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Australian Competition and Consumer Commission

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Dear Mr Barrett

Re: Draft price notification provided by Airservices Australia dated 13 November 2023

Virgin Australia refers to the Issues Paper published by the ACCC on 30 November 2023 seeking stakeholder views on Airservices Australia's (***Airservices***) draft price notification of 13 November 2023 (***Draft Price Notification***). The Issues Paper proposes nominal weighted average increases in charges of 6.0% in April 2024, 5.3% in September 2024, 3.4% in July 2025, and 3.0% in January 2026, across its enroute navigation, terminal navigation, and aviation rescue and fire-fighting services (***Price Proposal***).

Virgin Australia welcomes the opportunity to make a submission to the ACCC regarding the appropriateness of the Draft Price Notification.

1. Executive Summary

Virgin Australia's firmly held view is that the timing and magnitude of the increases proposed by the Draft Price Notification (which would result in a cumulative increase of 19% over the next 22 months), is inappropriate. Virgin Australia has significant concerns with those proposed increases, the model in support of those proposed increases, and the nature of consultation that Airservices has undertaken in connection with the Draft Price Notification.

In this submission, Virgin Australia addresses each of the following:

(a) The magnitude of increases reflected in the Price Proposal;
(b) The short 22-month term of the Price Proposal;
(c) The key inputs into the model proposed by Airservices in support of the Price Proposal;
(d) The allocation of costs methodology proposed by Airservices;
(e) The appropriateness of the pricing structures reflected in the Price Proposal;
(f) The recent performance of Airservices in the delivery of its services;
(g) The adequacy of risk sharing between Airservices and its airline customers; and
(h) The adequacy of consultation undertaken by Airservices with stakeholders in connection with the Price Proposal.

Virgin Australia accepts that a price increase will be required to allow Airservices to continue funding its prioritised and critical projects, and to efficiently deliver its services.

However, it is Virgin Australia's view that Airservices should engage in genuine, open, and transparent consultation with relevant stakeholders, including Virgin Australia, with a view to establishing a lower, more reasonable, price increase and long-term Price Proposal that will not rapidly and excessively increase the cost base of its airline customers, and place undue upwards pressure on passenger ticket prices.

Virgin Australia also submits that once a reasonable long-term price increase is agreed through effective consultation, an annual ‘true-up’ mechanism should be applied to ensure that costs efficiently incurred by Airservices can be recovered, but the over-recovery of costs is avoided and any benefits of improved market conditions are fairly shared with airline customers.

2. Magnitude of Price Proposal

Airservices’ Price Proposal is to increase charges at a rate materially above forecast inflation rates, at a time when airlines and the broader aviation industry are still recovering from the impacts of the COVID-19 pandemic, and airlines are experiencing upwards cost pressures across their entire cost-base.

2.1 Over- and under- recovery of costs (Reduced Price Volatility)

Airservices is a monopoly service provider that is able to recover its costs, and a return on those costs, through the imposition of charges on airline customers for services essential to the operation of airline businesses within Australia. Airlines are not able to procure these essential services from any alternative supplier. While Virgin Australia accepts that Airservices should be able to recover its efficient costs of providing services, including a reasonable return on its capital investments, it is essential that Airservices should be required to appropriately consult on its Price Proposals. Further, it should not be able to simply exercise its monopoly market power without constraint to incur excessive and inefficient costs, impose excessive prices on its airline customers, and ultimately place undue upwards pressure on passenger ticket prices by inflating the cost base of airlines.

Virgin Australia is concerned that in the absence of such consultation having taken place in connection with the Price Proposal, and in the context of very conservative assumptions having been proposed by Airservices in the Draft Price Notification, it is likely that the Price Proposal will result in Airservices over-recovering on the costs of providing its services, and this will result in an unnecessarily high increase in costs for its airline customers.

