



24 June 2010

Mr Anthony Wing
General Manager - Transport and General Prices Oversight Brand
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Dear Mr Wing

Notification of changes to charges for the provision of aeronautical services and facilities to regional air services

I am writing to formally notify the Commission, in accordance with Part VIIA of the *Trade Practices Act 1974*, of proposed changes to charges for the provision of aeronautical services and facilities to regional air services providers at Sydney Airport. The proposed changes are proposed to take effect from no earlier than 23 October 2010.

We ask that the Commission review our proposed maximum changes now under the current regime set out in Declaration 91 and Direction 30. Our formal notification is provided at Attachment 1. We intend to provide the Commission with supporting information as soon as possible.

1. The proposed changes are small and only affect regulated prices

We propose to increase price by a maximum of 2.9%, being the All Groups Consumer Price Index ("CPI") for the period 1 April 2009 to 31 March 2010. This compares with the actual recorded increase in CPI since March 2001 of approximately 28.9% and increases in CPI since 1 July 2007 of approximately 9.9% as is consistent with the applicable Direction 30. The changes proposed represent the first change to these charges since 25 May 2001.

The proposed changes represent a *de minimus* component of average passenger fares charged by regional airlines. SACL's understanding is that the proposed increase is less than 1% of the typical regional fare. Further, SACL has calculated that the impact on typical charges paid by regional air services providers would be only approximately \$4.70 per aircraft movement.

Our proposed changes will only affect regulated pricing, which encompasses runway, terminal and minimum movement charges. Unregulated prices that are commercially agreed are not affected by our proposed changes.

Sydney Airport
Corporation Limited
ABN 62 082 578 809

Locked Bag 5000
Sydney International
Airport NSW 2020
The Ulm Building
1 Link Road
Sydney International
Airport NSW 2020
Australia

Telephone
61 2 9667 9111
www.sydneyairport.com



2. We have commenced consultation with the six affected airlines

The following six airlines will be affected by our proposed changes, though we note that Tiger Airways is not presently operating regional air services from Sydney Airport:



Our proposed changes are subject to consultation and notice provisions under the terms of the Sydney Airport Conditions of Use (“COU”) that governs, in part, our commercial relationship with regional air services providers. We have commenced consultation with the above regional air service providers in accordance with clause 8 of the COU in respect of the changes proposed.

While our view is that the increases proposed are consistent with the regulatory and policy framework, a purpose of the consultation process under the COU is to negotiate on the merits. Accordingly, the changes for which the Commission’s approval are sought reflect the maximum price proposed and may ultimately be lower depending on the outcome of the consultation process with airlines.

3. The proposed changes are consistent with the policy and regulatory framework

Our objective is to achieve an increase in charges for the provision of aeronautical services and facilities to regional air services at Sydney Airport that is acceptable to the Commission. In our view, the proposed changes are consistent with Government policy and the requirements of Part VIIA of the *Trade Practices Act 1974* and will:



- improve the cost recovery rate for regional air service providers use of aeronautical services and facilities at Sydney Airport by ensuring that we are able to recover CPI increases going forward from 2009;
- still not reflect the actual cost of use of those services and facilities;
- allow increased investment to improve infrastructure and services at Sydney Airport; and
- encourage more efficient use of the scarce resources at Sydney Airport.

As mentioned earlier, the current charges for aeronautical services and facilities to regional air services have not increased since May 2001. SACL has not previously availed itself of the notification regime set out in Part VIIA of the Act because of the sensitivities around regional pricing at Sydney Airport.

Recently, SACL has embarked on a review of how SACL conducts business, including implementing appropriate cost savings, improving debt recovery and ensuring appropriate and efficient pricing.

Regional pricing for aeronautical services and facilities was identified as an area where price increases are required and appropriate in the circumstances notwithstanding those sensitivities. However, SACL is seeking only a one year increase in CPI rather than the full three years provided for in Direction 30.

In our view, the maximum changes proposed are consistent with the applicable policy and regulatory framework set out in Part VIIA of the Act, Direction 30 and Declaration 91.

It is within the Commission's purview to consider and assess our proposed changes under the current regime notwithstanding they are proposed to take effect post 30 June 2010.

To take any other view would be to introduce considerable uncertainty into the notification regime for declared persons and would significantly limit the Commission's role and functions under Part VIIA. This is clearly not what was contemplated by Part VIIA of the Act.

Accordingly, we ask that the Commission commence a review of our proposed changes now under the current regime.



