Submission No. 43.1 (Supplementary)

From: David Price [(

Sent: Monday, 3 October 2005 3:32 PM

To: Committee, JCPAA (REPS)

At the hearing of the JCPA enquiry into aviation security in Perth on 22 September 2005, I was asked the following questions which I took on notice:

- o Is WAC meeting it's capex obligations under the airport lease?
- o Has WAC ever deferred capex because of the cost of aviation security measures?

After making enquiries I am able to provide the following answers:

WAC has advised DOTARS that it expects to have exceeded its total 10 year Development Commitment by 30 June 2005 - ie: 2 years ahead of schedule.

To my knowledge, WAC has never defered capex because of the cost of aviation security measures. However, for at least part of the 5 years of ACCC regulation of aeronautical charges, which included security charges from 1997 to 2002, WAC generally sought to have other entities invest in the capital costs of security equipment because of the uncertainties of whether the ACCC would allow WAC to fully recover the costs (including a reasonable return on investment) from undertaking capital expenditure. It was not until 2000 that the ACCC published a final decision on the meaning of direct costs for the purposes of cost recovery of gov't mandated security arrangements.

This decision did not preclude airport operators from earning a rate of return (including a return to equity) on the capital investment however it did mandate that this return should be lower than the return on other aeronautical investments because of the lower risk of investments in security capex arising from airports re-balancing these charges annually to adjust for volume changes.

Your sincerely,

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Company Secretary

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