

Mr Matthew Schroder
General Manager
Transport and General Prices Oversight Branch
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Schroder

Draft Notification of price changes for Airservices' Enroute, Terminal Navigation and Aviation Rescue & Fire Fighting Services: effective 1 July 2014

I am writing to notify the Australian Competition and Consumer Commission (ACCC), in accordance with Part VIIA of the Competition and Consumer Act (2010) of price changes for Airservices Enroute, Terminal Navigation and Aviation Rescue & Fire Fighting (ARFF) services effective 1 July 2014.

The draft locality notice for these services is set out in Attachment 1.

The price changes are consistent with those annual price changes considered by the ACCC as part of the detailed assessment of the five year price path (2011-2016 Long Term Pricing Agreement) as set out in the September 2011 locality notice. On a weighted average basis, the net proposed nominal price increase is 0.6%, which includes increases to ARFF services to fund new services and re-balance recoveries in line with service costs. These are offset by price reductions for Enroute services.

A full schedule of prices supporting this notification for Enroute, Terminal Navigation and ARFF services, effective 1 July 2014, is contained in Attachment 1. A copy of the September 2011 locality notice is contained at Attachment 2.

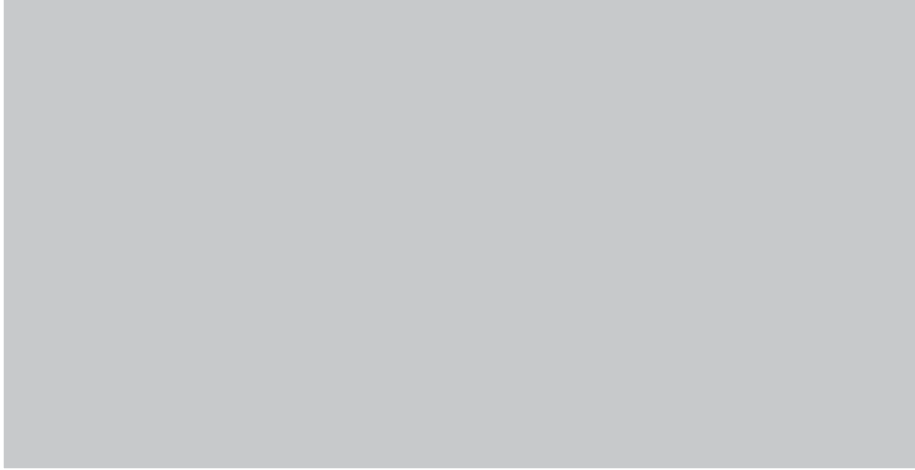
During 2014/15 four new ARFF Services at Ballina, Coffs Harbour, Gladstone and Newman are due to commence operation. At this time charging arrangements for these new services have not been included in this notification. However, Airservices intention is to charge for each service at the proposed 1 July 2014 Category 6 network charge of \$2.29 from the date the service commences.

At this time, Airservices also intends to defer the introduction of new ARFF Category prices for services upgrades. These would normally have applied to recently upgraded ARFF ports at Adelaide, Launceston, Mackay and Port Hedland. The introduction of new prices required to recover additional services costs at these locations will be addressed as part of the next LTPA.

Supporting this notification I also wish to provide an update on our progress against the commitments made in relation to internal drivers of efficiency and management of

the capital expenditure program. These are detailed in Attachments 3 to 14, including detailed examples of the reports and business cases that are now being provided to the industry.

No	Attachments
3	Information on Airservices progress against LTPA commitments



Should you have any questions in relation to the above, or any other matter, please do not hesitate to contact me on 02 6268 4850.

Yours sincerely


Andrew Clark
Chief Financial Officer

8 May 2014

Notification and Details of Prices Proposed by Airservices Australia for Enroute, Terminal Navigation and Aviation Rescue & Fire Fighting Services

Notification of prices pursuant to section 95Z of the Competition and Consumer Act, 2010

Name of the Declared Person: Airservices Australia
 25 Constitution Avenue
 CANBERRA ACT, 2600

Hereby gives notice that it proposes to supply the goods or services below at the prices detailed, effective from 1 July 2014.

