

**... it is a bit of a chicken and egg situation whether you create the capacity and hope the trade follows or the capacity builds up as the trade requires*.¹*

CHAPTER SIX

TRANSPORT LINKS

6.1 While some witnesses who gave evidence to this inquiry considered that current transport links were appropriate for the present level of relations, by far the greater number said that links were inadequate and acted as an impediment to relations. The major factors identified as obstacles were the frequency and cost of services as well as the cumbersome nature of the existing arrangements.² The need for some travellers to fly the extra distance through the United States or put up with considerable delays such as those at Papeete, Tahiti, were cited as particular problems.

Existing Transport Links Between Latin America and Australia

6.2 At present there are two relatively direct air routes between Australia and Latin America. The Argentinean airline, Aerolineas Argentinas, operates the most direct air link between Australia and South America. This airline provides a weekly service between Sydney and Buenos Aires using a Boeing 747-200 aircraft. For the past two years Aerolineas has operated a second weekly service from December to March on this route. An intermediate stop is made at Auckland, New Zealand on the journey to and from South America; an additional refuelling stop is made at Rio Gallegos in southern Argentina during the westward flight from Buenos Aires to Sydney.

6.3 In addition to the direct service provided by Aerolineas Argentinas to South America the Chilean airline, Lan Chile operates twice weekly flights from Santiago, Chile, via Easter Island to Papeete, using a Boeing 707 aircraft.³ These flights entail

¹ Mr R. Woolcott, Committee Hansard, p. 225.

² For further details see footnote 99 of this chapter.

³ Lan Chile, submission, Committee Hansard, p. 1024. The 707 aircraft is being upgraded to a 767; see para 6.98.

cumbersome connections in Tahiti to be made with Qantas flights travelling to and from Sydney.

6.4 A less direct and more time-consuming route to Latin America, but one which is often used due to the frequency of air services available, can be taken by travelling from Sydney to the west coast of the United States. From either Los Angeles, or San Francisco, frequent flights can be secured to virtually any point in Latin America.

6.5 Two shipping lines, the Mitsui-OSK Line and the Barbican Marine Line provide dedicated direct shipping links between Australia and Latin America.

6.6 The Mitsui-OSK Line's service between Australia and Latin America is part of its round the world route. This route takes Mitsui-OSK's vessels in a westward direction across the Indian Ocean to ports in Latin America. The ports visited in Latin America are Rio de Janeiro and Santos in Brazil, Buenos Aires in Argentina and Valparaiso in Chile. Using three vessels Mitsui-OSK calls at Brisbane, Sydney, Melbourne and Fremantle before making its way to South America.⁴ In January 1992 Mitsui OSK announced through their agent in Australia, Union Bulkships, that they would be introducing an additional shipping service across the Pacific to South America.⁵

6.7 The other company which provides a direct shipping link between Australia and Latin America, Barbican Marine Line, operates in an eastbound direction. Barbican Line's principal cargo from Australia is based on the mining and agricultural industry, including mineral sands. After leaving the east coast of Australia the Line transits Papua New Guinea and the Pacific Islands before arriving in South America.⁶ In South America the Barbican Line only services ports in Brazil, namely; Rio de Janeiro, Santos, Salvador, Rio Grande and Sao Francisco.

6.8 The shipping services provided by each of these two lines operate on a monthly basis from Australian ports.⁷

6.9 Three other shipping lines, Columbus Line, Ned Lloyd Lines and Compagnie Generale offer transshipment services to Latin America from Australia, through either the east or west coasts of the United States.⁸ The Australian New Zealand Direct Line provides, what it describes as a comprehensive service to ports in Mexico, both on the east and west coasts. However, according to the Department of Transport and

⁴ Department of Transport and Communications, submission, Committee Hansard, p. 261.

⁵ The proposed new service has run into some difficulties. See para 1.161.

⁶ Letter from the Department of Transport and Communications to the Committee Secretary dated 3 September 1991. See also Austrade, submission, Committee Hansard, p. 323.

⁷ Committee Hansard, pp. 201, 272.

⁸ Committee Hansard, p. 201. See also Austrade, submission, Committee Hansard, p. 323, and letter from the Department of Transport and Communications to the Committee Secretary dated 3 September 1991.

Communications, although the Line provides a Through Bill of Lading, cargoes to Mexico are actually transhipped through the Port of Los Angeles.⁹ Most of the commodities shipped between Australia and Latin America are carried on chartered ships.

Aviation Links

The passengers - Who are they? How many are there?

6.10 The Committee was confronted by considerable variation in the figures put forward by various witnesses about the number of air travellers between Australia and Latin America. These differences made it difficult for the Committee to reach definitive conclusions not only about likely future levels of demand, but also about the actual level of demand and consequently adequacy of existing services.

6.11 According to Australian Government statistics during calendar year 1989 a total of 23,359 people, including Australian residents, arrived in Australia from South America.¹⁰ Of these 8,386 were short term visitors. In the same year a total of 21,838 people departed Australia for destinations in South America.¹¹

6.12 The Australian Tourist Commission gave a figure of 10,200 short term visitors from Latin America for the financial year 1989-90.

6.13 The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) gave a figure of 9,012 for visitors arriving in Australia from South and Central America in 1989-90.¹²

6.14 This jumped to 15,759 in 1990-91 although only some 7,000 visas were issued by missions in Latin America. This substantial increase in short term visitors between 1989-90 and 1990-91 may well be accounted for, in large part, by the domestic pilots' dispute that took place in Australia in 1989.

6.15 In giving evidence to the Committee at a public hearing on 2 September 1991 officers from the Australian Tourist Commission suggested some possible explanations for the lack of consistency in statistics dealing with visitors to Australia from Latin America. According to these officers, discrepancies between visa applications and actual arrivals in Australia can be due to a variety of reasons. Visas may be applied

