

Ms Margaret Arblaster
GM - Transport & Prices
Oversight Division
ACCC
GPO Box 520J
Melbourne VIC 3001

MPSA 669/1409

14 September 2004

Dear Ms Arblaster

AIR SERVICES AUSTRALIA DRAFT PRICING PROPOSAL

The ACCC has invited submissions from users and interested parties on the draft pricing proposal from Airservices Australia (Airservices) received by the ACCC on 12 August 2004. Singapore Airlines (SIA) is a significant user of both enroute and terminal navigation services, and to a lesser extent ARFF services at major airports. SIA is also an interested party through its association with the Singapore Flying College PL at regional and general aviation airports (Jandakot, Maroochydore and Geraldton).

SIA is an active member of the Board of Airlines Representative of Australia (BARA) and has been involved in discussions regarding Airservices' draft price proposal. SIA accepts the representations made to you as stated in the BARA submission dated 4 September 2004.

In particular, SIA commends Airservices for proposing a longer term pricing strategy that allows for greater certainty in planning and cost management and for offering industry a full consultation process. The Airline is a strong advocate for the interests of consumers in the Australian market, and views the move to a strategic pricing model as a positive one that will ultimately benefit air transport customers.

Issues for comment are addressed in the order put forward in the Issues Paper. Please note that this submission addresses issues only where SIA wishes to either underline points made in the BARA submission or where it holds a different perspective.

Long term pricing plan

SIA supports the proposed five-year 'building block' price proposal. Aviation today is virtually characterised by unpredictable events that impact significantly on costs. Where a reasonable level of certainty can be assured through a more strategic approach to pricing, airlines will be better placed to ensure cost, and therefore price containment, over time.

Airservices' commitment to a five-year plan should ensure that its operating efficiencies are optimised in order to meet its profit objectives. SIA acknowledges that Airservices' efficiency is currently difficult for third parties to measure, however this is a challenge SIA submits be addressed during the lifetime of the proposed pricing model.

Risk sharing arrangements

SIA recognises that factors currently not clear or that are unknown can and probably will impact on the costs of operations during the lifetime of the proposed model. SIA will consult with Airservices and other stakeholders if such risks materialise; but would not accept a unilateral price rise imposed as a result. However, the proposed framework provides for stakeholder consultation, which satisfies SIA.

While greater efficiencies in Airservices' operations should be pursued, particularly in its regional and general aviation operations, it is crucial that safety is not compromised. Risk sharing is acceptable to SIA insofar as it provides a measure of security against under servicing, which would be untenable for the Airline.

Rate of return

SIA accepts Airservices' proposal to phase in its rate of return over the term of the proposed price arrangement. SIA acknowledges that it is difficult for most regional and general aviation operators to bear the price hike originally proposed, and certainly Singapore Flying College has been vocal in this regard. A more moderated progression toward the location specific pricing model is appropriate and has been proposed through on-going increases in charges at GA and regional locations.

Structure of Prices

SIA does not support the “basin” approach to pricing of terminal navigation services and instead promotes the location specific pricing methodology. SIA submits that cross subsidy of inefficient regional operations cannot be sustained in the longer term by RPT airlines. Location specific pricing is clearly SIA’s preferred model, which reflects more accurately and fairly, the use of enroute, terminal navigation and ARFF services by users at each location. The Australian Government should look to consolidated revenue for funding for such a subsidy, if it is determined that in the long term such services should remain. As stated in the BARA submission, SIA strongly argues that such a subsidy should not be funded through an increase of any existing levy or the application of a new levy.

Thank you for considering the Singapore Airlines submission. SIA will be pleased to offer any further clarification. Please contact the undersigned if you so require.

Yours sincerely

Original copy signed

ALAN BLAIR
Manager Passenger
Services Australia