

and they fill up their planes at the fares that they charge, then they do not have to charge a lower fare."<sup>111</sup>

In other words, the relatively high fares between Australia and Latin America largely reflect the low capacity existing on that route.<sup>112</sup> Mr Santer concluded that if there was competition on the route, resulting in more flights, then the cost of fares would go down in order to attract passengers.<sup>113</sup>

6.108 Mr Chicharro of Lan Chile also expressed the view that freedom of choice and competition would produce lower fares on the route to Latin America.<sup>114</sup>

### **The Polar Route**

6.109 The shortest distance and most direct route between Sydney and Buenos Aires would be a non-stop route as far south as the 70th parallel. However, according to Qantas such a route would take the aircraft into "no-man's land" with uncontrolled airspace.<sup>115</sup>

6.110 According to Qantas the current prohibition on flights between Australia and South America below 60 degrees south has had an impact upon the economic viability of the present route. Aircraft cannot fly below 60 degrees because of inadequate air traffic controls and communication services in that region. This restriction prevents aircraft from flying along the shortest route.<sup>116</sup>

6.111 The Committee was told by Mr Samuels of Aerolineas Argentinas that the airline could not operate a non-stop service from Argentina to Australia without flying below the 60th parallel.<sup>117</sup>

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<sup>111</sup> *ibid.*, p. 729.

<sup>112</sup> *ibid.*, p. 730.

<sup>113</sup> *ibid.*, p. 729.

<sup>114</sup> *ibid.*, p. 1033.

<sup>115</sup> *ibid.*, p. 871.

<sup>116</sup> Qantas, submission, Committee Hansard, p. 849. A direct track between Buenos Aires and Sydney, as opposed to the existing Buenos Aires-Auckland-Sydney route would save 705 km on the trip between Buenos Aires and Sydney, letter from Mr J.M. Smith of Qantas to the Committee dated 23 September 1991, contained in Committee Hansard, p. 887B. See also letter from Mr Garth Hartly, Department of Transport and Communications, dated 5 September 1991. For information on safety issues related to flying south of the 60th parallel see Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, attachment pp. 2-4.

<sup>117</sup> Committee Hansard, p. 762. The Committee understands that possible loss of radio contact during such flights is of concern.

6.112 The Department of Transport and Communications has told the Committee that there is no specific order or regulation which precludes operations south of the 60th parallel. However, on safety grounds the CAA strongly discourages such operations.<sup>118</sup>

6.113 The Committee is fully aware of the difficulties that have inhibited the development of such a route. However, recent developments, particularly in the area of communications, may have reduced the dangers involved in operating on such an air route.<sup>119</sup> In the interest of improving the economics of the air link between Latin America and Australia and possibly by allowing non-stop flights, it is the view of the Committee that a full study of the benefits and dangers involved in using a route south of 60 degrees should be carried out.

6.114 Although the Committee is keen to see the possibility of an air route south of 60th parallel investigated it would stress that the issue of safety must of course be thoroughly addressed in the study.

### Air Cargo

6.115 Aerolineas Argentinas told the Committee that because of the 80% load factor it has between Argentina and New Zealand its Boeing 747-200 aircraft, which it uses on the route, has little freight capacity.<sup>120</sup> For the year ending December 1990 Aerolineas had carried 175.5 tonnes of freight on its services to Australia.<sup>121</sup>

6.116 Varig Brazilian Airlines said in its submission that:

"The only current route which could be successfully used for the air transportation of goods is the Los Angeles/Brazil one considering frequency of service and wide bodied palletised Boeing and McDonnell Douglas aircraft used on it."<sup>122</sup>

However, Varig added that this route was not heavily used for the following reasons:

there is a lack of cargo capacity out of Los Angeles due to a high demand for space to South America and vice versa; and

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<sup>118</sup> Letter from Mr Gareth Hartley, op. cit.

<sup>119</sup> See Committee Hansard, p. 871.

<sup>120</sup> *ibid.*, p. 759.

<sup>121</sup> Department of Transport and Communications, submission, Committee Hansard, p. 268.

<sup>122</sup> Varig Brazilian Airlines, submission, Committee Hansard, p. 799.

there is a lack of a comprehensive range of commodity "through" rates between Australia and Latin America.<sup>123</sup>

6.117 Qantas said that air cargo traffic between Australia and Latin America is very small and "stagnant". According to figures produced by the Australian Bureau of Statistics air freight into Australia from Latin America each week averages only ten tonnes and five tonnes weekly out of Australia.<sup>124</sup>

6.118 The Committee understands that there is no impediment in Australia for the establishment and operation of a pure air freight service between Australia and Latin America. Australia also has a particularly liberal air freight charter policy which would allow freighter flights to be operated between Australia and Latin America on a regular basis with few complications. In spite of this situation no carrier has sought to operate freight charters, apparently because demand for the service is insufficient. Qantas was unable to provide any meaningful information on freight rates. It may be that high costs make the service unattractive, although few complaints were made to the Committee in respect to the existing services.

6.119 Despite the fact that a relatively small volume of air freight is carried between Australia and Latin America, the Committee is of the view that competitive rates should be available for the carriage of air freight.<sup>125</sup>

#### **Tourism and Australia's Air Links With Latin America**

6.120 The flow of tourists between Australia and Latin America is low. According to the Australian Tourist Commission only 10,200 visitors arrived in Australia from Latin American countries in the financial year 1989-90.<sup>126</sup> This figure represents slightly less than one half of one percent of total visitors to Australia in that year. The countries supplying the major number of tourists from Latin America were:

. Brazil	2560
. Argentina	2400
. Chile	1636
. Mexico	1594 <sup>127</sup>

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<sup>123</sup> *ibid.*

<sup>124</sup> Letter from Mr J.M. Smith of Qantas, contained in Committee Hansard, pp. 887C-887D.

<sup>125</sup> *ibid.*, p. 887D.

<sup>126</sup> As noted earlier it is likely that the 1989 domestic pilots' dispute in Australia had a negative impact on the flow of tourists from Latin America in that year.

<sup>127</sup> Australian Tourist Commission, submission, Committee Hansard, p. 699

6.121 According to the Australian Tourist Commission, in 1989 5,700 residents, when leaving Australia nominated Latin American countries for visits. This figure needs to be treated with great caution since the Committee understands that it is made up only of people who identified Latin America as their main or sole destination. It seems clear that many Australian travellers include Latin America as part of a wider itinerary. The Commission itself believes that the number of Australians visiting Latin America is much higher than the figure of 5,700. According to the Commission, more than 20,000 Australian visitors were recorded in Latin American countries last year, although this figure includes the double counting of travellers on multi-country visits.<sup>128</sup>

**6.122 Recommendation twenty eight:** The Committee recommends that DILGEA review the present method of recording destinations of travellers with a view to producing more accurate and more meaningful data on countries visited by Australian travellers.

6.123 Mr Santer, of the Tourist Commission told the Committee in evidence, that the:

"... potential for increased tourist traffic from South America is higher than it is from all of the Americas."<sup>129</sup>

The Commission expects that arrivals from the American region as a whole, that is North and South America will average about 11% per annum between now and the turn of the century. Arrivals from American countries other than the United States and Canada will be of the order of 19% for the same period. However, Mr Santer stressed that this increase would grow from a very low base. Nevertheless, Mr Santer also stated that:

"We would have to conclude at the moment that the potential for growth from South America is not as high as it is from other marketing regions such as Asia."<sup>130</sup>

6.124 As a result of the cultural affinity between South Americans and Europe, Mr Santer believes that it has to be accepted that in respect to tourism Australia will:

"... only ever be a marginal market for them in terms of their perceptions."<sup>131</sup>

However those who do travel, are generally considered to be relatively high spenders.

