

CHAPTER 12

INFRASTRUCTURE NEEDS AND CONSTRAINTS

Introduction

12.1 The Bureau of Tourism Research expects that international visitor numbers will at least double by the year 2000 and the Australian Tourist Commission is planning for the number to treble. If the growth in tourism is to proceed at that kind of rate, it will place the national travel infrastructure under great pressure.

12.2 Despite some reservations, the Committee for Economic Development of Australia (CEDA) study *Tourism in Australia* suggested that Australia's tourism-related infrastructure is of a good standard. While it described road and rail infrastructure as usually in place, CEDA noted that roads could be slow and unsafe, and that rail facilities have not been upgraded to cater for the needs of current day travellers.¹

12.3 Significantly, that report argued that the development and planning of economic activity such as tourist developments are not areas for private initiative alone and that the tourism industry depends on government for infrastructure. For example, tourism relies on transport, communications, labour supply and environmental protection as well as capital market access and general promotion; all of these are areas 'within the range of government authority'. The report argued that many tourism projects cannot achieve their full potential without government provision of infrastructure. It also advised that the tourism industry has been

¹ *Tourism in Australia*, p. 65

critical of government involvement in the inadequate provision of public infrastructure and services in the areas of airport development, roads entry procedures, airline policy, staff training, and overseas promotion.²

12.4 The IAC report on *Travel and Tourism* also commented extensively on the infrastructure issue:

The main impediments to the development of tourism and its contribution to the Australian economy lie in the provision of transport services. Air transport is too expensive and restricted, rail services are inefficient, and coaches are regulated in part to protect the railways. Even the cost of private transport is inflated by the high tariff protection on vehicles and various taxes on fuel.

Transport is critical to tourism. International visitors spend between 30 to 75 per cent of their total trip costs on airfares travelling to and from Australia. ... Once in Australia, visitors devote about 18 per cent of total expenditure to transport.

... Domestic tourists rely on the private motor vehicle. Nevertheless, air travel still accounts for about 12 per cent of their expenditure.³

Infrastructure for Essential Services

12.5 In this inquiry the Committee heard evidence from a wide range of witnesses on the importance of adequate infrastructure to encourage tourism. Without a range of essential services, including the supply of water, sewerage and local services such as fire brigade, health and community support, many tourist developments would not be possible. Local councils traditionally provide these types of services. The Committee heard that the provision of these services can be

² *Tourism in Australia*, p. 45

³ *Travel and Tourism*, p. 4

controversial with the residents of the local regions paying for services utilised by visitors to the area.

Financing of Infrastructure

12.6 Some local councils told the IAC inquiry that rapid development of tourism projects required a level and standard of infrastructure beyond that which would be provided in the absence of tourism. The Townsville City Council said that tourism is subsidised by local ratepayers as the bulk of local government revenue comes from residential rates levied on the unimproved value of land.⁴ DASETT advised the Committee that as a result of tourism developments it is claimed that some local governments face demands for infrastructure developments and related maintenance costs which are beyond their resources.⁵

12.7 Further, it is not only the initial provision of infrastructure that is costly, but also its maintenance. Mr Duchon of DILGEA, referring to the Langmore Report, stated:

I referred earlier to what is popularly known as the Langmore report and a range of other reports which, in essence, state that not only local government but even State and national infrastructures are not being maintained at the level they used to be and that new moneys are not available as readily because of the economic situation and also the limited, if you like, sources of income. Many of these studies are suggesting that other avenues of finance - that is, through various private sources or from part of development - should be further investigated and teased out. In fact, some of our work within the office is looking towards contributing to this inter-local government context.⁶

⁴ *Travel and Tourism*, p. 128

⁵ *Submission No. 59*, pp. 40, 42-3

⁶ *Evidence*, p. 214

12.8 While the Shire of Broome informed the Committee⁷ that water, sewerage and electricity are all State-supplied, this appears to be unusual. When questioned about the sources of responsibility for the provision of infrastructure for essential services such as water and sewerage, Sir Frank Moore of the Australian Tourism Industry Association, told the Committee that it rested very largely with local government. However, Sir Frank confirmed that, to build a new, large totally integrated tourist resort, the developer is very largely responsible for the provision of services as part of the agreement for rezoning the property or even obtaining building approvals.⁸

12.9 With regard to contributions to infrastructure by developers, Mr Bennet of the NSW Council of Tourist Associations told the Committee that generally, the council puts very little into the infrastructure. Most councils have sewage headworks, drainage headworks, and water headworks charges as well as for parkland and landscaping. The Road Transport Authority has conditions for lay-bys and access roads for diversion. In some places the total is probably well over \$1m.⁹

12.10 DASET has warned that the cost of infrastructure relative to the level of investment in tourism projects could be an inhibiting factor unless there is government commitment to contribute to essential infrastructure used by the community as well as tourists.¹⁰ Local government revenue is raised through property rates (over 50 per cent of total revenue), allocations from Commonwealth and State Governments, and charges for services provided. In most States, councils can recover the costs of new infrastructure or obtain a contribution towards the maintenance of existing infrastructure and services from developers. The Commonwealth provides some compensation for costs incurred in providing facilities

⁷ *Evidence*, p. 1316

⁸ *Evidence*, p. 232

⁹ *Evidence*, p. 501

¹⁰ *Evidence*, p. 50

for non-residents, although this funding is reduced as the revenue-raising capacity of councils increases.¹¹

12.11 The IAC argued in its report *Travel and Tourism* that the extent to which communities gain from the public provision of infrastructure required by tourism depends on the distribution of benefits and costs. Local residents and commercial businesses benefit through improved community facilities, increased incomes, wages and employment opportunities. Local land owners gain from increased property values. However, benefits accrue more widely than just to the local community. The Commonwealth gains through increased income tax collections.

12.12 By the same token, the dominance of property rates as a source of local government revenue means the costs of service provision are likely to be met largely from within the local area. There is little scope to charge some external interests (such as coach operators who are not locally based). These circumstances have led to claims that local communities subsidise tourism. Such claims may tend to overlook the local economic benefits which accrue from tourism activities. Indeed, given that many local communities actively promote tourism in one way or another, it seems implausible to suggest that local communities in general do not receive a net benefit from tourism.

Airports

12.13 In the IAC inquiry, serious doubts were raised by a number of participants about the ability of current infrastructure at some airports to cope with the expected increase in demand.¹² Further, the 1991 report *Tourism in Australia* suggested that over the next ten years an extra three million international arrivals will mean added pressure on airports already showing strains of traffic growth in

¹¹ *Travel and Tourism*, p. 128

¹² *Travel and Tourism*, p. 90

recent years.¹³ That report argued that the problem of infrastructure was two-fold: adequate capacity of facilities and the management of the use of those facilities. The Committee heard evidence that various airports around the country needed upgrading to cater for current and projected tourist movements. This evidence included reports of problems with congestion at Sydney's Kingsford Smith Airport and under-utilisation of other international airports.

