APPLICATION BY VIRGIN BLUE
FOR DECLARATION OF AIRSIDE SERVICES
AT SYDNEY AIRPORT

SUBMISSION TO THE NATIONAL COMPETITION COUNCIL

February 2003
1. INTRODUCTION

The Board of Airline Representatives of Australia Inc. (BARA) is the industry association representing the interests of international airlines operating to and from Australia. BARA has been established as an incorporated body for fourteen years. Prior to that BARA operated for many years as an unincorporated body.

BARA aims to establish a recognised means of communication between member airlines and statutory and other organisations whose interests and actions influence or affect member airlines and the aviation industry. Its purpose is to act on issues affecting the aviation industry in Australia and to provide a single concerted voice on policy and other matters when dealing with the Federal and State governments and other aviation industry stakeholders.

BARA’s membership currently comprises 42 scheduled airlines, including both the domestic inter-state airlines. BARA members have a keen interest in access, service delivery and pricing issues at Australia's capital city and major regional airports.

2. BACKGROUND

BARA represents most of the airline carriers using Sydney Airport. BARA members presently provide over 95% of the international passenger flights to and from Sydney, 100% of the domestic interstate flights and more than 50% of the regional flights. Most BARA members operating scheduled passenger services also engage in large scale freight operations to and from Sydney Airport.

Sydney Airport is of vital importance to regional, domestic and international airlines and airline travellers in Australia. Sydney is the major destination in Australia for both domestic and international airline travellers. It is also the prime port of departure for Australians travelling overseas. The capability of the airlines to provide high quality services to their passengers at an affordable price depends upon the effective and efficient operation of Sydney Airport and access to airport facilities on fair and reasonable commercial terms.

Sydney Airport is also important to the economic prosperity of the city of Sydney and Australia as a whole. It is the primary international gateway for tourists and business travellers, with over 9 million international traveller arrivals and departures in 2002.

It is, therefore, vital that Sydney Airport be operated at world's best practice and that investment be undertaken to expand capacity when it is efficient to do so. It is also vital that Sydney Airport be restrained from taking advantage of its market power in pricing aeronautical services and in placing onerous commercial and operational conditions on airlines seeking to deliver aviation services to their passengers.

3. DEFINING THE SERVICE

BARA notes that the Virgin Blue application relates to the Airside Service defined as:

"... the use of runways, taxiways, parking aprons and other associated facilities necessary to allow aircraft carrying domestic passengers to -

(i) take off and land using the runways at Sydney Airport; and
(ii) move between the runways and the passenger terminals at Sydney Airport."

In order to deliver aviation services to their passengers, airlines require Sydney Airport to provide specific facilities and assets. Airlines also require other organisations to provide specific facilities and assets on site at the airport.

3.1 THE NATURE OF THE SPECIFIC FACILITIES AND ASSETS REQUIRED TO PROVIDE THE AIRSIDE SERVICE

The specific facilities and assets that are required by airlines for the delivery of the Airside Service by Sydney Airport are:

(i) airside grounds, runways, taxiways and aprons;
(ii) airfield lighting, airside roads and airside lighting;
(iii) aircraft nose-in guidance systems; and
(iv) visual navigation aids.

The above categories of facilities and assets comprise the "runways, taxiways, parking aprons and other associated facilities" referred to by Virgin Blue in its application. They are supplied by Sydney Airport and part of the aeronautical charge levied by Sydney Airport on airlines recovers the full cost - comprising operating costs, return of capital and return of capital - associated with their supply.

However, in order to deliver aviation services to their passengers, airlines also require airside access at Sydney Airport to facilities and assets capable of providing:

(i) air traffic control services;
(ii) aviation rescue and firefighting services;
(iii) refuelling services;
(iv) ground handling services, including cleaning services; and
(v) catering services.