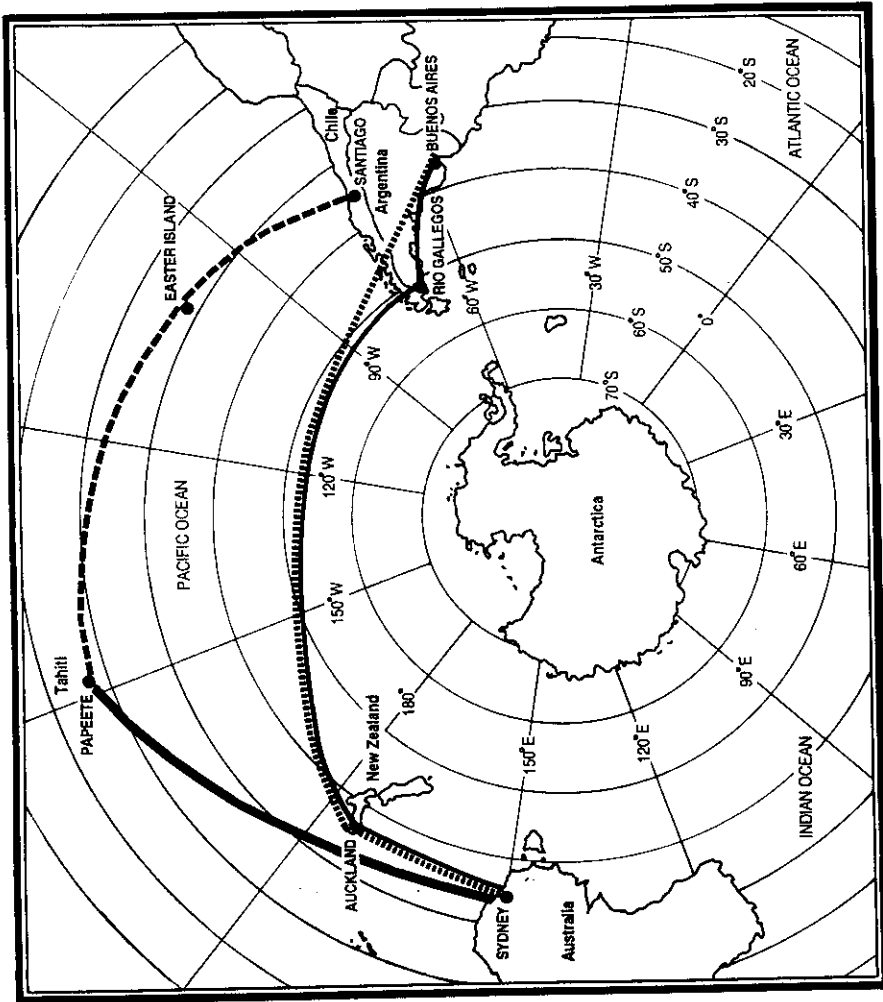
⁹ Department of Transport and Communications, submission, Committee Hansard, p. 261.

¹⁰ Committee Hansard, p. 756.

¹¹ *ibid.*, p. 758. These figures do not include Mexico or Central America.

¹² Letter from DILGEA to Committee, dated 25 January 1992.

DIRECT AIRLINES BETWEEN AUSTRALIA AND LATIN AMERICA



- Aerollneas Argentinas (westerly route)
- Aerollneas Argentinas (easterly route)
- Qantas (Sydney to Papeete)
- - - - Lan Chile (Papeete to Santiago)

for, but for a number of reasons not used. Presumably some visitors from Latin America obtain visas from Australian missions located in other than Latin American countries. Other problems with counting arrivals in Australia can revolve around arrivals sometimes being counted by one authority under a financial year and by another authority under a calendar year. In Latin America there can be cases of double counting if an Australian visits several countries during a visit.¹³

6.16 Qantas states in its submission that passenger numbers to and from Latin America in relation to total passenger numbers in and out of Australia represents a small market. In the calendar year 1990 total two way traffic between Australia and Latin America was about 54,000 passengers dispersed across a number of countries.¹⁴

6.17 According to Aerolineas Argentinas, the flights they operate meet the requirements of 60% of the traffic between the two continents.¹⁵ The Department of Transport and Communications puts the figure higher. According to their submission, in 1990 77% of people travelling from South America to Australia used the Aerolineas service.¹⁶

6.18 An examination of travel patterns between Australia and Latin America indicates that passengers to and from Argentina and Uruguay travel to Australia predominantly on the Buenos Aires-Sydney route. Traffic to and from Chile is dispersed across routes, with half travelling on the Tahiti-Santiago route, the other half using the Buenos Aires-Sydney air link. Passengers to and from Mexico travel predominantly via the United States. Passengers to and from Brazil are dispersed across routes, but are more concentrated on the Buenos Aires-Sydney link than on the other routes.¹⁷

6.19 In evidence given to the Committee Qantas stated that an average of 58 passengers per week in each direction, or 6 000 per year travelling on Qantas flights to the United States, continue on to or originate in South America.¹⁸

6.20 It could be wrong to assume that all, or even the majority of passengers who travel to Latin America via the United States do so because they are dissatisfied with

¹³ Committee Hansard, pp. 706-9.

¹⁴ Department of Transport and Communications submission, gives a total figure of 54,693 or 525 passengers each way each week for Jan-Dec 1990, Committee Hansard, p. 268. Qantas in evidence quoted a figure of 420 passengers a week in each direction and 54,000 for the total, Committee Hansard, pp. 840, 852.

¹⁵ Aerolineas Argentinas, submission, Committee Hansard, p. 740.

¹⁶ Department of Transport and Communications, submission, Committee Hansard, p. 268.

¹⁷ Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, p. 20.

¹⁸ Committee Hansard, p. 887.

the frequency of more direct flights to South America, such as those provided by Aerolineas Argentinas or Qantas/Lan Chile. In all likelihood many passengers travel by way of the United States by choice, as a deliberate part of their itinerary. However, it is difficult to estimate from published travel statistics what proportion of travellers fall into this group.¹⁹

6.21 In its submission to the inquiry the Department of Transport and Communications states that the 54,693 passengers travelling to and from Australia and Latin America for the year ending December 1990, represented a growth of 2.5% compared to the previous year.²⁰ Of these, 14,563 were Australian residents on short term visits to Latin America, and 10,527 were Latin Americans on short term visits to Australia. In other words, there were 38.3% more Australians travelling to Latin America on short term visits than Latin Americans making short term visits to Australia.²¹

6.22 According to the Department of Transport and Communications, of the total number of passengers arriving in Australia from Latin America, 26% came to visit relatives, 41% for a holiday and 8.5% for business. In respect to the total number of Australians departing for South America, 31% were visiting relatives, 51.8% were taking a holiday and 8.2% were travelling for business.²²

6.23 These statistics indicate that there were 38.3% more Australians travelling to Latin America than Latin Americans travelling to Australia.²³

6.24 Qantas' submission to the inquiry provided the following detailed information on the movement of passengers between Australia and Latin America in 1990:

in the past decade Australian resident traffic to Latin America has grown on average by 9% per annum to a total of 30,000 passengers by the end of the financial year June 1990;²⁴

¹⁹ Committee Hansard, p. 887.

²⁰ Department of Transport and Communications, submission, Committee Hansard, p. 268; Varig, submission, Committee Hansard, p. 795. Passenger numbers for part of 1989 and 1990 were affected by the domestic pilots' dispute in Australia.

²¹ Varig submission, Committee Hansard, p. 795. In terms of total arrivals, there were more Latin Americans (28,935).

²² Department of Transport and Communications, submission, Committee Hansard, p. 268.

²³ Varig Brazilian Airlines, submission, Committee Hansard, pp. 793, 795.

