



Productivity Commission's Draft Report: Economic regulation of airports and competition in jet fuel supply

The Board of Airline Representatives of Australia (BARA) acknowledges that the Commission in its Draft Report 'is concerned about the supply of jet fuel at airports, which is shrouded in secrecy and is dominated by four major oil companies. This has likely led to higher prices for jet fuel.' If they do not provide it voluntarily, the Commission should use its information gathering powers to obtain the evidence it needs from the jet fuel infrastructure providers and fuel suppliers.

Problems with jet fuel supply

The Commission has stated that "Prima facie, the characteristics of markets to supply jet fuel have enabled incumbent fuel suppliers to restrict competition, which has led to a small number of fuel suppliers at some airports. This has likely led to higher prices to access infrastructure services and higher fuel prices."¹ This description fits with the experience of BARA's member airlines.

BARA notes the following statements in the Draft Report:

1. Gains in efficiency from a joint venture are tempered by losses in competition,
2. High barriers to accessing infrastructure at multiple points in the supply chain have likely reinforced the small number of jet fuel suppliers at some airports,
3. The natural monopoly characteristics of jet fuel infrastructure, along with the market power from vertical integration and horizontal coordination, may have distorted the incentives for incumbent firms to invest.

"BARA supports the preliminary statements in the Commission's Draft Report and will assist where possible in gathering further evidence as requested by the Commission. BARA also looks forward to reading Sydney Airport's justification for the structure and size of its fuel throughput levy, which we consider to be a fee for no service," Barry Abrams, Executive Director of BARA said. **[END]**

¹ Draft Report, p.2