

Attention David Barratt, Assistant Director
Infrastructure and Transport – Access & Pricing Branch, Infrastructure Division
Australian Competition and Consumer Commission (ACCC)

By email: David.barrett@acc.gov.au; dijana.cremona@acc.gov.au

Dear David,

Re: ACCC Preliminary View Paper – Airservices Australia Draft Price Notification

The Board of Airline Representatives Australia (BARA) is pleased to have the opportunity to provide further input to the ACCC regarding the Preliminary View paper of Airservices Australia's (Airservices) revised pricing notification (PN).

Summary

BARA notes and concurs with the ACCC's preliminary view to not object to Airservices' proposed weighted average 6% price increase for notified services.

Airservices' revised PN with charges valid to end FY26 is in response to multiple issues raised by BARA and other stakeholders to their initial proposal. Whilst BARA does not object to the increases proposed within the revised PN, there remain open issues which need to be highlighted ahead of further anticipated consultation which is required by all parties to agree a genuine future Long Term Pricing Agreement (LTPA). BARA notes that Airservices have also acknowledged this requirement, as detailed within the ACCC preliminary view paper (3.1.1 paragraph 2).

Service Performance & Monitoring

BARA acknowledges that Airservices has started more regular and open engagement with the industry through the introduction of a Quarterly Aviation Network Performance Roundtable and other forums, and a stated intention to re-introduce the Pricing Consultative Committee.

These measures whilst welcome, do not of themselves create a genuine financial or service accountability on behalf of Airservices. BARA members incur significant costs when delays, disruptions, additional flown track miles or diversions take place directly as a result of Airservices' failures to meet performance obligations, as opposed to costs incurred from disruptions caused by other exogenous factors such as the weather. Explaining the reasons for failure to meet a performance target does not equate to commercial accountability.

BARA notes and concurs with the ACCC comments that "Airservices' KPIs should be measurable and accompanied by a set of clear guidelines that outline Airservices' response if it does not meet the performance targets. A response could include any financial consequences for Airservices not meeting an agreed number of KPIs within a period." (Preliminary Paper pg77). BARA will work constructively with Airservices through

further consultation to help agree appropriate performance standards and associated service level standards including financial remedies, and to explore commercial risk-sharing models if appropriate.

Airservices Pricing model inputs

BARA acknowledges the ACCC's comments that any amendments to the WACC proposed by Airservices within their pricing model would have minor impact on the charges proposed for the period covered under this PN.

However, the ACCC also notes that the rate of WACC used will have significant impact on future PNs as these will capture known (for example OneSky) and future (new runway ATC investments) capital expenditure which will significantly increase the asset base upon which returns for future allowable revenues are calculated.

BARA wishes to place on record that it does not agree with Airservices proposed WACC as contained within the original PN and consider that further detailed work including and acknowledging industry input will be required to agree an acceptable WACC which can apply in any future LTPA.

Agreement Duration

BARA is supportive of this short duration PN, as an interim step, on the proviso that Airservices will commit to starting open and transparent consultation with industry on a new LTPA early in 2025. This extended time will be required to enable a full review of all the relevant matters that need to be included in a future LTPA.

Consultation Process

BARA note and concurs with the ACCC's statement that it 'is not satisfied that the level of customer consultation, that has occurred from 2021 to the date of the amended draft price notification, has provided appropriate transparency and accountability'. The significant variation between the initial consultation and proposals discussed with stakeholders (including BARA), and subsequent actual PN that Airservices submitted to the ACCC, was not consistent with an open and transparent process. As stated above, a re-establishment of the Pricing Consultative Committee which must genuinely review and incorporate expert industry input will be a positive step for agreeing a future LTPA.

BARA appreciates the opportunity to provide these comments to the ACCC, which we trust will be considered alongside those of other industry participants. Please contact BARA should you wish for any further clarification on any point.

Yours sincerely,

Stephen Pearse
Executive Director