²⁴ Qantas, submission, Committee Hansard, p. 845. This figure compares with an annual growth rate of 5.7% for all outbound markets from Australia. However, Qantas stressed that the Latin America rate is derived from a small base. It should be noted that Qantas figures are slightly at variance with those provided by DOTC and Varig.

the destination of the main countries for passengers travelling to Latin America in 1990 from Australia as a percentage of the total traffic to Latin America, were:

Argentina	25%
Chile	20%
Brazil	18%
Mexico	11%
Uruguay	9%

The remaining 17% was spread mainly between El Salvador, Peru and Colombia;²⁵

during the last ten years the number of Latin American residents visiting Australia grew on average by 7% per annum, to a total of some 25,000 passengers in the year ending June 1990;²⁶

the main countries of origin for passengers visiting Australia from Latin America during 1990, as a percentage of total traffic from Latin America were:

Argentina	22%
Brazil	22%
Chile	16%
Mexico	14%
El Salvador	8% ²⁷

the share of total travel between Argentina and Australia accounted for by business travel declined from 10% of all travellers in 1988 to 8% in 1990. The business market from Brazil also decreased from 19% of total traffic in 1988 to 12% in 1990. For Chile the percentage increased slightly from 5% to 7%.²⁸

however, the percentage of business travellers from Australia to Latin America increased from 12% of passenger traffic in 1988 to 13% in 1990;²⁹ and

there was an increase in the percentage share of holiday makers from Latin American countries visiting Australia during the same period from 26% to 28%.³⁰

²⁵ Qantas, submission, Committee Hansard, p. 842.

²⁶ *ibid.*, p. 843. This figure compares with an average annual growth rate for inbound traffic from all market to Australia of 9.3% per annum for the same period.

²⁷ Qantas, submission, Committee Hansard, p. 844.

²⁸ *ibid.*, pp. 844-5.

²⁹ *ibid.*, p. 846.

³⁰ *ibid.*, p. 843.

The Committee took note of the low level of business travel overall.

Air Service Agreements

6.25 A basic concept underlying international bilateral air services arrangements is that two countries agree that the air traffic that originates in the territory of one and moves to the territory of the other, and vice versa, be treated as a common asset. Bilateral air services agreements also provide for airlines of each country to have "fair and equal" opportunity to participate in the carriage of this common air traffic.³¹ The trading of traffic rights is commonplace among international airlines.

The Aerolineas Argentinas Link

6.26 Until March 1992 Aerolineas Argentinas flights into Australia operated under a Memorandum of Understanding between the aeronautical authorities of Argentina and Australia which came into effect in September 1988. A formal bilateral agreement, the *Argentina/Australia Air Services Agreement* was finally signed on 11 March 1992 by the Argentine and Australian Governments during a visit by the Australian Minister for Foreign Affairs and Trade, Senator the Hon. Gareth Evans to Argentina.³²

6.27 Under the Memorandum of Understanding, and now under the Agreement, Aerolineas Argentinas and Qantas are entitled to operate one Boeing 747 aircraft each between the two countries on a weekly basis. As noted previously, Aerolineas Argentinas currently operates one Boeing 747-200 flight from Buenos Aires to Sydney via Auckland each week.³³ According to Qantas the service between Argentina and Australia was:

"... introduced to make the route attractive to business travellers and to give greater impetus to the tourism flow."³⁴

6.28 Under the *Argentina/Australia Air Services Agreement*, Qantas is entitled to operate from Australia to one point in Argentina and beyond to two points in South

³¹ Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, p. 6.

³² According to Qantas the hold up in signing the agreement was due to a delay in having settlement reached on the Spanish text of the agreement, a delay which extended for over 12 months. Committee Hansard, p. 883.

³³ Department of Transport and Communications, submission, Committee Hansard, p. 269.

³⁴ Qantas, submission, Committee Hansard, p. 840.

America and one point in Europe. At present Qantas does not operate on the route,³⁵ nor has it sought to exercise the option to negotiate landing rights beyond South America in Europe.

6.29 Through a commercial agreement with Aerolineas Argentinas, Qantas purchases 50 seats from Aerolineas on its weekly flight.³⁶ Under this agreement and because Qantas has not wished to exercise its rights to operate a weekly flight of its own, Aerolineas has for the past two years operated a second service each week between Sydney and Buenos Aires from December to March.³⁷

6.30 Under the current arrangement passengers originating in Latin America and Australia that Aerolineas Argentinas drops off in Auckland can be picked up by the airline following any stopover in Auckland and carried through to Sydney and vice versa. However, the airline is prohibited from carrying purely Australia-New Zealand traffic on the Auckland-Sydney route.³⁸ The Aerolineas submission states that the present arrangement:

"... limits Aerolineas Argentinas commercial viability by restricting its ability to carry traffic between Australia and New Zealand".³⁹

6.31 In evidence to the Committee on 2 September 1991 the General Manager of Aerolineas Argentinas in Australia, Mr Robert Samuels stressed that a major cost to his airline of operating to Australia is the fact that it cannot carry traffic between Sydney and Auckland other than that originating at either of the end points. Mr Samuels argued that the high air fares between Argentina and Australia were in part due to the fact that when Aerolineas disembarked a passenger at Auckland:

"... that seat is basically a dead seat between Auckland and Sydney."⁴⁰

6.32 During the public hearing held on 2 September 1991 the Senior International Relations Manager for Qantas, Mr Julian Smith, expressed opposition to any suggestion that Aerolineas be allowed to carry passengers, other than its own, between Australia and New Zealand.

³⁵ Department of Transport and Communications, submission, Committee Hansard, p. 269. For detailed information on the 50 seat arrangement between Qantas and Aerolineas Argentinas see Committee Hansard, pp. 857-858.

³⁶ Committee Hansard, p. 857.

³⁷ Aerolineas Argentinas, submission, Committee Hansard, p. 740

³⁸ Qantas, submission, Committee Hansard, p. 878.

³⁹ Aerolineas Argentinas, submission, Committee Hansard, p. 741.

⁴⁰ Committee Hansard, p. 761. See also para. 6.54.

6.33 Mr Smith firmly rejected any suggestion that this aspect of the arrangement has any material effect on the level of fares, frequency or profitability of the overall route.⁴¹ Mr Smith stressed that the purpose of the Aerolineas Argentinas service was to service Australia-South America not the Australia-New Zealand route.⁴²

6.34 In his evidence to the Committee, Mr Samuels commented on the 50 seat arrangement his airline has with Qantas that:

"In the current agreement we perceive that Qantas is in a win situation: as it only pays us for the seats it uses, it is more likely to be profitable, when we have to take the entire risk of the operation of the aircraft. If Qantas is unable to sell a single seat, then the onus is totally on Aerolineas Argentinas."⁴³

6.35 In its submission to the inquiry Aerolineas Argentinas asserts that the current arrangement under which it operates flights to Australia, presents the airline with major difficulties. According to Aerolineas the existing arrangement:

"... placed major operational constraints on Aerolineas Argentinas in it's ability to expand services to meet demand, as well as to encourage growth by the ability to expand the offer of frequency and capacity."⁴⁴

6.36 The Aerolineas Argentinas submission explains that the present arrangement:

"... limits Aerolineas Argentinas to one frequency per week with the ability to use Qantas' allocation with an additional weekly frequency only if Aerolineas Argentinas maintains a commercial agreement with Qantas."⁴⁵

6.37 According to Aerolineas, under the existing arrangement it has had to assume all the financial risks associated with the operation of the service while being limited in its "... ability to maximise the utilisation of it's operation".⁴⁶

⁴¹ Committee Hansard, p. 884.