Federal Airports Corporation and Infrastructure Enhancement

12.14 The Federal Airports Corporation (FAC) was established by the Federal Government on 1 January 1988 to own, develop and operate Federal airports through a commercially self-supporting Government Business Enterprise and to meet the present and future needs of airport users in an economic, efficient and environmentally acceptable manner.¹⁴ Twenty-three airports are operated by the FAC including the major capital city airports, the secondary airports in those cities and the major airports in the Territories; Sydney (Kingsford Smith), Melbourne (Tullamarine), Brisbane, Adelaide, Perth, Hobart, Cambridge (Tas), Launceston (Tas), Coolangatta (Qld), Canberra (ACT), Darwin (NT), Townsville (Qld), Mount Isa (Qld), Alice Springs (NT), Tennant Creek (NT), Essendon (Vic), Bankstown (NSW), Camden (NSW), Hoxton Park (NSW), Moorabbin (Harry Hawker) (Vic), Archerfield (Qld), Parafield (SA), and Jandakot (WA).

12.15 The FAC is a self-funding organisation with a capital base of \$1.2 billion. Its revenue in 1989/90 was \$266 million.¹⁵ Approximately one third of this amount is from aeronautical revenue (the charges for landing aircraft at Federal airports), about one-third from trading activities that are conducted within the

¹³ *Travel and Tourism*, p. 65

¹⁴ *Submission No. 73*, p. 1

¹⁵ *Submission No. 73*, p. 1

terminals (including car rental, duty-free shopping and other arrangements), and approximately one-third from property development.¹⁶

12.16 Mr Collins, FAC General Manager Commercial, advised that the Corporation's business philosophy is to deliver service as required by customers. Every project accepted by FAC is evaluated on reasonable commercial criteria. From 1 January 1988 to 31 March 1991, FAC has spent \$450m on infrastructure works.¹⁷ The Federal Airports Corporation advised the Committee that it had commissioned its own range of airport-related and network passenger forecasts. These forecasts predict that the FAC outlook for the next 10 years is for a 5.5% growth in international traffic and a steady 3% growth in domestic traffic.¹⁸

12.17 In its submission of 21 March 1991, FAC listed a number of significant current developments designed to upgrade airport infrastructure. These include:

- In Melbourne, the first phase, costing \$57m, of a three-phase expansion of the international terminal, estimated to cost \$236m.
- In Sydney, a \$300m passenger terminal for international traffic. An additional \$100m is being spent on the domestic terminal infrastructure and a further \$50m on aprons, taxiways and aircraft parking positions.
- In Darwin, a \$55m new domestic and international terminal.
- In Alice Springs, a \$22m terminal.
- In Brisbane, over \$40m on the site stabilisation for a new international terminal building.
- In Adelaide, major improvements are being planned for international terminal facilities.

¹⁶ *Evidence*, p. 564

¹⁷ *Evidence*, p. 563

¹⁸ *Submission No. 73*, p. 3

The FAC is also spending about \$133m on infrastructure to support the capital works that Ansett and Australian are committed to pursue under their Domestic Terminal Lease proposed terminal developments.

12.18 By the end of 1991 work was completed on the terminal at Alice Springs. As well the domestic and international terminal in Darwin was opened on 14 December 1991 by Hon. Bob Collins, Minister for Shipping and Aviation Support. It is the first international facility planned and fully financed by the Federal Airports Corporation, as part of its \$1.26 billion national airport development program.¹⁹ *The Bulletin* reported that the Darwin terminal cost \$55 million and follows the opening of the \$22 million terminal in Alice Springs. This will boost tourism in the Northern territory as tourism through Darwin and Alice Springs generates about \$500 million a year and has become the Territory's biggest single industry. Darwin welcomed 389,000 domestic passengers and 108,000 international tourists in 1990, a total expected to grow to 490,000 domestic and 136,000 international by 1995. Alice Springs is expected to handle 927,000 passengers by 1998, despite the number of flights going into Yulara at Ayres Rock, about 300km away.²⁰

12.19 Work is continuing on the improvement to facilities at Brisbane Airport. The Queensland Government advised in June 1991, that it would be some time before the new facilities could be expected to operate and that the present state of the international terminal at Brisbane airport represents a severe constraint on Queensland's potential international visitor market. According to the Queensland Government the existing facilities cannot cope adequately with peak passenger and aircraft movements; with the resurgence in the State's international visitor markets this situation is expected to deteriorate rapidly. In 1988, the FAC planned to have a new terminal operational by mid-1993. Its target date has been revised to 1995.

¹⁹ *The Canberra Times*, 15 December 1991, p. 3

²⁰ *The Bulletin*, 7 January 1992, p. 23

The Queensland Government suggested that by that time the situation will be intolerable.²¹

International Airports and Regional Tourism

12.20 Australia has eleven international airports. These are located at Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Darwin, Cairns, Townsville, Port Hedland and Norfolk Island.

12.21 Not without bemusement the Committee heard from various witnesses that international airports were required to maximise tourism development in their region. For example, the Vice-President of the New South Wales Council of Tourist Associations stated:

What seems to happen - I am generalising here - is like what happened at Coffs Harbour. There, for example, two properties were doing very, very well. All the other properties said, 'Oh, that must be a good place. We will go in there too'. Of course, what it does is to ruin it for all. Then they come back to us as the Council of Tourist Associations and the Tourist Commission and say, 'Where are all the tourists? We want a bigger airport, we want to land bigger planes'. The latest is landing jumbo jets from Taipei, bringing them straight into Coffs Harbour.²²

12.22 Further, an interesting claim was put concerning international flights through Broome. Mr Neil Coulthard of the Cable Beach Club Resort advised:

In so far as the development of the north-west and the question of the international airport, I really do believe that there is a need for a gateway airport and it is not a need which I have recently recognised; it is a question which I asked of John Brown in 1986 when I was President of the Australian Accommodation Council in

²¹ *Submission No. 100*, p. 4

²² *Evidence*, p. 497

Perth. He replied that there would never be an international airport in the north-west and more particularly in Broome in his lifetime.

...

I trust he meant in his political lifetime. I really believe it is essential for the development of tourism as a national entity that Broome has an international airport.

...

I would say that if we look at the map of Australia there is not a realistic international airport into a tourism destination in the north west of Australia. The connections and the infrastructure are in place out of Singapore, Bangkok and elsewhere to allow for very good international connections which will allow Australian tourism across the northern corridor to develop far more dramatically than it ever could without that connection. For example, in the Japanese markets products which should have been put in place by the present time are looking to go across the top of Australia. Similarly, in the United Kingdom and Germany they are very keen to have the Top End experience - particularly because of the climate at this time of year across the north end.

