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JOINT STANDING COMMITTEE ON TREATIES

**Reference: Treaties tabled 27 February 2001**

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**JOINT COMMITTEE ON TREATIES**

**Monday, 5 March 2001**

**Members:** Mr Andrew Thomson (*Chair*), Senator Cooney (*Deputy Chair*), Senators Bartlett, Coonan, Ludwig, Mason, Schacht and Tchen and Mr Adams, Mr Baird, Mr Bartlett, Mr Byrne, Mrs Elson, Mr Hardgrave, Mrs De-Anne Kelly and Mr Wilkie

**Senators and members in attendance:** Senators Cooney and Tchen and Mr Adams, Mr Baird, Mr Hardgrave, Mrs De-Anne Kelly, Mr Andrew Thomson and Mr Wilkie

**Terms of reference for the inquiry:**

Review of treaties tabled on 27 February 2001.

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**Committee met at 10.03 a.m.**

**Proposed Air Services Agreements with Denmark, Norway, Sweden, Pakistan and Samoa**

**BLUNDEN, Ms Ruth Isabel, Desk Officer, Treaties Secretariat, Department of Foreign Affairs and Trade**

**GOUGH, Mr Ross, Director, ASEAN and Europe Section, International Branch, Aviation Division, Department of Transport and Regional Services**

**JENNINGS, Mr Mark Brandon, Senior Adviser, Office of International Law, Attorney-General's Department**

**LADE, Mr Graeme, Director, India and South Asia Section, Department of Foreign Affairs and Trade**

**PARLE, Mr Andrew, Director, Africa and the Middle East, the Americas, Pacific and Indian Oceans Section, International Branch, Aviation Division, Department of Transport and Regional Services**

**WHEELENS, Mr Tony, Assistant Secretary, International Branch, Aviation Division, Department of Transport and Regional Services**

**CHAIR**—Welcome. I declare open this morning's meeting of the Joint Standing Committee on Treaties. Today, as part of the usual review of Australia's international obligations under these proposed instruments, the committee will review some of the treaties that were tabled last Tuesday, 27 February. Specifically today we will take evidence on proposed air services agreements with Denmark, Norway, Sweden, Pakistan and Samoa and on two proposed protocols dealing with the Asia-Pacific Postal Union. We shall deal with the proposed air services agreement first and one of you can perhaps make an opening statement before we go to questions.

**Mr Wheelens**—We are bringing up today five treaties, as you said in your opening remarks—Denmark, Norway, Sweden, Samoa and Pakistan. These treaties are based on the Australian standard draft air services agreement, which has formed the basis of the 57 treaties that we have in this particular area. This draft has formed the basis of a number of earlier agreements that have come before this committee and have been approved by the committee.

The treaties and their attendant documents are developed in consultation with a very wide stakeholder group, which includes state governments, state tourism authorities, the airlines and generally the tourism sector. The arrangements cover a wide range of aviation related issues, including the safety and security of airline services, the commercial aspects of airline operations, the capacity to be operated and the destinations that can be served. Of these five treaties, only one is currently active in the sense that airline services operate, and that is the service to Samoa. Code share arrangements are in place with the three Scandinavian countries. That is my opening statement. Thank you.

**CHAIR**—Thank you. I will start with Mr Baird.

**Mr BAIRD**—I am a bit curious. We have this agreement coming forward and we do not have flights in either direction with the carriers from those countries. Neither Qantas or Ansett go into those countries nor vice versa for SAS or the other airlines. What is the reason for having an agreement in that case? Is it because of the code sharing?

**Mr Wheelens**—Partly, but the intent of it is actually quite simple. The services cannot operate on a long-term basis without the cover of the treaty and the intergovernmental arrangements being in place. One of the objectives of the government's policies is to ensure that the opportunity exists for airlines to commence services, and in all of these agreements code share arrangements are included in the package of rights. As you know, the code share forms an important part in embryonic markets and certainly in mature markets as well, but with Scandinavia where the prospects of direct services are fairly remote at the moment the code share opportunities are important to us.

**Mr BAIRD**—So is code sharing operating with Scandinavia at the moment or not?

**Mr Wheelens**—Yes, it is.

**Mr HARDGRAVE**—Chairman, I understand what is being done here. I thank Mr Baird for his question, because that has just tidied one aspect of it, but can I just raise the Pakistan question. It is a long time since Minister Downer signed this—I think 7 February 1998, so it is over three years—and since then the political fortunes of Pakistan have changed. Does that have any bearing on the quality of the negotiations that took place three years ago?

**Mr Wheelens**—I would defer to the Department of Foreign Affairs and Trade on that particular issue, but so far as the body of aviation rights is concerned those rights were negotiated against the commercial opportunities that might exist for the airlines. I guess in the broad sense those opportunities have not changed, but we would be guided by our colleagues in other departments on the foreign policy issues.