The services, which are the subject of this notification, provide for enroute air navigation services in Australia's flight information region, terminal navigation services at 30 Australian airports and rescue and fire fighting services at 22 Australian airports.

Airservices Australia considers that the proposed price changes do not result in revenues in excess of revenues based on efficient costs and a reasonable rate of return and are consistent with the requirements of section 95G(7) of the Competition and Consumer Act, 2010.

New Prices for Services: 1 July 2014

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Enroute

20 tonnes or more	\$4.03
Up to 20 tonnes	\$0.90

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Terminal Navigation

Adelaide	\$11.83
Brisbane	\$6.18
Cairns	\$12.20
Canberra	\$11.80
Gold Coast	\$8.81
Melbourne	\$5.50
Perth	\$7.72
Sydney	\$5.61
Albury	\$14.70
Alice springs	\$14.70
Avalon	\$5.21
Broome	\$14.70
Coffs Harbour	\$14.70
Hamilton Island	\$10.66
Hobart	\$9.68
Karratha	\$14.56
Launceston	\$14.16
Mackay	\$12.07
Rockhampton	\$13.47
Sunshine Coast	\$14.21
Tamworth	\$14.70
Archerfield	\$14.70
Bankstown	\$14.70
Camden	\$14.70
Essendon	\$14.70
Jandakot	\$14.70
Moorabbin	\$14.70
Parafield	\$14.70
Darwin	\$1.84
Townsville	\$2.39

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Aviation Rescue & Fire Fighting

Category 6 Aircraft & below

Adelaide	\$2.29
Alice Springs	\$2.29
Avalon	\$2.29
Ayers Rock	\$2.29
Brisbane	\$2.29
Broome	\$2.29
Cairns	\$2.29
Canberra	\$2.29
Darwin	\$2.29
Gold Coast	\$2.29
Hamilton Island	\$2.29
Hobart	\$2.29
Karratha	\$2.29
Launceston	\$2.29
Mackay	\$2.29
Melbourne	\$2.29
Perth	\$2.29
Port Hedland	\$2.29
Rockhampton	\$2.29
Sunshine Coast	\$2.29
Sydney	\$2.29
Townsville	\$2.29

New Prices for Services: 1 July 2014 (continued)

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Category 7 Aircraft

Brisbane	\$2.57
Melbourne	\$2.52
Sydney	\$2.48
Perth	\$2.75
Adelaide	\$3.11
Cairns	\$3.35
Darwin	\$4.96
Gold Coast	\$3.85
Canberra	\$8.94
Hobart	\$9.85
Karratha	\$8.37
Townsville	\$12.40

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Category 8 Aircraft

Brisbane	\$3.41
Melbourne	\$2.98
Sydney	\$2.64
Perth	\$4.41
Adelaide	\$5.85
Cairns	\$6.97
Darwin	\$21.42
Gold Coast	\$5.87

Service Price (inc GST)	1 Jul 2014
----------------------------	---------------

Category 9 & 10 Aircraft

Brisbane	\$5.54
Melbourne	\$4.54
Sydney	\$3.67
Perth	\$7.61

New Prices for Out of Hours Services: 1 July 2014

Terminal Navigation Services

Before or after normal hours (inc GST)	1 July 2014
Up to 15 minutes	n/a
Over 15 up to 60 minutes	\$208
Each additional hour or part hour	\$208

Aviation Rescue & Fire Fighting Services

ARFF Category of Service (inc GST)	Greater than 15 minutes before/ after normal hours & every 15 minutes thereafter (or part thereof)	Recall of Staff Flat Charge*
6	\$93	\$1,113
7	\$113	\$1,356
8	\$148	\$1,782
9/10**	n/a	n/a

*Recall of Staff Charges apply only where the timing of the out of hours service requires staff to be called in from home to work.

