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INQUIRY INTO PRICE REGULATION OF AIRPORT SERVICES

Over the past 20 years or so aeronautical charges at Canberra airport for a Private 2,200 kg General Aviation (GA) aircraft have increased from about \$350 pa to about \$6,569 pa for diminished aeronautical services.

Pre-FAC, charges increased to the \$350 mark, the FAC took them to about \$1632, and 'privatisation' put them through the roof to \$6,569.

It seems that every time there is a policy change or review, to help the general aviation sector, the reverse occurs with more regulation and a quantum leap in charges - \$1094 since the 2003 review, a 20% increase in 3 years.

This submission outlines how the Capital Airports Group (CAG) managed to more than quadrupled the charges for 'declared' aeronautical services for the general aviation sector at Canberra Airport despite regulatory assurances given by the Government that this would not occur.

FAC Charges Adopted by CAG Remained Unchanged For Less Than 6 Months

The charges adopted by the CAG at the time of lease transfer were the same as those of the FAC both in structure and level - \$1632 for the above aircraft. In fact, CAG assured GA aircraft owners before and after lease transfer that charges would remain the same.

Further, Government assured aircraft owners that a Price Cap (CPI-1) was in place to regulate charges at Canberra Airport. GA reluctantly accepted the old FAC charges but was disappointed that they were not discounted for the loss of access to the other 24 or so ex-FAC airports.

Less than 6 months later, 13 December 1996 to be precise, owners were notified by CAG that the FAC charges would be scrapped and a new schedule of charges imposed with effect 1 January 1997 - \$5475 for the above aircraft (\$15/day). What the hell happened to the Price Cap?

The response from the CAG was, inter alia, 'my family and I have been subsidising GA for years at \$4 per kg (\$4 per kg per year, the FAC non-Sticker rate).

The non-sticker rate was for payment of charges in arrears, mostly for itinerant aircraft. The sticker rate was for payment 12 months in advance – a 60% discount. During this period most aircraft owners, based at FAC Airports, bought FAC stickers. CAG canceled the 60% discount 6 months after they had signed the lease with the Commonwealth without any consultation with stakeholders or the Government. Resident aircraft owners base line charges were increased to the itinerant rate for Price Cap purposes rather than the expected FAC resident sticker rate. And the ACCC went along with it.

Government Buck-Passing

Replies to subsequent Submissions to the ACT Government and various Federal Ministers, Departments and the **ACCC** went something like this:

- this is a Federal matter said the ACT Government;
- this is in the hands of the ACCC, trust them, said the Minister of Transport;
- all complaints will be handled by the ACCC said the Minister of Finance;
- our hands are tied by the Treasurer's Direction 13, said the ACCC;
- this is in the hands of the ACCC said the Treasurer, check;
- stalemate;

- I will refer the matter to the Minister For Transport, said the PM;

- checkmate

So What Was Wrong With Direction 13 – The Price Cap and The FAC Base Line Charge

First of all, the 'declared services' were effectively removed from the Trade Practices ACT and placed under Direction 13 of the Prices Surveillance ACT 1983. This meant that malpractice or unconscionable conduct in regard to these 'declared services' could not be dealt with under the Trade Practices ACT but had to be handled by the ACCC.

Secondly, according to the ACCC interpretation, Direction 13 was applied to the **AGGREGATE** of the 32 or so aeronautical services and not to groups or sectors or individual services in the case of Canberra airport. This allowed the CAG to alter the FAC mix of charges in their application to the ACCC for a huge increases in GA sector charges balanced under the Price Cap by a decrease in Airlines charges – hence the through the roof rise from \$1,632 to \$6569 for the above aircraft.

The ACCC said that the CAG had, in fact, complied with Direction 13, and they had – to the letter of the law.

Unbelievable! Direction 13 not only created the reverse of the Government Price Cap intentions, it also removed any recourse to an appeal process through the Courts.

Why Wouldn't The Government Amend Direction 13

Submissions to the ACCC Review and the Productivity Commission (2003) with a request to amend Direction 13 did not even rate a mention in any of the Commission's reports, conclusions or recommendations. Submissions from the "small end" of aviation" were ignored despite the fact that CAG had increased its charges, by 250%.

The Price Cap was about Capping aeronautical charges to the CPI minus 1%. The CPI at the time was 0.7%. Here we had the Government promising a reduction in aeronautical charges

and yet the very people it was trying to protect were being hit with a 250% increase in charges.

Not one Minister or Departmental Official could see that such a price hike was anything unusual much less do something about it. At best the response was, 'its up to the ACCC to do something about it - not my Department'. The ACCC said their hands were tied by Direction 13 and in any case, nothing could be done until the next review.

The Price Cap for GA was an absolute failure.

Conclusion – Aeronautical Charges Will Exceed Aircraft Purchase Prices in About 15 Years

GA expectation after Minister of Finance's Press Release mid 1996 was that charges for aeronautical services at Canberra Airport would rise at CPI-1% per annum for the first 5 years of the CAG lease, ie at about 3% pa at most, not 246% after less than 6 months. After 5 years the annual charges on the above aircraft should have been about \$1900 not \$5,475. Put in real terms, the CAG have charged \$18,000 more for the above aircraft, than what the Minister lead GA to believe, in its first 5 years of its lease. At this rate the cost of aeronautical charges at Canberra Airport will exceed the purchase price of almost all GA aircraft on the Airport. Is this what the Government wants? Is this what Australia wants? Is this fair and just? Is this in Australia's best interest?

Since the 2003 review aeronautical charges for the above aircraft have increased a further \$1094 – 20% in 3 years, 403% since privatisation and 1876% since Pre-FAC.

Recommendations

Misuse of the Treasurers Direction 13 by the CAG during its first 5 years lease be addressed by:

- amendment of the appropriate regulations to reflect the Governments CPI-1 Price Cap intentions at the time of Lease transfer from the FAC to CAG in 1996;
- use of the 1996/97 FAC sticker charge as the base line;
- application of the CPI-1 Price Cap for the subsequent 4 years;
- compensation be paid to all aircraft owners for all CAG charges above this Price Cap;
- use of the 4th year Price Cap Sticker charge as the base line for Price Monitoring by the ACCC.

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