CANBERRA AIRPORT RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT ON THE REVIEW OF PRICE REGULATION OF AIRPORT SERVICES

OCTOBER 2006

- PUBLIC SUBMISSION -

Introduction

The Productivity Commission's draft report on the review of price regulation of airport services ('draft report') has concluded that the arguments for continued formal regulation of Canberra Airport are "finely balanced".

Canberra Airport considers the case presented in its July 2006 submission to the Commission for its exemption from the monitoring regime in the next regulatory period to be compelling and worthy of further consideration. However, with the benefit of reading arguments contained in the Commission's draft report, Canberra Airport has recognised that it can provide further information to support the case for exempting Canberra Airport from price monitoring. Section 1 of this submission provides such additional information for the Commission's consideration.

Canberra Airport understands that the Commission's draft recommendation to retain formal regulation of Canberra Airport may be largely attributable to misleading and factually incorrect statements made in some submissions against Canberra Airport. Section 2 of this submission serves to correct these statements.

The third and final section of this submission deals with other matters raised in the draft report. It is noted, however, that these matters are of secondary importance to the appropriate classification of Canberra Airport as a non-price monitored airport.

1. Additional information supporting the exemption of Canberra Airport from a further period of monitoring.

1.1 Canberra Airport – an uncomfortable fit in the group of regulated airports.

The characteristics of Canberra Airport make it an uncomfortable fit in the group of regulated airports. In its first submission to the Commission (July 2006), Canberra Airport argued that it was fundamentally different to the major airports in terms of its size and capacity to comply with regulation intended for substantially larger airports. Box 1 serves to further demonstrate the anomalous inclusion of Canberra Airport in the regulated airports group.

Box 1: Canberra Airport – an uncomfortable fit in the group of regulated airports

Activity

- Canberra Airport is the only <u>domestic</u> airport in Australia to be subject to price and quality monitoring. All other regulated airports have sizeable international passenger traffic.
- Canberra Airport will be the only airport with a sizeable proportion of <u>recreational</u> general aviation traffic to be subject to regulation. The other regulated airports have negligible general aviation activity and, where present, it is typically commercial general aviation activity (freight and charter).
- All other regulated airports are located in cities with a population base of more than 1 million people, whereas Canberra is less than a third of the size of the next smallest state capital airport (Adelaide).

Passengers

- At 2.5 million passengers, Canberra will be the only regulated airport with less than 5 million passengers. Canberra Airport has less than half the passengers of the next smallest regulated airport (Adelaide with 5.5 million passengers).
- Canberra Airport will represent a mere 3% of total passengers handled by the regulated airport group.

Staff

- With just 26 aeronautical staff, Canberra will become the only airport with less than 50 aeronautical staff, and will have less than half the aeronautical staff of the next smallest regulated airport (Adelaide with 62 aeronautical staff).
- The lean operating nature of Canberra Airport, as evidenced by the small staff numbers (most of which are operational personnel), is a critical factor in the context of the regulatory burden placed on Canberra Airport's resources.

Revenue

- Canberra Airport's aeronautical revenue represents just 2.67% of the aeronautical revenue of the regulated airports group (Canberra Airport's proportion of total group aeronautical revenue is less than its proportion of total group passengers).

- Canberra Airport has approximately half the aeronautical revenue of the next smallest regulated airport (Adelaide Airport).
- Canberra Airport's aeronautical revenue is 23% less than that of the soon to be deregulated Darwin Airport, and Canberra has more than double the passengers of Darwin.

Asset Valuation

- Canberra Airport's aeronautical asset valuation is less than one-third of that of Adelaide Airport.

Investment

- Canberra Airport is the only 'Phase I' or 'Phase II' airport to have substantially renewed all of its primary aeronautical infrastructure since privatisation (runways, taxiways, terminals and airfield lighting). This is an important point in the context of the necessity of quality of service monitoring.
- Canberra Airport is the only 'Phase I' or 'Phase II" airport to have invested multiples of its purchase price in new capital improvements at the Airport (applies equally to aeronautical and non-aeronautical investment).

Commercial Agreements

[Confidential information omitted]

Pricing

- Canberra Airport has the lowest volume adjusted aeronautical prices of the current regulated airport group (i.e. including Darwin)
- Aside from Brisbane Airport, Canberra Airport is the only regulated airport to show a decrease in average aeronautical revenue reported by the ACCC.
- Canberra Airport has the lowest recreational general aviation charges of any capital city (regulated or non-regulated) airport in Australia (calculated on a day visit by an aircraft <2500kgs).
- Canberra Airport has the lowest short stay (i.e. <1 hour) car parking charges of any capital city (regulated or non-regulated) airport in Australia.

