JOHN S. ROWE
MANAGING DIRECTOR
AUSTRALIAN TOURIST COMMISSION

THE DOMESTIC TRANSPORT SYSTEM:
MEETING THE NEEDS OF INTERNATIONAL VISITORS

ABSTRACT

Following a huge boost in worldwide marketing activities in recent years, Australia's profile as a tourism destination has never been higher. A surge in tourism infrastructure development has complemented these marketing efforts, and the result is that Australia now has a tremendous opportunity to capitalise on its tourism potential. Our target of doubling the number of visitors arrivals by 1988 is optimistic but achievable.

The domestic transport system (particularly the aviation system) will play a key role in determining whether or not we can achieve the target, and ATC's research has identified two major areas in which action must be taken. The first and most important area relates to the free flow of visitors around Australia, and there is ample evidence that the existing domestic aviation system is not meeting the needs of international visitors. ATC has proposed that Qantas be permitted to carry all international passengers flying domestically and, in addition, that a more competitive domestic airline environment be provided through either an easing in the existing regulations governing Ansett and TAA's operations or through the licensing of one or more additional airlines to fly domestic trunk routes.

The second major area relates to the need for the domestic transport system to provide a "tourism experience" rather than just a means of travelling between two points.

1. INTRODUCTION

Over the past three years, an extraordinary change has taken place in the awareness of Australia's potential as a tourism destination, and it would be only a slight exaggeration to say that Australia is undergoing a tourism revolution.

A huge boost in worldwide marketing efforts by ATC, the States/Territories and the Australian tourism industry has helped to raise Australia's profile as a tourism destination to unprecedented heights.

These marketing activities have been complemented by a surge in tourist development activity. At the end of September 1985, major tourist developments valued at $2.3 billion were under construction (including 22 international-standard hotels) and projects valued at a further $3.5 billion were firmly committed.

With a continuation and expansion of marketing and development activities over the next few years, ATC believes that a target of 2 million visitor arrivals annually is achievable by 1988 - twice the level achieved in 1984.

This paper examines the key role which Australia's transport system plays in the current international tourism picture and looks at the changes which must be made to the system to enable Australia to cope with a "new dimension" in tourism in coming years.

The paper follows the broad structure set out below:

- some background to ATC's role and its activities, and an outline of tourism trends;
- some details of the characteristics of visitors' trips in Australia, and in particular, those characteristics which relate fairly directly to the transport system;
- a cross-section of views of overseas and local travel industry organisations on our transport system;
- a discussion of the changes which need to be made to the system so that Australia can achieve its full tourism potential.

2. ATC'S ROLE AND ACTIVITIES

ATC is Australia's national tourism marketing organisation. It is governed by a Board of Commissioners and is responsible to the Federal Minister for Sport, Recreation and Tourism.

It is funded by the Federal Government, but has the financial support of the States and the tourist industry in many of its promotions.

ATC's major objectives are to:

- encourage people from other countries to travel to Australia
- encourage greater travel within Australia by overseas visitors and Australian residents.

Most of ATC's resources have traditionally been directed towards the inbound tourism market and this paper focusses mainly on the importance of the transport system to that market. However, since early 1984 ATC has also been involved in a campaign to encourage domestic tourism in conjunction with State and Territory tourism bodies, the Australian Federation of Travel Agents, the Australian Travel Industry Association and the Federal Government.

ATC has its Head Office in Melbourne, as well as offices in Sydney and 7 key overseas locations. In addition, representatives are engaged in several other cities around the world.

With an increase in its budget allocation from $10 million in 1982/83 to $26 million in the current year, ATC's activities have stepped up substantially. The increased budgets have enabled us to undertake a wide range of additional initiatives - the most visible being the highly successful Paul Hogan television and radio campaigns in the United States. However, these campaigns form only a part of ATC's worldwide activities: other less glamorous activities include servicing consumer and trade inquiries; production of publications for various markets; features and supplements in trade and consumer print media; participation in trade shows; organisation of workshops and seminars; hosting of key travel industry and media people on familiarisation visits; market research and a wide range of other activities. Many of these are undertaken in co-operation with the Australian industry and the States/Territories, and the value of their contributions has increased from less than $2 million in 1982/83 to an estimated $6 million in the current financial year.

