

Australia's trade in passenger transport services

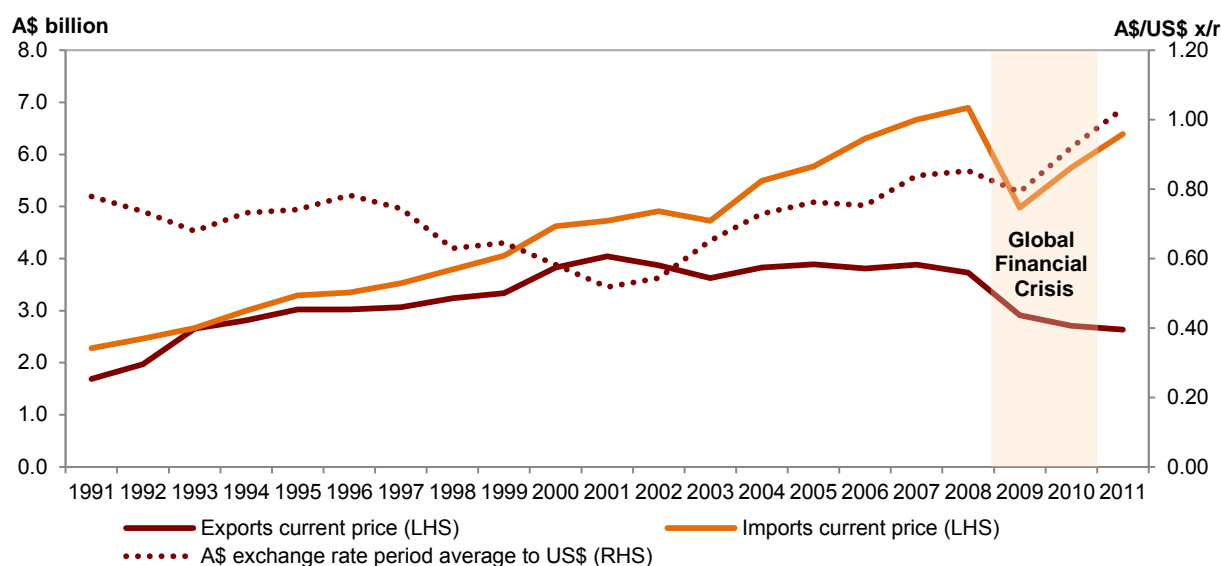
As an island continent, international passenger transport services have been a critical component of Australia's links to the rest of the world over the past 50 years. Passenger transport services were valued at over \$9.0 billion in 2011 (accounting for 8.3 per cent of Australia's total trade in services). Over the past ten years, Australia's exports of these services have declined from a peak of \$4.1 billion in 2001 to \$2.6 billion in 2011, while imports of these services have risen from \$4.7 billion to \$6.4 billion over the same period.

Long terms trends in Australia's trade in passenger transport services

Australia's exports of *Passenger transport services* (passenger services) to the world have increased by an average 1.9 per cent per annum over the past twenty years. **Chart 1** shows Australian exports and imports of *Passenger services* for this time period. Exports of these services grew strongly from 1991 to 2001, with exports growing from \$1.7 billion in 1991 to reach a peak of \$4.1 billion in 2001. Exports after 2001 have declined to be valued at \$2.6 billion.

In volume terms (**Chart 2**) exports of *Passenger services* have fallen by an average 5.5 per cent per year between 2001 and 2011 (after rising by 9.4 per cent on average per year between 1991 and 2001). The ratio of *Passenger services* exports to total services exports has declined from 11.7 per cent in 1991 to 5.3 per cent in 2011.

