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Chief Minister  
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Senator the Hon Bridget McKenzie  
Chair  
Senate Select Committee on Commonwealth Bilateral Air Service Agreements  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Senator McKenzie

Thank you for your letter of 11 September 2023 about the Inquiry into Commonwealth Bilateral Air Services Agreements.

I understand the Select Committee will inquire into and report on all Federal Government decisions relating to any proposals since 2016 for additional services to Australia's airports, with particular reference to the items listed in the terms of reference. The ACT Government does not have any additions or suggested amendments to the terms of reference and is pleased to provide the following input to assist with the Inquiry.

It should be noted that the Australian Government is consulting widely in the development of an Aviation White Paper and the ACT Government is contributing to its development.

The White Paper should consider aviation policy to assist with bilateral air service agreements and the process for applications being considered. The White Paper should also consider matters relating to competition in the aviation sector and where increased competition stands to provide benefit to the Australian economy for tourism, trade and investment. The ACT Government is working hard with airline partners to increase routes and to restore direct international flights into the nation's capital. The White Paper should ensure the benefits of access to affordable travel for consumers is central to the strategies to be adopted and that policy settings do not hinder the growth of international routes in more regional airports, like Canberra to enable regional distribution of

tourism and trade opportunities.

The recent release of the related Aviation Green Paper on 7 September 2023 is an important milestone in the process of developing the Aviation White Paper. The Green Paper provides the opportunity for a diverse range of stakeholders to deliver constructive views about a range of important issues, including bilateral agreements and competition.

The ACT Government encourages the committee to support the ongoing development of the White Paper in a collaborative and constructive way.

While the establishment of effective bilateral air service agreements is a matter for the Australian Government to negotiate with foreign countries, the outcomes can have important implications for State and Territory jurisdictions. These negotiations should ensure legitimate two-way opportunities to facilitate trade, investment and tourism.

It has been evident that demand for international air travel from Australia is exceeding supply. There are a range of reasons for capacity to be slower than demand including availability of aircraft and labour. As demand has exceeded supply, prices have increased.

In addition to capacity issues, there are a range of other impacts on airfare prices including fuel costs, supply chain disruptions and labour costs. This is affecting the rate at which airlines are returning capacity to 2019 levels and limiting opportunities to negotiate new routes, particularly to regional airports like Canberra. Australia is a long-haul destination for the majority of our key international markets. This makes it a relatively expensive place to travel for leisure and business.

Despite this, there are some international markets making a strong recovery in terms of capacity and visitor numbers. ABS international arrivals data for the month of June 2023 showed total inbound recovery of 82 per cent compared to June 2019. Some strong performing markets are at, or close to, full recovery. Arrivals from India were 106 per cent for June 2023 compared to June 2019, and New Zealand 97 per cent.

For the ACT the Indian market has seen strong recovery returning to 94 per cent of 2019 visitor number for the year ending March 2023.

In addition, high demand for international travel suggests the Australian public is travelling. National Visitor Survey and International Visitor Survey data shows total international outbound expenditure is exceeding international inbound expenditure. This suggests that, despite the cost of travel, consumers are still travelling.

As bilateral air service arrangements are negotiated between the Australian Government and the government of the relevant foreign country, arrangements should provide benefits at both ends of the route.

These arrangements may be leveraged to a greater benefit where there are existing free trade agreements in place that enable two-way trade and investment to occur with the support of airline access.

Two-way trade conditions, combined with access, should enable governments and business to leverage opportunities across tourism, education, trade, and investment.

The ACT Government together with Canberra Airport has successfully negotiated direct services between Canberra and Fiji on Fiji Airways. There is no open skies arrangement between Australia and Fiji however the service will serve to open trade, investment and tourism opportunities between Canberra and Fiji. This was a core component of the businesses case. For example, direct flights create opportunities for Canberra and region exporters, ease of access for diplomatic and government business to support a range of business activities across the pacific region and a boost for tourism in Fiji. The connection also provides further benefits for the Canberra region and Fiji due to Fiji Airways onwards connection to North America.

The benefit of access to other global markets through a hub should be considered as part of growing Australia's aviation capacity.

Australia has open skies agreements with the USA, United Kingdom, China, India, Japan, New Zealand and Singapore. For the year ending 2019 nearly 50 per cent of Australia's international arrivals were from these seven markets.

Canberra's top international tourism, trade and investment markets align with all markets that have open skies agreements. The opportunity is therefore open to negotiate with confidence about the potential Australia's capital city provides for direct access and commercially viable routes.

In 2019 the top five international markets for the ACT were all countries where Australia has negotiated open skies agreements. These were China, United Kingdom, USA, India and New Zealand.

Inbound tourism, trade, business and investment opportunities were enhanced with by daily connections to Canberra on Singapore Airlines and Qatar Airways. These services opened economic opportunity from Europe, Asia and China. Bilateral agreements should be structured to provide incentives for airlines to access relevant regional airports beyond the main international gateways. For example, through additional slots into major capital cities being contingent on flying into regional gateways, this would allow for increased competition and regional distribution.

Improving regional airports' access to international markets will benefit regional communities by growing trade, investment and export opportunities, improving access to labour markets, and supporting the tourism industry. It would also strengthen demand and growth opportunities for Australia's domestic aviation network. As a key regional airport servicing the ACT and southern NSW, Canberra Airport is positioned to support this opportunity.

The Aviation White Paper may consider how to balance the benefits of increasing connectivity through regional gateways, together with improved access to major hubs.

Thank you for the opportunity to contribute to the Inquiry.

Yours sincerely

Andrew Barr MLA  
Chief Minister  
19 September 2023