



Submission No 52

Inquiry into Australia's Relations with Indonesia

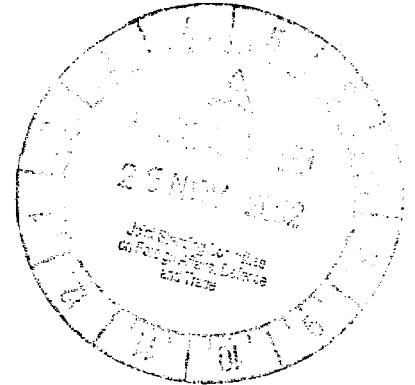
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File Reference: L2002/2412

Mr Cliff Lawson
Secretary
Foreign Affairs Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600



Dear Mr Lawson

Review of Australia's Relations with Indonesia

I refer to your letter of 18 September 2002 concerning an inquiry into Australia's relations with Indonesia.

Attached is a Departmental submission to the Inquiry. The Department's relationship with Indonesia is based on the 1969 Air Services Agreement between Australia and Indonesia, a Memorandum of Understanding on Cooperation in the Transport Sector, the Australia-Indonesia Ministerial Forum, and the Working Group on Transport and Tourism.

Thank you for the opportunity to make a submission. I look forward to reading the findings of your inquiry.

Yours sincerely

Dr Gary Dolman

Assistant Secretary
Logistics and Technology
Transport and Infrastructure Policy
19 November 2002

Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's Relationship with Indonesia

Department of Transport and Regional Services (DOTARS)

The Department's relationship with Indonesia is based on the 1969 Air Services Agreement between Australia and Indonesia, a Memorandum of Understanding on Cooperation in the Transport Sector, the Australia-Indonesia Ministerial Forum, and the Working Group on Transport and Tourism. Over the years DOTARS has established a good working relationship with Indonesia, with positive outcomes and goodwill established on both sides.

The relationship between the department and its Indonesian counterpart, the Department of Communications, remains in place through long-standing initiatives. However in light of issues surrounding domestic unrest, East Timor and people smuggling, the relationship (except for air services) has not been pursued actively over the last eighteen months. Since the recent bombing events in Bali, it is unlikely that this position will change. Post-Bali, transport-related security has become increasingly important to both countries. DOTARS will assist Indonesia to meet its security related International Maritime Organisation requirements.

The submission includes inputs from DOTARS' portfolio agencies: Airservices Australia and the Australian Maritime Safety Authority.

Memorandum of Understanding on Cooperation in the Transport Sector

Since 1995, a Memorandum of Understanding (MOU) on Cooperation in the Transport Sector has existed between the two governments. The MOU focuses on cooperation in maritime, land, rail and aviation transport, search and rescue and training activities. The MOU was re-signed in December 2000, incorporating new areas of cooperation including intermodal transport, the impact of transport on the environment and transport planning and regulation.

In 2001, an MOU on tourism was also signed between the two governments, aimed at strengthening cooperation across the areas of research and development, human resource development promotion, investment and private sector cooperation.

Air Services Negotiations Training

On behalf of DOTARS, Monash International Ltd conducted an International Air Services Negotiations Training Course in Jakarta between 1 and 6 April 2002. A DOTARS officer assisted on several days of a five and a half day course which was funded through the APEC Support Program administered by the Australian Agency for International Development (AusAID). The course was successful and well received.

Search and Rescue Training

In the first half of 2003, the Australian Maritime Safety Authority's Australian Search and Rescue (AusSAR) will provide search and rescue training to officers of its Indonesian counterpart agency – Baden SAR Nasional (BASARNAS), an agency of the Indonesian Department of Communications. The project's objective is to improve Indonesia's search and rescue coordination, planning and procedures. The project (\$125,000) will be funded under AusAID's Australia Indonesia Government Sector Linkages Program - AI – GSLP. The project builds on AusSAR's previous successful training package (also under AI – GSLP) to 20 BASARNAS officers in Indonesia over a three-week period in May 2002.

Fact-finding Visit on Benchmarking of Airport Charges

From 10 – 14 December 2001, a delegation of 4 from the Department of Civil Aviation of Indonesia visited DOTARS to obtain first-hand knowledge on Australia's policy and administration on airport and air navigation charges.

Australia-Indonesia Ministerial Forum and the Working Group on Transport and Tourism

The Australia-Indonesia Ministerial Forum was established to expand the relationship between Australia and Indonesia into areas of practical economic and trade cooperation, and to add a new institutional dimension to the relationship between the two countries. The Forum provides a means to address barriers to trade and investment, also an opportunity to explore likely further directions and growth areas. The Forum added significant momentum to the development of bilateral economic relations. It meets every 1-2 years, and is underpinned by a number of working groups. Australia is exploring with Indonesia suitable dates for the next Forum, possibly next year.

One outcome from the Forum meeting in September 1998 was the project 'Indonesia Perishables Cool-Chain Project'. DOTARS designed and is managing the project, in close consultation with the Indonesian Department of Communications and Ministry of Agriculture. The project's objective is to enable Indonesian government officers and private sector participants to put into practice basic perishable goods supply/cool chain criteria that will improve the shelf life of perishables post harvest to wholesale markets. The project (\$93,825) is funded by AusAID's AI - GSLP.

