



Our Ref: D08/3736  
Tourism WA File: STM/0084

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## TOWARDS A NATIONAL AVIATION POLICY STATEMENT

Please find attached Tourism Western Australia's submission in response to the Issues Paper relating to Towards a National Aviation Policy Statement.

The opportunity to provide input to this important Statement which is strongly supported, is appreciated.

Given the critical importance of aviation policy to Western Australia it is strongly recommended that the review committee conduct hearings (including in Western Australia) and Tourism Western Australia would welcome the opportunity to make further submissions to such a hearing.

We look forward to the Green Paper in due course. Please make contact with Elizabeth Smith ([elizabeth.smith@westernaustralia.com](mailto:elizabeth.smith@westernaustralia.com); 08 9262 1740) for any questions relating to this submission.

A handwritten signature in dark ink, appearing to read "R. Muirhead", is written over the typed name and title.

RICHARD MUIRHEAD  
Chief Executive Officer

17 July 2008



# **TOWARDS A NATIONAL AVIATION POLICY STATEMENT**

Submission to

Department of Infrastructure, Transport, Regional Development and  
Local Government



**July 2008**

## Introduction

Aviation is the starting point for tourism growth. Without effective aviation there can be no tourism, especially so in the Australian context.

Aviation policy is a key determinant of the price and availability of air travel. Thus it is also a key determinant of the total level of tourism, and of the patterns of tourism flows. Restrictive regulation of aviation has the effect of reducing competition, limiting the availability of seats, limiting the number of routes flown and limiting the scope for lower cost airlines to offer their services. Thus it increases the price of air travel, and since demand is quite price elastic, it reduces tourism flows, often quite significantly. Over the past 40 years, liberalisation has been a major contributing factor, along with improvements in aviation technology, to the worldwide boom in tourism.<sup>1</sup>

WA's isolation from other Australian (and international) destinations and its reliance upon aviation for economic and social well-being is obvious. From a tourism perspective, approximately 70% of international visitors to WA arrived at Perth International Airport, with a further 23% arriving at domestic airports around WA. Approximately 88% of interstate visitors to WA arrived in WA by air.

To date Australia's aviation policies have served three States very well – New South Wales, Victoria and Queensland. Collectively, these States represent 86% of the Nation's tourism business and 83% of the Nation's aviation business.

A National Aviation Policy presents the opportunity to broaden the development of Australia's tourism industry through enhancing a strong western gateway, as well as providing improved links with other Australian destinations.

## Western Australia and tourism

Western Australia is the largest Australian State. With a 12,500 km coastline and spanning 2,400km from north to south, it occupies a third of the continent, and is 2,724km from Adelaide, 4,045km from Darwin, 3,452km from Melbourne and 4,144km from Sydney. Perth is closer to Singapore and Jakarta than it is to Canberra.

Three quarters of Western Australia's population live in and around Perth. More than 30% of Western Australians were born outside of Australia; primarily in the United Kingdom, New Zealand and Italy. Western Australia's relatively small population is concentrated in its south west corner and is uniquely isolated from other Australian states and cities.

The significance of these geographical, historical and cultural features has developed a population of travellers, particularly to overseas destinations.

Tourism is an essential industry in WA which generated in the 2006-07 financial year nearly \$6 billion in visitor expenditure and employed 6% of the State's workforce. The Western Australian Government through Tourism Western Australia ensures the State's tourism industry activities are planned and managed to meet community requirements through developing, promoting and protecting Western Australia's iconic tourism experiences.

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<sup>1</sup> Peter Forsyth, Martin Kunz Memorial Lecture. *Tourism benefits and aviation policy in Journal of Air Transport Management* 12 (2006) 3-13.

## Policy Directions

Tourism Western Australia recommends to the Australian Government that the 'aviation review green paper' considers the following as a starting point for policy action.