**Mr HARDGRAVE**—So you would be pretty satisfied that what was signed on the 7th day of February 1998 is still able to be fulfilled in March 2001?

**Mr Wheelens**—From an aviation perspective, yes.

**Mr HARDGRAVE**—Is there anybody from Foreign Affairs here who could comment? My understanding is that Australia in fact took some measures against Pakistan following the military rule in that country. It is not even still a member of the Commonwealth. What is the circumstance in Pakistan today?

**Mr Lade**—We imposed sanctions on Pakistan following their nuclear tests in 1998, but at the time we imposed those sanctions we deliberately sought to quarantine anything that impacted on the economic relationship. Following the military takeover in October 1999 we, in a sense, maintained the existing sanctions on Pakistan which related to defence relations and non-humanitarian aid. We still have introduced no sanctions which affect the economic relationship. As far as we are concerned, it remains business as usual, although over the last year our exports to Pakistan have suffered, but not for political reasons. It is because Pakistan has had a glut of

wheat and cotton and, therefore, has not required our imports. Again, from a political perspective, there is no reason not to sign.

**Mr HARDGRAVE**—I thank you for that. From the point of view of what was signed in February 1998, is it redeemable in March 2001 that there is nothing that has changed systemically within Pakistan that would prevent the tone of this particular agreement being fulfilled?

**Mr Lade**—There is nothing which would affect commercial relations at the present time. We do continue to have dealings with the Pakistan government. Even though Pakistan has been suspended from the councils of the Commonwealth but not the Commonwealth as a whole, normal day-to-day business does continue. There is no reason why we could not give effect to the agreement on policy grounds.

**Mr HARDGRAVE**—From a reliability point of view, there is no threat to Qantas, Ansett or any other Australian company operating into and out of Pakistan as a result of the way that country is currently running?

**Mr Lade**—At the present time, probably not, although there have been occasions where there have been heightened security alerts, but that has not been a factor related to specific Australian interests. For example, in August 1998, when the US sent cruise missiles into Afghanistan, that did lead to a heightened security alert in Pakistan itself and targeting of American interests and, looking like Americans, we therefore warned our people to take care. At the present time, there is no specific alert of that sort applying in Pakistan.

**Senator COONEY**—I think you have told us, either now or on other occasions, that the government consults Qantas and Ansett when these matters are raised. Have we now added Impulse and Virgin to the list of people?

**Mr Wheelens**—Not specifically. In relation to international services, the stakeholder group is about 60-odd different stakeholders with airports, tourism agencies and airlines. It would be the Australian international airlines that we would consult.

**Senator COONEY**—Virgin is not part of an international airline?

**Mr Wheelens**—No, it is not. Virgin would not qualify in its current ownership structure as an Australian carrier.

**Senator COONEY**—Thank you for that. Do the tariffs, article 14, and customs duties and charges as well, have any effect on our obligations under the World Trade Organisation? As you probably know, the committee is dealing with the World Trade Organisation at the moment and I was just wondering whether there is any correlation between the provisions here as to customs and tariffs and the World Trade Organisation.

**Mr Wheelens**—Off the top of my head, I think the answer is no and, if there is, it would be coincidental.

**Senator COONEY**—And one does not clash with the other at all?

**Mr Wheelens**—Not that I am aware of. I think they would be generally consistent with each other.

**Mrs DE-ANNE KELLY**—What airports in Australia is it proposed for? Is there any restriction? Can these foreign aircraft land anywhere, like Mackay or Launceston, or is there a restriction?

**Mr Wheelens**—I would be very pleased to facilitate their entry into Mackay. There is a route schedule that attaches to each of the agreements and in that route schedule the access points in Australia are itemised. They are part of a negotiating process. Under the government's regional policy in our international negotiations, we attempt to freely trade access to all regional airports in Australia, as you are aware.

**Mrs DE-ANNE KELLY**—We have two international airports in my electorate, on Hamilton Island and Laguna Keys. Are they included in that schedule?

**Mr Wheelens**—I would need to have a look at each of the individual treaties.

**Mrs DE-ANNE KELLY**—Would you, please? And could you take note that, since they are international airports and obviously have all the facilities, they should be included on the schedule? We would like to see the regionals have a fair go too.

**Mr Wheelens**—Under the policy, they have a fair go, in that the only four cities we negotiate access to in Australia are Sydney, Melbourne, Brisbane and Perth. The policy requires us to provide free access with no capacity constraints to all regional airports in Australia. A number of these treaties were negotiated prior to that policy being implemented. I have to say, as the lead negotiator, it has been quite difficult for us to put that regional package into place. A number of our trading partners are not particularly keen to take the free gift for a variety of reasons. It forms part of government policy to specifically provide free and open access to all regional gateways.