3. GROWTH PROSPECTS FOR INBOUND TOURISM

National tourism has been, and will continue to be, the major element in Australian tourism. Currently national tourism accounts for around 80% of the tourism pie, while inbound tourism accounts for the remaining 20%. However, only moderate growth is forecast for national tourism in the medium term, but the inbound market offers very exciting growth prospects.

In 1984, the number of international visitor arrivals in Australia exceeded 1 million for the first time. The major growth has come from the holiday segment in the past few years, and this segment offers the best opportunities for the future.

USA and Japan in particular offer enormous scope for future growth in holiday arrivals:

- there has been an outstanding response to ATC's Paul Hogan campaigns in the USA, with well over 500,000 responses to the "800" number shown in the commercials. Furthermore, our surveys indicate that the campaigns have been very successful in reaching the target demography of affluent long-haul travellers. Of 1,000 respondents surveyed after the September 1984 campaign, 74% stated that they planned to visit Australia (46% within 2 years). The full impacts of the campaigns are now beginning to be felt, and ATC expects that 1985 arrivals from USA will exceed 200,000 (40,000 above the 1984 level) and that strong growth will continue into future years;

- tourism from Japan to Australia has shown consistently higher growth rates than from any other source in recent years and there is every expectation that this will be maintained. Australia is emerging as a very popular honeymoon destination, and the "office ladies" and the "silver" markets also offer excellent potential.

By highlighting the potential of these markets, I don't wish to imply that we will be ignoring our other markets. New Zealand, for example, is still our largest single source and U.K. until recently was our second largest. We obviously need to at least maintain (and hopefuly strengthen) our position in these markets.

We have set a target of 2 million annual visitor arrivals by 1988. This represents an average increase of 18% per annum from 1984, which is an optimistic but achievable target given full support from Government and industry.

Table 1 shows 1984 arrivals and targetted 1988 arrivals from major sources. (Some of the individual targets will be amended before the presentation of this paper, but the overall target of 2 million will remain unchanged.)

TABLE 1 : 1984 VISITOR ARRIVALS AND 1988 TARGETS

Source:	Visitor Arrivals 1984 '000	Visitor Arrivals 1988 Target '000
New Zealand	234	330
Asia	147	330
Japan	88	230
Europe	124	220
UK & Ireland	150	310
USA	161	390
Canada	35	70
Other	76	120
TOTAL	1015	2000

SOURCE : ATC

4. TRIP CHARACTERISTICS

Each year, AIC conducts an International Visitor Survey (IVS) to study the travel behaviour and attitudes of visitors to Australia.

In 1984, 6200 departing international visitors were personally interviewed about their trip. Interviews were conducted at Australia's eight major international airports: Sydney, Melbourne, Brisbane, Cairns, Townsville, Perth, Adelaide and Darwin.

From these interviews we are able to build up a fairly comprehensive picture of the characteristics of visitors' trips to Australia, and this Section examines the characteristics which relate most directly to the transport system.

It should be noted that, as the IVS is a sample survey, all results are subject to sampling error.

4.1 Length of Stay/Time Away from Home

In 1984, the mean length of stay in Australia was 30 nights (see Table 2). The mean length of stay by visitors from individual countries varied widely, ranging from 8 nights for Japanese (half of whom spent 5 nights or less in Australia) to over 40 nights for UK visitors.

It is sometimes assumed that we can't do much about increasing visitors' length of stay because their trips are limited by the length of their leave or other factors. In fact, Table 3 shows that on average only about 60% of visitors' total nights away from home are spent in Australia, with the average from each source ranging from about 50% to 80%.

4.2 Region of Stay

Table 4 shows the distribution of visitors nights throughout Australia in 1984.

The Table highlights the concentration of visitors on the East Coast of Australia. Thirty-one percent of visitor nights were spent in New South Wales, 22% in Victoria and 21% in Queensland , i.e. in total, 74% of visitor nights were spent in those three States. Only 11% of nights were spent in Western Australia, 6% in South Australia and 4% or less in ACT, Northern Territory and Tasmania.

The Table also shows the low percentage of time spent away from the capital cities, only 28% of nights were spent in places other than the capitals.

The concentration on the East Coast is particularly apparent for Japanese visitors, who spent 88% of their visitor nights in either Queensland, NSW, Victoria or ACT and only 7% of nights outside capital cities or the Gold Coast.

