



TRANSPORT DIVISION

Ms Lisa Gropp
Assistant Commissioner
Productivity Commission
Airports Inquiry
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Ms Gropp

RE: INQUIRY INTO PRICE REGULATION OF AIRPORT SERVICES

Thank you for the opportunity to provide comment on the inquiry into price regulation of airport services.

There are two airports in the Northern Territory currently subject to aeronautical price regulation, these being the Alice Springs and Darwin Airports. These airports represent important infrastructure to the Northern Territory and they support ongoing economic and social development. In particular, Darwin Airport is integral to the Territory's emergence as a gateway to Asia.

The existing CPI-X price cap arrangements are a fairly blunt instrument and there has been concern on the handling of applications for returns on new investment. The process appears to be contributing to poor relations between airports and their key customers, the airlines. Alice Springs and Darwin Airports are small airport businesses, and thus suffer from the overheads created by the myriad of regulatory requirements.

There should be minimal regulatory impediments to private infrastructure investment, especially in the developing areas of Australia.

The Northern Territory is of the view that in regard to Alice Springs and Darwin Airports, no specific price regulation should apply after the five year price cap expires. It is considered that the general provisions of the *Trade Practices and Prices Surveillance Acts* are adequate for airports in the Northern Territory.

The Northern Territory looks forward to providing further comment on the draft report on this inquiry.

Yours sincerely

ROD NELSON
Aviation Adviser

20 March 2001

