

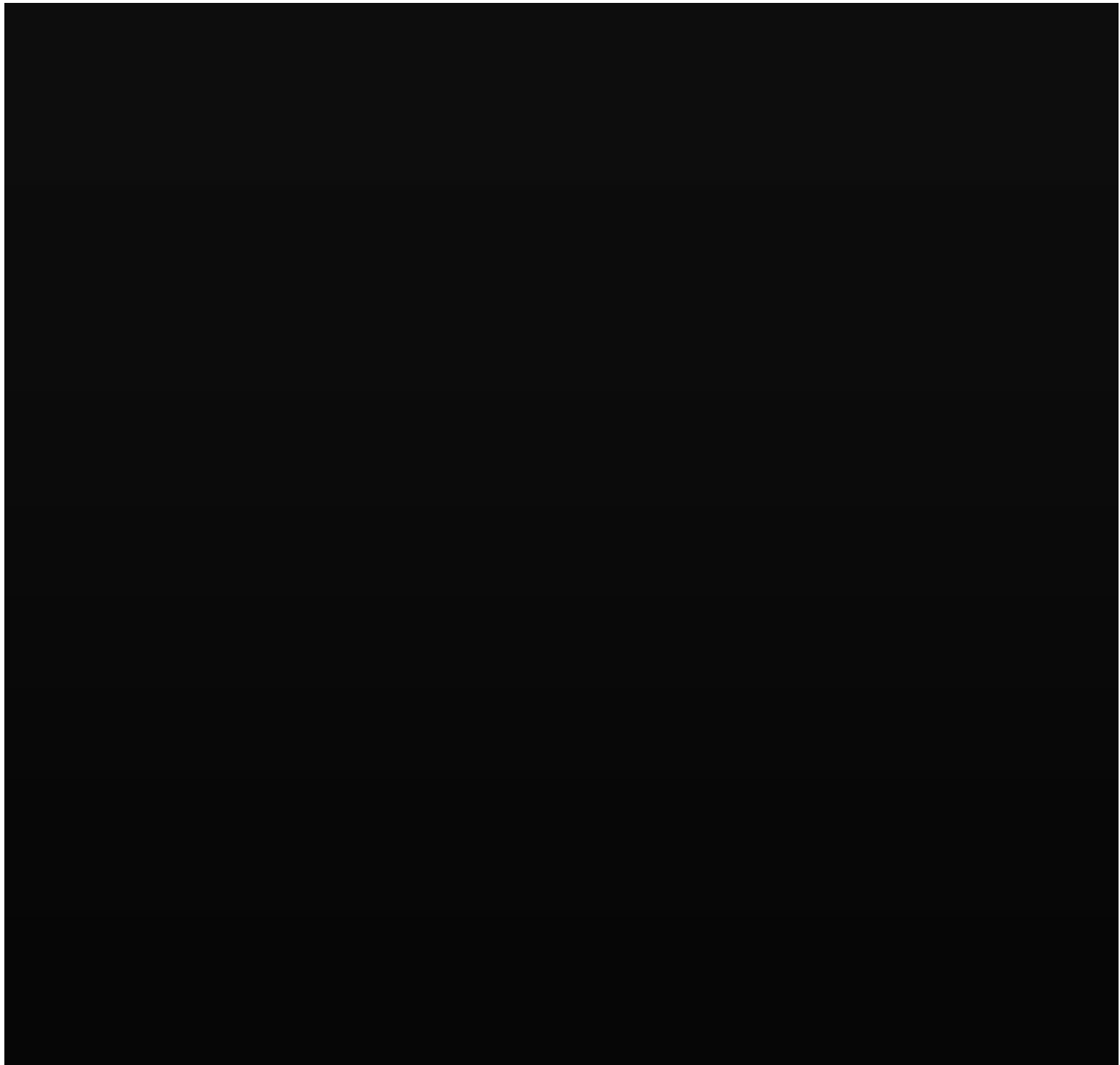


*Commonwealth
Competitive Neutrality
Complaints Office*



Meteorological Services to Aviation

Investigation
No. 7



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The Commonwealth Competitive Neutrality Complaints Office

The Commonwealth Competitive Neutrality Complaints Office is an autonomous unit within the Productivity Commission. It was established under the *Productivity Commission Act 1998* to receive complaints, undertake complaint investigations and advise the Minister for Financial Services and Regulation on the application of competitive neutrality to Commonwealth Government business activities.