4.3 Total Transport Used

Table 5 shows the percentage of visitors who used various forms of transport at any time during their stay.

A private or company car was the most commonly used form of transport according to the IVS. Visitors from UK and the Netherlands were the most likely to use this type of vehicle, due largely to the high proportion of Visiting Friends and Relatives (VFR) traffic from these sources. Half of all visitors used taxis or chauffeur driven vehicles and 37% used domestic airlines. Other significant but less substantial forms of transport were water transport (ship, boat, ferry), inter-city coach, rented self-drive car and inter-city train. Only 2% rented campervans in 1984.

4.4 Expenditure on Transport and Other Items

A breakdown of visitor expenditure into major categories is shown in Table 6. The figures are preliminary only.

Average expenditure on all items in 1984 was $1160 per head, of which $260 related directly to domestic transport (except for coach tours with accommodation, which include a food/accommodation component). Domestic airfares were by far the highest transport expenditure item, with average expenditure of $122 per head.

Estimated total expenditure on domestic transport in 1984 by the 1,015,000 international visitors is tabulated below:

	$ Million	
Domestic Airfares	124	
Coach Tours		
- no accommodation	11	
- accommodation	21	
Train, coach fares	24	
Taxis, Limousines	22	
Self-drive cars, vans	38	
Petrol, oil costs		
TOTAL TRANSPORT	$263	million

4.5 Pre-Paid Arrangements

Only 38% of international visitors in 1984 pre-purchased any arrangements other than their international airfare before arrival, as shown in Table 7. Japanese visitors were an outstanding exception, pre-purchasing 84% of their arrangements.

Virtually all visitors pre-purchased their international airfare, but only 22% pre-purchased domestic airfares, 24% accommodation and 15% ground transport.

Holiday visitors were more likely to pre-purchase their arrangements than visitors in other categories (not shown in the Table).

TABLE 2 : LENGTH OF STAY

	U.S.A. %	ASIA %	JAPAN %	CANADA %	NEW ZEALAND %	UK & IRELAND %	TOTAL EUROPE %	OTHER COUNTRIES %	TOTAL 1984 %
1 week or less)	35	30	76	20	30	15	19	21	**30**
Over 1 week-2 weeks)	26	25	16	17	31	9	16	19	**21**
Over 2 weeks-3 weeks)	11	14	3	15	17	12	12	28	**14**
Over 3 weeks-4 weeks)	8	7	3	10	7	11	9	4	**7**
Over 4 weeks-6 weeks)	9	6	2	14	8	21	19	10	**11**
Over 6 weeks)	11	18	1	24	8	32	25	18	**16**
Mean nights) in Australia)	**24**	**36**	**8**	**40**	**22**	**44**	**38**	**37**	**30**
Median nights) in Australia)	**11**	**12**	**5**	**20**	**12**	**30**	**23**	**17**	**13**

TABLE 3 : TIME AWAY FROM HOME

	U.S.A.	ASIA	JAPAN	CANADA	NEW ZEALAND	UK & IRELAND	TOTAL EUROPE	OTHER COUNTRIES	TOTAL 1984
Average nights away) from home)	48	44	14	82	38	60	63	57	**48**
Average nights) in Australia)	24	36	8	40	22	44	38	37	**30**
% of total trip in) Australia)	50	82	57	49	58	73	60	65	**62**

TABLE 4 : REGION OF STAY (VISITOR NIGHTS)

	U.S.A. %	ASIA %	JAPAN %	CANADA %	N. ZEALAND %	U.K. and IRELAND %	TOTAL EUROPE %	OTHER COUNTRIES %	TOTAL 1984 %
Sydney)	23	18	44	24	26	20	33	20	24
Other NSW)	9	4	2	5	8	8	8	3	7
ACT)	2	10	6	4	2	3	2	3	4
Melbourne)	11	34	22	14	8	15	15	11	16
Other Victoria)	3	8	1	2	3	4	4	25	6
Brisbane)	13	8	5	8	10	8	5	19	10
Gold Coast)	2	1	6	6	4	2	2	1	2
Great Barrier Reef)	8	1	1	9	12	4	6	7	6
Other Queensland)	2	2	1	3	5	3	2	7	3
Adelaide)	5	2	2	7	3	8	6	2	5
Other S Australia)	4	*	*	2	2	1	1	*	1
Perth)	8	8	3	7	7	16	9	2	9
Other W Australia)	2	2	1	1	3	2	1	2	2
Hobart)	3	*	*	1	*	2	1	*	1
Other Tasmania)	*	*	*	2	*	1	1	*	1
Darwin)	*	1	2	1	2	*	1	1	1
Other N Territory)	4	*	3	2	2	1	2	*	2
Total)	100	100	100	100	100	100	100	100	100

