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Dear Mr Clark

Thank you for making the time on Monday 15 September to brief Melbourne Airport on *Airservices' Pricing Structure – Options Discussion Paper*, we are pleased to have the opportunity to make a submission on some of the matters contained therein.

Network Pricing

The increased demand for services at secondary airports driven largely, though not exclusively, by the emergence of low cost carriers in the domestic market has created a situation in which airports such as Avalon, Newcastle and Maroochydore now have the potential to compete with nearby major capital city airports.

Support for these airports through the pricing of *Airservices'* services to other sections of the aviation industry by way of network pricing serves to distort the market generally and in particular provide an artificial competitive advantage to secondary airports at the expense of primary capital city airports without leading to any demonstrated improvement in the efficiency of use of aviation infrastructure.

We support the provision of assistance to regional airports on the basis that it provides a net benefit to regional communities. Consistent with competitive neutrality principles, such support should be provided directly, transparently and on an objective basis. This can be done in a way that does not affect competition between airports or airlines and does not place unjustified burdens on other sectors of the industry not using regional services provide by *Airservices* such as international carriers.

Given the above, we remain categorically opposed to the network based pricing of ARFF services provided to Category 6 aircraft and are strongly opposed to the extension of this approach to terminal air navigation services.

We are aware of arguments put to *Airservices* in this consultation by the Australian Airports Association (AAA) suggesting a preference for a future pricing focus on a network cost per passenger number basis. Again given the above, we wish to make clear we do not support the views expressed by the AAA and dissociate ourselves from them and any future comments the AAA makes in relation to this current consultation process.

There is no economic evidence that a network pricing model achieves the objective of allocative efficiency or delivering benefits to regional communities that would not have otherwise been delivered. Further, no evidence has been produced to suggest network pricing has served to increase competition between airlines.

In our submission to the Federal Government's Aviation Policy Review we recommended that the Department of Infrastructure, Transport, Regional Development and Local Government commission an independent economic analysis of the benefits that have accrued to regional communities under the predominantly network based approaches or conversely the damage sustained by such communities by instances of location specific charging. Given the ongoing contention in relation to this matter, it would be appropriate for Airservices to commission such independent work.

More detailed information on APACs views in this regard can be found in our submission to the Federal Aviation Policy Review at [http://www.infrastructure.gov.au/aviation/nap/files/Australia Pacific Airports Corporation.pdf](http://www.infrastructure.gov.au/aviation/nap/files/Australia_Pacific_Airports_Corporation.pdf) and our submission to the Australian Competition and Consumer Commission when it considered Airservices Australia's price notification in late 2005 which can be located at <http://www.accc.gov.au/content/index.phtml/itemId/752616>.

Scope of Aviation Rescue and Fire Fighting Services

It is our view that the charges paid by airlines for ARFF services should encompass the provision of services to all those buildings adjacent to the airfield which serve an aviation related purpose, including structures such as terminals, freight sheds and maintenance hangers.

Any consideration of the imposition of a call out charge to other buildings should take into account any requirements of building tenants that their fire alarm must terminate at the fire control panel located in the Airservices fire station and in particular their ability to exercise any control over that requirement. Such charges should reflect the additional costs Airservices incurs in providing these services although we have no objection to Airservices imposing a call out fee to incidents that are either false alarms or are of a minor or trivial nature.

Notwithstanding the core purpose of the ARFFs service, we would argue that where it is both possible and practical to do so, Airservices assistance should continue to be provided in respect of medical emergencies. The specialised training of the Airservices ARFF officers in conjunction with their close proximity to and relative ease of movement around the airport renders them in many cases the most suitable first response option at or near an airport.

Quality of Service Agreements, Standards and Monitoring

We support Airservices moving to a more contractual basis of service as this is more likely to ensure the delivery of service quality and give airlines affected by service failure recourse to recover genuine economic losses that result. In the fulfilment of their statutory obligations, Airservices should aim to establish, with its airline customers, benchmarks and goals for the provision of services of quality and efficiency. This has been an approach encouraged by successive governments with respect to airports and we see no reason why a similar approach is not appropriate to Airservices.

However, until such time as Airservices Australia can demonstrate their proficiency in providing timely, reliable and efficient services in line with their core statutory obligations it would seem premature to commence consideration of opportunities to add value to the existing suite of services. Further, given Airservices position as a statutory monopoly provider of services in a market where airports and airlines

compete, we do not believe it is appropriate for Airservices to provide the same services at the same locations under different terms and conditions.

I look forward to the opportunity to consider the options flowing from this discussion paper in greater detail. In the meantime please don't hesitate to contact Carly Phillips on (03) 9297 1804 in the event that we may provide further support to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Gandy', written in a cursive style.

Simon Gandy
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Strategy, Planning and Environment