⁴² *ibid.*, p. 880.

⁴³ Committee Hansard, p. 771. During his evidence to the Committee Mr Samuels, of Aerolineas Argentinas, stated that at present Qantas sells an average of between 20 and 22 seats of the 50 allocated to it, Committee Hansard, p. 769. Qantas does not pay for any of the 50 seats which it does not sell.

⁴⁴ Aerolineas Argentinas, submission, Committee Hansard, p. 741.

⁴⁵ *ibid.*

⁴⁶ *ibid.*

6.38 At the 2 September public hearing, Qantas agreed that any risk it faces in the present arrangement with Aerolineas Argentinas is "very minimal". However, Qantas bluntly stated that if Aerolineas is unhappy with the existing arrangement:

"... they can ask us to change it, or they can terminate it."⁴⁷

6.39 In its submission to the inquiry Aerolineas Argentinas states that it is interested in providing two, or possibly three, permanent, scheduled flights a week between Argentina and Australia to meet the requirements of the business traveller and improve air cargo capacity.⁴⁸

6.40 Aerolineas Argentinas argues that if it were allowed to offer a second permanent scheduled flight to Australia it would be able:

"... to substantially increase the number of available passengers as well as provide a better service for passengers who are using other routes ..."⁴⁹

Mr Robert Samuels, of Aerolineas, told the Committee that Aerolineas has:

"... done some interviews which indicate that the 40% of the traffic that does not currently travel with us would travel with us if we operated a more frequent service."⁵⁰

6.41 The Department of Transport and Communications pointed out to the Committee that Aerolineas has been permitted to operate Qantas' flight entitlement whenever it has desired to do so during the last two years, in effect giving it two flights to Australia per week, and that this option is still available to the airline. However, the Department stressed that any granting to Aerolineas of a permanent second or third flight to Australia would only be granted in light of Australia's national interests. The Department of Transport and Communications representative, told the Committee in evidence that if Aerolineas applied for more permanent flights into Australia in addition to the extra flights currently being operated in the peak demand period of December to March:

"... we would wish to examine Australia's national interest to determine whether such a service should be negotiated in a trading sense and whether there are benefits that ought to be negotiated for Australia in exchange for the

⁴⁷ Committee Hansard, p. 867.

⁴⁸ Aerolineas Argentinas, submission, Committee Hansard, p. 741.

⁴⁹ Committee Hansard, pp. 763-4.

⁵⁰ *ibid.*, p. 777.

benefit that is going to accrue to Argentina by having an additional service operated by its carrier."⁵¹

6.42 The Department of Transport and Communications also stressed that:

"The Australian Government is not in the business of giving away opportunities to foreign governments without there being some sort of reciprocal rights for Australian business."⁵²

6.43 The Department of Transport and Communications drew the Committee's attention to the fact that the Spanish airline, Iberian, had recently acquired an interest in Aerolineas Argentinas. In evidence to the Committee, the Department suggested that Aerolineas' desire for more flights into Australia may in fact be a "de facto" Spanish request aimed at bringing about an expansion of a Spain-Australia air link. According to the Department this is a possibility which would have to be taken into consideration in examining any request from Aerolineas for increased permanent flights.⁵³

6.44 However, Aerolineas dismissed the suggestion of such a Spanish involvement with the air link between Argentina and Australia. Mr Samuels, speaking for the airline, told the Committee that because airfares were much cheaper between Madrid and Australia than between South America and Australia there would be no incentive for people travelling to Australia to go via Argentina. In addition, because the capacity on the route between Latin America and Spain is controlled there is no need to encourage additional traffic on this route as part of an Australian link up.⁵⁴

6.45 It is interesting to note that a somewhat similar idea for a Qantas Sydney-Buenos Aires-London route has been raised briefly in other correspondence with the Committee.⁵⁵

6.46 Concern was also expressed by the Department of Transport and Communications that Aerolineas Argentinas' intention, eventually, may be to fly on from Australia to Asia, particularly Hong Kong and Japan. The Department told the Committee:

"... Tokyo and Hong Kong, and particularly Tokyo, is a very important route for Australia. That is a very important

⁵¹ *ibid.*, pp. 289-90.

⁵² *ibid.*, p. 299.

⁵³ *ibid.*, p. 295.

⁵⁴ *ibid.*, p. 773.

⁵⁵ Mr J. MacAonghus, letter of 28 February 1992.

trading route. We would be concerned about the level of third country airline access to that route, which was likely to damage Australia's trading interests on that route."⁵⁶

6.47 Mr Samuels, of Aerolineas Argentinas, said that his airline would ultimately like to fly to South East Asia and "... if it was via Australia, that would be ideal."⁵⁷ According to Aerolineas, if the airline was allowed to fly onto Asia from Australia it would improve the economics of the air link between Argentina and Australia.⁵⁸

6.48 According to both Qantas, and the Department of Transport and Communications, Aerolineas Argentinas have not formally raised with them any of the concerns outlined in the Aerolineas Argentinas submission to the inquiry.⁵⁹

Is the Sydney/Buenos Aires route commercially viable?

6.49 The question of financial viability of the present service between Sydney and Buenos Aires was extensively explored with witnesses.

6.50 Strictly speaking, witnesses agreed on the basic proposition that the route is not, at the present time, profitable. However, some managed to convey a strong sense of pessimism, others an equally strong sense of optimism about the financial viability of the route in the foreseeable future.

6.51 Mr Julian Smith of Qantas told the Committee that the joint operation between Qantas and Aerolineas Argentinas is "not profitable currently" because of the lack of traffic on the route between Sydney and Buenos Aires.⁶⁰ It was Mr Smith's understanding:

"... from discussions between Aerolineas and Qantas that in fact the operation is losing money at the present time."⁶¹

6.52 Mr Samuels of Aerolineas Argentinas conveyed a more positive picture when he said that, "Our route is now going back into a profitable situation."⁶² He further

⁵⁶ Committee Hansard, p. 296

⁵⁷ *ibid.*, p. 773

⁵⁸ *ibid.*, p. 773.

⁵⁹ *ibid.*, pp. 295, 882.

