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THE TPC AND THE IATA AGREEMENT

Most commercial regulations in greater or lesser degree substitute bureaucrats' whims for the interplay of buyers and sellers. Whatever the sophistry employed to defend them, in the final analysis, they assume that big brother knows best.

However, there are a few regulations which are fundamentally different in intent. These, instead of reducing competition and distorting free market signals, assume that little brother knows his own interest best and endeavour to maximise his choice in freer markets. The American Anti Trust Laws and our own Trade Practices Laws are of this type. They don't work perfectly, sometimes as they try to correct one market failure they cause another, but on the whole the Trade Practices Commission is on the side of individual choice and economic efficiency.

The problem with the Trade Practices Commission is not that it exists but that the most serious monopolies are excluded from its reach. Telecom, Australia Post, Aussat, The Two Airline Agreement, Conference Shipping, wheat milk and sugar marketing, the railways and electricity supplies to name but a few of the most obvious of Big Brother's pets.

The Commission seems to have found that it can reach one of these pets after all. It is calling on Qantas to justify the International Air Transport Association (IATA) agreement.

Travelling from Singapore to Perth about two years ago in a nearly empty QANTAS 747, I got to wondering and worrying about the national flag carrier. How is it that fares are so much less expensive across the North Atlantic; just what is this flight losing; isn't it possible to schedule flights to avoid such very low load factors; do passengers need such a large number of cabin crew; is it necessary to place empty and adjustable seats so uncomfortably close together; do all airlines employ crews who are prepared to call strikes which delay sleepless passengers far from their homes; why is Singapore so cross about the protection that QANTAS and BA enjoy; is it worth falling out with an important ally over such a matter; what would be the effect of cheaper fares on Australians' travel and the Australian tourist industry; why ^{are} all carriers so similar in the service that they offer; and what stops new innovative services springing up.

The answer to all these questions can be found in IATA resolutions and the Australian Air Navigation Regulations which support them.

The IATA resolutions collectively, among other things, are a price maintenance agreement, yet the previous government actually threatened travel agents and airlines who offered discounts, with prosecution. On the one hand the government outlaws price maintenance by firms whose ability to extract monopoly prices is limited by at least the threat of competition. - On the other hand it is prepared to use the police to maintain prices charged by its own trading enterprise.

Competition is a natural order of business which is very hard to eliminate as the fare discounting episode showed. When businesses are prevented from competing for custom by offering lower prices, they will try to attract custom by offering better service. Either way, they compete away the monopoly profits. IATA members are well aware of what would happen to their feather bed if they did not stop themselves offering it to the passengers, so they have written detailed rules restricting service standards.

These are some of them: "... aircraft shall be used in mixed class service only ... if adequate precautions are taken to prevent economy class passengers from having access to the first class compartment, ...(only if) any lavatory, toilet, washrooms and restroom ... shall be kept separate; (only if) the seating density ... shall be in accordance with the conditions prescribed (sic) in resolution O60." Among many things O60 states the minimum number of seats abreast, the maximum distance between seats, (Philippine Airlines are permitted one extra inch so long as they don't advertise it), and prohibits lounge accommodation for economy passengers.

O60 is fascinating in that it does not limit the number of cabin attendants but says instead, "... the number of cabin attendants ... shall not be mentioned in any promotional material..." It seems the crew want a share of those monopoly

... is strong enough to see they get it.

The concession made to the cabin crews shows how even a company which is selling above the market with the benefit of a restrictive trade practice can lose money. All the benefits of its monopoly position, and more, have been gobbled up by the factors of production. Excess crews, excess ground staff or excess aircraft flying without full loads or sitting on the ground, have put QANTAS at a competitive

disadvantage.

The Trade Practices Commission has the responsibility of protecting the consumer from practices which prevent him from getting the best goods and services at the cheapest price consistent with producing the quantity demanded. Implicitly it recognises the efficiency and justice of a price determined by competing suppliers and competing purchasers. It recognises that suppliers will try to form cartels, avoid each other's competition and raise prices. Seldom can much of excess prices be retained as excess profits to be distributed as interest, dividends or rent to private or government owners. Seldom can much be captured by the employees in excess wages. Most monopoly prices are just wasted in excessive use of capital and labour.

Government monopolies are no less destructive of consumers' welfare than private monopolies and all the most complete monopolies are either government owned or protected from competition by government fiat. The same principles that the TPC applies to private firms should control public firms, where abuse of consumers is even greater.