



26 November 2004

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Ms Margaret Arblaster
General Manager
Transport and Prices Oversight Branch
Australian Competition and Consumer Commission
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Dear Ms Arblaster,

**IATA Submission on the ACCC's Preliminary View on the Draft Pricing Notification
of Airservices Australia**

Thank you for inviting IATA to make its submission on the ACCC's preliminary view on the Draft Pricing Proposal of Airservices Australia (Airservices).

We take this opportunity to thank the ACCC for a truly exhaustive analysis of Airservices' Draft Pricing Proposal and for taking the views expressed by all the parties affected by the pricing proposal into consideration in formulating the preliminary view.

IATA notes that the ACCC has found that there appears to be a degree of cross subsidisation of TN and ARFF services at regional and GA locations by en route and TN services at radar locations. IATA has always been opposed to cross subsidisation between service lines and believes that Airservices' draft pricing proposal at least allows for a reduction in the magnitude of the cross subsidization.

IATA does not agree with the ACCC's endorsement of allocating distributed costs on a 'capacity to pay' basis. This approach is not consistent with either ICAO pricing principles or the objectives of the Industry Steering Committee.

In relation to establishing charges at airports, Sub Paragraph v) of Paragraph 22 of ICAO Document 9082/6 "ICAO Policies on Charges for Airport and Air Navigation Services" states that *"The proportion of costs allocable to various categories of users, including State aircraft, should be determined on an equitable basis, so that no users shall be burdened with costs not properly allocable to them according to sound accounting principles."*

Sub Paragraph viii) of Paragraph 22 of ICAO Document 9082/6 states that *“The capacity of users to pay should not be taken into account until all costs are fully assessed and distributed on an objective basis. At that stage, the contributing capability of States and communities concerned should be taken into consideration, it being understood that any State or charging authority may recover less than its full costs in recognition of local, regional, or national benefits received.”*

Therefore, IATA sees no justification for departing from the previous activity-based costing approach to cost allocation.

The matters that the ACCC has raised in relation to the allocation of ARFF services costs between locations and users are very complex. Any revision to a charging structure will result in various degrees of winners and losers. It is IATA’s considered view that the structural changes to ARFF pricing should be undertaken as a separate exercise allowing for adequate time for full deliberation. While it would be desirable to complete a revised ARFF pricing proposal with implementation on 01 April 2005, it may be more pragmatic to set a date of 01 July 2005 to ensure a thorough review.

As stated in our previous submission, IATA supports Airservices’ pricing agreement. IATA also considers that any changes to the ARFF charging structure should not be done in haste.

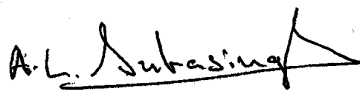
On this basis and given that ACCC’s preliminary view is to object to Airservices’ price increases proposed for ARFF and to not object to the price increases proposed for TN and en route, IATA recommends that the ACCC allows;

- 1) the Draft Pricing Proposal for TN and en route charges to be implemented without delay and;
- 2) Airservices to consult with industry to submit a revised ARFF pricing proposal for implementation 01 July 2005 at the latest.

IATA is fully committed to working with Airservices to develop an acceptable pricing structure for ARFF.

We thank the ACCC for giving this opportunity to IATA to provide the international airline industry views to the consultation process.

Yours sincerely,



Lasantha Subasinghe
Assistant Director, User Charges