

**Submission**

**By**

**Qantas Airways Limited**

**To the**

**Productivity Commission Inquiry**

**Into**

**Government Charges and Cost Recovery**

**November 2000**

## **Cost Recovery – The Principle**

Qantas is a major player in an industry that depends on Government for a wide range of services. These activities range from the provision of air traffic control to regulatory oversight and require large amounts of ongoing funding plus substantial investment in infrastructure.

As well as benefiting the airline and its passengers, this expenditure generates benefits for the wider Australian community, and in some cases involves a community service obligation.

Qantas is of the view that the principles which should guide the application of a cost recovery approach to government charging are:

- that the specific beneficiaries of a service are capable of being clearly identified;
- that, where appropriate, benefits to the broader public be identified and factored into the calculation of recoverable costs;
- that there must be full transparency in relation to the accounting principles and charging methods which underlie each element of cost recovery;
- that arrangements need to be such that users can be confident they have paid an appropriate share of costs, with no element of cross subsidy; and
- that the service provided should represent an efficient supply of that service or facility.

## **Issues for Qantas**

Qantas has identified several areas where a better focus on these principles is warranted. Changes in the structure of payments in these areas would provide greater equity for Qantas, through proper transparency in regard to exactly what services are provided, and to whom, by the various charging authorities.

In this submission, we address the following charges, which are ranked in descending order of cost. The approximate actual annual outlays by Qantas are shown beside each item:

- payments to Airservices Australia - \$202 million;
- funding of the Civil Aviation Safety Authority (CASA) through a fuel levy - \$23 million;

- aspects of the Passenger Movement Charge (PMC) levied on departing passengers but collected by airlines - \$10 million;
- levy on airlines for Bureau of Meteorology aviation meteorology forecasts - \$4 million;
- Department of Defence/civil airport cross charging - \$0.7 million.

We have also identified for consideration the proposed increase in aeronautical charges by Sydney Airport Corporation Ltd (SACL) given the issues which surround this matter and their relationship to the issues under inquiry.

### **Payments to Airservices Australia (AsA)**

AsA is the Government-owned commercial authority responsible for the management of air traffic control over the airspace under Australian jurisdiction. This comprises some 11 per cent of the world's surface.

AsA's principal functions are:

- air traffic control and airspace management;
- provision of aeronautical information;
- communications;
- radio navigation aids;
- search and rescue alerting; and
- airport rescue and fire fighting services.

Payments to AsA are the "big ticket" item in respect of Qantas' government services costs, totalling \$201.7 million per annum in 1999/2000.

Generally, whilst AsA charges are expensive compared to other ATC service providers, Qantas is satisfied with the fee for service basis of these payments. However, there are elements of AsA's services which, in our view, do not adhere to equitable user pays principles.

### **Regional and General Aviation Airport (GAAP) Control Towers**

The primary area of concern for Qantas under this item is on-going cross subsidisation to support infrastructure at smaller airports.

Location-specific pricing for AsA's airport rescue and fire fighting (ARFF) services was introduced in July 1997 and for terminal navigation (TN) services in 1998. Location-specific pricing was intended to allow a charging mechanism to be developed which directly correlates the cost of providing TN and ARFF services at a particular location and the level of charges for those services at those locations.

In practice, however, although it removed some inequities associated with the previous charging regime, cross-subsidisation of under-performing GAAP and regional control towers by larger airports continues.

To date, AsA has not provided sufficiently transparent data to the aviation industry to enable the full extent of this cross subsidisation to be quantified.

In recognition of the revenue shortfall for GAAP, the Government has provided a subsidy, to permit continuation of price capping at high cost GAAP locations. The subsidy is funded by aviation operators via a 0.51 cents per litre surcharge in aviation fuel duty, which commenced from Budget night 1999 as a two-year initiative.

The value of the subsidy was to total \$18 million, with \$11 million raised in 1999 and \$7 million this year. Whether the aviation duty surcharge will raise the specified \$18 million, or a greater amount, is unknown.

#### Impact on Qantas

The larger, more profitable tower locations (that incorporate Terminal Navigation and/or Rescue Fire Fighting services) are subsidising the non-profitable, predominantly regional, towers via an inequitable pricing structure. The prices collected for use of larger facilities, Qantas' primary area of use, are artificially inflated to compensate for losses at smaller towers.