Sydney Airport does not supply all of the facilities and assets necessary for the provision of the above services. Rather they mostly are supplied by other organisations. Airservices Australia is the monopoly provider of air traffic control and aviation rescue and firefighting services. Refuelling, ground handling and catering services are provided by private sector corporate entities in accordance with contractual arrangements entered into by the service provider and the airline. However, in the case of refuelling services, Sydney Airport does supply under licence to the refuellers the fuel pipelines necessary to transport fuel to aircraft on the apron. The refuellers meet the full cost of those assets as part of their licence fee. Sydney Airport also supplies facilities and assets required for environmental management, including fuel spills. The airport operator recovers from airlines, as part of the aeronautical charge, the entire cost associated with the supply of those facilities and assets.

3.2 SHOULD THE COMPONENTS MAKING UP THE AIRSIDE SERVICE BE CONSIDERED "SERVICES" IN THEIR OWN RIGHT FOR THE PURPOSE OF PART IIIA?

BARA maintains that all components making up the Airside Service should be the subject of Part IIIA of the Trade Practices Act (TPA). It is immaterial, for example, that the services provided by the airport operator are the subject of other legislation, such as the Airports Act 1996. The mere fact that legislation may exist to ensure the delivery of the Airside Service
does not ensure that airlines will be granted reasonable access conditions to the airport's natural monopoly infrastructure.

Given the above, it is BARA's view that the Airside Service as a whole should be considered for the purpose of Part IIIA. Airlines cannot deliver aviation services to their passengers without access to the entire Airside Service provided by Sydney Airport. Therefore, the bundling of the components into one service for the purpose of Part IIIA is appropriate.

3.3 **TO WHAT EXTENT IS THE DEFINITION OF AIRSIDE SERVICE GENERALLY UNDERSTOOD AND ACCEPTED WITHIN THE AVIATION INDUSTRY IN COMMERCIAL AND REGULATORY CONTEXTS?**

*Airside Service* is not an unambiguously defined term. The term *Airside*, however, has a generally accepted and understood meaning in the aviation industry. The International Civil Aviation Organisation defines Airside as "The movement area of an aerodrome, adjacent terrain and buildings or portions thereof, access to which is controlled." To the best of BARA's knowledge, the term *Airside* is not defined in any Australian legislation or associated regulations.

Given the ICAO definition of *Airside*, it would be reasonable to assume that *Airside Service* would refer to the activities associated with the access, movement and servicing (refuelling, catering and cleaning) of an aircraft within the *Airside* precinct.

**4. THE FACILITY PROVIDING THE SERVICE**

4.1 **WHAT IS THE MINIMUM BUNDLE OF ASSETS REQUIRED TO PROVIDE THE AIRSIDE SERVICE?**

This matter is addressed in section 3.1 above.

4.2 **THE EXTENT TO WHICH PASSENGERS AND FREIGHT CAN BE LOADED AND UNLOADED FROM POINTS AT SYDNEY AIRPORT OTHER THAN DIRECTLY TO/FROM THE PASSENGER TERMINALS?**

Procedures for safe and efficient operations at airports are set down in airport operations manuals prepared by the airport operator. The airport operations manual addresses the activities of the airlines and the airport operator and others who have a need to be airside.

It is operationally possible for the loading and unloading of passengers and freight to be undertaken at points other than passenger terminals and for each of the parties to meet the requirements of the airport operations manual. However, it is highly likely that efficiency and service standards would fall if these functions were performed at sites remote from the passenger terminal. It is also likely that additional assets would be required to operate in this way. For example, airports would require additional apron space in order to accommodate aircraft parking remote from the passenger terminal.
5. **Provider of the service**

5.1 **The nature of the lease arrangements between Qantas and SACL for use of land at Sydney Airport**

BARA is unable to comment on the nature of the lease arrangements between Qantas and SACL for the use of land at Sydney Airport. The details of such commercial arrangements are confidential and are known only to Qantas and SACL.

