

Italy

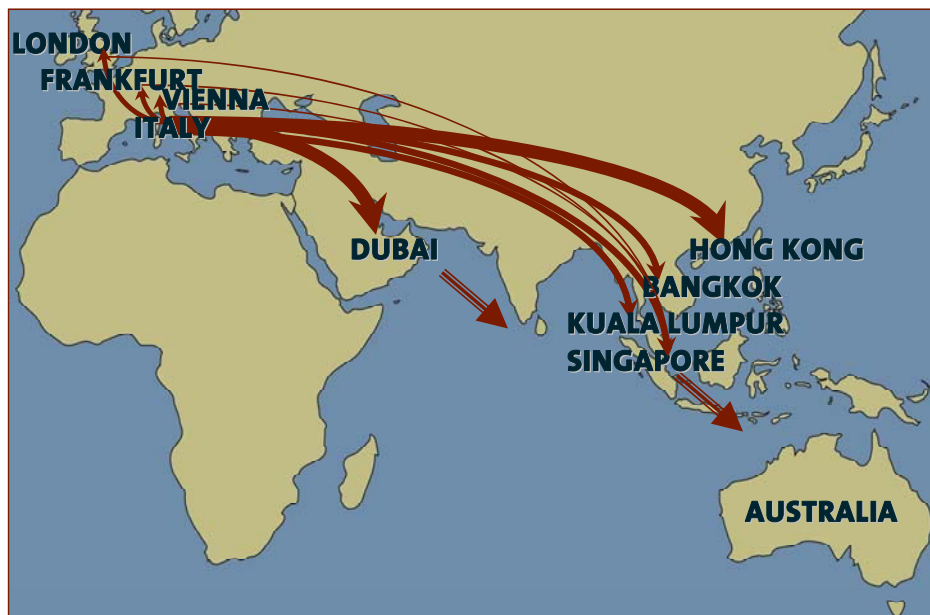
Aviation Overview

Aviation developments along with exchange rates, income growth and other factors influence inbound tourism to Australia. Total arrivals historical and forecast:

- Up 14% in 2004;
- Up 8% in 2005;
- Up 3% in 2006 (TFC); and
- Up 3% in 2007 (TFC).

- ✈ The key aviation related opportunity for the inbound tourism industry for Italian tourists in the near term is to encourage direct services between Italy and Australia, particularly with Alitalia, the Italian flag carrier.
- ✈ Without Alitalia services to Australia we have struggled to grow awareness of the Australian destination in the Italian market.
- ✈ With rapid growth in low cost short haul airline services in Europe, the relative price competitiveness of long haul destinations like Australia has fallen in recent years.
- ✈ As shown in Figure 1 there are a number of routes from Italy to Australia with Asian and European hubs playing a crucial role in transporting Italians to Australia.

Figure 1: The most common aviation routes from Italy to Australia



Italy

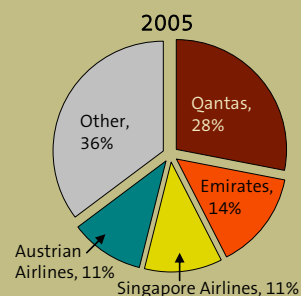
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- ✈ Rome-Hong Kong-Sydney is the busiest route, with Qantas and Cathay Pacific operating daily code share services on this route. This is closely followed by Rome-Dubai-Sydney with Emirates operating daily services.
- ✈ As shown in Table 1, Italian tourists in 2005 were predominantly carried to Australia on Qantas. However in the last few years airlines, like Emirates and Austrian Airlines, have increased their share of Italian traffic at the expense of Qantas and Singapore Airlines.

Table 1: Airline used by Italian tourists on the last leg of their journey to Australia (%)

Source: Department of Immigration and Multicultural Affairs

Airline	2003	2004	2005
Qantas	41	31	28
Emirates	13	15	14
Singapore Airlines	12	13	11
Austrian Airlines	7	10	11
Other	27	30	35
Total	100	100	100



Notes: This data allocates passengers to the operating airline when on code share services.

