



Submission No 6

Australia's trade with Mexico and the Region

Organisation: Department of Transport and Regional Services

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Australian Government

Department of Transport and Regional Services

Dr Margot Kerley
Secretary
Trade Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

Dear Dr Kerley

Subject: Inquiry into Australia's Trade with Mexico and the Region

I have attached for your consideration a submission from the Department of Transport and Regional Services on our aviation relationship with Mexico.

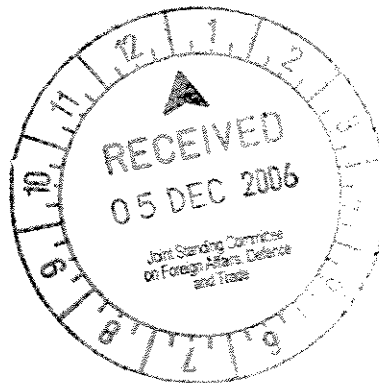
Should the Committee have any enquiries the appropriate contact officer is Mr Wayne Kelly on telephone number (02) 6274 6737 and email address Wayne.Kelly@dotars.gov.au.

Yours Sincerely

A handwritten signature in cursive script that reads "Stephen Borthwick".

Stephen Borthwick
General Manager
Aviation Markets

1 December 2006





**INQUIRY INTO AUSTRALIA'S TRADE WITH MEXICO AND THE
REGION BY THE JOINT STANDING COMMITTEE ON FOREIGN
AFFAIRS, DEFENCE AND TRADE**

TRADE SUB-COMMITTEE

**SUBMISSION BY THE DEPARTMENT OF TRANSPORT AND REGIONAL
SERVICES**

Canberra November 2006

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*Comments addressing Inquiry's first term of reference: the nature of Australia's
existing trade and investment relations*

Air Services treaty framework

Air services between Australia and the United Mexican States (Mexico) are provided for under a Memorandum of Understanding signed on 1 March 2005 which covers capacity entitlements, traffic rights and other 'doing business' provisions. A draft air services agreement, attached to the MOU, is in the process of being finalised prior to Australian Government consideration. Once the agreement has been approved by relevant Ministers and Executive Council and considered by the Joint Standing Committee on Treaties it can be brought into force.

There are no aviation arrangements or treaties with the other countries which are included in the description of 'the region'. There are no current plans to engage in air services agreement negotiations with those countries as passenger numbers are unlikely to support direct services for many years into the future.

Current arrangements allow the airlines of each country to designate up to three airlines to operate international air services to the other country, although no more than two can operate on any city pair. Designated airlines may market seats on each other's services and on services operated by third country airlines as well as four 'own aircraft' services per week to the major gateways in each country. For Australia the major gateways are Sydney, Melbourne, Brisbane and Perth. For Mexico they are Mexico City, Guadalajara, Monterrey and Cancun.

In addition, the aviation arrangements provide for unrestricted capacity, frequency and aircraft type in relation to operations to regional gateways in each country.

Designated airlines of both countries may operate via three nominated points in the South West Pacific, including New Zealand but may not serve any points beyond the other country.

The Australia- Mexico Aviation Market

The size of the Australia-Mexico aviation market means that it is unlikely that carriers of either country will operate own aircraft services for some years to come.

Just over 24,000 Origin/Destination passengers (those either originating in or destined for either country) travelled between Australia and Mexico in the year to September 2006. This equates to approximately 232 passengers each way each week.

The market is relatively evenly balanced between residents and visitors at 53.2 per cent for Australian residents and 46.9 per cent for Mexican visitors. Although the average annual growth rate for the five years 2000-2005 was 3.7 per cent, in the year to September 2006 total numbers of OD passengers declined by 9.5 per cent over the previous yearly period.

Combination passenger and cargo services

No carrier of either country operates direct air services between Australia and Mexico.

Air Freight

No carrier of either country operates air freight services to the other.

Cooperative marketing arrangements

On 1 August 2006, codeshare arrangements between Qantas and Mexicana on the Australia-Mexico route commenced. The arrangements provides for the respective flight numbers of Qantas and Mexicana to be displayed on services that will cater for through traffic between Australia and Mexico – by connection over San Francisco and Los Angeles. Qantas now places its “QF” code on 237 Mexicana services per week to four destinations – Mexico City, Cancun, Guadalajara and San Jose del Cabo, while the “MX” code is shown on an array of Qantas services from Los Angeles and San Francisco to Sydney, Brisbane and Melbourne.

Non-scheduled operations

Airlines of either country are able to apply to operate non-scheduled services to meet an identified demand. Airlines must, of course, meet the normal safety requirements and any other relevant domestic legislation applying to such flights.

Comments addressing Inquiry's second term of reference: likely future trends

Air Services Treaty framework

As soon as a number of changes to the draft text proposed by Mexico have been finalised, the Department will commence domestic treaty processing requirements so that the air services treaty with Mexico can be brought into force.

The present arrangements are currently meeting the needs of airlines of each country and there are no current plans to review the treaty or the aviation arrangements.

Comments addressing Inquiry's third term of reference: the role of Government in identifying and assisting Australian companies to maximise opportunities in Mexico and the region.

The Australia-Mexico aviation arrangements allow Australian companies to make their own commercial judgements on such matters.

DOTARS assists airline companies that may be interested in either commencing or expanding operations between Australia and Mexico in a number of ways. DOTARS provides advice about opportunities and entitlements available under Australia's aviation arrangements with Mexico and other bilateral aviation partners and makes available details of the relevant agreement and arrangements.

Once an Australian company has decided to enter the market, DOTARS provides advice about legal requirements that must be met before international air services can commence.

DOTARS receives and processes applications for International Airline Licences and timetable applications and designates Australian international airlines to operate international air services between Australia and Mexico. New airlines are not permitted to commence international air services until they have met international airline licensing requirements and obtained associated approvals, such as the safety requirements of the Civil Aviation Safety Authority and aviation security requirements.

They also require an allocation of air service capacity from the (Australian) International Air Services Commission (IASC), an independent statutory authority whose main role is to allocate air service capacity among Australian international airlines.