There is absolutely no question that products in place in Europe and our growth as a tourism destination would increase dramatically if we had an airport based in Broome.²³

12.23 The Northern Territory Government's submission nominated the lack of an international gateway at Alice Springs as restricting the distribution of tourists throughout the Territory and placing increased demand on other infrastructure.²⁴ The completion of the new domestic terminal at Alice Springs, and the upgrading of international airport facilities at Darwin will help to address this perceived disadvantage. A Bulgarian charter company Jes Air plans to operate nine flights from Singapore to Darwin between December 1991 and February 1992, and the

²³ *Evidence*, pp. 1379-80

²⁴ *Evidence*, p. 1168

British based charter airline Britannia has indicated it will operate 44 flights into the Territory during 1992-1993.²⁵

The Case of Cairns and Townsville

12.24 Decisions by international airlines about the utilisation of routes and ports are taken on economic grounds. An important factor is the infrastructure available. For example, *The Northern Territory News* reported that Japan Airlines decided against using landing rights in Darwin, choosing instead to fly to Cairns. It claimed that Mr Vale, the Tourism Minister laid the blame for the decision on the delays in the construction of the new Darwin Airport. 'Cairns has its airport up and we don't'.²⁶

12.25 Similarly, while Townsville has an international airport, Cairns has succeeded in attracting the international traffic. Twenty international carriers have landing rights into Townsville but no carrier conducts regular international flights into that city. The Townsville City Council submission advised that Townsville's lack of an international profile, limited promotion and the rapid development of Cairns international airport have seen a gradual withdrawal of Qantas services through Townsville. International flights to Townsville ceased on 31 March 1991:

While the local community was bitterly disappointed with Qantas' decision to cease services to the City it must be recognised that 16 international carriers have unutilised landing rights for Townsville. To some extent this reflects the momentum of Cairns, but it also reflects the impediments to development of regional international gateways under bilateral air agreements. In particular, capacity limits for foreign carriers adversely affects smaller international gateways because it is more immediately profitable for overseas carriers to service

²⁵ *The Australian Financial Review*, 31 October 1991.

²⁶ *The Northern Territory News*, 1 June 1991

major destinations such as Sydney, Melbourne or Brisbane.²⁷

Alderman Mooney, Mayor of Townsville, told the Committee that:

In terms of international flights into the city - and I pull no punches on this - we have been treated very shabbily by our national carrier, Qantas. It has, as at 31 March, ceased to operate into Townsville and we all know that it is in dire straits at the moment in terms of its own internal management. But the fact is that Townsville was designated an international airport in the early 1980s by a Federal Government decision. The Federal Government made the decision to open up the Cairns airport to international status and, quite frankly, we expected better treatment than to have been left with an international airport without an international carrier, and that is the current position.²⁸

12.26 The Townsville City Council advised the Committee that Air New Zealand and Garuda Indonesia are both interested in restoring international flights to Townsville. The Council wants the Department of Aviation to take a less rigid view of international air service arrangements where benefits to regional tourism and local economic development can be promoted. The Council also considers that the Federal Airports Corporation should be encouraged to show enterprise in seeking out opportunities to improve business at the Townsville Airport.²⁹ Alderman Mooney, advised the Committee that there are two bright points on the horizon for Townsville and for the local tourism industry:

... it is imperative that the Federal Government gives a favourable decision. The two areas really relate to, first of all, the notion of granting a fifth freedom right to Townsville International Airport for an international carrier and the second is to grant Townsville an equal

²⁷ *Evidence*, p. 1026

²⁸ *Evidence*, pp. 998-9

²⁹ *Evidence*, p. 1019

status with Cairns as a joint port of call or a single entry port with Cairns into north Queensland.³⁰

12.27 *The Courier Mail* reported on 14 November 1991 that Garuda Indonesia planned to commence flights into Cairns from 22 November 1991. On 9 December 1991 Hon. Bob Collins, Minister for Shipping and Aviation Support confirmed that Garuda Airlines had written to the Australian Government on 16 August 1991 and again on 9 September 1991 expressing an interest in adding Townsville to its Cairns service.³¹

12.28 With regard to Townsville, however, Mr Ivers, the President of the Magnetic Island Tourism Association told the Committee that:

Unless we have a port that we can offer to international carriers to land at, we cannot effectively go out and spend dollars to promote international tourism to this particular port.³²

12.29 Of course, Townsville is a port capable of handling international traffic although Qantas ceased operations through Townsville on 31 March 1991. The Mayor of Townsville expressed the view that Air New Zealand should be granted 'fifth freedom rights' to pick up and set down passengers in Townsville en route through Australia. If that is granted to Townsville, it would do two things:

- stimulate local economic development; and
- recognise the developing nature of tourism in north Queensland, particularly Townsville, where there is a very underdeveloped tourism infrastructure.³³

³⁰ *Evidence*, p. 999

³¹ *Senate Daily Hansard*, 9 December 1991.

³² *Evidence*, p. 1068

³³ *Evidence*, p. 1000

12.30 The Committee asked Mr Collins, General Manager Commercial, FAC about international airports. He told the Committee that in terms of international gateways, Australia is very well served with more gateways on the east coast of Australia than there are on the west coast of the United States, for example.³⁴ In relation to Broome he said:

Broome certainly has been looked at by a number of people for development into an international gateway, and the economics simply are not there. We have looked at it; Ansett and TNT have looked at it; the Broome Council has looked at it; Lord McAlpine has looked at it. While it is a very attractive tourist destination, the economics of getting international carriers in there as opposed to staging it through a domestic is not great. The internal air services in Western Australia are quite good.³⁵

12.31 The Committee did not believe that certain proposals regarding the international status of airports could be sustained. Nevertheless, while there is currently significant disincentive from an economic perspective for the granting of international status to Broome airport (for example), it may be that such decisions will require review by the mid-1990s. The Committee recognises that, given the expected significant increase in international tourism there may be a need to further diversify the pattern of aircraft movement accros Australia. In order for Australia to:

- cope with the anticipated number of tourists;
- relieve pressure on Sydney and other major airports; and
- attempt to diversify international tourism to the lesser patronised regions (such as the Kimberley),

³⁴ *Evidence*, p. 578

³⁵ *Ibid.*

it may be necessary by the year 2000 to encourage visits across slices of Australia that do not include, say, Sydney and Melbourne.

Air Service Agreements (ASAs)

12.32 Most countries restrict access by carriers from other nations. Access is usually granted only when reciprocal access, or rights considered to be of equal value, are obtained from the country of the incoming carrier. This system of landing rights ensures that the national carrier, Qantas, gains access to other countries.³⁶

12.33 International air travel is regulated through a series of Air Service agreements (ASAs) between Australia and other countries. Regulation of international aviation stems from the Chicago Convention of 1944, which recognises a nation's sovereign right to control its own airspace. Fear of monopoly control of a nation's airspace by airlines from other countries led to the adoption of ASAs which guarantee the participation of a country's national flag carrier in international aviation. Many Governments see benefits in retaining national flag carriers for reasons such as defence, employment, national prestige, promotion of consumer welfare and tourism, as well as balance of payments considerations.³⁷

12.34 Bilateral ASAs are established through negotiations between the governments involved, usually preceded by talks between their designated airlines. Australia has negotiated agreements with 28 countries, and less formal arrangements have been made with several others.³⁸ The agreements permit each country to designate one or more airlines to fly a set of specified international routes between the two countries. They generally determine such matters as ports of entry, the number of flights to be undertaken between the two countries, and the types of passengers that may be carried by each designated airline (e.g. proportions of

³⁶ *Ibid.*

³⁷ *Travel and Tourism*, p. 56

³⁸ *Ibid.*

origin/destination passengers). Foreign airlines are usually precluded from carrying domestic passengers and provision is made for governments to control prices. The agreements specify that there should be fair and equal opportunity for the carriers of both partners to compete on the specified route, and that capacity should bear a close relationship to demand.³⁹