TABLE 5 : TOTAL TRANSPORT USED

	U.S.A. %	ASIA %	JAPAN %	CANADA %	N. ZEALAND %	U.K. and IRELAND %	TOTAL EUROPE %	OTHER COUNTRIES %	TOTAL 1984 %
Car(private/company))	45	60	19	54	57	79	65	43	55
Taxi/hire car)	64	51	61	62	53	33	46	36	50
Plane)	51	31	63	44	29	28	33	24	37
Ship, boat, ferry)	38	21	7	40	16	27	35	14	24
Inter-city coach)	20	20	14	36	24	23	23	12	24
Rented self-drive car)	22	11	6	16	16	14	14	36	16
Inter-city train)	10	9	3	16	10	12	14	2	10
Hitch-hiking)	2	*	*	9	1	2	4	1	2
elf-drive van/) Campervan)	1	3	1	4	1	1	4	2	2
otor cycle/Bike)	1	*	*	1	*	1	1	-	1
ther)	22	24	56	22	27	21	22	23	26
otal used transport)	99	100	97	100	99	100	100	100	99
transport used)									
Can't say)	1	*	3	*	1	*	-	*	1

TABLE 6 : VISITOR EXPENDITURE 1984 (PRELIMINARY ONLY)

	U.S.A. $	ASIA $	JAPAN $	CANADA $	NEW ZEALAND $	UK & IRELAND $	TOTAL EUROPE $	OTHER COUNTRIES $	TOTAL 1984 $
DOMESTIC TRANSPORT									
Domestic airfares)	161	105	273	155	71	99	98	122	**122**
Coach tours) no accom)	14	13	15	21	8	7	10	11	**11**
Coach tours) with accom)	19	10	8	96	21	31	29	*	**21**
Train, coach fares)	23	14	18	78	16	29	41	19	**24**
Taxis, limousines))	22	33	22	22	18	14	23	24	**22**
Self-drive cars, vans)	57	28	17	50	24	34	51	67	**37**
Petrol, oil costs)	24	13	7	44	17	36	36	21	**23**
SUB-TOTAL)	**320**	**216**	**360**	**466**	**175**	**250**	**288**	**264**	**260**
OTHER ITEMS									
Int airfares (a))	31	56	4	40	22	19	19	64	**29**
Shopping)	240	305	418	234	282	230	202	494	**285**
Food, drink and) with accom)	544	498	414	709	384	413	562	501	**474**
Entertainment)	50	47	17	62	35	39	37	23	**38**
Other expenses)	72	74	29	101	41	71	75	37	**60**
Details not known)	14	6	14	12	3	19	24	3	**11**
Sub-Total)	951	986	896	1158	767	791	919	1122	**897**
TOTAL	**1270**	**1201**	**1257**	**1625**	**941**	**1045**	**1205**	**1386**	**1160**

(a) Airfares for international travel paid for in Australia.

TABLE 7 : PRE-PAID ARRANGEMENTS

	U.S.A. %	ASIA %	JAPAN %	CANADA %	NEW ZEALAND %	UK & IRELAND %	TOTAL EUROPE %	OTHER COUNTRIES %	TOTAL 1984 %
International fare	98	94	99	97	99	99	96	98	98
Domestic airfares	26	17	60	20	18	12	10	22	22
Accommodation	29	16	73	17	30	10	8	14	24
Ground transport	21	8	64	10	9	5	6	3	15
Meals	13	12	67	7	6	2	4	1	12
Organized tours	12	8	44	7	6	2	3	*	9
Entertainment	4	2	14	1	1	1	*	*	3
Other	1	*	1	1	*	*	*	1	1
Total purchased any arrangements before arrival	98	94	99	97	99	99	96	98	98
Total purchased arrangements other than international fares before arrival	44	30	84	34	41	20	19	34	38
Did not purchase before arrival	2	6	1	3	1	1	4	2	2

5. TOURISM INDUSTRY VIEWS ON THE DOMESTIC TRANSPORT SYSTEM

ATC has canvassed its various overseas offices for comment on Australia's transport system from major wholesalers and other industry people, and has also sought input from State and Territory tourism authorities and industry bodies.

