

The Hon Patrick Conlon MP
Member for Elder



**Government
of South Australia**

11MTR/2748

Ms Wendy Craik
Presiding Commissioner
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

**Minister for Transport
Minister for Infrastructure**
12th Floor, Roma Mitchell House
136 North Terrace
Adelaide SA 5000
GPO Box 2969
Adelaide SA 5001
DX 154
Tel 08 8226 1210
Fax 08 8226 0844

Dear Ms Craik

I refer to the Productivity Commission Issues Paper, Economic Regulation of Airport Services and your request for submissions on this matter.

The South Australian Government has a good working relationship with Adelaide Airport Ltd (AAL) and AAL has ready access to and regularly consults with all levels of government.

The Department for Transport, Energy and Infrastructure has advised that AAL has requested a self-administered regime for the Adelaide Airport consistent with other second tier major city airports and we do not object to this proposal.

Should it be decided that Adelaide Airport remain grouped with other currently monitored airports, we note and support the proposal by the Australian Competition Consumer Commission (ACCC), whereby AAL (and all parties) could receive the benefits of a deemed declaration of aeronautical services under Part IIIA of the *Competition and Consumer Act 2010*.

Please find further comments on the Issues Paper in the Attachment.

Thank you for the opportunity to provide input to your inquiry. I look forward to your draft report on which the Government will comment further as necessary.

Yours sincerely

**HON PATRICK CONLON MP
MINISTER FOR TRANSPORT**

8 May 2011

Encl.

ATTACHMENT

Since the removal of the caps and the construction of the new terminal completed in 2006, Adelaide Airport Ltd's (AAL's) aeronautical prices have generally increased only in relation to the Consumer Price Index. The Passenger Facilitation Charge (PFC) introduced in 2006 to recover the capital and operating costs of the new terminal, is reset every five years according to a formula negotiated with the major airline users.

The first reset date was 17 February 2011, when the PFC was reduced by 26.4% for international airlines, 25.6% for interstate operators and 24.1% for regional operators. This comprises a significant portion of AAL's total effective airport operator charges collected from airlines and resulted in typical turnaround charges for international flights dropping 10%, interstate 13.5% and regional 6.5%.

The other major component of the aeronautical charges is the landing fee, which is scheduled to be renegotiated for implementation on 1 July 2012. Security charges are set annually in order to recover costs.

The government remains concerned however that the airlines' costs of operating to Adelaide Airport, comprised of a combination of AAL operator charges and Airservices Australia's terminal navigation and rescue and fire fighting charges, remain high in relation to the gateway airports with which we must compete for air services. This would appear to be as a result of the change from the previous network charging practices of the Federal Airport Corporation and Airservices Australia to the recovery of location specific costs.

The Airservices Australia charges heavily disadvantage relatively low volume airports like Adelaide and are more than double the average of the other airports. This results in the total Adelaide Airport costs to the international operator being 18.5% higher than the average of the other airports. This represents a real disincentive to international carriers considering Adelaide services. We understand that Airservices Australia's prices are not the subject of this inquiry. The net effect however of all prices on airlines' costs of operating to Adelaide underlies the government's concern given that portion of these costs are not specifically related to matters within AAL's control.

The following table compares the charges at the various gateways calculated for a representative international flight turnaround:

Airport Charges for A333 Aircraft on a Representative International Flight Turnaround							
Charges Source	Adelaide	Brisbane	Melbourne	Perth	Sydney	Average	Adelaide Deviation
Airport Operator							
landing charges	\$ -	\$ -	\$ -	\$ 2,072.21	\$ -		
passenger charges	\$ 9,389.61	\$ 12,124.61	\$ 7,296.57	\$ 3,997.61	\$ 13,469.10		
baggage system charge	\$ -	\$ -	\$ -	\$ -	\$ -		
security charges	\$ 1,484.99	\$ 1,955.93	\$ 1,165.22	\$ 1,611.93	\$ -		
Subtotal	\$ 10,874.60	\$ 14,080.54	\$ 8,461.79	\$ 7,681.75	\$ 13,469.10	\$ 10,913.56	-0.4%
AirServices Australia							
ARFF charges	\$ 2,124.96	\$ 862.10	\$ 705.99	\$ 1,183.64	\$ 570.85		
Terminal Navigation Charges	\$ 2,663.19	\$ 1,358.39	\$ 1,178.98	\$ 2,010.79	\$ 1,297.81		
Subtotal	\$ 4,788.15	\$ 2,220.49	\$ 1,884.97	\$ 3,194.43	\$ 1,868.66	\$ 2,791.34	71.5%
TOTAL CHARGES	\$ 15,662.75	\$ 16,301.03	\$ 10,346.76	\$ 10,876.18	\$ 15,337.76	\$ 13,704.90	14.3%

Source:

Airservices Australia charges are those applicable on 1 January 2011
Airport charges: As published by each airport as at 17 February 2011

Assumptions and notes

Government departure tax not included

Maximum aircraft take off weight

Seats

Load factor

233

285

85.00%

The Australian Competition and Consumer Commission's (ACCC's) 2009/10 Airport Monitoring Report identifies that AAL's car parking charges are low in relation to other airports. The report notes capacity shortages, but those are expected to be addressed by the construction of a multi-level parking station adjacent to the terminal building.

The government also questions the value of continuing the monitoring of the quality of airport services in conjunction with pricing and financial performance. It may provide useful early identification of any changes in the quality of services, but we suggest the comparisons with the service levels of the other monitored airports are less useful.

The Commission has also asked for comment about the quality of public transport to airports, the coordination of its planning and effects on it of airport developments. The government provides regular direct daily metro *JetBus* services at fifteen minute intervals during peak times between 4:30am and 11:35pm. The service connects the airport terminals and Harbour Town retail centre with the City, the O-Bahn route to the north eastern suburbs, Glenelg and West Lakes.

Airport passengers pay normal Adelaide Metro bus fares and while baggage space is limited, the services are well patronised by both airline passengers and airport employees. Any developments and changes to the road structure within the Airport should take into consideration their potential impacts on demand for public transport services as well as the ability for buses to travel in and out of and within the precinct.

Other public transport options include Adelaide Airport Flyer services, which provide door-to-door services to and from the outer suburbs by reservation, the Skylink Airport Shuttle to and from city hotels and taxis.

AAL has earmarked an area in its Master Plan for a future light rail link to the City. The government has no plans to introduce a light rail services to Adelaide Airport as part of its 10 year public transport investment plan announced in 2008.

The Commission has asked whether planning and development regulations are working effectively or whether 'inappropriate' economic developments at airports impinge on effective airport transport linkages. AAL has acknowledged the government's position on a number of land uses considered incompatible with state planning strategies and altered its Master Plan accordingly. Generally, the government has supported developments AAL has undertaken in accordance with its Master Plan for Adelaide Airport.

Nevertheless, the government remains concerned that the Master Plan empowers AAL to be the self-assessor of merit uses not specified in its Master Plan as either complying or non-complying. In the past this has removed the government's ability to require the developer to fund the upgrading of an adjacent off-airport road intersection made necessary by the proposed development.

The government has suggested to AAL that all future intersection/access works required to serve on-airport developments should be agreed and documented directly with AAL rather than its developers. This requirement should also be made a condition of approval when assessment of the proposed development is carried out by the Commonwealth Minister.

The completion of the Adelaide Airport Access Study (2007), funded jointly by AAL and the government, provides the current basis for the consideration of access to the Airport, and would also form the basis of further reviews in association with updates of the Master Plan.

The government expects AAL to either fund the traffic investigations required to enable the government to adjust its five year traffic forecasts or, in some cases, undertake them cooperatively with the government. Similarly, the government expects the cost of road infrastructure improvements required to support non-aeronautical commercial development on airport land to be borne by AAL or its developer rather than the general community. In this regard, the government recognises that AAL has already funded traffic light controlled access and left in/left out accesses at both Adelaide and Parafield Airports.