

Our Ref: Trackit no. 41049
Contact Officer: David Salisbury
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**Australian
Competition &
Consumer
Commission**

8 September 2011

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Mr Andrew Clark
Chief Executive Officer
Airservices Australia
25 Constitution Avenue
CANBERRA ACT 2600

Dear Mr Clark

Notice pursuant to paragraph 95Z(6)(c) of the *Competition and Consumer Act 2010* in response to Airservices Australia's price notification dated 22 August 2011

I am writing in response to the locality notice (price notification) provided to the Australian Competition and Consumer Commission (ACCC) on 22 August 2011 by Airservices Australia (Airservices) pursuant to subsection 95Z(5) of the *Competition and Consumer Act 2010* (CCA).

On 7 September 2011, the ACCC decided to object to the proposed price increases for terminal navigation and aviation rescue and fire-fighting services set out in that price notification. The decision paper outlining the reasons for the ACCC's decision is included as an attachment to this letter and will be published on the ACCC's website. This decision paper will also be included in the public register kept under section 95ZC of the CCA.

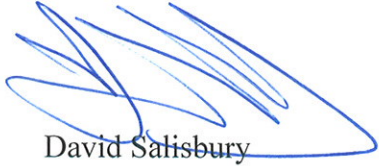
As set out in the decision paper, the ACCC considers that Airservices, by seeking to change one aspect of the methodology used to estimate a rate of return on capital (WACC), has proposed a rate of return that is too high. The decision paper provides guidance as to the level of WACC that is consistent with the methodology established through the previous long-term pricing agreement.

The ACCC is satisfied, however, that Airservices has taken steps to address concerns raised in its preliminary view that Airservices needs to improve its consultation with stakeholders on capital expenditure and improve its drivers of efficiency.

It is open to Airservices to provide the ACCC with a new price notification.

If you would like to discuss this further, please do not hesitate to contact either myself on (03) 9290 1919 or Renée Coles on (03) 9290 6921.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Salisbury', with a large, sweeping flourish extending to the right.

David Salisbury
Director—Transport Monitoring and Analysis
Transport and General Prices Oversight Branch