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<sup>128</sup> *ibid.*

<sup>129</sup> *Committee Hansard*, p. 704.

<sup>130</sup> *ibid.*, p. 728. See also p. 704.

<sup>131</sup> *ibid.*, p. 719.

The Committee is inclined to a more optimistic view of Latin American interest in Australia as a tourist destination.<sup>132</sup> In the Committee's view there are both similarities and differences between Australia and the countries of Latin America that could act as a magnet for increased numbers of visitors from those countries.

6.125 The Australian Tourist Commission started basic marketing activities in Latin America in 1988. According to the Commission a limited Australian marketing presence in the region and a lack of knowledge concerning Australian tourism products has been a major factor limiting the number of tourists visiting Australia from Latin America.<sup>133</sup>

6.126 The Commission's submission to the inquiry summed up its view of the potential of tourism from Latin America to Australia when it stated:

"... there is potential in the Latin American market to promote tourism to Australia, but until economic circumstances in the individual countries and current restraints to travel ... improve there is not a great deal of incentive for ATC to engage in an enhanced marketing effort in Latin America."<sup>134</sup>

6.127 It is the view of the Australian Tourist Commission that the most significant factor limiting the number of visitors to Australia from Latin America are problems associated with the issuance of visas. Due to problems of obtaining visas, Americatour, the Brazilian representative for the American Express Company, has decided:

"... not to sell Australia because it is too hard and bureaucratic to process travel documents."<sup>135</sup>

6.128 During the inquiry the Committee was told there is a perceived feeling in Latin America that there is a definite reluctance by Australian official missions in Latin America to issue tourist visas to visit Australia.<sup>136</sup> Varig Brazilian Airlines explained in its submission to the inquiry that many Latin Americans find it offensive to have to

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<sup>132</sup> Some of the attraction of Australia to potential students from Latin America outlined in the Cultural Relations Chapter probably also apply to potential tourists.

<sup>133</sup> Australian Tourism Commission, submission, Committee Hansard, p. 701. Mr Santer told the Committee that the Commission's operating budget in Latin America is between A\$200,000 and A\$300,000 per year, Committee Hansard, p. 720.

<sup>134</sup> Australian Tourist Commission, submission, Committee Hansard, p. 702. For suggestions concerning strategies for increasing tourism from Latin America to Australia see Committee Hansard, p. 725 and Varig Brazilian Airlines, submission, Committee Hansard, p. 794.

<sup>135</sup> Australian Tourist Commission, submission, Committee Hansard, p. 701.

<sup>136</sup> A similar complaint was made with regard to student visas. See paras. 7.111-7.128.

fill out in-depth questionnaires when applying for visas. The airline believes that problems involved with the issue of visas are creating artificial barriers to the entry of genuine tourists and visitors from Latin American countries into Australia.<sup>137</sup>

6.129 According to the Department of Immigration, Local Government and Ethnic Affairs, the global overstay rate for visitors to Australia in 1989-90 was 1%. However, several Latin American countries had overstay rates well above this figure, such as:

. Chile	7.6%
. Brazil	4.4%
. Mexico	2.5% <sup>138</sup>

At the same time the Department pointed out to the Committee that visitors to Australia from many other Latin American countries had overstay rates of less than one%.<sup>139</sup>

6.130 While the Committee accepts that the Australian authorities must remain vigilant in respect to the issue of visas to visitors from some countries in Latin America, the Committee is concerned that presenting overstay rates in percentage terms when the actual numbers of both visitors and overstayers are quite small may well distort the seriousness of the problem in absolute terms.

6.131 DILGEA maintained that the refusal rate for the issue of visas in Latin America for visits to Australia was not particularly high. According to DILGEA the refusal rate:

"... is probably high compared to North America, Japan and the UK but it is certainly not high compared to some of the South East Asian countries, such as Thailand and Hong Kong, and it is certainly low compared to India, Pakistan and countries in that region."<sup>140</sup>

6.132 In respect to the requirement for transit visas through Australia, the Department denied that there was any discrimination against visitors from Latin America.<sup>141</sup> The Departmental representative stated that the only people who did not require a transit

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<sup>137</sup> Varig Brazilian Airlines, submission, Committee Hansard, p. 793. For additional problems associated with obtaining visas to visit Australia see Committee Hansard, pp. 824-5.

<sup>138</sup> Committee Hansard, p. 1287.

<sup>139</sup> *ibid.*

<sup>140</sup> *ibid.*, p. 1289.

<sup>141</sup> *ibid.*, p. 1297. A visa is normally required to transit Australia for anything more than eight hours.

visa were travellers from countries that had a high volume of citizens passing through Australia and a very low overstay rate. Based upon these criteria travellers from Latin America passing through Australia were not being singled out for special consideration.

6.133 However, an examination of the list provided by DILGEA of countries whose citizens do not need a transit visa shows that it includes countries such as Thailand, which have been identified as having both a high overstay rate and a high refusal rate for the issue of visas.<sup>142</sup>

6.134 The Committee is of the view that, given the overstay rate of visitors to Australia from certain Latin American countries Australia must display care in the issue of visas, to ensure that the person from those countries applying for a visitor's visa is not likely to remain in Australia illegally. However, the Committee is concerned at the extent to which problems associated with the issue of visas is having an adverse impact upon the number of tourists visiting Australia from Latin America. A better balance between prudence and the encouragement of genuine visitors should be struck. Recognising the importance of tourism to the Australian economy the Committee welcomes initiatives being put in place by the Department of Immigration, Local Government and Ethnic Affairs to speed up and improve the issue of visas for visitors to Australia from Latin America.<sup>143</sup>

**6.135 Recommendation twenty nine: The Committee recommends that:**

- . Latin American countries be included in the list of countries whose citizens do not require a transit visa;**
- . streamlining of procedures for the issue of visas to visitors from Latin America be accelerated; and**
- . all DILGEA staff in Latin America with authority to issue visas are made fully aware of the need to eliminate unnecessary delays in the issue of visas.**

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<sup>142</sup> Conditions which determine when transit visas are not required are stringent. Passengers from eligible countries and who will be continuing their journey by the same or connecting aircraft within 8 hours of arrival in Australia do not need a visa provided that they do not leave the airport transit lounge; hold a confirmed ticket to continue their journey and are in possession of correct documentation for entry to their destination. The 43 eligible countries are mainly in Europe, North America, Oceania, and South East Asia. Japan, South Korea, South Africa and Zimbabwe are also included.

<sup>143</sup> See Committee Hansard, pp. 1297-1300.

## **Suggestions for Increasing Air Services Between Latin America and Australia**

6.136 Various strategies were put forward during the inquiry for increasing air services between Latin America and Australia.