**Mr ADAMS**—So there is no restriction on those airlines that we negotiated with in this treaty to land planes at any regional airport which can take them: they pay the fees and they can land there?

**Mr Wheelens**—That is the current policy. A number of these treaties were negotiated prior to that policy, but that is the policy we are implementing.

**Mr ADAMS**—I do not understand what you are telling me. Are you telling me that some of these do not apply that way?

**Mr Wheelens**—Yes.

**Mr ADAMS**—Will they be renegotiated to open up regional airports?



**Mr Wheelens**—Yes. I can say with great certainty that, in the event that an airline covered by these treaties wishes to operate in any regional centre in Australia, that access would be granted to them immediately.

**Mr ADAMS**—Do you have a list of the stakeholder group of about 60 that you could make available to the committee?

**Mr Wheelens**—Yes, we have.

**Mr ADAMS**—I understand that that included state tourist departments, tourist organisations, tourist councils of Australia and groups like that, but what about the exporters? What about the Horticultural Council of Australia? What about the fish farmers of Tasmania? Were they consulted?

**Mr Wheelens**—The peak exporting groups in the horticultural sector are part of our stakeholder group, as are the seafood councils.

**Mr ADAMS**—Are these agreements about people or are they about freight as well?

**Mr Wheelens**—Both. The policy on the freight side is to provide open skies freight agreements with anybody who wants them. To date, of our 57 treaties in this area, 22 are open skies of one nature or another in respect of freight.

**Mr ADAMS**—So a designated freight aircraft could use these treaties—they are a part of this?

**Mr Wheelens**—Yes, generally the preamble in the treaty talks about the capacity being available for the carriage of passengers, cargo and mail. So the capacity that is negotiated could be used freely for freight or passengers. But, as you know, most of the freight that comes to Australia by air comes in the bellyhold of passenger aircraft—90 per cent of our freight activity in aviation occurs in the bellyholds of passenger aircraft.

**Mr ADAMS**—Some of us believe that that causes us a few problems in growth.

**Mr Wheelens**—It does in one sense, but it creates a comparative advantage for Australian exporters. Because it is carried as bellyhold capacity, it has the ability to attract marginal rates. This actually positions a lot of Australian produce in a way that would not be possible if it had to be carried on dedicated freighter aircraft and take the fully allocated cost of that. There is an advantage, but certainly at some times of the year—Christmas is the obvious one where a number of our perishable exporters are in their peak season—freight capacity is a bit of a problem for us. Hence the government's decision to go to open skies on freight operations to remove as many impediments as possible to their operation.

**Mr ADAMS**—Is there anything on the sort of aircraft that is a part of this treaty? Is it an open aircraft—whatever area wants to submit—as long as they meet the regulations?

**Mr Wheelens**—That often depends on the attitude of our partners. We really are not keen to mandate the type of aircraft and the size of aircraft. We believe that should be left to the commercial judgment of the airlines. Our first preference is to express the capacity in a way that would allow that to occur. That is not always the view of our partners, and there are occasions in quite a few of these treaties where the actual aircraft type is mandated.

**Mr ADAMS**—Is that to do with noise? We all know that either this sort of aircraft makes the economics work or it does not. What is that all about? Why do they dictate to us that a certain aircraft has to fly into their country?

**Mr Wheelens**—It is an economic question from their perspective. It may well be the aircraft type that their airline has and they are trying to condition the way that competition occurs. As to questions relating to safety, security and noise, they are administered separately through other statutes in legislation in Australia, so they are a ban on what we call chapter 2 aircraft, which are noisy aircraft. There are safety and security standards triggered by these agreements that would prevent aircraft from operating in the event that we were not satisfied about the safety or security standards.

**Mr ADAMS**—How do they get into the slots when flying into Melbourne and Sydney? I think Sydney has timing slots to fit them in. How do the new players get into that jungle?

**Mr Wheelens**—Access to slots is a negotiated process between the airlines, generally run under the auspices of the International Air Transport Association. The airports have slot scheduling committees where they sit down and bid for the capacity. Under these treaties and the arrangements that are attached to them, the airlines are bound by curfews and all of those sorts of standards.

**Mr ADAMS**—Are there many curfews at Stockholm?

**Mr Wheelens**—Off the top of my head, I do not know. The politics of aircraft noise is very important globally. It is not just here in Australia that governments and the industry are dealing with these questions.

**Mr ADAMS**—There are airports much bigger than Sydney in the world. How many are at Heathrow? There are five airports in one, aren't there?

**Mr Wheelens**—Yes. Governments set standards about noise and the access regime, as we do, and the industry operates around that.

