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Mr Greg Russell
Chief Executive Officer
Airservices Australia
GPO Box 367
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Dear Greg,

DISCUSSION PAPER – PRICING OPTIONS

Thank you for the opportunity to comment on the pricing options paper. It raises a number of issues of importance to airport owners.

Northern Territory Airports operates Darwin International Airport and Alice Springs Airport.

Darwin International Airport is a low volume regional airport which:

- is an international gateway;
- includes significant general aviation operations;
- serves primarily long-haul thin markets;
- has experienced recent volatility in airline services with 2 and perhaps 3 carriers having withdrawn altogether in 2008;
- is a joint user airport;
- will develop as a low cost carrier hub;
- has experienced growth rates which have triggered planning for a substantial terminal and aircraft apron expansion; and
- is one of Australia's 11 security designated airports.

Alice Springs Airport is a low volume domestic regional airport in the geographical centre of Australia which:

- includes significant general aviation operations;
- is one of Australia's 11 security designated airports;
- services very thin airline markets with a consequent recent history of volatile airline services; and
- is the gateway to the joint US-Australian Pine Gap facility.

Northern Territory Airports is hence uniquely placed to offer informed views and policy propositions on Airservices Australia pricing from the regional airport perspective.

A number of the questions posed and issues canvassed can only be sensibly addressed by your direct customers, airline and general aviation operators, and Northern Territory Airports (NTA) will not seek to address them. This applies particularly to Questions 1 to 9 and 16 to 17.

JETSTAR HUB

One observation on the Airservices pricing options calculations is that Airservices would not have been aware of the Jetstar hub which will be developing in Darwin. Jetstar will be basing 8 aircraft in Darwin within the next several years which will have a significant effect on airline movements.

This will impact both the Terminal Navigation Charges and Rescue and Fire Fighting Service charges (particularly Category 7 RFFS activity levels).

Please contact Mr Jim Parashos, Aviation Development Director, for further information on 08 89201936 or email jim.parashos@ntairports.com.au.

AIRSERVICES AUSTRALIA CHARGES – NTA POSITION

As regional airports at the end of long thin routes, and being located in that part of Australia which exhibits many of the characteristics of a developing economy, NTA is very aware of the potential for location specific charges to distort the level of local airline and general aviation activity.

Location specific pricing at low volume regional airports assumes that the cross-price elasticity of demand between Airservices Australia services and aviation activity is low enough not to create any distorting effects in allocative efficiency terms.

In the context of long thin airline routes, a low RPT base, underutilised runways and terminal airspace, a relatively large general aviation sector and developing economy characteristics, it is probable that the various cross-price elasticities between Airservices charges and aviation activity, while being less than minus one (-1.0), would still have material effect on activity.

This proposition is borne out in the area of location specific security charges and the public comments of Tiger Airways, who will shortly depart the Darwin market, about the high costs of operating into Darwin Airport.

NTA hence maintains that a national set of Airservices charges, as previously existed, assists regional Australia while having little impact on charges at Australia's major airports.

ENROUTE CHARGES

The small existing cross-subsidy between Enroute charges and Terminal Navigation charges and Aviation Rescue and Fire Fighting charges should continue in the interests of maintaining the respective price cap and standard charges. An additional 5 or 10 cents per MTOW tonne is considered reasonable and non-distorting.

TERMINAL NAVIGATION CHARGES

Charges Methodology and MTOW Threshold

NTA does not see any compelling rationale for changes to the current charges methodology and threshold for applying MTOW rates on the basis that:

- the existing methodology and small residual cross-subsidy from Enroute charges minimise the charges at low volume regional airports, including maintaining the price caps; and
- the existing threshold seems to be working well and there is not a ground swell for change.

Variation of Price Caps

In terms of varying the price caps over time, any increase should not be greater than the movement in the Airservices Australia total cost base ie if the total annual cost of Airservices Australia increases by 5%, the price caps should not increase by more than 5%.

AVIATION RESCUE AND FIRE FIGHTING

Coverage

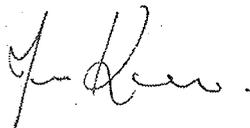
With the gradual increase in non-aeronautical facilities and activity at Australia's airports, the airport fire service should only respond to aeronautical incidents. Non-aeronautical facilities should increasingly be seen as the responsibility of the local state/municipal fire brigades.

An appropriate MOU should be entered into by Airservices Australia and each State/Territory fire brigade for the whole of airport fire service coverage by ARFFS and the local fire brigade. Any cost savings resulting from reduced ARFFS responsibilities should be passed on through decreased aircraft charges.

Immediate Charges Changes with Service Level Variations

In the context of location specific charges which NTA opposes (see above), there should be a material change in airline activity before a charge for an aircraft category is varied. Administrative efficiency dictates this.

Yours sincerely,



Ian Kew
Chief Executive, Northern Territory Airports