6.137 Aerolineas Argentinas argued that a more liberal air services agreement between Argentina and Australia would provide the airline with better operational cost effectiveness which would:

"... lead to greater frequency which in turn, will provide passengers better flexibility in their travel planning."<sup>144</sup>

The airline sees these developments leading to a dramatic increase in the number of passengers travelling between Latin America and Australia resulting in increased tourism and trade.<sup>145</sup>

6.138 The Committee is of the view that attractive special promotional fares, perhaps offered in conjunction with discounted accommodation, should be actively explored by Aerolineas Argentinas and Qantas in conjunction with the Australian Tourist Commission, in an effort to stimulate traffic growth on the route and develop the market. Although Mr Samuels of Aerolineas told the inquiry, as reported earlier, that his airline offered a promotional return fare of A\$2,199 between Sydney and Buenos Aires it is evident that more attractive air fares and packages to many other destinations are available to both Australian and Latin American tourists.<sup>146</sup>

6.139 The question might be asked whether the air routes between Australia and Latin America should be thrown open to anyone who wants to fly the route as often as they wish. At this stage it seems to the Committee that the expectation that such an offer would lead to increased services on the route appears to be unrealistic. The Committee understands that, leaving aside Air New Zealand, there are nine carriers with traffic rights to operate services between Australia and South America. None of these carriers has indicated any interest in operating such services at this time.<sup>147</sup>

6.140 There is a possibility that the frequency of air services between Australia and Latin America could be increased if smaller aircraft were used on the route. Mr Chicharro, of Lan Chile, told the Committee on 24 October 1991 that:

"... because the market is that small, the type of equipment for those purposes is not necessarily a 747 that carries

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<sup>144</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 742.

<sup>145</sup> ibid., p. 739.

<sup>146</sup> Committee Hansard, p. 775. As noted previously a slightly lower fare of A\$1,992 was introduced in January 1992 for the low season 1 March to the end of October.

<sup>147</sup> Committee Hansard, p. 886.



400 passengers but a more suitable 767 like ours, which carries ... 174 seats. That would ... [give] a greater frequency with the same effort or perhaps the same cost."<sup>148</sup>

6.141 The Committee was informed by Qantas that it could, in theory, operate a Boeing 767 aircraft, carrying between 200 and 230 passengers, once a week between Sydney and Buenos Aires.<sup>149</sup> However, the airline stressed that in its opinion there were still not sufficient passengers on the route to warrant the use of an aircraft, even of that size, on a commercial basis.<sup>150</sup>

6.142 In subsequent correspondence with the Committee Qantas stated that a Boeing 767-300ER aircraft could be used on the Sydney-Papeete-Santiago route although a payload limitation would apply returning from Santiago due to prevailing winds.<sup>151</sup>

6.143 Despite the fact that the Boeing 767 aircraft has only two engines, there does not appear to be any significant danger involved in the aircraft flying over water for relatively long periods of time. Lan Chile operates 767 aircraft between South America and Spain which involves them flying for approximately ten hours over water.<sup>152</sup>

6.144 Under aviation regulations for certification the Boeing 767 should not operate further than 180 minutes flying time from an airport. According to Lan Chile this restriction does not present a difficulty for the airline operating in the Pacific. Mr Chicharro of Lan Chile told the Committee in evidence that:

"... because of the islands in between here and South America, we do not require that much; we only require about 130 minutes. So we have no restrictions to operate 767 equipment in the Pacific."<sup>153</sup>

6.145 Lan Chile Airlines commenced operating their 767 service between Santiago and Papeete, via Easter Island, on 5 February 1992. For a period of approximately

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<sup>148</sup> *ibid.*, pp. 1030, 1033

<sup>149</sup> There are differences in the carrying capacity of the 767-200ER and 767-300ER versions, the latter being an extended, larger version of the plane. Qantas operates both versions. Qantas' 767-300ER aircraft carry 228 passengers. It should be noted that the Boeing 767 could not fly non-stop between Buenos Aires and Sydney.

<sup>150</sup> Committee Hansard, p. 873.

<sup>151</sup> Letter from Mr J.M. Smith of Qantas, Committee Hansard, p. 887B.

<sup>152</sup> Committee Hansard, p. 1044. The Committee understands that islands in the Atlantic with landing strips apparently enable this requirement to be met by the Boeing 767 flying between Latin America and Europe.

<sup>153</sup> Committee Hansard, p. 1044.

two months from mid-April the service reverted to using 707s, before resuming 767 flights.

6.146 Being a much more modern aircraft than the earlier 707, the 767-200ER extended range operated by Lan Chile has several significant advantages over its predecessor. Of major significance is the larger payload that can be carried on the 767. A total of 174 passengers is carried by Lan Chile on its 767-200ER aircraft compared to the 144 passenger capacity on the airline's 707. Also of significance is the longer range of Lan Chile's 767 compared to its 707 aircraft.<sup>154</sup>

6.147 Although the Boeing 767 of Lan Chile Airlines is capable of flying the 7,931 kilometre distance non-stop between Santiago and Papeete there is no intention by the airline at present to by-pass Easter Island. Lan Chile provides the only air link between Easter Island and the Chilean mainland and Easter Island is an important market for the airline on the air route to Tahiti.

6.148 If a direct air link between Chile and Australia were to be established it is probable that Lan Chile would be likely to operate a Boeing 767, or similar sized aircraft, on the route.

6.149 Against the advantages involved in possibly having a greater number of services provided by such smaller aircraft, are the likely disadvantages of such aircraft having to make additional refuelling stops on their flights between Latin America and Australia compared to a Boeing 747 aircraft.

6.150 What size of aircraft to operate on the Latin America-Australia air link is a commercial decision to be taken, within safety regulations, by the airline concerned. However, the Committee can see considerable advantages to travellers in having smaller aircraft provide more frequent services than may be possible with the use of a large aircraft, such as the Boeing 747. It would be particularly useful to the business community to have more frequent services. This in turn would promote trade and investment links and assist in breaking the chicken and egg dilemma referred to elsewhere in this Report.

6.151 The Committee notes that a long range version of the four-engine Airbus A340-300 series, is now being built and is due to enter service in February 1993. This new aircraft, capable of flying routes like Sydney-Buenos Aires non-stop, is claimed to break even with a load of only 144 passengers, although its carrying capacity is

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<sup>154</sup> For technical information on these two aircraft see the *World Encyclopedia of Civil Aircraft*, Crown Publishers, New York, 1981, p. 312 and *Jane's All the World's Aircraft, 1991-92*, Jane's Information Group, Surrey, UK, 1991, pp. 378-379. The number of passengers carried on a 767 aircraft is determined by the airline operating the aircraft. Although Lan Chile carries 174 passengers on its 767-200ER between Chile and Tahiti Qantas carries 202 passengers on the same type of aircraft on its routes.

expected to be larger at around 300 passengers.<sup>155</sup> Such an aircraft would appear to provide an opportunity for more frequent services between Australia and Latin American destinations compared with the larger capacity 747 presently operated by Aerolineas Argentinas.

6.152 The Committee understands from Aerolineas Argentinas that the airline will take delivery of Airbus 340-300 aircraft in 1995 and that it is probable that some of these aircraft will be used to replace, or supplement, the Boeing 747-200 aircraft presently flown on the air link between Argentina and Australia. The use of the 340-300 would allow Aerolineas Argentinas to fly non-stop between Buenos Aires and Auckland without the need to refuel in southern Argentina at Rio Gallegos as occurs at present on westbound flights.<sup>156</sup>

6.153 The Committee welcomes this development. Since these aircraft will carry a smaller number of passengers, compared to the present Boeing 747, Aerolineas would hope to increase the frequency of its services between Argentina and Australia when the Airbuses come into operation. According to Mr Samuels of Aerolineas the airline would seek the approval of the Australian and New Zealand Governments to:

"... increase frequency to compensate for the reduced number of passengers that can be carried on each service."<sup>157</sup>

6.154 Concerning the possible increase in the frequency of air services between Argentina and Australia resulting from the use of the new Airbus 340-300 aircraft, Mr Samuels told the Committee in April 1992 that:

"... it is hard to project the passenger growth on the route between Australia, New Zealand and South America; the number of carriers providing service on this route and as such, their frequencies, to be able to commit at this time anything more than a projected requirement in order that air services adequately meet the anticipated demand."<sup>158</sup>

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<sup>155</sup> *Jane's All the World's Aircraft, 1991-92*, Jane's Information Group, Surrey, UK, 1991, p. 113. See also letter from Qantas to the Committee dated 23 September set out in Committee Hansard, p. 887B.

