



Mr Paul Lindwall
Presiding Commissioner
Airport Regulation Inquiry
Productivity Commission
airports@pc.gov.au

Dear Mr Lindwall

ECONOMIC REGULATION OF AIRPORTS INQUIRY: SUBMISSIONS & PUBLIC HEARINGS

The Australian Institute of Petroleum (AIP) is writing on behalf of its four core member companies, namely BP Australia Pty Ltd, Caltex Australia Limited, Mobil Oil Australia Pty Ltd and Viva Energy Australia Pty Ltd.

About AIP Member Companies

AIP member companies are very significant and long-term suppliers of jet fuel to the Australian market, through their integrated jet fuel supply chains including the production of jet fuel at their local refineries, sourcing of jet fuel from the Australasian region, the transportation and distribution of jet fuel through shipping, pipeline, trucking and storage operations, and the operation of specialised hydrant pipeline systems at major airports including aircraft into-plane refuelling services.

Their participation in the jet fuel supply chain requires very significant investment in specialised infrastructure, both at airports and upstream of airports. This infrastructure includes refineries, ports, wharves/berths, discharge facilities, pipelines to terminals, jet fuel storage tanks, underground hydrant pipeline systems at airports (referred to as a Joint User Hydrant Installation or JUHIs), and into-plane refuelling vehicles. Other key services that support the supply of quality jet fuel to the market include fuel testing laboratories who facilitate the release of fuel.

AIP member companies have the operational and technical expertise required to own, maintain and operate this specialised and often dedicated jet fuel infrastructure, as well as the detailed knowledge on handling and dispensing of jet fuel that meets the high-quality standard required in the aviation sector. This expertise, as well as best practice approaches and technologies, also flows naturally from global affiliates to some of these local market operators.

AIP member companies are therefore very well positioned to provide expert advice on the Australian jet fuel supply chain and market.

AIP Member Company Contributions to this PC Inquiry

We have welcomed the opportunity to inform the Productivity Commission's Economic Regulation of Airports Inquiry and appreciate the PC's engagement to date of AIP and AIP member companies in relation to the jet fuel market in Australia.

AIP member companies have already provided a significant body of evidence to the Commission supporting the current competitive market for jet fuel supply in Australia, and the past and future risks to ongoing competitive and reliable jet fuel supply.

Firstly, this advice has included comprehensive public submissions detailing the jet fuel supply chain, key infrastructure investments and operations, supply arrangements for storage and transport, and the typical commercial arrangements to access services and facilities at different points in the supply chain.

2.

Secondly, this publicly available advice has been greatly expanded upon by highly detailed bilateral Commission discussions with key personnel in AIP member companies. In these sessions, commercial in confidence information has been shared on an appropriate basis to protect commercial sensitivities and in order to provide a complete evidence base for the Commission's information and reference in this Inquiry.

Finally, the Commission has had engagements with AIP in the context of AIP's role on the *National Oil Supplies Emergency Committee* which deals with matters related to the security and reliability of jet fuel supply.

We also appreciate the Commission's invitation to attend public hearings in late November for inquiry participants to provide any additional information to the Commission and to clarify submissions. While we consider there is no new information that could be offered to proceedings in the context of the above contributions and given the acute commercial sensitivities involved, AIP member companies are considering availability for these hearings and will advise you in due course. However, the Commission can approach AIP member companies or AIP at any time to seek clarification of advice provided to date or to test claims that may arise through the Inquiry process.

Through submissions and engagements, AIP member companies have also examined and addressed the observations and claims recently presented by some market participants in this Inquiry.

In this regard, we note the claims made by a few submissions that there have been major and ongoing issues in relation to the reliability of jet fuel supply. We refute these claims in the strongest possible terms. There have been less than a handful of short-term jet fuel disruptions in Australia over the last 15 years. While highly regrettable, these disruptions were very limited in duration, had limited customer impacts, and are readily explained by the market circumstances prevailing at the time. This is an enviable reliability performance by the local fuels industry given the throughput of major Australian airports and the logistical and geographical challenges of producing, sourcing and distributing jet fuel across a country with Australia's span and diversity. Fundamentally, the diversity of available sources of jet fuel into and within Australia means the market is flexible and reliable, and with significant competitive tension and discipline.

In summary, the consistent advice in all engagements is that the market for jet fuel in Australia is highly competitive, because the current market dynamics facilitate new entry and switching to alternative suppliers, both of which create significant competitive pressure, including downward pressure on prices. This is underscored by the fact that at every step in the supply of delivery services, as well as the supply of jet fuel itself, sellers of jet fuel can choose to import or purchase from domestic suppliers, they can choose to transport jet fuel to airports via truck or pipeline investment, they can choose to access JUHIs as equity members of joint ventures or on a fee for service basis where available. They can also choose among an extensive range of alternative service providers for into-plane fuel services.

Thank you again for the opportunity to inform this Commission Inquiry and we look forward to ongoing engagement and to the release of the Draft Report in February 2019. Please do not hesitate to contact me if AIP and its member companies can be of any further assistance.

Yours faithfully

Nathan Dickens
Deputy CEO

16 November 2018