**Mr ADAMS**—Do they have a similar slot system? Is that an international type operation?

**Mr Wheelens**—Yes. Slot management is an international issue.

**Mr ADAMS**—Thank you.

**Mrs DE-ANNE KELLY**—I notice obligations under item No. 10 that these foreign airlines cannot land and take domestic freight and passengers to another domestic port. That goes back

to my question about regional airline access. Can these airlines make their first landing at somewhere like Laguna Keys or Hamilton Island or do they have to land in the four cities that you designated and then fly on? If an international airport is properly accredited as such, can they land there?

**Mr Wheelens**—Yes, of course.

**Mrs DE-ANNE KELLY**—And they can make that their only port of call if they so wish?

**Mr Wheelens**—Yes. The only reason we set aside Sydney, Melbourne, Brisbane and Perth is that it creates negotiating leverage for us in pulling the package together. As far as access to regional destinations is concerned, airlines can come to those destinations and depart without touching any other city in Australia.

**Mrs DE-ANNE KELLY**—Thank you.

**Mr HARDGRAVE**—On the question of slot management, it is not in Australia as much as, say, Singapore or Bangkok, two major hub airports that feed into Australia. These airline agreements seem to mention both of those places, certainly the ones heading north-west. What is the circumstance there? Do we have a Stockholm to Singapore direct flight and then, say, a Singapore to Brisbane direct flight? Is that how it works? Is it Stockholm to Brisbane? Can they sell the Singapore to Brisbane leg on Scandinavian Airlines or whatever? For that matter, what guarantees have you got that Singapore has the space to fit all these additional aircraft in as well?

**Mr Wheelens**—That is one of the vagaries of the business: slots and access to airports are one of the critical elements of the commercial side of aviation. It is really a matter for the airlines to use the rights that are available to them and to negotiate, through the slot coordination process, access to all of the airports that they want to operate to. It is a very difficult business: as airports become more congested and the availability of slots diminish, it is a problem. These treaties create the opportunity for airlines to operate over the entire route. With the Scandinavian agreements, for example, we can carry traffic between the Scandinavian countries and intermediate points, as if we were a Scandinavian carrier operating between Copenhagen and Bangkok. We also have the ability to pick up traffic in Bangkok, under the Thai agreement and various other agreements. By the time the aircraft gets to Brisbane, it may have traffic on board collected under half a dozen different agreements.

**Mr HARDGRAVE**—What I am driving at is: do we actually currently have a Stockholm to Singapore route, and is what they want to do to extend from Singapore to Brisbane essentially, and is that what this agreement allows? Or we are in fact negotiating something that relies upon the Singaporeans to agree is possible: that is, that a new flight from Stockholm to Brisbane can actually exist as long as Singapore can accommodate them?

**Mr Wheelens**—I see the point. There are 3,000 of these treaties registered with the International Civil Aviation Organisation. We believe that as many as 8,000 intergovernmental agreements around the world create the network that allows airlines to travel over complicated route structures. You are quite right: for the Scandinavians to come here, it does also require the Thais and the Singaporeans to give them the commercial access to the Singapore-Australia

market and to the Bangkok-Australia market. That is the business that we are in: collecting and creating those rights. If you look at the route schedules in these treaties, they are designed to give airlines the commercial flexibility that they need to operate what we call 'sum of sector' services, so you can sell the seats several times on a journey. But it does require the approval of third-country governments to put the whole package in place. In normal circumstances, that might take several years to get the full set of rights negotiated.

**Mr HARDGRAVE**—In the cases of these agreements, mention was made before that essentially there are not services ready and cued to go but that there may well be already existing services, say, from a point to Singapore, or a point to Bangkok. So, essentially, what we are talking about here perhaps—and could you qualify it in any additional material that you may gather?—is that we are trying to complete the Bangkok-Australia and Singapore-Australia legs on top of existing routes that are already being run by national carriers of these particular countries. Would that be a fair comment?

**Mr Wheelens**—It is difficult for us to answer that question, because we would need to have access to the agreement between the Thai government and the Scandinavian government.

**Mr HARDGRAVE**—Couldn't you just pick up an airline schedule and find that SAS flies to Singapore? I know they do.

**Mr Wheelens**—Yes. We know that they fly to Singapore and Bangkok but we do not know what is in the treaty between Scandinavia and Singapore as to their access to the Australian market. That is the bit of intelligence that we are missing. We could ask the question and they may give us the answer or they may not. We would rely on treaty arrangements between other governments to establish that fact.

**Mr HARDGRAVE**—So are you saying to me that there are arrangements between other countries and the government of the Republic of Singapore and, likewise, Thailand which, in fact, may prescribe whether or not they are allowed to transit and continue on to Australia? Are you saying that other countries in fact have a gatekeeper role of access to Australia?

**Mr Wheelens**—No, we have the gatekeeper role. Let me just give you an example—

**Mr HARDGRAVE**—I think the point you made before was a bit like whether there was an arrangement between X country and Singapore as to whether they would be able to continue to Australia.