<sup>156</sup> Letter to the Committee, dated 13 April 1992, from Mr Robert Samuels, General Manager of Aerolineas Argentinas in Australia.

<sup>157</sup> *ibid.* For the views of the Australian Department of Transport and Communications concerning the process involved in increasing flights between Argentina and Australia see paragraph 6.41. If Aerolineas Argentinas wish to increase its flights to Australia it will have to approach the Argentine Government to negotiate with the Australian Government for such an increase.

<sup>158</sup> Letter to the Committee, dated 13 April 1992, from Mr Robert Samuels, General Manager of Aerolineas Argentinas in Australia.

6.155 The McDonnell Douglas Company of the United States has been developing a medium range, 12,987km, aircraft, the MD-11, and a longer range, up to 14,825km aircraft known as the MD-12X which might also have potential for use on the airlink between Latin America and Australia.<sup>159</sup>

6.156 A suggestion has been put forward that Australia could be linked to Europe via Latin America with a view to attracting more passengers on the Latin America Australia link. However, Mr Chicharro of Lan Chile expressed his belief to the Committee that a fare to Europe via South America would never be competitive in comparison with a true point to point fare to Europe from Australia.<sup>160</sup> The Committee nevertheless believes that, even with a fare somewhat higher than the direct fare to Europe, there could well be sufficient demand for such an option in both Australia and Latin America to make such an arrangement viable. The possibility should be fully explored.

### Shipping Links

6.157 According to the Department of Transport and Communications the lack of a direct shipping service between Australia and countries of Latin America has been raised in the past by business and commercial interests as being a barrier to trade.<sup>161</sup>

6.158 As a result of such complaints the Commonwealth Government agreed in 1961 to provide financial assistance for the establishment of a shipping service to the west coast of South America and some Caribbean ports. This service was initially provided by the Swedish Orient Line which operated in both directions and provided twelve sailing between January 1962 and January 1964. These services called at Peru, Ecuador, Colombia, Venezuela, Trinidad, Barbados and Guyana. Despite receiving a subsidy of A\$400 000 the service suffered heavy losses and Swedish Orient withdrew from the service.

6.159 In May 1964 the Japanese shipping company, "K" line, under a series of agreements with the Australian Government provided a shipping service to the west coast of South America. "K" line was paid a subsidy of A\$1.6 million until its last subsidised sailing took place in October 1971. "K" line continued with the service but it proved commercially non-viable and the line withdrew from the service in 1976. The

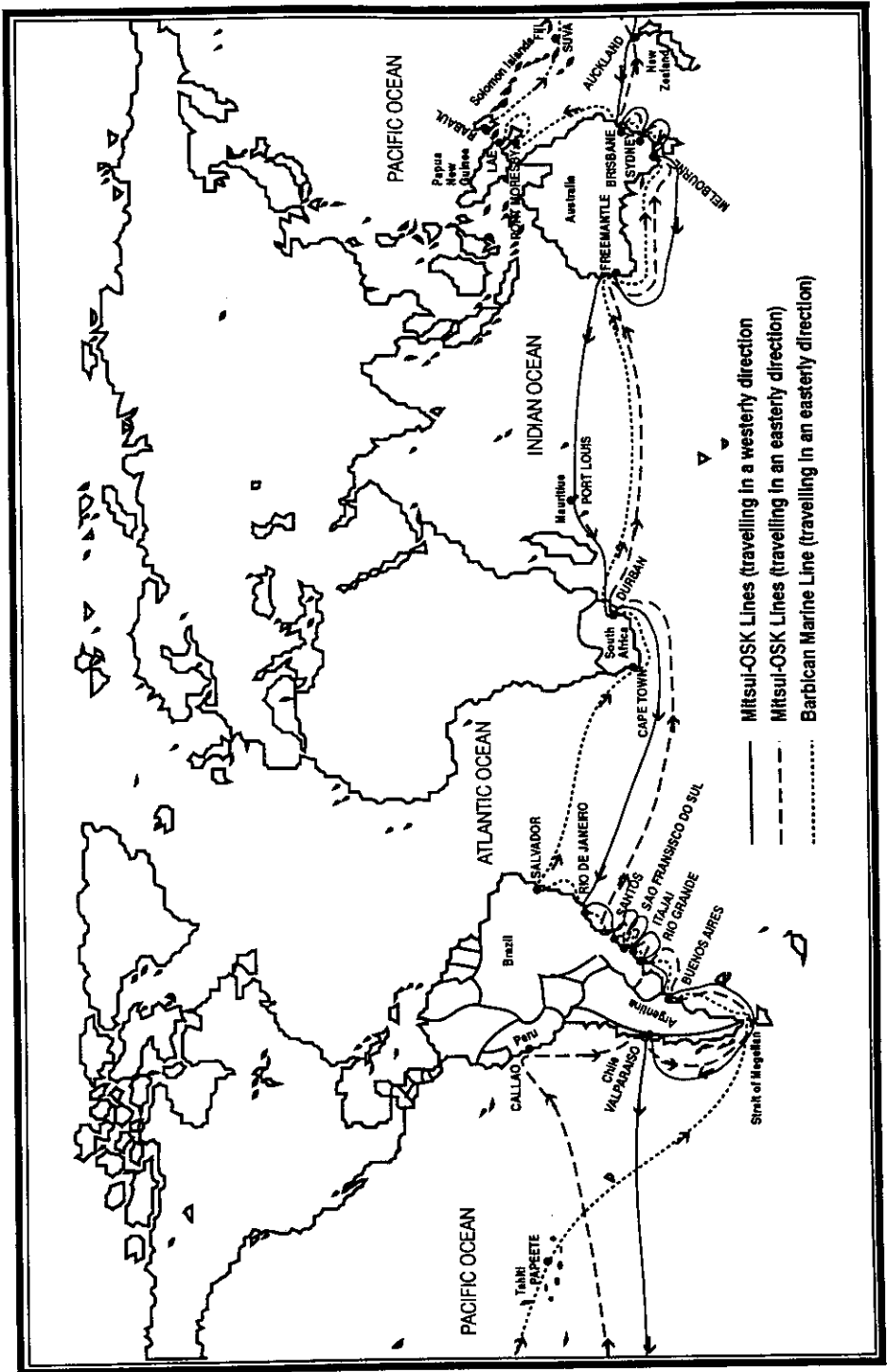
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<sup>159</sup> *Jane's All the World's Aircraft, 1991-92*, op. cit., p. 144. The MD-11 has a passenger carrying capacity of 325; the MD-12X will carry 440 passengers. The MD-11 first entered service in December 1990; the MD-12X is expected to be certified in mid-1995.

<sup>160</sup> Committee Hansard, p. 1041.

<sup>161</sup> Department of Transport and Communications, submission, Committee Hansard, p. 262.

