Please find set out below the submission of Adelaide Airport Ltd (AAL) in respect of Airservices Australia (AsA) 2011 Long Term Pricing Agreement Draft proposal.

AAL opposes the principle of location specific pricing on the following grounds:

- The services provided by AsA are highly regulated and consequently are identical regardless of where they are provided and it is unreasonable that there should be a cost differential for identical services. It also seems illogical that locations with the greatest Air Traffic Control issues are the cheapest locations from which to operate. By pricing such identical services based on local traffic volumes, the effect is to encourage traffic at those airports with the highest volumes (and therefore more subject to congestion) and discourage use of airports with lower traffic volumes and unused capacity.
- As the services provided by AsA are not discretionary, they provide a cost impost which acts as a disincentive to the provision of aeronautical services to regional Australia.
- The proposed location specific prices are directly in opposition to the Governments stated strategy to encourage international airlines to increase services to Australia's secondary international gateways as set out in the National Aviation White Paper.
- Location specific pricing places a greater burden on smaller regional airlines that do not utilise the major (and therefore cheaper) airports. The major domestic airlines are able to pick and choose how they service higher cost airports, effectively reducing their "network" costs. Airlines have become very sophisticated in managing their fleets to maximise their yields by switching capacity to those destinations with the highest yields, location pricing has a direct effect on airline yields and therefore figures in the airlines decisions as to which routes to service. Regional Australia is therefore disadvantaged in both the level of service and the costs of accessing services.
- AAL notes that AsA has improved its efficiency and that its prices in real terms have been reduced, nevertheless AsA is a monopoly provider and therefore has no commercial incentive to efficiently manage the provision of services on a location basis. AsA would be indifferent to whether it provided services remotely or at a location and indifferent to the level of costs at each location if it can recover location costs on a location basis rather than ensuring the efficiency of the network and the lowest network cost.
- In its pricing approach AsA has utilised standard costs for asset values, depreciation and labour (46% of the total costs base). The use of these standards is contra to the location specific charging approach and together with the various caps proposed represents a hybrid location specific/network pricing model. If AsA is of the view that the inclusion of these anomalies is necessary, then there is at least an acceptance in part of network charging by AsA.
- The TCU based at Adelaide Airport should be regarded as a national responsibility and should be recovered accordingly and on an operationally efficient cost basis.

- The following table shows airports in descending order of activity and the associated Terminal Navigation Charges.

MTOW	2012 MTOW (m)	2013 MTOW (m)	2014 MTOW (m)	2015 MTOW (m)	2016 MTOW (m)
Adelaide	2.4	2.5	2.6	2.7	2.8
Gold Coast	1.6	1.7	1.7	1.8	1.9
Cairns	1.4	1.4	1.5	1.6	1.6
Canberra	1.2	1.2	1.2	1.3	1.3

TN Charges	2012 $	2013 $	2014 $	2015 $	2016 $
Adelaide	11.7	11.8	12.0	12.1	12.1
Gold Coast	10.3	10.1	9.9	9.8	9.7
Cairns	11.6	12.0	12.4	12.8	13.3
Canberra	12.5	12.4	12.3	12.2	12.2

Adelaide Terminal Navigation charges appear to be very high compared to smaller regional airports with much lower aircraft volumes. AAL seeks additional information to explain the apparent anomaly.

AAL also contends that the traffic forecasts used in the pricing proposal for Adelaide appear conservative:

- Based on AAL's own forecasts and agreements with airlines, it believes that the forecasts used in this pricing proposal appear to be conservative and that the growth rates should be around 15% higher.
- The CAGR for MTOW at Adelaide for the last 7 years is 4.8%. This period includes relatively low growth in the last 2 years due to the GFC and a material shift in the fleet mix as airlines have moved to newer and more efficient aircraft.
- The long term CAGR for passenger traffic at Adelaide is 5.7% (22 years), and 7.2% for the last 7 years. In the light of these actual growth numbers, the IATA passenger CAGR of 3.5% appears to be very low. This lends support to the AAL view that the MTOW CAGR is also very conservative.

AAL does not support the phasing in of price reductions.

Whilst AAL would support the phasing in of price increases, it sees no compelling case for price reductions to be phased in over a period of time. Category 8 charges for Adelaide are totally out of kilter with other categories and with other airports. It notes that the proposed ARFF category 8 price for Adelaide reduces from the current $9.12 to $5.98 over 5 years. This would suggest that a true price for 2011 would be in the region of $5.45 assuming that the price then escalates similarly to other increasing prices.

For Adelaide, category 8 is a very sensitive category which includes most of AAL's international services. If the above assumption on price is correct (it is assumed that the reduction arises from the very good growth Adelaide has experienced in international services over the past 5 years) it would be preferable that the decrease be implemented in 2011 and not be phased in. This would assist in the promotion of international services and should not affect AsA revenue over the period of this pricing agreement.