**Mr Wheelens**—Yes, that is right. Let me give you an example. Scandinavian Airlines operate into Sydney. Under the terms of our treaty they would be permitted to do that because they are the rights conceded to them. They could operate with technical stops between Copenhagen and Sydney—that is, not picking up traffic in Bangkok or Singapore—and fly to Australia. But it is a commercially dangerous thing to do and they would not do that. Under their agreement with the Thais, they might have access to Copenhagen and Bangkok and the ability to carry traffic behind Bangkok to Australia. Before they could exercise that right, we would also have to give them permission to do that. We have the gatekeeper role. Regardless of what the Thais say about it, we would have to give permission before the Scandinavians could exercise that right, and for any other point on the network.

**Senator COONEY**—This might be an appropriate time for you to answer this. I just get the feeling that the rules of the World Trade Organisation may have more to do with this than perhaps is first thought. It seems, in just listening to what you said to Mr Adams, Mr Hardgrave and to Ms Kelly, for example, that there is really a trade in services and all sorts of agreements. When you said, for example, that we do not know what the agreement is between, say, Bangkok and Copenhagen, you get the feeling that this is an agreement that affects trade but is not as open, it seems to me, as the World Trade Organisation. I was just wondering what the rules of the World Trade Organisation say about this and whether it has any relevance. I do not want the answer now.

**Mr Wheelens**—I can give you the answer now. The so-called hard rights in aviation, which are the rights that attach to the capacity, the route schedules and access to destinations, are specifically excluded from the WTO negotiations.

**Senator COONEY**—Under the agreement it says that the competitive practices of each contracting party shall take all appropriate action within this jurisdiction to eliminate all forms of discrimination. How does that compare with the World Trade Organisation?

**Mr Wheelens**—It specifically relates to discrimination in the operation of airline services which, as I said, are specifically excluded in hard rights on the WTO.

**Senator COONEY**—So the World Trade Organisation has nothing to do with air services?

**Mr Wheelens**—No. On a couple of peripheral issues they do, but not as it relates to the hard rights.

**Senator COONEY**—Thank you.

**Mr ADAMS**—I have two points. Firstly, following on from that, there must have been an agreement with international airlines that Singapore-Bangkok would be a hub and they must come together to make those agreements as to where the hub is going to be and what suits them. Wouldn't that have been the history?

**Mr Wheelens**—Nothing per se, but Singapore and Bangkok have developed naturally as hubs, and generally for two reasons. In the case of Bangkok, because of its position geographically, and with modern technology the opportunity has been created for both Bangkok and Singapore in a way that previously was not available where, out of Australia, for example, you can do one stop into Europe via either one of those two points. It naturally positions them as collection and distribution points, aided and abetted by liberal policies from their governments about access. The combination of their geographic position, the change in technology and liberality on the part of governments have created the hubs.

**Mr ADAMS**—Is there any chance in the future of going the other way?

**Mr Wheelens**—With Australia being—

**Mr ADAMS**—No, Australia-South America and South America-Europe?

**Mr Wheelens**—The opportunity exists under the existing treaties for services to go beyond Australia to Latin America. It is the commercial elements of it that are missing.

**Mr ADAMS**—Could you make available a list of all our air agreements?

**Mr Wheelens**—Yes, of course, we can do that.

**CHAIR**—When you were talking about negotiating leverage and so forth, if we go back to the basics of this, remind us of who owns Ansett and Qantas—what are their ownership structures now?

**Mr Wheelens**—Ansett International is the relevant airline so far as these treaties are concerned. Ansett International is substantially owned by Australian citizens. It is 51 per cent owned by Australians and 49 per cent owned by Air New Zealand.

**CHAIR**—And Qantas?

**Mr Wheelens**—That is publicly listed.

**CHAIR**—They are on the exchange?

**Mr ADAMS**—They are on the exchange.

**Mr Wheelens**—Ansett International is not. Air New Zealand, the parent of Ansett Holdings, is.

**CHAIR**—What is Qantas's foreign ownership now?

**Mr Wheelens**—Qantas's foreign ownership is 49 per cent. To explain this, the treaties have a clause that requires substantial ownership and effective control of the airlines to rest with nationals. In the event that it is not, the foreign government can reject the designation of that airline to operate, so our international airlines have foreign investment levels that reflect that obligation under the treaties. Qantas is 49 per cent foreign owned. There is a provision in the Qantas Sale Act that requires a maximum of no more than 25 per cent for an individual foreign airline and no more than 35 per cent for a combination of foreign airlines.

**CHAIR**—So, at the moment, British Airways is at 25 per cent?

**Mr Wheelens**—25 per cent, yes.

**CHAIR**—So you could add another 15 per cent from another airline, but thereafter it would have to be portfolio investors, insurance companies and so forth.