Information on the Office and its publications can be found on the World Wide Web at www.ccnc.gov.au or by contacting Media and Publications on (03) 9653 2244.



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28 September 2001

The Honourable Joe Hockey, MP
Minister for Financial Services and Regulation
Parliament House
Canberra ACT 2600

Dear Minister

In accordance with section 21 of the *Productivity Commission Act 1998* and the Commonwealth Competitive Neutrality Policy Statement, I have pleasure in submitting the results of the Commonwealth Competitive Neutrality Complaints Office's investigation into the provision of meteorological services to the aviation industry.

Yours sincerely

Mike Woods
Commissioner

Competitive neutrality policy

Competitive neutrality is a policy which aims to promote efficient competition between public and private businesses. It seeks to ensure that significant government businesses do not have net competitive advantages over their competitors simply by virtue of their government ownership. The Commonwealth, State and Territory Governments have agreed to implement this policy as part of their commitment to the National Competition Policy Reform Package.

The Commonwealth's approach is outlined in its 1996 *Competitive Neutrality Policy Statement* (CoA 1996). Competitive neutrality requirements automatically apply to Commonwealth Government Business Enterprises, designated business units of budget sector agencies and all in-house units that tender for competitive contracts. It may apply to other businesses if the benefits outweigh the costs.

The Commonwealth Government's competitive neutrality arrangements require that its designated government business activities:

- charge prices that fully reflect costs;
- pay, or include an allowance for, government taxes and charges such as payroll tax, the goods and services tax and local government rates;
- pay commercial rates of interest on borrowings;
- generate commercially acceptable profits; and
- comply with the same regulations that apply to private businesses (such as the Trade Practices Act and planning and environmental laws).

The Commonwealth Competitive Neutrality Complaints Office is located within the Productivity Commission and is responsible for administering the Commonwealth's competitive neutrality complaints mechanism. The Office can receive complaints from individuals, private businesses and other interested parties that:

- an exposed government business is not applying competitive neutrality requirements;
- those arrangements are ineffective in removing competitive advantages arising from government ownership; or
- a particular government activity which has not been exposed to competitive neutrality should be.

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1 The complaint

1.1 Nature of the complaint

On 10 February 2000, Metra Information Limited (a subsidiary of the government owned Meteorological Services of New Zealand Limited) lodged a complaint with the Commonwealth Competitive Neutrality Complaints Office (CCNCO). Metra alleges that the Civil Aviation Safety Authority's (CASA's) administration of aviation regulations confers a regulatory advantage on the Bureau of Meteorology (the Bureau) by preventing Metra competing in the market for meteorological services to the aviation industry.

The Bureau is a statutory authority that is funded from the Commonwealth budget to provide a range of general weather forecasting and other meteorological services within Australia. In addition, the Bureau provides meteorological services to the aviation industry on a cost recovery basis. These aviation services comprise a range of weather information including aerodrome weather reports, terminal and end route forecasts, warnings and other meteorological advice to air traffic services, the aviation industry and other users. These services are regulated by CASA.

The services provided by the Bureau to the aviation industry are negotiated with the users, although in the case of international aviation, those services must be consistent with Australia's obligations under international conventions. Cost recovery charges for the Bureau's aviation related services are collected by Airservices Australia and totalled around \$14 million in 1999-2000.

For reasons outlined in chapter 2, the CCNCO considers that the complaint meets the criteria for investigation contained within the Commonwealth Competitive Neutrality Policy Statement (CoA, 1996).

At Metra's request, on 18 April 2000, the complaint was put on hold pending discussions between Metra and CASA. CASA agreed to release draft competency standards for discussion, as a first step to establishing a framework which would allow it to approve suppliers, other than the Bureau, to provide meteorology services to aviators in Australia. CASA has advised the CCNCO that it has forwarded a discussion paper to the Department of Transport and Regional Services for release. However, while the Department has indicated to the CCNCO that it

intends to release the discussion paper, it was not able to provide a timetable for its release. As a result, on 2 May 2001, Metra requested that the CCNCO reactivate its complaint.

1.2 Role of the CCNCO

This complaint concerns whether competitive neutrality, including regulatory neutrality, should apply to the provision of meteorological services to the aviation industry. Assessment of the complaint involves two distinct steps:

- Determining whether the Bureau's aviation services are business activities for the purpose of competitive neutrality (chapter 2); and
- Examining whether the benefits of applying competitive neutrality to these services are likely to be greater than the costs that would be involved (chapter 3).

