

17 November 2014

Professor Ian Harper  
Chairman - Competition Policy Review  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Professor Harper,

### **COMMENTS ON THE DRAFT REPORT OF THE COMPETITION POLICY REVIEW**

The Australian & International Pilots Association (AIPA) is the largest Association of professional airline pilots in Australia. We represent nearly all Qantas pilots and a significant percentage of pilots flying for the Qantas subsidiaries (including Jetstar Airways Pty Ltd). AIPA represents over 2,100 professional airline transport category flight crew and we are a key member of the International Federation of Airline Pilot Associations (IFALPA) which represents over 100,000 pilots in 100 countries.

Firstly, I would like to apologise for our late entry into this Review, but as I am sure you would appreciate, AIPA faces some severe pressures for the efficient allocation of our very limited internal resources. Secondly, given the complexities of the Australian aviation sphere in both domestic and international frameworks, the inclusion of a section on international air service restrictions in the Draft Report was somewhat unexpected.

Perhaps even more unexpected was the fact that the particular section was almost entirely based on the submission of Sydney Airport Limited, noting the muted similarity of the Australian Airports Association submission, without the apparent benefit of specific input from either the ACCC or the Department of Infrastructure and Regional Development on the issues raised. We became concerned when we noted the Panel's view, particularly as it is preceded by a very superficial coverage of a very complex space.

The Panel may well benefit from referring to a very recent contribution to the OECD (which AIPA understands was provided by the ACCC) which reflects the *status quo* as best we understand it: *Airline Competition- Note by Australia* - Competition Committee, Directorate for Financial and Enterprise Affairs, OECD, (DAF/COMP/WD(2014)24 dated 20 May 2014. The geopolitics of air service agreements have generated a significant amount of literature since the beginnings of economic regulation in 1944 by the International Civil Aviation Organisation (ICAO) and there is certainly much more to the nuances of air service agreements than that put forward in the submissions of the monopoly infrastructure providers.

After some discussion on this subject at the Adelaide forum on 10 October 2014, it was clear to us that the Panel had not explored this complex space to any degree, despite the possibility of some countervailing national interest provisions affecting Australian carriers. AIPA notes that the Draft Report includes the observation that:

Unilaterally allowing open skies to Australia would severely disadvantage Australian airlines, so long as the bilateral system remains entrenched in the rest of the world.

based on the 1998 Productivity Commission Inquiry Report on *International Air Services*, without subsequently noting that Australia already has one of the most liberalised air service policies in the world. Notwithstanding that very valid warning, AIPA has been lobbying for some time for the Government to initiate a Productivity Commission review of that 1998 Inquiry on the basis that very few, if any, of the circumstances prevailing at that time remain as features of the international aviation landscape of today.

We have been concerned that aviation policy, in particular that related to international aviation, has continued to be predicated almost entirely on the recommendations of that 1998 report without the benefit of an independent modern review. AIPA does not share the views of those within the Transport portfolios who hold that the 2009 Aviation White Paper achieved that sort of review and we have continued to advise the government to that effect.

We believe that Australia desperately needs a post-implementation review of the policy, not only to ensure that the intended benefits have been achieved but also to identify the unintended consequences and to reassess the metrics of success or failure. Furthermore, AIPA has the strong view that the international aviation 'playing field' is far from level and that there are strong anti-competitive forces in play in the absence of any real international equivalent to our domestic 'abuse of market power' protections.

AIPA is concerned that the draft Panel's view:

The Panel considers that air service agreements should not be used to protect Australian carriers from competition.

is simplistic, lacking in broader national interest considerations and capable of being held up as a much stronger policy statement than either the submissions or the arguments can reasonably sustain. AIPA believes that air service agreements are primarily about protecting sovereign rights far beyond the limited anti-competitive shielding of Australian carriers and the Panel should explicitly qualify its view accordingly. Similarly, we believe that the Panel should better inform itself of Australia's performance as a world leader in the liberalisation of air services and acknowledge that the unilateral liberalisation of access to Australia will have far greater social detriment than merely taking a few cents off an international airfare of already dubious viability as a representative cost of production.

Finally, AIPA seeks your support to recommend in your Final Report that Australia needs an independent post-implementation review of aviation policy settings in Australia, including a properly articulated national interest test as well as an examination of the true competitive state of the international aviation market. We will be most grateful for any assistance that you are able to give us in achieving one of our long term goals for aviation policy in Australia.

Yours sincerely,



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**President**

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