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AUTHORISATION FOR AIRPORTS FIJI LIMITED'S AIR NAVIGATION SERVICE FEES

Date Issue: 28 December 2016

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"To promote Competition in the Fijian Markets"

1.0 Introduction

- 1.1 The transport infrastructure and management, particularly the aviation facilities are crucial for Fiji's competitiveness as a tourist destination and other trading activities. The aviation sector comprising the airlines together with the airports, air navigation and other essential ground services make up the air transport infrastructure.
- 1.2 There is a need to ensure that the aviation industry generally and airports specifically continue to provide access to national and international services and infrastructure that meet the broad range of needs and expectations.
- 1.3 An appropriate economic regulatory framework is required for airports to prevent abuse of market power. A commitment to striking a balance between the needs for effective oversight, transparency for all airport users and incentives to invest is essential.
- 1.4 Due to the monopolist features of the aeronautical services industry, the role of a regulatory body in promoting competitive forces in the industry is of importance. The absence of sufficient competition in the market leads to inefficiency in resource allocation and utilization. It also goes against consumer interest.
- 1.5 Civil Aviation Services is declared as a regulated industry under section 4 of the Commerce Commission Decree 2010 (CCD2010) and under the current order, the Commerce (Control of Prices for Aeronautical Services) Order 2016, the Commission fixes and authorises the maximum fees and charges for aeronautical services provided by Airports Fiji Limited ("AFL").
- 1.6 The full review of the Fiji Aeronautical Services tariff was last conducted in 2015.
- 1.7 On 7 October 2016, the Commission received the full formal submission from Airports Fiji Limited ("AFL") for a proposed increase in the Air Navigation service from FJD5.87 to FJD9.51 for international routes. In its submission, stated the imminent threat of losing about 40% of the Air Navigation Revenue if they are unable to provide reasonable remittance to the Pacific Island countries whose Upper Airspace that they manage.
- 1.8 To facilitate the review, the Commission on 26 October 2016 called for submissions on the proposed tariff increase by AFL from the airlines and other industry stakeholders and required information from AFL for the review's assessment.

1.9 Based on the submissions from the service provider and the service users, Commission's independent research, benchmarking and computations, the Commission has made this Commission Information paper.

2.0 Legal Framework

2.1 Civil Aviation Services is declared as a regulated industry under section 4 of the Commerce Commission Decree 2010 (CCD2010).

2.2 The Commission is empowered under the **Commerce (Control of Prices for Aeronautical Services) Order 2016** to control and /or regulate the aeronautical services in all grades and classes in Fiji.

2.3 For the purpose of the **Commerce (Control of Prices for Aeronautical Services) Order, aeronautical services is defined as:**

- 2-(1) (a) air navigational aided services;
- (b) Air traffic control services;
- (c) Landing and parking services for aircrafts;
- (d) Air side activities like incinerator services and aerobridge services; and
- (e) Other services relating to aircraft movements.

(2) The definition of aeronautical services is not limited to subsection (1).

3.0 Review Process

3.1 On 15 August 2016, Airports Fiji Limited made a submission to the Commission in regards to the harmonisation of the Fijian Upper Space Air Navigation Fees to the lower of the two comparable in Australia and New Zealand particularly to New Zealand Upper Airspace Air Navigation Fees.

3.2 Following the receipt of the submission from AFL, the Commission on 26 August 2016 requested for information pertaining to the review to carry out detailed computation and assessment.

3.3 On 29 August 2016, a meeting was held with AFL at the Commission with a view of initial understanding on the proposed application and for AFL to clarify the rationale of the proposed increase and to convey its expectation given AFL's current investments in place

and challenges faced from New Zealand Airways trying to acquire portion of the Upper Air space currently being managed by AFL.

3.4 On 30 August 2016, the Commission requested for additional information pursuant to the meeting held with AFL and circulated a draft letter on call for submissions for stakeholder views for AFL's feedback on the disclosure of confidential information.

3.5 On 7 October 2016, the Commission received the full formal submission from Airports Fiji Limited ("AFL") for a proposed increase in the Air Navigation service from FJD5.87 to FJD9.51 for international routes.

3.6 In recognising the spirit and intention of CCD2010 to ensure procedural fairness, the Commission on 26 October 2016 notified the airlines and the other industry stakeholders on the proposal by AFL and sought their comments and suggestions. The deadline for the submissions was 11 November 2016 and extended to 5 December 2016 based on the meeting with Airlines, ASPA and industry stakeholders.

3.7 The Commission had used both qualitative and quantitative methodologies to analyse information and carried out the review by making reference to the financial position of AFL, best industry practices in other countries and to align the policies with that of the interest of all Fijians.

3.8 Based on the submission made by AFL and Commission's independent research and computation, the Air Navigation Fees has been reviewed.

4.0 Commission's Authorisation

4.1 The Commission after the assessment of AFL's submission, pursuant to Section 41 of CCD2010 and the **Commerce (Control of Prices for Aeronautical Services) Order 2016** authorises the following Air Navigation Tariff Rate for Airports Fiji Limited.

The authorised Air Navigation Service fee is effective from 1 January 2017.

Table 1: Air Navigation Service Fee

Description	Previous Tariff	Authorized Tariff
Enroute Service Unit Fee	(VEP)	(VEP)
Domestic	\$3.45	\$3.45
International	\$5.87	\$9.51

4.2 The above fees are to be charged by Airports Fiji Limited and will remain the same and no new charges should be introduced unless authorised by the Commission.

4.3 This authorization expires on 31 December 2021.

Commissioners/ Board Members:

			
Ms. Joann Young	Mr. Firoz Ghazali	Mr. Isikeli Tikoduadua	Mr. Romil Patel
Chairperson	Deputy Chairperson	Commissioner	Commissioner

Annexure 1: The flight information region (FIR) shows that the Pacific upper air space managed by Fiji, Australia and New Zealand