The fuel surcharge "subsidy", designed to cover the shortfall in cost recovery from GAAP/regional towers, is paid by the aviation operators rather than the Government. It is estimated that Qantas will pay \$4 million of this year's \$7million subsidy, which is 57% of the total to be raised. Thus, not only is Qantas supporting GAAP/regional towers through inflated pricing at larger airports, it also suffers through its substantial funding of the subsidy.

AsA has failed to provide transparent information that would display the extent and real cost of cross subsidisation. Ideally, such information would include a Profit and Loss statement for each tower, separated into the applicable service lines of Terminal Navigation and Rescue Fire Fighting, and traffic forecasts for each airport.

In a purely commercial environment, it is likely that any airfield that sustained losses year after year would either close or be available for use only at higher landing fees. Qantas acknowledges the commitment of the Government to the broader community in terms of its aviation needs, but the funding of one segment of the aviation industry by another on the basis of 'ability to pay' is unreasonable and discriminatory when viewed against equitable 'user pays' principles.

Qantas believes that the true costs involved in the operation of non-viable towers or other marginal AsA services should be funded by the actual users of the service concerned or by the Government if these users are unable to meet the costs involved. Because of the broader benefits involved, Qantas also believes that this is a situation in which the Government could reasonably be expected to contribute to costs as a community service obligation.

## **Civil Aviation Safety Authority of Australia (CASA) Funding**

### CASA Background

The organisation responsible for setting and maintaining aviation safety standards in Australia is the Civil Aviation Safety Authority (CASA). The underlying philosophy of all CASA activity is that aviation must be operated in a manner that is safe to the operators of aviation, to their customers (the direct users) and to the Australian community as a whole (the indirect users).

CASA describes its role as being to deliver aviation safety to the Australian public by:

- setting aviation standards and rules;
- licensing pilots and aviation engineers;
- certifying aircraft and operators;
- carrying out safety surveillance;
- enforcing safety standards and rules;
- providing regulatory oversight of the national airways system, air traffic services and rescue and fire fighting services; and
- actively assisting the aviation industry to maintain high safety levels through education, training advice and consultation.

### Charges for CASA

CASA is funded partly by direct government appropriation, partly by receipts from customers, but primarily through the aviation turbine (Avtur) fuel levy of 2.843 cents per litre of domestic fuel uplift. Part of this amount (0.51 cents per litre) goes towards the funding of GAAP/regional towers, as outlined above.

The following table shows the degree of CASA budgetary dependence on the fuel levy, and the proportion paid by Qantas:

CASA Operating Budget	\$98.4 million
Total Operating Expenses	\$83.8 million
Total Revenue from Fuel Excise	\$57 million
Revenue from Avtur	\$54.7 million (96% of total fuel excise revenue)
Revenue from Avgas	\$2.2 million (4% of total fuel excise revenue)
Qantas' payment of Avtur	\$23 million (40% of fuel excise revenue)

Source: CASA Annual Report 1999/2000

### Disproportionate Burden on Large Airlines

The current method of funding CASA's surveillance activities does not allocate costs fairly across the entire industry, in a manner that reflects the particular need or demand in each sector. In the view of Qantas, an unfairly large share is borne by the major operators.

Opportunities even arise for some operators to benefit from CASA's regulatory services without paying for that service. For example, Australian companies with an Australian Air Operating Certificate (AOC), which predominantly or exclusively conduct their business overseas, receive the benefit of the regulatory oversight provided by CASA virtually free of charge by purchasing their fuel overseas and avoiding the levy.

It is totally disproportionate that the yearly contribution via the levy on Avgas, used primarily by the General Aviation sector, was, in 1999/2000, only \$2.2 million, versus the \$54.7 million paid by the larger regular public transport (RPT) operators through the Avtur levy. The broad scope of CASA oversight is effectively driven by the need to cover the large number of small aircraft operators in Australia.

#### Requirement for a more equitable Charging Mechanism

Qantas would like to see a shift in the cost recovery mechanisms designed to meet CASA's needs to more accurately reflect the distribution of its services.

Over the past few years, in line with the requirements of a changing safety environment, Qantas has experienced a gradual lessening of "hands on" regulatory oversight and service from CASA.

The cost of CASA's oversight of Qantas is actually lower than the industry average for good reasons. These include:

- large numbers of relatively few aircraft types, with identical specifications create economies of scale;
- Qantas' in-house safety training, engineering quality assurance and auditing procedures ensure that reduced surveillance is required;
- Qantas training provides direct support to CASA's own flight operations. CASA inspectors in many cases were trained by Qantas;
- Qantas' in-house expertise, maintained to the highest international best practice benchmarks, is available to CASA. Qantas' extensive safety surveillance and maintenance activities include air and ground safety procedures and provision of equipment, training, quality surveillance and accident prevention procedures.