Our recommendations for the National Aviation Policy green paper are:

<b>Recommendation 1: Recognise the critical link between aviation policy and tourism development</b>
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"Air transport and tourism are interlinked. Tourism is a driving factor for and, in some cases, a stimulator of change in air transport; most notably the development of new business models such as charter airlines. On the other hand, air transport opened new destination and tourism forms such as long-haul excursions. For the strategic develop of destinations, a clear airline policy and air access strategy seems to be necessary. For airlines an assessment and understanding of the business models of destinations is essential. By shaping the external regulative environment of air traffic, government may influence air traffic as well as tourism."<sup>2</sup>

The majority of tourism destination development in Australia has been determined by proximity and access to air routes. The resultant disequilibrium (see Appendix 1) in the dispersal of tourism has helped to retard tourism development opportunities throughout Australia, particularly those in the west and north.

The National Aviation Policy needs to recognise and acknowledge the critical links between tourism and aviation and ensure effective reforms address these imbalances.

<b>Recommendation 2: Recognise that Australia's aviation landscape is not dominated by four airports. The reality is that there exist three main airports, with Sydney being overwhelmingly a dominant player.</b>
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It is our understanding that the initial rationale behind identification of the big four city markets and their subsequent inclusion in all significant international air services agreements is expressed by DOTARS as a need to offer and promote expansion of air services to points behind the historic prime market focus of Sydney.

Appendix 1 shows passenger movements at capital city airports. The data demonstrates that the market dominance of the top three ports of Sydney, Melbourne and Brisbane control more than 80% of the total market and almost 90% of the international market. Sydney is more than double the size of its nearest competitor (Melbourne). Melbourne and Brisbane are relatively comparable in size and each is approximately twice the size of Perth. Perth would require an average annual growth rate of 7.3% over the next 10 years to catch up to Brisbane (assuming no growth into that port over the same period).

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<sup>2</sup> Thomas Bieger, Andreas Wittmer, 'Air transport and tourism – Perspectives and challenges for destinations, airlines and governments' in *Journal of Air Transport Management* 12 (2006) 40-46

**Recommendation 3:  
Perth should be dealt with outside of the four gateways category.**

The volume profile of Australia's inbound tourism activity and air passenger movement is very alike and could be termed eastern-centric. Almost 80% of visitors by air transport and 80% of air passenger movement occurs thru Sydney/NSW, Melbourne/Vic and Brisbane/Qld. A national Australian aviation policy should provide the opportunity to develop increased tourism outside of the eastern-centric destinations.

**Table 1: Passengers, Visitors and Population – Perth/WA position**

Airport	Total Pax Movement (million) 2006-07	%	<i>Index of Dominance</i>	Total International and Domestic Visitors (2007) %	Population (Statistical Division) Census 2006
Sydney/NSW	31.02	36.78	<i>1.00</i>	35.2	34.3
Melbourne/Vic	22.16	26.27	<i>0.71</i>	23.3	29.9
Brisbane/Qld	17.01	20.17	<i>0.55</i>	27.2	14.7
Perth/WA	7.97	9.45	<i>0.26</i>	8.0	12.0
Adelaide/SA	6.18	7.33	<i>0.20</i>	6.3	9.2
	84.34	100		100	100

NB Highlighted – 'so-called Big 4 Airports'

Source: Tourism Western Australia, using base data BITRE Avline 11, January 2008; Tourism Research Australia – International and National Visitor Surveys; ABS Census data.

As the Index of Dominance column illustrates, Perth's inclusion as part of the four gateways category grossly overstates its homogeneity with this group and ignores the significant gap between Perth and the group of Sydney, Melbourne and Brisbane. The eastern-centric impact of inbound visitation is confirmed by the International and Domestic Tourism visitors to each destination.

Given that Australian residents (outbound) are currently driving the growth of international passenger movements, it is also a valid proposition to assert that the population catchments of Sydney, Melbourne and Brisbane metro areas (see above table) have a far greater opportunity for outbound travel than is the case through Perth. Such population bases would be a key motivator for new airlines to enter the market. Future policy initiatives need to recognise that this factor could act as a detriment to the 'level playing field' concept of equalisation with Perth significantly disadvantaged as a result.