In November 2001 – February 2002, Airservices Australia provided Indonesian air traffic controllers with a train-the-trainer package to assist the implementation of new International Civil Aviation Organization standards. The package (\$167,880) was funded under AusAID's AI - GSLP.

The Working Group on Transport and Tourism is supported by DOTARS and the Department of Industry, Tourism and Resources, and pursues bilateral cooperation in these areas at the official level. The Working Group on Transport and Tourism provides opportunities for officials from both sectors to address issues of mutual concern and to jointly pursue opportunities to facilitate tourism and trade through transport initiatives.

Air Services

Air services between Australia and Indonesia and beyond each country are governed by the *Agreement between Australia and Indonesia for Air Services Between and Beyond their Respective Territory* which entered into force on 7 March 1969, and associated air services arrangements agreed between the aeronautical authorities of Australia and Indonesia from time to time.

Bilateral Relationship

The bilateral aviation relationship between Australia and Indonesia is a strong one, characterised by good working relations at officials level. However, Indonesia has a gradual approach to liberalising air services arrangements and where there have been outcomes from consultations these have generally been more restrictive than Australia was seeking.

Prior to successful talks in August this year, there had been no new arrangements agreed for over six years. At the August talks the aeronautical authorities of both countries reached agreement on new arrangements that provide enhanced opportunities for airlines of both countries to develop international air services.

There remain a number of restrictions on the operations of Australian airlines, including the number of services Australian airlines can operate beyond Denpasar. These matters are on record for discussion when consultations are next held. For its part, Indonesia would like to see further opportunities for its airlines to operate beyond Australia.

The Market

Up to 2001, Indonesia was the 6th largest of Australia's international travel markets and accounted for 4.6% of all international traffic in and out of Australia. Indonesia was the 11th largest source of visitors to Australia and the 2nd most popular overseas destination for Australians.

During the five years prior to 1999, the Australia-Indonesia route was in a period of growth, averaging 9% per annum. The next two years was a period of decline during which the market lost approximately 25% of its size. Up to October 2002 the market had started growing again, although only to 1995 levels.

Australian residents made up approximately 70% of the passenger traffic between the two countries. This proportion had remained relatively stable up to mid 2002.

Airfreight exports to Indonesia totalled \$139.9 million (7,650 tonnes) during the year to March 2002. Airfreight imports from Indonesia were valued at \$725.6 million (2,590 tonnes) in the same period.

During the nine-month period ending March 2002, there were 590,900 passengers travelling by air between Australia and Indonesia (7,580 passenger movements each way each week).

The Bali incident in October 2002 will impact on travel patterns in the short to medium term. The major carriers in the passenger market are Garuda and Qantas. Singapore Airlines and Malaysia Airlines each carry some traffic via Singapore and Kuala Lumpur.

Scheduled Services

Up to October 2002 Garuda Indonesia operated 24 services per week between Indonesia and Australia. Garuda serves Sydney, Melbourne, Adelaide, Brisbane, Darwin and Perth. Three Garuda services operate beyond Brisbane to Auckland and return. Garuda has announced that as a result of a decline in bookings to Bali after the terrorist incident of 12 October it is rationalising its route structure and flight schedules. The changes, effective from 15 November 2002, include greater flight sharing (serving more than one destination on a service), temporary suspension of direct flights from Adelaide to Denpasar and postponement of Perth-Jakarta direct services originally planned for the end of October.

Merpati Nusantara continues to operate one weekly Boeing 737 service between Jakarta and Christmas Island.

Qantas has reduced services between Australia and Indonesia as a result of a fall in demand following the Bali incident. Prior to 12 October 2002 it proposed to operate 19 services per week to Jakarta and Denpasar. On 22 October 2002 Qantas announced a cut back to 11 services per week on the Australia – Indonesia route. Qantas is not currently operating beyond Denpasar to Singapore and return, however, a Boeing 747 service originating in Sydney will operate on this route in December 2002 and January 2003.

Virgin Blue had indicated that it was considering future services to Denpasar, but more recently it has indicated that its first international services may be to South Pacific destinations.

Air Paradise International, a new Indonesian airline which applied to operate services between Denpasar and Perth and Denpasar and Melbourne from the end of October 2002, has advised that it has postponed its start-up date until 16 February 2003 as a result of the Bali incident. Two other Indonesian airlines, Lion Air and Batavia Air, have in recent months indicated an interest in operating to Australia but no formal applications have been received from these carriers.

Bali Incident

Departmental officers participated in the Department of Foreign Affairs and Trade (DFAT) task force formed to respond to the bombing in Bali. They facilitated necessary action by airlines in the evacuation process. Both Qantas and Garuda operated additional flights and/or capacity to assist in the transport of injured people and Australians wishing to return to Australia. Qantas and Garuda experienced massive cancellations of Bali travel bookings in the first week after the incident. As a result of the incident and revised travel advice issued by DFAT, drop-offs in forward bookings are expected. Both airlines reviewed their schedules after 27 October 2002. Qantas has already reduced services to Indonesia and revised Garuda schedules take effect from 15 November 2002.

Future Developments

Australia will continue to seek further liberalisation of air services arrangements.

In the medium to long term, airlines of both Australia and Indonesia can be expected to take up the additional opportunities agreed in August 2002.