In conducting its investigation, two sections of the *Productivity Commission Act 1998* are of specific relevance:

- Section 21(3) of the Act requires the CCNCO to give particular regard to ensuring that the interests of users are considered in relation to complaints. Hence, the CCNCO sought comments from a range of interested parties on the matters raised by Metra.
- Section 21(4) requires the CCNCO to give consideration to the public interest requirements in Clause 1 of the Competition Principles Agreement. These issues are particularly relevant to this complaint given the broader role of the Bureau in relation to Australia's international obligations with respect to aviation meteorological services.

2 Are the Bureau's aviation services a business activity?

As outlined in the Commonwealth Competitive Neutrality Policy Statement of June 1996, competitive neutrality applies to significant business activities, but not to non-profit, non-business activities.

Competitive neutrality is automatically applied to:

- all government business enterprises;
- other share-limited limited trading companies; and
- designated business units.

In responding to the complaint, the Bureau stated that it does not consider that its aviation services are business activities, implying that competitive neutrality should not apply. It noted that these services are not provided within its commercial services unit.

While the Bureau's aviation services are not provided by a designated business unit, the Policy Statement notes that other activities which operate in accordance with the definition of a business and have commercial receipts exceeding \$10 million a year will be assessed for significance on a case-by-case basis. It further notes that the complaints mechanism operated by the CCNCO:

... will respond to complaints that other government organisations should be required to comply with competitive neutrality arrangements, notwithstanding that activities are smaller than the 'significant' criteria set out in this statement.

In this regard, the Policy Statement contains specific criteria to determine whether an activity is to be considered a business activity for competitive neutrality purposes:

- there must be user charging for the good or service (the user may be in the public or private sector);
- there must be an actual or potential competitor (either in the private or public sector), and that users are not restricted by law or policy from choosing alternative sources of supply; and

-
- managers of the activity must have a degree of independence in relation to the production or supply of the good or service and the price at which it is provided.

The Bureau's aviation services are examined against each of these criteria below.

User charging

The CCNCO considers that the Bureau's aviation services meet this criterion. The supply of the service is negotiated with users and the cost recovery arrangements administered by Airservices Australia constitute a form of user charging.

Potential or actual competitors

The complaint by Metra demonstrates that there are other operators who would potentially like to supply services in competition with the Bureau. Based on the experience in the United States, airlines themselves may also decide to provide these services.

Of relevance, however, is whether users are restricted by law or policy from choosing another supplier. At the heart of whether competition is prevented by law is Civil Aviation Regulation (CAR) 120. This regulation states that:

Weather reports of actual or forecasted meteorological conditions must not be used by an operator or a pilot in command in the planning, conduct, and control of flights unless the meteorological observations, forecasts and reports were made with the authority of the Director of Meteorology or by a person or persons approved for the purpose by CASA.

CAR 120 does not reserve the provision of aviation meteorological services to the Bureau. On the contrary, it explicitly acknowledges the possibility of CASA approving other operators. Indeed, a legal opinion provided by the Australian Government Solicitor to the Department of Environment and Heritage and the Department of Transport and Regional Services states that in order to prevent CASA from approving other service providers, CAR 120 would need to be amended. Thus, on this matter of law, the CCNCO concludes that it is the administration of the regulation — the lack of a procedure to allow the approval of other operators — rather than the regulation itself, which prevents competitors from entering the market.

Government policy on this issue was the subject of some debate during the course of the investigation. To the extent that CAR 120 is an expression of government policy, that policy acknowledges the possibility of other operators entering the market.

However, on 23 August 2001, the Parliamentary Secretary to the Minister for the Environment and Heritage wrote to the CCNCO suggesting that ‘users are restricted by law and also policy from choosing alternative sources of supply (for the purpose of air safety) at this time’. The Parliamentary Secretary advised that it was government policy for the Bureau to be the designated meteorological authority under the relevant international convention (see section 3.2). This provides the Bureau with a particular role in relation to international aviation. The Parliamentary Secretary also stated that the charging arrangements applying to the Bureau’s aviation services are a matter of government policy.

Government policy with respect to international aviation clearly limits the services which are potentially subject to competitive neutrality. For example, any model of competition that required a change to the Bureau’s status as the meteorological authority is beyond the remit of competitive neutrality policy. Moreover, the way in which the Bureau recovers the costs of the services it provides to comply with international conventions to which Australia is a signatory is also a matter of current government policy.