6. **That it would be uneconomical for anyone to develop another facility to provide the service**

Sydney Airport is the only major airport serving the Sydney basin. The development of a second major airport has been on the political agenda for more than 50 years. Although the Commonwealth Government has nominated Badgerys Creek as the site for a second major airport serving the Sydney basin and has set aside land for that purpose, a number of matters are clear.

First, there is no prospect that Sydney Airport will cease to be the primary airport serving the Sydney basin. Even if an additional airport is built in the Sydney basin it will act as an overflow from Sydney Airport and will not be an effective substitute for Sydney Airport.

Second, decisions concerning the location, timing and capacity of a second airport in the Sydney basin have been and will continue to be driven by political considerations related to a range of environmental, social and economic issues. Decisions regarding a second airport in the Sydney basin will be imposed on the community by government.

6.1 **Have there been any developments in the aviation and airports sectors since the Sydney Airport decision in 2000 that may lead to the conclusion that Sydney Airport no longer exhibits natural monopoly characteristics?**

There remains no prospect for airlines to be able to bypass Sydney Airport or for the replication by private interests - other than in accordance with the lease arrangements for Sydney Airport between the Commonwealth and the Southern Cross Airports Group - of an airport facility to service Sydney. The reasons that such bypass or new entry are not viable are many and complex, but include:

(a) the construction of an airport requires the acquisition of a large amount of land and it is very difficult for the required quantity of land to be acquired by private interests in reasonable proximity to capital cities, and

(b) there are substantial regulatory approvals required to construct and operate an airport that effectively prevent the construction of an airport by private interests without full government endorsement and backing.

Accordingly, Sydney Airport has the capacity to exercise complete monopoly power and will continue to hold that power into the future.
6.2 Are there any other reasons why the Sydney Airport decision finding that it would be uneconomic to develop another such airport should not be applied in the case of Virgin Blue's application?

For the reasons outlined above, BARA maintains there are no reasons why the Sydney Airport decision finding that it would be uneconomic to develop another such airport should not be applied in the case of Virgin Blue's application.

7. That access (or increased access) to the service would promote competition in at least one market (whether or not in Australia), other than the market for the service

BARA member airlines operating to Sydney Airport offer a range of product types and serve a broad cross section of markets via different routes. On long haul routes to Europe and North America, airlines can offer a full range of travel products from premium services to budget travel requirements. On shorter routes to leisure destinations in the Pacific and Asia, airlines generally provide a more restricted range of travel products.

Because of the markets served via long haul routes, there is demand for airlines to cater for the requirements of business passengers and premium leisure passengers. As a result of those full service passengers, long haul routes generally offer the opportunity to achieve higher yields and demonstrate a somewhat lower price elasticity of demand than experienced on short haul routes almost exclusively servicing leisure destinations. On to the shorter haul leisure routes airlines generally face lower yields and higher price elasticity of demand. These routes compete with domestic leisure destinations in attracting their passenger base.

Consequently, any increase in charges for the airside service at Sydney Airport will have differing net effects on different airline markets depending on a range of economic circumstances, including the nature of the market served. Any increase in the charges for the airside service at Sydney Airport will have a relatively greater adverse effect on those routes where airlines experience lower yields and higher price elasticity of demand. Those airlines will be under greater economic pressures to exit the market they service in the event that the charges for the airside service at Sydney Airport are increased.

Section 10 below sets out the nature of the access regime confronted by airlines operating to Sydney Airport. At the present time that access regime does not prevent SACL from exercising market power in setting charges for the airside service. There is no requirement for SACL to charge airlines for the airside service based upon the efficient cost of delivering the service.