**Mr Wheelens**—Yes.

**CHAIR**—So, in effect, 49 per cent/49 per cent, both airlines. So, in negotiating leverage by restricting access to domestic carriage or traffic, I think you call it, within Australia, we are acting for the remaining 51 per cent of those shareholders to protect their interests?

**Mr Wheelens**—In part; it is a much wider stakeholder group that we are looking at there.

**CHAIR**—Who else is in the stakeholder group?

**Mr Wheelens**—The Australian community and the Australian domestic network. Again, I can give you an example of this: the so-called cabotage question, which I think is what you are driving at. If foreign airlines are permitted to operate in the Australian domestic market between, say, Brisbane and Sydney, as part of an international journey, the foreign carriers have the ability to marginally cost that sector against the whole of the operation. The government took the view, which I agree with entirely, that it would be unfair competition to expose the Australian industry to marginally costed sectors. At the same time, the government also took the decision that airlines that wish to establish in Australia and incur their costs in exactly the same way as Australian carriers would be welcomed into the Australian market; hence Virgin Blue's establishment. So we get the benefit of increased competition domestically. We get the employment, the investment, the creation of the skill base and the competitive benefits that come with it—which have been quite startling in the last 12 months—but we do not expose our industry to marginally costed competition which we believe would be destructive.

**CHAIR**—So, in a sense, the interests in the tourism industry—for example, hotel operators, tour operators and so forth—and the employment in that sector is balanced against the employment and other interests in aviation to underpin this arrangement. Is there any analysis of what it is costing employment and so forth—not simply in tourism but almost the rest of the economy outside aviation—by keeping air fares, in that sense, slightly artificially high?

**Mr Wheelens**—If you look at the impact of Virgin and Impulse on the market—where the fares, since the government changed that policy, have been quite spectacular—their presence has certainly stimulated demand. The government's policy in the aviation sector is based on the national interest. I am sure you are aware that for many years the mantra was that what is in the interests of the aviation sector is in the interests of the economy. That has not been the case in government policy for many years now in Australia.

**CHAIR**—Yes, I appreciate that. One could be very purist about it and say that if it is good enough for Impulse and Virgin to get air fares down then why don't we get some dumping of air fares from offshore and bring them down more, but I appreciate that is probably not quite realistic.

**Mr Wheelens**—Just to add to that, one of the things that we have noticed in recent years has been the practice of airlines increasingly to operate point-to-point services into Australia. The number of airlines that operate multiple sectors in Australia has decreased dramatically. Pressure on airline economics has made it quite difficult for them to do it. The opportunity to do those internal marginally costed sectors is very small. If I can illustrate that by the example of South African Airways, which has recently withdrawn from Sydney. When they were operating between Sydney and Perth we were often approached with this question: would you give them access to the domestic market? Our calculation showed that at the very best there would be

about 500 seats a week available using those services. At that time the domestic carriers were providing something like 22,000 seats a week between the west coast and the east coast, so in that particular example the ability of the international carrier to drive the cost down was minuscule.

**Mr ADAMS**—Does cabotage apply in America?

**Mr Wheelens**—No, absolutely not. In the land of the free and the brave it is certainly not on.

**CHAIR**—Thank you, gentlemen.



[10.43 a.m.]

**Proposed Second Additional Protocol to the Constitution and an Additional Protocol to the General Regulations of the Asian-Pacific Postal Union**

**CARRICK, Mr Michael, Contractor, Enterprise and Radiocommunications Branch, Department of Communications, Information Technology and the Arts**

**CHAIR**—Welcome. We do not require evidence on oath today, but I have to warn you that these are legal proceedings of the parliament, so you have to be truthful and so forth. Do you want to make some remarks and then answer some questions?

**Mr Carrick**—I thought I would read an opening statement, which is primarily information on the NIA that has been presented to you for consideration.

**CHAIR**—By all means.

**Mr Carrick**—The APPU is one of the eight restricted unions of the Universal Postal Union, with membership comprising those countries stretching from Iran in the west to Japan and the Pacific Islands in the east. The congress of the APPU in Tehran considered proposals to restructure the APPU to better reflect its status as one of the restricted unions and to reduce the annual budgetary outlays, which was a primary concern at the time. The protocols comprised a number of amendments to the Constitution of the APPU and to the General Regulations reflecting those objectives. Australia Post is considered by many member countries to be at the forefront not only in the pursuit of best practice in postal service delivery but also in the application of postal service technologies. Accordingly, Australia's continued membership of the APPU provides a strong basis for influencing the regional postal service reform agenda. Ratification of the additional protocols would clearly indicate Australia's commitment not only to the APPU but also more broadly to the Asia-Pacific region. While the UPU remains the principle international agency responsible for the development of the universal postal service and its regulation, the APPU provides a unique point of reference and one in which Australia is able to demonstrate its regional identification and commitment.

