Adelaide Airport

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Ms Margaret Arblaster
General Manager – Transport and Prices Oversight
Australian Competition and Consumer Commission
Box 520J
MELBOURNE VIC 3001

Dear Margaret

Re:- Airservices Australia Draft Price Notification – August 2004

Herewith please find comments in respect of the proposed price review of Airservices charges at Parafield and Adelaide Airports.

The consultative process undertaken by Airservices Australia (AsA) was considered to be quite adequate.
The efficiency of Airservices operations as an airport operator is in the high end of the range in all aspects provision of services, level of facilities and resources but unknown in the level of operating costs – we believe that there has been insufficient transparency with the facts and figures presented particularly in the composition of operating costs and on costs, in particular the Headquarter charges. It seems strange that the cost of operating a tower at Parafield is almost more than double the cost of running the whole of the rest of the airfield.

The level of future investment is unable to be commented on given the lack of transparency referred to above.

The activity volumes appear reasonable when compared with the forecasting we conduct for our Master Planning review – however, the uncertainty in the future pricing could well drive down future traffic volumes to surrounding un-serviced airfields.

We would propose that a more fair and equitable pricing regime be debated and that an independent arbitrator facilitate that debate as network pricing brings out unfair influences from the heavy end of the industry both airport and airline to the detriment of the Regional and commuter operators and airports.

The existing structure of prices including recovery alternatives policy was developed during the government's intended privatization program to ascertain the cost of doing business at each location. Now that the policy has shifted it would appear that location specific pricing by a monopoly provider of network services is inequitable.

In addition, it is understood that approximately 100% of charges at Parafield are recovered from only about 40% of the users as the other 60% land at nearby airfields and are not captured by the Airservices charging net.

Perhaps the opportunity to revert to network pricing would be more equitable. Alternatively a registration fee be imposed on all aircraft for the provision of air services with a premium for those that use airports with towers and fire service – not unlike a car owner who pays for roads in their registration fee but pays a premium if they choose to use a toll road.

Then there is always the possibility of offsetting some of the fuel tax levy for the provision of Airservices services.

The rate of return should be no more than that expected by any competent business operation, based on the **optimized** depreciated cost of assets.

The impact on users is considerable but not only to users and the airfield but also to the likely adverse impacts on State and Territory economies if the larger international training schools go off shore. Similarly, the larger capital city airports do not want Airservices to encourage, through over pricing the location specific regime, the relocation of general aviation and flying training to heavy aircraft airspace compromising capacities and growth potentials for the broader economic benefit of State's and Territories.

We thank you for this opportunity to comment and make ourselves available for any further discussion on the issues we have raised.

Yours sincerely

John McArdle
Manager Corporate Affairs
Adelaide and Parafield Airports