It was noted above that it is vital that Sydney Airport be operated at world's best practice and that investment be undertaken to expand capacity when it is efficient to do so. Similarly, it is vital that the charge for the airside service at Sydney Airport should reflect only the efficient cost of delivering the service. In this way, airline passengers in Australia will be assured of the greatest possible choice of airline operators and markets at competitive ticket prices.
8. **That the facility is of national significance, having regard to**

   (i) **the size of the facility, or**

   (ii) **the importance of the facility to constitutional trade or commerce, or**

   (iii) **the importance of the facility to the national economy**

Sydney Airport is, arguably, the single most important piece of economic infrastructure in Australia. It was noted in section 2 above that Sydney Airport is of vital importance to regional, domestic and international airlines and airline travellers in Australia. Sydney is the major destination in Australia for both domestic and international airline travellers. It is also the prime port of departure for Australians travelling overseas.

Sydney Airport is also important to the economic prosperity of the city of Sydney and Australia as a whole. It is the primary international gateway for tourists and business travellers, with over 9 million international traveller arrivals and departures in 2002. Sydney Airport is also the major gateway to Australia's largest city and business community.

Although the economic importance of airports is difficult to quantify, the Federal Airports Corporation expressed the view that:

   *Sydney Airport plays a key role in the economic and social well being of Sydney, NSW and Australia. It is the gateway for a booming tourism industry, a growing international business capability and a significant contributor to trade in Australia.*

   *Sydney Airport is an economic hub and proudly supports the employment of some 66,500 jobs directly and indirectly, approximately 8% of Sydney’s total workforce.*

   *International travel for both inward and outward travellers has an enormous impact on the well being of the Sydney community.*

   *(FAC 1997 Statement of Evidence to the Parliamentary Standing Committee on Public Works, April, 1997, page 35.)*

Similarly, the State Chamber of Commerce (New South Wales) has expressed the view that Sydney Airport:

   *... is the single most important piece of transportation infrastructure in Australia and plays a strategic role in the economy of Sydney and the nation.*

   *(State Chamber of Commerce (New South Wales) Kingsford Smith Airport The Economic Impact, page 2.)*

It also notes:

   *The efficiency and effectiveness of Sydney International Airport is of fundamental importance if Sydney is to maintain a comparative advantage as a place to do business.*

   *(State Chamber of Commerce (New South Wales) Kingsford Smith Airport The Economic Impact, page 7.)*
It is therefore vital that Sydney Airport be operated at best practice and that investment be undertaken to expand capacity when it is efficient to do so. It is also vital that Sydney Airport be restrained from taking advantage of its market power in pricing aeronautical services. Failing to do so would be to the detriment of the airlines, airline travellers, ‘meeters and greeters’, the city of Sydney and the economy of NSW.

9. **THAT ACCESS TO THE SERVICE CAN BE PROVIDED WITHOUT UNDUE RISK TO HUMAN HEALTH OR SAFETY**

The Sydney Airport Conditions of Use require airlines, when using the airport, to comply with inter alia:

(a) all legislation,
(b) the SACL Airport Operations Manual,
(c) the SACL Airport Security Program,
(d) local flying restrictions,
(e) directions on security from the Commonwealth Department of Transport and Regional Services.

The Conditions of Use also require that airlines will not do anything that puts SACL in breach of any legislation and that airlines accept that:

(a) access to SACL facilities and services is subject to the demands of other users of the airport, and
(b) use of the airport is constrained by legislation.

BARA submits that the wider legislative provisions governing the use of Sydney Airport by airlines and the airport operator ensure that access to the service can be provided without undue risk to human health and safety.

10. **THAT ACCESS TO THE SERVICE IS NOT ALREADY THE SUBJECT OF AN EFFECTIVE ACCESS REGIME**

Airlines' access to Sydney Airport is affected by a number of existing regulations, agreements and arrangements. These include:

(a) government regulations affecting the operation of Sydney Airport,
(b) the SACL Conditions of Use, and
(c) the ACCC decision (May 2001) regarding the level and structure of aeronautical charges at Sydney Airport.

