



**IATA Submission in response to Airservices Australia
Discussion Paper for the LTPA 2016-2021**

17 April 2015

Summary

This submission presents the response of the International Air Transport Association (IATA). IATA's mission is to represent, lead and serve the airline industry and brings together 250 member airlines whose flights account for 84% of total air traffic.

IATA welcomes this opportunity to submit its comments to Airservices Australia (AsA) regarding its Long Term Pricing Agreement July 2016 – June 2021 discussion paper. IATA's comments are from an international perspective and are based on the requirements of, and practices in, international civil aviation.

Question 1: Pricing Principles

- IATA does not support any type of cross-subsidisation. Cross subsidies impose an unjustified cost burden on a particular segment of users, distort competition as well as violate ICAO policies. Whilst recognizing that AsA has over the years moved closer to the user-pays approach, there is still a significant gap which needs to be closed.
- The services and the cost to provide those services must be reviewed, assessed and evaluated periodically with all users.
- Cost (Capex and Opex) should be recovered from Military and Government for avoiding cross subsidies between Civil-Government.

Question 2: Rate of Price Increase

- The current pricing regime is not ideal because international operators are effectively subsidizing domestic operators. This needs to change to better reflect the user pays principle for the LTPA effective July 2016.
- There needs to be a defined timeframe to be agreed with the users for removal of all cross-subsidisation.
- A decrease in charges can reduce cross subsidies.

Question 3: Measuring Performance Outcomes

- Regular reviews with input from users must be maintained. The Services Charter is important and must be updated to reflect the evolving expectation of users.
- Users should be financially compensated if agreed service level targets are not met. In the absence of financial penalties, AsA would have a perverse incentive to meet its cost targets by reducing the level of service.
- There needs to be a clear link between the proposed capital expenditure and the targets set in the charter. This link is necessary to provide the basis for why the capital expenditure is needed in the first place, and allow users to quantify and make an informed decision on the "trade-off" between higher costs and higher levels of service.
- Most performance measures currently cover the outcomes for domestic aviation. There is a need to expand the performance measures for services rendered to international aviation.

Question 4: Graduated services

- A graduated approach to service delivery is acceptable and should be included in the next LTPA.
- Pricing discussion must be held so that prices are set at levels that are viable for users.

Question 5: Premium or Value Add Services

- We do not support the introduction of Premium or Value Add Services.
- AsA is obliged to improve itself to provide new services in accordance with ATM User Expectations. These services will be considered core and we expect them to form the base charge.

Question 6: New Technology Incentives

- A monetary type incentive/discount is appropriate provided AsA can establish that implementation of the new technology by the aircraft operator would bring about lower operating cost for AsA and/or Aircraft Operators. This cost savings could then be translated into incentives/discounts for the eligible aircraft operators. In the process, aircraft operators without the new technology must not be made to pay for the incentives/discounts dished out to the eligible aircraft operators. It is appropriate to provide operational advantages to those aircraft operators that have advanced capabilities and are aligned to what is needed to make most efficient use of the airspace.

Question 7: Deemed Weight

- Deemed Weight should be replaced with Certified MTOW with provision for Dual Weight Certified MTOW.
 - This is a common practice worldwide. Airlines provide Proof of certifications on regular basis or whenever new aircraft is introduced to the route. A web-based solution such as Eurocontrol CRCO could be used for this purpose.

Question 8: Weight Cap

- Ideally weight of aircraft has no bearing on Airservices costs, especially enroute charges which should not be weight related.
- However, terminal navigation charges to a certain extent is weight related due to larger separation for heavier aircraft during approach. A regression model is more appropriate for the purpose of TNC calculation and if applied negates the need for weight cap.

Question 9: Deemed Distances

- Deemed distances should be replaced with Great Circle Distance (GCD) between usual FIR entry/exit point to the Terminal FIX.
- GCD is the ideal distance flown and a relatively efficient measure for charging.

Question 10: Ultralights, Gliders and Balloons

- The extent of services rendered and the cost for provision of services to this group of users is not made known and for this reason we are unable to provide informed comments. Generally the user-pays principle should apply.

Question 11: Alternative Mechanisms

- Weight has no bearing on the cost of provision of services by AsA. The most equitable mechanism that is fully compliant with the user-pays principle would be one that totally removes the weight component from the calculation of charges. Services will be charged based on the duration of services provided by the ANSP but excluding the time resulting from inefficiencies of the ANSP. The concept of deemed duration could be established for each aircraft type.

Question 12: General Aviation

- The issue here is that the admin costs can be more than the charges for smaller aircraft. We maintain the user-pays principle but set a logical threshold.

Question 13: Risk Sharing

- Current model for activity works well with ability to review the prices/rebates as necessary when volumes fall or increase above the agreed threshold forecasted during the negotiation of the LTPA.
- The risk sharing model for capital projects needs to be improved to include operational projects with firm accountability and timelines, and within budget delivery of projects. The overspend on building and asset replacement projects, and the under delivery on projects with industry productivity improvement is of concern.
- Significant investment in OneSky in coming years requires greater emphasis on effective delivery of the intended outcomes and benefits to users in a timely manner. A clear understanding of the deliverables and implementation of OneSky is needed before users can agree to a risk sharing arrangement.
- Civil-Military program CAPEX should be shared between civil and military in appropriate percentage to avoid cross subsidies between Civil Aviation and National State entities.

Question 14: Stranded Assets

- We are of the opinion there is little risk of asset stranding at major international airports and to some extent major regional airports.
- If an asset does become stranded at an airport, its costs should be recovered only from the charges of the services provided at the airport where the asset is located.

For additional information or clarification, please contact:

Richard Tan
Manager - Asia Pacific
Safety and Flight Operations
Tel. +65 6499 2395
tanr@iata.org

Ian Lorigan
Country Manager
Australia
Tel. +61 2 92496802
lorigani@iata.org

International Air Transport Association
111 Somerset Road, #14-05 TripleOne Somerset
Singapore 238164