Whilst there continues to be an elevated level of uncertainty surrounding forecast air traffic volumes over the coming 6-18 months, as airlines navigate what their network’s look like post COVID, it is Virgin Australia’s view that an appropriate mechanism to adjust for any over-recovery of costs incurred by Airservices should be incorporated in the Price Proposal.

In this regard, Virgin Australia submits that an annual ‘true-up’ mechanism should form part of the Price Proposal to ensure that any benefits from better than forecast market conditions and/or lower than forecast costs are appropriately shared, and over-recovery by Airservices is avoided. An appropriate ‘true-up’ mechanism should reflect a proportionate price reduction and/or accelerated investments in priority projects which will improve the performance of services offered by Airservices to airline customers, such as the OneSKY program and other appropriate technology investments.

It is Virgin Australia’s view that such a ‘true-up’ mechanism would be simple, fair and equitable for all parties.

2.2 Impact of the price changes on airline fees and passenger ticket prices

Virgin Australia notes that Airservices has estimated an impact on passenger ticket prices arising from the Price Proposal of between 0.1% and 0.2% in the Draft Price Notification. Virgin Australia’s view in relation to Airservices’ estimate is that it is a material underestimate. However, Virgin Australia submits that its passenger ticket price decisions are not directly driven by cost increases in the way that Airservices’ estimates assume. Virgin Australia operates in a highly competitive market, which is dominated by its major competitor, and cannot simply pass-through cost increases to passengers in the way assumed by Airservices whilst remaining competitive.

The capacity of different airlines to increase prices in response to cost increases is also not uniform. Virgin Australia's major competitor has a greater capacity to recover increases in its cost base by increasing prices on those routes within its network which it operates with little or no competition, whilst maintaining prices on more competitive routes. Virgin Australia cannot absorb cost increases in the same way that its major competitor can, because of the structure of its operation and network, so any increases to Virgin Australia's cost base will have a detrimental impact on its ability to effectively compete with the Qantas Group.

Virgin Australia continues to compete vigorously with its airline competitors and works constructively with partners right across its supply chain to efficiently manage its costs and limit upwards pressure on passenger ticket prices. Over the period June 2019 to June 2023, Virgin Australia has raised its passenger ticket prices at a rate materially below the rate of inflation. However, excessively high increases in prices charged by Airservices will increase the cost-base for all airlines, which in turn places unnecessary upwards pressure on passenger ticket prices across the aviation sector as a whole, to the detriment of consumers.

[c-i-c] [redacted] **[c-i-c]** Virgin Australia submits that Airservices should re-engage in consultations with its airline customers on the Price Proposal with a more open approach to information sharing and, like other participants in the aviation supply chain, increase its focus on the efficient delivery of reliable services to ensure value for passengers.

3. Term of the Price Proposal (April 2024 until June 2026)

3.1 Uncertainty

The short 22-month term of the Price Proposal does not allow Virgin Australia sufficient cost certainty and will adversely impact Virgin Australia's financial and operational planning processes.

Virgin Australia typically makes decisions on its aircraft fleet size not less than 5 years ahead of aircraft delivery, given the lead time for delivery of those aircraft. To be able to effectively plan and maintain a sustainable airline business, that is able to make a return on its own costs and investments, Virgin Australia needs to be able to assess the viability of potential aircraft purchases with a reasonable level of certainty as to both forecast air traffic volumes, and its cost inputs over at least that 5-year time horizon. Virgin Australia submits that a longer-term Price Proposal, ideally of 5 years or more, would be more appropriate and better support decision making across the aviation sector.

Presently, there is increased uncertainty in forecasting traffic volumes as the aviation sector continues to recover from COVID. In addition to this baseline uncertainty, the short-term nature of Airservices' Price Proposal, which forms a significant part of Virgin Australia's cost base, will introduce increased uncertainty for Virgin Australia in its fleet planning decisions. The excessive nature of the increases contained in the Price Proposal, and the potential for upwards pressure on passenger ticket prices may also have a negative impact on passenger demand which introduces even greater levels of uncertainty.

