

Our Ref: Trackit no. 42574
Contact Officer: Anthony Bell
Contact Phone: 03 9290 6914



**Australian
Competition &
Consumer
Commission**

17 September 2010

Mr Russell Balding AO
Chief Executive Officer
Sydney Airport Corporation Limited
Locked Bag 5000
Sydney International Airport NSW 2020

GPO Box 520
Melbourne Vic 3001

Level 35, The Tower
360 Elizabeth Street
Melbourne Vic 3000

tel: (03) 9290 1800
fax: (03) 9663 3699

www.accc.gov.au

By email

Dear Mr Balding

Notice pursuant to paragraph 95Z(6)(c) of the *Trade Practices Act 1974* in response to Sydney Airport Corporation Limited's price notification for regional air services

I am writing in response to the locality notice (price notification) provided to the Australian Competition and Consumer Commission (ACCC) on 24 June 2010 by Sydney Airport Corporation Limited (SACL) pursuant to subsection 95Z(5) of the *Trade Practices Act 1974* (TPA).

On 17 September 2010, the ACCC decided to object to the proposed prices set out in that price notification. Expressed in the terms of subsection 95Z(6) of the TPA, the ACCC has no objection to SACL supplying the services at the current level of prices. A summary of the proposed prices and the ACCC's decision is included as an attachment to this letter (Attachment A).

The decision paper outlining the reasons for the ACCC's decision is also included as an attachment to this letter (Attachment B) and will be published on the ACCC's website. This decision paper will be included in the public register kept under section 95ZC of the TPA.

As set out in the decision paper, the ACCC considers that SACL has not sufficiently established that price increases are required to recover the specific costs for the provision of services to regional air services given the growth in demand (and associated revenues).

For the purposes of this price notification, the ACCC was prepared to consider SACL's proposed charges with reference to those established in its previous assessments, as previously discussed with SACL staff. That is, the ACCC sought to understand how the specific costs, demand and revenues for the provision of aeronautical services to regional air services were likely to have changed since 2001-02. However, the ACCC has particular concerns about the basis of SACL's allocation of costs to regional air services and, therefore, the ACCC has not been satisfied that the proposed price increases are justified.

Further, the ACCC has not found SACL's claims that the proposed increases are necessary to signal more efficient use of scarce capacity by regional air services to be persuasive.

It is open to SACL to provide the ACCC with a new price notification. However, the ACCC considers that, as outlined in the decision paper, the approach to determining the appropriate contribution towards shared costs by regional air services needs to be examined by SACL prior to any further price notifications. In addition, SACL should be prepared to demonstrate how the prices are expected to signal more efficient use of scarce capacity if it seeks to rely on such arguments in future price notifications.

If you would like to discuss this further, please do not hesitate to contact either myself on (03) 9290 1804 or Anthony Bell on (03) 9290 6914.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Anthony Wing', with a stylized flourish at the end.

Anthony Wing
General Manager
Transport and General Prices Oversight Branch

Attachment A: Summary of the ACCC's decision on SACL's proposed charges

Charge	Unit	Prices (GST exclusive)		
		Existing charge	SACL's proposal	ACCC's decision
Passenger facilitation charge (PFC) – based on either option A or B below, as selected by users				
PFC option A: separate charges				
Terminal facility charge	Per passenger	\$1.75	\$1.80	\$1.75
Apron parking	Per 15 minutes	\$35.00	\$36.01	\$35.00
Check-in counter charge	Per counter per hour	\$17.00	\$17.49	\$17.00
PFC option B: combined charge				
T2 regional PFC	Per passenger	\$4.50	\$4.63	\$4.50
Passenger security and bag screening				
T2 regional security charge	Per passenger	\$0.87	\$0.90	\$0.87
Runway charges				
Runway charge per tonne	Per MTOW tonne	\$3.44	\$3.54	\$3.44
Minimum runway charge	Per movement	\$50.00	\$51.44	\$50.00
Minimum runway charge (MTOW 5-10 tonnes)	Per movement	\$41.25	\$42.44	\$41.25
Minimum runway charge (MTOW 0-5 tonnes)	Per movement	\$20.00	\$20.58	\$20.00

The following table outlines the derivation of the combined PFC charge:

PFC component	Derivation of charge	Prices (GST exclusive)		
		Existing charge	SACL's proposal	ACCC's decision
Terminal facility charge		\$1.74	\$1.79	\$1.74
Apron parking	Based on average parking time of 45 minutes and 21 passengers per flight	\$2.50	\$2.57	\$2.50
Check-in counter charge	Based on average 2 departing flights per counter hour and 21 passengers per flight	\$0.26	\$0.27	\$0.26
Combined PFC		\$4.50	\$4.63	\$4.50