



26 September 2024

Mr David Barrett
Acting Assistant Director
Infrastructure & Transport – Access & Pricing Branch, Infrastructure Division

By email: David.Barrett@accc.gov.au

Dear Mr Barrett,

RE: ACCC Preliminary View on Airservices Australia Price Notification 2024-2026

We refer to the ACCC's preliminary view on Airservices Australia Draft Price Notification released on 29 August 2024.

The Qantas Group welcomes the revision to Airservices Australia's original draft pricing notification. We appreciate that Airservices Australia has acknowledged the concerns raised by its customers, and we support the ACCC's decision to not object to the revised pricing proposal.

We recognise that Airservices Australia is in a transitional phase, balancing post-COVID recovery, the implementation of next-generation systems (OneSKY) and the imperative to enhance service quality. We acknowledge the complexities involved in delivering the OneSKY program, which accounts for 60% of the Regulated Asset Base and understand the considerable assessment task this presents for the ACCC. On this basis, we will accept the interim two-year pricing period, notwithstanding that this approach may not incentivise Airservices Australia to pursue long-term cost efficiencies.

We maintain ongoing concerns regarding the Weighted Average Cost of Capital (WACC) used by Air Services Australia within the Building Block Model (BBM) used for comparison purposes. The WACC in the initial Air Services Australia submission of 8.93% appears inconsistent with regulatory precedent and the economic reality of Airservices' business risk. We believe that the decision to not review the appropriateness of this represents a missed opportunity to establish key WACC principles in consideration for the next pricing period.

The current mechanisms for measuring and monitoring Airservices Australia's performance are not appropriate. The Qantas Group supports further consultation with industry in reviewing existing performance indicators and KPI setting for the future with a clear indication of how the metrics will be tracked and monitored in Airservices' performance reports.

Airservices Australia has confirmed the available supply of air traffic controllers is in excess of the national requirement. However, this has not yet resulted in an improvement to service standards or network performance as staffing shortages continue to drive service variations due to high rates of absenteeism. Airservices Australia should remain focused on ensuring the return to a consistently delivered level of service and delivering services that are tracked and reported against clear performance targets - accompanied by a set of clear guidelines that outline Airservices' response if it does not meet the performance targets.

Looking ahead, the next pricing period will be crucial for all Airservices Australia's customers given the full deployment of OneSKY, the increasing prevalence of sustainability targets and the continued growth in aircraft activity. To support these developments, we expect Airservices Australia to:

1. Return to full air traffic services;
2. Enhance stakeholder engagement on strategic capital programs with appropriate detail of timelines, costs and benefits;
3. Enhance performance targets/ KPIs that are tracked and monitored;
4. Implement more robust performance reporting with a direct correlation to KPIs; and
5. Implement pricing principles.

We look forward to continued collaboration with Airservices Australia and the ACCC to ensure a fair, efficient, and sustainable pricing framework for the aviation industry.

Yours sincerely,

Karyn Pile
Head of Fuel Supply Chain