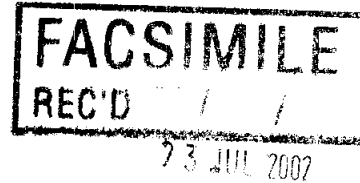




AIRSERVICES AUSTRALIA



Ms Margaret Arblaster
General Manager-Transport and Prices Oversight
Australian Competition & Consumer Commission
Level 35
360 Elizabeth Street
Melbourne, VIC 3000

Dear Ms Arblaster,

Formal Notification of Proposed Increase in Airservices Australia's Prices

Pursuant to section 22 of the Prices Surveillance Act (PS Act), this notification seeks the endorsement of the Australian Competition and Consumer Commission (Commission) for an increase in the prices charged for declared services and facilities provided by Airservices Australia.

The statutory criteria for assessing a notification are set out in subsection 17(3) of the PS Act. This sub-section specifies that in assessing a notification, the Commission is required to have particular regard to:

- (a) the need to maintain investment and employment, including the influence of profitability on investment and employment;
- (b) the need to discourage a person who is in a position substantially to influence a market for goods or services from taking advantage of that power in setting prices; and
- (c) the need to discourage cost increases arising from increases in wages and changes in conditions of employment inconsistent with principles established by relevant industrial tribunals.

Airservices Australia has separately provided a detailed submission in support of this proposed change in prices specifically addressing the Commission's key concerns that:

- the cost base that the organisation is working from to earn a return is efficient; and
- the rate of return sought is reasonable.

Unlike other commercial service providers, Airservices Australia's primary financial objective is not predicated on the maximisation of profits. Instead, underpinned by its legislated charter to foster and promote aviation, Airservices Australia considers its primary financial objective is to balance shareholder value with customer value and is justifiably proud of its record of consecutive price reductions totalling some 25% in real terms over the past four years. Its Board and management has therefore not taken lightly the proposal to break this record and seek a price increase in 2002/03.

In making this proposal Airservices Australia also recognises the concerns raised by some customers and their industry associations. However, given the devastating impact last

AIRSERVICES AUSTRALIA

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September's terrorist attacks and collapse of Ansett have had on traffic levels, and after having taken all reasonable steps to mitigate their effects, Airservices Australia is unable to continue to absorb the financial losses stemming from these events.

Airservices Australia is therefore seeking to increase its prices by a weighted average 5.1% (2.4% real) for 2002/03 effective from 28 July 2002. By service line, the proposed increases average 5.9%, 8.1% and 3.9% for Terminal Navigation (TN), Aviation Rescue and Firefighting (AF) and En-route (ER), respectively. The proposed individual price changes are listed in Attachment 1.

In acknowledgement of the Commission's concern over the uncertainty surrounding traffic level forecasts, and the potentially faster than anticipated recovery in the aviation industry, Airservices Australia also proposes that these increases be temporary and reverse back to current levels on 1 July 2003 pending an assessment of traffic levels at that time.

Yours sincerely



Alan Barber
Manager Financial Strategy

24 July 2002

ATTACHMENT 1

AIRSERVICES AUSTRALIA

NOTIFICATION OF CHANGE IN PRICES

	Current Price	Price from 28 July 2002	Price from 1 July 2003
Terminal Navigation (TN)			
Adelaide	\$8.86	\$9.74	\$8.86
Alice Springs	\$7.15	\$7.42	\$7.15
Brisbane	\$4.86	\$4.96	\$4.86
Cairns	\$7.96	\$8.75	\$7.96
Canberra	\$8.65	\$9.50	\$8.65
Coolangatta	\$9.09	\$9.99	\$9.09
Hamilton Island	\$4.90	\$5.38	\$4.90
Perth	\$6.82	\$7.49	\$6.82
Sydney	\$4.48	\$4.82	\$4.48
Weighted Average TN	\$5.08	\$5.38	\$5.08
Aviation Rescue & Firefighting (ARFF)			
Brisbane	\$1.38	\$1.46	\$1.38
Melbourne	\$1.02	\$1.09	\$1.02
Perth	\$2.19	\$2.40	\$2.19
Sydney	\$0.64	\$0.69	\$0.64
Adelaide	\$2.57	\$2.69	\$2.57
Cairns	\$3.54	\$3.83	\$3.54
Coolangatta	\$4.10	\$4.24	\$4.10
Darwin	\$6.58	\$7.23	\$6.58
Alice Springs	\$6.20	\$6.81	\$6.20
Canberra	\$3.26	\$3.58	\$3.26
Hobart Cat 7	\$7.75	\$8.46	\$7.75
Launceston	\$8.56	\$9.30	\$8.56
Karratha	\$12.02	\$13.21	\$12.02
Mackay	\$9.27	\$9.98	\$9.27
Port Hedland	\$17.14	\$18.84	\$17.14
Rockhampton	\$8.73	\$9.59	\$8.73
Weighted Average ARFF	\$1.63	\$1.76	\$1.63
Enroute			
Domestic Enroute >20T	\$4.66	\$4.84	\$4.66
Domestic Enroute <20T	\$1.04	\$1.08	\$1.04
International Enroute	\$4.66	\$4.84	\$4.66
Weighted Average Enroute	\$4.51	\$4.68	\$4.51
TOTAL AIRWAYS REVENUE	\$4.40	\$4.62	\$4.40

Note: These prices include GST.