Virgin Australia submits that Airservices, and the Australian Government as its sole shareholder, should ensure that Airservices manages its operating costs and investments efficiently and with a long-term focus, to ensure a smoother and more predicable rate of price increases are applied to meet its efficient costs and value can be delivered to passengers. The improved certainty and stability that this renewed focus would offer is critical to the viable operation of business operations right across the aviation supply chain, including for airlines such as Virgin Australia.

3.2 Incentives

Airservices is currently failing to consistently provide acceptable levels of performance in the delivery of services to its airline customers, as demonstrated by its own recent operational performance reports. While Airservices has indicated to Virgin Australia that significant effort is being devoted to addressing these failures, the magnitude of the increases reflected in the Price Proposal suggests that Airservices is also seeking significant additional funding from its airline customers in order to remediate its failures and restore its performance to levels comparable to its performance pre-COVID.

Virgin Australia submits that excessive and inefficient costs, being costs that are significantly higher than the costs that Airservices incurred pre-COVID in order to efficiently deliver its services within acceptable levels of performance, should not be recoverable from Airservices' airline customers.

It is Virgin Australia's view that the shortened term of the Price Proposal, together with increases in prices which are significantly above the rate of CPI will disincentivise Airservices from taking important actions to improve its operational performance and contain increases in its cost base. Virgin Australia, and other participants in the supply chain for aviation services, have needed to maintain this focus in recent times in order to remain viable, limit upward pressure on passenger ticket prices, and maintain value for passengers. Airservices should be incentivised to maintain the same focus.

Virgin Australia submits that price increases should be sufficient to meet Airservices efficient costs only, and not to meet excessive and inefficient costs. Further, Virgin Australia submits the Price Proposal should also include a mechanism pursuant to which Airservices' airline customers are entitled to price reductions or rebates if Airservices continues to consistently fail to meet acceptable levels of performance.

It is Virgin Australia's view that in the absence of such a mechanism Airservices, being a monopoly service provider that is not subject to competitive market forces, will continue to lack any meaningful incentives for the efficient delivery of its services.

4. Pricing Model Inputs

It is Virgin Australia's view that the adoption of a building block model to support Airservices' Price Proposal with accurate estimates of future air-traffic, operational costs, capital expenditure, depreciation, and a reasonable rate of return is appropriate.

It is also Virgin Australia's view that the removal of capital expenditure which has previously been included in models that supported past price increases (such as in respect of the OneSKY Program), and which have already been recovered by Airservices from Virgin Australia and its other airlines customers (even if not actually incurred) should not again be recoverable by Airservices, and should be excluded from its pricing models for future periods.

However, Virgin Australia has concerns with respect to the appropriateness of the inputs into the building block model reflected in the Draft Price Notification, and as a result of inadequate consultation with Airservices, Virgin Australia submits that the Pricing Model contained in the Draft Price Notification is not appropriate. Virgin Australia addresses the key inputs into the model as follows:

4.1 Aviation Traffic Forecasts

The aviation traffic forecasts reflected in the Draft Price Notification are very conservative and result in excessively high per-passenger charges for airline customers, in particular for domestic carriers.

The aviation traffic recovery curve scenario reflected in the Price Proposal is based on the estimate of a single external consultant commissioned by Airservices. It is Virgin Australia's view that this forecast is not appropriate, and that an appropriate forecast should be the subject of consultation between Airservices and its airlines customers, and if necessary, by an independent consultant or panel or independent consultants acceptable to both Airservices and its airline customers.