12.35 Access by foreign carriers to Australia is both a national and State issue. It is clear that the States do not always agree with Commonwealth decisions in this area. The South Australian Department of Industry, Trade and Technology told the Committee:

Whilst of recent times ... there has been a very different and changed attitude with the Department of Transport in terms of its bilateral negotiations, at one stage it was primarily protecting Qantas' interests. It now suggests that it is protecting Australia's interests. We still have some difficulty with that, because the view and the argument that is accepted from Qantas in all of these bilateral negotiations generally, and is the turning point for those sorts of negotiations, is to preclude other airlines operating into South Australia. The perception has been that there have been Asian airlines willing to serve Adelaide, and even if Qantas believes it is not a marketable proposition we say they should be permitted to do so. In the event that Qantas is influencing those negotiations, if the Asians are not going to be permitted in then Qantas ought to be asked to take up that.⁴⁰

Costs and Benefits of ASAs

12.36 The IAC *Travel and Tourism* inquiry found that while some benefit can be argued for Air Service Agreements, they restrict competition. The IAC concluded that ASAs limit the total seat capacity available to meet demand and the extent to which airlines can compete for the available capacity. This means airfares are higher

³⁹ *Travel and Tourism*, p. 57

⁴⁰ *Evidence*, pp. 755-6

than they need be and there are fewer travellers.⁴¹ In evidence to the Committee Mr Parham of the Industry Commission considered that in the absence of restrictions on bilateral agreements there could be price reductions in the order of 20 per cent. The study completed by the IAC had concluded that the bilateral air service agreements, impose a net cost on the Australian economy by raising prices.⁴² It is important to note that higher fares can come about in an environment of restricted competition either because higher-cost airlines can remain in the market or because more efficient airlines raise prices to increase their yields. There is no incentive for airlines to offer lower prices to attract more customers, as the ASAs limit the capacity entitlements to carry extra passengers.⁴³

12.37 The IAC has found that ASAs have contrasting implications for the national economy. The community gains additional export revenue from foreigners who fly with Qantas and saves foreign exchange when Australians travel overseas with Qantas. However, higher fares and restrictions mean that fewer international visitors are coming to Australia and those making the journey have less money to spend while they are here.

12.38 IAC analysis also shows that benefits to the economy from allowing the national carrier to earn more export sales and to replace imports are offset to other industries. In fact, to the extent that they give Qantas room to operate at above minimum cost, the agreements bring about substantial reductions in Australia's GDP.⁴⁴ Australians are denied the opportunity to purchase cheaper travel and use the savings to purchase additional goods and services. The IAC's analysis suggests that higher fares reduce the spending power of Australians by \$225m a year.⁴⁵

⁴¹ *Travel and Tourism*, p. 5

⁴² *Evidence*, pp. 122-3

⁴³ *Travel and Tourism*, p. 5

⁴⁴ *Travel and Tourism*, p. 6

⁴⁵ *Ibid.*

An Alternative to ASAs

12.39 In its submission to this inquiry, Air New Zealand Ltd raised the prospect of replacing ASA's with multilateral aviation treaties. Air New Zealand based its case on the need for co-operation, co-ordination and competition within the South West Pacific (Australia, New Zealand and the South Pacific nations). The submission states that:

The 'Destination South West Pacific' strategy is based on the premise that the forces for regional co-operation are becoming so great that countries of the South West Pacific region will either, through default, be forced into a co-operative approach or, alternatively, they can adopt a pro-active approach, control their destiny and capture their share of the burgeoning international inbound tourism market.⁴⁶

12.40 This proposed regional strategy is based on the trend towards multilateralism in trade and services: the ASEAN countries are now operating on this basis and similar models also exist within the US and Europe. (p. 7) The submission suggests that an extension of the CER agreement principles of co-operation, harmonisation and removal of barriers to trade and services could be suitably extended to travel and tourism. Specifically, According to Air New Zealand "Destination South West Pacific's" aviation strategy must be to:

- bring about a multi-lateral aviation environment within the region;
- achieve this through collective negotiation of a liberalised air service regime between countries who participate in Destination South West Pacific;
- examine and develop the relationship between the region and third party countries and third party carriers;

⁴⁶ *Submission No. 99, p. 2*

- facilitate the privatisation, in compliance with the accepted definition of substantial ownership and control, of all the region's internationally designated airlines;
- move towards collective regionalism with other countries; and
- facilitate the development of common domestic aviation policies and policy settings.⁴⁷

12.41 These suggestions for international airline deregulation in these kinds of ways have already been considered. In particular, the question of trans-Tasman deregulation was examined in a report published in 1991 by a joint Australia-New Zealand team. Australia was represented by the Australian Bureau of Transport and Communications Economics.

12.42 The joint study considered two cases of deregulation:

- liberalising the trans-Tasman bilateral to allow unrestricted entry onto trans-Tasman routes by airlines of either country; and
- liberalising the requirements to allow Qantas and Air New Zealand limited rights to carry Australian domestic passengers between their international gateways in Australia.

It was found that, on cost-benefit analysis and relative to the consequences of deregulation in Australia, the following results appeared for the cases specified:

- Australia gained \$10.1 million from trans-Tasman deregulation, New Zealand gained \$7.5 million, while residents of third countries gained \$1.6 million; and
- Australia gained about \$20 million, New Zealand \$1 million and residents of third countries about \$6 million.

⁴⁷ *Submission No. 99, Strategy Section, p. 23*

12.43 The study concluded that Trans-Tasman deregulation and restricted cabotage were both estimated to result in significant net welfare gains, with the gain from the former estimated at about \$20 million and that from the latter at about \$27 million per year.⁴⁸

Current Landing Rights

12.44 In the year ending 30 June 1991, 42 airlines were licensed to operate scheduled services to and from Australian territory.⁴⁹

12.45 Qantas has pointed out that foreign airlines are attracted to Australia's best markets on the east coast, and show less interest in the weaker markets elsewhere. Significantly, there is no obligation on the international airlines to provide the actual flights allocated to them under the Air Service Agreements. There is a large amount of unutilised capacity available to airlines flying into Australia under existing traffic rights. This unutilised capacity is of two types; seats flown empty and flights not flown.