As demonstrated by the characteristics outlined above, Canberra Airport is fundamentally different in nature to the major airports of Sydney, Melbourne, Brisbane, Perth and even Adelaide.

While the ACCC will appropriately have regard to the characteristics of major airports in setting the reporting guidelines for the next regulatory period (as has occurred in the past), it is apparent that a "one size fits all" approach cannot be effectively adopted if Canberra Airport is included in the regulated airports group. Canberra Airport cannot be effectively regulated on the same basis as the major airports, both for reasons of cost impact and relevance of the reporting guidelines tailored to large airports.

In the event that the Commission dismissed all the arguments in favour of exempting Canberra Airport from formal monitoring, for the Airport to be effectively regulated, a simpler and more relevant set of reporting guidelines for smaller airports would be required. Canberra Airport would then become a regulated group of one airport, as other comparable airports such as Cairns, Gold Coast, Hobart and now Darwin would not be subject to regulation. Canberra Airport fails to see merit in such an approach.

1.2 Market power

The Commission considers *"that a further period of monitoring is appropriate for those major airports which possess significant market power"* (draft report p.67). This does not capture Canberra Airport for two reasons:

(i) Given the fundamental differences between Canberra and the 'top 5' airports as discussed in the preceding section, Canberra Airport cannot be considered a 'major airport'; and

(ii) The Commission has previously found Canberra Airport to have low/moderate degree of market power, and "at most moderate market power" (draft report p.61) – this does not constitute 'significant' market power.

Further, in considering the merits of widening the application of monitoring to capture larger non-monitored airports (such as Cairns and Gold Coast which are larger than Canberra), the Commission reached the following conclusion:

> *"…all of the larger non-monitored airports either face significant competition from other airports or other modes of travel, and/or must negotiate with airlines which have countervailing power through capacity to reduce or withdraw services. Thus there is little case to bring them within the post-2007 monitoring regime."*

Conversely, if an airport was subject to just one of these factors, there would similarly be little case for continuing to capture that airport within the post-2007 monitoring regime. In the case of Canberra Airport, all three of these factors apply.

Firstly, the Commission has acknowledged that Canberra Airport is subject to a high degree of modal competition on the Sydney route. Secondly, Canberra Airport has previously drawn the Commission's attention to the competition that exists from Sydney Airport for leisure based travel (the emergence of 'drive to fly'). Third, one factor upon which Canberra Airport has not previously provided information to the Commission, is the capacity for airlines to withdraw services. Since 2002, airlines have withdrawn a total of 426 services per week from Canberra Airport (refer Table 1). This represents 56% of the 760 weekly services currently handled by the Airport.

Table 1: Services withdrawn by airlines from Canberra Airport since 2002

Route	Airline	# services per week withdrawn
Canberra-Sydney	Rex	140
Canberra-Melbourne	Rex	52
Canberra Traralgon	Rex	12
Canberra-Sydney	Hazelton	40
Canberra-Melbourne	Kendell	38
Canberra-Sydney	Kendell	60 [1]

Canberra-Sydney	Virgin Blue	24
Canberra-Gold Coast	Virgin Blue	6
Canberra-Traralgon	Brindabella	10
Canberra-Wagga	Brindabella	20
Canberra-Nadi	Air Pacific	4
Canberra-Hobart	TasAir	20
TOTAL		**426**

[1] It is noted that there is an element of double counting as these services, in contrast to the Melbourne services, were immediately replaced by Rex.

Therefore, Canberra Airport is subject to all three factors (modal competition, airport competition and countervailing power from the capacity of airlines to withdraw services) upon which the Commission recommended that other larger non-monitored airports, need not be subject to formal regulation.

Growth ambitions

The Commission also found that growth objectives of an airport may provide a short-term constraint on prices (draft report p.59). Canberra Airport agrees with this conclusion to the extent that pricing is one of a number of factors considered by airlines in their assessments of the viability of new services (albeit a small one). Canberra Airport recognises the role played by airports in encouraging new airline services and has committed in excess of $x million to new air service incentives to airlines since 2002. *[Confidential information omitted]*

While airport incentives will not alter the long term viability of any new service (but might however provide for offsetting marketing expenses for example) it is the demonstration of commitment by an airport that is of primary importance to many airlines. If an airline can see a financial commitment to a new service by an airport, then it is somewhat assured that the airport will be similarly cooperative and committed in non-financial measures of assistance (i.e. operational aspects).

