

Thank you for the opportunity to provide comment on the Economic Regulation of Airport Services — Productivity Commission Draft Report.

When the initial issues paper was released in January 2011 for comment, it appeared to be mainly targeted on the larger airports that operate as an entity. It didn't appear to have any focus on the regional and rural airports, apart from one section on Market Power that commented "do the airlines have countervailing power in dealing with the airports, especially smaller airports". Given that Newcastle Airport Ltd was the only Council owned airport to lodge a submission, it seemed to emphasise that the Council owned airports considered the paper irrelevant to their situation.

It was pleasing to note that in the Draft Report there was a section on the "Conduct of rural and regional airports" (13.1) which recognised the importance of these airports to the regions serviced, and the pressure that Councils are under to provide a facility for the community under prices set through the perceived market power of the participants.

Parkes Shire Council certainly understands through experience the need to provide a vital air service to Sydney for the Shire and wider region. This need has resulted in substantial financial pressure being placed on Council's other resources to maintain the airport for existing use, and develop the airport for future growth.

Council had recently borrowed \$2 million to undertake a minor upgrade on the main runway from a Pavement Concession Number (PCN) of 6 to a PCN 8, which allows our existing RPT operator to use the airport without a continuous pavement concession. The income received through airport charges is insufficient to meet the servicing of the loan, let alone the ongoing maintenance of the facility.

Many airports across Australia no doubt share the same problem with aging airport infrastructure and extremely limited access to additional funding. The comment is made in the Draft Report on the available funding through various Australian Government programs. In Parkes Regional Airport's case, we are not eligible for the available grant programs, and have been unsuccessful in applications through other grant programs for necessary major upgrades. The untied funding referred to (Financial Assistance Grants) are an essential income stream for Council's other administrative obligations and supporting the declining assets in other areas of operations in the Shire.

When the Australian Local Ownership Plan was discontinued, some funding was made available for minor works. There has been almost 20 years of continued airport infrastructure deterioration since that time with limited additional funding available to meet that decline.

On the finalisation of the ALOP, airports were encouraged to apply landing charges to make up the lost funding, which was to be offset for users by a reduction in fuel levies. Since that time Councils have had continuing battles trying to retrieve charges with limited legislative power, and the continued user analogy that "you don't charge to use roads or parks", which of course they do through other fuels taxes to State and Australian Government and Council rates.

It is acknowledged that a return to the Government subsidy of airport operations is unlikely.

Consequently, in relation to market power, Councils as the owner and operator of smaller airports reliant on an RPT service for the community, must take a sensitive approach into any negotiations with operators with the possible loss of the service unacceptable.

Given the current circumstances, Parkes Shire Council would welcome some form of pricing principles for regional airports. To minimise current losses, or to break even, would be a substantial benefit to many smaller airport owners across Australia.

The mechanism for applying such principles would obviously centre around business cases put forward for the airport charging regime proposed. However, the requirements would need to be tailored to the capacity and resources of the airport owner.

I trust this information is of some assistance in the review.

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