However, as discussed in the following chapter, there are a range of services provided by the Bureau to the aviation industry which are neither governed, nor required, by international convention. Metra has indicated that it is in this range of value added services that it wishes to compete. Given that existing regulation provides for the approval of other operators to supply aviation meteorological services, the CCNCO considers that competition for these services is not prevented by law or policy.

The CCNCO therefore concludes that a component of the meteorological services provided to the aviation industry meets the second criterion of the business test.

Management autonomy

Notwithstanding Australia’s international obligations, the Bureau appears to have a significant degree of autonomy in how it delivers its value added services, the method it uses to allocate costs to those services and the prices it charges for them. For instance, it is able to negotiate with users as to the level of service supplied and the cost of that information. The CCNCO therefore considers that the Bureau’s aviation services comply with this criterion.

In summary

The CCNCO considers that a component of the Bureau's aviation meteorological services — specifically those which are in addition to the activities that are necessary to meet Australia's international obligations — constitute a 'business activity' for the purposes of competitive neutrality.

3 Should aviation meteorological services be contestable?

Introducing regulatory neutrality into the provision of weather services to aviation would require CASA to develop a set of administrative procedures and competency standards to allow it to approve other providers.

As noted, however, competitive neutrality is only to be applied to a business activity where the benefits exceed the costs. The following sections examine whether there are likely to be net benefits from the introduction of competition for the services at issue in the complaint.

3.1 Views of the relevant parties

The CCNCO sought comments on the impact of competition from a range of relevant parties.

The Bureau of Meteorology opposed the introduction of full competition. It stated that:

A fully competitive, commercially available aviation weather service, is not available anywhere in the world, New Zealand included. A fully competitive, commercially provided aviation weather service is generally considered as threatening safety, international agreements and as being incompatible with the efficient use of substantial infrastructure purchased and operated to enable the provision of public good meteorological services. (letter 9 July 2001)

Similarly, the Airports Association of Australia considered that:

The Bureau of Meteorology services the interests of the Australian aviation industry with distinction and, quite apart from cost and practical considerations, there [is] little purpose in pursuing any alternative arrangements whatsoever at this time. (letter 4 July 2001)

Conversely, while Qantas expressed satisfaction with the current level of service, it supported the introduction of competition:

The aviation industry is an environment of increasing competition in which both the quality, range and cost of services received must be constantly reviewed. Competition between alternative sources offers the opportunity to optimise the quality, range and

costs and as such must be to the benefit of Qantas and other carriers. (letter 5 July 2001)

Airservices Australia also supported the introduction of competition, while recognising that maintaining safety standards would be essential within any competitive regime:

Airservices Australia's view is that competition for such services would likely lead to improvements not only in efficiency, but also in the range of products and the quality of services.

Such competition would need to be underpinned by the national regulation of matters which may have a bearing on the minimum standards required for the safety of air navigation. (letter 3 July 2001)

Substantive issues raised by these responses are examined below.

3.2 What would competition entail?

Competition could be introduced to meteorological aviation services in a number of ways:

- Under competition *for* the market, operators would bid for the right to provide meteorological services for a particular region or airport. Under this model, users would not be able to choose between providers, but would benefit from lower prices generated by the competitive bidding process.
- Under competition *in* the market, different operators would compete in the normal way for customers. At larger airports, more than one supplier might be involved in providing meteorological services.

Under either model it would be necessary to determine the range of meteorological products for which there was competition:

- Under a whole-of-service model, operators would supply their own observation equipment and personnel.
- Under a value added competition model, the Bureau would continue to collect the basic data necessary to supply meteorological aviation services (including fulfilling Australia's international obligations) and competition would take place for services which added value to this data.

A number of the possible approaches to introducing competition would lie outside the scope of competitive neutrality policy. The policy does not compel governments or agencies to contract out activities. Further, any model of competition that materially affected government policy relating to the discharge of Australia's

obligations under international conventions would be beyond the scope of competitive neutrality.