It is understood the Regional Benefits Package was designed, at least in part, to address some of the issues currently associated with the three-port centrality (of Brisbane, Sydney and Melbourne). Whilst the exact detail of the Regional Benefits Package are not fully understood by Tourism WA, it is our view that such a policy intervention is needed to support and facilitate the aviation development of ports outside of the 'Big 3' (but not to the detriment of these ports).

It is our view the national interest would be best served by having a strong western as well as eastern gateway, with Perth being treated in a similar manner to Adelaide, Cairns and Darwin.

**Recommendation 4:**  
**Perth/WA due to its size (one-third of the continental land mass of the country) and geography (both its long-haul remoteness and also proximity to SE Asia) warrants ‘special circumstances’ treatment.**

The geographic and demographic facts noted above (in Background) that describe Western Australia’s and Perth’s location as one of the world’s most isolated are the inescapable truths upon which the State must develop.

4.1 Western Australia’s dependence upon aviation for economic wellbeing is verified by the contribution by Perth Airport associated activities of some 3% to GSP with over 16,000 jobs provided.<sup>3</sup> Western Australia has shown the strongest growth in GSP per capita of all States in 2006-07, much of it due to the mining and resource industry. A significant proportion of that industry’s workforce is dependent upon Fly In Fly Out contract options from many other States and countries. With an estimated 45,000 additional employees required in the mining and resource industry by 2015 this demand is expected to continue.

**4.2 Propensity to travel**

Western Australia’s geographical, historical and cultural features have developed a population of travellers, particularly to overseas destinations.

Appendix 2 illustrates that while Western Australians are the least likely to travel to other Australian states, they have the second highest propensity (behind Queensland) to travel within their own State.

Table 2 below also demonstrates that Western Australians have the highest propensity of all States to travel to overseas destinations.

**Table 2: Australian’s Propensity to Travel  
 (Outbound International Travel 2007)**

Home State	Overseas Trips	Population	%
New South Wales	2,025,300	6,926,990	29.2%
Victoria	1,320,900	5,246,079	25.2%
Queensland	953,900	4,228,290	22.6%
South Australia	245,300	1,591,930	15.4%
<b>Western Australia</b>	<b>701,600</b>	<b>2,130,797</b>	<b>32.9%</b>
Tasmania	58,800	495,772	11.9%
Northern Territory	46,800	217,559	21.5%
Australian Capital Territory	107,400	340,818	31.5%
<b>Australia</b>	<b>5,460,000</b>	<b>21,180,632</b>	<b>25.8%</b>

Source: Tourism Research Australia - International Visitor Survey, Australian Bureau of Statistics - 3101.0 Australian Demographic Statistics

**4.3 Proximity to SE Asia**

Perth’s proximity to SE Asia compared with eastern states airports presents a different set of market-aircraft options to be considered in the mix of viability of services.

<sup>3</sup> Economic Research Associates Pty Ltd, 2004

The existing aviation landscape in Western Australia is clearly very different from other States and warrants separate policy considerations to build up the potential for an effective and strong western gateway.

**Recommendation 5:  
Establish a National ‘blueprint’, or master plan, for the long term development of international and interstate aviation links.**

The existing focus on southern eastern ports should be complemented by a strong western gateway through Perth as well as effective northern ports for example, through Darwin and feeding to Broome and Exmouth as well as Cairns and beyond.

A master plan should consider both the tourism (destination) and aviation business models of supply and demand, capitalising on the synergies between them.

**Recommendation 6:  
Use air service agreements (ASA’s) to encourage competition and route development, not as instruments of protection.**