Chart 1: Australia's trade in passenger transport services



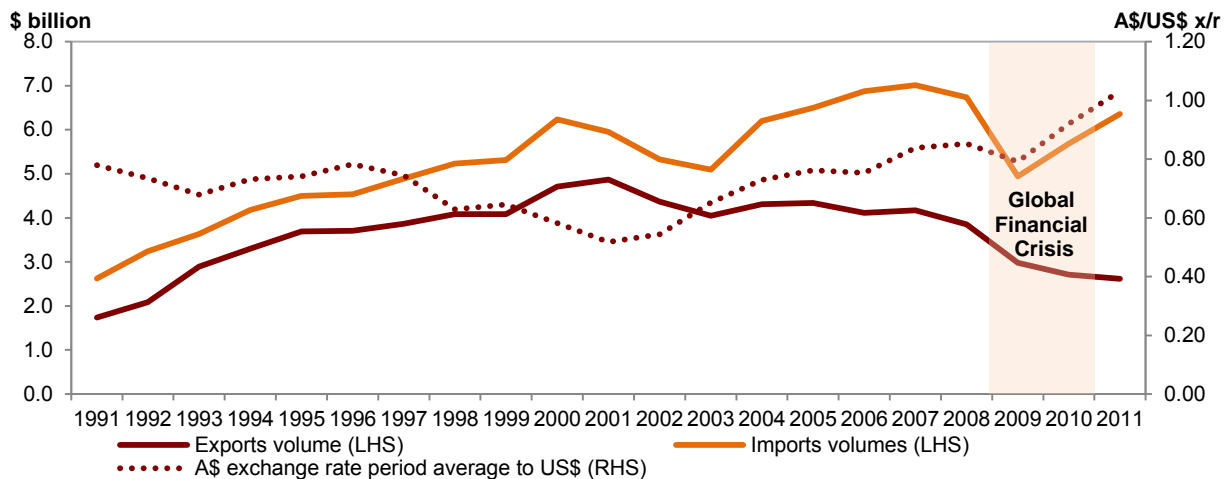
Based on ABS catalogue 5368.0.

Australia's imports of *Passenger services* increased by an average 5.3 per cent per annum over the past twenty years to be valued at \$6.4 billion in 2011 (**Chart 1**). Imports of these services grew strongly from 1991 to 2001, with imports growing from \$2.3 billion to \$4.7 billion in 2001. Growth continued between 2001 and 2011 but at a slower rate of just 2.7 per cent per annum on average.

In volume terms (**Chart 2**) imports of *Passenger services* have risen by an average 3.4 per cent per year since 1991. The ratio of *Passenger services* imports to total services imports has declined from 12.8 per cent in 1991 to 10.9 per cent in 2011.

Over this period the number of short term visitors to Australia more than doubled from 2.4 million in 1991 to 5.9 million in 2011 (average annual growth of 4.1 per cent per annum) while the number of Australian residents travelling overseas has increased from 2.1 million to 7.8 million (average annual growth of 6.5 per cent per annum).

**Chart 2: Australia's imports of passenger transport services
Chain volume measures (2010-11 prices)**



Based on ABS catalogue 5302.0.

What are passenger services in ABS trade in services statistics?

Before analysing the reasons behind the recent trends in *Passenger services* it is necessary to understand what is included in the Australian Bureau of Statistics (ABS) definition of export and import of *Passenger services*. *Passenger services* are collected as part of Australia's Balance of Payments (BoP) statistics. The ABS presents statistics on Australia's BoP statistics which are compiled in accordance with international standards as set out by the International Monetary Fund Sixth edition of the Balance of Payments and International Investment Manual (BPM6).

Under BPM6, exports of *Passenger services* are defined as "non-residents flying internationally on Australian resident carriers" (e.g. a foreign traveller flying on Qantas from US to Australia) while imports are defined as "Australian residents flying internationally on non-resident carriers" (e.g. an Australian flying on United Airlines from US to Australia). Australian residents flying internationally on resident carriers are not an Australian export (Australian domestic transaction) while non-residents flying internationally on non-resident carriers are not an Australian import (rest of the world transaction).