The forecast reflected in the Draft Price Notification assumes the market will recover by circa 22% in Financial Year 2026 compared to Financial Year 2023. However, this is inconsistent with other forecasts generally accepted across the aviation industry. The International Air Transport Association (***IATA***) forecasts a recovery in the Asia Pacific region of circa 40% in Financial Year 2025 compared to Financial Year 2023[1], Bain & Company forecasts a recovery globally of circa 37% in Financial Year 2026 compared to Financial Year 2023[2], and the Board of Airline Representatives of Australia (***BARA***) has forecast a recovery, specifically at Brisbane Airport, of circa 75% in Financial Year 2026 compared to Financial Year 2023, based on research produced by three independent expert consulting firms.[3]

In addition, the aviation traffic forecast does not explicitly consider the additional aviation traffic that will result from Rex's expansion onto routes between Sydney, Melbourne and Brisbane, or the additional aviation traffic that will result from the entrance of Bonza into the domestic Australian market.

4.2 Operating Costs

Virgin Australia's review of Airservices financial statements indicates that:

(a) costs have increased well above CPI, by 12% in Financial Year 2023 alone compared to Financial Year 2022, and 20% when compared with Financial Year 2019; and

(b) supplier costs have increased by 51% in Financial Year 2023, while its employee costs have remained largely flat. This, combined with cost commentary made available, suggests that Airservices has reduced the number and proportional contribution of its direct employees to the delivery of services, and has relied more heavily of external suppliers, at greater cost, during Financial Year 2023.

This increased reliance on external suppliers has also coincided with a material degradation in Airservices performance, and despite this Airservices has proposed the immediate recovery of all implementation costs associated with the shift in its operating model, rather than amortising those costs over the period of a long-term Price Proposal.

Virgin Australia submits that the operating cost inputs proposed by Airservices are, on their face, inappropriate and are not efficient costs necessarily incurred by it in the delivery of its services. As such, they should not be recoverable from Airservices' airline customers in the way proposed, and they should rather be the subject of appropriate consultations with relevant stakeholders, including Virgin Australia. It is Virgin Australia's view that such consultations should be undertaken in the context of a long-term Price Proposal which will properly incentivise the efficient delivery of services by Airservices into the future, and which appropriately amortises past structural investments over an appropriate period.

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[1] IATA. (2023, March 1). Global Outlook for Air Transport, Highly Resilient, Less Robust. Retrieved from Air Passenger Numbers to Recover in 2024: https://www.iata.org/en/pressroom/2022-releases/2022-03-01-01/
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[2] Bain. (2023, July 20). Interactive. Retrieved from Air Travel Forecast to 2030: The Recovery and the Carbon Challenge: https://www.bain.com/insights/air-travel-forecast-interactive/
[3] BARA. (2023). Brisbane Airport (BNE) (BAC) International Traffic Review FY23 - FY28 - FINAL. ceg. (June 2022). WACC for nbn. Australia: ACCC.

4.3 Capital Expenditure

Virgin Australia broadly supports Airservices' capital expenditure plan and accepts that the capital investments proposed to be made in its change program are appropriately centred on delivering benefits to the aviation industry. However specific projects which do not directly benefit airline customers, such as projects relating to drones/uncrewed air systems, should not be recoverable through increased prices charged to airline customers.

Virgin Australia also supports the exclusion of capital projects that have already been recovered through increased prices in past periods, which will not directly benefit those airline customers that will pay increased prices during the proposed price period, and projects which will not benefit airline customers until after the end of the proposed price period (including the OneSKY program, new services for Western Sydney International Airport, and expanded services for new runways at Perth and Melbourne airports).

However, it is Virgin Australia's view that it is inappropriate for the costs of many of the capital projects included in the Price Proposal to be recovered through increased prices on an "as incurred" basis, despite those projects not yet delivering any benefits to airline customers, and in some cases having been in progress for an excessively long period of time.

The Draft Price Notification, and Airservices' consultation with Virgin Australia, have lacked transparency as to the efficient management of these projects. For example, Airservices has not engaged in any detailed communication with Virgin Australia addressing the causes of the current two-year delay in realising the benefits of the OneSKY program, or details of Airservices' plans to remediate this delay and ensure the benefits of the program can be delivered as planned. The delayed benefits to on-time performance that the OneSKY program will deliver are critical to improving the experience of passengers across the sector, and it is Virgin Australia's view that the realisation of those benefits should be a focus for Airservices.