** These are 24 hour locations.

Out of Hours charges are based on the overtime rate for an ATC/ARFF crew to be available to maintain the relevant category. For services extending on from normal operating hours the recovery is made in 15 minute units for ARFF or hourly increments for ATC. Where an ARFF crew is required to be called back after normal hours a minimum of 3 hours overtime is required to be covered.

Notification and Details of Prices Proposed by Airservices Australia for Enroute,
Terminal Navigation and Aviation Rescue & Fire Fighting Services

Notification of prices pursuant to section 95Z of the Competition and Consumer Act,
2010

Name of the Declared Person: Airservices Australia
 25 Constitution Avenue
 CANBERRA ACT, 2600

Hereby gives notice that it proposes to supply the goods or services below at the
prices detailed, effective from 1 October 2011.

The services, which are the subject of this notification, provide for enroute air
navigation services in Australia's flight information region, terminal navigation
services at 30 Australian airports and rescue and fire fighting services at 21
Australian airports.

Airservices Australia considers that the proposed price changes do not result in
excess revenues based on efficient costs and a reasonable rate of return and are
consistent with the requirements of section 95G(7) of the Competition and Consumer
Act, 2010.

New Prices for Services: 1 Oct 2011 to 30 Jun 2016

Current	Service Price (inc GST)	1 Oct 2011	1 Jul 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015
Enroute						
\$4.18	20 tonnes or more	\$4.10	\$4.07	\$4.04	\$4.03	\$4.03
\$0.93	Up to 20 tonnes	\$0.92	\$0.91	\$0.90	\$0.90	\$0.90

Current	Service Price (inc GST)	1 Oct 2011	1 Jul 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015
Terminal Navigation						
\$11.43	Adelaide	\$11.66	\$11.72	\$11.78	\$11.83	\$11.89
\$5.83	Brisbane	\$6.09	\$6.15	\$6.18	\$6.18	\$6.18
\$10.95	Cairns	\$11.44	\$11.84	\$12.20	\$12.20	\$12.20
\$12.66	Canberra	\$12.28	\$12.03	\$11.91	\$11.80	\$11.68
\$10.82	Gold Coast	\$10.28	\$9.77	\$9.28	\$8.81	\$8.50
\$5.06	Melbourne	\$5.29	\$5.47	\$5.49	\$5.50	\$5.52
\$8.63	Perth	\$8.20	\$8.03	\$7.87	\$7.72	\$7.56
\$5.57	Sydney	\$5.58	\$5.59	\$5.60	\$5.61	\$5.62
\$12.69	Albury	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Alice springs	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$4.70	Avalon	\$4.70	\$4.86	\$5.03	\$5.21	\$5.39
\$5.06	Broome	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Coffs Harbour	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$9.20	Hamilton Island	\$9.61	\$9.95	\$10.30	\$10.66	\$11.03
\$9.54	Hobart	\$9.64	\$9.68	\$9.68	\$9.68	\$9.68
\$5.06	Karratha	\$13.26	\$13.73	\$14.21	\$14.66	\$14.71
\$12.22	Launceston	\$12.77	\$13.22	\$13.68	\$14.16	\$14.65
\$12.69	Mackay	\$12.44	\$12.31	\$12.19	\$12.07	\$11.95
\$12.69	Rockhampton	\$12.94	\$13.20	\$13.33	\$13.47	\$13.47
\$12.69	Sunshine Coast	\$13.26	\$13.73	\$14.07	\$14.21	\$14.21
\$12.69	Tamworth	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Archerfield	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Bankstown	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Camden	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Essendon	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Jandakot	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Moorabbin	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$12.69	Parafield	\$13.26	\$13.73	\$14.21	\$14.70	\$15.22
\$2.26	Darwin	\$2.15	\$2.04	\$1.94	\$1.84	\$1.75
\$2.94	Townsville	\$2.79	\$2.65	\$2.52	\$2.39	\$2.27

Current	Service Price (inc GST)	2011-12	2012-13	2013-14	2014-15	2015-16
---------	----------------------------	---------	---------	---------	---------	---------

