

03 August 2011

Mr Anthony Wing
General Manager
Transport and General Prices Oversight Branch
Australian Customer and Consumer and Commission
GPO Box 520
Melbourne Victoria 3001

Dear Mr Wing,

Airservices Australian draft price notification – Preliminary view

Thankyou for the opportunity to provide a further submission to the ACCC preliminary view on Airservices Australia's draft pricing proposal.

We would also like to reiterate our position that was put forward during the initial round of consultation has not changed despite an adjustment of prices. The adjustment still fails to adequately address the issue surrounding the forecast of our passenger numbers and the current and continued excessive over-recovery of costs out of Gold Coast Airport. As per our submission the over-recovery at Gold Coast is the highest per landed tonne for any airport in Australia.

This anomaly is amplified by the low level of service provided at Gold Coast Airport, the 5th busiest international airport in Australia. The continued lack of provision of precision approach aids, the only airport in the top 13 in Australia without such a facility, means continued excessive discussions in relatively benign weather conditions. In a three month period almost 50 flights were affected causing disruption to almost 10,000 passengers. Airlines have indicated that this costs them between \$20,000 and \$25,000 for each diversion to Brisbane.

Gold Coast Airport provides the following based on the questions raised by the ACCC.

Airservices needs to improve its level of consultation with stakeholders to ensure prudence and efficiency of capital expenditure.

Benchmarking

Benchmarking the forecast provided by Airservices and the forecast we have prepared for our Board and our financiers remain at odds as we have previously pointed out. Failure to apply an agreed forecast with each of the airports where they deliver services is a shortfall in the process. Airservices and each airport should fundamentally agree on the traffic volumes so that the prices are a more accurate representation of the activity. The forecast should not be prepared in isolation to the airport.

Risk share arrangements

Where there is an over recovery a formula needs to be prepared so that airports that have strong growth are afforded a price decrease much earlier in the five year plan.

A pricing trigger needs to be agreed and simple. When the volumes reach a point at specific locations then a price reduction needs to be calculated. Conversely a review of services also needs to be conducted when the traffic numbers are not as strong.

Gold Coast Airport also supports the risk sharing arrangements in principle, however we would like to see KPIs or reports on Capex particularly those that are related to our location. For example – the control tower was due to be upgraded as we understand it during the last pricing round. The tower has still not had any upgrade works commenced and is in need of attention.

Airservices needs to improve its drivers of efficiency

Current operations

ARFF and Tower services are currently over supplied. Gold Coast Airport ARFF requires Category 8 services for the first few hours of the day to cater for larger aircraft. However Category 8 services are provided for the full operational hours at 17 hours per day. This is inefficient.

Gold Coast rejects outright the charges for non-airside call-outs on the basis that we are currently over serviced. Should the services be required a negotiated outcome is required on a location by location basis. This non regulated service can be provided by alternative suppliers.

Benchmarking like towers with like towers and like fire stations categories with like fire station categories and explaining why the price difference exists other than traffic volumes. Airservices needs to demonstrate why there is a marked increase or discrepancy in price with locations providing similar levels of services.

Airservices needs to review its methodology for estimating its rate of return on capital

GCA supports the ACCC position that Airservices review its methodology. Investment of capital into the Gold coast has been modest to say the least. There has been a lack of investment in navigational aids here and there is an absence of an Instrument Landing System (ILS) that would support our operations.

The absence of an ILS at Gold Coast shows some level of accountability and priority has been overlooked due to the current risk share arrangements in place with regard to capital expenditure.

The upgrade and critical maintenance of our control tower is overdue and has still not commenced.

Level of Service / Performance Indicators

The level of overcharging at Gold Coast must also be seen in the context of service levels provided at the airport. Airservices appears to have no KPIs which relate specifically to Gold Coast Airport. Indeed, when they reviewed the need for an ILS at Gold Coast Airport, their assessment clearly stated they did not take into account diversions to alternative airports. Clearly the disruption to passengers is not a consideration.

Their assessment was more concerned about workloads on air traffic controllers at Brisbane Airport having to handle diversions from Gold Coast than it was about the severe disruption such diversions cause to the travelling public.

Gold Coast would again like to acknowledge the commitment to consultation with us however we are not satisfied that our concerns have been adequately been addressed and the price reduction is still not reflective of our forecast demand.

Yours Sincerely

A handwritten signature in black ink, consisting of a large, sweeping loop followed by a horizontal line that ends in a small flourish.

Paul Donovan
Chief Operating Officer
Gold Coast Airport