For some time Qantas has argued that it is being overcharged currently for CASA's services. Internal studies by Qantas' Flight Operations Division indicate that should Qantas be billed on a strict 'fee for service' basis, it would expect to pay no more than \$5 - \$6m annually for actual CASA oversight, significantly less than the \$23m paid through the Avtur levy.

A 'fee for service' charging mechanism could be introduced, based on the existing CASA Schedule of Charges and expanded to provide for services covered indirectly via the fuel levy. CASA should itemise all services provided and attach a cost for each service on a time and materials basis.

#### A Fairer Distribution

It is reasonable that a decrease in direct surveillance should be accompanied by a reduction in financial support of CASA.

We submit that an effective, sustainable system for funding CASA's services should embody the following characteristics:

- CASA should be a non-profit operation. CASA's operating budget for 2000/2001 provides for a surplus of \$3.2m. Of the surplus, \$1.2m is paid out as a dividend to the Government. We question why CASA should budget for a surplus when the Government, in its 1999/2000 budget, announced an increase in Avtur and Avgas levies to meet CASA's budget shortfall.
- CASA should be required to maximise its efficiency and adopt commercially prudent accounting and financial principles. It should be simple and cost efficient in administration, including billing and collection.
- Industry sectors or individuals within a sector should meet their appropriate share of CASA's costs, through an equitable fee for service, tied to 'user pays' principles. If the Government believes that one sector of the industry need not pay its 'fair share', it should be the Government that subsidises that share or an alternative, more equitable means of revenue collection should be devised.

At the same time, budgetary pressure should be brought to bear on CASA to reduce its costs, where this can be done without adverse affects on aviation safety. Transparency in the provision of financial information would be the first step in achieving this objective.

#### A Funding Alternative

The requirement for comprehensive CASA oversight is driven by the Australian Government's intention to provide the safest possible aviation environment. Qantas fully supports this policy.

The ultimate beneficiaries of stringent Government safety regulation are not airlines or aircraft operators but rather the travelling public and the wider community.

We believe it is reasonable to therefore suggest that the public, or at least those travelling by commercial airline, should contribute in a transparent way to CASA's revenue requirements in excess of 'fee for service' revenue collection. One charging medium which has been suggested is a passenger "safety levy" on tickets, which if introduced, would exist for the sole purpose of maintaining safety in the skies, and be labelled accordingly.

A "safety levy" on passengers flown on domestic carriers over domestic sectors would provide an equitable charging regime in that it would:

- remove cross subsidy;
- could be strictly hypothecated;



- link costs directly to charges and promote efficiency by the regulator;
- be administratively simple and cost effective – airlines have experience in collecting taxes and charges on behalf of the Government;
- be transparent – the tax could be identified on the ticket as a Government safety levy.

## **Passenger Movement Charge (PMC)**

### Background

The PMC is a fee under the Commonwealth's taxing powers (PMC Act), levied on passengers but collected on behalf of the Commonwealth by airlines under individual agreements between the Australian Customs Service (ACS) and the airline.

Although the PMC is not directly a charge on the airline, Qantas believes it comes within the ambit of this inquiry because of the role Qantas plays as a collection agency and the cost recovery issues this raises.

For the reasons canvassed below, Qantas estimates that costs of almost \$10 million per year incurred by Qantas result from deficiencies in the way the PMC is structured and administered.

### Cost Recovery Rationale

Qantas has a good working relationship with the ACS, which is the Department with overall responsibility for the PMC.

However, there is confusion and an apparent lack of transparency about the cost recovery elements of the PMC.

According to the Treasurer's 1994 Budget Speech and the second reading speech for the PMC legislation, it was introduced to recover or "fully offset" the costs of Customs, Immigration and Quarantine (CIQ) processing of incoming and outgoing passengers and to recover the costs of issuing short-term visitor visas. The PMC replaced the Departure Tax, a general revenue item not linked to costs associated with these services.

The Departure Tax was collected from passengers by an agency (Australia Post) acting on behalf of the Commonwealth. Correspondence from the Department of Finance indicates that a primary motive for moving from the Departure Tax to the PMC was that it would cost the Commonwealth less in administration and collection.