12.46 The Qantas paper *Tourism, Competition and Common Sense* reported that the unavailed rights of foreign airlines currently represent nearly 9,000 seats or 22 Boeing 747s, into and out of Australia each week. On these figures foreign airlines could bring an extra half a million tourists into Australia every year without any further approved capacity. In addition, more than 4.1 million seats flew empty to and from Australia during the year. Qantas calculates this as a waste of airline and airport resources equivalent to the operation of more than 100 empty Boeing 747s into and out of Australia every week.⁵⁰

⁴⁸ Bureau of Transport and Communication Economics and Jarden Morgan NZ Ltd., *Costs and Benefits of a Single Australasian Aviation Market*, 1991, p. 43

⁴⁹ *Department of Transport and Communications Annual Report 1990-91*, p. 386

⁵⁰ Qantas Airways Ltd., *Tourism, Competition and Common Sense*, June, 1991, pp. 21-2

12.47 Most of the unused traffic rights relate to the smaller gateways. For example, no US carrier serves Adelaide or Perth; these two gateways are also ignored by the major operators Cathay (Adelaide) and KLM (Perth); the Singapore and Thai carriers avoid North Queensland; and Lufthansa could add to its operations at Sydney and Melbourne virtually any other international gateway in Australia.⁵¹

12.48 Mr Spencer from The South Australian Department of Industry, Trade and Technology advised the Committee that South Australia has been actively pursuing the introduction of major air services to Adelaide. While seven international services use Adelaide, not all airlines with rights exercise them. Mr Spencer told the Committee that the following airlines had landing rights into Adelaide: Malaysian Airlines, Singapore, Qantas, Qantas and JAL in co-ordination through Tokyo, Air New Zealand, British Airways and Garuda. Cathay have rights and were not expected to start till later in 1991. Every American airline has rights into Adelaide but does not exercise them.⁵² When asked by the Committee to comment on the fact that airlines are not exercising landing rights, Mr Spencer replied:

Clearly there is opportunity to expand that in terms of relating tourism and industry to the environmental issues. Where I come from is primarily looking at the transport infrastructure that allows us to do that, for example, airport development and so on. Our paper does reflect that there had been a preponderance of development in the east coast on airport facilities. Sydney airport, to name one, is where most of the congestion is, of course. If you look at the relativities of expenditure on Sydney airport vis-a-vis Adelaide to achieve the same sort of movement rate, it is more economically viable to do it here. It is just a matter of attracting the airlines to come here.⁵³

⁵¹ *Tourism, Competition and Common Sense*, p. 35

⁵² *Evidence*, p. 724

⁵³ *Ibid.*

12.49 Sir Frank Moore of the Australian Tourism Industry Association gave evidence to the Committee about the need to allow international carriers to operate across Australia:

One of the ludicrous things that we have is regulations that suit us for our own internal purposes but that have nothing to do with the needs of customers. Again, if we are going to be competitive, the customer is God. You have to tailor products to suit the customer, not your own cosy comfort.

For instance, Thai International had rights to fly into Cairns and Brisbane, but once it put its passengers down in Cairns it was not even allowed to pick up its own passengers two days later to continue its own package to Brisbane. It was forced then to buy a seat either on Qantas or on a domestic carrier. The price of a ticket from anywhere in the world to Brisbane is exactly the same through most travel agents as the price to Cairns. We had a capacity to sell a customer two destinations on his ticket. We made sure through bureaucratic nonsense that airline could not do it. We have thousands of seats of capacity flying around the country every day wasting our national wealth while we play around with rules and ignore customers. If somebody buys an international ticket, he will want to be able to get on and off any international airline between any ports in this country.⁵⁴

12.50 The Committee notes that, given the size of the expected expansion in numbers of international tourists coming to Australia over the next decade, the questions raised here by Sir Frank Moore may need to be addressed as a matter of urgency. Ultimately the Australian tourism product needs to be cost-conscious in order to be internationally competitive. The question of foreign carriers moving their own passengers within Australia is an important issue in this context. The Committee is mindful of the advice on microeconomic reform from the BTR Director who stated that to the extent that these measures are effective in reducing costs and improving the quality of tourism related services through increased competition,

⁵⁴ *Evidence*, pp. 241-2

they have the potential to make the Australian tourism product more competitive with respect to both the international and domestic markets.⁵⁵

12.51 The Committee sought advice from the Department of Transport and Communications on this matter. It advised:

Australia will always sympathetically consider any request from a foreign Government for own stopover rights in Australia for its national carrier/s. The aim is to establish whether there will be net economic benefits to Australia from the proposal, including those flowing from reciprocal rights for the Australian carrier. The sorts of considerations taken account of are:

- will it strengthen the likelihood of a carrier actually commencing services to new points (or, in some cases, prevent a foreign carrier from withdrawing its services to an existing point);
- what will be the impact on Australian domestic airlines (although this consideration has diminished following Australian domestic deregulation) and Qantas, which will probably lose some on-carriage between the points in question;
- will additional tourism be generated to Australia overall and to individual gateways in particular;
- are Australian residents likely to benefit through improved levels of service.

Qantas, as the Australian international carrier, is permitted to carry its own international traffic between points in Australia. Importantly, it is also able to carry between Australian points passengers being brought to or carried from Australia by other international airlines. For example, a foreign traveller could arrive in, say, Melbourne on the services of a foreign airline. They could stopover in Melbourne and then travel on to, say, Sydney, with Qantas. (The entitlements for Qantas to carry these passengers is called interline rights). This facility provides an alternative for Australians and visitors to

⁵⁵ *Letter to Committee*, 11 July 1991

Australia to being carried between points by foreign carriers on an own stopover basis.⁵⁶

Air Traffic Management

12.52 Congestion is a major problem at Sydney's Kingsford Smith Airport. Being the preferred international gateway to Australia, it has more than half of Australia's inbound tourist arrivals; it is also a busy centre for domestic traffic. It has problems of under-capacity and also the management of that capacity. The costs of inadequate capacity show up as delays, crowding and discomfort, all costs which are placed on the visitor. The *Tourism in Australia* report quoted the Managing Director of Australian Airlines as claiming in July 1990 that take-off and landing delays had cost the airline \$4.4 million in wasted fuel and operation costs over a three month period.⁵⁷ The loss in Sydney alone is approximately \$900,000 per month.

12.53 Mr Spencer from the South Australian Department of Industry, Trade and Technology questioned whether it was necessary for all passengers travelling into Sydney to do so. He stated:

The figures, in general terms, for international travellers coming into Sydney are that 35 per cent of those travellers are actually in transit to another port. Of the 50 per cent that terminate, our estimation is 15 per cent transit to domestic flights and fly some place else. So, effectively, there are only 35 per cent terminating in Sydney. Do they really need to go to Sydney? ... What we are saying is what is the difference in taking them to Adelaide, Melbourne or Brisbane, for that matter and spread it around so that you have got a more equitable use of the resource that is already in position and reduce the impact on Sydney and its congestion.⁵⁸

⁵⁶ *Letter to Committee, 22 August 1991*

⁵⁷ *Tourism in Australia, p.65*

⁵⁸ *Evidence, p. 725*

12.54 The report *Tourism in Australia* addressed the question of congestion by aircraft having the right to use airport infrastructure. At Sydney Airport, small commuter aircraft are permitted to use the airport at peak times, even though they pay fees which are a fraction of those paid by larger international aircraft carrying tourists. That report suggested that major delays are imposed on tourists to enable a few local passengers the privilege of using the nation's largest international gateway. In seeking a solution, the report proposed a system where all users would pay similar amounts for the available capacity; this 'would be both efficient, and would make the most of Australia's tourism potential'.⁵⁹

12.55 On another aspect of congestion, the IAC's *Travel and Tourism* report noted that intense pressure on facilities is created by the bunching of flights at peak times, especially in the early morning. Domestic flights are regularly delayed by congestion, and it is claimed that 'traffic delays at Sydney now cost Ansett and Australian Airlines a cumulative \$15m per year and this is passed on to passengers'. The report also said that there has been criticism of present arrangements where the airport is available for use by all types of aircraft and the current situation breeds dissatisfaction among tourists and other travellers and thereby affects the development of tourism.⁶⁰

12.56 Mr Williams of the Industry Commission told the Committee that the then IAC devoted part of its report *Travel and Tourism* to the issue of the use of pricing mechanisms to encourage better utilisation of the current facilities. The IAC suggested that there was actually room for measures such as peak load pricing and similar mechanisms to better allocate the use of the airport. This could reduce the problem of having more aircraft attempting to land at a particular time than the facilities were capable of handling. The understanding of the Industry Commission is that FAC has in fact moved down that track to some extent.⁶¹

⁵⁹ *Tourism in Australia*, p. 66

⁶⁰ *Travel and Tourism*, pp. 90-1

⁶¹ *Evidence*, p. 121

12.57 Regional airlines which use Sydney Airport are critical of the decision to apply a surcharge to landing rights during peak periods, claiming that the charge has only changed the times when congestion is experienced.⁶² According to the paper most regional airline executives believe that the problem of congestion at Sydney had been solved by better traffic management well before the peak surcharge was introduced.