The Constitution and General Regulations of the APPU have treaty status and govern the policy and operations of the APPU. They comprise generally the rules that may be applied in relation to postal services as between the regional grouping of countries represented by the APPU.

Prior to the 2000 Tehran Congress, the APPU comprised two offices: the Central Office located in Manila and the Asian-Pacific Postal Training College located in Bangkok. It was agreed at Tehran that both offices would be amalgamated and that a single APPU Bureau be established and located in Bangkok. Both the Constitution and the General Regulations provide the basis for cooperation in postal related matters between member countries.

The General Regulations also address the international letter post service between member countries in a manner that generally serves to underscore the universal postal rules and the regulations that flow from the Acts of the Universal Postal Union. The protocols incorporate a significant number of textual amendments to both the Constitution and the General Regulations

that resulted from the decision to reform the organisational structure. The changes made reflect both the newly adopted structure and concomitant changes to financial management practices.

The protocols impose few substantial obligations on Australia with the only additional requirement included at article V(1), Additional Protocol to the General Regulations, article 104, amended, whereby member countries 'shall take such action considered appropriate to implement resolutions of the Congress and shall undertake to inform the Bureau from time to time of action taken and progress to date'.

The proposed treaty action will not impose any additional contribution costs on Australia of the agreed annual APPU budget of \$US63,000 for the year 2001. Australia will be required to contribute some \$4,300, which is paid by Australia Post.

**CHAIR**—Thank you, Mr Carrick. We will now move to questions.

**Senator TCHEN**—This APPU current year budget is \$US63,000?

**Mr Carrick**—Yes.

**Senator TCHEN**—There are no zeros missing?

**Mr Carrick**—It is \$US63,000 per annum.

**Senator TCHEN**—I have never heard of an international organisation running below seven figures.

**Mr Carrick**—It is a very small secretariat group in Bangkok, largely facilitating the training college more than any major international organisation infrastructure.

**Senator TCHEN**—I assume that there are voluntary contributions as well from various organisations.

**Mr Carrick**—Australia Post contributes some not insignificant amounts of money to the APPU, largely underscoring their commitment to improving postal services through training of lesser developed countries.

**Senator TCHEN**—Thank you, I have no other questions.

**Mr WILKIE**—Are there any disadvantages in signing it?

**Mr Carrick**—I do not think so. I think the regional grouping of countries reflects a subset of the Universal Postal Union and allows for that subset to improve within the grouping postal services. It also allows it to act as a vehicle for the implementation of significant reform agendas that come through from the quinquennial congresses of the Universal Postal Union.

**Mr HARDGRAVE**—Being somebody who supports the idea of the right to join and the right not to join, I am a little confused when I look at the range of people involved in the Asian-

Pacific Postal Union according to the signatory list. I see the diverse grouping from Iran, which, in a European sense, is part of Asia, and Pakistan and countries like that. China is obvious, but then when I get to the Pacific part I find only a couple of Pacific nations. Missing are, to use your words, some of those lesser developed countries that need a better postal system. I know that Niue has a couple of thousand people, but there is Samoa, Vanuatu—Vanuatu has a postal system—and Tuvalu. I note the absence of Taiwan more because of the international stupidity over its recognition or lack thereof. What do we do about these countries? Are we trying to bleed these good practices on to these nations as well or are they just simply conscientious objectors—they do not post letters in any of those countries?

**Mr Carrick**—They are considered part of the region. The breadth of the region is perhaps an anachronism, given the rather Eurocentric behaviour of the UPU. In the context of reform within the International Postal Service, I think you will find that reform endeavours within the regional group of countries is focused on those countries that do need improved services. This is particularly so in the countries of the Pacific and perhaps the countries of Central Asia and so on that have been outside, or perhaps are considered outside, mainstream postal services.

**Mr HARDGRAVE**—Do you have any insight as to what Australia Post, as one of the world's great postal organisations, is doing to assist those countries?

**Mr Carrick**—I think that is reflected in its voluntary contribution to the postal training college. It attempts to invigorate that organisation and to direct its resources—which are, as you can see from the budget, quite limited—and engage people into the training courses and other offerings of the college.

**Mr HARDGRAVE**—It is just \$US63,000 a year that we are paying them. Is that the end of it or are we doing practical things, like the way the Mint strikes coins for other countries? Do we print stamps for them?

**Mr Carrick**—I think Australia Post does, but I am not positive about that.

**Mr HARDGRAVE**—I imagine they do. I was just wondering whether you could entice the committee with some knowledge about that. It might be something we could discover further, Chair, to see how good we are in this particular area.

**CHAIR**—Indeed.

**Senator COONEY**—There is a reference under article XVI to amendment of the General Regulations. What are they? It also refers to article 21. It says:

ARTICLE XVI

(ARTICLE 21 AMENDED)

AMENDMENT OF THE GENERAL REGULATIONS

ARTICLE 21 IS RENUMBERED AS ARTICLE 20.