It is also Virgin Australia's view that the Price Proposal does not contain any mechanisms which effectively incentivise the timely and efficient delivery of capital projects by Airservices to ensure that airline customers, including Virgin Australia, are able to realise the benefits of the capital investments they have funded through price increases. In this regard, Virgin Australia submits that recovery of capital expenditure through increased prices should be on an "as commissioned" basis, rather than on an "as incurred" basis, so that price increases relating to capital expenditure are only applied once the benefits of capital projects are able to be realised by airline customers.

It is Virgin Australia's view that correlating increased price recovery from airline customers with the delivery of benefits to those airline customers in this way, would be a more fair and equitable approach for all parties.

4.4 Depreciation forecasts

Virgin Australia understands that a portion of the recoverable depreciation expenses reflected in the Draft Price Notification is based on the completion of proposed capital projects. However, potential delays to these projects (when compared to the assumed completion dates adopted in the calculation of depreciation) will result in airline customers contributing to depreciation (and a WACC return on depreciation expenses) for assets which have not yet been delivered, and in circumstances where the associated benefits of those projects will also not have been realised.

Where the delivery of projects is delayed past the end of the proposed pricing period in June 2026, this could also result in airline customers being required to again fund the 'same' depreciation expenses through further price increases in the next pricing period.

Virgin Australia submits that depreciation expenses for capital projects which have not been completed should not be recoverable from airline customers and should be excluded from the current Price Proposal, particularly having regard to its short-term nature. To the extent that such forecast depreciation expenses are included in a long-term Price Proposal, they should be accompanied by mechanisms to both adjust for potential over-recovery of those expenses if there are delays in the completion of proposed capital projects, and to exclude those 'same' depreciation expenses from again being included in any model to support price increases in a future period.

4.5 Rate of return (WACC Rate)

It is Virgin Australia's view that the Weighted Average Cost of Capital (***WACC***) rate of 8.71% proposed by Airservices is not appropriate and does not reflect a rate of return which is commensurate with the regulatory and commercial risks involved in the delivery of services by Airservices.

Airservices has proposed a Debt Risk Premium of 2.55% in the Draft Price Notification. However, existing Airservices debt trades on the secondary market and, based on recent Bloomberg data, the credit spread to Australian Government debt is approximately 0.90%. In this context, Virgin Australia submits that the proposed Debt Risk Premium is excessive.

In addition, based on the information available to Virgin Australia, Airservices has provided inadequate rationale and calculations for its proposed equity beta of 1.375. As an agency of the Australian Government, which provides critical infrastructure services, it is Virgin Australia's view that such a high equity beta is inappropriate, particularly in the context of the previous decision of the ACCC in 2011 which applied an equity beta of 1[4] and having regard to the recent comparative equity beta applied by Auckland Airport, which is also approximately 1.

Virgin Australia submits that Airservices should engage in genuine, open, and transparent consultation with its airline customers and other relevant stakeholders on the Price Proposal, including in relation to the appropriateness of the proposed rate of return. If necessary, an independent expert or panel of independent experts acceptable to the relevant stakeholders should be appointed to validate the appropriateness of the WACC rate proposed.

5. Allocation of Costs Methodology

Virgin Australia broadly supports the allocation of costs methodologies proposed by Airservices. The Dual-Till Pricing methodology proposed is broadly consistent with the approach adopted by the International Civil Aviation Organization's (***ICAO***) where regulated service costs are funded by regulated revenues and other business is funded by other business revenues. Virgin Australia also supports the "Capital City Basin Pricing" methodology in principle.

However, the Draft Price Notification contains insufficient information for Virgin Australia to assess the specific application of those methodologies, including the volume of subsidisation and appropriateness for price caps applied. It is also Virgin Australia's view that changes to route-mix and the increasing use of larger aircraft with greater capacity at particular airports has not been appropriately reflected by Airservices in the Price Proposal.