The Complainant's proposed approach

Metra has advised it would consider three models of competition depending on customer needs:

- a basic value adding service which:
could entail an airline continuing to source most of its weather forecast requirements from the Bureau, with Metra contracted to add further detail and precision for specific critical destinations and/or route forecast elements'. (letter 19 July 2001)
- an expanded value adding service whereby:
Metra could become the sole source of weather information for its airline customers. Metra forecasters would write TAFs [terminal area forecasts] for the airline's destinations and provide en-route forecasts. To avoid confusion, critical warnings such as SIGMETs [significant meteorological events] and Volcanic Ash Advisories would probably continue to be sourced from the Bureau, and Metra would relay these to its customers (who would also receive them in flight from air traffic services). Under this scenario the airline(s) would contract directly with Metra to supply the defined services and would no longer pay this component of the meteorological charges that are currently collected for the Bureau by Airservices Australia (which also collects its own navigation charges etc). Charges relating to the Bureau's SIGMETs and VAAC could continue to be collected by Air Services. (letter 19 July 2001)

Under this option, all data collection and basic collation would continue to be undertaken by the Bureau, which would be funded for these services under current cost recovery arrangements.

- a competitive tendering model whereby:
... the government could make provision of certain aviation weather products — TAFs for example — contestable, and seek bids from suppliers interested in supplying the service. In this case, the government would be the customer.' (letter 19 July 2001)

The tendering model is beyond the scope of competitive neutrality policy. The following discussion, therefore, concentrates on the Metra's value added models for competition.

Basis for assessment

Underlying the Competition Principles Agreement is the view that while increased competition will usually generate benefits for the community, this will not always be so. In relation to aviation meteorological services, the Bureau and the

Parliamentary Secretary to the Minister for the Environment and Heritage have cited several reasons why the market should be reserved for the Bureau. These include:

- the nature of the good supplied;
- safety considerations; and
- Australia's international obligations.

Nature of the good supplied

Many of the basic services supplied by the Bureau exhibit what, in economic terms, are described as public goods characteristics. Two characteristics define public goods:

- They are non-rivalrous in consumption (that is the consumption of the good or service by one person does not affect its consumption by another). Many information services have this characteristic; and
- They are non-excludable, or at least exhibit low excludability, whereby once the good or service is produced, it is difficult to prevent, or exclude, users from having access to it. For instance, once a general forecast is published on the internet, those interested in weather conditions can use it at no direct cost.

Because of these characteristics, private markets are likely to under-supply public goods. As a result, governments often supply these goods, or fund their provision by others.

To provide meteorological services to aviation the Bureau supplements its core public good data collection with additional aviation-specific data collection and then presents this information in a form suitable for use by the industry.

The Bureau's comments in other fora indicate that it does not consider that value added presentation of aviation meteorological data is a public good. Analysis (co-authored by the Director of Meteorology) submitted by the Bureau to the Productivity Commission's inquiry into cost recovery by Commonwealth Government agencies, stated that:

In the case of specialised value added meteorological services, the possibility of the supplier appropriating from users a fee for service and thereby avoiding most of the free rider problems of a pure public good becomes a serious option. In many situations, the enhanced decision making benefits of value added services arise for only a small number of clearly identifiable users.

... Various examples of value added meteorological services can be given to illustrate where costs of exclusion may be small. ... Flight specific presentation of

forecasts for use by individual airlines can be restricted to the paying airline, or consortium of airlines, using a particular route — as opposed to basic aviation meteorological services which are made widely available in line with international conventions and national regulatory requirements.

Where the valued added meteorological services have the combined properties of non-rival consumption and low costs of exclusion, the appropriate economic classification is as a mixed public and private good. In particular cases of a single user, or consortium of users, consumption, in effect, is rival and a private good framework can be applied. (Freebairn and [Director of Meteorology] Zilman, 2001, pp. 6-7)

The Bureau's submission went on to draw out the implications for competition of operating within a private good framework:

... the supply of value added meteorological services could be structured to achieve a close-to level playing field for fair competition between the NMS [National Meteorological Service] and actual and potential private competitors. The public good meteorological services used as an input for producing value added services would be made available to all producers on exactly the same terms, of which zero price is one option, and the NMS sets prices for the value added services it produces to at least cover incremental production costs, as would a commercial private business competitor. (p. 18)

The CCNCO concurs with this analysis. Value added aviation meteorological services do not appear to display strong public good characteristics, and hence competitive supply of such services would not be ruled out on economic grounds. It is in this sphere that Metra has indicated it wishes to compete.

