



OVERNIGHT AIRFREIGHT OPERATORS ASSOCIATION

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Economic Regulation of Airport Services
Productivity Commission
GPO Box 1428
Canberra City
ATC 2601

Economic Regulation of Airport Services submission.

The Overnight Airfreight Operators Association represents operators of the Express Airfreight Industry across Australia. The Express Airfreight Industry plays a vital role in the Australian economy with guaranteed next day delivery of essential supplies and urgent medical needs to Industry, Agriculture, Commerce and the Medical fraternity around Australia.

There is widespread concern within the aviation industry regarding the blatant use by some of the privatized airports of their monopolistic powers when setting fees and charges.

Prior to the privatisation of the Federal Airports around Australia, Association members were repeatedly informed by Federal Politicians and their Advisers that the privatising of the Federal Airports would bring more economical efficiency to the management of the airports and this would result in significant reductions in airport operational costs.

Experience show that this was a total misnomer as the privatised airport companies have used and abused their monopolistic position to escalate airport fees and charges.

The Government's soft approach to the oversight of airport services pricing at the major privatised airports has been a total failure. Price increases for airport services have increased dramatically and new charges have been continually introduced with very limited consultation or negotiations.

For example, on 1 March 2010 Sydney Airport Corporation Limited (SACL) proposed an increase in General Aviation apron parking charges from \$60 per day to \$35.00 per 15 minutes which equates to \$3,360 per day.

The reasoning given by SACL for this increase was to recover the costs in the provision of additional apron lighting towers in the GA Aircraft apron parking area. After broad industry rejection of this proposal, a price of \$100 per day for aircraft below 20,000 kgs. MTOW, \$150 per day for aircraft 20,001 to 40,000 kgs. MTOW and \$240 per day for aircraft above 40,001 kgs. was negotiated and agreed to and made effective from 1 July 2010.

In a blatant abuse of their monopolistic power SACL again advised in August 2010 that they proposed to again increase the charges for aircraft using the AG apron parking area by an additional \$43 per day or part thereof to be effective from the 1st January 2011. The reasoning again given for this increase was to recover some of the cost of \$1.58 million including capitalized interest over 15 years for improved lighting in the GA area.

The proposed new charges were \$143 per day for aircraft up to 20,000 kgs. MTOW, \$193 per day for aircraft 20,001 to 40,000 kgs. MTOW, and \$283 per day for aircraft above 40,001 kgs. MTOW.

This proposed cost recovery increase was also to be imposed on a narrow base of operators and unfairly excluded the major operator, the RFDS, who also uses the GA apron parking area.

This additional proposed increase in the GA Apron parking charge was again rejected by the aviation industry and with the announcement of the Productivity Commission Review it would appear SACL has deferred this proposed increase until after the Productivity Commission Review has taken place.

SACL does not use a consistent policy or methodology when they set fees and charges. They will use their monopolistic pricing policy to introduce whatever fees and charges that suits their purpose. They will apply cost recovery of user pays for some projects and increase the fees and charges for other project to all operators even if these projects were of not benefit or will never be used by the majority of operators.

An example of this is the Runway and Taxiway works carried out by SACL to handle the A380 aircraft. Every aircraft that operates through Sydney Airport is paying increased charges to operate on the movement area at Sydney to recover this cost, while the improved facilities only benefits a relative few operators who operate A380 aircraft.

In most cases at privatised airports price increases and new charges have been introduced as a fait accompli, with medium to small sized aircraft operators not having the power to counteract the monopolistic power of the Airport Management companies. Due to contractual obligations with Major freight forwarding companies, these aircraft operators have no alternative but to accept the new and increased charges with limited ability to pass on these increased charges.

The Association Members strongly believe that the continuation of the light-handed pricing regime adopted by the Federal government since the last Productivity Commission Review has not been successful and the majority of the privatised airports have used their monopolistic power to increase their airport service fees and charges.

All Major Capital City airports as well as Capital City Secondary and Regional Airports should be subjected to a more rigorous Price Monitoring and Price Justification regime.

The Association believes that this is the only way that a fairer pricing mechanism for services provided can be achieved across all the privatised airports.

Yours sincerely,

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