However, if these new services are to be retained, both the airline and the airport are aware that all costs (not just airport costs) must be sustainable in the long term. This requires ongoing price discipline both by airports and others, rather than merely short term rebates. This is a key principle in Canberra Airport's approach to developing the leisure sector to/from Canberra.

Airports are 'volume' businesses and Canberra Airport recognises that revenue is maximised by increasing passengers by 10% rather than increasing prices by the same margin. To achieve above average rates of passenger growth (such as those currently being experienced by many airports in Australia) requires access to the fast growing leisure sector. Canberra Airport has already pursued some initiatives in cooperation with Virgin Blue, Blue Holidays and Air Pacific, but most important is the 'catalytic' introduction of services by Jetstar which has, to date, eluded Canberra Airport.

The point to note is that airports that pursue leisure based airline services must have ongoing price discipline. The benefits of this ongoing price discipline are available to all airlines regardless of their business/leisure mix due to the inability of airports to price discriminate between airlines on the basis of their traffic mix because:

(i) airlines do not disclose information on purpose of travel; and

(ii) price discrimination is not possible *[Confidential information omitted]*

It is also noted that Virgin Blue's declaration of Sydney Airport was based on the premise that the airline was disproportionately impacted by the Airport's pricing practices. If Canberra Airport was somehow able to price discriminate between leisure and business traffic, it is almost certain that Qantas would bring similar action against Canberra Airport.

Dominant Customer
In assessing the market power of Darwin Airport, the Commission recognised the dominant market share of Qantas as contributing its countervailing market power in dealing with the airport (draft report p.60).

Qantas is in a similarly dominant position at Canberra Airport where it controls three-quarters of the market. *[Confidential information omitted]*

1.3 Good behaviour

In recognising that monitoring was intended to be a transitionary step, a key regulatory principle espoused by the Commission and Government at the last regulatory review was that 'good behaviour' by airports would be rewarded by progressively more light-handed regulation. Conversely, airports engaging in 'bad behaviour' would risk being penalised by stricter regulatory controls.

Canberra Airport has a demonstrated history of actively encouraging airline growth and developing strong commercial relationships with its airline customers. The Airport has actively encouraged new entrant services, both large and small. Considerable financial and non-financial assistance has been provided to the likes of Virgin Blue, Air Pacific, Brindabella Airlines and TasAir (the latter operating only six seat aircraft), among others. *[Confidential information omitted]*
Canberra Airport's commitment to the development of new entrant services to achieve volume growth cannot, in any way, be questioned.

This is not to say that Canberra Airport's relationships with its airline customers have always been entirely smooth sailing. While Canberra Airport has never had any issues in its relationships with Virgin Blue, Brindabella, TasAir or Impulse, there have been some hiccups with others. *[Confidential information omitted]*

Finally in terms of behaviour, it is also worth noting that Canberra Airport has never been the subject of a dispute with an airline on price, cost or quality concerns. Asset valuation has been the only contentious issue in negotiations between Canberra Airport and its airline partners and, although the parties have shown a propensity to overcome these issues commercially, the Commission has now effectively put this issue to rest (refer Section 2.3).

1.4 Commercial agreements

[Confidential information omitted]

1.5 Quality of Service

As mentioned in Box 1 (section 1.1) of this submission, Canberra Airport is the only Airport in Australia to have substantially replaced all its aeronautical infrastructure. Canberra Airport also notes that, aside from questionable results from the quality of service monitoring undertaken by the ACCC, **Canberra Airport has never had a complaint from any airline regarding the quality of services provided by the Airport** since it has been in private ownership.

Canberra Airport completed multi-million dollar upgrades of the central terminal and the former Ansett terminal between 2000-2002 and a further $120 million redevelopment of the terminal will commence in early 2007 *[Confidential information omitted]*. A runway extension of 600m was completed in September 2006 and a runway and taxiway strengthening is now all but complete. These two runway projects alone represent an investment of approximately $50 million in airfield upgrades. In addition, since privatisation Canberra Airport has also invested in new and replacement airfield lighting services to the extent that the vast majority of airfield lighting services are in near new condition.