Aviation Rescue & Fire Fighting

Category 6 Aircraft & below

\$1.81	Brisbane	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Melbourne	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Sydney	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Perth	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Adelaide	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Cairns	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Darwin	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Gold Coast	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Canberra	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Hobart	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Karratha	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Townsville	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Alice Springs	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Avalon	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Ayers Rock	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Broome	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Hamilton Island	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Launceston	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Mackay	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Rockhampton	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32
\$1.81	Sunshine Coast	\$1.99	\$2.14	\$2.25	\$2.29	\$2.32

Current	Service Price (inc GST)	2012	2013	2014	2015	2016
---------	----------------------------	------	------	------	------	------

Category 7 Aircraft

\$1.93	Brisbane	\$2.12	\$2.34	\$2.45	\$2.57	\$2.57
\$1.89	Melbourne	\$2.08	\$2.29	\$2.40	\$2.52	\$2.52
\$1.86	Sydney	\$2.05	\$2.25	\$2.36	\$2.48	\$2.48
\$2.01	Perth	\$2.21	\$2.43	\$2.61	\$2.75	\$2.81
\$2.33	Adelaide	\$2.56	\$2.82	\$2.96	\$3.11	\$3.26
\$2.29	Cairns	\$2.52	\$2.77	\$3.05	\$3.35	\$3.69
\$3.39	Darwin	\$3.73	\$4.10	\$4.51	\$4.96	\$5.46
\$4.01	Gold Coast	\$3.97	\$3.93	\$3.89	\$3.85	\$3.79
\$7.91	Canberra	\$8.31	\$6.51	\$8.73	\$8.94	\$9.08
\$6.73	Hobart	\$7.40	\$8.14	\$8.96	\$9.85	\$10.00
\$7.40	Karratha	\$7.77	\$7.96	\$8.16	\$8.37	\$8.37
\$8.47	Townsville	\$9.32	\$10.25	\$11.27	\$12.40	\$13.64

Current	Service Price (inc GST)	2012	2013	2014	2015	2016
---------	----------------------------	------	------	------	------	------

Category 8 Aircraft

\$2.62	Brisbane	\$2.88	\$3.17	\$3.33	\$3.41	\$3.41
\$2.29	Melbourne	\$2.52	\$2.77	\$2.91	\$2.98	\$3.01
\$2.08	Sydney	\$2.29	\$2.52	\$2.64	\$2.64	\$2.64
\$3.01	Perth	\$3.31	\$3.64	\$4.01	\$4.41	\$4.85
\$9.12	Adelaide	\$8.12	\$7.22	\$6.50	\$5.85	\$5.27
\$4.76	Cairns	\$5.24	\$5.76	\$6.34	\$6.97	\$7.67
\$16.06	Darwin	\$17.67	\$19.43	\$20.40	\$21.42	\$21.75
\$4.01	Gold Coast	\$4.41	\$4.85	\$5.34	\$5.87	\$6.46

Current	Service Price (inc GST)	2012	2013	2014	2015	2016
---------	----------------------------	------	------	------	------	------

Category 9 & 10 Aircraft

\$3.70	Brisbane	\$4.16	\$4.58	\$5.04	\$5.54	\$6.09
\$3.03	Melbourne	\$3.41	\$3.75	\$4.12	\$4.54	\$4.99
\$2.45	Sydney	\$2.76	\$3.03	\$3.34	\$3.67	\$3.67
\$5.06	Perth	\$5.72	\$6.29	\$6.92	\$7.61	\$8.37

Long Term Pricing Agreement (LTPA) commitments and progress

Capital Expenditure Consultation

Consultation Element: Capital Program Baseline

Commitment by Airservices

A more detailed program baseline will be provided to establish major delivery milestones to enable improved program performance monitoring. The baseline will detail planned project benefits, project costs and project milestones as they were incorporated into the draft price notification. It will be the original record against which delivery will be measured and risk sharing triggers monitored.