In terms of a partner country breakdown of these services, exports are allocated to the country of embarkation/destination the non-resident is travelling to or from (i.e. a US resident travelling on a Qantas flight from Singapore to Australia would be recorded as exports of *Passenger services* to Singapore)¹. While imports are allocated to the non-resident airlines country of ownership (i.e. an Australian resident travelling on an Emirates flight from Singapore to Australia would be an import of a *Passenger service* from the United Arab Emirates).

An analysis of trends on Australian *Passenger services* is difficult based on ABS trade data only. The ABS only publishes data for total Australian trade and does not publish a breakdown of *Passenger services* exports and imports by partner country². However, using data sourced from Department of Immigration and Citizenship (DIAC) overseas arrivals and departure statistics more information can be obtained on the trends in Australia's *Passenger services* exports and imports for the more recent years (2007 to 2011).

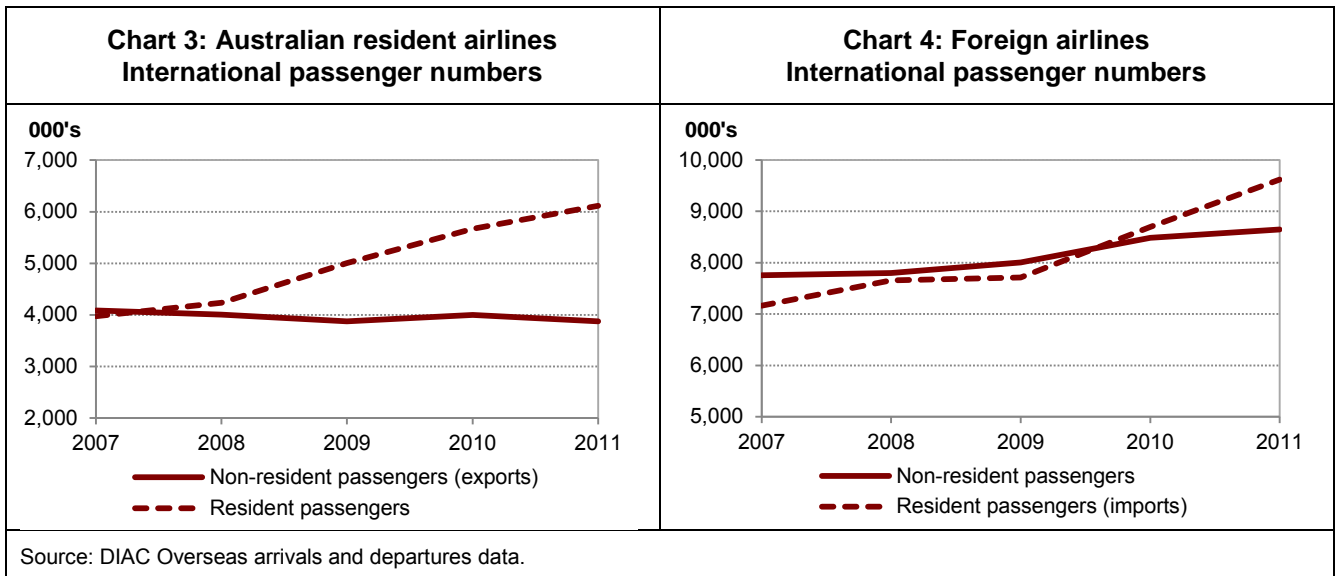
Australia's exports of passenger services 2007 to 2011

Australia's exports of *Passenger services* has fallen 32.1 per cent from \$3.9 billion in 2007 to \$2.6 billion in 2011, with volumes falling 37.3 per cent over the same period according to the ABS. In contrast, according to DIAC's overseas arrivals and departure statistics, the number of passengers carried internationally on Australian resident airlines (such as Qantas) has increased from 8.1 million passengers to 10.0 million over the same period.

