



14 November 2011

Mr John Feil
Executive Director
Submissions - Jet fuel
National Competition Council
GPO Box 250
Melbourne VIC 3001

Dear Mr Feil,

APPLICATION FOR DECLARATION OF THE JET FUEL SUPPLY INFRASTRUCTURE SERVICES AT SYDNEY AIRPORT

The RAAA and its Members

The Regional Aviation Association of Australia (RAAA) was formed in 1980 as the Regional Airlines Association of Australia to protect, represent and promote the combined interests of its regional airline members and regional aviation throughout Australia.

The Association changed its name in July 2001 to the Regional Aviation Association of Australia and widened its charter to include a range of membership, including regional airlines, charter and aerial work operators, and the businesses that support them.

The RAAA has 29 Ordinary Members (AOC holders) and 57 Associate/Affiliate Members. The RAAA's AOC members directly employ over 5,000 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turnover more than \$1b, carry well in excess of 2 million passengers and move over 23 million kilograms of freight. Annex A lists the Ordinary Members of the RAAA.

RAAA members operate in all States and Territories and include airlines, airports, engineering and flight training companies, universities, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional areas.

Some examples of RAAA members' presence in regional Australia is the REX hub in Wagga Wagga, SkyWest in WA, Sharp Aviation in Hamilton, Airnorth, Chartair and Vincent Aviation Northern Territory networks, West Wing Aviation in Mt Isa, Airlines of Tasmania in Hobart and Skytrans operations from Cairns, to name a few.

Serving regional aviation, and through it, the people and businesses of regional Australia

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RAAA Charter

The RAAA's Charter is to promote a safe and viable regional aviation industry. To meet this goal the RAAA:

- ➔ promotes the regional aviation industry and its benefits to Australian transport, tourism and the economy among government and regulatory policy makers;
- ➔ lobbies on behalf of the regional aviation industry and its members;
- ➔ contributes to government and regulatory authority policy processes and formulation to enable its members to have input into policies and decisions that may affect their businesses;
- ➔ encourages high standards of professional conduct by its members; and
- ➔ provides a forum for formal and informal professional development and information sharing.

The RAAA provides wide representation for the regional aviation industry by direct lobbying of Ministers and senior officials, through parliamentary submissions, personal contact and by ongoing, active participation in a number of consultative forums.

RAAA Response to the Application For Declaration of the Jet Fuel Supply Infrastructure Services at Sydney Airport

The RAAA supports the two applications for declaration lodged by the Board of Airline Representatives of Australia (BARA) under Part IIIA of the Competition and Consumer Act 2010 (Cth) ("the Act").

Regional airlines, aero medical providers, charter companies, freight operators and other aviation entities operate frequently into and out of Sydney Airport and rely on the refuelling services provided at the airport. All of these operators depend on the ongoing availability of reasonably priced fuel and fuel services for the ongoing success and competitiveness of their operations.

Fuel supply companies and on-airport refuellers must have access to the fuel infrastructure provided at Sydney Airport (JUHI facility and on-airport pipeline network) as well as the Caltex pipeline which delivers fuel to the airport JUHI (collectively referred to as the "Airport Fuel Infrastructure"), in order to provide their services to airlines and other customers.

The Airport Fuel Infrastructure is owned and/or controlled by companies that are themselves offering fuel services on the airport, creating a vertically integrated monopoly structure that not only allows the owners/controllers to limit or deny reasonably priced access to the infrastructure by other parties, but also gives them an incentive to do so.

The RAAA submits that the Airport Fuel Infrastructure meets the declaration criteria set out in section 44G(2)(b) and (c) of the Act, and that access to the services provided by the Airport Fuel Infrastructure meets the declaration criteria set out in section 44G(2)(a), (e) and (f) of the Act.

Current arrangements with respect to the Airport Fuel Infrastructure and fuel distribution services at Sydney could lead to the exclusion of other fuel companies wishing to access the infrastructure. Given acceptable access, these companies have the potential to offer fuel under more favourable arrangements than currently exist. This could increase competition in the fuel supply market and positively impact competition in the airline market and other markets in which fuel users (such as our members) are operating.

As demand for fuel grows at Sydney Airport, the Airport Fuel Infrastructure will become increasingly constrained. We submit that, over time, this will correspondingly increase the incentive and ability to limit or preclude access to third party competitors and for the owners/controllers of the Airport Fuel Infrastructure to maximise prices to customers such as our members.

The RAAA supports measures that will increase competition amongst fuel suppliers and allow for additional fuel supply companies or refuellers to operate at Sydney Airport. We expect that this would lead to lower fuel prices and greater competitiveness for fuel users. Given the highly competitive nature of airlines, freight companies and other aviation businesses, the benefits of lower fuel prices will be passed on to regional passengers and other customers through lower airfares and charges, and should have the effect of stimulating aviation activity.

Regards



Paul Tyrrell
Chief Executive Officer

Annex A: RAAA Ordinary Members

