

**PERTH
AIRPORT**

FILE No:
TO:
MARS/PRISM:

6 January 2010

Ms Teresa Nowak
Acting Director
Adjudication Branch
Australian Competition & Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Ms Nowak

**BOARD OF AIRLINE REPRESENTATIVES OF AUSTRALIA INC APPLICATION FOR
REVOCATION AND SUBSTITUTION OF AN AUTHORISATION A91200**

I refer to your letter of 11 December 2009 concerning the above 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.

The Commission has requested submissions in relation to the likely public benefits and effect on competition from the proposed arrangements.

Westralia Airports Corporation (WAC) is currently in negotiation with airlines regarding a new five year prices and services agreement. The agreement will cover changes to prices from the planned capital expenditure program and is intended to take effect from 1 July 2010. WAC is negotiating with both domestic and international airlines. These negotiations are the continuation of an extensive industry consultation process regarding the future infrastructure requirements at Perth Airport (PER) which began over 12 months ago.

Currently seventeen international airlines operate to PER, of which all but three are represented by BARA. BARA does not represent the domestic airlines and WAC is negotiating with each domestic airline individually.

WAC's experience is that BARA provides a number of benefits to the negotiation process including:

- A collective view on infrastructure requirements and forward projections of passenger numbers;
- Technical expertise and experience, particularly with regard to the Australian regulatory environment;
- Advocacy for airlines with limited services to PER who would otherwise be unable to devote the required resources to appropriately evaluate the agreement; and
- Substantial time and cost saving by limiting the need to visit a wide range of international head offices.

Each of these points is elaborated on below.

Collective View

No one international airline has a dominant market share at PER. Therefore, it can be difficult for them to individually understand the need for some elements of the capital expenditure program to meet the needs of the airline community as a whole. BARA is in a position to better understand the broader requirements and engage with WAC in a meaningful way regarding capital requirements and traffic forecasts.

Technical Expertise

In some cases, the international airlines do not have staff based in Australia with the technical expertise to evaluate the pricing models used in the negotiation process. Australia's regulatory environment is also somewhat different to other parts of the world and again, BARA is able to reduce the cost of airlines in evaluating airport proposals.

Representing Airlines with Limited Presence

PER has a number of airlines with daily or even less frequent services. This can make it difficult to engage with those airlines at an appropriate level and get them to devote resources to the negotiation on a timely basis since the PER market is not a material part of their business. Similarly, by promoting a collective view, BARA can ensure that the needs of airlines with relatively small market shares are also taken into consideration.

Cost and Time Saving

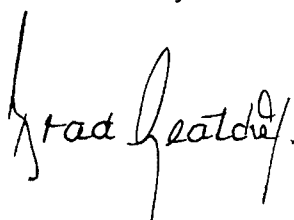
The process of aeronautical price negotiations is already a complex and time consuming process, even with BARA representing a number of airlines. WAC is seeking to have consistent agreements across all airlines so that airlines using the same infrastructure have the same aeronautical charges applied. If WAC was to negotiate with each airline individually, this process would be even longer and delay the implementation of necessary infrastructure. There is a saving to both WAC and BARA's member airlines, who do not have to go through the detailed negotiations.

BARA has consistently represented its member airlines on the basis that individual agreements would be signed with each airline. BARA never represented that it could execute an agreement on behalf of the airlines, but would make a recommendation to its members once a final position was reached with WAC.

In summary, WAC believes there is significant public benefit in BARA's application for the renewal of the 2005 authorisation to be granted. BARA's involvement can reduce both airlines' and airports' cost of negotiating agreements and managing those agreements once executed. WAC has never experienced BARA's involvement as anti-competitive. In fact, BARA's position has consistently been to seek equitable distribution of common use facilities.

If WAC can be of further assistance to the Commission with regards to this submission, please contact myself or Brian Krause, General Manager Aviation Business Development.

Yours sincerely



Brad Geatches
CHIEF EXECUTIVE OFFICER