



CAIRNS PORT AUTHORITY

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10 September 2004

The General Manager Adjudication Branch
 Australian Competition & Consumer Commission
 PO Box 1199
 DICKSON ACT 2602

E-MAILED
 10.9.04

Dear Mr Grimwade

AUTHORISATION APPLICATION LODGED BY THE BOARD OF AIRLINE REPRESENTATIVES OF AUSTRALIA (A30232)

I refer to your letter of 12 August 2004 concerning the above authorisation application by the Board of Airline Representatives of Australia (BARA).

Thank you for the opportunity to provide a submission in support of BARA in relation to its application to the Commission.

I have attached our brief submission supporting BARA's application for an interim authorisation for your information. This submission expands on our previous submission related to that interim authorisation.

The Commission has requested submissions in relation to public benefits and the effects on competition of the submission by BARA.

Cairns Port Authority (CPA) has noted the submissions received from a variety of airports and from the Australian Airports Association. CPA does not share the views that are expressed by the other airports, as CPA has seen and experienced public benefit in relation to our dealings with BARA and we do not share the expressed views of other airports that the conduct, method and process by which BARA conducts its business is anti-competitive.

With regard to public benefit, larger airports find that the negotiation with a broad range of airlines can be both time consuming and lead to inconsistencies in either the outcome or the application of agreements that are reached. Airline specific requirements are dealt with under separate commercial agreements outside the broader umbrella agreements. The benefit that BARA provides, especially in relation to the complex Airport Services Agreements, has been in establishing the key underlining parameters and financial variables that lead to the outcomes of the Airport Services Agreements.

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For example, CPA has conducted a consultative process that has extended over 12 months that started with industry consultation associated with the forward level of activity the airport would experience over a 5 and 10-year timeframe. CPA commissioned expert advice and then sought industry comment in terms of the passenger volume that Cairns International Airport (CNS) would experience over those timeframes. CPA had discussions with individual airlines that operate at CNS, specifically Qantas and Virgin Blue. With regard to the other airlines that operate at CNS, BARA provided a collective view after consultation with those other member airlines that operate through CNS.

In parallel with the consultation on passenger volumes and forward projections in terms of passenger numbers, CPA was developing a capital investment plan that was critical for the continued operation of CNS and central to the Airport Services Agreements that CPA would execute with each airline. The capital investment plan is influenced in both scope and timing of the capital investment related to level of passenger and aircraft activity. The airlines' views associated with the scope and timing of some 60 capital projects is central to consultation and negotiation and a key input to the financial model that will lead to the establishment of a price per passenger.

CPA consulted with individual airlines and with BARA collectively. It is worthy to note that for a range of airlines operating into Australia, BARA provides a level of technical experience and expertise that sometimes is only found in the corporate areas of international airlines operating into Australia. Airlines resident in Australia generally have strong technical support and have directly interfaced with CPA on these projects. However, to ensure that there is a significant industry view, CPA has sought BARA's assistance in terms of the appropriateness of the scope and timing of capital works.

Similarly, in relation to the financial model that underpins the Airport Services Agreements, BARA does not necessarily negotiate with CPA in terms of price, as price becomes an output of the key financial parameters and variables that are inputs to the financial model. The key financial variables that make up the financial model, is where CPA placed its emphasis. Again, we directly negotiated with some airlines with regard to the financial model and we have also negotiated with BARA representing its member international airlines.

The Airport Services Agreements being structured for CNS have the same aims as those for the privatised airports within Australia. It is a complex commercial agreement between each airline and CPA. It provides for provision of services and facilities to an operator in common with other operators. CPA believes this is a key point in terms of BARA's contribution to the common use nature of scarce resources at airports and the mechanisms by which the allocation of those resources occur in a fair and equitable manner.

BARA's contribution and involvement does not preclude an airport from directly negotiating commercial arrangements with individual airlines.

BARA also provides strategic support to both airlines and airports in relation to the preparation of input to the procedural management and processing and performance standards associated with government agencies. This process is consistent with their representing the collective views of member airlines, with the aim of providing an outcome that benefits both airlines and airports alike.

There are a variety of mechanisms by which the industry interfaces with governments in relation to the processing standards and facilitation of passengers at airports. Airports operate a local facilitation committee as well as a nationally coordinated facilitation committee under the chair of the Department of Transport and Regional Services (DOTARS).