We wish to assist the Commission in its consideration of our notification. Accordingly, if you have any queries in respect of this notification, please do not hesitate to contact either:

Elizabeth Henderson
Senior Corporate Lawyer
P +61 2 9667 6458

Nigel Fanning
Airline Commercial Manager
P +61 2 9667 9294

Yours sincerely

Russell Balding AO
Chief Executive Officer

**LOCALITY NOTICE ISSUED BY SYDNEY AIRPORT CORPORATION LIMITED IN
RELATION TO THE PROVISION OF AERONAUTICAL SERVICES AND
FACILITIES TO REGIONAL AIR SERVICES**

Notification of prices pursuant to section 95Z of the *Trade Practices Act 1974* in relation to Declaration 91.

Declared person: Sydney Airport Corporation Limited
1 Link Road
Mascot NSW 2020

gives notice that it proposes to supply aeronautical services and facilities to regional air services at the prices detailed in Schedule 1 to this Attachment, effective from no earlier than 23 October 2010 in line with Sydney Airport Conditions of Use ("COU") consultation and notification process.

Sydney Airport Corporation Limited considers that the proposed price changes are consistent with the requirements of section 95G(7) of the *Trade Practices Act 1974* and would not result in total percentage increase in price of more than the total percentage increase in the All Groups Consumer Price Index for the period 1 April 2009 to 31 March 2010.



Russell Balding AO
Chief Executive Officer
Sydney Airport Corporation Limited

Date: 24th June 2010

Schedule 1 to Attachment 1

PROPOSED MAXIMUM PRICE CHANGES

Service	Existing Charge (1)	Proposed Increase (1)	Proposed New Charge (1)	Unit
Passenger Facilitation Charge (PFC) (2)				
Separate Charge Components				
<i>Terminal Facility Charges</i>	\$1.75	\$0.05	\$1.80	Per Passenger
<i>Apron Parking</i>	\$35.00	\$1.01	\$36.01	Per 15 minutes
<i>Check-in counter charge</i>	\$17.00	\$0.49	\$17.49	Per counter Per Hour
Combined PFC Charge (5)				
<i>Regional T2 PFC</i>	\$4.50	\$0.13	\$4.63	Per Passenger
Passenger Security and Bag Screening (2)				
<i>Per Passenger</i>	\$0.87	\$0.03	\$0.90	Per Passenger
Runway Charges (3)				
<i>Runway Charge Per Tonne</i>	\$3.44	\$0.10	\$3.54	Per MTOW tonne
<i>Minimum Runway Charge (4)</i>	\$50.00	\$1.44	\$51.44	Per Movement
<i>Minimum Runway Charge (MTOW 5-10 Tonnes) (4)</i>	\$41.25	\$1.19	\$42.44	Per Movement
<i>Minimum Runway Charge (MTOW 0-5 Tonnes) (4)</i>	\$20.00	\$0.58	\$20.58	Per Movement

CPI is Australian, All Groups, in the year to 31 March 2010.

NOTES

1. All charges are GST exclusive;
2. Passenger defined as per arriving and departing passenger;
3. Per tonne MTOW (Maximum Take Off Weight) on take-off and landing, and subject to minimum runway charge;
4. Minimum Runway Charge per take-off and landing;
5. Combined PFC is derived from previous guidance provided by the Commission and set out in Schedule 1 Attachment 3

Schedule 2 to Attachment 1

DERIVATION OF COMBINED PFC PER PASSENGER

SACL has derived the PFC from previous guidance provided by the Commission¹ and is summarised by the following:

Passenger Facilitation Charge (PFC) (2)	Existing Charge (1)	Proposed Increase (1)	Proposed New Charge (1)	Derivation of charges
<i>Terminal Facility Charges</i>	\$1.74	\$0.05	\$1.79	Interim charge based on 2001 ACCC approved Domestic Express Terminal (DET) facility charge
<i>Apron Parking</i>	\$2.50	\$0.07	\$2.57	45 minutes inclusive at rate \$35 per 15 minutes and 21 passenger per flight
<i>Check-in counter charge</i>	\$0.26	\$0.01	\$0.27	\$17 per counter hour, 2 departures per hour and 21 passengers per flight
Combined Per Passenger	\$4.50	\$0.13	\$4.63	

NOTES

1. All charges are GST exclusive;
2. Passenger defined as per arriving and departing passenger;

¹ Australian Competition and Consumer Commission, 'Sydney Airport Aeronautical Charges for regional users of Terminal 2, Decision and Statement of Reasons' (October 2002), Appendix 1: Derivation of equivalent-based charges