
Regulatory issues

Airports

ACCC monitoring report on fuel throughput levies

On 11 December 1998 the Commission released a report on fuel throughput levies at privatised airports. The report recommends stricter forms of prices oversight for aircraft refuelling services provided by privatised airport operators.

As part of the economic regulatory framework for newly privatised airports the Treasurer, the Hon. Peter Costello MP, directed the Commission to undertake formal monitoring of aeronautical related services at 12 airports, under s. 27A of the Prices Surveillance Act. Aircraft refuelling services are one of the services the Commission is required to monitor. The Treasurer has directed that the Commission report to him on its monitoring activities following the end of each financial year.

The Commission released its monitoring report in line with this requirement, and following concerns expressed by airlines and oil companies in relation to fuel throughput levies introduced by Brisbane Airport Corporation Limited and proposed by Westralia Airports Corporation Pty Ltd.

Recently Brisbane Airport introduced a new charge for aircraft refuelling services in the form of a fuel throughput levy of 0.4 cents per litre. The levy will raise an estimated \$2-\$2.5 million per annum, increasing Brisbane Airport's revenue from aircraft refuelling services by around 300 per cent.

Similarly, Perth Airport has proposed a levy of 0.5 cents per litre at its international terminal. This will raise around \$700 000 per annum and will increase Perth Airport's revenue from refuelling services by about 200 per cent.

The Commission's report provides information on the levies and a detailed assessment of issues



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relevant to the price increases. The report reaches the following conclusions.

- Introduction of the fuel throughput levies at Brisbane and Perth Airports will significantly increase the price of refuelling services.
- The price increases are not justified in terms of increases in costs or through offsetting reductions in other charges.
- There is a strong case that airport operators have market power in the provision of refuelling services.

In light of the report's conclusions the Commission has recommended that stricter forms of prices oversight should be considered in relation to aircraft refuelling services.

The report considers what forms the stricter prices oversight should take, outlining a number of options and the advantages and disadvantages of each option. It recommends that refuelling services be included within a CPI-X price cap.

The report also considers a number of options for implementation of a CPI-X price cap for refuelling services. It does not make recommendations in relation to these, but concludes that there do not appear to be significant issues that would prevent effective implementation of the report's recommendation. The report is available for \$10 from Gavin Gillies on ph (03) 9290 1829.

Telecommunications

ACCC draft decision on access to Telstra's local network

On 14 December 1998 the Commission announced that it would be issuing a draft decision to require Telstra to allow its competitors direct access to the use of its customer access network, that is, the copper lines which link customers to local telephone exchanges. This would allow competitors to provide both local calls and high speed data and other enhanced services to customers for the first time. The Commission's draft decision is part of its public inquiry into competition for local telecommunications services, which began in March 1998.

At present, competitors are restricted in where they can connect into Telstra's network, which unnecessarily increases their costs of providing services. If the draft decision is confirmed, competitors would be able to connect into Telstra's local network, reducing their reliance on Telstra's infrastructure and thereby minimising their access costs. The decision would also secure the rights of service providers to resupply local calls, that is, to sell to retail customers calls they buy in bulk from Telstra.

The Commission expects its decision to lead to lower prices for all calls, including local and long distance/international calls. It believes the decision would also stimulate the introduction of high speed data services, fast Internet access and other interactive services; reduce the costs of participating in the information economy; and increase the use of e-commerce.

The Australian Communications Industry Forum (ACIF) has formed a working party to help implement the Commission's decisions and to deal with a number of technical and operational issues associated with the supply of these services.

The Commission also issued a brief explanatory statement, which provides a summary of the key issues and includes descriptions of the services that the Commission proposes to declare. Full details are contained in the Commission's draft report issued on 23 December 1998. The explanatory statement and the draft report are available on the Commission's website.

The Commission seeks feedback on the draft report from the telecommunications industry, end-users and the public. It is particularly interested in views about the likely impact of the proposals on the promotion of competition for telecommunications services.

Comments should reach the Commission by 15 February 1999.