Chart 3 shows the number of travellers flying on Australia's resident airlines between Australia and the world between 2007 and 2011. In 2007, 8.1 million passengers travelled between Australia and rest of the world on Australian resident carriers, of which 50.7 per cent were foreign travellers (4.1 million) – i.e. exports as defined by the ABS. By 2011 the number of travellers on Australian resident airlines had increased to nearly 10.0 million.

¹ In practice the ABS allocates the export by country based on the country where the international ticket are sold as a proxy for country of embarkation/destination as this information can be easily reported by the airlines.

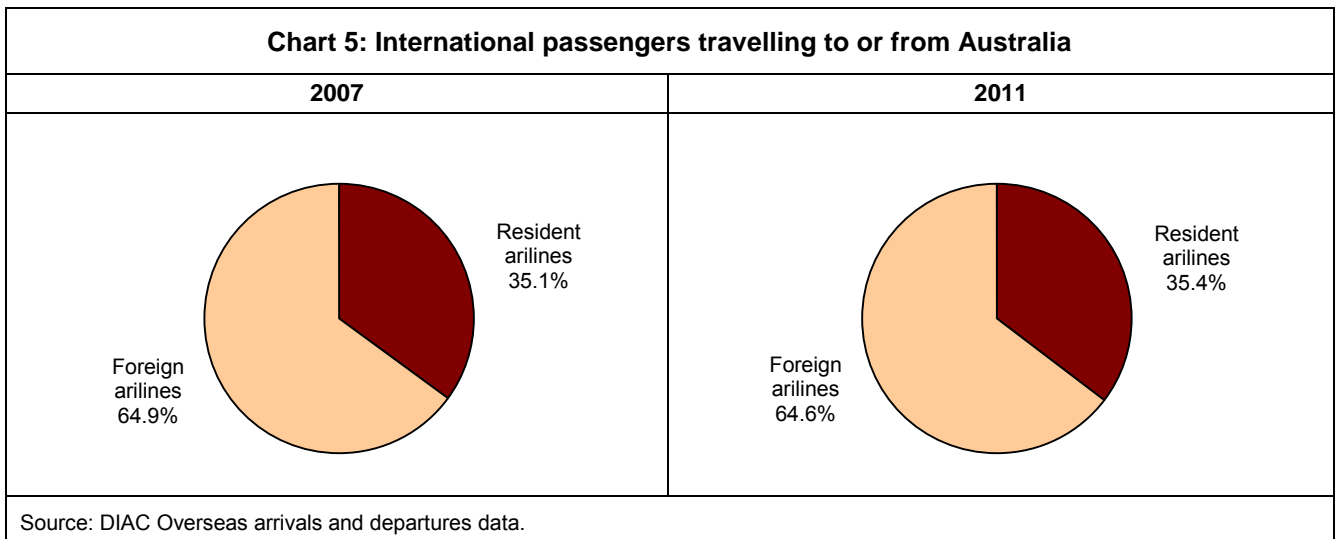
² Data is suppressed due to business confidentiality.



However the share of foreign travellers had fallen to 38.8 per cent (or 3.9 million). Foreign travellers on Australian resident airlines had fallen by 5.2 per cent between 2007 and 2011, while the numbers of resident travellers had risen 54.0 per cent from 4.0 million to 6.1 million over the same period³.

The falling share of foreign travellers on resident airlines has been one of the key reasons behind the decline in Australian exports of *Passenger services* over this period. The boom in Australians travelling internationally over the same period can be attributed to a number of factors, including the strength of the Australian economy and the strong Australian dollar, which has made overseas trips increasingly more affordable⁴. This resulted in the number of Australian residents travelling overseas increasing by 2.3 million from 5.5 million in 2007 and to 7.8 million in 2011. The same strong Australian dollar and a weaker international economy, especially in our traditional tourism markets in North America and Europe, has seen the number of short-term visitors to Australia rise by just 231,300 over the same period (growth of only one-tenth compared to resident travellers).