- 6.1 It is understood the Australian Government’s review on Australia’s international air services policy concluded that the current policy of liberalizing air services arrangements was ‘right for Australia’. Since then, Australia continues to recognise ‘open skies’ as an aspirational goal to be sought on a case-by-case basis, when it is in the overall national interest. Australia needs to be proactive in liberalising ASA’s. While it is acknowledged that Australia has adopted a liberalized approach to aviation (particularly in regards to NZ, UK, US and Singapore) it needs to continue adopting a proactive approach to further liberalization in regards to ASA’s.
- 6.2 Liberalisation facilitates greater capacity, improved access, improved route access and more competitive pricing. The liberalisation process has failed to provide a level playing field for all parties in the civil aviation sector. Regulators have not protected the airlines and their passengers from the monopoly infrastructure providers. Further, they are charging the cost of their efficiency to the airlines and their customers.<sup>4</sup>
- 6.3 Available capacity through ASA’s should be in front of demand to enable carriers and destinations to plan for and accommodate growth. The ASA’s should also be expanded to ensure that there is sufficient room for competition. There should also be sufficient room for more than one carrier from each country to enter the route. Carriers from one country should not be restricted from increasing its capacity if the carrier from the other country is not utilizing its full entitlements. A number of agreements are currently in this position and this is restricting potential growth.
- 6.4 ASA’s should not be a barrier to growth

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<sup>4</sup> DG Bisignani in *The ‘three pillars of stagnation’: challenges for air transport reform*. Christopher Findlay, David K. Round, in *World Trade Review* (2006), 5:2, 251-270.

**Recommendation 7:  
Adopt a jurisdictional (rather than National) approach with respect to curfews.**

Perth should remain a non-curfew airport.

WA's isolation from key international and domestic hubs means it can offer both airlines and airports increased creativity in managing services and operational peak periods. These options can mean WA benefits from services it may otherwise not attract.

Noise impacts have not been a major detriment at Perth Airport.

**Recommendation 8:  
Without prejudice to border security, ensure the imposition of airport safety measures particularly at regional airports be undertaken in a manner that does not result in cost shifting, ultimately to the end customer.**

- 8.1 Most regional airports are on 'thin' routes ie where there are consistently limited passenger numbers so that any additional cost burden could jeopardise route operation.
- 8.2 Airport security considerations should be determined on a risk basis and is the responsibility of the appropriate Australian Government agency and any imposed costs as a result of an Australian Government decision or determination should be carried by the Australian Government.

**Recommendation 9:  
Maintain cabotage as a policy support for competition.**

- 9.1 Very little evidence exists throughout the world where cabotage is not practiced.
- 9.2 It is anticipated that enabling foreign airlines to operate on key domestic routes between major gateways alongside local carriers would severely impact the ability of the latter to operate marginal regional networks.
- 9.3 The maintenance of the current cabotage provisions is supported.

**Recommendation 10:  
Deregulated domestic services are supported.**

Tourism WA supports the current policy of a deregulated domestic aviation market which is providing consumer benefits and industry growth. Additional services to regional airports have also benefited tourism (eg in WA, direct additional services to Broome from Sydney).

## APPENDIX 1

### Passenger Movements at Capital City Airports

Passengers in Millions									
	Year	International	Relative Market Share	Domestic	Relative Market Share	Regional	Relative Market Share	Total	Relative Market Share
Sydney	2006/07	10.12	1.0	18.91	1.0	1.98	1.0	31.01	1.0
	2005/06	9.67	1.0	17.51	1.0	1.82	1.0	29	1.0
	2004/05	9.27	1.0	16.84	1.0	1.85	1.0	27.96	1.0
	Average	9.7	1.0	17.8	1.0	1.9	1.0	29.3	1.0
Melbourne	2006/07	4.42	0.4	17.07	0.9	0.67	0.3	22.16	0.7
	2005/06	4.42	0.5	16.18	0.9	0.6	0.3	21.2	0.7
	2004/05	4.14	0.4	15.53	0.9	0.6	0.3	20.27	0.7
	Average	4.3	0.4	16.3	0.9	0.6	0.3	21.2	0.7
Brisbane	2006/07	3.89	0.4	12.56	0.7	0.65	0.3	17.1	0.6
	2005/06	3.65	0.4	11.64	0.7	0.73	0.4	16.02	0.6
	2004/05	3.48	0.4	11.22	0.7	0.65	0.4	15.35	0.5
	Average	3.7	0.4	11.8	0.7	0.7	0.4	16.2	0.6
Perth	2006/07	2.19	0.2	5.35	0.3	0.43	0.2	7.97	0.3
	2005/06	1.98	0.2	4.66	0.3	0.37	0.2	7.01	0.2
	2004/05	1.95	0.2	4.25	0.3	0.33	0.2	6.53	0.2
	Average	2.0	0.2	4.8	0.3	0.4	0.2	7.2	0.2
Adelaide	2006/07	0.44	0.04	5.27	0.28	0.47	0.24	6.18	0.20
	2005/06	0.35	0.04	5	0.29	0.42	0.23	5.77	0.20
	2004/05	0.32	0.03	4.66	0.28	0.39	0.21	5.37	0.19
	Average	0.4	0.04	5.0	0.28	0.4	0.23	5.8	0.20
Total	2006/07	21.06		59.16		4.2		84.42	
	2005/06	20.07		54.99		3.94		79	
	2004/05	19.16		52.5		3.82		75.48	
<b>Market Dominance</b>									
Top 3 Ports	2006/07	88%		82%		79%		83%	
	2005/06	88%		82%		80%		84%	
	2004/05	88%		83%		81%		84%	

