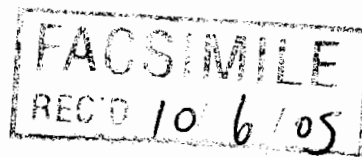




10 June 2005



Ms Margaret Arblaster  
General Manager – Transport and Prices Oversight  
Regulatory Affairs Division  
Australian Competition and Consumer Commission  
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Via Fax: 03-9663 3699

Dear Margaret

**Response to ACCC Preliminary View  
Airservices Australia Draft Price Notification  
Aviation Rescue and Fire Fighting Services**

I refer to the *Preliminary View* formed by the Australian Competition and Consumer Commission (ACCC) in response to the draft price notification by Airservices Australia (AsA) in relation to the proposed increase in prices for aviation rescue and fire fighting (ARFF) services. Canberra International Airport appreciates the opportunity to provide the following comments for proper consideration by the ACCC prior to forming its final decision.

In forming its *Preliminary View* the ACCC was aware of an earlier submission to AsA by Canberra International Airport on this matter. In that submission, Canberra International Airport outlined the anomaly in AsA's charging regime at Canberra Airport that, in effect, delivers military users a 100% subsidy on the provision of ARFF services at the expense of other users of the airport.

Logic dictates that AsA should not be permitted to selectively apply commercial principles to the running of its ARFF business. AsA is seeking to derive a revenue stream from its ARFF services at Canberra Airport based on a commercial return. If, at the same time, AsA wishes to pursue a non-commercial, zero charge arrangement with its military customers, then the cost of that arrangement should be a cost to AsA, not a cost to be recovered from other users of Canberra Airport as is currently proposed.

In addition to failing the tests of logic and equity, AsA's approach is also economically inefficient when considered in the context of Ramsey pricing principles, principles that the ACCC has already had regard to in its *Preliminary View*. Ramsey pricing principles would suggest that a more economically efficient outcome would be for less elastic

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military users to make a proper contribution to the cost of providing the ARFF service, instead of none at all.

Therefore, on the grounds of efficiency and equity, the ACCC should direct AsA to recalculate its proposed charges for Canberra Airport to account for a proper cost contribution by military users, whether or not AsA elects to impose charges on those users. This would allow AsA to recover a greater proportion of the costs of providing the ARFF service at Canberra Airport, but also maintain the incentive for AsA to address an issue that has remained unresolved since 1999. It should be noted that as part of negotiations on ARFF charges in 1999, AsA agreed to reduce the then proposed charge in consideration of the military charging anomaly. The ACCC should determine in its final decision that this sensible approach be maintained going forward.

In summary, Canberra International Airport submits that the ACCC should not accede to a pricing regime, even one that is 'temporary', where the ACCC can reasonably determine that it will result in an economically inefficient and inequitable outcome. Rather, the ACCC should direct AsA to recalculate the proposed increase in ARFF charges at Canberra Airport on the basis of a proper cost recovery from military users.

Yours sincerely



Matthew Brown  
Manager – Aviation

