

Ms Margaret Arblaster
General Manager-Transport and Prices Oversight
Australian Competition & Consumer Commission
Level 35
360 Elizabeth Street
Melbourne, VIC 3000

Dear Ms Arblaster,

Formal Notification of the price for a new service at Ayers Rock Aerodrome

Pursuant to Part VIIA of the Trade Practices Act (TP Act), this notification seeks the endorsement of the Australian Competition and Consumer Commission (Commission) for the pricing of a new aviation rescue & firefighting (ARFF) service at Ayers Rock Aerodrome.

Airservices Australia is required to provide ARFF services at Ayers Rock Aerodrome from 1 May 2004 to meet CASA regulatory obligations. The service will commence with temporary facilities on that date while work is undertaken over the next 7 to 8 months to construct and establish a permanent station and related infrastructure.

As you are aware, Airservices Australia is currently developing a longer term pricing proposal for all its regulated services which is due to be completed in the coming weeks. Until the key parameters underpinning that proposal are considered by the Commission under its usual assessment framework, we are seeking to establish a temporary price for the service to commence from 1 May 2004, rather than roll these costs into the long term arrangement.

We propose that this temporary price be set at a level that will recover the costs of the service, less the depreciation on the station and infrastructure that is yet to be built. When the longer term arrangement is finalised, the price for the service at Ayers Rock Aerodrome will be adjusted to reflect the full cost and an allowance for an appropriate return on the investment.

The proposed temporary price is \$13.09 (incl. GST) per tonne landed for aircraft with a maximum take off weight (MTOW) of 2.5 tonnes or greater. Aircraft with a MTOW of less than 2.5 tonnes are not charged for this service. The price for the permanent service under the longer term arrangement could be about \$17.70 depending on the Commission's evaluation of the return and permanent cost parameters.

Background information, including cost details, to support this notification is provided in Attachment 1.

Yours sincerely

Paul Logan
Manager Long Term Pricing Project

AIRSERVICES AUSTRALIA

Financial Strategy

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ADDITIONAL INFORMATION SUPPORTING PRICE NOTIFICATION

BACKGROUND

In May 2003 CASA introduced new regulations for Aviation Rescue and Fire Fighting CASRs 139 subpart H (139H). The regulations introduced new establishment and disestablishment criteria for ARFF. This allowed for the withdrawal of services from two locations but also requires the establishment of services at Ayers Rock Airport (Yulara).

CASR 139H requires an ARFF service to be provided at those airports that have reached 350,000 passengers per annum and at those locations that have international flights. The regulations require that once the figure of 350,000 has been reached a service must be provided within 12 months.

There have been more than 350,000 passengers per annum pass through the Ayers Rock Airport every year since 1996/97. For the 12 months to March 2003 DoTaRS reports 369,511 passengers.

Due to the size and frequency of aircraft the level of service required to meet the regulations is Category 6. Fire Station facilities will therefore need to cater for 3 fire vehicles. It is proposed that a crew of 5 fire fighters and officers provide the service on a fly in fly out arrangement (14 days on – 14 days off). Total staff required is 16, including fire station manager, relief staff and a technical officer for the vehicles.

To meet CASA's 1 May 2004 time frame, temporary services will need to be established. This will include temporary shelter for fire vehicles and transportable work-shop and office accommodation whilst the new facilities are being constructed. The anticipated commissioning date for the permanent fire station facilities is 30 November 2004.

DETERMINATION OF TEMPORARY PRICE

Costs

Based on the above requirements, a 5 year cost profile is at Attachment 2.

Activity

Activity levels have been estimated using airline schedule data for the 02/03 year as a base, and then applying 1% forecast growth.

The compound average growth in RPT passenger numbers and movements rates for the period 1997-98 to 2001-02 have been flat to slightly negative at -0.3% and -6.7% respectively.

Temporary Price

Based on these costs and the activity profile, the temporary price has been set at \$13.09 (incl. GST) per tonne for aircraft with a maximum take off weight (MTOW) of 2.5 tonnes or greater.

5 Year Forecast

Yulara (Ayers Rock Aerodrome) ARFF

	2004/05	2005/06	2006/07	2007/08	2008/09
Operating Costs					
Staff Costs	1,759,342	2,056,187	2,137,383	2,221,823	2,309,637
Combined Supp & Oper costs	808,467	828,375	848,780	869,693	891,129
Facility Maint & Mgt	12,829	13,305	13,799	14,312	14,843
Depreciation	173,788	180,217	180,217	186,645	258,074
Distributed Costs	297,497	308,540	319,993	331,872	344,191
Total Costs (excl. Int & tax)	3,051,924	3,386,625	3,500,172	3,624,344	3,817,873
Drivers					
Category (Main)	6	7	7	7	7
Staff Cost Drivers					
Staff numbers	16.00	18.00	18.00	18.00	18.00
Number of Trucks	3	3	3	3	3
Depreciation drivers					
Closing Asset Value	5,073,741	5,028,819	4,930,955	6,003,133	6,709,765

Temporary Price Calculation

Total Annual Cost	3,051,924
Less:	
Depreciation on facilities not yet built	131,243
Costs (excl. depreciation)	2,920,681
Forecast Activity	245,414
Cost per tonne	\$ 11.90
Temporary Price (incl. GST)	\$ 13.09

Cost categories include:

Staff Costs – salaries and salary related allowances and costs. These are costs incurred at the location.

Combined Supp & Oper costs – ARFF consumables (foam, dry chemicals, fuel for trucks and training, cleaning materials), general parts for R&M on equipment including trucks and breathing apparatus, property related and travel costs. These are costs primarily incurred at the location.

Facility Maint & Mgt – maintenance of ARFF systems. These are costs primarily incurred at the location.

Distributed costs – recruitment and training, fleet management and refurbishment, group management. These are costs incurred in other parts of the corporation on behalf of the location. The costs are allocated using an activity based costing methodology.