12.58 FAC confirmed to the Committee that it had devised management measures to ease congestion at Kingsford Smith Airport:

In terms of the overall capacity of Sydney Airport, the aircraft landing, a joint working group looked at a package of traffic enhancement measures. Those are broadly changes in the air traffic procedures which are the responsibility of the CAA and which include the simultaneous operations of the runways. Those are estimated to have enhanced the capacity of Sydney Airport by about 35 per cent. We ourselves are constructing rapid exit taxiways to get airplanes off the runways quicker. The airlines have voluntarily cooperated in cluster scheduling to relieve the large numbers of airplanes theoretically departing at the same time. Finally, we introduced, as a result of a recommendation, a peak period surcharge for aircraft landing to try to spread that load. That is, in fact, under review and will be reviewed at the end of April.

...

Certainly congestion has eased at Sydney Airport. Particularly, delays in landing, which are the expensive delays, have eased. Sydney is easier to get in and out of. Precisely how much of that is attributable to each of the traffic management measures is something that I do not know. But it is certainly something we are actively looking at.⁶³

⁶² *The Australian*, 22 November 1991

⁶³ *Evidence*, p. 567

12.59 Of course, two aspects of the traffic problem at Sydney Airport have received attention recently. First, contracts have been signed for a new air traffic control system. And, second, a decision has been taken about a third runway.

12.60 The option of a third runway for Sydney Airport was under consideration for a number of years. In *The House Magazine* of 24 June 1991, the FAC advised that it had just completed an Environmental Impact Study of a proposed third runway at Sydney Airport. The FAC claimed it was the most extensive EIS ever undertaken in Australia.⁶⁴ Following the consideration of the EIS in November 1991, Cabinet formalised approval for the development of the third runway at Sydney Airport. Linked with this approval is the agreement to proceed with an airport at Badgerys Creek. It is expected that this airport will be suitable for light air-freight jets as soon as it is operational, a measure designed to ease congestion at Sydney Airport.⁶⁵

Under-Utilised Capacity

12.61 A number of participants in the IAC inquiry stated that some airports were at present under-utilised (for example Hobart, Perth and Adelaide) while others are congested. This reflects, in part, that investments made in the past were not always driven by purely commercial considerations.⁶⁶ The Committee asked Mr Collins of FAC about under-utilised capacity in FAC airports. He responded:

Yes, very much so. ... Brisbane certainly has an airfield capacity to take them. It probably does not have a terminal capacity to take them yet. We are in the process of expanding the terminal there. ... Melbourne certainly has runway capacity and, again, it has simultaneous operations on its runways. We have committed \$57m in Melbourne of a \$236m project to expand that

⁶⁴ *The House Magazine*, 24 June 1991, p. 30

⁶⁵ *Canberra Times*, 11 December 1991, p. 20

⁶⁶ *Travel and Tourism*, p. 89

international terminal. Adelaide, which has had a 42 per cent increase in international traffic over the last year or so, has runway capacity but, again, we have terminal problems. ... Perth has had phenomenal growth in international traffic. The international terminal there can take additional traffic, but again we may have to expand that. That has got a single runway system, basically. Townsville most certainly has international capacity. It has an international terminal that is very heavily under utilised, and so does Hobart. ... In Darwin we are spending at the moment \$55m on a combined international and domestic terminal. ... So there is certainly a fair amount of capacity around the place. But Sydney, which is I guess broadly 60 per cent of our business in terms of international passenger arrivals, is where the market place dictates people want to go.⁶⁷

Services for Passengers

12.62 Another issue related to congestion at airports is the time taken for international travellers to pass through customs, quarantine and immigration control. Mr Joseph of the Department of Immigration, Local Government and Ethnic Affairs (DILGEA) advised:

We are working on the processing of arriving passengers, from the time they arrive to the time they actually leave the airport, of 30 minutes. That includes not only immigration, health and quarantine, but also luggage handling and luggage clearance.

...

By and large that objective is being met. There are problems to do with bunching of arriving aircraft, in which case it is not possible to achieve that. The various agencies that are involved in passenger facilitation are looking at every aspect of the process, including the question of airport design, the handling of the luggage, the bunching of the arrival aircraft, and so on.⁶⁸

⁶⁷ *Evidence*, pp. 569-70

⁶⁸ *Evidence*, p. 202

Airport Ownership

12.63 In the past, aviation infrastructure was largely provided by governments and was relatively well-funded. In 1987, the Langmore Report concluded that aviation infrastructure has not generally suffered from severe financial constraints, perhaps because of direct access to Federal funding, although political factors have adversely affected investment decisions in recent years.⁶⁹ This ownership situation has now changed. Since 1 January 1988 ownership of twenty-three airports (including all international airports except those at Cairns, Port Hedland and Norfolk Island) has passed to the Federal Airports Corporation.

12.64 The Cairns Airport is owned by the Cairns Port Authority, a body appointed by the Queensland Government. The Committee heard evidence from Councillor Pyne of the Mulgrave Shire Council, that:

When the Commonwealth owned the airport, and when it was making the decision as to whether or not the airport would go to local ownership, it said that we could either stand in line for 10 years and wait our turn or we could take it on local ownership. This was the first big airport upgraded under local ownership which we did do. Do not forget that with local ownership there is a charge every time you buy a ticket to land or take off from the airport. That is one way of helping with the funding arrangements and it is a big part of the income. ... We knew that if that airport was ever going to be upgraded, that was the quickest way to do it.⁷⁰

12.65 Mr Cummings, Secretary of the Cairns Chamber of Commerce, also gave evidence to the Committee about Cairns Airport. he stated that the initial development of \$37m was heavily financed by the Commonwealth Government, as part of the hand-over agreement. Since then it has proved too small, the growth has

⁶⁹ *Travel and Tourism*, p. 89

⁷⁰ *Evidence*, pp. 903-4

been such. The Port Authority has just invested a further \$70m in lengthening the strip and developing a separate international terminal.⁷¹

12.66 The authors of *Tourism in Australia* argue that, throughout Australia, there is scope for private sector involvement in airport development, including the expansion of airport-based facilities. Recently, however, the Minister for Shipping and Aviation Support, Senator the Hon. Robert Collins, rejected calls for a fully privatised Melbourne Airport. Previously, a Committee for Melbourne feasibility study suggested selling the airport. Senator Collins has advised:

... the Government will not be supporting any suggestion to privatise Melbourne Airport. I have also consistently said that the Federal Airports Corporation is more than happy to discuss with any proponent means of joint venturing or owning terminal facilities at the airport. ...

