



4 February 2010

Andrew Clark
Chief Financial Officer
Pricing Consultation
PO Box 367
Canberra ACT 2600

Dear Mr.Clark,

RE: Draft Long Term Price Proposal

Sydney Airport Corporation Limited (SACL) welcomes the opportunity to provide Airservices Australia comments on the *Draft Long Term Price Proposal*. In 2010 Sydney Airport welcomed over 35.5 million passengers and almost half of all Australian international traffic. It is the gateway to Australia. In the globally competitive market for air travel services, SACL seeks to remain competitive and secure the optimal outcome for its customers, including air traffic management services provided at Sydney Airport.

In your draft price proposal dated December 2010 you recognise there are polarised opinions on the funding of air services and infrastructure. We have set out below our comments on key principles in the draft price proposals. In addition, we seek a meeting with you to understand more fully your comments on the differing opinions and the conclusions that you have reached in the proposal.

Network Pricing

As a general principle, SACL continues to object to Airservices Australia's proposed charges being levied on a network or partial network basis. There is no basis for this continued subsidy, from one group of users to another group of users, to be in place and all charges should reflect the cost of those services provided. SACL strongly advocates location specific pricing, which represents an economically efficient approach as it ensures that airport users are provided with the correct price signals regarding the efficient use of airport facilities and services. This is particularly important in the case of Sydney Airport that faces several regulatory constraints on its operational capacity.

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Terminal navigation (TN) charges

Sydney Airport does not support the proposed "basin" Terminal navigation (TN) charges. This cross subsidisation of closely located general aviation airports in the Sydney basin will result in over-recovery of costs against users of Sydney Airport. The proposed price cap at those adjacent airports places an additional cost burden on Sydney Airport users which is contrary to internationally accepted equitable pricing principles adopted by the International Civil Aviation Organization (ICAO). This cross-subsidy is in addition to the inherent (and industry standard) subsidy resulting from the use of a weight-based charge for an activity that is largely driven by aircraft movements. Concerns regarding the cost coverage at those other basin airports should be met through a combination of lower costs and amending the service provision in consultation with the users of those airports.

Aviation rescue and fire fighting (ARFF)

Sydney Airport does not support the proposed partial network-based charge for Aviation Rescue and Fire Fighting (ARFF) services for aircraft Category 6 and below. Bundling aircraft types in Category 6 and below fundamentally distorts the cost recovery of those services at major capital city airports. Furthermore Airservices should provide users with sufficient location specific cost information to ascertain the actual cost of providing those ARFF services for each user category.

Finally, SACL strongly objects to the exclusion of non-passenger General Aviation (GA), freight and training operations of aircraft less than 15.1 tonnes Maximum Takeoff Weight (MTOW) from the cost recovery of providing ARFF services. In the year ending December 2010 there were 28,542 non-passenger related aircraft movements in this category, representing approximately 80% of all non-passenger GA movements at Sydney Airport. This now represents a significant number of aircraft movements. SACL considers these aircraft operators are equally likely to require ARFF services in the course of their operations at an airport and can see no reason for them to be subsidised by others.

I look forward to the opportunity to consider the options following on from this consultation process in greater detail. Please do not hesitate to contact Nigel Fanning (02 96679294) or myself should you require any further information with respect to this submission.

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Yours sincerely,

A handwritten signature in blue ink, appearing to read "Tim Finlayson".

Tim Finlayson
Chief Financial Officer
Sydney Airport Corporation Limited

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