A general point which can be made about Australia's transport infrastructure is that the standard of the tourism plant and equipment is considered to be adequate to meet the needs of international visitors, with most aircraft, coaches, trains and rental cars regarded as being clean, well maintained and comfortable. No reservations were expressed about safety aspects.

Comments relating to specific forms of transport are discussed below.

Domestic Airline System

Notwithstanding the generally high standard of aircraft and airport facilities, responses suggest that the domestic airline system in Australia is perceived as a substantial negative factor in Australia's competitiveness as a holiday destination. Both the cost of domestic airfares and a lack of flexibility in services aroused concern.

Specific concerns related to:

- the total separation between the international airline system to Australia and the domestic airline system, causing severe restrictions on tourist movements;

- the parallel nature of most Ansett/TAA services, routes and schedules, and the airlines' identical fare structures;

- the upward trend in Australia's domestic full-fares in recent years;

- the conditions attached to discount fares, which in many cases severely limit their usefulness to visitors - conditions such as the lack of interlining provisions; restriction to jet services only; exclusion of those visitors who pay full-fare on their international flights; and stipulations regarding minimum distances;

- the level of discounts offered on promotional fares. The large distances involved in domestic travel in Australia result in what seem to be relatively high airfares (even if the fares are comparable with fares in other countries on a "per km" basis), and many wholesalers feel that it is essential for discounts to be large enough to overcome this handicap;

- the unsuitability of percentage discounts off standard fares. Many wholesalers would prefer all discount fares to be fixed in dollar terms to enable them to cost their programmes more reliably and for longer periods of validity.

The Rail System

Apart from some very isolated comments on the quality of the food and sleeping accommodation on some trains, most criticisms of the rail system related to marketing and booking aspects rather than the actual services.

In regard to marketing, a general feeling is that Australia's trains have not been adequately promoted as providing a "tourism experience". The Indian Pacific, the Ghan and the new Sydney-Alice Springs services in particular offer huge potential as "tourism experience" trains, but little has been done to capitalise on this potential.

Austrailpass is regarded as an attractive means of seeing Australia economically, but it has not been promoted extensively enough.

Many respondents also felt that bookings are often difficult to make from overseas markets, and confirmations take a long time to come through. Accordingly, bookings must be made well ahead, which many visitors prefer not to do.

Finally, some respondents noted that industrial problems such as strikes do not instil confidence in the system.

Coach Travel

Respondents were generally impressed with Australia's extensive coach network and the relatively low cost of coach travel.

Some respondents highlighted administration and distribution problems: some felt that payment and ticketting procedures should be standardised, while the wholesaler claimed that brochures and price lists for inter-city travel and coach tours are difficult to obtain and often out of date.

Other

Rental cars and campervans were considered to be high quality, reliable and reasonably priced in most instances.

6. LOOKING AHEAD

6.1 General

I indicated earlier that ATC's major objectives are to encourage more inbound travel to Australia and to also encourage wider travel within Australia.

Inbound tourism is one of Australia's few export industries with excellent growth prospects. If we are to maximise the benefits deriving from inbound tourism we must not only encourage more visitors to Australia, but we must also encourage them to stay longer, travel more widely and spend more.

In ATC's view, there are two major functions of the transport system in facilitating these objectives:

- the first is to enable a free flow of visitors around Australia. It is obviously a basic fact that visitors won't venture further afield unless the transport system can take them there at a reasonable price and with reasonably regular and convenient schedules;

- the second is the ability of the transport system to provide a "tourism experience" rather than just a means of travelling from one point to another. This particularly applies to surface transport across Australia's vast outback and semi-arid areas.

It should be noted that a free flow of visitors and the provision of "tourism experiences" are not seen as just some means of spreading the benefits of tourism more widely throughout Australia. Whilst this aim is highly desirable, there are two other major reasons why it is essential for the transport system to meet these requirements.

