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Competition Policy Review Secretariat
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Dear Secretariat

Competition Policy Review – draft report

Australia Pacific Airports (Melbourne) Pty Ltd (APAM) welcomes the opportunity to comment on the draft report of the Competition Policy Review, in particular the Review Panel's view on air service agreements (Section 8.12, Air services restrictions).

Melbourne Airport is Australia's second-largest airport for international passenger movements. It is Australia's primary airport for air freight exports, the overwhelming majority of which are carried in the belly of passenger aircraft using regularly scheduled passenger services. Many of these exports are high-value, time-critical manufactured and perishable items.

International passenger numbers travelling through Melbourne Airport increased by 9 per cent during 2013/14, to more than 7.7 million passengers. Melbourne Airport accounts for around 24 per cent of total international passenger movements in Australia. Markets in Asia, including China, Hong Kong, Taiwan, Japan and Singapore recorded double digit growth in passenger numbers during the year, supported by the introduction of new and additional services between Melbourne and destinations in these countries.

Future growth in passenger and air freight movements depends on airlines being able to provide the additional capacity required to meet the demand for travel. Many of our key growth markets, especially within Asia, have limits on their growth capacity imposed by bilateral international air services agreements.

At a time when the Australian Government is seeking more liberal market access arrangements with our key trading partners through bilateral and multilateral trade agreements, air services agreements that impose the equivalent of quotas on passenger and freight movements are anachronistic. They impose arbitrary constraints on the ability of airlines to respond to market demand for additional or new services.

APAM strongly supports the Review Panel's finding that air services agreements can restrict capacity, leading to higher costs and fewer choices for travellers, and costs for the economy more broadly through lower tourism

and business investment growth. Given the close relationship between passenger services and airfreight, limiting capacity also reduces choice and increases costs for Australian exporters.

APAM encourages the Panel to recommend a much more market-focused approach to air services agreements that ensures capacity is linked to demand in the market place and commercial decisions by airlines, as opposed to being used as a tool to achieve other policy objectives.

We would recommend that the liberalisation of air services, particularly for key growth markets, be given similar priority to the negotiation of free trade agreements for other sectors of the economy. Indeed, air services should be included as part of Australia's overall economic and trade negotiation framework, given their critical importance to actually delivering the tangible outcomes of trade and investment flows in the movement of people, goods and services between markets.

It is recognised that other countries continue to use air services agreements to promote the interests of their national carriers at the expense of Australian carriers, and that outside of 'open skies' agreements there are constraints imposed on Australian carriers in some markets. However, these need to be considered in the context of each market. In some markets, Australian carriers do not have the capacity or interest in seeking to increase their presence, whereas carriers from that market have a desire to increase capacity on their Australian routes. Increases in capacity for key markets should not be deferred due to a lack of interest or demand on the part of Australian carriers alone. The benefits to the Australian economy from increased tourism, business and education-related travel and air freight capacity are not conditional on the identity of the carrier that provides the increased capacity.

It is also important that the Australian Government is more proactive in seeking to negotiate increases in capacity. There is a tendency at the moment for Australia to wait for approaches from other countries. The Australian Government should be actively identifying opportunities to achieve capacity increases in key growth markets and proactively pursuing them.

APAM welcomes the focus the Review Panel has brought to this important area and looks forward to the Panel's recommendations to Government on this matter.

Yours sincerely



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