# DIRECT SHIPPING LINKS BETWEEN AUSTRALIA AND LATIN AMERICA



Department of Transport and Communications stated in its submission to the inquiry:

"After 10 years of operation, subsidies had failed to produce any significant trade growth between Australia and the west coast of South America and the Caribbean."<sup>162</sup>

6.160 As noted earlier in this Report there are presently two shipping lines providing dedicated direct shipping links between Australia and Latin America namely, the Mitsui-OSK Lines and the Barbican Marine Line. Neither of these services, which operate on a monthly and five weekly basis respectively from Australian ports, receives any subsidy from the Australian Government.<sup>163</sup>

6.161 As noted previously, through its agent, Union Bulkships, Mitsui-OSK Lines announced in early 1992 that it would be introducing an additional shipping service between Australia and South America carrying primarily break bulk cargo. The decision to introduce additional shipping was in response to demand for a service to deliver a large quantity of steel to Chile. However, the cargo did not eventuate. Mr Hayward, South American Trade Manager for Mitsui OSK Lines Ltd and Union Bulkships told the Committee in evidence that:

"We put two vessels in and on both occasions the cargo vanished about a month before the vessel arrived in Australia."<sup>164</sup>

As a result, the ships were diverted elsewhere.

6.162 International shipping operations, including those between Australia and Latin America, are not regulated by the Australian Government.<sup>165</sup> Shipping services are provided on a totally commercial basis.

6.163 In respect to shipping services to Latin America from Australia, the Department of Transport and Communications told the Committee at a public hearing on 12 August 1991 that:

"The problem on this particular route has been that the profitability does not seem to be there. Whilst there are some short term bumps or increases in the level of trade

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<sup>162</sup> *ibid*, p. 263.

<sup>163</sup> For summary of services between Australia and Latin America, including transit times, see Appendix 11.

<sup>164</sup> Committee Hansard, p. 1887.

<sup>165</sup> There are however international rules on liability. See paras. 3.184-3.190.

which may make it viable for the short period, it does not seem to be sustainable."<sup>166</sup>

6.164 The Department is of the firm belief that there is no doubt that if the volume of trade was sufficient between Australia and Latin America shipping companies would step in to provide increased and improved services.<sup>167</sup> The Department of Transport and Communications also stressed to the Committee that there is little it can do to increase shipping services on the route, apart from encouraging exporters to use the services that are available. As stated by the Department:

"There is nothing we can do to coerce them. We can only encourage them and talk to them."<sup>168</sup>

6.165 The total level of two way liner trade between Australia and Latin America has increased from 87 000 tonnes in 1985-86 to 321 000 in 1989-90. However, in 1989-90 this trade only represented a very small proportion, about 3.6%, of Australia's total seaborne liner trade. In the years between 1985-86 and 1989-90 liner shipping imports from Latin America exceeded exports by a considerable margin.<sup>169</sup> Non-liner trade between Australia and Latin America is considerably larger than liner trade, with exports to Latin America from Australia considerably exceeding imports from that region.<sup>170</sup>

6.166 Due to the lack of frequent direct shipping services to Latin America the transshipment of goods, usually through the west coast of the United States is often necessary. Although transshipment adds to the shipping costs, from a time viewpoint the transit periods appear to be comparable with the existing direct services to Latin America. This is due to the relatively frequent shipping services operating from the United States to Latin America.<sup>171</sup>

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<sup>166</sup> Committee Hansard, p. 284.

<sup>167</sup> *ibid.*

<sup>168</sup> *ibid.*, p. 285. See also Committee Hansard, pp. 274-5.

<sup>169</sup> Department of Transport and Communications, submission, Committee Hansard, p. 260. Liner trade is containerised, or general cargo, while non liner trade is essentially bulk commodities, both dry, such as coal and liquid, such as oil.

<sup>170</sup> Department of Transport and Communication, submission, Committee Hansard, p. 261. See Appendix 12 for details of Australia's liner imports and exports to Latin America between 1985 and 1990.

<sup>171</sup> Letter from Mr Scorpecci of the Department of Transport and Communications to the Committee dated 3 September 1991.

6.167 In addition to complaints concerning the lack of direct shipping services to many ports in Latin America most other complaints by business people regarding shipping services to Latin America, involve:

- . the lack of frequency of shipping services;
- . lack of liner space;
- . the duration of voyages; and
- . high freight rates compared with other shipping routes<sup>172</sup>

6.168 Despite some complaints about shipping services between Australia and Latin America such complaints are not universal. Austrade told the Committee in evidence:

"I guess everyone would like better, more frequent and cheaper shipping services, but we do not really get a lot of complaints about shipping services".<sup>173</sup>

According to Austrade it has not received any complaints about delays or costs in using shipping routes to and from Latin America.<sup>174</sup>

6.169 Arguments that the lack of a direct shipping service to Latin America has damaged trade between Australia and Latin America were challenged by Mr Ian Taylor, Manager of the Americas Market Development Office of Austrade. Mr Taylor told the Committee that he did not believe the lack of direct transport links with Latin America is a great barrier to improving trade. It was his view that there is not quite enough business for existing shipping capacity. Mr Taylor stated:

"... it is a bit of a catch 22 situation. If there were more trade interest, the shipping lines would put on more ships, but by and large there has been a problem with the shipping companies just filling their holds going back to South America. I do not really think it has been a real deterrent."<sup>175</sup>

6.170 As previously noted, despite the fact that Australia's trade with Latin America has been increasing in recent years, the actual level of this trade is modest. Based upon the evidence examined during the inquiry, the Committee acknowledges the

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<sup>172</sup> See Australian-Brazil Chamber of Commerce, submission, Committee Hansard, p. 625; Pasmenco Ltd, submission, Committee Hansard, pp. 451-2; Committee Hansard, pp. 464-5, 470. For comments on the "chicken or egg" arguments in respect to shipping services see Committee Hansard, pp. 202, 225, 1359.

<sup>173</sup> Committee Hansard, p. 361.

<sup>174</sup> *ibid.*

<sup>175</sup> Committee Hansard, p. 346.



problem as expressed by the Department of Transport and Communications:

"While an important issue for Australian exporters is the lack of direct liner services, there is clearly not the volume of trade to support any significant increase in direct liner shipping services."<sup>176</sup>

6.171 Other evidence presented to the Committee on utilisation of liner space by the shipping companies supports this view. Mr Hayward told the Committee that:

"... given that 100% of the cargo inward to New Zealand and Australia comes from South America, perhaps 20% at the very most goes back to South America - probably less."<sup>177</sup>

The only way to make the route viable for Mitsui is to include Mauritius and South Africa.

6.172 Similarly, Mr Olmos, Line Manager for Barbican Marine (Agencies) Pty Ltd said that it is only the inclusion of the Pacific Islands that makes the Barbican line viable. Without the cargo that the line carries to the Pacific Islands, Mr Olmos estimated that 90% of the containers on the five weekly service from Australia to Brazil would be empty.<sup>178</sup>

"Extending the service to cover the Pacific Islands gives us practically 60% utilisation of those containers at very viable freight rates."<sup>179</sup>

6.173 The ships' capacity was further utilised by calling in at Cape Town and Durban. Mr Olmos explained that these arrangements still meant that empty containers had to be picked out and left idle. This added to the costs and viability of the operation. Moreover, Mr Olmos said that the longer route through the Pacific Islands:

"... dramatically increases our transit times back."<sup>180</sup>

6.174 The Committee is concerned that the full potential of existing direct shipping links between Australia and Latin America is not being fully used. While these existing links may not be fully satisfactory to all sectors of the business community, it is difficult

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<sup>176</sup> Department of Transport and Communications, submission, Committee Hansard, p. 263.

<sup>177</sup> Committee Hansard, p. 1880.

