



11 June 2009

Ms Siobhan McKenna  
Commissioner  
Productivity Commission  
Locked Bag 2  
Collins Street East  
Melbourne VIC 8003

## **Annual Review of Regulatory Burdens on Business**

Dear Commissioner McKenna

It was a pleasure to meet you in Brisbane to discuss the Commission's review of regulatory burden on the aviation sector.

The Australian aviation sector is heavily regulated and we are particularly interested in the work of the Commission in this area. While we have a clear view of our regulatory responsibilities and our obligations as a corporate citizen we are also familiar with inefficient and unnecessary regulation.

As a business we have regulatory obligations across the three levels of Government. As an airline we operate in a complex, expensive and mandatory regulatory environment. As an international airline we operate in ten separate economies, each of which adds regulatory complexity. In all streams of regulatory exposure there are clearly identifiable and unnecessary costs which, if removed, would reduce significantly our cost of doing business and improve both the efficiency of the aviation sector and its contribution to the national economy without cost to the Government's aviation policy or safety and security oversight agenda.

Australia and the Australian aviation sector have benefited significantly from the sustained program of micro-economic reform of the Australian economy. That progress has not been matched by necessary and long overdue reform of the aviation sector's technical and operational regulatory framework which remains a burden on the economy, the industry and the regulator itself. Despite two decades of genuine intent to provide Australia with modern outcomes-based operational legislation the rate of progress remains unacceptably slow.

While the current cost of these inefficiencies is by any standards significant, the future cost is daunting. Activity in the Australia aviation sector is expected to double over the next decade or so. In the economy the sector is a key driver of important downstream activity, in particular the tourism sector; components of the domestic regional economy, and provides broad welfare benefits across the whole of the economy. In its own right it is a significant employer, investor and skill base. Regulatory inefficiency for the sector impacts widely and negatively across the whole economy.





The sector remains under persistent policy pressure to deliver on-going dividends from micro-economic reform despite increasingly inefficient regulatory support and increasing pressure on essential infrastructure. The industry and Government share very significant infrastructure investment challenges. Launching current and future multi-billion dollar investment programs in an increasingly dysfunctional regulatory environment represents unacceptable levels of risk and cost to shareholders and taxpayers alike. We are witnessing a widening gap between the capacity of enabling legislation to support the introduction to the sector of highly efficient next generation technology and world best practice to the detriment of both the regulator and the industry itself.

Industry's continuing concerns about unnecessary and overly complex oversight are well known to Government and have been the subject of representations, debate and review now for many years. The widely held concerns expressed across the economy by all levels of business about regulatory burden, duplication and disparity in regulatory standards in the various Australian jurisdictions negatively impact this industry and are also well known to Government. The Commission through the full range of its activities will be very familiar with both the specifics and the generality of our concerns. Yet despite all of this knowledge and the length of time these issues has been part of public policy debate genuine progress remains expensively slow.

Our recent discussions gave us a very useful insight to the role of the Commission and the nature of the material we might usefully make available to assist you in this important work. Virgin Blue sees this review as an opportunity to facilitate legislative reform and to assist in ensuring that the various policy reviews currently being undertaken by the Federal Government are cross-linked to ensure maximum and beneficial outcomes.

I have attached for your information some indicative examples which illustrate our concerns in this area. I have also attached for your information submissions made by the Virgin Blue Group to the Government's Towards a National Aviation Policy Statement and our response to the National Aviation Green Paper. We would be happy to provide further elaboration about specific elements of these submissions.

Yours sincerely

Andrew David  
Chief Operations Officer

