

# CANBERRA INTERNATIONAL AIRPORT

22 November 2001

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Dear Professor Snape and Dr Byron

## **Submission DR72 - Board of Airline Representatives of Australia**

Capital Airport Group has read with interest the comments by the Board of Airline Representatives of Australia (BARA) in its submission to the Productivity Commission of 14 November 2001. In response to comments made in that submission Capital Airport Group would like to note the following:

### 1. BARA's Comments on the Cost Review Process

- BARA recognises the costly and time-consuming nature of the airport cost review process that it advocates. In the event that such a review is deemed warranted by the regulator (by virtue of evidence of excessive charging) it should be done by the regulator with the assistance of independent specialist expertise. Where this specialist expertise is truly independent it should stand on its own merits and as such it should not matter who 'hires' this expertise.

### 2. BARA's Comments on Canberra Airport

- BARA has advised Capital Airport Group that it '*represents in-ter-nash-un-al airlines – not domestics or regionals*'. As such BARA does not represent any airlines operating at Canberra Airport. In fact, a number of carriers operating at the Airport have advised that they consider their interests to be better served by not being a BARA member given that the organisation merely services the interests of a select few key players in Australia.
- BARA has not engaged in any discussion with Capital Airport Group to understand the position of the Airport or its future pricing plans.
- ALL airline operating at Canberra Airport are understanding of the Airport's position and the new aeronautical charges have not been disputed as being unreasonable by any party, including the airlines, government or passengers.
- In regard to the impact on tourism, Capital Airport Group has discussed the new aeronautical charges at Canberra Airport with the Canberra Tourism and Events

Corporation, Australian Hotels Association, Tourism Industry Council, Canberra Business Council and the ACT Chamber of Commerce and all understand and accept the Airport's position.

- In terms of the revenue impact of the new charges at Canberra Airport, the Airport will not generate a positive return on its aeronautical assets in 2001/2002 or 2002/2003. It is hoped that by 203/2004 there will be some degree of modest profit and by 2004/2005 a return on aeronautical assets of 2.5-3.6% is forecast. Capital Airport Group has also put substantial rebate on aeronautical charges into the market to promote capacity increases by the airlines. In consideration of the above it is difficult to understand how much further BARA would like prices to be constrained without sending the Airport into receivership.
- In any case, Canberra Airport does not necessarily reflect the position of other airports. Airports are independently operated and the nature of an airport's traffic mix, level of gearing, downside risk exposure etc means that the impact of the Ansett collapse will impact differently on all airports. Melbourne and Launceston Airports, for example, have already signalled their intention not to increase aeronautical charges.

Capital Airport Group therefore rejects comments made by BARA in its submission on the basis that its views were:

- Not representative of airlines operating at Canberra Airport
- Not representative of the Canberra tourism industry of the business sector and
- Not reasonably informed.

Yours sincerely

Stephen Byron  
Managing Director