<sup>178</sup> *ibid.*, p. 1896.

<sup>179</sup> *ibid.*, pp. 1896-7.

<sup>180</sup> *ibid.*, p. 1896.

to argue that direct regular shipping services to Latin America should be increased when existing capacity on some legs of the journey are significantly under-utilised.

6.175 The Committee has concerns that if the existing direct services are not used to a greater extent the shipping lines concerned could even downgrade their services between Australia and Latin America. Such a development could have a significant impact upon trade between Australia and Latin America, particularly in respect to the opening of new markets.

6.176 The Committee also explored other difficulties faced by traders and shippers to Latin America. Both shipping companies agreed that freight rates per kilometre on the Australia/Latin America route are very high. In Mr Hayward's words:

"... per kilometre, it would be one of the most expensive routes in the world."

The shipping companies attribute this in part to high stevedoring costs at both ends. Mr Olmos concurred with Mr Hayward's view that:

"Brazil and Australia would be the two most expensive places that we call at by a very long way. The costs are more than double those of most other countries."<sup>181</sup>

However both shipping companies agreed that there have been improvements recently in overall efficiency and speed of loading and unloading in Australian ports, although the improvement varied considerably from port to port.<sup>182</sup>

6.177 Mitsui drew attention to additional costs their service incurs because of the in-built inefficiencies associated with cargo that is not fully containerised. The nature of the cargo carried, as well as old and inefficient port infrastructure in most South American port means that Mitsui uses its own ship's gear on the Australia/Latin America route and not the highly efficient port handling cranes available on many other routes.<sup>183</sup>

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<sup>181</sup> *ibid.*, pp. 1884, 1905. As an example, Mr Hayward said that costs in Durban in South Africa are A\$90, in New Zealand NZ\$90 and in Australia A\$400.

<sup>182</sup> Committee Hansard, p. 1874. Melbourne was cited as having attained the greatest efficiencies.

<sup>183</sup> *ibid.*, p. 1875. The consequent need to use public wharves also leads to greater variation in actual costs incurred than is the case for fully containerised operations.

6.178 The voyage time for both the Mitsui and the Barbican service is long.<sup>184</sup> The need to call in at a great number of ports also leads to scheduling difficulties. Mr Hayward explained that:

"... a delay in any one of those ports for any one of a number of reasons completely ruins our future schedule."<sup>185</sup>

Industrial disputes, occasionally bad weather and "poor performance in a number of areas of the waterfront" were cited as contributing to delays.<sup>186</sup> Particular mention was made by both shipping companies of industrial unrest in Brazil in recent times, apparently associated with privatisation proposals. Mr Downes, Representative of Mitsui, and Mr Olmos both noted that since about 1987 Australia's record on industrial relations disruptions has been very good.<sup>187</sup> Chile was also noted as having few problems in this regard.

6.179 Despite the difficulties, Mitsui see their services as having the potential for growth. According to Mitsui, although:

"... the trade flow is stable or slightly decreasing from South America, partly due to local, internal situation and partly due to other sources offering cheap alternatives because of various subsidies in the Northern Hemisphere ... trade ex Australia is currently buoyant, steadily increasing to Argentina, Chile and Brazil, increasing more quickly to southern and eastern Africa, and it is stable to Mauritius."<sup>188</sup>

6.180 In Mitsui's judgement, cargo levels at present can only support three vessels. Nevertheless they:

"... remain mildly optimistic that with these vessels the total trade from Australia will continue to expand as it has over the last three years."<sup>189</sup>

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<sup>184</sup> Mitsui said that their Australia/Latin America voyage time is 90 days compared with 45 days Australia to the Far East-Japan. Committee Hansard, p. 1869. Barbican Line's round trip takes 93 days. *ibid.*, p. 1893.

<sup>185</sup> *ibid.*, p. 1875.

<sup>186</sup> *ibid.*, p. 1874.

<sup>187</sup> *ibid.*, pp. 1889, 1905.

<sup>188</sup> *ibid.*, p. 1869.

<sup>189</sup> *ibid.*, p. 1871.

Mr Hayward added that Mitsui's current effort to increase tonnage to South America represents "something of an act of faith."<sup>190</sup>

6.181 Mr Olmos was a little more cautious. While Barbican Marine appear to be anticipating positive developments in their activities in relation to the Pacific Islands and South Africa, they assess that any growth in demand for shipping space between Australia and Latin America will be "very minimal over the next few years."<sup>191</sup> At the same time, Mr Olmos acknowledged that the easing of import restrictions in Brazil under President Collor has "revitalised" the economy and has already led to:

"... a gradual increase in queries for commodities that we have never been asked to carry before from Australian ports."<sup>192</sup>

6.182 Both shipping companies see themselves as actively engaged in promoting their shipping services. Mitsui has long had a network of representatives in the major ports who gather information and keep in touch with developments.<sup>193</sup> Barbican Marine described themselves as "intermediaries" and "traders" who encourage growth in trade between Australia and Latin America by bringing potential buyers and sellers together.<sup>194</sup> Until very recently, neither company had had any substantive dealings with Austrade. Both indicated that they had little knowledge of how Austrade functions, how it might assist or who to contact in the organisation.<sup>195</sup>

6.183 As a result of its concern that the existing direct shipping routes be more effectively used the Committee believes effort should in the first instance be directed at bringing together traders and shippers to examine ways of achieving a better match between demand and supply of shipping services. It is clearly inadequate for industry and Government to communicate only through intermediaries.<sup>196</sup> With the prospect of increasing trade with South Africa in the wake of the dismantling of apartheid it

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<sup>190</sup> *ibid.*

<sup>191</sup> *ibid.*, pp. 1898-9, 1905

<sup>192</sup> *ibid.*, pp. 1900-1, beer was cited as one such example.

<sup>193</sup> *ibid.*, pp. 1870, 1872, 1890.

<sup>194</sup> *ibid.*, pp. 1894, 1903.

<sup>195</sup> *ibid.*, pp. 1873, 1903.

<sup>196</sup> Mr Hayward likened such a form of communication to "Chinese whispers", where a message tends to lose its original meaning as it travels through intermediaries. Committee Hansard, p. 1891.

would be timely to look at the whole question of shipping services in the Southern Hemisphere afresh.<sup>197</sup>

6.184 Since this inquiry commenced, DFAT has taken the initiative to organise a meeting of shipping representatives and traders in Santiago, Chile, to examine jointly ways in which the shipping needs of those engaged in trade with the Latin America region might be better met. The Committee is pleased to see this development and wishes to see it carried forward. In view of the different situations in different Latin American ports, the discussions should also be widened to include the other major ports of call. Moreover, the Committee considers that it is vital for parallel discussions to take place in Australia.<sup>198</sup> This is particularly important because of the greater amount of cargo arriving in Australia from Latin America compared to cargo leaving Australia for Latin America on the regular shipping services. The imbalance seems particularly marked in the case of Brazil.

**6.185 Recommendation thirty: The Committee recommends that DFAT and Austrade act as catalysts to assist the Australian business community, and the current and potential providers of direct shipping services between Australia and Latin America to identify ways and means of promoting and facilitating trading links. The participation of the Department of Transport and Communications and the Australian Chamber of Shipping should be sought as necessary. Discussions between the parties should be held both at overseas posts and in Australia.<sup>199</sup>**

### **Which Comes First - More Trade or Better Transport Links?**

6.186 Should improvements in transport services be made only when necessary to meet demand, or should such improvements be brought into effect in order to create demand? In his testimony to the Committee, the former Secretary of the Department of Foreign Affairs and Trade, Mr Richard Woolcott, stated:

"... 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".<sup>200</sup>

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<sup>197</sup> As the Mitsui service is already an around the world service, developments in South African trade would have a significant positive impact on it.

