
Prices

Final decision: Airservices Australia price notification

Airservices Australia is a statutory monopoly responsible for a range of functions including the provision of safe and environmentally sound air traffic management and related services.

In June 2003 the Commission announced its final decision to object to a pricing proposal from Airservices lodged under the *Prices Surveillance Act 1983*.

Airservices had proposed a general 6.95 per cent increase to uncapped terminal navigation and aviation rescue and fire fighting ports, to be temporary for the 2003–04 financial year. No price increases were sought for en route navigation.

The main reason for the Commission's objection to Airservices' pricing proposal was that Airservices has failed to develop a longer term approach to pricing. Instead, Airservices was seeking temporary price increases on the basis of short-term cost and activity forecasts.

The Commission considered that longer term pricing would:

- promote productive efficiency by encouraging Airservices to provide services at the lowest possible cost
- enhance dynamic efficiency as pricing cannot be simply adjusted to provide returns on investments the year after they are made
- involve risk sharing between Airservices and its users associated with changes in demand which should mean that Airservices will face better incentives to time investments efficiently.

The Commission was also concerned that Airservices' pricing proposal did not address issues previously identified by the Commission on related matters such as operating efficiency and asset valuation.

In such circumstances, the Commission considered it should object to Airservices' proposal. Were it to act otherwise, there would be little incentive for Airservices to resolve the issues identified, in particular working with its customers towards agreeing on a longer term pricing model.