The investment program, as incorporated in the pricing building blocks for the LTPA, was based on five year capital program developed for 2011-12 to 2015-16. Its size and composition was refined and shaped with the help of feedback received from Industry.

To monitor Airservices investment performance against the commitments incorporated in the pricing agreement, this five year program is used as the benchmark against which performance is measured and risk sharing thresholds are monitored. Depending on the maturity of the project, information on project objectives and milestones were originally provided to the PCC in March 2011 for all major projects across the program.

Each year Airservices has updated its rolling five year capital program to reflect the progress of projects across the year and the impact of the changing operating environment on the investment priorities. From this review, a revised annual plan is developed to establish the resourcing and funding requirements for that year.

As part of this update, revised project milestones for major projects are provided along with a reconciliation of the updated program for that year against the baseline established for that year in the original LTPA. Where there are major variations to original LTPA assumptions commentary and analysis is provided.

Evidence of this information being provided to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
The 2013-14 capital program update was provided to the Committee in November. This included a reconciliation of the program to the LTPA.	Attachment 4– “2014 Annual Capital Expenditure Program Reconciliation to the LTPA”
Updated project milestones for major projects 2012-13 were provided to the Committee in November as part of the 2013/14 to 2014/15 Draft Services Charter.	Attachment 5 – “Service Improvement Programs/projects” and “Major Projects – asset replacements and upgrades”
Information on Airservices current and projected investment performance against LTPA risk sharing thresholds was presented to the Committee in August 2013.	Attachment 6 – Presentation to the PCC in August 2013.

The table below provides our latest capital expenditure program forecast (as incorporated in our current draft Corporate Plan) in comparison to the agreed LTPA program and risk sharing thresholds. The major projected increases over the remaining years of the LTPA relate to the construction of additional fire stations and investment required to transition to Airservices replacement Air Traffic Management system, “oneSky”.

Capital Expenditure \$mil	2012 Actual	2013 Actual	2014 Forecast	2015 Forecast	2016 Forecast

Consultation Element: Major Project Business Case Options

Commitment by Airservices

Project business case information will be presented to the PCC for all projects greater than \$10m. This information will be provided prior to Airservices Board endorsement to improve transparency over, and industry input to, the determination of a preferred option.

At this time, the business case information will be more mature, with refined information on project objectives, scope, benefits, costs and schedules.

The final format of this business case information was agreed at the PCC meeting on 16 August 2011 and the formal reporting will commence from the PCC meeting scheduled for 16 November 2011.

As agreed by the PCC in May 2011, to improve consultation on capital expenditure Airservices agreed to provide business case information to industry for projects exceeding \$10 million in value, showing information on benefits, costs and timing.

This process aligns with Airservices project governance processes where investment proposals and business cases are developed and approved in the initiating and planning phases of the project business cases are provided at project initiation.

Discussions with the Committee on project business cases continue to be productive. For example, in determining the need for a particular project, the Committee facilitated a joint industry/Airservices operational safety workshop assessment. The outcome of the review was a mutual understanding of the risks and, based on the mitigation strategies available, an alternative solution was agreed. The potential project was then removed from the program.

In presenting project business cases the Committee has discussed such things as:

- The validation of project cost estimates;
- The extent of the project scope;
- The schedule of asset delivery;

- The impact of unprogrammed projects on the overall program;
- The business case justification for the project; and
- The priority of industry important projects.

Airservices notes that discussions with the Committee on the capital program continue to evolve and mature. Since formal reporting and discussion on project business cases commenced in 2011 the Committee has:

- Acknowledged the need for Airservices investment program to be reviewed on an ongoing basis to meet emerging business needs;
- Sought to maintain more of a governance role in the oversight of “asset replacements” and “non-airways asset program” projects. With:
 - less emphasis to be placed on the review of business case justification for asset replacements and non-airways asset program projects;
 - more focus on ensuring that investment is efficient and that it will not displace investment in key industry priorities which improve service delivery and new commercial benefits;
- Sought to reduce discussions on technology and have them redirected to specialist forums;
- Sought more information on Airservices longer term asset plan, or technology roadmap to ensure that Airservices capital program is in step with Industry’s investment plans;
- Identified opportunities to group related project business cases which can then be presented as a parcel of information so that they can be reviewed in a wider context;