I understand that the Victorian Government ... will be proposing to the Federal Airports Corporation that it investigate the feasibility of some private involvement in furthering the very substantial program of capital works which the FAC already has in train at Melbourne airport. That is completely in accordance with Federal Airports Corporation policy and has the full support of the Government.⁷²

The Industries Assistance Commission Reform Strategy

12.67 The 1989 report *Travel and Tourism* proposed a reform strategy for the aviation industry. The IAC argued that the air transport industries needed effective competition in the interests of tourism and the economy in general. This would be the best means of ensuring maximum efficiency in the provision of air services and that gains will be passed on to travellers. The IAC suggested that to avoid some

⁷¹ *Evidence*, p. 960

⁷² *Senate Hansard*, 9 September 1991, pp. 1239-40

short-term adjustment costs, the strategy should be introduced gradually over a period of five years. The four phases of the IAC strategy are:

Phase 1

- . ensure that adequate access to domestic terminal facilities is available to new entrants on fair and equitable terms;
- . negotiate to relax restrictions on competition and extra capacity on international routes;
- . abandon separation between domestic and international markets for Australian carriers; and
- . make greater use of pricing to better allocate demand for airport facilities and reduce congestion.

Phase 2

- . extend the CER agreement with New Zealand to include aviation services; and
- . permit foreign carriers to interline within Australia.

Phase 3

- . remove the remaining anti-competitive restrictions within bilateral agreement; and
- . remove restrictions on charter operations.

Phase 4

- . relax special foreign investment restrictions on ownership of domestic airlines.⁷³

12.68 This strategy allows for an initial settling-in and reorganisation phase, combined with increases in capacity on international services where there is pressing demand. The broad thrust of the IAC's strategy is to induce progressively greater

⁷³ *Travel and Tourism*, pp. 103-9

competition into air transport to extend the range of services and reduce prices. How much of the benefits will be realised, the IAC stated, depends on the resolve of the Government and others in the community to dispense with costly impediments. The IAC warned that the reorganisation phase might entail some form of merger between current carriers that could encourage anti-competitive behaviour.⁷⁴

12.69 The report *Tourism, Competition and Common Sense* claimed that the IAC had recommended an 'open skies' aviation policy. It argued that giving away traffic rights unilaterally would inevitably cost Australia its international airline industry because foreign Governments would have no need to concede equal rights to Australia if they were granted free access to its markets. This has been confirmed by a study by the Centre for International Economics, commissioned by Qantas. It was assessed on 1988 figures that if Qantas were to lose even half of its market share the Australian economy would experience a net loss of more than \$200m of GDP and over 8,000 jobs.⁷⁵

12.70 Qantas said it would welcome a truly free, multilateral market to which it could have unfettered access. But in creating this 'perfect' world it would be necessary for all governments simultaneously to dissolve 1500 bilateral air service agreements, which they perceive to provide competitive advantage, and replace them with multilateral agreements which they do not perceive as beneficial. Such an eventuality, Qantas stated, is not likely to occur.⁷⁶

Road Networks and Rail Services

12.71 The Industry Assistance Commission has noted that Government involvement in the provision of surface transport services is extensive. Significant sectors of the industry are Government-owned - for example, some bus and most rail

⁷⁴ *Travel and Tourism*, p. 13

⁷⁵ *Tourism, Competition and Common Sense*, p. 33

⁷⁶ *Tourism, Competition and Common Sense*, p. 34

services, and major forms of infrastructure such as roads. Competition is restricted and costs and prices are inflated.⁷⁷

12.72 Land transport is particularly important to domestic tourists and for longer-stay international tourists. In many countries, such as those of Europe, the surface transport links are positive attractions for tourists. However, Australia has problems with the quality of infrastructure and the provision of services in some areas. *Tourism in Australia* argued that in Australia public transport has withered as the car has become the dominant means of internal transport despite poor roads. This has meant that Australia suffers as a tourist destination despite the attempts of various components of the sector, such as the coach industry.⁷⁸

The Road Network

12.73 Roads are particularly important to tourism in Australia. The majority of tourists travel by road at some stage in their visit, and most domestic tourists use private cars. In 1988/9, about 86 per cent of domestic tourist trips involved travel by road; approximately 77 per cent were made using private vehicles and about 7 per cent by coach.⁷⁹ In 1989, some 8 per cent of international visitors used a private or company car and 7 per cent used a rented self-drive car or campervan as their main mode of transport between stopovers. In the same year, about 13 per cent of international visitors used (long-distance) coach transport during their visit to travel between stopovers, while 33 per cent of international visitors took a day or half-day coach tour.⁸⁰

12.74 Nevertheless, Alderman Mooney, Mayor of Townsville, advised the Committee that the road transport system was a constraint on tourism in northern

⁷⁷ *Travel and Tourism*, p. 111

⁷⁸ *Tourism in Australia*, pp. 65, 67

⁷⁹ *Domestic Tourism Monitor Annual Summary 1989/90*, p. 44

⁸⁰ *International Visitor Survey*, 1989, pp. 65-6

Queensland. In the 1989-90 financial year 835,000 people visited Townsville. The majority drove or came by coach; only about 14 per cent of that 835,000 arrived by air. Alderman Mooney noted that the Council believed the national highway in north Queensland to be a disgrace. It has impeded tourism development efforts in the region. Alderman Mooney claimed that if domestic tourism into north Queensland and, in particular, into Townsville were to be improved substantially, there needed to be greater commitment to upgraded road transportation.⁸¹

12.75 This view was supported by many participants in the IAC inquiry *Travel and Tourism*. It was claimed that the poor quality of roads in Australia impeded travel and tourism. The Queensland Tourism and Travel Corporation noted 'serious defects' in tourist routes throughout Queensland, resulting in some attractions in North Queensland being virtually inaccessible to the average motorist. The Motor Inn and Motel Association of Australia said that the condition of roads can mean the difference between a small profit and a large loss to a motelier.⁸²

12.76 The Australian Automobile Association also informed the IAC inquiry of problem areas in addition to road quality. These included a lack of information and consistent signs, inadequate provision of rest and service areas at regular intervals, inconsistent road standards and insufficient information to guide tourists to available facilities.⁸³

12.77 The problems of the quality of roads may not be readily rectified - building roads and associated infrastructure is costly. Road grants by the Commonwealth Government in the 1991/92 budget amount to \$1,149.8m. Further, an additional allocation through untied grants will be settled in the preparation for the November 1991 Special Premiers' Conference. According to the *Budget*

⁸¹ *Evidence*, pp. 997-8

⁸² *Travel and Tourism*, p. 112

⁸³ *Travel and Tourism*, p. 112

Statements 1991-92, it is anticipated that this will result in a minimum increase of \$350m in the level of untied grants.⁸⁴