However, falling exports of these services does not mean that Australian airlines have lost market share. Of the total numbers of international passengers flying to and from Australia, resident airlines accounted for 35 per cent in both 2007 and 2011 (*Chart 5*).



³ Please note that over the same period the ABS volume measurement for exports of *Passenger services* fell 37.3 per cent between 2007 and 2011 where as the total number of foreign travellers on resident airlines fell 5.2 per cent. The ABS calculates the volume measure from a survey of revenue passenger kilometres. The term **revenue passenger kilometres** is a measure of traffic and is derived by multiplying the number of revenue paying passengers by the distance travelled. Revenue kilometres is considered to be a more accurate volume estimator than just passengers carried as it combines measures of distances travelled as well as passengers carried (source: ABS catalogue 5216.0). The larger fall in ABS *Passenger services* export volumes compared to DIAC data is most likely due to the fall in passenger numbers from countries that are further away (such as Japan) while countries which are closer have grown strongly such as from Indonesia and New Zealand.

⁴ The cost of international holiday travel and accommodation component of the ABS Consumer Price Index (CPI) has risen at around half the rate (8.1 per cent) of the rise in the overall CPI (15.2 per cent) over the period Dec 2006 to Dec 2011 (ABS catalogue 6401.0).

The major markets for Australian exports of *Passenger services* (**Table 1**) were New Zealand, with 1.3 million foreign passengers carried in 2011 (33.3 per cent of total), Singapore 520,000 (13.4 per cent of total), the United States with 471,000 (12.2 per cent of total) and Japan with 434,000 (11.2 per cent of total).

