30 September 2008

Air Services Australia Pricing Discussion Paper
GPO Box 367
CANBERRA ACT 2601

Price Structure Options Discussion Paper

Thank you for the opportunity to provide comments on the Price Structure Options Discussion Paper.

Rather than undertake an exhaustive examination of the matters identified in the discussion paper, Sydney Airport wishes to highlight issues relating to terminal navigation and aviation rescue and fire fighting (ARFF) prices.

As a general principle, Sydney Airport does not support Air Services charges being levied on a network or partial network basis. Location specific pricing represents an economically efficient approach as it ensures that airport users are provided with the correct price signals regarding use of an airport. This is of particular importance in the case of Sydney Airport which is a capacity constrained major domestic hub and international gateway.

On this basis, Sydney Airport does not support the proposed option of including pooled radar approach services in the otherwise location-specific terminal navigation charge.

In terms of ARFF pricing, Sydney Airport continues to oppose the implementation of partially network-based charges for aircraft up to category 6.

Sydney Airport considers consultation on prices beyond 2009 should include information on location-specific pricing for ARFF services. The discussion paper does not address the set of charges that would apply were ARFF prices to revert to a location-specific approach. The implementation of partially network based ARFF charges saw charges for category 6 aircraft increase approximately twofold compared with the previous prices, with larger aircraft bearing larger increases. One would assume that a reversion to location-specific charges would deliver cost savings to users of Sydney Airport of a similar magnitude.
The nature of ARFF services at airports does not appear to depart so significantly from that of other Airservices functions to warrant partially network-based charges. While striving for location specific charges in relation to airport and terminal navigation services, it is not clear why it has been viewed as appropriate to distort ARFF charges so as to reduce the cost of flying to various secondary airports.

Airservices, in conjunction with the Government, should consider alternative approaches where it is viewed as desirable to manage the impact of the introduction of ARFF services at growing airports that breach the passenger threshold for ARFF services but have not developed the critical mass required to bring the cost per landing down to the levels of major airports. The need for subsidies for specific airports could then be assessed on a case by case basis, rather than entrenched through a distortionary cross-subsidy from other airports.

Existing ARFF charges are not be levied on aircraft weighing less than 15.1 tonnes unless carrying fare-paying passengers. Sydney Airport considers that general aviation, freight and training services are at least as likely as RPT services to require attendance by ARFF in the course of their operations at an airport. Such operations should not be exempted from a share of the cost of providing ARFF services where they choose to operate at a major RPT airport, which in the case of Sydney, is capacity constrained.

Yours sincerely

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