The Rail Network

12.78 As with roadbuilding, the cost of supplying rail services is high. Large financial losses are incurred by rail services, and there is a common perception that the quality of service on railways is poor. In *Travel and Tourism* the IAC reported that despite regulation and restrictions on other modes, rail services remain little used.⁸⁵ In 1989, some 3 per cent of international visitors used long-distance trains as their main transport between stopovers.⁸⁶ About 4 per cent of domestic tourist trips in 1989-90 were by rail.⁸⁷ The IAC argued, however, that the significance of rail services to tourism cannot be measured simply in terms of current usage. If action were taken to redress inefficiencies in operations there would be significant implications for the economy.⁸⁸

12.79 The importance of Australian rail services and the problems of quality of service were also discussed in evidence before the Committee. Mr Crombie of the NSW Tourist Commission stated that:

Product reliability is essential for a wholesaler overseas. If a product is not reliable it is no good. ... But the *Indian Pacific* has an important niche market; there is a part of the world and domestic markets that likes trains. *The Ghan* goes from Adelaide up to Alice Springs and seems to be to be a successful product. In New South Wales the introduction of XPT services has helped the flow of tourists that are using trains. ... But the *Indian Pacific* ...

⁸⁴ *Budget Paper No. 1*, p. 3-156

⁸⁵ *Travel and Tourism*, p. 120

⁸⁶ *International Visitor Survey*, 1989, p. 65

⁸⁷ *Domestic Tourism Monitor Annual Summary 1989/90*, p. 44

⁸⁸ *Travel and Tourism*, p. 120

There were a lot of union problems there a couple of years ago. I think they have been somewhat sorted out by now but it is not a very frequent service. ... It is a very slow journey, something like 16 or 17 hours to get to Broken Hill. Unless you are a tourist with a lot of time it takes too long. As I understand it, the people that mostly frequented the *Indian Pacific* were pensioners, people that had a lot of time on their hands.⁸⁹

Since the deregulation of the airline industry, and the availability of cheaper fares on most major routes, cuts to long distance rail services have occurred.

Future Development

12.80 The report *Tourism in Australia* recognises that the level of tourism demand is likely to prove too small to be sufficient, on its own, to warrant major upgrading of surface transport - most transport investments will be made with domestic factors dominant. The report, however, says that there will be areas where tourists form a high proportion of potential users of such transport, for example, around Queensland's Gold Coast. The report concluded:

The question then is whether Australia's rail services and road network are appropriate given this market, and there are many who think that they are not. Thus, assessments by the Bureau of Transport and Communication Economics (1987), suggest that there is considerable scope for economically justified road projects, especially in urban areas. The scope for good investments in passenger rail is more subject to debate, however, the studies for the VFT project suggest that there could be a good market in the long term for high quality rail passenger service. Overall, while it is unlikely that tourism demand itself will justify major improvements in surface transport, to the extent that such improvements came about to serve domestic

⁸⁹ *Evidence*, pp. 391-2

markets, the tourism industry will gain through having a better integrated product to offer.⁹⁰

12.81 The private sector proposal for a very fast train (VFT) would link Melbourne, Canberra and Sydney. From a tourism perspective, the IAC noted that if the claims of the VFT were realised, there would be an additional attraction and alternative form of transport for overseas and domestic travellers.⁹¹ While the Federal Government has supported the VFT concept, it had emphasised that it would not underwrite the project: the Commonwealth would seek appropriate assurances that there would be no call on public sector funds to facilitate or maintain the project⁹²

12.82 On 7 August 1991 it was reported that the Federal Government had decided against special taxation treatment for the VFT project and that the main financial backer, BHP, suspended its involvement because of federal Cabinet's decision to refuse tax concessions for the project. The report noted that while the Government acknowledged the potential commercial benefits that may arise from

the project's development, it considered there was no case for special taxation treatment for the VFT project.⁹³ The VFT Canberra office has subsequently closed.

Progress Towards Solutions

12.83 The IAC recognised the costs that regulation of the land transport sector has imposed. It noted that governments are endeavouring to reduce controls on transport services - the subsidies being paid for long-distance passenger rail services are coming under greater scrutiny. The IAC has suggested that while

⁹⁰ *Tourism in Australia*, p. 67

⁹¹ *Travel and Tourism*, p. 124

⁹² *Department of Transport and Communications Annual Report 1989-90*, p. 94

⁹³ *The Australian*, 7 August 1991, pp. 1-2

progress varies across States and transport modes, these developments are leading to greater efficiency and competition in the pricing and provision of such services. However, many regulatory constraints remain and there is considerable scope for those benefits to be increased by further reforms. It has been noted by the IAC that efforts are being made to promote greater uniformity, but progress is difficult and slow where State and Commonwealth responsibilities overlap. The Commission has perceived an urgent need for greater efforts and considers there is scope for the Commonwealth to push harder for reform initiatives through appropriate inter-governmental committees (such as the Australian Transport Advisory Council) to secure a more efficient surface transport system.⁹⁴

12.84 While progress has been slow, the Special Premiers' Conference in July 1991 saw movement on these issues. *The Australian* of 31 July 1991 recorded the following details of the conference communique expressing agreement between the Commonwealth and the States:

Roads - provision, charging and regulation:

The focal point is to establish a national road transport commission to regulate heavy vehicles on a nationally uniform basis and develop a heavy vehicle charging regime. National registration procedures would be developed by July 1992.

The national heavy vehicle standards would include vehicle weight, emission standards, traffic codes, licensing and consistent penalties for breaches.

National rail corporation:

Agreement to establish formally the national rail corporation. The Commonwealth, NSW, Victoria and Western Australia will provide the initial equity funds, estimates to be in excess of \$400 million over the next five years.⁹⁵

⁹⁴ *Travel and Tourism*, pp. 125-6

⁹⁵ *The Australian*, 31 July 1991

One Nation Statement

12.85 In the *One Nation* Statement on 25 February 1992, Prime Minister Keating announced improvements to Australia's road system:

We will be spending over \$600 million extra on roads between now and the end of 1993-94.

We will accelerate construction of city ring roads in Brisbane, Melbourne and Sydney to link national highways, and we will improve other roads to create a more effective network throughout Australia.

We are offering to develop the Sturt and Newell Highways to create first-class direct links between Adelaide and Brisbane, and Melbourne and Brisbane.

12.86 Further, the Prime Minister also announced improvements to the rail network in the *One Nation* statement; they include:

- a standard gauge national rail highway from Brisbane to Perth via Melbourne and Adelaide;
- a standard gauge port connection will be built between the Port of Brisbane and the Acacia Ridge rail terminus;
- a dedicated freight line will be built out of Enfield in Sydney to give trains clear access to the Southern line;
- a rail-road-sea terminous connection in Melbourne; and
- upgraded rail facilities at Fremantle and Adelaide ports.

The Prime Minister said:

The rail highway will also provide essential competition with road transport.

At the same time it will significantly reduce damage to roads, and make them much safer.

Recommendation

12.87 That the Federal Minister for Transport and Communications establish a task force to report by the end of 1992 on national transport infrastructure needs given that international tourist numbers have been targeted to reach up to 6.5 million by the year 2000. That the Minister consult on this matter with the Australian Transport Advisory Council.

Rosemary Crowley
Chair