



Mr Anthony Wing  
General Manager  
Transport and General Prices Oversight Branch  
Australian Competition and Consumer Commission  
GPO Box 520  
MELBOURNE VIC 3001

Dear Mr Wing,

**Sydney Airport Corporation Limited  
Price Notification for Regional Air Services 2010**

**The RAAA and its Members**

The Regional Aviation Association of Australia (RAAA) was formed in 1980 as the Regional Airlines Association of Australia to protect, represent and promote the combined interests of its regional airline members and regional aviation throughout Australia.

The Association changed its name in July 2001 to the Regional Aviation Association of Australia and widened its charter to include a range of membership, including regional airlines, charter and aerial work operators, and the businesses that support them.

The RAAA has 26 Ordinary Members (AOC holders) and 49 Associate/Affiliate Members. The RAAA's AOC members directly employ over 5,000 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turnover more than \$1b, carry well in excess of 2 million passengers and move over 23 million kilograms of freight.

RAAA members operate in all States and Territories and include airlines, airports, engineering and flight training companies, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional areas.

Some examples of RAAA members' presence in regional Australia is the REX hub in Wagga Wagga, SkyWest in WA, Sharp Aviation in Hamilton, Kimberley Aviation at Broome, Airnorth, Chartair and Vincent Aviation Northern Territory networks, West Wing Aviation in Mt Isa and Skytrans operations from Cairns, to name a few.

*Serving regional aviation, and through it, the people and businesses of regional Australia*

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## **RAAA Charter**

The RAAA's Charter is to promote a safe and viable regional aviation industry. To meet this goal the RAAA:

- promotes the regional aviation industry and its benefits to Australian transport, tourism and the economy among government and regulatory policy makers;
- lobbies on behalf of the regional aviation industry and its members;
- contributes to government and regulatory authority policy processes and formulation to enable its members to have input into policies and decisions that may affect their businesses;
- encourages high standards of professional conduct by its members; and
- provides a forum for formal and informal professional development and information sharing.

The RAAA provides wide representation for the regional aviation industry by direct lobbying of Ministers and senior officials, through parliamentary submissions, personal contact and by ongoing, active participation in a number of consultative forums.

## **Submission to ACCC regarding Sydney Airport Corporation Limited Price Notification for Regional Air Services**

- Regional airlines provide vital services to the Australian travelling public and along with regional airports are a key part of Australia's essential economic infrastructure. Regional airlines are a key driver within the domestic economy ensuring rapid mobility for workers, on-time service and freight delivery, and transporting many thousands of citizens and tourists across vast distances.
- Sydney Airport provides a very important service and is also a key part of Australia's essential economic infrastructure. Reasonable access to Sydney Airport is essential to the success of Australia's economy.
- Sydney Airport has various constraints applying including a curfew, a slot system and must manage its runway, taxiway and apron parking capacity.
- Recognising the importance of ensuring regional air services continue to operate at Sydney Airport, the Australian government has for many years applied regulatory controls to protect regional air services' access to Sydney Airport – including protected slots (in peak and non-peak times) and pricing controls.