Table 1: Australian airlines – foreign passengers carried

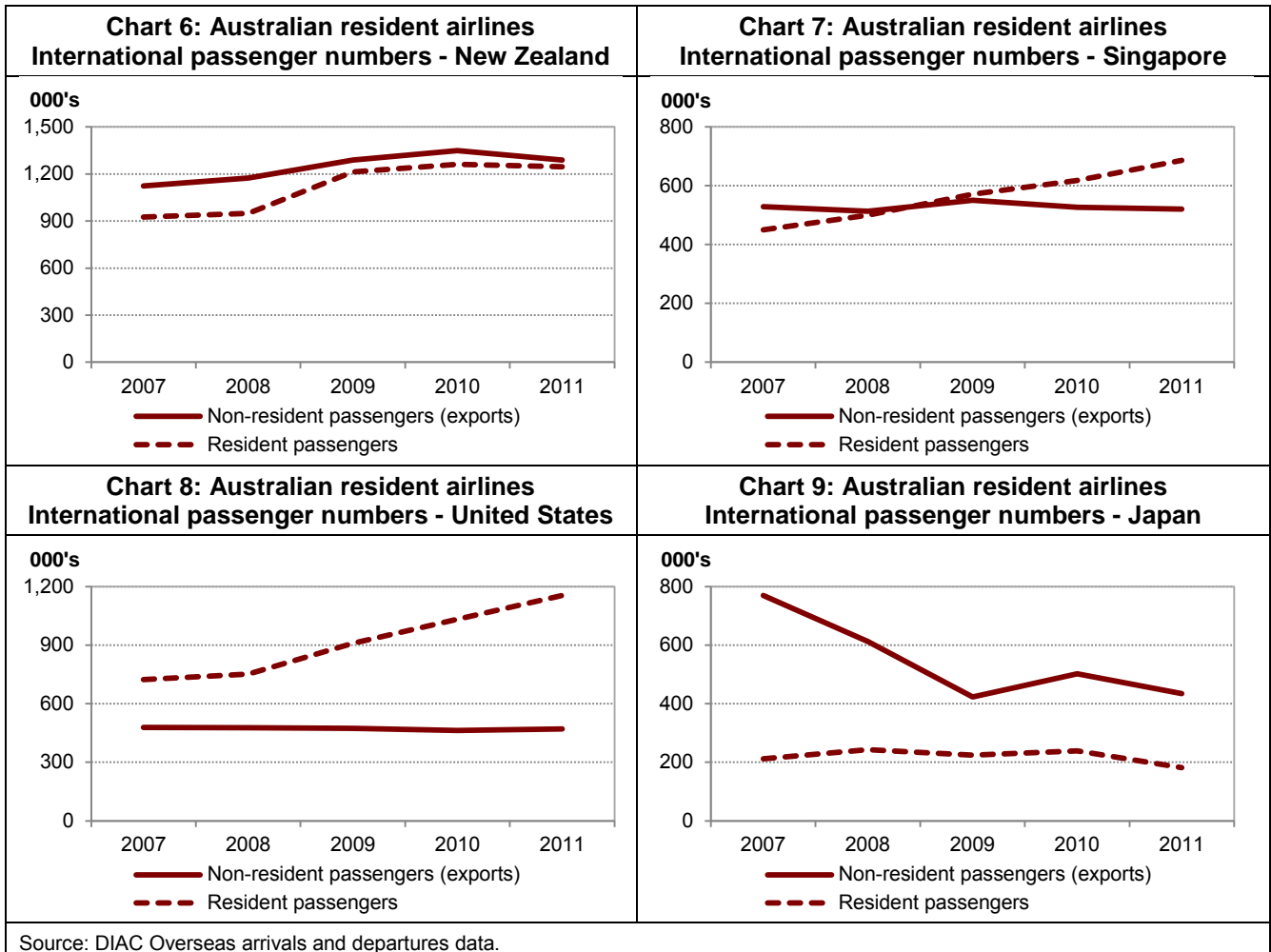
Country of (Dis) Embarkation	2007 000's	2008 000's	2009 000's	2010 000's	2011 000's	2011	2011	Growth 2007 to 2011 000's
						Rank	Share %	
New Zealand	1,123	1,173	1,288	1,350	1,289	1	33.3	166
Singapore (a)	529	513	550	527	520	2	13.4	-9
United States	479	476	473	463	471	3	12.2	-8
Japan	770	612	423	502	434	4	11.2	-335
Hong Kong (SAR of China) (a)	236	242	225	229	208	5	5.4	-28
United Kingdom	236	214	179	157	156	6	4.0	-79
Indonesia	92	93	126	133	146	7	3.8	54
China	124	131	97	109	104	8	2.7	-19
South Africa	60	68	66	81	73	9	1.9	13
Thailand	65	64	64	59	63	10	1.6	-2
Total	4,083	4,004	3,873	3,998	3,872		100.0	-211
Exports of passenger services CVM (\$m)	4,114	3,797	2,937	2,674	2,580			-1,534

(a) These countries are transport hubs and therefore some of these travellers may be transiting to a third party country.

CVM - Chain volume measure in 2010-11 prices.

Based on DIAC Overseas and arrivals data and ABS catalogue 5368.0.

Of these countries Japan recorded the largest fall, down 335,000 or 43.6 per cent since 2007 (**Charts 6 to 9**). The other major countries other than New Zealand all recorded small falls over this period. New Zealand recorded an increase in foreign passengers carried, up 166,000 or 14.8 per cent between 2007 and 2011.



Australia's imports of passenger services 2007 to 2011

Australia's imports of *Passenger services* has fallen 4.2 per cent from \$6.7 billion in 2007 to \$6.4 billion in 2011, with volumes falling 9.3 per cent for the same period. In contrast, according to DIAC's overseas arrivals and departure statistics, the number of passengers carried internationally on foreign airlines (such as Singapore Airlines) has increased from 14.9 million passengers to 18.3 million over the same period.

