

11 January 2011

Airservices Australia Terminal Navigation Pricing Review  
GPO Box 367  
Canberra ACT 2601

Attn: Andrew Clark  
Chief Financial Officer

Dear Andrew,

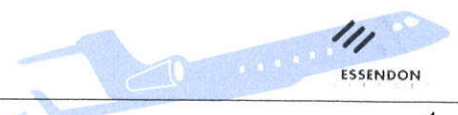
**Re: Comment on 2011 Long Term Pricing Agreement – Draft Proposal**

Essendon Airport Pty Ltd (EAPL) as the airport-operator company for Essendon Airport is responding to recently released Long Term Pricing Agreement – Draft Proposal by Airservices Australia.

Firstly I would like to thank Airservices Australia's for the consultation process to date and this opportunity to comment on proposed pricing regimes. It is acknowledged that this is a challenging topic for ASA and the aviation industry.

EAPL's agrees with the view that terminal pricing at capital city secondary and regional airports pricing should be subsidised to a degree by the operations at the major domestic and international airports as:

- secondary capital city airports allow a major capital city airport to be much more efficient and safer than they otherwise could ever be. Secondary capital city airports operate to the financial benefit of capital city airports and airlines operating from them. A degree of subsidisation is therefore an appropriate philosophy to adopt in pricing models.
- regional airports which connect to capital city airports need to be efficiently run by ASA to ensure that the national domestic network is not disrupted. Inefficient regional airport operations could disrupt the Australian network and result in scheduled services not being completed before airport curfews come into effect. Neither airports, airlines, general aviation or ASA operate in complete isolation to each other and therefore pricing should not be undertaken on an isolation basis.
- some secondary capital city airports are regulated by Government in such a way which prevents them from developing aviation businesses which would allow them to reduce their terminal navigation pricing in the same manner as capital city airports. In the case of Essendon Airport the Commonwealth Government has imposed a 45 tonne MTOW



weight limit whilst other airports are likely to be constrained by the recently passed Airports Amendment Bill 2010 (which can restrict growth).

Generally EAPL considers the approach from ASA for a balanced approach between network and location specific charging an appropriate philosophy.

It is our understanding that the setting of fees is based upon a premise that Airservices Australia will charge fees at a level which is necessary to ensure that the required level of service is provided and maintained into the future and where the revenue generated exceeds the costs of providing the service industry.

However the proposed model for terminal navigation pricing fee proposal does not respond where growth at a subsidised airport results in ASA collecting revenue beyond that expected to be generated at an airport.

The risk sharing regime for Flight Activity Volume (p.12) channels excess revenue generated by ASA's proposed charges to major airlines and the major city airports (their principal destinations). A similar mechanism should be in place for terminal navigation charges at airports where revenue is above the forecast revenue amount.

EAPL proposes the following mechanism with respect to terminal navigation charges for non-capital city and regional airports:

- Where terminal navigation revenue exceeds the forecast revenue for particular secondary or regional airport for the financial year by more than 5% and a +5% risk sharing event for Flight Activity Volumes (p.12) is triggered then the terminal navigation revenue generated at that airport (above the 5%) is used to reduce the terminal navigation pricing for that airport for the next financial year.

We would not expect such a scenario to occur often or the amount of subsidisation to be substantial but it would act as an incentive for smaller airports and aircraft operators to develop new aviation business opportunities that would help reduce cross subsidisation for that airport in the medium to long term.

We do not think that a similar mechanism needs to be in place for capital city airports as they benefit in-directly through the present system.

The adoption of such a mechanism would also act as an inbuilt pricing review which is helpful to airports and aircraft operators given that there has been significant growth and change in aviation business models since the current pricing regime was adopted (7 years).

We would be happy to any questions you may have regarding this correspondence. Please direct any queries or requests for further information regarding this correspondence to:

Mr Andrew Croft  
Essendon Airport's Operations Manager  
Telephone: (03) 9948 9300  
Email: [acroft@essport.com.au](mailto:acroft@essport.com.au)

**Yours sincerely**



**Mark Maskiell**  
**Chief Executive Officer**  
**Essendon Airport Pty Ltd**