

MEMORANDUM FOR THE CABINET  
BY THE HONOURABLE PRIME MINISTER

AIR FARES

As Honourable Ministers are aware, the IATA member airlines meeting in Geneva in December, 1970, agreed on new European, Middle East, Africa, Asia/Australasia fares. Within Europe, the new fares involve an increase of 5-8% on the normal fares; Europe - Middle East, an increase of 3-4% on the same fares; Europe/Middle East - Africa 3-4% increase to East Africa, 4-5% to Central Africa, 6% to West Africa and 6-7% to South Africa; Europe/Middle East/Africa - Indian Sub-continent, 5% increase from Europe, 3% from Middle East; Europe/Middle East/Africa - Asia/Australasia 5% increase. Corresponding increases have also been agreed in the Public Creative fares and in the Inclusive Tour fares.

2. The matter was considered in Cabinet on the 21st January, and it was decided that -

- (i) Malta Airlines be informed that the Government does not approve any of the proposed fares;
- (ii) the British High Commission be given Notice of the Government's dissatisfaction with the proposed tariff for the Malta - U.K. routes.

2.1. Action as above was duly taken.

3. The question that is outstanding is whether to direct Malta Airlines to inform the International Air Transport Association of the Government's decision.

4. At ...

4. At page 74 of Shawcross and Beaumont on Air Law, Third Edition, Vol. I, it is stated concerning IATA:-

"There are three Traffic Conferences, which fix fares and rates for scheduled international air services and are responsible for evoking agreements on traffic, operating procedures, and conditions of carriage. Each member belongs to the appropriate Conference, and has one vote. Abstentions are treated as affirmative votes, and a unanimous vote is necessary for action on fares and rates. All members, including absentees, are bound by Conference decisions. However IATA resolutions are subject to approval by Member Government's and disapproval by any one Government of a resolution on fares or rates creates an 'open rate' situation".

4.1. In a note Shawcross and Beaumont continue:-

"Owing to the severe economic consequences of an 'open rate' situation, the United States Civil Aeronautics Board has been reluctant to give outright disapproval of IATA rate agreements".

5. As the Government has not approved any of the proposed fares, Malta will, as soon as the decision is communicated to IATA, create an 'open rate' situation, with practically every other country in the world. The result of this situation will be that every airline will be in a position to charge any fare or rate it chooses. The confusion provoked by such a situation will undoubtedly have a very adverse effect on Malta's tourist industry. Besides if a large country, like the United States is afraid of the economic consequences of such a situation, how much more should little Malta be?

5.1. The open rate situation can be avoided by fares being agreed to between the Maltese Government and other Governments. As nearly every other Government would be involved, the impracticability of such a procedure needs no elaboration.

6. It ...

6. It is considered that in tackling the matter, one should reduce the problem to its component parts and thus be able to deal with a number of problems of manageable proportions as follows:-

- (a) among the fares that have been submitted there are those between Malta and far-away places such as Peking, Malacca, Tokyo, Okinawa, Wellington, etc. How may Maltese travel to these places and how many would even know of the increased fares to these places? It is, therefore, submitted that Government should immediately approve such fares;
- (b) nearer home, one could subdivide the problem of the fares between Malta and points in Europe and North Africa as follows:-
  - (i) Malta - U.K.
  - (ii) Malta - Italy
  - (iii) Malta - Other points in Europe
  - (iv) Malta - Tripoli.

7. Between Malta and U.K., there is an Air Services Agreement signed in 1967. Talks on Air Fares reaching Contracting States level, took place in 1968 and 1970. Last year the increased fares were eventually put into effect for all travel U.K. - Malta - U.K. but the old fares are still in force for Malta - U.K. - Malta travel. Tourists are therefore paying the higher fares and the prime object (tourism) for not approving any increases is, therefore, defeated.

8. There is no Air Services Agreement between Malta and Italy but this is no reason why the Italian Government could not also be informed of the Cabinet decision of the 21st January. Talks could also be held with the Italian authorities. The case of the

Italians ...

Italians rests on the fact, however, that the normal London - Malta return fare is £69. 10s. Od. and will be raised to £74. 16s. Od. whereas the London - Rome fare will be £82. 6s. Od and London - Catania £98. 8s. Od. Considering the greater distance, it would be difficult to argue with the Italians that we are not undercutting their fares.

9. Malta has signed agreements with Denmark, Norway, Sweden and Finland. As in the case of the United Kingdom, we have to give notice to these countries of the Government's dissatisfaction with the fares. There are also the other countries in Europe to whom we have also to give notice and with whom talks would have to be held as in the case of the British and the Italians. At a time when we were trying to induce European airlines to operate into Malta such action will hardly be conducive to encouragement by their Governments.

10. There have been several increases in the fares between Malta and Tripoli. The Maltese Government had communicated to the Libyan Government its dissatisfaction with the fares but the Libyan Government had nevertheless instructed its airline to put them into force and they were in fact put into force. In making such representations, Malta will risk facing a similar rebuff.

11. With regard to the fares to and from the United Kingdom, the following information is to hand from the Cost Accountant of British European Airways relating to the position obtaining in the current financial year based on the actuals for nine months plus the budgeted figures for the last three months of the financial year:-

	<u>Revenue</u>	<u>Expenditure</u>	<u>Loss</u>
	£ thousands	£ thousands	£ thousands
U.K. - Malta	6,089	7,155	1,066
Malta - Local	535	661	126
Total:	<u>£6,624</u>	<u>£7,816</u>	<u>£1,192</u>

The estimated results include the London - Malta freight service.

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11.1. In the Agreement between BEA and Malta Airlines, the share of the profit which may go to Malta Airlines is limited and so is the loss. Malta Airlines have already been asked to remit to BEA their share of the loss, amounting to £12,500.

11.2. If a decision on the question of fares is delayed, the airlines will not be in a position to inform travel agents what fares to charge, travel brochures cannot be prepared and printed and this will necessarily have a worse effect on tourism than an increase in fares.

11.3. Specifically with regard to the Malta - U.K. fares, it is relevant to point out -

(i) that, at the previous round of talks on air fares in March, 1970, the Maltese delegation had registered its concern at the insufficient time available for discussion between the date of notification of the proposed tariff and the date of its introduction; and

(ii) that the Board of Trade have this time already suggested the week beginning 15th February for the commencement of talks.

12. In view of the above and the fact that Malta's interests are affected by U.K. - Malta operations primarily, by Libya - Malta and Italy - Malta secondarily, by Malta - rest of Europe only marginally and by Malta - rest of the world not at all, Ministers may wish to consider whether :-

(a) to approve the proposed fares for routes other than Malta - U.K., Malta - Italy, Malta - Libya and Malta - rest of Europe (para 6a refers);

(b) to ...

- (b) to approve also the proposed fares for routes between Malta and Europe other than Italy (para 9 refers);
- (c)(i) to approve the proposed fares for routes between Malta and Italy and Malta and Libya;

or

- (ii) to approve that, in spite of the fact that Air Services Agreements have not been signed with the two countries, the Italian and the Libyan Governments be informed of the Government's dissatisfaction at the proposed new fares (paras 8 and 10 refer);
- (d) to approve that, in respect of the Malta - U.K. fares, the negotiations at aeronautical authorities level start as soon as possible (para 11.2/3 refer).

15th February, 1971.