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FINAL DETERMINATION FOR AERONAUTICAL FEES AND CHARGES BY AIRPORT FIJI LIMITED

Date of Report: 30 SEPTEMBER 2010

1.0 BACKGROUND

Following the release of the determination on fees and charges for Airport Fiji Limited (AFL) on 7th April 2010, the Commission received a new submission from AFL on 5th July 2010 requesting for a review of the previous determination.

On 15 September 2010, the Commission also received a written submission from the Association of South Pacific Airlines (ASPA). On the same day a meeting between the representatives from ASFL and ASPA was also conveyed by the Commission at the Commission office and the views and grievances from both parties was noted.

On 16th September, 2010 the Commission wrote to Airports Fiji Limited to provide the Commission with the following:

1. Capital Investment Commitments for the next five years with clear timelines indicating the date of completion.
2. Board papers outlining the approval for these projects signed by the Chairman.
3. All programmes intended to be introduced by Airports Fiji Limited in order to improve the economic efficiencies of all services provided by it.

The Commission in a letter dated 17th September signed by the Chief Executive Officer and Chairman of Airports Fiji Limited received the following in response to the request by the Commission.

1. Capital Investment Commitments for three and half years commencing mid 2010 to 2013. (Annexure 1)
2. Confirmation that AFL is currently in the process of preparing the three year Corporate Plan from 2011 to 2013 as a requirement under the Public Enterprise Act. AFL has indicated that this plan will be approved by the Minister of Public Enterprises in the first quarter of 2011 and the draft and final copy of this plan will be forwarded to the Commission in the due course.
3. The Commission is invited to verify the CAPEX papers on site.
4. On the issue of the economic efficiency programme, of Airports Fiji Limited indicated the following:
 - Engagement of consultants to carry out a Job Evaluation Exercise.
 - Engagement of an audit firm for the development of the Enterprise Risk Management framework and to carry out internal audits on each process to ensure to policies and procedures and also to improve the processes.

2.0 FIJI COMMERCE COMMISSION AUTHORISED CHARGES

Noting the submissions from of Airports Fiji Limited and the Association of South Pacific Airlines (ASPA) and the Capital Investment Commitments by Airports Fiji Limited the Commission undertook the review of the authorised charges of the first determination released on 7th April, 2010. After analysing the Submissions from AFL and ASPA and through its independent computation and research, the Commission has authorised the following charges to be effective from 1st October, 2010:

1. Air Navigation Charges

The air navigation charge is also called En-route charge which is applied to all aircrafts flying in Nadi Flight information Region (FIR), whether landing or not.

AFL stated¹ that with the introduction of a proper user pay charging system, the En route services fee would be reduced by 18% to eliminate the cross subsidy between the FIR and the Terminal Area Service unit fee will be revised down.

Description	Current Tariff	Proposed Tariff [Is in interim use]					Commissions Authorized Tariff				
		Rates [valid from Sep 2008 to Aug 2013 for 5 years]					Rates [valid from Sep 2008 to Dec 2013 for 5 years]				
Enroute Service Unit fee	\$3.90	Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5
		Sep 08- Aug 09	Sep 09- Aug 10	Sep 10- Aug 11	Sep 11- Aug 12	Sep 12- Aug 13	Sep 08- Aug 09	Sep 09- Aug 10	Sep 10- Aug 11	Sep 11- Aug 12	Sep 12- Aug 13
		No change	\$3.68	\$3.56	\$3.45	\$3.45	No change	\$3.68	\$3.56	\$3.45	\$3.45

2. Terminal Navigation Fee

A Terminal Navigation Charge is paid for a flight in a terminal control area, control zone or flight information zone of an aerodrome and using air traffic control services and or flight information service.