It is noted the Government has advised that, in the event that airport operators abuse their market power, the Government will review its policy of monitoring prices for aeronautical services and, potentially, reintroduce price regulation. However, BARA maintains that this policy position does not constitute a genuine component of the currently operative Sydney Airport access regime.
10.1 Government regulations affecting the operation of Sydney Airport

Sydney Airport is subject to a number of government regulations that affect its operation. These regulations affect aircraft movements and the use of airport land.

10.1.1 Restrictions on aircraft movements at Sydney Airport

The Sydney Airport Curfew Act 1997, Long-Term Operating Plan (LTOP), Sydney Airport Demand Management Act 1997 and the Slot Management Scheme 1998 place restrictions on aircraft movements at Sydney Airport. Each of these arrangements is a limiting factor on access by international airlines to Sydney Airport. None of the arrangements promote access to the airport.

**Curfew**

There is a curfew on aircraft movements between 11pm and 6am. Outside these times, aircraft movements are constrained to 80 scheduled movements per hour. This compares to the physical capacity of the airport under normal operating conditions of potentially up to 100-105 (ie an additional 30%) movements per hour.

**LTOP**

During non-peak hours, the LTOP for Sydney Airport requires that the airport be operated in various ‘noise sharing’ modes. LTOP is an administrative Direction to Airservices Australia by the Minister of Transport and Regional Services. Noise sharing modes normally operate between 11.00 am and 3.00 pm, and 8.00 pm and 11.00 pm. There is a range of noise sharing modes involving different distributions of traffic over Sydney.

**Slot management scheme**

Slots at Sydney Airport are allocated by Airport Co-ordination Australia in accordance with the Slot Management Scheme approved by the Minister under the Sydney Airport Demand Management Act. Slots are allocated by season – Northern Summer and Northern Winter.

The main features of the Scheme are:

- historical precedence: existing users of a slot have the first right of refusal for the slot in the next year;
- ‘use it or lose it’: if a user does not use its slot (or a group of slots) 80% of the time during the season, then it loses historical precedence to the slot;
- ring-fencing of regional slots: slots used for a regional service become part of the regional pool. If a regional slot becomes available, then regional operators have first right of refusal to the slot. A regional slot does not leave the regional pool unless it has not been used by a regional operator for two consecutive years;
- new entrant allocations: in the event that there is excess demand for slots, slots are allocated to new entrants and then to existing airlines in turn. This means that at least 50% of those remaining are allocated to new entrants.
10.1.2 Restrictions on the use of land: Airports Act 1996 and Sydney (Kingsford-Smith) Airport Lease

Besides restrictions on movements, there are also legal restrictions on the use of land at Sydney Airport.

Section 31(2) of the Airports Act 1996 states:

*In the case of an airport other than a joint-user airport, the company has, by force of this sub-section, an obligation to use the airport site concerned as an airport.*

Section 32(1) also states:

*An airport-operator company for an airport (other than a joint-user airport) must not carry on substantial trading or financial activities other than:*

(a) activities relating to the operation and/or the development of the airport;
(b) activities incidental to the operation and/or development of the airport; or
(c) activities that, under the regulations, are treated as activities incidental to the operation and/or development of the airport.

This restriction on the use of the land is also a condition of the *Airport Lease for Sydney (Kingsford Smith) Airport* between the Commonwealth and SACL (Lease). The Lease is for a term of 50 years commencing on 1 July 1998 with an option to extend for a further 49 years. The Lease stipulates that the lessee must at all times *subject to sub-clause 19.5 (which relates to force majeure events), provide for the use of the Airport Site as an airport*. For the next 97 years, the airport site may only be used as an airport.

Furthermore, under section 18 of the Airports Act 1996, the leases for Sydney Airport and Sydney West Airport (Badgerys Creek) cannot be granted or transferred unless the lessees are subsidiaries of the same company. In other words, Sydney Airport and Sydney West Airport cannot be leased to different lessees.