⁶⁰ *ibid.*, p. 856.

⁶¹ *ibid.*, p. 856.

⁶² Committee Hansard, p. 767.

explained that the route between Buenos Aires and Sydney was profitable until the period of the Gulf crisis when increases in fuel prices made it unprofitable.

6.53 The Committee was unable to establish to any extent the cost factors used by each airline to determine or estimate profitability. In the long term, accounting must be done on a fully costed basis, although it is not uncommon for an airline to cost a route while it is being developed on a reduced cost basis. The Committee understands that this approach is quite a normal practice for an airline during the developmental phase of a route.⁶³ In answer to a question from the Chairman of the Committee Mr Samuels stated that Aerolineas' profitability on the section of the route between Argentina and New Zealand included amortising overheads and the impact of fixed interest expenses on the business.⁶⁴

6.54 Mr Samuels of Aerolineas told the Committee in evidence that his airline had a load factor of 80% between Argentina and New Zealand and between 64 to 68% between New Zealand and Australia. He suggested that a load factor of 64% to 65% between Argentina and Australia would be required to break even.⁶⁵

6.55 Qantas' submission to the inquiry maintains that the 400 seats per week each way available on the route under the present arrangement with Aerolineas Argentinas is well ahead of demand.⁶⁶ According to Mr Smith only about 120 passengers a week travel in each direction between Argentina and Australia.⁶⁷

6.56 Moreover, according to Mr Smith, air traffic between Latin America and Australia is not increasing:

"That traffic is stagnant. I am talking now about traffic covering a whole range of countries, I am not just talking about Argentina."⁶⁸

⁶³ See Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, pp. 12-13.

⁶⁴ Committee Hansard, p. 774.

⁶⁵ Committee Hansard, p. 770. More recently, Aerolineas Argentinas informed the Committee that its load factor during 1991 between Buenos Aires and Auckland had dropped to about 76% and between New Zealand and Australia to about 58%. This decline was in part due to a decline in air traffic related to the Middle East crisis of that year.

⁶⁶ Qantas, submission. Committee Hansard, p. 840.

⁶⁷ *ibid.*, p. 852. The 747-200 aircraft operated by Aerolineas on the Argentina/Australia route is capable of carrying 398 passengers.

⁶⁸ Committee Hansard, p. 852. This appears to be at variance with Qantas' own figures; see for example para. 6.19 of this Report.

Qantas is of the view that the current air service between Buenos Aires and Sydney is adequate.

6.57 Qantas expressed disappointment at the small positive impact of the establishment of the direct air link between Argentina and Australia at the end of 1988 on the volume of passenger traffic between the two countries. Mr Smith told the Committee on 2 September 1991 that:

"One would have thought that with no direct air service, and then suddenly a direct air service, we would have seen an enormous increase in traffic. In fact, that did not happen."⁶⁹

According to Mr Smith during 1989 Australia-Argentina passenger traffic grew from 89 passengers per week to 131 per week. In percentage terms this figure seemed quite impressive but as Mr Smith stated:

"... in terms of actual bums on seats it is not a big increase".⁷⁰

6.58 According to Qantas, there has been little significant increase in traffic between Uruguay, Brazil and Chile and Australia via Buenos Aires since Aerolineas Argentinas began flights to Australia.⁷¹

6.59 It would appear from the comments made by Mr Santer of the Australian Tourist Commission, related to fare costs on the route, that the Commission accepts that Aerolineas is operating its flights at a high load level. On the other hand Qantas gave the impression to the Committee that the present load factor on the route is not at a level that makes the route financially viable to operate on.⁷²

6.60 In evidence to the Committee Qantas explained why it has not taken up its right to fly to Argentina.⁷³ According to Qantas it could put a service onto that route immediately but there would not be sufficient passengers to make the service a viable proposition. According to Mr Julian Smith, speaking for Qantas, this is the reason why Aerolineas does not operate a second flight per week throughout the entire year.

⁶⁹ Committee Hansard, p. 861.

⁷⁰ *ibid.*

⁷¹ *ibid.*, pp. 861, 875. According to Qantas passenger numbers went from 90 to 91 a week in the case of Brazil, 94 to 102 for Chile and 37 to 42 for Uruguay.

⁷² Qantas, submission, Committee Hansard, p. 848.

⁷³ See para. 6.133.

6.61 Mr Smith said that one of the major problems with the Argentina-Australia air link is that it is very seasonal with 40% of the market travelling during a period of three or four months of the year.⁷⁴ This seems to suggest that an increase in business traffic in particular, which would presumably be spread more evenly throughout the year, would significantly improve the viability of the route.

6.62 In this context, the Committee was particularly interested to note from Qantas' written submission that the number of business travellers from Australia to Argentina grew from 9% of total traffic in 1988 when the direct Aerolineas service was introduced to 15% in 1990. This contrasts with the more limited 1% growth in overall business travel between Australia and Latin America noted in paragraph 6.19.

6.63 Qantas set out to the Committee the following further reasons why they believed the route was not profitable and why it would not operate on the route at present, namely:

- traffic on the route is spread over three main markets, (Argentina, Chile and Brazil) which account for 63% of the total traffic between Australia and Latin America. In the view of Qantas this spread of a number of small, diverse markets makes it difficult to target any one in particular;
- Buenos Aires, the gateway for the joint Aerolineas-Qantas joint venture, is at present meeting passenger demand;
- the announced air services agreement between New Zealand and Chile has the potential to provide scope for increased capacity on the route between Latin America and Australia;
- a major determinant of international travel appears to be related to the income levels of individuals in a country. Qantas does not expect the GDP per capita to increase significantly in Latin America in the near future, therefore the prospects for market expansion will be limited; and
- it is estimated that Latin America is expected to generate less than 2% of the total air passenger market to Australia by the year 2000.⁷⁵

6.64 The Committee believes that Qantas' view of the potential passenger market in Latin America in relation to GDP does not fully reflect the reality of the situation in that region. As noted elsewhere in this report, in 1991 the GDP of Latin America as a whole increased by 3 % compared to the previous year. During the same period hyper-inflation was virtually eliminated and inflation brought down very significantly. Although the increase in GDP was not uniform in all the countries of the region, the

⁷⁴ Committee Hansard, p. 862. At one point in his evidence Mr Smith stressed that '... if we believed that we could make a service profitable operating it to South America, we would operate the service tomorrow.' *ibid.*, p. 864.

⁷⁵ Qantas, submission, Committee Hansard, pp. 848-9.