Virgin Australia submits that Airservices should re-engage in consultations with Virgin Australia, and other relevant stakeholders, specifically in relation to the application of its allocation of cost methodologies to ensure that those methodologies are better informed and Airservices' proposed allocation of costs is appropriate.

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4 https://www.accc.gov.au/system/files/ACCC%20final%20decision%20on%20price%20notification%20of%2022%20August%202011.pdf

6. Pricing structures across enroute navigation, terminal navigation, and ARFF services

Virgin Australia considers that tiered pricing across airports as reflected in the Price Proposal is appropriate, and more reflective of flight arrival volumes, in principle.

However, it is Virgin Australia's view that application of the Price Proposal specifically will result in Virgin Australia bearing an increased and disproportionate share of Airservices' total costs due to the profile of Virgin Australia's operations and fleet of aircraft, relative to its competitors. Specifically, Virgin Australia anticipates that it will incur a share of total charges recovered by Airservices which is circa 4% higher than its relative share of the total Available Seat Kilometres (***ASK's***) made available to the domestic market.

In this context, Virgin Australia submits that the "Chargeable Weight" fee structure reflected in the Price Proposal is likely to disadvantage smaller carriers, including Virgin Australia, which have less opportunity to utilise their aircraft networks to optimise capacity when compared with the Qantas Group. This shift in the proportional cost burden between domestic airlines in favour of the dominant airline may also adversely affect competition in the domestic Australian aviation sector.

In addition, the maximum take-off weight (***MTOW***) attributed to aircraft in the Draft Price Notification is higher than the MTOW averages that currently apply in Virgin Australia's fleet of Boeing 737-8 aircraft. Virgin Australia submits that deemed MTOW rates in the Draft Price Notification should be reviewed through consultation and adjusted to align with the minimum MTOW averages for Australian domestic carriers on a per fleet type basis. Further, any new aircraft variants that arrive to market should also be reviewed after 12-months of operation in the domestic Australian market to adjust the minimum MTOW averages to better reflect those rates as they apply for carriers operating in Australia.

7. Performance - Measurement and Monitoring

Virgin Australia had 328 cancellations in 2023 that were directly attributable to failures in the services provided by Airservices. That rate of cancellations is 62% higher than in 2019. There have also been over 450 activations of Traffic Information Broadcast by Aircraft (***TIBA***) since January 2022, with regular rate reductions into major airports, and activation of Ground Delay Programs due to Airservices' staff shortages.

Airlines experience significant downstream impacts when such potentially avoidable cancellations and disruptions occur, including aircraft increasing fuel-burn and being out of place, and crew reaching duty and fatigue limits in a manner which cascades to cause further cancellations and disruptions for passengers.

This elevated rate of cancellations and disruptions also directly results in significant additional costs to Virgin Australia, including in connection with passenger and crew re-accommodation, as well as long-term brand damage which results from poor passenger experiences.

Despite this unacceptably poor performance, and the significant costs it has caused to Virgin Australia, Airservices has not itself experienced any direct financial impact as a result of its degraded performance, and because it is a monopoly services provider that offers pricing for its services without any reference to service level requirements, it is not sufficiently incentivised to improve that performance.

Virgin Australia agrees with the ACCC's previous comments regarding Airservices benchmarking being too narrow[5], and it is Virgin Australia's view that Airservices' self-reporting on narrow benchmarks is not

[5] https://www.accc.gov.au/system/files/ACCC%20issues%20paper%20-%20Airservices%20Australia%20draft%20price%20notification%202024-2026_0.pdf

appropriate or an effective mechanism for measuring and monitoring its performance.

Virgin Australia submits that, just as both airports and airlines are currently subject to price and quality monitoring by the ACCC, Airservices should also be subject to monitoring by the ACCC to ensure adequate transparency of its operations and to support the development of more appropriate benchmarking and incentive mechanisms.