1. THE GENERAL REGULATIONS DEFINE THE CONDITIONS TO BE FULFILLED FOR THE APPROVAL OF PROPOSALS WHICH CONCERN THEM.

2. AMENDMENTS OF THE GENERAL REGULATIONS ADOPTED BY A CONGRESS ...

And it goes on. That is quoted from the second additional protocol to the constitution of the Asian-Pacific Postal Union.

**Mr Carrick**—One of the attempts made at the Tehran Congress was to put in place mechanisms which would seek to ensure that the major reform initiatives of the Universal Postal Union would be reflected at the secondary tiers of the international postal service. One of the requirements in the context of that arrangement is to put in place provisions which actually reflect the requirement for a country to report, rather than just act of its own volition, as it were, and not really institute the reform agenda that might have come through from either this Congress or, more importantly, for example, the 1999 Beijing Congress of the UPU. The attempt is to try to invigorate the reform process in a fairly stultifying industry.

**Senator COONEY**—The General Regulations are those that apply to the whole world?

**Mr Carrick**—The General Regulations that apply in the postal service are probably two layered: the General Regulations of the Universal Postal Union and, secondary to that, the General Regulations which would apply within the regional grouping of countries. The regional grouping of countries can agree bilaterally, or multilaterally within a specified group, to do things which might improve services within that grouping. But any rules that they adopt cannot act contrary to the broader international rules of the Universal Postal Union, so they act to strengthen or act in concert with the regulations of the Universal Postal Union, normally under the Universal Postal Convention.

**Senator COONEY**—So those General Regulations are contained somewhere. Where would you get the General Regulations? These are not the general regulations that we are dealing with this morning, are they?

**Mr Carrick**—The General Regulations we are dealing with are not those of the UPU. These General Regulations are the regulations of the APPU.

**Mrs DE-ANNE KELLY**—I notice that Cambodia has not signed. Is that an oversight and they have subsequently signed?

**Mr Carrick**—No, I think it is more a matter of attendance at the congress in Tehran—quite a few countries did not attend. I think that was more just because of a lack of funds and an inability of getting there.

**Mr HARDGRAVE**—On that issue, we have talked about the meagre amount, and Senator Tchen is quite right in observing that an organisation that costs so little must be kept running, if for no other reason than to be an example to other organisations to run in a similar way.

**Mr Carrick**—Perhaps the United Nations.

**Mr HARDGRAVE**—I note that observation—very much so. But in relation to your comment about small countries that did not attend, is any assistance offered by the UPU or the APPU to small countries to ensure their voices are actually heard on these important matters and to find out how realistic their attainment of the ambitions of this organisation is?

**Mr Carrick**—It is always a quandary between the developed and the developing countries as to the extent that they are going to be able to influence the agenda of a fairly aged and struggling international organisation. There is a greater realisation in the way they have approached issues at the Universal Postal Union level, particularly in relation to the subject of terminal dues and the application of GATs and the WTO. The more important thing is an attempt to reflect at this level, in particular, the concerns of these countries. I know that the dialogue, for example, between Australia Post, the college and the regional grouping of countries of interest is such as to try to get people involved in the reform process through training, giving those countries the capacity to reform from within rather than having positions made by more developed countries.

**Mr HARDGRAVE**—In other words, Australia Post and Australia play a role in advocating for small Pacific nations?

**Mr Carrick**—Yes, they do. There can be issues that they can consult on and actually reflect consensus, maybe in the Pacific Islands group of states, or in concert with regional grouping countries more to the north of us that might want to influence the reform agenda either within the APPU or within the UPU at its congress level or in specific working groups.

**Mr HARDGRAVE**—Do we bring these small countries together for a regional discussion about these matters?

**Mr Carrick**—Not that I am aware of.

**Mr HARDGRAVE**—So how do we know whether what we are advocating is correct?

**Mr Carrick**—It would be reflected largely in the agenda that would have been agreed on and discussed at the meetings of the APPU.

**Mr HARDGRAVE**—Thank you.

**CHAIR**—Thank you. Would you kindly provide us privately with the address of the organisation in Bangkok and the name of the chief executive. I think members would appreciate my writing a letter to congratulate them on their frugality. I warn the supranational officialdom that henceforth we will benchmark the costs—

**Mr Carrick**—We may be able to reduce the budget further.

**CHAIR**—of many organisations we are called upon to judge against this fine fighting force in Bangkok.

**Mr Carrick**—It is significant that you mention that. We have a possibility of an Australian director being appointed quite shortly who is currently the head of the APPU postal college.

**CHAIR**—Presumably his remuneration would not come from this budget.

**Mr Carrick**—Perhaps not.

**CHAIR**—Let us leave it there.

Resolved (on motion by **Senator Tchen**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 10.58 a.m.**