

23 October 2014

Competition Policy Review Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Secretariat,

### **Competition Policy Review – Draft Report**

The Board of Airline Representatives of Australia (BARA) welcomes the Review Panel's Draft Report into Australia's competition policies and laws. BARA endorses the Review Panel's Draft Views on the competitive supply of jet fuel, the economic regulation of Australia's major international airports and Airservices Australia's (Airservices) pricing structures. Reform of these essential 'aviation infrastructure' services will foster a high quality, adaptive and efficient international aviation industry in Australia. This will have flow-on benefits to the broader economy by promoting growth in the international aviation sector, leading to more affordable business and leisure travel and air freight services to and from Australia.

While the economic regulation of the major international airports is subject to periodic reviews by the Productivity Commission (PC), BARA remains concerned at the lack of principles or institutions available to promote the necessary reforms to Australia's jet fuel markets and Airservices. As such, BARA would welcome further consideration by the Review Panel over the means by which the path to reform of these essential aviation infrastructure services can begin.

#### **The competitive supply of jet fuel at Australia's major international airports**

Globally recognised suppliers of jet fuel have been stifled in their efforts to bring competition and lower priced fuel to Australia. As contained in BARA's initial submission, the barriers to competition have been the difficulties in transporting jet fuel from the ports to aircraft at the airports – known as the 'jet fuel infrastructure supply chain'. These supply chains are largely owned by existing fuel companies.

To unlock competition, global fuel suppliers have invested millions in commercial contracts with infrastructure providers. BARA has also sought infrastructure access declarations under the *Competition and Consumer Act 2010* (CC Act). Our efforts to date have not proven successful, largely due to the lack of a comprehensive reform path. BARA is unaware of any suppliers that compete with the existing fuel companies outside of some limited self-supply arrangements between Q8 Aviation and Qantas Airways.

BARA, therefore, welcomes the Review Panel's Draft View that the competitive supply of jet fuel should be a focus for reform. There is, however, limited direction as to how the Australian Government, its departments and agencies can effectively contribute to the emergence of competitive jet fuel markets. For its part, BARA is discussing with numerous stakeholders the reforms necessary to unlock the jet fuel infrastructure supply chains so that effective competition between jet fuel suppliers can emerge. It is clear that enabling effective competition will take decisive action by the international airlines and the owners of the major international airports.

Reform of Australia's jet fuel markets and infrastructure supply chains is in the national interest. The benefits are not confined to the commercial interests of international airlines but are economy-wide through more affordable business and leisure travel and airfreight services to and from Australia.

BARA requests that the Review Panel consider options in its Final Report so the reform of Australia's jet fuel markets and jet fuel infrastructure supply chains can advance. As a starting point, this could include formal public inquiries by the Productivity Commission or the Review Panel's proposed Australian Council for Competition Policy.

### **Efficient provision and pricing of services by Airservices Australia**

BARA also endorses the Review Panel's Draft View that reform of Airservices should be a priority focus for Australia's aviation sector. The existing provision and pricing of its services is entrenching the uneconomic development of Australia's aviation industry, especially at many regional locations.

As with the competitive supply of jet fuel, there appear to be no effective principles or institutions addressing Airservices' underlying economic issues. BARA does not consider the processes used by Airservices or the Australian Competition and Consumer Commission (ACCC) fit with improving the productivity and economic performance of Australia's aviation industry, or that Airservices' investment and pricing practices could be considered sound.

Airservices uses a series of consultative papers to consult about its pricing structures. User groups then comment on the merits of various options, which are usually closely aligned with the option that minimises each group's price(s) and payments to Airservices. From this, Airservices appears to choose some form of 'middle ground', but in essence ensures the ongoing subsidies to regional locations through over charging for services at the major international airports.

Airservices then submits its pricing proposal to the ACCC under the prices notification provisions of the CC Act. BARA does not consider the ACCC assessment processes to be thorough enough or consistent with encouraging good industry outcomes. BARA accepts the ACCC will disagree with this assessment.

BARA notes that numerous parties have now raised concerns over the efficiency of Airservices' investment and pricing practices, supporting the concerns raised by BARA. This includes the Commission of Audit, which recommended an independent review into Airservices, with a particular focus on the scope of its activities as well as its planned capital expenditure program.<sup>1</sup> This recommendation was reaffirmed by the PC as part of its inquiry into *Public Infrastructure*.

While there are no shortage of concerns being raised over the efficiency of Airservices' investment and pricing practices, there are, unfortunately, no tangible initiatives being used to improve matters. As such, BARA also requests that the Review Panel consider options in its Final Report about how to advance the necessary reforms to how Airservices provides and prices its services.

Please contact me on 02 9299 9919 to discuss any of the matters raised in BARA's submission to the Review Panel's Draft report.

Yours sincerely



Barry Abrams  
**Executive Director**

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<sup>1</sup> National Commission of Audit (March 2014), *Towards Responsible Government*, p. xxvi.