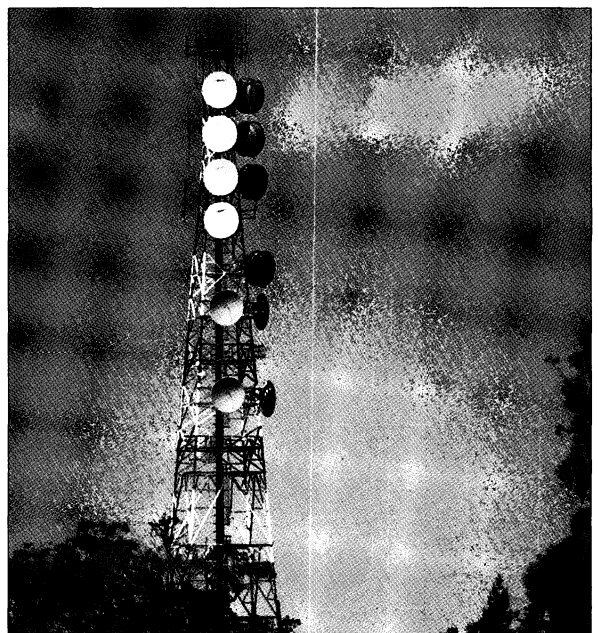
After consideration of these comments, the Commission will move to finalise its decision.

Long distance mobile call inquiry — discussion paper

On 14 December 1998 the Commission issued a discussion paper on the *Public inquiry into competition for long distance mobile telecommunications services*.

The Commission convened the inquiry to examine whether it should intervene to 'declare' a service that would enable a wider range of service providers to supply the long distance component of mobile calls. Declaration allows access to the services that service providers need in order to supply competitive services to end-users.

Within the telecommunications industry, there are mixed views as to whether intervention by the Commission is necessary for long distance mobile services. Some argue that this would lead to lower prices for long distance services. Others argue that there is already healthy competition.



Photography by Arthur Mostead

This inquiry provides the opportunity to test the various arguments and to hear from end-users.

The Commission is seeking submissions in response to its discussion paper by 29 January 1999. The paper is available from Commission offices and on the Commission's website.

Gas

Final approval of access arrangements

On 3 November 1997 the Energy Projects Division of the Victorian Department of Treasury and Finance (EPD) submitted proposed access arrangements and access arrangement information for the Victorian natural gas transmission system to the Commission for approval under the Victorian Third Party Access Code for Natural Gas Pipeline Systems (the Victorian Access Code).

The access arrangements set out the policies and terms and conditions on which the service providers will make access to the transmission pipelines available to third parties.

EPD submitted three gas transmission access arrangements to the Commission for approval, on behalf of:

- Transmission Pipelines Australia Pty Ltd (TPA) and Transmission Pipelines Australia (Assets) Pty Ltd (TPAA) for the Principal Transmission System (PTS);
- TPA and TPAA for the Western Transmission System (WTS); and
- Victorian Energy Networks Corporation (VENCorp) for the PTS.

The Commission's consultation and assessment process included:

- the release of its draft decision on 28 May 1998 in which it proposed a number of changes to the access arrangements in order for them to be approved;
- public forums held on 3 and 7 July 1998 to discuss the weighted average cost of capital and other issues raised in the access arrangements; and
- the release of the final decision on 6 October 1998 in which it set out 31 amendments (or nature of the amendments) which would have

to be made to the access arrangements for them to gain approval, and the Commission's reasons for requiring those amendments.

EPD, on behalf of the applicants, submitted the formal revised access arrangements to the Commission on 30 November 1998.

The Commission was satisfied that the revised access arrangements incorporated the amendments specified in the final decision. The revised access arrangements also incorporated a number of changes which were not specified in the final decision. The Commission was satisfied that these changes were not material, and that the revised access arrangements complied with the requirements of the Victorian Access Code.

On 16 December 1997 the Commission issued its final approval to the three access arrangements. TPA's access arrangement for the PTS and VENCorp's access arrangement for the PTS will come into effect on 1 January 1999 or the date on which the Market and System Operations Rules (MSOR) commence, whichever is later. TPA's access arrangement for the WTS came into effect on 1 January 1999.

EPD also submitted further access arrangement information on 30 November 1998 with respect to TPA's access arrangements for the PTS and WTS. After assessing the full set of access arrangement information submitted, the Commission concluded that it satisfied the requirements of the Victorian Access Code with respect to the revised access arrangements.

The Commission's decisions and the revised access arrangements are available on its Internet website.

