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30 October, 2001

Ms. Michelle Cross
Research Manager
Price Regulation of Airport Services Inquiry
Productivity Commission
Locked Bag 2
Collins Street East
MELBOURNE VIC. 8003

Dear Michelle,

INQUIRY – PRICE REGULATION OF AIRPORT SERVICES

Further to the recent round of public hearings relative to the above subject Inquiry, I write on behalf of the Australian Airports Association to offer the following comment. The landscape of the Australian aviation industry has been changed forever since the release of the Draft Report. In the first instance I should reconfirm that we will not be making any formal or lengthy written submissions in response to the Draft Report. This comment is made on the basis that we have now viewed most of the responses from the various individual airports concerned, and to be perfectly frank, without wishing to go into unnecessary duplication of commentary, there is little of any additional substance that we could add for the Commission's consideration.

It would appear to the Association that there is overwhelming support from the membership for 'Option B'. However, whilst we agree with the Commission that 'Option A' could create an inferior outcome, particularly for the regulation of Phase 1 airports, it may well provide improved outcomes if a number of identified issues are addressed and resolved with sufficient clarity.

It is not our intention to single out any particular individual airport's response to the Draft Report. That being said, we nevertheless would commend the contents of the response from Melbourne Airport for your further consideration and robust examination. In our view it provides an accurate and interesting summary of the issues identified thus far in the consultative process.

Whilst raising the subject of the consultative process, the Association compliments the Commission for the way in which it has conducted this particular Inquiry and ensured an absolute transparency of process and fairness to all concerned and interested parties.

The Commission has sought comments on what might represent "good conduct" or alternatively a 'code of conduct' for the industry in the future. In the current aviation climate, this is a difficult issue to address and unfortunately, unless 'managed' in a way that generates mutual goodwill, could become another form of pseudo-regulation. 'Conditions of Use' documentation, prepared through a bilateral consultative process between the airports and their individual airline customers, should help to clearly define the shared expectations and contractual obligations of both parties.

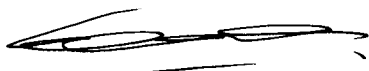
As an Association very committed to the consultative process, we would wish to assist our membership to develop a mutually agreeable 'code of conduct' for the industry. However, 'codes of conduct' as such are normally entered into on a voluntary basis rather than through some bureaucratic process. We would undertake to responsibly encourage all airports across Australia to embrace and develop an industry acceptable 'code of conduct', without in any way compromising their own individual and local contractual obligations.

Essentially, even if there was an accepted 'code of conduct', it would only provide the industry with a basis upon which to consult, negotiate and ultimately agree (I urge much caution with the use of the word 'agree') on a bilateral basis. As stated in previous correspondence on this subject, as with other industries, this process is really nothing more than good commercial commonsense business practice.

It is our fond hope that at sometime soon, this accepted business philosophy will become practice throughout the aviation industry in Australia.

Should any further or immediate queries arise as a result of the foregoing comments, please do not hesitate to telephone at any time.

Yours sincerely,



*Ken Keech
Chief Executive*