Description	Current Tariff	Proposed Tariff [Is in interim use]					Commissions Authorized Tariff				
		Rates [valid from Sep 2008 to Aug 2013 for 5 years]					Rates [valid from Sep 2008 to Dec 2013 for 5 years]				
Cost per MCTOW (International & Domestic)	NIL	Y1	Y2	Y3	Y4	Y5	Y1	Y2	Y3	Y4	Y5
		Sep 08- Aug 09	Sep 9- Aug 10	Sep 10- Aug 11	Sep 11- Aug 12	Sep 12- Aug 13	Sep 08- Aug 09	Sep 9- Aug 10	Sep 10- Dec 11	Jan 1-Dec 12	Jan 1 -Dec 31
		\$2.01	\$3.01	\$4.02	\$4.02	\$4.02	\$2.01	\$3.01	\$4.02	New determination to be released on 1 st January 2012	New determination to be released on 1 st January 2013

¹ Submission on Review of Fees and Charges, September 2008, page 40

3. Airfield Charges - Domestic Landing Fee

Domestic Landing fee is the landing charges, which based on the weight formula for domestic flights, using the Maximum Certificated Takeoff Weight (MCTOW) as indicated in the certificate of airworthiness.

Description		Current Tariff	Proposed Tariff [Is in interim use]					Commissions Authorized Tariff				
		Rates	Rates [valid from Sep 2008 to Aug 2013 for 5 years]					Rates [valid from Sep 2008 to Dec 2013 for 5 years]				
Cost per MCTOWS	Tonnage		Y1 Sep 08- Aug 09	Y2 Sep 9- Aug 10	Y3 Sep 10- Aug 11	Y4 Sep 11-Aug 12	Y5 Sep 12-Aug 13	Y1 Sep 08- Aug 09	Y2 Sep 9- Aug 10	Y3 Sep 10- Dec 11	Y4 2012 Jan 1-Dec 31	Y5 2013 Jan 1-Dec 31
			25% on CR	10% on Y1	5% on Y2	No change	No change	25% on CR	10% on Y1	5% on Y2	New determination to be released on 1 st January 2012	New determin to be released 1 st Janu 2013
	<15	\$1.75	\$2.19	\$2.41	\$2.53	\$2.53	\$2.53	\$2.19	\$2.41	\$2.53		
	15<25	\$2.85	\$3.56	\$3.92	\$4.11	\$4.11	\$4.11	\$3.56	\$3.92	\$4.11		
	25<50	\$4.15	\$5.19	\$5.71	\$5.99	\$5.99	\$5.99	\$5.19	\$5.71	\$5.99		
	50<	\$9.00	\$11.25	\$12.38	\$12.99	\$12.99	\$12.99	\$11.25	\$12.38	\$12.99		

4. Airfield Charges - International Landing Fee

International Landing fee is the landing charges, which based on the weight formula for international flights, using the Maximum Certificated Takeoff Weight (MCTOW) as indicated in the certificate of airworthiness.

Description		Current Tariff	Proposed Tariff [Is in interim use]					Commissions Authorized Tariff				
		Rates	Rates [valid from Aug 2008 to Aug 2013 for 5 years]					Rates [valid from Aug 2008 to Dec 2013 for 5 years]				
Cost per MCTOW	Tonnage		Y1 Sep 08- Aug 09	Y2 Sep 9- Aug 10	Y3 Sep 10- Aug 11	Y4 Sep 11-Aug 12	Y5 Sep 12-Aug 13	Y1 Sep 08- Aug 09	Y2 Sep 9- Aug 10	Y3 Sep 10- Dec 11	Y4 Jan 1-Dec 31	Y5 Jan 1-Dec 31
			25% on CR	10% on Y1	5% on Y2	No change	No change	25% on CR	10% on Y1	5% on Y2	New determination to be released on 1 st January 2012	New determin to be released 1 st Janua 2013
	<15	\$2.25	\$2.81	\$3.90	\$3.25	\$3.25	\$3.25	\$2.81	\$3.90	\$3.25		
	15<25	\$3.65	\$4.56	\$5.02	\$5.27	\$5.27	\$5.27	\$4.56	\$5.02	\$5.27		
	25<50	\$5.40	\$6.75	\$7.43	\$7.80	\$7.80	\$7.80	\$6.75	\$7.43	\$7.80		
	50<	\$11.40	\$14.25	\$15.68	\$16.46	\$16.46	\$16.46	\$14.25	\$15.68	\$16.46		

5. Aerobridge Charge

The aerobridge charges will be abolished from 1 September 2010.

