

CIA:cb

9 July 2001

Professor Richard Snape  
Productivity Commission  
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Dr Neil Byron  
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Dear Professor Snape

**Airports Regulation Review – Necessary New Investment**

Capital Airport Group has previously commented on the impracticalities of the Necessary New Investment (NNI) provisions for funding of aeronautical investment outside the airport price cap. Our submission to the Prices Surveillance Act Review (February 2001) highlighted that the regulatory approvals process for new investment projects at Canberra International Airport has not been completed within 6 months, even for minor projects costing \$78,000, representing a \$0.01 increment in the general landing charge.

As you may be aware, on Friday 6 July 2001, the ACCC reached a final decision on Stage 1 Works of the Airport's terminal upgrade program. This project cost over \$2.5 million, and with only \$1.6 million initially sought for recovery, would have cost airlines in the order of \$0.14 per passenger.

Capital Airport Group commenced the approvals process with the airlines in October 2000 and in January 2001 a submission was presented to the ACCC. In March 2001 the ACCC reached a draft decision.

Capital Airport Group was forced to undertake substantial work in the preparation of a supplementary submission to the ACCC to achieve a suitable outcome from the ACCC's final decision. This was despite the airport having the full support of Impulse Airlines for the proposal as well as a substantial level of support from Ansett Airlines.

As a result of the extensive work undertaken by Capital Airport Group, the ACCC reached a final decision in favour of the Airport and approved a charge of \$0.131 per passenger to be levied across all airlines at the airport. The result being that in over 9 months of negotiations with the airlines and the ACCC, and at substantial cost to all

parties involved, the ACCC approved a charge that was \$0.009 less than that originally proposed by the Airport.

I enclose a copy of Capital Airport Group's supplementary submission to the ACCC as well as a copy of the ACCC's draft and final decisions in respect of what is termed "Stage 1 CUCT Works". I trust this demonstrates to the Productivity Commission the lengthy, burdensome and price immaterial nature of the ACCC approval process on necessary new investment at airports, especially at small airports such as Canberra with relatively low capital expenditure on aeronautical projects.

Yours sincerely

Stephen Byron  
Managing Director