

Kuwait Petroleum Aviation (Australia) Limited

Level 17, 383 Kent Street, Sydney NSW 2000

PO Locked Bag Q800, QVB Post Office, Sydney NSW 1230

Tel: +61 2 8297 2400

Fax: +61 2 9299 4445



Submissions – Jet fuel
National Competition Council
GPO Box 250
Melbourne VIC 3001

Application for declaration of Sydney JUHI and Caltex Pipeline – Q8 Aviation Submission 21st November 2011

Q8 Aviation Background

Q8Aviation is one of the world's leading marketers of jet fuel.

Founded in 1983, Q8 Aviation is owned by Kuwait Petroleum Corporation (KPC), the state company responsible for managing Kuwait's substantial oil businesses worldwide. The KPC Group has the fourth largest oil reserves in the world and is the leading jet fuel producer in the Middle East. This gives Q8 Aviation the benefit of a strong and secure source of jet fuel. Q8 Aviation's business had grown rapidly over the past decade, with annual sales increasing from around 300 million usg to 1.5 billion usg.

We currently provide jet fuel to around 200 airlines at more than 60 airports across Europe, Africa, the Middle East and the Far East. Our growth is focused on the opportunities presented by the growing requirement for countries to import jet fuel, in order to meet the high demand for air travel and where local production of jet fuel is declining. As part of these expansion plans Q8 Aviation entered the Australian Jet Fuel market in 2005, primarily focusing on Sydney.

Purpose

This document is designed to provide a structured response to the application for declaration of the Sydney JUHI and Caltex Pipeline. It will focus only on selected criteria where we have both local first-hand experience and therefore a valid opinion.

Caltex Pipeline Criteria for Declaration

- (a) that access (or increased access) to the service would promote a material increase in competition in at least one market (whether or not in Australia), other than the market for the service;*

Q8 Aviation's view is that declaring the pipeline open access would not necessarily lead to a material increase in Jet Fuel competition as the pipeline is limited by capacity at present. Q8

Registered in Australia, Registered Number ABN 122531631

Registered Office: Level 17, 383 Kent Street, Sydney NSW 2000

A wholly owned subsidiary Company of Kuwait Petroleum Corporation, Kuwait

Aviation understands from media press releases that Caltex plans are currently progressing to increase capacity, and only at the point where such additional capacity were available, would there be the possibility gain access through the pipeline.

Q8 Aviation's view is that Into-Plane refuelling services could also apply to this criteria, however there are already three companies providing this service and we do not believe a declaration would affect the level of supply significantly enough to make a fourth entrant a commercially viable venture.

(b) that it would be uneconomical for anyone to develop another facility to provide the service;

The Caltex pipeline is not the only method of supplying the airport with Jet Fuel, with both a truck unloading facility and the pipeline from the Shell Clyde Refinery in existence at JUHI. However in the event that no improvements were made to any current supply route (particularly the planned Caltex pipeline upgrade) it could be commercially attractive to develop a separate method of fuel supply to the airport.

JUHI Criteria for Declaration

(a) that access (or increased access) to the service would promote a material increase in competition in at least one market (whether or not in Australia), other than the market for the service;

Q8 Aviation's understanding of the JUHI would suggest there is a properly defined process that can be followed to gain access for the intention of marketing Jet Fuel on the airport. As stated in the BARA submission, entry can be gained by requesting and subsequently purchasing an equity stake in the JUHI after meeting the stated criteria.

(e) that access to the service is not already the subject of an effective access regime; and

As stated above; Q8 Aviation understands there is an agreed process in place at the JUHI for new Participants therefore it cannot be suggested that there is no access regime. Reading the BARA submission suggests their application requested a 'throughput only' method of access to the JUHI, although it was communicated that it was possible to enter by equity purchase and this entry process was not followed any further. Q8 Aviation's opinion would be that without knowing the cost of equity to become a Participant it would be impossible to suggest the access regime was not effective or created an unfair barrier to JUHI entry.

Conclusion

Based on the above in respect of both the Caltex Pipeline and the JUHI, Q8 Aviation could not agree that all the criteria are met for either submission.