

**Rural Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Additional Estimates February 2011

**Infrastructure and Transport**

**Question no.:** 86

**Program:** n/a

**Division/Agency:** (AA) Airservices Australia

**Topic:** Long Term Pricing Agreement

**Proof Hansard Page/s:** 108 (22/02/11)

**Senator Heffernan asked:**

**Senator HEFFERNAN**—Air Services Australia says its next long-term pricing proposal will provide an overall real reduction in charges averaging six per cent a year when inflationary pressures are factored in. Can you please explain this proposal?

**Mr Russell**—The five-year pricing agreement that we had in place until this stage expired in December 2009. Due to the global financial situation at that time and the impact on the aviation industry, the board of Air Services decided that we would freeze our prices for two years from the middle of 2009 until what we expect to be a new pricing agreement around the middle of this year. We have been in consultation, we have issued a draft pricing proposal, as we normally do, we have been in consultation with all elements of the industry throughout Australia and we are just in the process of finalising our proposal that will go to the ACCC. The question is, in view of the fact that we have had a price increase for the last two years, over the life of the coming five-year proposal, if it is agreed by the ACCC, there will be a modest increase in the order of seven per cent. We fundamentally are managing our costs, which are rising through better productivity within our organisation.

**Senator HEFFERNAN**—It has been indicated that regional airports will also be capped with the shortfall recovered from en route services. Can you provide detail or a list of the regional airports which will be capped?

**Mr Russell**—I am happy to take that detail on notice, if you do not mind, and come back to you.

**Answer:**

Nine regional locations are price capped for Terminal Navigation Services under Airservices' pricing proposal scheduled to cover the period 1 July 2011 - 30 June 2016: Cairns, Albury, Alice Springs, Broome, Coffs Harbour, Hamilton Island, Karratha, Launceston and Tamworth.

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**Senator Nash asked:**

- 1) Has the agency's long term pricing agreement been put on hold until July 2011?
- 2) If so, what effect does this have on the agency's revenue raising activity?
- 3) What are the agency's projected price increases with the establishment of the new Long Term Pricing Agreement?

**Answer:**

Airservices Australia has developed a Draft Price Notification covering the three core service lines of Enroute, Terminal Navigation and Aviation Rescue & Fire Fighting scheduled to cover a five year commencing from 1 July 2011.

Airservices has submitted its proposed Long Term Pricing Agreement to the Australian Competition and Consumer Commission (ACCC) for independent review. Refer to the ACCC website.

A price freeze was implemented at the expiry of the previous Long Term Pricing Agreement in December 2009 for a period of at least 18 months to provide certainty to the industry during the Global Financial Crisis.

As shown in Airservices' Corporate Plan 2010-2015, Airservices continues to earn acceptable levels of returns supported in part by reasonable levels of aviation activity growth.