Airports individually, as well as airlines individually, can have difficulty in securing the correct access for open discussions in relation to the appropriate staffing and processing standards that apply at inwards and outwards primary lines and secondary screening points at airports. BARA has provided a significant and consistent platform under which data is collected and presented to government agencies for review in relation to the mechanisms that should apply to the benefit of the overall image of tourism in Australia and the benefits accruing to airlines and airports accordingly at each location.

The authorisation that BARA seeks is contained under their Index 6 (page 22) of their submission. If the authorisation sought was limited to the first point (1), CPA may have some concerns. However, the qualification of that authorisation in point (2) is consistent with the previous practice of BARA and the professional manner in which BARA has conducted itself in relation to its dealings with CPA. The combined authorisation sought by BARA covering both points (1) and (2) are fully supported by CPA.

With regard to the term of the authorisation that BARA seeks, CPA would not have any concern in relation to a 5-year term. It is seen as providing some certainty in terms of BARA's future and their status in terms of the collective bargaining nature that they provide.

In conclusion, CPA believes there is significant public benefit in BARA being granted their authorisation in that BARA's involvement has the potential to reduce both airlines' and airports' costs of establishment of agreements and mechanisms associated with operations. CPA has never experienced BARA's involvement as anti-competitive. On the contrary, BARA's involvement has always been pro-access in conjunction with an equitable distribution of facilities for airlines to use in common with others.

If CPA can be of further assistance to the Commission in their review of this submission, please contact myself on (07) 4052 3809 or Ian Robinson, General Manager Airport, on (07) 4052 9702.

Yours sincerely



Brad Geatches
CHIEF EXECUTIVE OFFICER

Enclosure

Copy: Ian Robinson, General Manager Airport, Cairns Port Authority

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Our Ref: 10-01-08 IRhw



CAIRNS PORT AUTHORITY

23 August 2004

COPY

The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Via Email: adjudication@acc.gov.au

Dear Mr Grimwade

AUTHORISATION APPLICATION LODGED BY THE BOARD OF AIRLINE REPRESENTATIVES OF AUSTRALIA (A30232)

I refer to your letter of 12 August 2004 concerning the above authorisation application by the Board of Airline Representatives of Australia (BARA).

Cairns Port Authority's (CPA) intention is to provide a submission in support of BARA in relation to its overall authorisation application.

This submission relates to the interim authorisation BARA has requested pending the Commission's decision on the application.

CPA is in negotiations with airlines in terms of establishing an Airport Services Agreement of an extensive and broad-reaching nature, similar to those of the privatised airports of Brisbane, Melbourne and Perth. BARA has played a coordinating and collective bargaining role for their member airlines operating through Cairns and has provided valuable assistance to CPA during that extensive consultation process in the lead-up to the establishment of the agreements.

BARA has brought to the table a coordination of airlines' views in terms of forward levels of activity, airline schedules and passenger growth rates and has contributed to the scope and timing of capital works as a result of those forecast levels of activity for both the international and domestic networks.

BARA, in all of its dealings, has represented its member airlines on the basis that individual agreements would be signed with each airline and that BARA provided a service to CPA on the collection of views and the management of those views in a collective way. At no stage during that process has BARA represented that it could execute an outcome on behalf of the airlines but that it would be making a recommendation to its member airlines for their consideration in relation to the outcome.

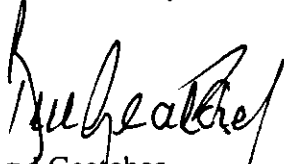
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BARA continues to provide consultation to CPA on a range of passenger facilitation matters and also future arrangements associated with the provision of common use facilities and the appropriate allocation of those facilities to BARA's collective membership. BARA provides valuable insight into its representation of small airlines when dealing with the allocation of relatively scarce resources and common use facilities such as check-in counters, baggage make-up areas and baggage reclaim area.

CPA supports the interim authorisation that BARA is seeking on the basis that this authorisation allows BARA to continue to provide this service to CPA and the industry that it has provided over previous years and that the industry will seek to have BARA provide over future years.

If CPA can be of further assistance to the Commission in the determination of the interim authorisation, please contact myself on (07) 4052 3809 or Ian Robinson, General Manager Airport, on (07) 4052 9702.

Yours sincerely



Brad Geatches
CHIEF EXECUTIVE OFFICER

Copy: Ian Robinson

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Email: Ian.Robinson@cairnsport.com.au
Our Ref: 10-01-08 IRhw