Emirates
P.O. Box 686,
Dubai, U.A.E.
Telephone : 9714 - 7031690
Facsimile : 9714 - 2864112
Email : martin.camus@emirates.com

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Mr. Andrew Clark
Chief Financial Officer
Airservices Australia
25 Constitution Avenue
Canberra ACT 2601
Australia

Dear Mr Clark,

Long Term Pricing Agreement - Discussion Paper

Emirates appreciates the opportunity to provide feedback to Airservices Australia on future pricing arrangements. Before addressing the questions set out in the Discussion Paper, we wish to again highlight our ongoing request for a disaggregated Enroute charge.

The cost of providing enroute services varies significantly across the FIR given differences in the level of service provided and associated infrastructure requirements.

Airservices previously signalled a proposal to differentiate charges, with a price that better reflects the cost of service over Oceanic areas. This proposal was supported by Emirates as we currently pay a disproportionately high price for flights from Dubai to Australia, given the very low cost of providing the ATM service over the large Indian Ocean sector.

We request Airservices include disaggregated enroute charges in the upcoming draft pricing proposal.

Our feedback to the questions contained in the Discussion Paper is as follows:

1. Pricing Principles
Airservices should adopt a user pay approach and Emirates does not support any cross-subsidies between users.

2. Rate of Price Increase

All cross-subsidies should be immediately removed from the new LTPA.

3. Measuring Performance Outcomes

Emirates supports the Service Charter that covers a long term capex program, safety, capacity, cost-effectiveness, efficiency and the Environment. Regular reviews to monitor the service charter should be extended by engaging with the foreign airline community through an annual review held at an agreed overseas location such as Singapore.

4. Graduated Services

Emirates supports a graduated approach to service delivery.

5. Premium or Value Added Services

Emirates does not support the application of a separate charge for so called value added services. Pricing should reflect the cost of providing an ATM service which includes all continuous improvement and efficiency initiatives.

6. New Technology Incentives

Emirates does not generally encourage incentive payments for the adoption of new technologies. In some rare circumstances such a mechanism may be warranted provided the payments are justified and by a robust industry cost benefit analysis.

7. Deemed Weight

Emirates does not support charging based on Aircraft weight as Maximum Take Off Weight does not reflect the cost of providing an ATM service. If Airservices continues to charge on MTOW then it may be appropriate to charge based on Deemed Weight for simplification. Airservices should consult on its approach to determining deemed weights.

8. Weight Cap

Airservices charges should not be based on weight. If weight based charging is not abolished, it is appropriate to reduce the impact of weight by lowering the weight cap to further move charges away from a linear weight basis. This is in line with ICAO policies on Air Navigation charges.

9. Deemed Distances

Average distances is the most appropriate way of charging given the large disparity in distances between some city pairs on flex-track routes. An annual average should be used to determine the deemed distance between a city pair.

10. <u>Ultralights, Gliders and Balloons</u>

A user pay approach should be consistently adopted. However, it would be reasonable to not charge where the administration cost of doing so exceeds the additional revenue generated.

11. <u>Alternative Mechanisms</u>

As stated in the opening of our submission, Emirates requests that Airservices adopt an enroute Oceanic charge so that the charge for flying over Oceanic areas reflects the cost of providing the service.

12. <u>General Aviation</u>

Same answer to question 10.

13. <u>Risk Sharing</u>

Emirates considers the current LTPA risk sharing arrangements to be appropriate.

14. <u>Stranded Assets</u>

The costs associated with Stranded Assets as outlined in the paper should be recovered from the Australian Government given that the implementation of the asset was required by regulation. Alternatively the Government as shareholder of Airservices may decide to allow Airservices to absorb the cost of stranded assets and therefore generate a return below the regulated cost of capital.

Yours sincerely

Martin Camus
Manager Procurement & Logistics