The Bureau currently provides a range of these services which are 'determined by agreement with the users as to the level of service required' (Slatyer 1997, p. 5). Indeed, the Bureau's commercial unit considers that such activities could be expanded. For example, the Slatyer report, *Capturing opportunities in the provision of meteorological services*, noted that:

At present aviation and defence services are dealt with exclusively on a cost recovery basis, however, the Bureau's SSU [the commercial unit] believes there are considerable commercial opportunities for increased revenue from services to ... general aviation, ... but it has been reluctant to pursue them in view of the formality and magnitude of the current established cost recoverable arrangements with the Bureau. (p. 5)

Safety implications

While there are commercial benefits to airlines from aviation meteorological services — such as reduced fuel consumption from being able to select the best flight path to take advantage of forecast head or tail winds (Zilman 1999) — the

prime purpose of regulation in this area is to ensure the safety of air travellers and the public generally.

Clearly, providers of aviation meteorological services must meet appropriate competency standards. In this regard, the prime purpose of the discussion paper prepared by CASA is to establish the standards that other operators would need to meet to gain CASA approval.

In its response to the CCNCO's invitation to comment on the complaint, the Bureau raised the issue of whether having potentially more than one source of weather advice would itself compromise safety:

... the issue is not so much whether each provider acting alone, would succeed in enhancing safety, it is whether competing providers, offering at times competing advice (particularly during severe weather) would diminish the existing level of safety. (Bureau of Meteorology, letter to CCNCO, 3 April 2000)

The CCNCO understands that some international operators already receive more than one source of meteorological advice — they use data from overseas suppliers, in addition to paying the Bureau's charges and accessing its services. Further, Metra suggests it would provide value adding presentation to data collected by the Bureau, while on-passing all Bureau SIGMET and other critical warnings. In this situation, the scope for forecasts to differ in a way that affected safety would appear to be low. As Metra pointed out:

The fact that this model has been operating successfully for many years in the USA, and continues to do so, despite the very heavy traffic volumes there and the much higher incidence of severe weather (snow and ice storms, tornadoes, severe thunderstorms, etc) than in Australasia, should provide ample evidence that having multiple public and private sector providers does not compromise safety. (letter 19 July 2000).

The CCNCO does not consider that there is a case for preventing competition for value adding presentation services on safety grounds.

International obligations

Australia is a signatory to the Chicago Convention. Annex 3 to the Convention provides standards and recommended practices for 'Meteorological Services for International Air Navigation'. Australia is a signatory to the World Meteorological Organisation (WMO) Convention. WMO technical regulations also cover 'Meteorological Services for International Air Navigation'.

While these conventions apply to international aviation rather than domestic aviation, they refer to the value of uniformity in the application of standards to

domestic aviation. In Australia, the memorandum of understanding between Airservices Australia, the Bureau and CASA specifies that:

Provisions contained in Annex 3 to the Chicago Convention, Meteorological Service for International Air Navigation, shall apply to Domestic as well as International Air Navigation.

Annex 3 sets out the objective of meteorological services for international air navigation as contributing to the ‘safety, regularity and efficiency of international air navigation’. To meet this objective, signatories are required to supply:

Operators, flight crew members, air traffic services units, search and rescue services, airport managements and others concerned with the conduct or development of international air navigation with the meteorological information necessary for the performance of their respective functions.

The Annex spells out, among other things, the requirements for forecasts for flights and aerodromes and forecasts of local meteorological conditions. In addition, it specifies that:

Each contracting state shall designate the authority, hereinafter referred to as the meteorological authority, to provide or arrange for the provision of meteorological services for international air navigation on its behalf.

As noted in the Parliamentary Secretary’s letter to the CCNCO, the designated meteorological authority in Australia is the Bureau. By contrast, the Complainant advised that in New Zealand the designated authority is the Civil Aviation Authority which has in turn contracted Metra to provide services. In addition, it advised that, in both the United Kingdom and the United States, the designated authority is not the national meteorological service.

Consistent with the wording of Annex 3, and as overseas experience demonstrates, the meteorological authority can provide meteorological services to international aviation itself, or it can ‘arrange for the provision’ of some or all of them by others. The CCNCO’s understanding, therefore, is that Australia’s international obligations under the Chicago Convention do not by themselves prevent approval of multiple service providers. The Convention prescribes what information a country must provide, but not necessarily how it is provided. As such, a range of competitive models would appear to be compatible with the Convention.