<sup>198</sup> The Committee formed the impression that the Australia-based representatives of the shipping lines have not as yet been appraised of the outcome of the discussions in Santiago.

<sup>199</sup> Such discussions could be held under the aegis of the Task Force in Recommendation thirty one.

<sup>200</sup> Committee Hansard, p. 225.

6.187 The Department of Foreign Affairs and Trade's Assistant Secretary, Americas Branch, Mr Ian Wilcock, told the Committee that everyone would like to see improved transport links between Australia and Latin America but that:

"... until the business is clearly there, shipping lines and airlines are reluctant to get into the game".

Mr Wilcock went on to state that the Department of Foreign Affairs and Trade believed that improvements in transport links would occur over time but that such improvements "... must be commercially generated."<sup>201</sup>

6.188 When asked whether Mitsui could give an assurance that, provided goods to trade were available, a shipping service would be provided, Mr Hayward said:

"I hope that we would be able ... to provide the shipping to follow the trade provided that in our estimation it was an economical venture. In fact, that is our intention."<sup>202</sup>

6.189 Mr Hayward also drew attention to some of the complexities in setting freight rates when promoting new venture-type trade. He explained that Mitsui's philosophy had been that a venture does not necessarily have to be profitable from the very start. It had been understood when the company first began the current monthly sailings in 1988 that:

"... it would be difficult indeed to cover costs."<sup>203</sup>

6.190 The main consideration as far as Mitsui was concerned was that new business "must show growth". It was inherent in the nature of Australian/Latin American trade that it would require "... a larger investment, more risk and a trade orientated organisation" than would be required to simply increase services on a route involving an established market.<sup>204</sup> In the case of Latin America, notwithstanding many problems, Mr Hayward said:

"... we can see growth."<sup>205</sup>

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<sup>201</sup> *ibid.*, p. 202.

<sup>202</sup> *ibid.*, pp. 1878-9.

<sup>203</sup> *ibid.*, p. 1868.

<sup>204</sup> *ibid.*

<sup>205</sup> *ibid.*, p. 1885.

Mr Olmos said unequivocally:

"... where there is cargo to be carried there will be a line to carry it."<sup>206</sup>

6.191 A few witnesses, for example, Mr John McGruther, President of the Australia-Brazil Chamber of Commerce, speaking specifically about air links between Australia and Brazil, said that business activity between Latin American and Australia may not suffer unduly as a result of claimed short comings in the present air links.<sup>207</sup>

6.192 The contrary view, namely that better transport links would have a beneficial impact on trade was held more widely by witnesses before the Committee.

6.193 As might be expected, Aerolineas Argentinas expressed the belief that air links provide the best avenue for the expansion of trade links between Australia and Latin America. In its view increased traffic flow in both directions will:

"... manifest itself in the development of commercial trade between continents."<sup>208</sup>

6.194 Many others, without a direct interest in providing transport services, expressed similar views. The following excerpts give an indication of the views expressed:

"Good transport between regions is obviously essential to promote business, tourism and trade ..., the relative difficulty of access to Latin America from Australia by air routes is astonishing."<sup>209</sup>;

"... an important "bottleneck" in bilateral relations is the poor transport connections, compounded by the absence of direct air links and insufficient shipping services between Australia and Chile."<sup>210</sup>;

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<sup>206</sup> *ibid.*, p. 1899. Mr Olmos gave as an example Barbican Marine's recent shipment of the hovercraft formerly owned by Christopher Skase from Brisbane to Montevideo, a port that is not on Barbican's normal schedule. Mr Olmos said "... if there is inducement, we will call". Committee Hansard, p. 1907.

<sup>207</sup> Committee Hansard, p. 648.

<sup>208</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 740.

<sup>209</sup> Mr A. McL. Collins, Austral, submission, para. 2.4.

<sup>210</sup> H.E. Mr J. Salazar, submission, para. 65.

"Any improvement in the transport links between Australia and South America will be of great benefit to Australian exporters."<sup>211</sup>;

"It will be possible to improve contacts between Australia and Latin America by expanding the existing transport connections, where difficulties at present are compounded by poor or even totally absent direct air links and shipping services. In the long run, remedying this situation would not only provide stronger links between people, but also expand tourism in both directions, and create new trade and business opportunities."<sup>212</sup>;

"One of the further inhibiting factors in developing commercial linkages across the Pacific has been the inadequacy of shipping services and airline connections ... An improvement in direct air links would obviously facilitate trade, particularly tourism which is now Australia's largest export earner."<sup>213</sup>; and

"[Transportation] is probably the most serious problem for enhancing and widening the relationship, because there are currently no direct links, either air or maritime, between Australia and Mexico."<sup>214</sup>

## Conclusion

6.195 The Committee is not surprised at the apparent reluctance in several Government Departments to initiate action to promote trade or transport links with Latin America. It is certainly true that several earlier attempts foundered and came to nought - this includes the posting of a range of Austrade representatives in the region in the seventies, several aborted efforts over the years to promote trade missions, the failure of the Qantas route to Mexico and two subsidised shipping services to Latin America. With the benefit of hindsight it is possible to see that these valiant efforts were being made at the wrong time.

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<sup>211</sup> Barret Burston, submission, p. 3.

<sup>212</sup> Australian-Chile Friendship Society, submission.

<sup>213</sup> Australia-South America Business Council, submission, p. 4. Committee Hansard, p. 1388. In 1990-91 tourism was Australia's largest foreign exchange earner, A\$6.7 billion, and coal was Australia's largest merchandise export at A\$6.4 billion, Senate Hansard, 28 April 1992, p. 1733.

<sup>214</sup> H.E. Mr A. Morales, former Ambassador of Mexico, submission, p. 24.



6.196 The Committee is concerned that proper account is taken of the circumstances in which these efforts failed and that attitudes today are not overly tainted by the experiences of yesterday. It is vital to re-evaluate opportunities in the light of dramatically changed circumstances in Latin America in recent years, a rapidly changing global political and economic scene and Australia's place in it.

6.197 It is apparent to the Committee that current bureaucratic arrangements do not readily provide a suitable mechanism to evaluate sufficiently comprehensively Australia's overall national interests as they relate to a matter such as air links with Latin America.

6.198 Since a Cabinet decision of 1989, the Department of Transport and Communications is required to consult with DFAT, DITAC and the Department of Arts, Sport, the Environment, Tourism and Territories (DASETT) each time that Department receives a request for air services talks. In other words the process is only activated when an airline takes the initiative. It is the Committee's view that this procedure or mechanism is inadequate in a complex situation such as that pertaining to Australia's links with Latin America.

6.199 The Australian Tourist Commission told the Committee that there had been some improvement in consultation since 1989:

"... but the consultative arrangements tend to be very much on an ad hoc basis with negotiations coming up at very short notice, as it were, so that there has not been sufficient time for us to prepare a considered tourism view ... within the Department of Transport we would welcome the move to look at things on a more strategic basis."<sup>215</sup>

The Committee endorses the Tourist Commission's view that a more strategic approach is necessary. The Committee believes that a more effective and more comprehensive consultative process, going well beyond that which now exists is essential.