- Sydney Airport was sold in 2000 to purchasers who were fully aware of the regional protections applying and the Federal government's clear commitment to maintaining those protections. They entered the purchase it is presumed with full knowledge and forethought.
- The regulatory protections are intended to shield regional air service providers to ensure they can continue to operate – thereby making arguments based on a cost recovery model very problematic, possibly irrelevant. As a general comment, it does not appear Sydney Airport is suffering from a minimal return on its overall investment having posted a record profit for the first 6 months of this year. These profits are unlikely to diminish if current arrangements remain in place.
- T2 is a shared terminal handling both domestic and regional operations. It is questioned whether the major domestic operators (some of whom are also major regional operators) pay prices according to the published schedule (COU) and whether comparisons between the domestic and regional published prices really reflect actual pricing outcomes of airline customers. If the ACCC is considering an increase in pricing, it would need to be based on the actual pricing charged for all users of Sydney Airport, not just the smaller regional airlines that are not part of larger airline groups. An assessment of pricing on a cost recovery or return on investment model (which we do not support for the reasons above) would need to include actual outcomes for all operators. This would mean an analysis by the ACCC of all the pricing regimes SACL has in place with all its airline customers, not just the independent regional airlines.
- Sydney Airport's notification to the ACCC of a proposed increase in prices should include prices for all aeronautical services and facilities provided to regional air service providers – including apron parking in the General Aviation (GA) area. Prices in the GA area have been increased substantially by Sydney Airport, effective from 1 July 2010 and it is proposed they will increase again substantially in each of the next two years. This increase was not notified to the ACCC and should at least be considered as part of this notification.
- Sydney Airport's notification appears to include an increase in the apron parking charge at T2 to \$36.01 per 15 minutes (after the first 45 minutes) which will be higher than the parking charge applying at the international terminal, T1. The notification also proposes to increase runway charges by \$0.10 per tonne but we query whether this will be equally applied to all domestic and regional operators.
- The current regional Terminal price is based on a model that included an assumption of 45 minutes for apron parking. Many regional operations turnaround in less than 45 mins and other operations are on the ground longer.

- Whilst the regional terminal price has not been increased since implemented, consideration of any adjustment would, as a minimum, need to include the effect of passenger growth on revenues. Passenger growth has been very strong since 2002 and has alone resulted in a considerable increase in passenger and terminal revenue at Sydney Airport.
- Analysis of the proposed increases relative to ticket prices and assumptions about what increases can be readily passed on to passengers cannot be reliably assessed across an entire industry and are not relevant in the context of an industry to which protections have been applied. Regional operators do not benefit from the economies of scale or financing solutions available to larger domestic and international operators and they are typically operating on extremely low margins – particularly during the past two years. The average return on investment for regional operators is in the order of 3-7%, and at the lower end over the last 24 months – no doubt considerably lower than Sydney Airport.
- Whilst the increases may appear small as presented by Sydney Airport, application to individual operators and their operations at Sydney will give rise to immediate and significant price increases that could threaten overall viability or the loss of some regional routes.
- Regional operators with smaller aircraft do not receive the same level of service at Sydney Airport as large domestic and international operators. They are required to park a considerable way from the terminal and need to bus passengers to and from the terminal requiring an additional cost to the operator.
- Regional operators cannot simply increase their passenger numbers and aircraft size in order to meet the preferences of Sydney airport. Airlines align their services to the market they service and do their best to increase numbers and maximise their own commercial opportunities. Leaving aside the question of passenger numbers, many smaller regional centres will not necessarily be able to accept larger passenger aircraft due to operational issues such as runway length, runway strength and new security requirements that impose large costs.
- Bankstown airport is not an alternate option for regional airlines. Even the smaller aircraft used by regional operators may not be able to take off and land at Bankstown with anything above minimal loads.

- The airline industry, including regional service providers, has made substantial efficiency savings over many years resulting in lower passenger prices. This has been achieved whilst facing unprecedented challenges including enormous price increases from airports and regulatory agencies, increased safety, security and environmental measures which have increased red tape and staffing requirements and impacted profitability; major limitations on bank financing; and huge increases on fuel prices and fuel excise. It should not be assumed that airport prices will over time inexorably go up. In fact, airports should be able to offer the sorts of savings airlines have been able to make. Given year-on-year passenger growth airports should actually reduce their prices over time. This last point should trigger careful analysis by the ACCC.

The RAAA would welcome any questions that the ACCC might have and can be available for meetings with any reasonable notice.

A handwritten signature in black ink, reading "Paul Tyrrell", is positioned above the typed name. The signature is written in a cursive, flowing style.

Paul Tyrrell  
CEO  
6 August 2010