## Change of Status

In the Auditor General's Audit Report No1, 1996-1997, the Australian National Audit Office (ANAO) commented that "despite its character legally as a tax, some descriptions of PMC to the public suggested the impost was a charge intended (simply) to recover CIQ and short term visa issuing costs<sup>1</sup>".

In Report No1, the ANAO recommended<sup>2</sup> that ACS, DIMA and AQIS collectively monitor the costs of their relevant activities to provide assurance that these costs were fully offset, consistent with the PMC policy objective. ANAO noted at that time that the public rationale and policy objective of the PMC was clearly that of cost recovery.

When ANAO conducted the follow-up audit, (Report No 12), following the 1998/99 Budget decision to increase the PMC from \$27 to \$30 per passenger, it noted that a policy shift had taken place.

In its report, ANAO commented that the PMC "is now applied partly as a general revenue raising source, and is no longer solely linked to cost recovery of Customs, Immigration and Quarantine service<sup>3</sup>".

## Continued "Cost Recovery" Rationale

This was heightened by the comment from the Treasurer when the increase from \$27 to \$30 was announced<sup>4</sup> when he said the increase was necessary to cover the additional costs the agencies would incur because the Olympic Games would be held in Sydney in September 2000.

Qantas would be concerned if the policy shift that now causes the PMC to be identified at least in part as a revenue raising measure was to disguise the fact that the PMC over-collects from passengers in respect of the cost of the services it was designed to cover.

Two specific issues come to mind in this context

- payment for short-term entry visas
- payment of rental on CIQ space to airport owners.

## Short term entry visas

The PMC was originally expected to recover the costs of visa issue.

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<sup>1</sup> Auditor General's Audit Report No1 1996-97 paragraph 2.6 pp7

<sup>2</sup> Ibid Recommendation No1, pp xv

<sup>3</sup> Auditor General's Audit Report No 12 2000-2001, Finding 18, pp13

<sup>4</sup> House of Representatives Hansard 12 May 1998, pp 3032

However, a separate \$70 charge is now in place for those countries where manual processing of visa applications is still required. In countries now covered by the electronic visa (ETA), which caters for some 85% of all visitors to Australia, the cost to the Commonwealth of visa issuing has reduced. The ETA facility was established after the PMC was introduced, and following the expenditure required for its set-up, it now operates at minimal cost to the Government.

If the PMC retains any of its original cost recovery rationale, transparency is required to avoid any suggestion that the Government could be double dipping in respect of visa charges.

#### Rental on CIQ Space at Airports

Included in the original PMC was an element to allow for the payment of rental on CIQ space to airport owners. The airlines expected that this cost offset to airport owners would have a flow-on, resulting in lower aeronautical charges.

To our knowledge, the rental element has not been passed to airport operators, and has been absorbed into general revenue. In response to representations at the time of the first tranche of airport sales, it was acknowledged that the issue would be dealt with post sale, however, this has not occurred.

In our estimate, the failure to implement this feature of PMC costs Qantas over \$2 Million annually.

#### Collection by Airlines

Since the inception of the PMC, airlines have acted as collection agents for the Commonwealth under agreements entered into with the ACS. Under these arrangements, airlines are required to make good any revenue shortfall.

The ANAO audit (Report No 1) concluded that the PMC over-collected \$19M from passengers<sup>5</sup>. However, because international airlines collected less than the aggregate estimated as correct (based on total passenger departures on international flights and to the limit of the agreed tolerance) under the agreed arrangements, they were required to make up the shortfall.

Qantas is paying the Commonwealth around \$7 million per year in excess of the amount reflected on tickets and considers this process should be reassessed.

#### Impact on Qantas

It is probably unreasonable to expect that the PMC will at all times be correctly reflected on passenger tickets.

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<sup>5</sup> Op cit Conclusion 10, page xii

Airlines providing the actual carriage are very often not the ticketing issuing agent. On average 80% of any airlines tickets are issued by travel agents not under the control of the airline. Many other tickets covering sectors for travel from Australia will have been issued in foreign countries by other airlines, with Qantas sectors involved only on an “interline” basis. Generally, the first and only time Qantas has contact with such a passenger is at airport check-in.

With increases in codeshare practices, the further development of alliances and technological enhancements (e-tickets etc), even this brief contact is decreasing. The requirement for speedy passenger throughput at check-in militates against close scrutiny of each ticket to determine whether all taxes are correctly noted.