6.200 In a simplified form the present situation can be summarised as follows:

- . Some Australian business people don't choose to do business in Latin America and some tourists don't go there because travel is too cumbersome and too costly;
- . airlines don't put on more frequent flights at cheaper fares because there are not enough passengers; and
- . the bureaucracy says it is all primarily a matter for the private sector;

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<sup>215</sup> Committee Hansard, pp. 735-6.

6.201 No single sector in this equation, be it traders, the airlines or the tourists, can be expected to break into the low growth pattern currently evident in the Australia-Latin America relationship. It is the Committee's view, however, that looked at in its totality, there is every reason to believe that co-ordinated, mutually reinforcing and supportive action in each of those sectors would lead to significant and valuable growth in each sector and in the total relationship. An approach that overcomes the current fragmentation of interests and seeks to promote and protect Australia's national interest as a whole must be found.

6.202 The Committee is well aware of the major changes of far-reaching consequence that are taking place in the international airline industry. These changes reflect the changing attitudes of governments towards ownership and support of their own international airlines and the economics and commercial realities of the industry.

6.203 Deregulation has already had a significant impact on Australia's domestic aviation industry. Further major changes have been foreshadowed by the Government, including the part privatisation of Qantas and changes with regard to the Trans Tasman arrangements.<sup>216</sup>

6.204 The Government's "One Nation" Statement of 26 February 1992 indicated the direction and scope of some of these changes. Although at this stage it is not clear what impact these initiatives will have on air links between Australia and Latin America they appear to have the potential to improve services between the two regions. Among the more significant initiatives put forward are:

- . reducing the barrier between Australia's domestic and international aviation sectors;
  - additional Australian carriers will be able to operate international services, providing consumers with greater choice and the benefits of more competition on international routes;
  - additional Australian carriers will be allowed to operate international freight services;
- . the renegotiation of bilateral air service agreements will take place with a view to securing multiple designation agreements with other countries and a "pro-competitive approach directed at achieving enhanced route and capacity arrangements";
- . negotiations to take place with other countries involving the exchange of own stop-over or interline rights;

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<sup>216</sup> DFAT advised the Committee in a letter dated 18 May 1992 that the new owners of Qantas may wish to review joint venture contracts such as the one Qantas currently has with Aerolineas for leasing of seats.

foreign carriers will be allowed Australian interline rights where, through negotiation, a "mutually beneficial outcome results"; and

opening of a single aviation market between Australia and New Zealand.<sup>217</sup>

6.205 The Department of Foreign Affairs and Trade confirmed to the Committee that:

"Once implemented, the new Trans-Tasman arrangements and multiple designation of carriers on other routes will mean that foreign airlines such as Aerolineas Argentinas seeking a commercial arrangement with an Australian international airline will be able to do so with other airlines as well as Qantas."<sup>218</sup>

6.206 The Department also confirmed that:

"... after the reforms are operational and in circumstances where there are Australian rights to routes unutilised by Qantas, for example, on the route to Argentina, other Australian airlines will be able to seek authority to operate such unutilised route rights under the proposed multiple designation regime."<sup>219</sup>

6.207 Under these circumstances, in this fluid situation, the Committee is in no position to make specific prescriptive recommendations with regard to the Australia-Latin America air links. However, the Committee's views on the outcomes that should be sought are clear. As indicated elsewhere in the Report, the Committee is firmly of the view that it is in Australia's national interests to strengthen its links with the republics of Latin America. In order to do so it is vital to improve both air and sea transport links with the region. Improvement must be sought in:

the frequency of services;

the cost of services; and

the ease of connections.

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<sup>217</sup> House of Representatives Hansard, 26 February 1992, pp. 264-71 and the *Australian Financial Review*, 27 February 1992, special liftout. "Interline rights" refers to the right of an airline to transfer passengers to another carrier using one ticket, at no additional cost or penalty.

<sup>218</sup> Letter to the Committee from Mr I. Wilcock, dated 18 May 1992.

<sup>219</sup> *ibid.*

With regard to air links a number of possible areas that should be explored in detail as part of a comprehensive re-evaluation of options to develop the market include:

- . a bilateral air services agreement between Chile and Australia that would permit a direct Santiago-Sydney return route, with options to stop over in Easter Island, Papeete and Auckland;
- . rights to additional permanent services on the Buenos Aires/Sydney route for both Aerolineas Argentinas and Qantas;
- . joint venture arrangements between Lan Chile and Qantas, and possibly Air New Zealand;
- . improvement in the arrangement whereby Qantas purchases 50 seats on the Aerolineas Argentinas flights on the Sydney/Buenos Aires route;
- . joint venture arrangements between Qantas and any other airline with rights to the Australia-Latin America route;
- . the potential impact of new technology aircraft, particularly on the frequencies that might be achieved;
- . improvements in connections at Papeete between Qantas and Lan Chile;
- . air freight charges and scope for the establishment of a pure air freight service between Australia and Latin America;
- . the introduction of a range of promotional fares in a joint effort by Qantas, Aerolineas Argentinas, Lan Chile and the tourist authorities of Australia, Chile and Argentina, in the first instance, with subsequent involvement of the tourism authorities of other major Latin American countries;
- . a study coordinated by the Australian Department of Transport and Communications, involving the Civil Aviation Authority, Argentinean aviation authorities, Qantas, Aerolineas Argentinas and possibly Lan Chile on the use of a non-stop air route between Latin America and Australia flying south of the 60th parallel; and
- . streamlining of procedures for the issue of visas and a concerted effort by DILGEA to ensure that all staff in Latin America with authority to issue visas are fully aware of the importance of facilitating travel by bona fide visitors from Latin America.

**6.208 Recommendation thirty one:** The Committee recommends that a Task Force on Latin America be established, initially for a period of two years. This Task Force should be chaired by the Department of Foreign Affairs and Trade and should involve the following bodies:

Australian Trade Commission  
Department of Transport and Communications  
Department of Employment, Education and Training  
Department of Immigration, Local Government and Ethnic Affairs  
Department of Primary Industries and Energy  
Department of Arts, Sport, the Environment and Territories  
Department of Industry, Technology and Commerce  
Department of the Prime Minister and Cabinet

- . the objective of the Task Force in the first instance should be to examine what contribution each participating department or agency might make to increasing links with Latin America as set out in Recommendation one of this Report;
- . the Task Force should develop a clear strategy, identifying complementary action that must be taken by each party to achieve the objective of increasing such links;
- . in developing a suitable strategy, the Task Force should take account in particular of Recommendation fourteen of this Report and address in detail the issues identified in paragraph 6.207. On the matter of transport links between Australia and Latin America, the Task Force should seek improvements in:
  - the frequency of services;
  - the cost of services; and
  - the ease of connections.
- . the Task Force should involve directly in its activities or working groups that might be set up under it, other interested parties such as the Civil Aviation Authority, Qantas and other Australian airlines interested in establishing international services, the Australian Tourist Commission and State Tourism Authorities, relevant Marketing Boards (such as the Australian Dairy Corporation, the Australian Horticultural Corporation, Australian Coal Board and various Barley Boards), and other relevant bodies such as the Australian Business Council, the various Chambers of Commerce and AILASA;
- . the Task Force should build on the findings of this Report and have ongoing responsibility for coordination of the Australian Government's policies in relation to Latin America. The Task Force should monitor implementation of the Recommendations of this Report;
- . the existence and role of the Task Force should be well-publicised and a position in DFAT clearly identified as a first point of contact and advice

for anyone interested in pursuing opportunities with the countries of Latin America; and

progress in implementing the Recommendations of this Report and the requirement for the Task Force should be reviewed in two years' time.