The effect of the Airports Act 1996 and the Airport Lease for Sydney (Kingsford Smith) Airport is to lock in the ownership of Sydney Airport and the only possible long term alternative to Sydney Airport into one entity only. This outcome also places potential serious constraints on access to Sydney Airport (and alternative airport facilities) by international airline operators.

10.2 SACL Conditions of Use

The SACL Conditions of Use grants airline operators access to Sydney Airport on terms specified by SACL. The Conditions of Use document is not a commercial agreement between the parties. The Conditions of Use:

(a) may be varied unilaterally by SACL, subject only to SACL giving specified notice of the variation,
(b) allow SACL to unilaterally vary charges for airlines' use of the airport, subject only to SACL giving specified notice of the variation,
(c) allow SACL to unilaterally deny an airline access to the airport in the event that the airline does not comply with any one of the terms of the Conditions,
allow SACL to order an airline operator to move an aircraft or remove an aircraft from the airport,
release SACL from any liability for loss or damage or personal injury suffered by an airline operator,
make airline operators liable for any damage or personal injury suffered by SACL,
make no representation or warranty in connection with the use of the airport,
do not commit SACL to service levels to a specified standard, and
provide only for negotiation and mediation in the event of a dispute, but do not provide for arbitration in relation to commercial arrangements such as pricing levels and principles.

In the same way as the government regulations affecting the operation of Sydney Airport, the SACL Conditions of Use is a restrictive document. It focuses on the rights of SACL and the obligations of airline operators in the access regime applicable at the airport.

10.3 The ACCC decision (May 2001) regarding the level and structure of aeronautical charges at Sydney Airport

In May 2001 the Australian Competition and Consumer Commission (ACCC) established a pricing methodology and price levels for aeronautical services at Sydney Airport. As a result of the ACCC decision aeronautical charges increased on average by about 97%. SACL had sought an increase in aeronautical charges of about 130%. The ACCC deemed economically efficient aeronautical prices at Sydney Airport to be about three quarters the level sought by SACL.

Since the time of the ACCC decision SACL representatives and airline representatives have been engaged in consultations about SACL capital expenditure proposals and the consequent effects of those expenditures on aeronautical charges. BARA has become increasingly concerned about the pricing principles assumed by SACL in those consultations and SACL's practice of seeking to include the costs of all capital expenditures in the value of assets adopted for charging for aeronautical services.

As the consultations between SACL and airlines have progressed it has become increasingly unclear exactly what aeronautical services and assets are included in the aeronautical charges established as a result of the ACCC decision of May 2001 in relation to the SACL aeronautical pricing application.

It appears that the SACL capital expenditures considered in the consultative process fall into three broad categories:

(a) expenditure on new assets,
(b) expenditure on replacement of assets rendered not fit for purpose due to changes Australian Standards, and
(c) expenditure on replacement and "rejuvenation" of existing assets which, for reasons other than changes to Australian Standards, are no longer fit for purpose.

BARA acknowledges that, in the case of expenditure on new assets, SACL is entitled to use the pricing methodology established by the ACCC in its May 2001 decision to adjust aeronautical charges. BARA also acknowledges that, in the case of assets having to be replaced as a result them being rendered not fit for purpose due to changes to Australian Standards, SACL is also entitled to use the pricing methodology established by the ACCC in its May 2001 decision to adjust aeronautical charges.
However, BARA does not accept that SACL is entitled to increase aeronautical charges as a result of capital expenditures falling into category (c) above. BARA believes that the existing aeronautical charges already meet the cost to SACL of providing these assets. Hence, the adjustment upwards of aeronautical charges to account for the value of the replacement or "rejuvenation" expenditures amounts to a double-dip by SACL. SACL's adoption of this practice means that airlines are paying twice for the same asset.