The above authorised aeronautical fees and charges are subject to the following conditions:

- i. The fees and charge authorised by this Determination may be revoked or varied by the Commission in the event of any material change in government tariff or economic policy;
- ii. The fees and charges authorised by the Commission may be revoked or varied in the event that AFL failed to make material disclosure to the Commission;
- iii. The fees and charges authorised by the Commission may be revoked or varied in the event that the Commission considers upon a review that changed circumstance warrant a revocation or variation;
- iv. The determination of prices for the new aeronautical charges will be fully effective until 31 December 2011.
- v. AFL is required to furnish to the Commission Certificate of Completion of the projects completed from mid 2010 to December 2011 and other supporting documentation for its capital investment work in progress as per the appendix listing by 30 November 2011. The Commission will then determine the new aeronautic fees and charges to be effective from 1st January 2012. In the similar token Certificate of Completion and other supporting documents must be provided by end of November 2012 to determine new fees and chargers for 2013.
- vi. Airports Fiji Limited (AFL) must not introduce any new charges of vary any authorised charges without the Commission's approval.
- vii. Airports Fiji Limited (AFL) must supply to the Commission the report of the Job Evaluation Exercise and its plan of action to effect the recommendations from the report. AFL is also required to provide evidences of implementations of the recommendations from this exercise.
- viii. Airports Fiji Limited (AFL) must provide to the Commission the draft and final copy of the three year corporate plan as indicated in their letter dated 17th September, 2010 by not later than the first quarter of 2011.

Commissioners:

			
Dr. Mahendra Reddy	Leba Mataitini	Krishan Shah	Sepeti Tagilala
Chairman	Commissioner	Commissioner	Commissioner

Appendix 1

Mandatory CAPEX (\$Millions)	Year of Completion 2010	Year of Completion 2011	Year of Completion 2012	Year of Completion 2013
Nadi Airport				
Land Acquisitions		10.0		
Runway Strips			4.5	
New Apron			14.0	
Runway Shoulders			1.0	
Taxiway Strengthening		0.8		
Taxiway Shoulder widening		1.2		
Air Traffic Control Tower				3.0
VHF Communication System	2.5			
Message Handling system	2.0			
Expansion of Terminal Building		25.0	25.0	
New AC System			2.5	
Runway Overlay				50.0
ADSB Surveillance		3.4		
New Fire Truck				5.0
CCTV		2.5		
Perimeter fence upgrade/lighting		1.5		
Sub Total	4.5	44.4	47.0	58.0
Nausori Airport				
Land Acquisitions	2.5	5.0		
Runway Shoulders			0.8	
Runway Widening		3.0		
Drains & Pavement friction		0.7		
Approach Lights		0.8		
Road Diversions		3.0		
Apron, Taxiways			6.5	
International Terminal Building			14.9	
New Control Tower			3.0	
Perimeter fencing upgrade		1.0		
Sub Total	2.5	13.5	25.2	
Outer Island Airport				
Labasa -Land Acquisitions, Approach Lights, Runway extension			16.0	
Savusavu Terminal/runway extension	0.8		4.0	
Lakeba Runway		0.5		
Rotuma Runway		6.0		
Tavueni Runway & Terminal Building				6.0
Sub Total	0.8	6.5	20.0	6.0
Total	\$ 7.80	\$ 64.40	\$ 92.20	\$ 64.00

Source: AFL Letter to the Commission dated 17th September, 2010