With a new terminal, new runway and taxiways, and new airfield lighting, Canberra Airport submits that any formal quality of service monitoring is now superfluous. Add to this the service level obligations contained in Canberra Airport's commercial agreements, and formal quality monitoring is even more unwarranted.

1.6 Regulatory costs

The Commission recognised that because of much lower traffic volumes, the cost of meeting compulsory security upgrades is considerably higher at Darwin Airport than at most of the other price monitored airports.

> *"Because of the much lower traffic volume at Darwin Airport, the per passenger cost of paying for compulsory security upgrades is several times higher than at most of the other price monitored airports."* (draft report p.XV)

This applies equally to Canberra Airport in meeting the cost of regulation.

The Commission acknowledged that regulatory costs for the major airports ranged up to $150,000 per annum. In contrast, Canberra Airport's regulatory costs are approximately double this figure (supporting documentation available). However, the impact on cost per passenger is significantly greater at Canberra Airport. Assuming Sydney and Adelaide incur regulatory costs at the top end of the range (i.e. $150,000 per annum), in passenger terms the impact of regulatory costs are **more than four times greater** on Canberra Airport compared to Adelaide Airport, and **more than 24 times greater** on Canberra Airport compared to Sydney Airport.

Table 3: The Impact of Regulatory Costs

	Canberra Airport	**Adelaide Airport**	**Sydney Airport**
Passengers	2,476,709	5,412,945	28,848,432
Regulatory costs (aggregate)	$300,000	$150,000	$150,000

Regulatory costs (per passenger)	$0.121	$0.027	$0.005

Costs of this order may be considered modest by large airport standards, but these are significant costs for a small airport such as Canberra Airport. For example, for the cost of regulation at Canberra Airport, the Airport could increase aeronautical staff by more than 15%, or increase B737 aircraft parking capacity by a similar proportion.

The proportionately higher regulatory costs per passenger place Canberra Airport at a distinct disadvantage relative to the major airports (where costs are significantly lower both in aggregate and on a per passenger basis) and comparable non-monitored airports (that are not subject to such costs).

Unlike the security costs in the Darwin example, regulatory costs are not subject to direct pass-through and therefore directly impact an airport's bottom line. However, even if Canberra Airport is appropriately exempted from formal monitoring, the Commission should consider direct pass through of regulatory costs. This would provide transparency in regulatory costs to airport users and may moderate calls for needless regulation (in this regard it is noted that airports and airlines work cooperatively to drive efficiencies in security regulation to reduce costs to airlines).

In addition, while some of the Commission's draft recommendations could be expected to reduce the regulatory burden, other factors will almost certainly significantly increase the costs of regulation going forward.

> *"The Commission notes that implementation of draft recommendation 6.1 may result in an asset base for price monitoring purposes that does not accord precisely with general financial reporting requirements"*. (draft report p.98)

The divergence that is already emerging between statutory accounts and regulatory accounts (even in the absence of the Commission's draft recommendation) is an issue that Canberra Airport's management, accountants and auditors are currently trying to resolve. Canberra Airport agrees with the Commission that regulatory accounts and statutory accounts will in future be different in many respects. Suffice to say that the 2005/2006 regulatory accounts to date have already taken three-times longer to prepare than in previous years. Canberra Airport expects its regulatory costs to increase significantly as a result.

[Confidential information omitted]

1.7 Summary

The Commission has sought to adopt a conservative approach to exempting airports from formal monitoring. Exempting Canberra Airport from formal monitoring is not inconsistent with this conservative approach, given:

- Canberra Airport has long term agreements that restrict its capacity to increase charges beyond levels agreed with the airlines for the next regulatory period and beyond.

- These agreements are based on a high level of transparency in airport pricing that surmount any issues of information asymmetry both now and at any stage in the future (thereby eliminating the need for airport financial information to be obtained from regulatory reports by airlines).
- Quality of service outcomes are assured given the new nature of assets with useful lives that span decades and the Airport's service level commitments (thereby making quality of service monitoring superfluous).
- Canberra Airport's demonstrated behaviour and commitment to the growth of airline services (large and small) assures continued access.
- The nature of Canberra Airport means that users of the Airport are disproportionately impacted by the cost of regulation (to the extent that these costs are fully passed on to passengers).

In regard to this last point, Canberra Airport proposes a 'cost pass through' charge (similar to the operation of security charges) to recover such costs going forward.