This outcome arises as a result of the methodology adopted for valuing SACL's existing asset base in the ACCC's May 2001 pricing decision. The Optimised Depreciated Replacement Cost (ODRC) methodology, as the SACL Draft Aeronautical Pricing Proposal explains, generally assesses asset values "as the cost of replacing or replicating the service potential embodied in existing aeronautical assets, with modern equivalent assets, in the most efficient way practicable given the service requirements, the age and condition of the existing assets and replacement in the normal course of airport operations" (page 4-6). According to the SACL Draft Aeronautical Pricing Proposal:

"ODRC is calculated based on the gross replacement cost of modern equivalent assets, adjusted for over design, over capacity and redundant assets, less an appropriate allowance for depreciation, and periodic maintenance where appropriate, to arrive at the ODRC." (page 4-6)

The SACL Draft Aeronautical Pricing Proposal also advises that:

"Optimisation assumes that the facilities are replaced with new facilities providing equivalent service, capacity or functionality, using current materials and construction techniques in the most efficient manner, taking into account the constraints of the existing site and the need to maintain existing operations." (page 4-6)

Therefore, all assets included in the SACL asset base and upon which the May 2001 price decision was based, are deemed fit for purpose and have been valued as if they are fit for purpose. BARA submits that, where it is subsequently assessed that an asset is not fit for purpose, then it is the responsibility of SACL to replace or "rejuvenate" that asset at no further cost to airlines. Only maintenance expenditures are a valid cost for the purposes of determining aeronautical charges.

Under the existing access arrangements applicable at Sydney Airport there is no avenue for airlines to seek arbitration on the issues outlined above. There is no enforcement process to protect airlines against SACL adopting inappropriate pricing principles and imposing excess charges on airlines.

10.3 Do any of these arrangements amount to an effective access regime?

BARA submits there is no effective access regime applicable for Sydney Airport. The access regime applicable for Sydney Airport fails the requirements of the Competition Principles Agreement on at least two counts.

First, the current access regime does not provide for an enforcement process.

Second, the current access regime does not require a dispute resolution body, in deciding the terms and conditions for access, to take account of:

(a) the owners legitimate business interests and investment in the facility,
(b) the costs to the owner of providing access, including any costs of extending the facility but not costs associated with losses arising from increased competition in upstream or downstream markets,

(c) the economic value to the owner of any additional investment that the person seeking access or the owner has agreed to undertake,

(d) the interests of all persons holding contracts for the use of the facility,

(e) firm and binding contractual obligations of the owner or other persons (or both) already using the facility,

(f) the operational and technical requirements necessary for the safe and reliable operation of the facility,

(g) the economically efficient operation of the facility, and

(h) the benefit to the public of having competitive markets.

11. THAT ACCESS (OR INCREASED ACCESS) TO THE SERVICE WOULD NOT BE CONTRARY TO THE PUBLIC INTEREST

BARA submits that access (or increased access) to the airside service at Sydney would not be contrary to the public interest. It is worth noting that, in the absence of any mechanism for declaration and subsequent to the Government's acceptance of the PC recommendation to implement price monitoring of aeronautical services at core regulated airports, the charges for those services for international airlines increased by:

- Brisbane Airport 50%
- Melbourne Airport 40%
- Perth Airport 70%
- Adelaide Airport 100%
- Darwin Airport 50% (est.)*.

* Subsequently reduced to about a net 35% increase.

Under the current access regime at Sydney Airport there are no constraints on the rate of increase in the charges for the airside service that may be imposed by SACL. All future increases in charges for the airside service will flow through to airline passengers as increased ticket prices.

12. DURATION OF DECLARATION

BARA submits that an appropriate duration for any declaration of the Airside Service would be one that mirrors the duration of the price monitoring arrangements for airports implemented by the Government in response to the recommendations of the PC report on Price Regulation of Airport Services. By mirroring the duration of the airports' price monitoring arrangements the behaviour of SACL could be reviewed and assessed at the same time as that for all other airport operators and new or amended pricing arrangements could be implemented for all airports or for particular airports as required.