Evidence of project business case information being provided to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
<p>In the last 12 months Airservices has presented and discussed 5 business cases and investment proposals with the PCC. This included a special presentation to Industry on the Windshear Alerting Technology projects. Other projects presented have been brought to the PCC based on their high monetary value, whilst some lower value projects have been presented because of their importance to the industry.</p>	<p>Attachment 7 – Project Business Cases. Note, due to commercial sensitivities, the business case update for the Air Traffic Management Future System project is not included.</p>

Consultation Element: Project Baseline

Commitment by Airservices

Following the approval of the preferred option, a final project baseline will be provided to the PCC. This baseline will include a final scope, cost/benefit analysis and schedule that will form the basis against which project delivery performance will be measured. Formal reporting will commence at the PCC meeting scheduled for 16 November 2011.

To monitor performance against project baselines major project performance reports are provided to the PCC as part of the quarterly projects reporting pack. These reports provide information on projects which have an approved business case and baseline and provide commentary on the health of the project and forecasts spend and schedule comparisons to the project budget/baseline. As new project business cases are approved baseline project budget and schedule information are added to the report.

In improving reporting in this area Airservices has separately identified projects that are important to industry in terms of the benefit they will derive, as distinct from asset renewal programs and upgrades as part of a normal replacement cycle. This has helped focus discussions on key areas of interest and helped validate which investments are most important to industry. This was an important perspective given the diversity of Airservices customer base.

Evidence of project performance reporting provided to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
Major projects performance reports were provided to the PCC as part of the quarterly projects reporting pack.	Attachment 8 – Projects Performance Reports.

Consultation Element: Quarterly Reporting

Commitment by Airservices

As part of the quarterly service charter performance reports to the broader industry, high level capital program performance will continue to be reported. These reports will provide indicators on program health against annual targets.

More detailed information will be provided to the PCC including a financial analysis and delivery schedule management, as well as information on deviations from the LTPA program baseline.

This reporting commenced at the PCC meeting on 27 May 2011, with enhanced reporting scheduled to commence at the PCC meeting on 16 November 2011 following agreement to the elements above.

Airservices continues to provide a detailed project report pack to the Pricing Consultative Committee on a quarterly basis. The content of the report has been regarded well by the Committee and continues to evolve as reporting discussions mature and new performance data is captured.

Reflecting this, revisions to some of the structure and content of the report have been incorporated based on feedback received from the Committee. Airservices presented

and discussed the proposed changes to the Services Charter performance measures with the Committee in November.

Evidence of Services Charter performance reporting provided to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
<p>Service Charter performance reports were provided to the PCC as part of the quarterly reporting pack.</p> <p>In November Airservices provided the Committee with a copy of the performance measures proposed for 2013/14 – 2014/15 Services Charter reporting</p>	<p>Attachment 9 – Quarterly Services Charter Reports and proposed Services Charter reporting measures for 2013/14 – 2014/15.</p>

Consultation Element: Benefits Realisation

Commitment by Airservices

Airservices will report on the benefits realised from capital works projects. The benefits identified will be reported annually and measured against original project baseline benefits realisation plans. Measurement of the benefits will be monitored on an ongoing basis to provide a cumulative picture of the benefits yielded.

Airservices continues to engage with the Committee in discussions on the benefits realised through capital program investment. From these discussions Airservices and the Committee are still contending with the challenge of quantifying and measuring benefits in a meaningful way.

It is acknowledged that, in a large number of cases, much of the benefits identified in project business cases relate to the avoidance of future costs and the avoidance of services interruption that would otherwise arise as assets approach their end of life. This is particularly true where a project is part of an asset replacement program. Equally, where investment decisions are based on regulatory compliance (e.g. the construction of a fire station to provide a new ARFF service) discussions on benefits are less relevant.