Firstly, as indicated earlier, a level of 2 million annual arrivals will constitute a new dimension in tourism for Australia. We simply won't be able to cope with such an influx if future visitors follow the existing patterns of dispersal. Pressure on the tourism infrastructure will mean that we will have to motivate visitors to experience other parts of Australia as well as the traditional areas.

Secondly, it is a fact that tourism developments in neighbouring countries (notably New Zealand) have not kept pace with developments in Australia. If potential visitors in future are forced to cancel their holiday because there isn't sufficient accommodation in the other countries they plan to visit on their trip, then tourism to Australia will be severely disadvantaged. We must work towards promoting Australia as a single tourism destination with all the attractions of a multi-destination holiday, and therefore the transport system must enable visitors to experience Australia in all of its aspects economically and with a minimum of inconvenience.

The characteristics of visitors' trips, as outlined in Section 4, demonstrate that there is substantial scope for increasing the dispersal and length of stay of visitors. For example:

- visitors from most sources spend around 60% of their total time away from home in Australia. In theory at least, there is scope for them to spend the remaining 40% (less international travel time) in Australia as well;

- most visitors spend the bulk of their Australian itinerary in the eastern States, particularly in the capital cities and on the Gold Coast. Given the motivation to see other parts of Australia and an efficient and effective means of transport, they could extend their trip to incorporate these areas as well;

- although domestic airfares are the major single item of expenditure on domestic transport by visitors, average expenditure on this item was only $122 in 1984 i.e. less than the cost of a one-way Sydney to Melbourne economy airfare, and another indicator of the low level of visitor dispersal;

- a relatively small percentage of visitors use coach transport, rented self-drive cars, inter-city trams and campervans. There is scope for increasing the use of these forms of transport and hence the dispersal of visitors;

- very few visitors pre-purchase their domestic airfares, accommodation or ground transport, and so they are not "tied" to the traditional places of interest.

Although it is not possible to determine from ATC's International Visitor Surveys to what extent the lack of visitor dispersal is caused by deficiencies in the transport system, comments by industry people in Section 5 support the view that shortcomings in the aviation system in particular require urgent action.

The following Sections outline the proposals by ATC and others for improvement to the transport system.

6.2 Facilitating The Free Flow of Visitors

There can be no doubt that the restrictions arising from Australia's domestic aviation policies are the major factors inhibiting the free movement of visitors around our country.

In ATC's view, and those views of the State/Territory tourism authorities as set out in their submissions to the Domestic Aviation Review, there is an urgent need for substantially more competition in the domestic aviation system to ensure that the needs of travellers and potential travellers are met as fully as possible.

ATC considers that there are two ways in which such competition should be encouraged. The first relates to the carriage of passengers by Qantas within Australia and the second to increased flexibility in the operations of the domestic airlines.

(a) <u>Carriage by Qantas of Passengers Within Australia</u>

Existing regulations are very restrictive in regard to the carriage of visitors by international airlines within Australia after arrival at their Australian gateway. This means, in effect, that visitors are generally forced to transfer to the domestic airlines if they wish to fly beyond their gateway. The absence of pro-rating substantially increases the cost to the visitor of such dispersal. Qantas is permitted to carry its own international passengers on domestic legs, but the limited Qantas services between domestic ports tend to discourage visitors from taking advantage of these services. Furthermore, there is little incentive for Qantas to cater specifically for this traffic because of the restricted size of the market.

ATC believes that tourism to Australia would be far better served if all international passengers had access to Qantas services within Australia.

It should be noted that carriers in other countries are in a highly advantageous position with respect to the carriage of international passengers within their home continental networks. For example, Qantas' trans-Pacific competitors Pan Am and Continental Airlines have full access to their own internal USA domestic networks, as well as full local traffic rights.

Implementation of this proposal would bring substantial benefits:

- it would assist Qantas in filling its several thousand empty seats on flights within Australia each week - an enormous waste of an Australian asset;
- it would provide an opportunity for Qantas to restructure and expand its Australian network (particularly with the additional flexibility made available by its Boeing 767's) and facilitate increased frequencies through currently disadvantaged gateways;
- by allowing Qantas a more flexible and balanced operational programme through our international gateways than is possible under the existing rigid system, Australia's ability to fully develop its tourism potential would be enhanced;
- with the terms of carriage being determined by Qantas, taking advantage of potential reciprocal arrangements with carriers overseas, the opportunity would be provided for international visitors to obtain cheaper domestic air travel.

