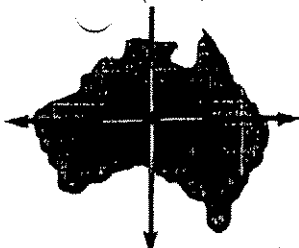
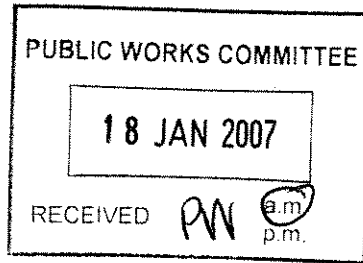


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B A R A
 BOARD OF AIRLINE
 REPRESENTATIVES
 OF AUSTRALIA INC



Our Ref.: Let.1804

17 January 2007

Mr John Fuhrman
 The Inquiry Secretary
 Public Works Committee
 Parliament House
 Canberra ACT 2600

SUBMISSION 4

Dear Mr Fuhrman

RE: AIRSERVICES AUSTRALIA NATIONAL TOWERS PROGRAM, STAGE 1

The Board of Airline Representatives of Australia (BARA) welcomes the opportunity to make a submission to the Public Works Committee in relation to the proposed Airservices Australia National Towers Program Stage 1. BARA thanks the Committee for granting an extension of time to allow BARA to present a submission.

BARA is the industry association representing the interests of international airlines operating to and from Australia. BARA's membership currently comprises 40 scheduled airlines. BARA members operating international air services fly to Adelaide and Melbourne airports. Qantas and Virgin Blue are also BARA members. Those airlines operate services to Canberra and Rockhampton airports as well.

During 2004 BARA represented its member airlines in negotiations with Airservices Australia regarding the implementation of an agreed longer term price path for the delivery of terminal navigation services, enroute navigation services and aviation rescue and fire fighting services by Airservices Australia to BARA members. The prices negotiated for terminal navigation services and enroute navigation services were subsequently approved by the Australian Competition and Consumer Commission for a period of five years.

As part of the negotiation process with Airservices Australia it was necessary for BARA and Airservices Australia to agree a schedule of capital expenditure over the term of the price agreement so that Airservices Australia would receive sufficient funding to meet the costs of the agreed capital expenditure program. The prices for terminal navigation and enroute navigation services presently in place reflect the agreed capital expenditure program.

The capital expenditure program agreed between BARA's member airlines and Airservices Australia amounted to about \$500 million over the five year period 2005-2009. The program was the subject of detailed scrutiny by airlines to assess the need, timing, cost, scope and purpose of each specific proposed investment project. BARA wishes to advise the Public

Works Committee that at no time during the negotiations in 2004 between BARA and Airservices Australia did Airservices Australia representatives advise BARA that the replacement of the towers at Adelaide, Canberra, Melbourne and Rockhampton airports would be necessary in the foreseeable future. Airline users of terminal navigation services have not been given an opportunity to consider whether the proposed tower replacements are, in fact, necessary.

The commercial relationship that exists between Airservices Australia and its airline customers is based necessarily upon a mutual assessment and consensus of the type, scale and timing of air traffic control infrastructure that is required for safe, efficient and cost effective air traffic management. Unfortunately, the consultations required between Airservices Australia and airlines and which were agreed should occur by the parties for such mutual assessment and consensus to be achieved have not taken place. This lack of effective consultation has been a feature of the process of review of the capital program agreed as part of the commercial relationship established between Airservices Australia and airlines in 2004 and it has been a feature of the National Towers Program Stage 1 that is currently before the Public Works Committee.

In the case of the overall capital expenditure program underpinning the current pricing agreement between Airservices Australia and airlines the last meeting of airline and Airservices representatives took place in July 2006. At that meeting airline representatives expressed concerns about the failure of Airservices Australia to achieve the levels of capital investment that were agreed as part of the pricing negotiations. A shortfall of many tens of millions of dollars of capital expenditure was evident over the twelve to eighteen months of the existence of the commercial arrangement. Airservices has failed to act to set up further meetings of the parties to discuss this capital shortfall. The commercial relationship between Airservices Australia and airlines has been strained as a result.

A similar failure to consult with customers is a feature of the National Towers Program. BARA notes that the Airservices Australia Statement of Evidence to the Public Works Committee refers to:

- (a) a number of surveys of all the towers in the [Airservices Australia] inventory, which included structural assessments, maintenance risk assessments and an overall assessment of the state of the tower infrastructure;
- (b) an Airservices' analysis of options in relation to refurbishment versus replacement of the towers;
- (c) studies by Airservices to identify the preferred location of replacement towers; and
- (d) the requirement under the Air Services Act for Airservices Australia to consult with customers (and others) about the proposed National Towers Program.

Yet there has been no consultation between Airservices Australia and its airline customers about the surveys, analyses and studies upon which the National Towers Program apparently is based. To the best of BARA's knowledge the National Towers Program has not been discussed in any of the Airservices' strategic planning fora which include airline representatives. Until such time that Airservices Australia engages in consultations with airlines about the National Towers Program BARA cannot support the proposals contained in

Stage 1 as outlined to the Public Works Committee. BARA further maintains that, in the absence of the surveys, analyses and studies referred to by Airservices Australia and responses by airlines to those pieces of work, the Public Works Committee is not in a position to be able to make an assessment about the need to proceed with the Program.

BARA also questions whether the Public Works Committee should have any confidence in the cost of Stage 1 of the Program as presented by Airservices Australia. It is noted that Airservices Australia claims that Stage 1 of the Program should command an outturn budget of \$94,500,000. Yet in its Statement of Evidence Airservices Australia admits:

- (a) the design and construction of civilian ATC towers is an infrequent requirement in the Australian context;
- (b) the most recent projects of this type were completed in 1995 in a very different compliance environment than that which exists today; and
- (c) finalising the budget for the work requires a high level of design development to establish the design/cost options.

BARA is also concerned that the Airservices Statement of Evidence admits that the budget allocation will require active management and may result in impacts on scope. In a safety sensitive program such as this the budget should not be permitted to impact on project scope. Rather project scope should be agreed between the relevant parties and a budget determined, agreed between the interested parties and set accordingly. BARA believes that it is inappropriate for a government funded monopoly service provider such as Airservices Australia to adopt its proposed approach to project management.

In conclusion BARA maintains that the National Towers Program Stage 1 should be deferred and reconsidered when Airservices Australia has:

- (a) consulted fully about the Program with its airline customers and other interested stakeholders;
- (b) demonstrated conclusively to the interested parties that the tower replacement program is warranted;
- (c) provided detailed justification to the interested parties that the replacement option is superior to refurbishment from both technological and economic perspectives;
- (d) completed studies to demonstrate the preferred location of towers at the selected airports;
- (e) completed the detailed design of the replacement towers should the replacement option be confirmed with the interested parties;
- (f) established firm costings for whatever option is ultimately agreed between Airservices Australia and the interested parties; and
- (g) agreed with its airline customers an appropriate basis for cost recovery.

Please contact the undersigned should you require any further information in relation to BARA's comments.

Yours sincerely



Warren Bennett

Executive Director