GDP of a significant number of countries in Latin America grew at rates of between 3% and 5 %.⁷⁶

6.65 The Department of Transport and Communications told the Committee that the Australian Government has publicised its willingness to approve special flights to meet holiday demand travel, particularly during school holiday periods. The Department stated in evidence that:

"It is interesting to note that Aerolineas has not sought supplementaries in that period in the last two years. Presumably it is satisfied that the two services that it operates in the period November to March are sufficient to meet the demand."⁷⁷

6.66 In giving evidence to the Committee Mr Samuels, on behalf of Aerolineas Argentinas argued that the provision of charter, or supplementary services, on the Argentina-Australia air link is not satisfactory because they do not:

"... meet the needs of the travelling public ... they are not normally provided with enough advance warning so people can plan their holidays, or business trips, on the possibility that there may well be a flight on a given day or time."⁷⁸

Frequency of Air Services Between Latin America and Australia

6.67 During the inquiry strong support was expressed by several witnesses for additional flights between Latin America and Australia. The General Manager, Australia and South-West Pacific Region, for Varig Brazilian Airlines, Mr Christopher Efstathakis, strongly supported Aerolineas having a second flight into Australia. Mr Efstathakis stated that:

"If you have somebody who is prepared to take the commercial risk he should be encouraged to do so."⁷⁹

⁷⁶ In 1991, per capita output registered its first improvement in four years. G. Rosenthal, 'Preliminary Overview of the Latin American and Caribbean Economy 1991', *ECLAC*, no. 519/520, December 1991, p. 1.

⁷⁷ Committee Hansard, p. 306.

⁷⁸ Committee Hansard, p. 775.

⁷⁹ *ibid.*, p. 831.

6.68 Mr Godfrey Santer, Director, Marketing Operations of the Australian Tourist Commission is also of the view that a greater availability of flights into Australia from Latin America would see a:

"... measurable increase in the amount of traffic to this country."⁸⁰

This accords with Mr Samuels comment that:

"... lack of frequency inhibits all traffic ..."⁸¹

6.69 Frequency of air services is usually more important to the business traveller than the price of the ticket. Due to the greater financial value of business travellers to an airline frequency of services is a significant tool in attracting this valuable segment of the market.

6.70 There are also more general financial arguments supporting the operation of frequent air services between destinations. The provision of a low frequency services can be relatively more costly for an airline than operating a more frequent service.⁸² Advertising costs are one obvious example. Clearly advertising and other overheads per flight are reduced substantially as the frequency increases. Moreover there is clearly a limit on the resources an airline company will put into advertising if it believes that demand is satisfactory for the existing service and it has a limited opportunity to securely develop the market. As Mr Samuels put it to the Committee, with rights to only one regular scheduled weekly flight

"... there is not an incentive for Aerolineas to spend more money to develop a route where it cannot benefit from its development."⁸³

6.71 Despite criticism expressed to the Committee during its inquiry concerning the frequency and inconvenience of air links between Latin American and Australia it would be incorrect to assume that these views find universal acceptance. While the majority of witnesses argued in favour of increased air services between Latin America and Australia, arguments have been put that existing air links are adequate at present to meet demand.

⁸⁰ *ibid.*, p. 710

⁸¹ *ibid.*, p. 777.

⁸² *ibid.*, p. 760.

⁸³ *ibid.*, pp. 776-7.

6.72 The Department of Transport and Communications holds this view:

Whilst it might be convenient or useful to have direct services between Australia and the significant markets of Brazil, Chile and Argentina, there is not enough traffic to support the profitable operation of services to more than one of these countries. ... With traffic levels as they currently stand, capacity is still sufficient to meet the demands of the market on this route [Australia-Argentina] and we can see no guarantee at this stage, with the route still in its infancy, that Australia would yield any further economic benefits from adding more services.⁸⁴

The Committee has some difficulty with this conclusion.

6.73 The Committee is concerned that the present time-consuming and costly air links between Latin America and Australia is a severe impediment to growth in the relationship, particularly for business people. As the Secretary of the Department of Foreign Affairs and Trade said to the Committee:

"It is not the easiest place to construct an itinerary to visit."⁸⁵

It is the Committee's belief that potential traffic is lost due to lack of frequency.

6.74 While the Committee is not in a position to comment on the immediate direct financial implications for airlines of additional services on Australia-Latin America routes, it is the Committee's firm conviction that wider economic benefits would flow from additional services. These in turn would, over time, increase the profitability of the routes. With the rapid pace of change and expected economic growth of several of the Latin America economies, it would be reasonable to assume quite rapid growth of traffic over a relatively short time-frame.

6.75 To come to any definitive conclusion concerning the profitability on any air route operated by an airline it would be necessary to have access to information which would be considered to be of a commercially sensitive nature by the airline concerned. Even if the Committee had access to this detailed financial information it would still not necessarily be in a position to say that the route is profitable or likely to be profitable in the future since both costings and the definition of profitability can vary considerably from airline to airline.

6.76 On the basis of the evidence before it, the Committee is not in a position to determine conclusively whether it concurs with the views of Qantas or Aerolineas

⁸⁴ Department of Transport and Communications, submission, Committee Hansard, pp. 268-9.

⁸⁵ Committee Hansard, p. 202.

Argentinas on each of the specific matters on which the two airlines have put forward apparently different facts, different interpretations of facts and different judgements about future potential.

6.77 So for example, without access to considerably more detail, the Committee is not in a position to make a firm judgement about the overall impact of the present prohibition against Aerolineas carrying purely New Zealand-Australia traffic on the Auckland to Sydney sector of the route. On the face of it, it seems surprising to the Committee that the 50 or so passengers off-loaded by Aerolineas in Auckland should be a critical component of the route's overall profitability, particularly since it has the right to carry passengers originating in Latin America and stopping off in Auckland on to Sydney. It has been suggested to the Committee that most passengers originating in Latin America are likely to have Australia, rather than new Zealand, as their end destination, even if they make a stop-over in Auckland.

6.78 The Committee acknowledges that Qantas has, since the Memorandum of Understanding came into operation, readily acceded to periodic requests by Aerolineas to use the Qantas entitlement to fly the route. However, Qantas only has to give six months notice if it wishes itself to take up its entitlement.⁸⁶ The Committee can see the disincentive to Aerolineas in putting in effort to further develop the route to two or three flights a week if it can be sure of approvals for such flights on a six monthly basis only.

6.79 Similarly, while charter arrangements can be an efficient arrangement to meet special needs on an ad hoc basis, the Committee considers that they would provide little encouragement to an airline to devise and implement a longer-term strategy for developing the market. It is understandable that expenditure on activities such as advertising and promoting tourist packages will be limited if there is no firm guarantee of regular access to a route for more than six months.

6.80 Recommendation twenty six: The Committee recommends that sympathetic consideration should be given by the Department of Transport and Communications to any request by Aerolineas Argentinas for a guarantee of longer-term access to a second weekly frequency. In the Committee's view this could be done without cutting off the option for Qantas to begin a Sydney-Buenos Aires service at any time in the future.

