to air transportation entering into force for both Parties.

31. Any amendment to the proposed Agreement will be subject to Australia's domestic treaty-making requirements, including tabling in Parliament, consideration by JSCOT and Executive Council approval.

## **Withdrawal or denunciation**

32. **Article 18** (Termination) provides for termination. Either Party may give notice in writing at any time to the other Party of its decision to terminate the proposed Agreement and must simultaneously lodge a notice of termination with the International Civil Aviation Organization. The proposed Agreement shall terminate one year after the date of receipt of the notice of termination by the other Party, unless the notice is withdrawn by mutual decision of the Parties before the end of the termination period.

33. Any future termination of the proposed Agreement by Australia will be subject to Australia's domestic treaty-making requirements, including Executive Council approval, tabling in Parliament and consideration by JSCOT.

## **Contact details**

Aviation Industry Policy Branch  
Aviation and Airports Business Division  
Department of Infrastructure and Regional Development

## ATTACHMENT ON CONSULTATION

### *Agreement between the Government of Australia and the Government of Lao People's Democratic Republic relating to Air Services*

(Brisbane, 4 July 2015)

[2015] ATNIF 22

#### CONSULTATION

34. It is the practice ahead of negotiation of an air services agreement for the Department of Infrastructure and Regional Development to consult government and non-government bodies that may have an interest in the outcome of the negotiations and to take into account their views in developing a negotiating position.

35. Prior to the negotiation of the proposed Agreement, extensive consultations were held with industry and Commonwealth and State and Territory government agencies, including during the bi-annual Standing Committee on Treaties meetings. The following stakeholders were advised by letter and/or email of the proposal to negotiate an agreement between Australia and Laos and invited to comment on issues of importance to them (agency names are given as at the time of consultation):

#### **Commonwealth Government agencies**

- (a) Attorney-General's Department;
- (b) Austrade;
- (c) Australian Customs and Border Protection Service;
- (d) Australian Quarantine and Inspection Service;
- (e) Civil Aviation Safety Authority;
- (f) Department of Immigration and Citizenship;
- (g) Department of Resources, Energy and Tourism;
- (h) Department of the Treasury; and
- (i) International Air Services Commission.

#### **State Government agencies**

- (a) NSW Department of Premier and Cabinet;
- (b) NSW Transport and Infrastructure;
- (c) South Australian Government Department for Transport, Energy & Infrastructure;
- (d) Victorian Government Department of Innovation, Industry and Regional Development;
- (e) Victorian Government Department of Transport;
- (f) Tasmanian Chamber of Commerce and Industry;
- (g) Tourism New South Wales;
- (h) Tourism NT;
- (i) Tourism Queensland;
- (j) Tourism Tasmania;
- (k) Tourism Victoria; and
- (l) Tourism Western Australia



## **Industry**

- (a) Adelaide Airport Limited;
- (b) Australian Airports Association;
- (c) Australian Capital Tourism;
- (d) Australian Council of Trade Unions;
- (e) Australian Tourism Export Council;
- (f) Aviation Australia;
- (g) Board of Airline Representatives of Australia;
- (h) Brisbane Airport Corporation Pty Ltd;
- (i) Cairns Airport Pty Ltd;
- (j) Canberra Airport;
- (k) Chamber of Commerce Northern Territory;
- (l) Melbourne Airport;
- (m) Newcastle Airport Limited;
- (n) Northern Territory Airports Pty Ltd;
- (o) Qantas Airways Limited;
- (p) Queensland Airports Limited;
- (q) SA Freight Council Inc;
- (r) Sydney Airport Corporation Ltd;
- (s) Tourism and Transport Forum;
- (t) Tourism Tropical North Queensland;
- (u) Transport Workers' Union of Australia;
- (v) Virgin Australia; and
- (w) Westralia Airports Corporation Pty Ltd.

36. Comments were received from Qantas, Virgin Australia, the South Australian Government, the Northern Territory Government and a number of Commonwealth agencies.

37. Stakeholders who provided comments supported the negotiation of a new air services agreement with Laos to open market access for airlines in both countries.

38. Comments regarding technical details of the proposed Agreement were received from a number of Commonwealth agencies. These agencies cleared the text of the proposed Agreement prior to its approval by the Federal Executive Council.