For other investment which target service improvement outcomes around flight delays and flight times the primary quantitative benefits realisation measure is fuel burn. The Committee continues to grapple with the issue of how fuel savings can be measured, highlighting Airservices reporting challenge. Adding to this challenge major airlines have recently advised that they are now no longer able to provide Airservices with fuel savings data measured against a common baseline. The Committee has agreed to identify an alternative generic baselining model.

With this, reporting on project outcomes to the Committee has focused on qualitative statements around the realisation of benefits. This includes information provided to the Committee in March on project outcomes for completed projects, as well as information provided to the Committee through Services Charter reporting and presentations.

Evidence of reporting on benefits and project outcomes provided to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
Information on completed project outcomes over the life of the current LTPA was provided to the Committee in March.	Attachment 10 – Project Closure Report, Paraburdoo Radar Benefits, Airport Capacity Enhancement project benefits.
Information on the positive project outcomes resulting from the Paraburdoo Radar project was provided to the Committee in May.	
Information on other ongoing projects outcomes is provided to the Committee as part of the quarterly Services Charter presentation.	

Internal Drivers of Efficiency

Consultation Element: Development of efficiency measures

Commitment by Airservices

Airservices proposed to develop, in consultation with the PCC, a set of measures of unit cost efficiency.

In consultation with the Pricing Consultative Committee, Airservices has formulated efficiency measures for Air Traffic Management and ARFF services. These measures have been incorporated in Airservices Services Charter.

To expand the measurement of cost efficiency Airservices has also commenced reporting notional average services prices in the Services Charter. Benchmarked against the prices originally agreed under the LTPA, the notional prices provide a comparative measure of cost efficiency, using current services costs and air traffic activity levels to calculate notional prices.

To measure efficiency over time and as the Airservices looks to establish the next LTPA, the Committee has also asked for indicative pricing information to be projected into future years.

Evidence of efficiency measurement reporting to the Committee is outlined in the table below:

Information provided to the Committee	Documentary Evidence
Information on cost efficiency is provided to the PCC each quarter as part of the Service Charter performance reports.	Attachment 11 – Quarterly Services Charter report.
In November Services Charter cost efficiency measures were expanded to include actual service price comparisons against LTPA rates for ATM and ARFF services.	

Consultation Element: Longer Term Performance Incentives

Commitment by Airservices

Airservices stated its intention to explore with industry the possibilities for a more sophisticated form of cost benchmarking in the longer term, including how specific financial rewards and penalties for performance against a suite of KPIs might be implemented.

Airservices also stated its intention to refine efficiency targets based on analysis of the historical trends, forecast outcomes and international benchmarking over the course of the next 12 months.

As noted above, the focus of this exploration has been a refinement of existing KPIs and the identification of new KPIs with the Committee noting that:

- Safety is the primary priority
- Measures need to accurately detect where variations in performance exist.
- In some instances generic performance targets could be met, whilst underlying localised performance existed.
- There is a need to identify critical locations/peaks/events and how these can be measured objectively.
- Improvements in a single performance area can sometimes lead to poor performance results in other services areas and therefore what weighting should be given to each indicator.
- There is a need to balance the interaction of different/opposing performance indicators to incentivise a balanced outcome.

In addition the Committee has also recognised the importance of collaborative work across industry that Airservices can help enable to deliver services efficiency. Through the development of industry-wide performance reporting we can now see examples of this. For example, we are now seeing improvements in some aircraft flight times and airborne delay statistics at ports where Airservices has introduced traffic flow management measures. The achievement of these outcomes, however has only been possible through airlines compliance with these industry agreed (but unenforceable) rules, making it inappropriate to hold Airservices solely accountable for performance improvement in these areas.

This highlights the complexity in arriving at a suitable set of measures which support a system of rewards and penalties as Airservices continues to explore the suitability of a performance incentives as part of next 5 year long term pricing agreement development process.