ATC considers that, whilst the major domestic airlines would be disadvantaged by the proposal, the benefits to Australia in general and to Qantas in particular would outweigh the negative effects on the domestic airlines. Visitor traffic constitutes only a small percentage of domestic airline revenue and, in any case, the domestic airlines would be free to compete with the terms and conditions offered by Qantas.

(b) Increased Airline Competitiveness

ATC believes that, to fully exploit Australia's potential as a holiday destination, more competitive fares and greater flexibility in the services offered by domestic airlines are essential.

The domestic airline system currently operates as a de facto "one airline" system and the element of competition necessary to ensure the most attractive regime for travellers is not present. In regard to airfares in particular, the present arrangements provide little incentive for Ansett or TAA to hold down costs. Increases are passed on to the consumer, whose choice is simply to pay or not to fly.

The growth of East-West's services, to the extent that they have been permitted under the existing system, has clearly demonstrated that there is a substantial market for alternative services to those provided by the two major carriers.

ATC is not in a position to assess whether or not the observed rigidities result mainly from the regulations governing the major domestic airlines or from their own oligopolistic practices. ATC has suggested that it would be appropriate for the Domestic Aviation Review to make an assessment of the relative influence of each of these factors.

If analysis showed that the existing regulations governing Ansett and TAA's operations or other external constraints were largely responsible for the airlines' lack of responsiveness to the needs of the market, then consideration should be given to removing or easing such regulations which still retaining a Two Airline Policy. In relation to airfares, for example, substantially more freedom given to Ansett and TAA in setting fares could result in a far more competitive situation.

If, however, analysis showed that the airlines themselves were largely responsible for the lack of flexibility and that some form of deregulation within the Two Airline Policy framework would be insufficient to encourage Ansett and TAA to become more competitive, then consideration should be given to licensing one or more additional airlines to fly domestic trunk routes and so provide the necessary competitive element.

6.3 Providing a Tourism Experience

The other major function of the transport system (i.e. other than providing a free flow of visitors) is to provide a "tourism experience", and it is very encouraging to see that this role is becoming more and more widely recognised.

There are several examples which come to mind of the heightened interest in providing more than a means of travel between destinations:

- the Indian Pacific Task Force is giving due recognition to the tourism aspects of the train (particularly to aspects such as market positioning, appropriate standards of accommodation, etc) in its deliberations. A comment by the South Australian Minister for Tourism (Mr Gavin Keneally) at the Indian Pacific Seminar in January last year is very relevant: he noted that if we had been able to encourage just 1 percent of all visitors who stayed in Australia for more than a week in 1984 to travel on the Indian Pacific, we could in theory have filled every unsold seat on that year's service;

- from April this year, an upmarket rail service is scheduled to operate between Brisbane and Cairns - mainly to meet the demands of the growing number of international visitors;

- extra Ghan services are running from March to October this year to cater for international and local tourists travelling north to see Halley's Comet;

- coach and four-wheel drive tour operators are offering substantially more tours to outback regions and are finding dramatic growth in interest from overseas visitors;

- with its various entertainment and dining areas, the new Abel Tasman ferry from Melbourne to Devonport offers more than just a means of crossing Bass Strait;

- more exotic forms of transport such as river cruises in the Top End (particularly during The Wet), "friendly camel" safaris, balloon rides, paddle steamers and houseboats are all gaining in popularity.

All of these are examples of the sorts of experiences we'll have to provide to encourage visitors to come to Australia, stay longer, travel more widely and really have something to tell their friends and relatives about back home.

6.4 Marketing the Product

Finally, comments made by various tourism industry organisations and individuals indicate that some forms of Australian transport have not been effectively marketed in the past and that reservation and confirmation procedures are sometimes cumbersome. There is no point in having a first-rate product without appropriate marketing and administrative support.

ATC assists wherever possible in providing advice on these aspects.

****

Of course, there can be no guarantee that action taken to overcome the deficiencies discussed above will ensure that Australia fulfills its tourism potential. The transport system is only one, albeit major, element in the whole tourism framework. However, there is no doubt that without such action, and particularly without initiatives to remove the impediments to domestic air travel, Australia will not achieve its full potential. The penalties will be felt in terms of foregone foreign exchange earnings and less employment-creation in one of our few dynamic industries.

****