Source: Tourism Western Australia, using base data BITRE Avline 11, January 2008.

**Australian's Propensity to Travel****Interstate and Intrastate travel by home state 2007**

	Interstate Trips	%	Intrastate Trips	%
<b>New South Wales residents</b>				
Air transport	4,226,000	61.0%	670,000	9.7%
Other	4,405,000	63.6%	15,974,000	230.6%
Total Trips	8,228,000	118.8%	16,600,000	239.6%
Total Population	6,926,990	100.0%	6,926,990	100.0%
<b>Victoria residents</b>				
Air transport	3,950,000	75.3%	113,000	2.2%
Other	2,800,000	53.4%	11,875,000	226.4%
Total Trips	6,380,000	121.6%	11,981,000	228.4%
Total Population	5,246,079	100.0%	5,246,079	100.0%
<b>Queensland residents</b>				
Air transport	2,339,000	55.3%	1,320,000	31.2%
Other	1,937,000	45.8%	10,948,000	258.9%
Total Trips	3,992,000	94.4%	12,153,000	287.4%
Total Population	4,228,290	100.0%	4,228,290	100.0%
<b>South Australia residents</b>				
Air transport	1,195,000	75.1%	159,000	10.0%
Other	894,000	56.2%	3,248,000	204.0%
Total Trips	1,991,000	125.1%	3,397,000	213.4%
Total Population	1,591,930	100.0%	1,591,930	100.0%
<b>Western Australia residents</b>				
Air transport	1,052,000	49.4%	471,000	22.1%
Other	268,000	12.6%	4,726,000	221.8%
Total Trips	1,168,000	54.8%	5,164,000	242.4%
Total Population	2,130,797	100.0%	2,130,797	100.0%
<b>Tasmania residents</b>				
Air transport	600,000	121.0%	14,000	2.8%
Other	169,000	34.1%	1,131,000	228.1%
Total Trips	679,000	137.0%	1,142,000	230.3%
Total Population	495,772	100.0%	495,772	100.0%
<b>Northern Territory residents</b>				
Air transport	255,000	117.2%	73,000	33.6%
Other	91,000	41.8%	337,000	154.9%
Total Trips	311,000	142.9%	406,000	186.6%
Total Population	217,559	100.0%	217,559	100.0%
<b>Australia Capital Territory residents</b>				
Air transport	435,000	127.6%	0	0.0%
Other	1,285,000	377.0%	8,000	2.3%
Total Trips	1,679,000	492.6%	8,000	2.3%
Total Population	340,818	100.0%	340,818	100.0%
<b>Australia</b>				
Air transport	14,052,000	66.3%	2,819,000	13.3%
Other	11,850,000	55.9%	48,245,000	227.8%
Total Trips	24,428,000	115.3%	50,853,000	240.1%
Total Population	21,180,632	100.0%	21,180,632	100.0%

Source: Tourism Research Australia - National Visitor Survey, Australian Bureau of Statistics - 3101.0  
 Australian Demographic Statistics