Were Australia to adopt a model of competition involving multiple providers of information required under Annex 3, the status of the Bureau as the meteorological authority under the Convention would mean that it would need to continue to have a special supervisory role. But as the Bureau pointed out, no country has chosen to adopt such a model. This would undoubtedly constitute a change in government policy, and is therefore beyond the scope of this investigation.

However, such changes are not at issue in this complaint, which relates to value adding services rather than provision of core information services. Significantly, it appears that international arrangements do not prevent competition for such services. As Metra pointed out:

There is also a significant commercial weather services industry in the USA Private companies, such as Weather Services International, provide weather services to a range of customers, including many in the aviation industry. Some customers — United Airlines, American Airlines, Federal Express and a number of others — have determined that weather forecasting is of such commercial and operational importance as to warrant having their own meteorology departments to provide en-route and aerodrome forecasts for some or all of their destinations. (letter, 19 July 2001)

Like the arrangements in the United States, the models of competition outlined by Metra would not overlap with the Bureau's current responsibilities and provision of services in relation to international aviation. In this regard, the Complainant has confirmed that:

[It] has assumed that the Bureau would continue to provide all of the *products* required under Annex 3. However, *services* such as briefings for Metra customers would be provided by Metra. (Email 19 July 2001)

In sum, the CCNCO does not consider Australia's responsibilities under the Chicago Convention act to limit competition in the provision of meteorological services which are beyond the requirements of international conventions.

3.3 Implications for the Bureau's supply of meteorological services to aviation

At present, Airservices Australia collects charges on the Bureau's behalf for aviation meteorological services. The total cost of producing these services is recovered from some 3000 industry users. Individual charges are calculated on the basis of aircraft weight and distance flown. The Bureau suggests that this a generally accepted international arrangement and an efficient form of price discrimination.

Under the models of competition suggested by Metra, the Bureau would continue to play a fundamental data collection and forecasting role. Given this role, there would be no need to change this basic structure of charges. As confirmed by the Parliamentary Secretary '... airlines will still be obliged to contribute to the costs of the services provided by the Bureau'.

However, at present, these charges cover, both 'basic aviation meteorological services consistent with international obligations and national regulatory

requirements’ and value added services — ‘flight specific presentation of forecasts for use by individual airlines, or consortium of airlines using particular routes’.

To allow competition to take place, the costs of resources currently devoted to value added services would need to be removed from the basic charge. All aviation users would continue to pay the basic charge under the present cost recovery arrangements, and those that wanted value added services could purchase them from either the Bureau or other operators.

Such arrangements would entail some degree of restructuring within the Bureau to ensure that value added services were provided on a competitively neutral basis. In the CCNCO’s experience, the costs of applying competitive neutrality principles are generally not high and build naturally on agencies’ existing costing systems. In this regard, it notes that the Bureau has an established commercial unit and the financial infrastructure to support it.

Application of the principles would, however, involve adjustments to the contestable service’s cost base to account for costs faced by equivalent private suppliers. These include taxes such as the Good and Services Tax and Payroll Tax, and a rate of return on any assets used specifically to provide value added services. These adjustments could have the initial effect of increasing some prices compared to those that users are implicitly paying through cost recovery charges for the value adding component. (However, such increases might be offset by cost reductions generated by competitive pressure.)

3.4 Conclusion and recommendation

Based on its examination of the issues, the CCNCO does not consider that there is a case for restricting competition in the provision of value added meteorological services to the aviation industry. Although the benefits of such competition are difficult to measure, there would be a choice of providers for aviators, an expanded product range and the potential for efficiencies in service provision. Indeed, the Bureau’s commercial unit acknowledged that present arrangements have reduced the scope to provide commercial services to aviators. Given that the costs of introducing such competition would appear to be low, the overall impact on efficiency would almost certainly be positive.

However, the Parliamentary Secretary to the Minister for the Environment and Heritage has indicated to the CCNCO that other models of competition — particularly opening some of the Bureau’s services to competitive tender — are under active consideration. In this investigation the CCNCO has not assessed whether competition in the provision of value added services would offer a greater

or lesser level of net benefits to the community than the alternative models of competition under consideration. With this in mind, the CCNCO makes the following recommendation.

RECOMMENDATION

The Government should complete its consideration of the options for introducing competition in the provision of meteorological services to aviation as soon as possible. If no other model is likely to deliver greater net benefits to the community than competitive provision of value added services, this approach should be implemented forthwith.

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