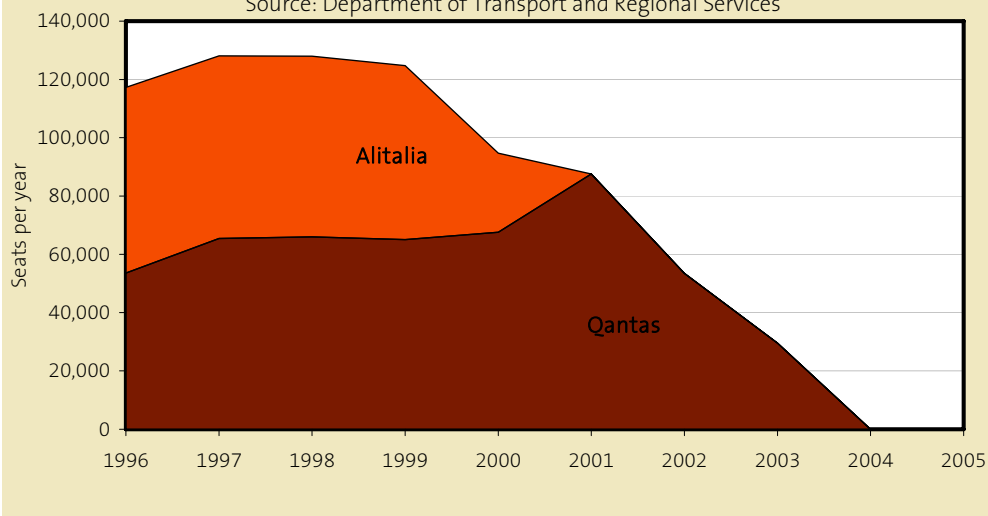
- ✈ Unfortunately, schedule capacity calculations are complicated by the many services from Italy through Asian and Middle East hubs to Australia that change flight numbers at the hub and contain a mix of capacity for local markets, other markets in Europe as well as UK-Australia traffic.

Direct services from Italy to Australia

- ✈ There are currently no direct services from Italy to Australia.
- ✈ As shown in Figure 2, Qantas ceased direct services in late 2003 and Alitalia ceased services in 2000.

Figure 2: Capacity on direct originating flights from Italy to Australia over the last 10 years

Source: Department of Transport and Regional Services



- ✈ Before Qantas and Alitalia ceased services, load factors on this route were very volatile. According to the season, load factors would typically jump from 40 and 50 per cent in March to high 90s in September.

Table 2 - Services into Italy airports and Australian airports in June 2006 from key third country carriers

Airline	Airports served in Italy (times per week)	Airports served in Australia (times per week)
Emirates	<ul style="list-style-type: none"> ✈ Rome (9) ✈ Milan (10) Total=19	<ul style="list-style-type: none"> ✈ Sydney (14) ✈ Melbourne (14) ✈ Brisbane (7) ✈ Perth (11)
Singapore Airlines	<ul style="list-style-type: none"> ✈ Rome (3) 	<ul style="list-style-type: none"> ✈ Sydney (21) ✈ Melbourne (21) ✈ Brisbane (19) ✈ Perth (19) ✈ Adelaide (7)
Austrian Airlines	<ul style="list-style-type: none"> ✈ Rome (14) ✈ Milan (5) ✈ Catania (2) ✈ Naples (1) ✈ Venice (1) Total= 23	<ul style="list-style-type: none"> ✈ Sydney (6) ✈ Melbourne (3)
Thai Airways	<ul style="list-style-type: none"> ✈ Rome (6) ✈ Milan (3) Total= 9	<ul style="list-style-type: none"> ✈ Sydney (14) ✈ Melbourne (11) ✈ Perth (4) ✈ Brisbane (3)
Malaysia Airlines	<ul style="list-style-type: none"> ✈ Rome (3) 	<ul style="list-style-type: none"> ✈ Sydney (14) ✈ Melbourne (14) ✈ Brisbane (6) ✈ Perth (9) ✈ Adelaide (4)
Cathay Pacific	<ul style="list-style-type: none"> ✈ Rome (7) 	<ul style="list-style-type: none"> ✈ Sydney (23) ✈ Melbourne (16) ✈ Brisbane (7) ✈ Perth (4) ✈ Adelaide (4) ✈ Cairns (4)

Source: Air Transport Intelligence.

Recent airline developments and looking forward

- ✈ Looking into the medium term continued improvements in the range of ultra long haul aircraft (such as the B777-200LR) may make non-stop Italy to east coast Australia services possible. However, Italy to Australia air traffic is a comparatively small aviation market and the introduction of ultra long haul aircraft is more likely in the medium term on denser routes or routes with less indirect competition.
- ✈ Future distribution of Australian travel product in Italy will be largely influenced by the future of the Italian national flag carrier, Alitalia. Alitalia is unlikely to recommence services to Australia in the short term as the current capacity delivered by intermediate point carriers appears sufficient. Also, the carriers current financial position is weak and as a result it has not invested in additional aircraft.

¹This briefing was significantly assisted by the research of the Centre for Asia Pacific Aviation, Air Transport Intelligence and assistance from the Department of Transport and Regional Services (Avstats). Data on scheduled frequencies is understandably available on a more timely basis than data on load factors and passengers carried.