Chart 4 shows the number of travellers flying on foreign airlines between Australia and the world between 2007 and 2011. In 2007, 14.9 million passengers travelled between Australia and rest of the world on foreign carriers, of which 48.0 per cent were Australian resident travellers (7.2 million) – i.e. imports as defined by the ABS. By 2011 the number of travellers on foreign airlines had increased to 18.3 million. The share of Australian resident travellers on foreign airlines rose to 52.7 per cent (or 9.6 million) in 2011.

The DIAC and ABS data seem to be at odds with each other. Between 2007 and 2011, DIAC passenger data shows strong growth of 34.2 per cent in Australian resident passengers carried by foreign airlines, while ABS volume data for imports of *Passenger services* recorded a fall of 9.3 per cent over the same period. As with exports, the ABS calculates volume growth based on revenue passenger kilometres (see footnote 2), and this may explain the discrepancy as there is strong growth over the period in countries which are close to Australia, such as Indonesia (up 462,000 Australian passengers carried) and Malaysia (up 501,000 passengers), while sources that are further away, such as Japan, are down 64,000 Australian passengers, Mauritius is down 12,000, Austria is down 11,000, Chile is down 7,000 and the United Kingdom is down 5,000.

Foreign airlines maintained their overall share of the Australian market. Of the total numbers of international passengers flying to and from Australia, foreign airlines accounted for 65 per cent in both 2007 and 2011 (**Chart 5**).

The major sources for Australian imports of *Passenger services* (**Table 2**) were Singapore-owned airlines, with 1.6 million Australian passengers carried in 2011 (16.2 per cent of total), United Arab Emirates airlines with 1.5 million (15.2 per cent of total), Malaysian airlines with 1.1 million (11.3 per cent of total) and New Zealand airlines with 857,000 (8.9 per cent of total).

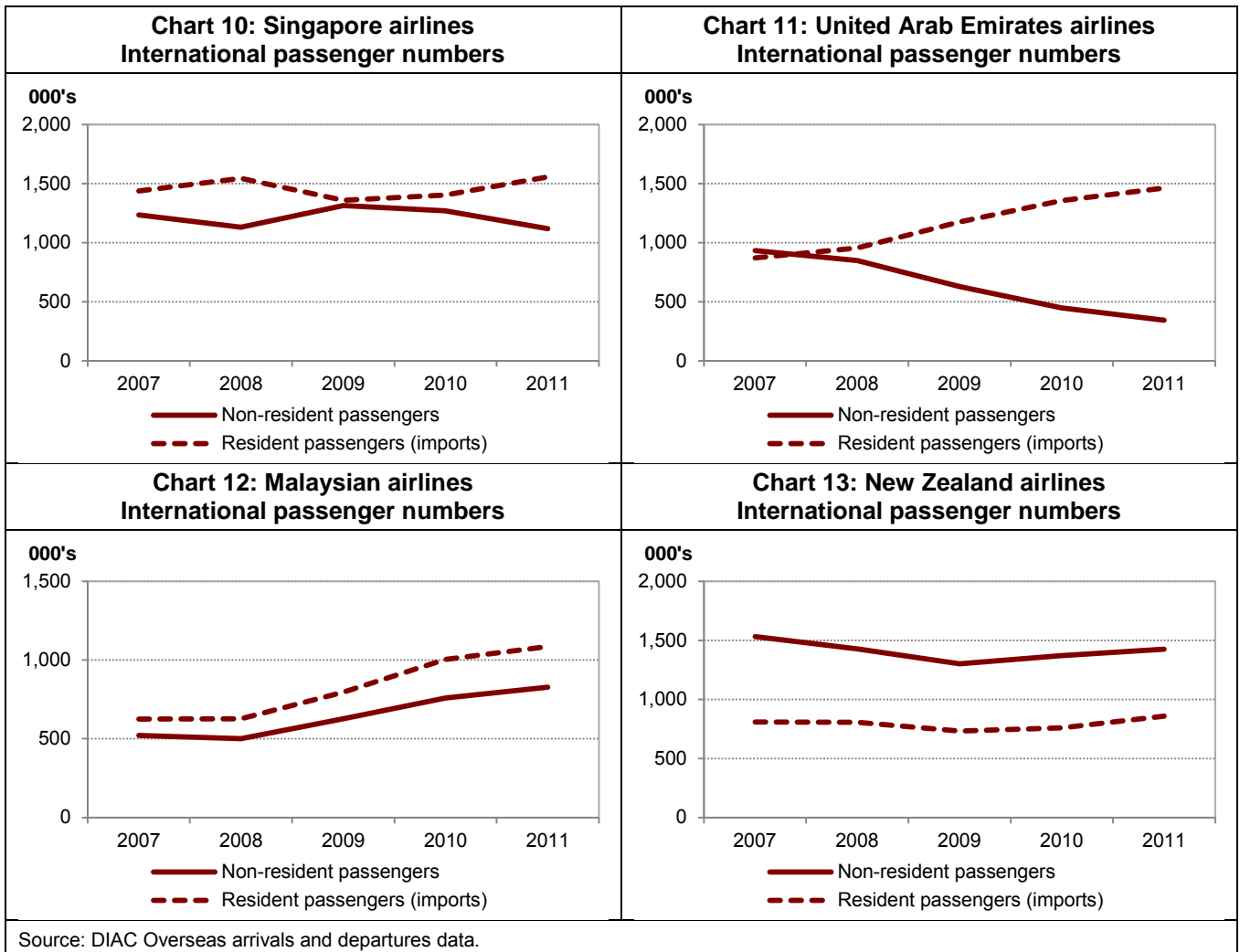
Table 2: Foreign airlines – Australian resident passengers carried