Such is the plethora of taxes and charges airlines are required to collect on behalf of authorities around the globe it is sometimes difficult, even with close and detailed scrutiny, to determine the full tax and charges list.

The Commonwealth recognised this when the arrangement with airlines to act as collectors of the PMC was first entered into, and a 5% tolerance on total collection estimates was granted. This dispensation has now been reduced to 3% for most international airlines and is to be removed entirely on the advice of the ANOA following their recent audit Report No12 <sup>6</sup>.

With this reassessment, the amount paid by Qantas for under recovery is set to increase. We noted that in the House of Representatives on 27 November, in response to question on notice number 1996, the Government advised airport revenues from the PMC had grown from \$198.6 million in 1998/99 to \$224.1 million in 1999/00 – a rise of 12.8%.

## **Meteorological Charges**

### Background

The Australian Bureau of Meteorology (BoM) is a public interest agency with the power to charge for specialised services provided to individual users and user groups. One such specialist service is provision of weather forecasts, known as Tower Area Forecasts (TAF) for both civil and military aviation operators.

Continuous best practice in forecasting by the BoM is crucial to maintain and preserve the safety and efficiency of aviation operations. For example, if a terminal forecast is unduly pessimistic, the airline will carry unnecessary extra fuel at a significant financial cost. If a forecast is too optimistic, the airline may unexpectedly need to fly multiple approaches or even divert to another location. Inaccurate en route forecasts also have an impact on economy and safety.

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<sup>6</sup> Op cit Key finding 21, page 14

Qantas currently pays close to \$4 million annually for Met charges out of BoM's aviation budget of \$14 million.

In general, Qantas is pleased with the level and value of service offered by the BoM. However, we note the following issues:

- The BoM's costs could be made more transparent to demonstrate how respective cost allocations are made between aviation operators, maritime users and public weather services. In line with 'user pays' principles, aviation services should be funded, as appropriate, by members of that user group. For example, regional Tower Area Forecasts should be fully paid for by users of that service.

Currently, all aviation related meteorological facilities and services are allocated across the board, and charged on the same basis through the collection medium of AsA's enroute navigation charge. There is therefore no proper relationship between the cost of providing a TAF and the way in which it is charged.

- In meetings between the BoM and Qantas the pre-financing of capital expenditure needs has been revealed. We understand equipment purchases to have been costed in their year of purchase, rather than depreciated over the useful life of the asset. The BoM has recently made the transition from a cash accounting system to an accrual accounting system, and the potential for double counting is quite real.

As mentioned, the charging mechanism for Met services to aviation users is through AsA's enroute navigation formula. This comprises weight and distance components, whereby the charge to users is determined by the weight of the aircraft, as well as the chargeable distance of each sector of flight.

This results in operators of larger aircraft paying a higher fee for Met services than other users and from our perspective lacks equity and is not the most appropriate methodology for apportioning Met charges. A more equitable alternative would be via a fixed charge per flight movement.

BoM now has considerable incentive to consider a better charging regime for the aviation sector given a recent Government Notice of Proposed Rule-Making (NPRM 174). If implemented, the amended rules would permit other meteorological bodies to bid for the role of aviation meteorological service provider in Australia. Because of technological advancements, it is quite feasible for an offshore provider, such as New Zealand Met to make an effective bid. CASA is presently reviewing regulations governing the provision of meteorological services.

## **Department of Defence (DoD) Cross-Charging**

Under the current aviation charging system, the DoD neither pays for use of civilian aviation infrastructure and services, nor charges civil airlines for use of its own aviation facilities. This is about to change. Recently, Qantas received a formal invitation from Airservices Australia (AsA) to discuss details of a proposal to establish a user pays charging framework for the DoD and AsA.

Qantas agrees that the DoD should pay an equitable share of Terminal Navigation (TN) and Aviation Rescue and Fire Fighting (ARFF) costs at ports where Airservices Australia provides one or both of these services.

