



BARNZ
VOICE OF THE AIRLINE INDUSTRY

Submission

Market study into the retail fuel sector

To the Commerce
Commission

3 September 2019

1. This is the submission by the Board of Airline Representatives New Zealand (BARNZ) to the Commerce Commission on the *Market study into the retail fuel sector Draft Report*.
2. BARNZ is the voice of the airline industry in New Zealand. We represent 26 international and domestic airlines that operate here and four support organisations. This submission is made on behalf of our members, listed in the Appendix. Some members may make their own submissions.
3. BARNZ's contact person for this submission is:

Ian Ferguson
Manager – Pricing and Policy
ian@barnz.org.nz
021 120 6810
4. The purpose of this submission is to highlight the degree of interrelation between the retail fuel sector in New Zealand and the aviation fuel sector and the implications of this for the Commission's recommendations.
5. We recognise the scope of the Commission's inquiry is limited to the retail fuel sector and does not include aviation fuel. But, as the Commission knows¹, much of the fuel infrastructure in New Zealand, notably the Marsden Point Refinery, the Refinery to Auckland Pipeline and the Wiri oil terminal, is used to supply aviation fuel as well as petrol and diesel. This means that recommendations and actions to change the wholesale market in relation to petrol and diesel would also need to apply to aviation fuel if they are to be properly implemented.
6. Many of the concerns and problems identified in the Commission's draft report in relation to the wholesale market for petrol and diesel mirror the concerns raised by the aviation industry in the recent government inquiry into the resilience of the fuel supply to the Auckland region. This should give comfort to the Commission that its findings are accurate. It also means that the solutions identified by the Commission to improve competition in the wholesale market for petrol and diesel would have an additional benefit through improving competition in the wholesale market for aviation fuel.
7. For example, a key concern is that the different infrastructure sharing agreements between the three main oil companies, and in particular the lack of available information about how to join these agreements, create a barrier to competition that could inflate end-user prices for aviation fuel. This is very well aligned to the findings of the Commission's report.
8. A further concern raised during the inquiry hearing was the lack of information provided by the fuel companies on future investment plans and the apparent inability to make necessary investments to improve supply capacity and resilience in a timely way. These problems seem to stem from the complex ownership arrangements for some shared assets and result in delayed investment causing risks to resilience and quality of supply.

¹ For example, paragraphs 2.105 and 2.123 of the draft report.

We expect these issues will also affect the supply of petrol and diesel, at least through the Wiri terminal.

9. The Auckland fuel supply inquiry report was submitted to the Minister of Energy in August 2019. We have not yet seen this report and do not know what it has recommended. The focus of that inquiry was on the September 2017 breakage in the Refinery to Auckland pipeline and the resilience of the fuel supply chain into Auckland, so the inquiry report may or may not have focused on competition questions. However, competition questions were certainly raised during the inquiry process.
10. The policy response to the retail fuel market study and the Auckland fuel supply inquiry will need to be coordinated given the substantial cross-over between the two in terms of assets, issues, industry participants and potential solutions.
11. BARNZ asks that the Commission's recommendations in the final report on the retail fuel market study acknowledge that, if implemented, many of the recommendations would also improve competition in the wholesale market for aviation fuel in New Zealand. This will be important so policy makers have a clear appreciation that many recommendations relating to the fuel wholesale market should have benefits for consumers of the petrol, diesel and aviation fuel markets alike.
12. We are happy to discuss this matter further with the Commission and provide more information as necessary.

Appendix – List of BARNZ Members

Airline Members	
Air Calin	Air China
Air New Zealand	Air Tahiti Nui
Air Vanuatu	Airwork
American Airlines	Cathay Pacific Airways
China Airlines	China Eastern Airlines
China Southern Airlines	Emirates
Fiji Airways	Jetstar
Korean Air	LATAM Airlines
Malaysia Airlines	Philippine Airlines
Qantas Airways	Qatar Airways
Sichuan Airlines	Singapore Airlines
Tasman Cargo Airlines	Thai Airways International
United Airlines	Virgin Australia Airlines
Non-Airline Members	
Menzies Aviation (NZ)	OCS Group NZ
Swissport	Glidepath