Country of ownership	2007 000's	2008 000's	2009 000's	2010 000's	2011 000's	2011	2011	Growth 2007 to 2011 000's
						Rank	Share %	
Singapore	1,438	1,543	1,358	1,403	1,556	1	16.2	118
United Arab Emirates	872	956	1,176	1,357	1,462	2	15.2	590
Malaysia	625	626	795	1,005	1,087	3	11.3	461
New Zealand	808	806	732	760	857	4	8.9	49
Hong Kong	505	591	610	667	686	5	7.1	181
Thailand	670	677	581	529	614	6	6.4	-56
China	224	246	250	346	470	7	4.9	246
United States	207	189	248	354	428	8	4.5	221
Bahrain	295	380	363	359	417	9	4.3	122
Fiji	296	337	291	313	338	10	3.5	42
Total	7,166	7,659	7,713	8,695	9,619			2,453
Imports of passenger services CVM (\$m)	7,077	6,800	4,988	5,733	6,415			-662

CVM - Chain volume measure in 2010-11 prices.

Based on DIAC Overseas and arrivals data and ABS catalogue 5368.0.

All of these airlines recorded rises in Australian passengers carried over the period 2007 to 2011, with the largest rises for the United Arab Emirates airlines, up 590,000 or 67.7 per cent and Malaysian airlines up 461,000 or 73.8 per cent since 2007 (**Charts 10 to 13**).



Source: DIAC Overseas arrivals and departures data.

Conclusion

Passenger Services remain an important component of Australia's trade in services. The recent decline in exports of these services (2007 to 2011) is due in most part to the significant rise in the number of Australians travelling overseas who are now accounting for a larger share of passengers carried by Australian airlines (Australian domestic transaction). Meanwhile, the number of non-resident passengers (recorded as exports) has declined marginally over the period. In contrast, the rise in Australians travelling abroad has led to an increase in the number of Australian residents flying on foreign airlines (recorded as imports) which has resulted in a rise in passenger services imports.

For further information on DIAC's overseas arrivals and departures data please refer to their website at www.immi.gov.au/media/statistics/ or email oad_stock_reporting@immi.gov.au.

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