We also accept that DoD should charge civil aviation users for like services provided at DoD airfields or by DoD facilities. However, we see several difficulties to be addressed before the DoD implements a charging regime:

- Where civil users are charged for services and the supplier is a monopoly, the supplier needs to have a transparent costing regime. Qantas would not want the situation to prevail where Defence simply decided what level to charge. Civilian users should be assured through a proper negotiation process that the DoD's proposed prices are fair and reasonable.
- Qantas expects that the charges to civil users for TN and ARFF provided by DoD should be the lower of either 'market prices' (as determined by comparison to the costs of similar facilities provided by Airservices Australia), or actual DoD costs. This is to acknowledge the dissimilarities in business practices between a Government agency and a commercial enterprise.
- There needs to be some discussion of how Airservices intends to determine the price to charge the DoD for billing and debt collection-related activities.
- DoD should be charged for the services provided to foreign military aircraft. At present, AsA does not charge visiting military aircraft using either civilian or military aerodromes. Whether the DoD then decides to on-charge the foreign military for those services would be their decision. In our view civil operators in Australia should not underwrite this cost

Qantas is holding ongoing discussions with DoD and Airservices Australia officials to discuss the proposed changes at each nominated location.

## **Counter Terrorist First Response (CTFR)**

The Australian Protective Service (APS) provides CTFR services at seven major Australian airports. The purpose of CTFR is to deter terrorist attacks at airports and make a first response in the event of an attack. It involves patrols by a uniformed and armed security force at airport passenger terminals and on the regular public transport apron areas whenever larger aircraft are loading and unloading.

At present APS is the monopoly provider of this service, and we are concerned that current costs are excessive. Qantas believes APS should compete for CTFR contracts against other law enforcement agencies or private security companies with competence to fulfil the statutory requirements for CTFR coverage. Competitive tendering for CTFR services would ensure that prices reflected the commercial market, and are as close to being efficient as possible.

We also contend that terrorist attacks are rarely likely to be directed at airlines per se, but rather at the nation itself. There is a strong argument in our view for the Government to accept responsibility for providing CTFR services.

Under the present regime, it is inequitable that only one segment of CTFR users, the airlines, fund the entire service while other groups are given a 'free ride'. If the Government does not accept the funding role, CTFR should at least be funded by all potential beneficiaries of CTFR services. Other direct beneficiaries include the airport owners, airport concession holders and retailers and the members of the public who use airports. This would reflect a proper 'user pays' outcome.

## **Sydney Airport Pricing Proposal**

Qantas is greatly concerned at proposed increases in aeronautical charges at Sydney Airport. These cover areas such as aircraft movement charges, international terminal charges and apron use charges.

In late 1999 Sydney Airport Corporation Limited (SACL) announced that from November 2000, aeronautical charges would be more than doubled. SACL predicted its revenue from these charges would rise from the current \$89.3 million per annum to \$205.4 million per annum, an increase of some 130%. The additional cost to Qantas would be in excess of \$50 million per year.

The airlines continue to oppose this exploitation of market power, and the ACCC is presently conducting an investigation as to whether the increase is justified.

Clearly the successful introduction of a vastly increased revenue base will be of interest to potential investors in a privatised Sydney Airport and will impact directly on the sale price achievable from the privatisation process.

Qantas understands that the ACCC would not support a policy of increasing prices charged by a public monopoly in order to increase the proceeds from the privatisation of the public monopoly. Such an outcome would be directly contrary to National Competition Policy.

The report by the Independent Committee of Inquiry into National Competition Policy (the 'Hilmer Report') commented on the possible incentives for governments to increase the proceeds from a privatisation by not sufficiently dismantling the market power of a monopoly before a sale<sup>7</sup>. This concern was reflected in the Competition Principles Agreement entered into between all Australian governments to give effect to National Competition Policy. Clause 4 requires each government, before privatising a public monopoly, to undertake a review into the price regulation applying to the industry, as well as the appropriate rate of return targets of the monopoly.

It is understood that the ACCC's review of SACL's proposal will be undertaken in the knowledge of these principles of National Competition Policy.

The major airline users of Sydney Airport continue to strongly oppose the increases, and under the collective banner of the Board of Airline Representatives Australia (BARA), have commenced legal action to seek redress.

As SACL is a Government Business Enterprise, it is not clear whether the proposed price increase falls within the Commission's terms of reference for this Inquiry. However, given the monopoly position of SACL, and the interest of the ACCC in identifying the rationale for fees charged under the Trade Practices Act, we would hope the subject can be given due consideration in the course of this Inquiry.

## **Conclusions**

Qantas has no difficulty with a properly considered approach to cost recovery where it can be demonstrated that it is the beneficiary of the services provided by Government and costs are distributed equitably in terms of the benefits created.

In each of the above areas there is evidence that one or more of the principles to which Qantas believes a cost recovery regime should adhere is lacking, resulting in a distortion and lack of equity in current arrangements.

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<sup>7</sup> [Hilmer Report, page 234.](#)