Virgin Australia further submits that service level agreements (***SLA's***) should be co-developed between Airservices and its airline customers, including Virgin Australia. Appropriate SLA's should also be informed by both formal monitoring as referred to above, and a renewed engagement by Airservices in industry-wide engagement through a committee of relevant stakeholders, including Virgin Australia, which can re-establish and maintain a minimum level of accountability for Airservices in the delivery of its services.

Virgin Australia also submits that ultimately the Price Proposal must incorporate an appropriate performance-based pricing mechanism, with a proportion of fees at risk to Airservices should it continue to persistently fail to meet the above referred SLA's in order to adequately incentivise Airservices and ensure better experiences for passengers.

8. Risk Sharing

As reflected above, it is Virgin Australia's view that the Price Proposal will result over-recovery by Airservices of its costs. The Price Proposal also lacks any mechanism to effectively incentivise Airservices to meet minimum acceptable standards of performance or to contain and reduce its operating costs. This dynamic clearly reflects no genuine or appropriate sharing of risk between Airservices and its airline customers.

Virgin Australia submits that an annual 'true up' mechanism, as referred to at paragraph 2.1 above, is appropriate to more fairly ensure the sharing of risk and return between Airservices and its airline customers.

9. Airservices Consultation

The consultation process that Virgin Australia has participated in with Airservices has been protracted. Virgin Australia has sought to engage constructively with Airservices through various engagements over the course of 2023, however it has been entirely ineffective. The Price Proposal which the ACCC has requested submissions in respect of is materially different from various earlier proposals that were the subject of discussions between Virgin Australia and Airservices which commenced in May 2023.

Importantly, Virgin Australia requested information from Airservices, which was required to adequately assess those earlier pricing proposals, and that information was not provided with sufficient detail to enable Virgin Australia to meaningfully assess and consult on those proposals. Further, the feedback that Virgin Australia was able to provide based on the limited information shared by Airservices has not been adopted. As reflected in the submissions above, the Price Proposal is inappropriate in several material aspects and insufficiently informed by relevant stakeholders.

It is Virgin Australia's view that the reduced 22-month term of the Price Proposal will necessarily result in further protracted consultations occurring during and prior to 2026. Unless changes are made to the approach adopted by Airservices' to consultations over the course of 2023, those further consultations will be costly, ineffective, and an unnecessary administrative burden on both Airservices and Virgin Australia.

Prior to the COVID-19 pandemic, Airservices facilitated a regular workshop known as the Pricing Consultative Committee, which Virgin Australia and other relevant stakeholders participated in. In this forum, Airservices kept Virgin Australia updated on its capital expenditure projects and their progress and allowed relevant stakeholders to ask critical questions to ensure a strong understanding of the benefits expected to be delivered to airlines. This committee was an important forum that contributed to keeping Airservices accountable for on-time and on-budget project delivery and facilitated reasonable information sharing between relevant stakeholders. It is regrettable to Virgin Australia that Airservices has not re-established this forum.

Virgin Australia submits that Airservices should withdraw its proposed Draft Price Notification, and return to genuine, open and transparent consultations with its airline customers, including Virgin Australia. It should engage in robust and detailed information sharing, which will allow relevant stakeholders to provide meaningful and critical feedback on a long-term price proposal that will meet the needs of all relevant stakeholders, with a focus on improving the experience of passengers, and limiting any upwards pressure on passenger ticket prices. Critically, Airservices, must genuinely consider, and wherever reasonable, incorporate feedback provided by its airline customers.

Virgin Australia also submits that to ensure a minimum level of accountability, Airservices should concurrently re-establish the Pricing Consultative Committee, or an equivalent forum.

Thankyou for the opportunity to provide this submission in relation to the Price Proposal. Once the ACCC has had an opportunity to review and consider the contents of this submission, we request the opportunity to meet with you to discuss and provide further detail.

Yours sincerely

Race Strauss
Chief Financial Officer
Virgin Australia Group