Notwithstanding any of the above safeguards, Government will retain the ultimate discretion to re-introduce formal regulation (and stricter regulation) **at any time** during the next regulatory period. In addition, Canberra Airport's conduct would still be reviewed at the end of the next regulatory period regardless of whether it was formally monitored or not. In this regard, the only 'loss' of regulatory control by exempting Canberra Airport from monitoring would be the absence of two regulatory reports (which could almost be written now given the fixed pricing structure) that would otherwise be prepared by the ACCC in the next regulatory period. Given the costs involved, any continued formal monitoring of Canberra Airport would be excessive.

2. Response to issues against exempting Canberra Airport from a further period of monitoring

The Commission appears to have had regard to three issues in arriving at its draft recommendation to continue formal monitoring of Canberra Airport. Two of these issues, user concerns and asset valuation are readily addressed. The third, the level of market power possessed by Canberra Airport due to the proportion of business traffic, requires the Commission to exercise some judgement, having regard to the countervailing market power enjoyed by airlines in its negotiations at Canberra Airport (refer section 1.2). While these matters are considered in the following sections, it is noted that they are inconsequential in the context of Canberra Airport's ability to operate outside the agreed parameters of its commercial agreements during the next regulatory period.

2.1 User concerns

The Commission has recommended excluding Darwin from formal monitoring on the basis of:

(a) justifiable increases in prices not being indicative of the misuse of market power;

(b) relatively small airport dealing with some major airlines who can withdraw services and hence have countervailing power;

(c) lower traffic volumes; and

(d) volume adjusted charges that are broadly comparable to non-monitored airports.

Each of these points applies equally, if not more so, to Canberra Airport. Further, there are more compelling reasons in favour of exempting Canberra Airport from formal regulation as outlined in the preceding sections of this submission. However, the Commission elected to adopt a conservative approach in its draft report on the basis of user concerns expressed in submissions dealing with Canberra Airport. These user concerns are false, unsubstantiated and readily refutable by way of documented evidence.

[Confidential information omitted]

2.2 Business market

The Commission lends some weight to the argument that airlines may be less inclined to exercise countervailing market power in their negotiations with Canberra Airport due to the proportion of the more demand inelastic business traffic at the Airport.

This has not been Canberra Airport's experience. Qantas holds approximately three-quarters of the Canberra air travel market, and an even higher proportion of the business segment of the Canberra air travel market. Without doubt, Qantas enjoys a sizeable business oriented market in Canberra. Notwithstanding this, Qantas continues to aggressively cut costs in Canberra as part of its initiative to transform its business. The airline remains as financially prudent as ever and seeks to reduce costs both within its own Canberra operation, and from Canberra Airport. Qantas has, in the past, pursued Canberra Airport for cost reductions of a fraction of one-cent per passenger.

[Confidential information omitted]

2.3 Valuation practices

[Confidential information omitted]

2.4 Summary

In summary, these three factors – user concerns, business market and valuations – do not support the continued formal monitoring of Canberra Airport. User concerns have been proven as inaccurate (at best), perceived airport market power due to the proportion of business traffic is more than effectively mitigated by airline countervailing market power, and valuation issues were previously addressed commercially by Canberra Airport, and now by the Commission.

Canberra Airport therefore seeks a recommendation by the Commission in its final report to the Federal Government that a further period of formal monitoring need not apply to Canberra Airport.

3. Other Matters

3.1 Dispute resolution

The Commission found that *"the need for binding arbitration is a matter for negotiation between the parties, not to be mandated"* (draft report p.XXIV)

As part of the negotiations on airfield and terminal agreements, the airlines have arrived at an approach to dispute resolution suited to meet their interests at Canberra Airport. This dispute resolution approach is based on an 'escalate and negotiate' model whereby the dispute is progressively, but quickly, escalated through two levels of management for resolution. If it cannot be resolved, legal interpretation of the agreements is sought.

[Confidential information omitted]

Any move by the Government to mandate an alternative dispute resolution mechanism would merely serve to drive a wedge between airports and airlines and, in the case of Canberra Airport, undermine the dispute resolution mechanism negotiated by the airlines into their agreements with Canberra Airport.

