

**PRODUCTIVITY COMMISSION
PRICE REGULATION OF AIRPORT SERVICES
CITY OF BELMONT - FURTHER SUBMISSION
27 JULY 2006**

INTRODUCTION

The City of Belmont lodged a submission to the Productivity Commission's Price Regulation of Airport Services Inquiry on 14 July 2006. This submission provides further information that has arisen since the initial submission was lodged.

RATES EQUIVALENT PAYMENTS

On 25 July 2006 Westralia Airports Corporation made its final rates equivalent payment for the 2005/6 Financial Year. This payment was very late, being made some 9 months after the notice of payment was issued.

In making its final rates equivalent payment, Westralia Airports Corporation argued that the City of Belmont should provide services on the Perth Airport site such as road maintenance, road sweeping and street lighting.

The City is uncertain as to whether Westralia Airports Corporation will comply with its obligations under the lease to make full rates equivalent payments in the 2006/7 Financial year.

LOCAL GOVERNMENT RATING

Rating of local government is a specific process for generating revenue for local government to govern its community. Through its dealings with both the Westralia Airports Corporation and the Department of Transport and Regional Services the City considers that there is considerable misinformation and misunderstanding regarding the process and principles of rating. The City would welcome the opportunity to make a more detailed representation to the Pricing Commission as to the pricing and economic impacts of local government rating and the attitude taken to local government rating by the Westralia Airports Corporation.

SERVICE PROVISION

Local government does not provide services on private property or to private assets. It is not appropriate to provide public funds to maintain private assets. For this reason, the City of Belmont treats Westralia Airports Corporation and Perth Airport the same as any other ratepayer. The City provides local government services to the airport boundary and no further. Any services that the City might provide on land held privately by Westralia Airports Corporation would need to be negotiated on a fee-for-service basis.

A letter from the Department of Transport and Regional Services to the City of Belmont dated 20 June 2006 suggested that the City may commence negotiations with Westralia Airports Corporation regarding the provision of road sweeping, road maintenance and street lighting services. A subsequent press release issued by the Westralia Airports Corporation indicated their understanding that these services should be provided by the City not on a fee-for-service basis but instead in order to secure full payment of rates equivalent payments.

The City's research has uncovered Regulation 7.03 of the *Airport Regulations 1997*. This regulation deals with the method of reporting and accounting for activities on the

airport. In order to comply with this regulation of financial reporting, WAC must submit to the ACCC a set of annual financial statements each year which separately report on the financial performance of WAC in respect of aeronautical services and non-aeronautical services. Aeronautical services are defined to include the "administrative processing of passengers" which includes "the provision to passengers of landside terminal access roads, lighting and covered walkways.

The effect of Regulation 7.03 is to require WAC to include costs associated with terminal access roads and lighting in the financial statements for aeronautical services. Flowing on from this, the pricing of airport services, including passenger landing and departure fees, should be calculated to include the costs of lighting and maintaining roads used to access terminals. Any profit or loss reported on aeronautical services will reflect these costs.

The City is also aware that in April 1999, the Australian Competition and Consumer Commission made a determination that land side roads are declared facilities. This means that Westralia Airports Corporation is obliged to negotiate with commercial operators on means of access to these facilities. As a result WAC can recover the costs of maintaining these facilities from these commercial operators. Taxi operators, hire car companies and bus operators will pay for the privilege of using these facilities and WAC should use these funds to maintain their road infrastructure. In Perth, every taxi operator pays Westralia Airports Corporation \$2 to depart from an airport terminal and this service fee is specifically for the provision of *"better ground transport infrastructure"*.

As landside roads and street lighting are considered airport facilities and must be reported on as part of aeronautical services, they should be funded by Westralia Airports Corporation from revenue streams arising from the provision of airport facilities and aeronautical services. Put simply, airport passengers, taxi operators, hire car operators and bus companies are already paying Westralia Airports Corporation to maintain these facilities. The City of Belmont should not have to provide services on airport where revenue streams already exist for the provision of these services.

THE IMPACT ON THE PRICING OF AIRPORT SERVICES

The City understands that the pricing of airport services is already designed to incorporate costs of the provision to passengers of landside terminal access. The pricing inquiry should continue to insist that the pricing of airport services should be set at a level to include the costs of the provision of road networks which provide access to airport facilities. Similarly, airports should also recover the costs of providing these road networks through appropriate access arrangements with commercial operators.

The City of Belmont should not be in a position where the Westralia Airports Corporation considers that it can refuse to pay rates on the basis that the City should be providing services for free on airport land. Westralia Airports Corporation already receives revenue streams for these services and facilities and should not ask for public funds to be expended on private assets.