6.81 In suggesting such a course, the Committee is not advocating concessions by the Australian Government. It would be in line with a sensible policy of protecting Australian interests to expect something in return. During the course of the public hearings, Qantas expressed some dissatisfaction with aspects of the 50 seat arrangement with Aerolineas. There may be scope for some trading in that area.

⁸⁶ *ibid.*, pp. 868-9.

6.82 More importantly still, the Committee is concerned that the concept of "national interest" that the Department of Transport and Communications has said determines the negotiating stance that Australia takes in bilateral air agreement negotiations is perhaps being interpreted in a very narrow fashion.

6.83 The Committee is concerned that in "protecting an opportunity"⁸⁷ for an Australian airline to introduce a service at some later stage on a particular route that the Department and Qantas judges not to be profitable now, the Department of Transport and Communications may in fact be cutting across more significant opportunities that better overall aviation links between Australia and Latin America would open up to a wider cross-section of the Australian community.

6.84 The Committee is not convinced that the present arrangements for consultation on "the national interest" are adequate. According to the Department, in assessing a request for additional permanent flights into Australia by Aerolineas Argentinas the Department of Transport and Communications would consult with the aviation and tourist industries and other relevant government departments to determine the Australian Government's negotiating position.⁸⁸ However, even by the Department of Transport and Communication's own admission, the requirement to consult is relatively recent. In the Committee's view it requires considerable further development. This issue is addressed in more detail at the end of the Chapter.

6.85 The Committee is not persuaded that any of the parties with an interest in these issues have looked for imaginative solutions to what they perceive to be the disadvantages to each under current arrangements. Moreover, it would appear that the dissatisfactions expressed by Aerolineas Argentinas to the Committee have never been formally brought to the attention of the Department of Transport and Communications. It was suggested during the inquiry that the interim nature of the Memorandum of Understanding determining current arrangements has inhibited Aerolineas Argentinas from seeking any changes. Now that the Agreement has been formally signed, the Committee urges all parties to review ways of improving those arrangements.

6.86 The Committee by no means underestimates the difficulties and complexities involved in doing so. It is conscious of the fine judgements that the Department of Transport and Communications must make in determining whether the terms of any bilateral agreement it might enter into might give an unfair advantage to an overseas airline. Difficult judgements must be made about the extent to which subsidies may or may not be operating and what impact differing cost structures may have on an airline's capacity to compete.

⁸⁷ *ibid.*, p. 300.

⁸⁸ *ibid.*, p. 295.

The Lan Chile Connection

6.87 As noted earlier Lan Chile operates regular twice weekly flights from Santiago, Chile via Easter Island to Papeete, Tahiti using a Boeing 707 aircraft.⁸⁹ These flights permit connections, involving delays of up to fourteen hours to be made with Qantas services arriving in and departing from Tahiti for Sydney.

6.88 Lan Chile commenced commercial operations in 1967 with a fortnightly service between Santiago and Easter Island. This route was extended in 1968 to Papeete, connecting with flights operated by Qantas, Air New Zealand and UTA to Australia and New Zealand. The frequency of this Lan Chile's service was increased in early 1970 to weekly, then twice weekly. Lan Chile now increases the service further to three flights a week to Papeete during the peak travel period between December and March each year.⁹⁰

6.89 In October 1989 Lan Chile was granted approval to operate a three month program of weekly charters from Santiago via Tahiti to Australia. However, in November 1989 Lan Chile postponed the program due to the unavailability of aircraft. The airline was later again offered a program of charters with operational flexibility. As of August 1991 there had been no response to these charter offers from Chilean authorities.⁹¹

6.90 Lan Chile states in its submission to the inquiry that:

"Despite numerous attempts Lan Chile has never been able to obtain traffic rights in Australia or regular services."⁹²

In 1990 the Department of Transport and Communications agreed to view any proposal for a joint service between Chile and Australia, involving Lan Chile and Qantas, positively although it did not believe there was sufficient traffic on this route to support a scheduled service.

6.91 Lan Chile, like Aerolineas Argentinas, apparently does not find operating charter flights into Australia a satisfactory alternative to regular services. Lan Chile's Manager for Australia and New Zealand, Mr Santiago Chicharro, told the Committee that the provision of charters between Chile and Australia was very limiting since you

⁸⁹ The Committee has been advised of a change over by Lan Chile to a Boeing 767 aircraft on this route as from February 1992.

⁹⁰ Lan Chile, submission, Committee Hansard, p. 1024.

⁹¹ Department of Transport and Communications, submission, Committee Hansard, p. 270. See also Committee Hansard, p. 283.

⁹² Lan Chile, submission, Committee Hansard, p. 1024.

cannot promote or advertise such services adequately. Mr Chicharro stated:

"... we have studied the matter further and we cannot justify doing those services, unless on a one-off basis, ... They could not be sustained."⁹³

6.92 Lan Chile's interest is in operating a permanent, scheduled service to Australia from Chile in a joint venture, preferably with Qantas. As stated in its submission to the inquiry:

"... our main interest lies in extending our flight to Australasia, and more specifically to Auckland and Sydney, to overcome the connection problem in Papeete."⁹⁴

In its submission, Lan Chile stresses that:

"... the possibility of operating a direct flight between Santiago and Sydney would fulfil the hopes of the existing integration between Australia and Chile, helping to promote commercial and tourist relations, between the two nations."⁹⁵

6.93 The Chilean Ambassador to Australia to Australia, His Excellency Mr Juan Salazar, told the Committee that he understood the problem in the way of a joint agreement between Qantas and Lan Chile was the fact that Qantas was not interested in opening a new route to South America. According to Ambassador Salazar:

"... if Qantas does not take a positive step, our national carrier can do nothing else."⁹⁶

Ambassador Salazar argued that the two airlines had to be pushed to establish a joint venture operation where the risk and the investment required could be shared.⁹⁷

6.94 The Chilean Ambassador, in giving evidence to the Committee, stated that when he had proposed a civil aviation agreement between Australia and Chile to

⁹³ Committee Hansard, p. 1047.

⁹⁴ Lan Chile, submission, Committee Hansard, p. 1026. See also Committee Hansard, pp. 1030-1.

⁹⁵ Lan Chile, submission, Committee Hansard, p. 1026.

⁹⁶ Committee Hansard, p. 1373.

⁹⁷ *ibid.*

Australian Government officials he was told the most Australia would offer at present would be the use of an air charter system from Chile to Australia.⁹⁸

6.95 It is apparent that the Chile-Australian air link is far from satisfactory, especially to business travellers who find the connection at Tahiti time consuming.⁹⁹ Ambassador Salazar informed the Committee that Australian businessmen had complained to him that airfares were too expensive and connections too uncomfortable to Chile.¹⁰⁰

6.96 The Committee is aware that there are significant problems associated with coordinating a connection in Papeete, Tahiti between Lan Chile and Qantas.¹⁰¹

6.97 Qantas told the Committee in September 1991 that there is scope for improving the air link to Chile from Australia by shortening the connection period between Qantas and Lan Chile at Tahiti.

