



19 January 2007

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

Dear Mr Fuhrman

### **Airservices Australia National Towers Program**

I refer to the invitation for public comments in relation to the Committee's Inquiry into the National Towers Program, Stage 1 for Airservices Australia at Adelaide, Canberra, Melbourne and Rockhampton airports, which appeared in The Weekend Australian on 16-17 December 2006.

Qantas welcomes the opportunity to provide our views on this program. It is only through the Inquiry that we have become aware of the proposed works.

As the Committee may be aware, Airservices Australia has a five-year capital expenditure program underway covering the period 2004/05 to 2008/09. The program was approved in December 2004 by the Australian Competition and Consumer Commission (ACCC) which regulates Airservices' prices under the Prices Surveillance sections of the Trade Practices Act 1974.

This \$542 million program was developed in response to the Australian Air Traffic Management Strategic Plan developed by the Australian Strategic Air Traffic Management Group (ASTRA). The program was also endorsed by an Industry Steering Committee (ISC) set up by Airservices to scrutinise and provide expert advice in relation to the proposed capital expenditure. Qantas was represented on both the ASTRA and the ISC, and this project was not included in the plan.



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The new project stands to have a significant financial impact on Qantas, as the \$94.5 million estimated cost of the proposed works would normally be recovered by Airservices from airlines and their passengers.

As Airservices Australia's major customer, Qantas is disappointed at the lack of consultation that has occurred in relation to this project.

The lack of consultation is particularly surprising in light of the effectiveness of the consultation processes undertaken in relation to Airservices' five-year investment program, as highlighted by the ACCC in its final decision concerning Airservices' price notification.<sup>1</sup>

Links between Qantas and Airservices - and the aviation industry more broadly - are well established, including formal engagement through regular Industry Meetings which provide the opportunity for discussion and consultation. That these mechanisms have been overlooked is surprising.

Qantas would not wish to see a return to the piecemeal approach that caused the ACCC to object to Airservices' pricing proposals for failing to adopt a longer-term approach to pricing.<sup>2</sup> The ACCC has encouraged adoption of an extended planning horizon and this has been welcomed by industry for the relative certainty it provides. While Qantas does not have information against which to judge the need for the proposed works, the characterisation of Stage 1 as "urgent" is surprising given this need for capital expenditure was not identified as part of the long term arrangements negotiated in 2004.

In its Statement of Evidence to the Committee, Airservices notes that:

*"Given the uncertainty regarding the expected cost of constructing these new towers, the impact of this project on the current prices and revenues has not been determined. Future pricing arrangements will be the subject of consultation and negotiation with customers, stakeholders and the ACCC over the next 2-3 years."* (p6, §29).

Qantas regards this sequencing as inappropriate. Consultation with industry - in particular airlines - who will fund the works and are the principal users of the towers concerned, should be conducted in advance of construction to enable a proper assessment of the proposal that balances the objectives of stakeholders.

Qantas suggests that Airservices move to engage industry in a consultation process to brief them on the options and implications, and seek endorsement to proceed. If this dialogue is initiated promptly, Qantas believes that it need not

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<sup>1</sup> Australian Competition and Consumer Commission, Final decision, Airservices Australia Price notification, December 2004, p62.

<sup>2</sup> Ibid, p57.

adversely affect the timeframes envisaged by Airservices for commencement of any works (p13, §65).

In Qantas' view, completion of this process will better place the Committee to make recommendations to Parliament in respect of the Program.

We would be pleased to provide any further information if it would be of assistance to the Committee.

Yours sincerely



for

**David Hawes**  
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**Government and International Relations**