

1 August 2011

Mr Anthony Wing
General Manager – Transport and General Prices Oversight Branch
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001
AUSTRALIA

Email airport.group@acc.gov.au

Dear Mr Wing

Preliminary View on Airservices Australia's Draft Price Notification

The Australian Competition and Consumer Commission (ACCC) has released its Preliminary View on Airservices Australia's draft price notification. This Preliminary View is to object to Airservices Australia's proposed price increases for terminal navigation (TN) and aviation rescue and fire fighting (ARFF) services. The ACCC is seeking comments on its Preliminary View.

Air New Zealand supports the ACCC's Preliminary View that Airservices Australia should:

- improve its consultation processes on capital expenditure and provide more detail on the benefits and costs of specific projects;
- improve its operating expenditure efficiency drivers; and
- review its cost of capital.

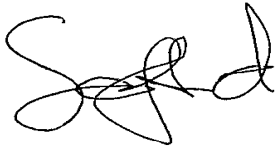
Air New Zealand remains concerned however that the ACCC's proposed approach does little to address the continuing cross-subsidy between services, and between locations within the same service. While expressing its expectation and support for moving to a more cost-reflective and location specific structure, the ACCC remains reluctant to propose a faster transition, noting the potential adverse effects on demand at regional and GA airports. As stated in our May 2011 submission, Air New Zealand considers that any concerns about the impact of pricing on particular sectors or locations should be addressed separately from Airservices' commercial pricing structure which should be focussed on ensuring customers are paying for only those services they require and use – as would be the case in a competitive market.

The ACCC has identified that a change in the WACC calculation would reduce Airservices' overall allowable revenue over the proposed 5 year pricing period by approximately \$100 million. Air New Zealand submits that this reduced allowable revenue be achieved through an immediate reduction in en-route charges. Airservices Australia has established the TN and ARFF charges proposed in the draft price notification on the basis that those charges, and the increases proposed, are essentially affordable and do not result in price shocks to the industry. Consequently, the prices

established for TN and ARFF services, which even at the increased levels do not cover their fully allocated costs, should be allowed to stand and reductions delivered to those customers who are contributing more than is necessary to their share of Airservices' costs.

Please contact me if you have any queries relating to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Ford', with a stylized, cursive script.

Sean Ford
Manager Strategic Vendor Management - Aeronautical