6.98 In a letter to the Committee dated 19 December 1991 Ambassador Salazar advised that from February 1992 Lan Chile would be operating a Boeing 767 aircraft on the Santiago-Easter Island-Papeete air route. The Committee welcomes this development and is hopeful that it will assist in reducing the connecting problem in Papeete.¹⁰²

6.99 The Committee was particularly disappointed to learn from Qantas on 2 June 1992 that, from November 1992, Qantas will end its Wednesday service from Sydney to Papeete. This means that from that time, there will be only one connecting service per week between Australia and Chile via Papeete instead of two. Qantas cited economic considerations for its decision.

⁹⁸ *ibid.*, p. 1367

⁹⁹ Qantas told the Committee on 1 June 1992 that it is possible to make same day connections to Santiago, Chile, through Papeete flying Qantas and Lan Chile, although there is a 14 hour wait involved. The Qantas flights arrives in Papeete at 6:55am on Wednesday, Friday and Sunday with Lan Chile's flights departing for Santiago at 8pm on Wednesday and Sunday nights. On flights from Santiago to Australia, via Papeete, the connection time between Lan Chile and Qantas in Tahiti is somewhat shorter, being about 8 hours and 45 minutes. The Qantas flights depart from Papeete to Sydney at 3:50am the morning after the evening arrival times of Lan Chile flights from Santiago, which adds to the inconvenience of the connection.

¹⁰⁰ Committee Hansard, p. 1374.

¹⁰¹ Part of the difficulty arises from the requirement that all flights in and out of Easter Island must be daytime flights. Lan Chile provides the only air link to Easter Island and is committed to continuing its service to the Island.

¹⁰² Qantas told the Committee that use by Lan Chile of a Boeing 767 aircraft would be a major improvement over the Boeing 707 used on flights from Chile to Tahiti. Committee Hansard, p. 885. For information on possible operational impediments of using a Boeing 767 aircraft on the Sydney-Papeete-Santiago, vice versa, route see Committee Hansard, p. 887B.

6.100 The Committee regrets the Qantas decision, which represents a significant setback to efforts to improve transport links between Australia and Latin America.

6.101 Recommendation twenty seven: The Committee, while regretting the Qantas decision to downgrade its service to Papeete, nevertheless recommends that Qantas actively pursue with Lan Chile the question of improving the connection between Lan Chile and Qantas flights at Papeete.

6.102 The New Zealand Government signed a bilateral aviation agreement with Chile in 1991 giving a Chilean air carrier and a New Zealand carrier the rights to fly twice a week between New Zealand and Chile via Tahiti and Rarotonga.¹⁰³ However, Lan Chile told the Committee on 24 October 1991 that it had not approached the New Zealand Government regarding the commencement of flights between the two countries. Lan Chile said it did not believe the market situation at present in New Zealand could sustain a commercial service between New Zealand and Chile on its own. According to the airline, Australia is still the main drawcard for air services from Chile and this link would still be missing in a Chile-New Zealand air route.¹⁰⁴ However, it is apparent that the Chilean authorities are continuing to develop their options. In his letter of 19 December 1991, Ambassador Salazar advised the Committee that Chile had obtained from French authorities:

"... the inclusion of three services to Lan Chile's South Pacific Route, granting the Fifth Freedom from Tahiti to Auckland and Sydney."¹⁰⁵

6.103 The Committee is of the view that, even if connections in Tahiti can be improved upon, this will only provide what should be viewed as a short term improvement to the Australia-Chile air link. The Committee would like to see a permanent, scheduled, direct air link established between the two countries.

Cost of Airfares Between Australia and Latin America

6.104 The Department of Transport and Communications told the Committee that the Australian Government does not regulate airfares between Australia and Latin America. The Department has no guidelines on fares but simply approves fares submitted by Qantas and Aerolineas Argentinas. It is the view of the Department of Transport and

¹⁰³ Committee Hansard, p. 780.

¹⁰⁴ *ibid.*, p. 1046.

¹⁰⁵ Letter to the Committee dated 19 December 1991 from the Chilean Ambassador, H.E. Mr J. Salazar. The Fifth Freedom is the right to carry and set down passengers and cargo in an intermediate country on an air route between two contracting states.

Communications that the airlines operating on the route:

"... will set fares at what they believe the market can bear, to cover their costs and to have a return on their outlays."¹⁰⁶

6.105 As at May 1992 the one way economy excursion air fare between Sydney and Buenos Aires was A\$2,404. However, the Committee has been told that the bulk of passengers travelling in the low season use a 21 day APEX return fare costing A\$2,199 or a six month excursion fare priced at A\$2,778.¹⁰⁷ This fare, which has some restrictions associated with it is also applicable for travel from Sydney to Santiago, Chile and Montevideo in Uruguay. The business return air fare Sydney to Buenos Aires on the Aerolineas flight is about A\$5,700. To travel from Sydney to Buenos Aires or Santiago via North America involves a 20% to 25% surcharge as determined by IATA,¹⁰⁸ which adds approximately A\$800 to A\$1,000 to the business class fare.¹⁰⁹

6.106 Qantas told the Committee that the route from Australia to Latin America is an expensive one to operate because of the distance and the relatively small number of passengers carried on it.¹¹⁰ Queried by the Committee over the impact of distance on the cost of fares, Qantas conceded that the Sydney-London route was in fact considerably longer than the Sydney-Buenos Aires route; nevertheless it was also considerably cheaper. Qantas pointed to volume of traffic and competition as other factors influencing the cost of fares.

6.107 Other witnesses agreed that traffic volume and competition were critical factors. According to Mr Santer of the Australian Tourist Commission the fares between Australia and Latin America are expensive because of the:

"... supply demand situation. Because there are few flights

¹⁰⁶ Committee Hansard, p. 285.

¹⁰⁷ ibid., p. 766.

¹⁰⁸ Committee Hansard, pp. 649, 775, 779, 1041. As of May 992, Aerolineas was quoting a slightly reduced APEX return fare, called the "Fiesta Fare", of A\$1,992 between 1 March and the end of October. This fare allows for a free flight to Iguazu Falls. The return business class fare Sydney to Buenos Aires was A\$5,770. See letter from Aerolineas dated 11 May 1992.

¹⁰⁹ See letters to the Committee dated 11 May 1992 from the Commercial Manager of Aerolineas Argentinas in Sydney, Mrs Jennifer Lionetti; letter from the General Manager for Lan Chile in Sydney, Mr Santiago Chicharro dated 11 May 1992; letter dated 19 May 1992 from the International Relations Manager for Qantas, Mr D.N. Callaghan.

¹¹⁰ Committee Hansard, pp. 851-2.