

19 May 2015

General Manager
Small Business, Competition and Consumer Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Competition Policy Review – Final Report

The Board of Airline Representatives of Australia (BARA) welcomes the opportunity to provide feedback on the Competition Policy Review's Final Report. In summary, BARA endorses the review's findings for Airservices Australia's (Airservices) pricing structures and the competitive supply of jet fuel. 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.

Efficient provision and pricing of services by Airservices Australia

BARA endorses the Review's finding that Australia's aviation sector should focus on reforming Airservices' pricing structure. The existing provision and pricing of its services is entrenching the uneconomic development of Australia's aviation industry, especially at many regional airports. BARA continues to see merit in the Productivity Commission being given the task of developing a set of pricing principles for Airservices. Airservices can then apply these principles when it prepares its pricing proposal to consult industry, followed by the Australian Competition and Consumer Commission's (ACCC) assessment.

Airservices recently released a *Discussion Paper* into its pricing structures for comment by industry.¹ The responses by various user groups follow the predictable path of being closely aligned with the option that minimises each group's price(s) and payments to Airservices. BARA is particularly concerned no overarching objective to maximise the benefits of the aviation industry to the Australian community is used to assess the positions put forward by various user groups.

Airservices will likely be seeking to set its prices for a five-year period from 1 July 2016 to June 2021. As such, unless the necessary review and reforms occur shortly, there will either be a limited or no opportunity to improve upon the existing arrangements before Airservices lodges its pricing notification with the ACCC. BARA also does not consider the current regulatory framework the ACCC administers as one that fits with good industry outcomes, as evidenced by Airservices' current pricing structures. As such, unless reform is initiated shortly, there will be limited scope to improve on the current arrangements until after July 2021.

¹ Airservices Australia (March 2015), Long Term Pricing Agreement July 2016–June 2021, Discussion Paper.

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

BARA also endorses the review's findings for the competitive supply of jet fuel in Australia. For its part, BARA has developed a comprehensive reform path and begun discussions with potential new fuel suppliers, infrastructure providers and the major international airports.² The Department of Industry and Science is also reviewing National Operating Committee on Jet Fuel Supply Assurance. BARA has provided a submission to review that outlines the limitations of the current arrangements in promoting a more reliable and competitive supply of jet fuel.

BARA sees merit in the Department of Industry and Department of Infrastructure and Regional Development jointly keeping a 'watching brief' on the development of more competitive jet fuel markets in Australia. This would allow the Australian Government to observe the progress of industry-led reform, and encourage or initiate supporting activities if required. BARA would be pleased to provide input into monitoring progress in developing competitive jet fuel markets in Australia.

National access regime

BARA notes the review's position on the application and criterion for the national access regime. In its *Airport Monitoring Report 2013-14*, the ACCC stated that it 'believes that the general provisions of Part IIIA of the Competition and Consumer Act 2010 (CCA) provide an effective option for airlines encountering difficulties during negotiations, however, there are considerable time and uncertainty involved'.³

BARA would note that if the 'bar' for declaration were raised higher, as the review proposes, then this would further reduce the potential usefulness of the national access regime for airlines that are experiencing difficulties with the major international airports. As such, it will be important to consider the implications proposed changes to the national access regime may have for the 'light-handed' economic regulatory regime for the major international airports.

Thank you for the opportunity to provide feedback on the Competition Policy Review's Final Report. Please contact me on 02 9299 9919 to discuss any of the matters raised in this letter.

Yours sincerely



Barry Abrams
Executive Director

² BARA (December 2014), A competitive Supply of Jet Fuel at Australia's Major International Airports.

³ ACCC (2015) Airport Monitoring Report 2013-14, p. 1.