

# Perth Airports Municipalities Group

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Productivity Commission  
Airports Inquiry  
LB2 Collins Street East  
Melbourne Victoria 8003

Dear Sirs

## **PRICE REGULATION OF AIRPORT SERVICES**

### The Perth Airports Municipalities Group

The Perth Airport Municipalities Group (PAMG) represents the interests of eight local governments affected by the Perth International Airport and Jandakot Airport. Amongst the objectives of the PAMG are :

- *To provide a forum of meaningful discussion on issues which affect the Perth International Airport and Jandakot Airport and their environs and to investigate, report and formulate recommendations in respect of matters affecting or likely to affect the development of these airports and to monitor their use and environmental impact on neighbouring communities.*
- *To advise relevant State and Federal Ministers, State and Commonwealth Government departments, the Noise Management Committee, and Westralia Airports Corporation (WAC) on issues of major concern affecting Airports and the surrounding communities.*
- *To provide a medium for the expression of community views and a proper exchange of information with members of the community.*
- *To consider all proposals affecting Airport development and operations before policy decisions are made and before changes are effected in relevant legislation and regulations.*
- *To promote the benefits of Airports.*

The PAMG is a group of stakeholders that are affected by any decisions on price



regulation of airports that will impact on the operation of airports, with particular regard to the ongoing operation of the Perth International Airport. Moreover, as an extension of the arm of affected local governments, PAMG represents ratepayers, residents, visitors to the region and future generations in terms of the impact of the airports on the amenity of those PAMG represents.

As such PAMG requests that it be kept advised of any proposals that will affect the ongoing operations of the airports so that it may have adequate opportunity to represent a broad grouping of West Australian local governments and by proxy a wider range of stakeholders.

### Price Regulation of Airport Services

It is considered that the current system of price regulation does not give adequate weighting to the broader range of stakeholders affected by this particular aspect of airport operation. As outlined in the Issues Paper, the current main objectives of the price regulation of airports is to promote the efficiency of airport operations and to protect users of airport services from abuses of market power. It is considered that a third objective of pro-actively encouraging a reduction in the ‘negative externalities’ of airports on adjoining local government areas should also be considered. It is considered that all three objectives can be addressed through appropriate regard to produce a win/win situation for airports, airport users and those affected by airports.

Some of the externalities that impact on adjoining local government areas include factors such as noise, pollution and inadequate provision of facilities.

The presumption that new investment is needed at airports only when they are congested is not considered appropriate. This assumes that it is proper to concentrate negative impacts of noise and pollution on specific local government areas (through limiting fleet mix, flight paths and so on) rather than addressing issues pro-actively. Whilst efficient operation of airports and a quality service to airline operators is supported, the impact of these services on the wider community should not be ignored.

It is considered that the use of quieter aircraft or a lesser trip generation of noisier aircraft will lessen noise impacts on adjoining areas. The use of such aircraft may depend on the facilities provided. If Airport operators are, through the current process, encouraged to reach maximum congestion before investing in new infrastructure, and if the airlines will utilise such Airports using more and/or noisier planes regardless, then the current price structure and method of review effectively discourages consideration of the broader impact of Airports on surrounding communities.

PAMG and other organisations such as the Perth Airport Aircraft Noise Management Committee can work together with airlines, Airservices Australia, the Department of Transport and Regional Services and Westralia Airports Corporation (WAC) to reduce negative externalities. However, given that the airports are commercial operators there must be some form of incentive to encourage early upgrading of infrastructure to reduce negative impacts. For example, PAMG support the proposal by the WAC to introduce a levy to fund the terminal expansion on the basis that it will improve facilities for users. PAMG however also consider that this levy should be extended to include funds to allow



the immediate construction of the parallel runway as a means of reducing the ongoing noise pollution suffered by residents in affected local authority areas. The construction of the runway would also serve to increase air safety by taking traffic away from residential areas. Although the date of the construction of the parallel runway is not known, and may not be due until 2010, it is considered appropriate that the runway should be built immediately in conjunction with the Central terminal expansion.

The indicators used to measure quality are not adequate as they do not address negative externalities. Some form of incentive to reduce these externalities should be offered within any price cap proposed. When the ACCC assesses compliance with the price cap and when it considers notifications to increase prices, it should have regard not only for the quality of service provision but any reduction in negative externalities.

#### Local Government Input into Regulatory Approaches to Pricing

In terms of any future approach to price regulation of airports, there is concern that the current system of regulation of Airports under the Prices Surveillance Act 1983 does not have regard for the needs of wider stakeholders. Whilst the Airports must notify the ACCC of plans to increase prices of declared services, and the ACCC has the opportunity to consult with affected agencies within the 21 day determination period, any such consultation has not been directed to those local governments that may be impacted upon through the decisions made. Under the current system, it is considered that unfair weighting is given to the views of a select few.

Where a proposal to increase prices has implications for the provision (or non provision) of services or infrastructure that may impact on areas affected by airport operations, it would be equitable to consult with affected local government authorities or their affiliated organisations. It is considered that some form of local government representation should be considered in any future proposed regulatory system, whether this continues to be the ACCC or an airports-specific regulator, to ensure adequate representation of the views of all stakeholders.

PAMG thanks the Productivity Commission for this opportunity to comment on the Inquiry into Price Regulation of Airport Services. Should you require any clarification or further information on any aspect of this submission, please contact the PAMG Secretary Ms Juliette Gillan on 08 9477 7275.

Yours sincerely

**CR PETER PASSERI**  
**PAMG CHAIRMAN**