3.2 Fuel throughput levy

The Commission refers to Canberra Airport having introduced a fuel throughput levy (draft report p.70). As outlined earlier in this submission, and also in Canberra Airport's July 2006 submission, there is a clear distinction between a fuel throughput levy, which is effectively an access fee, and an investment cost recovery charge. Canberra Airport requests that the Commission recognise this distinction and exclude consideration of its fuel facility investment recovery charge from discussion alongside the access fee based fuel throughput levies of Brisbane and Perth airports.

3.3 Car parking

The Commission recommends at draft recommendation 5.2 that the Government consider monitoring car park prices at the major airports. Canberra Airport is not a major airport and requests that the Commission makes this clear in any final recommendation for monitoring to the Government. The Commission can be comfortable in exempting Canberra Airport from price monitoring applying to the terminal car park on the basis of lower rates by comparison to other monitored and non-monitored airports such as Alice Springs and Hobart.

3.4 Aeronautical service coverage

Canberra Airport agrees with the objective of aligning the definition of aeronautical services under the *Airports Act* with that of the superior definition contained in Direction 27; however this should be the limit of the changes to aeronautical service coverage. The Department of Transport and Regional Services has recommended the inclusion of the following services that are currently not included in either the *Airports Act* or Direction 27:

(i) Telecommunications infrastructure;

(ii) Office space in terminals or airside for airline staff; and

(iii) Airside freight handling and long/short term staging areas for aircraft loading and unloading.

(iv) Ground handling services and facilities (including equipment storage and refuelling);

Canberra Airport has limited market power, if any, in the provision of these services.

In terms of telecommunications services at Canberra Airport, these are provided by third party service providers such as Telstra. Under the *Telecommunications Act*, Telstra can access land (including airport land) for the purposes of installing its telecommunications infrastructure to service the requirements of any third party located on the Airport by issuing a Land Access Notice (LAN) to the landholder. The LAN does not require Telstra to pay for any easements it obtains for the purposes of installing its telecommunications services. Therefore, any airport tenant (airline or otherwise) can obtain telecommunications services from Telstra without incurring a fee from the airport.

In contrast to Telstra's rights under the *Telecommunications Act*, other telecommunications service providers may be subject to fees for installing telecommunications infrastructure on airport land. However, this fee is usually nominal and is limited by the capacity of the other telecommunications carriers to lease capacity at the Airport from Telstra at its regulated rates.

In addition, the broad definition of telecommunication services would also cover revenue derived by airports for wireless internet services, internet kiosks and public payphones for which airports possess negligible market power due to available substitutes, and the fact that the consumption of these services by airlines and/or passengers is discretionary. Further, the definition would also cover mobile phone towers for which airports do not possess any market power given that they can be located off-airport without detriment to the service provided.

Office space for airline staff is an area where airports will have varying degrees of market power. At one end of the spectrum, non-airport specific functions can be readily located off-airport (i.e. negligible market power), while load control and ramp staff accommodation would need to be located in reasonable proximity to the terminal. However, it is argued that the latter would be covered under the definition of ground handling and therefore separate (and somewhat broader) reference in the definition is not necessary.

Airside freight handling is an area where the bulk of freight handling activities (i.e. storage, distribution, processing and receiving) can be effectively undertaken off-airport with the only restriction being the process of getting the freight airside and onto aircraft. This latter function is typically a ground handling function and again, to the extent that ground handling was included in a revised definition, would be covered without the need for an additional specific and broader ranging reference in the definition.

In terms of ground handling, airports would have a moderate degree of market power in the provision of some of these services. However, with the exception of fuel services (which would already be covered after aligning the *Airports Act* and Direction 27 directions), the rates charged in an overall context are nominal and would not even amount to $0.01 per passenger. The cost of regulation in this regard would, in all likelihood, outweigh any perceived benefits.

Canberra Airport therefore advocates that definitional changes to the coverage of aeronautical services be limited to alignment of the *Airports Act* definition with that of the superior Direction 27 definition. However, Canberra Airport acknowledges that a reasonable case could be made for the inclusion of ground handling services in a revised definition, but not for telecommunications services, freight facilities or airline office space.

Canberra Airport also recommends that any changes to the definition be final and not revisited in future due the uncertainty it creates with respect to commercial agreements and the inconsistency it generates in comparisons of aeronautical revenue over time.

4 Concluding remarks

Canberra Airport thanks the Commission for the opportunity to provide this further submission to its review. While unable to present at the public forums, Canberra Airport would welcome the opportunity to discuss the content of this submission (and any other relevant matters) in further detail with the Commission, and provide any necessary supporting documentation that might be required by the Commission.