



Aeromil Group Response to ACCC Issue Paper  
Airservices Australia  
Draft Price Notification  
August 2004

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Government policy as enacted through its' Air Services Australia agency creates an anti competitive environment within the aviation industry in Australia.

- Small business operators on regional airports are required to pay levies, fees and charges for services not necessarily required for the safe operation of their business, supplied by a monopolistic bureaucracy over which it has scant opportunity to defend itself.

The Aeromil Group relocated its business to the Sunshine Coast Airport (Maroochydore) in 1995 from Sydney to develop future growth in a low cost environment. As a result of increased passenger numbers at Maroochydore we and our customers and future customers are threatened with massive charges never considered in our planning, for an ARFF service we do not require (Case A).

- Small business and big business (international and domestic airline operators) pay for the services at the same rate. Big business has the capacity to pass on the charge through ticket revenue and enjoy a powerful position with regard to lobbying government and influencing policy. So for regional operators to argue for network pricing versus the crippling location specific method is almost a waste of time (Case B).
- Capacity to pay is not a consideration in ASA planning for cost recovery, resulting in the continuing failure of small business to survive, in Australia. Look at the retraction of the regional airline industry. The loss of so many regional airlines throughout Australia is a damning statement as to how wrong this policy is. Without cross subsidy regional Australia will continue to lose air services (Case C).
- In our considered opinion government authorities/agencies do not have a reputation for reducing cost nor do the policies necessarily allow for same (Case D)



## SUMMARY

- Operators using Maroochydore Airport are threatened with financial stress as a result of the ASA methodology of charging an ARFF service on a landed tonnage basis. The service and the charge resulting from a federal government requirement to adhere to an international treaty. Not because safety is threatened or because operators require the provision of an ARFF service.
- The policy create an uncompetitive playing field in that:
  - a) Operators at Maroochydore will pay huge fees that are not levied on other airports used by competing businesses.
  - b) The amount of the increase at Maroochydore for the proposed pricing, including terminal, en route and ARFF service charges, is 425.7% over four years (currently \$8.46 rising to \$36.01 as from 01.07.2008). Yet Brisbane only 20 minutes to our south will increase by only 14.2% over the same period. (\$7.46 today increasing to \$8.52 as from 01.07.2008).
  - c) Policy does not allow ASA to modify its provision of services to allow it to operate a single shift to cover the major airlines arrivals and departures and thereby greatly reducing its cost of providing the service.
- By continuing the location specific charging policy the ASA is causing regional Australia to incur higher costs of air transport and air services which is insane when the nation is in need of greater regional development. In fact some services will be lost.
- The Aeromil Group seek a change in policy to allow for network pricing and ARFF service charges applying on a PAX seat basis for aircraft certified for 40 PAX seats and above.

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Robert S Hart  
Company Secretary  
Date: 09/09/2004



## CASE A

The Aeromil group of companies and our customers will pay not only increased terminal and en route charges but a huge new ARFF service charge to be introduced in fiscal years 2004/05. The provision of the highly skilled ARFF service is of absolutely no value to Aeromil group or its customers.

It is being introduced for one simple reason. That being the increase in passenger numbers generated by Virgin and Qantas/Jet Star exceeding 350,000 pax per annum. It is as simple to understand as that! The cost to provide the service when it is required and how it is recovered, is totally out of our hands. Appreciate that Virgin/Jet Star have not one dollar invested in payroll or infrastructure at Maroochydore yet reap a high return from their flights into and out of the port. AAS proposed charging policy takes none of that in to account. "Blind Freddy" can see that the costs are generated by a requirement triggered by PAX numbers. Why wouldn't the charge be related to PAX numbers??? Why would any cost recovery plan look to tonnage for a service required by PAX numbers???

As a typical example, consider Cessna Citation Bravo VH-XCJ. Aeromil sold this aircraft during 2004 to a businessman in Victoria who has a reason to travel to the Sunshine Coast on a regular basis. The owner has no need for ARFF services. Aeromil group look after the aircraft at Maroochydore and provide a full range of services to the owner. Based on the proposed ARFF service charge of \$15.29 per tonne landed in 2004 this will add an additional \$102.44 per visit to the cost of operation of the aircraft. This would cost only \$11.39 per visit if the aircraft landed at Brisbane and \$ nil at airports without ARFF service. Consider the position in 2008 \$150.01 at Maroochydore versus \$11.79 at Brisbane.

As the aircraft type increases in weight the anti competitiveness increases dramatically. The heavier Cessna Citation X compares as follows. To land at Maroochydore today - \$ nil, Oct 2004 - \$250.30, July 2008 \$366.52 (compared to Brisbane today - \$23.90, Oct 2004 - \$27.83, July 2008 - \$28.81.).

If this is allowed to happen the future loss of business revenue will damage the Aeromil Group substantially. Further more, it will make it much harder to sell the next business aircraft to be based at the Sunshine Coast Airport.



## **CASE B**

What ability to influence government policy does the Aeromil group have versus the combined international and domestic carriers? As a regional airline operator we see the ASA charging regime as stacked against regional Australia especially so when location specific pricing is core to the recovery plan. Why should a landing at Maroochydore cost more than at Brisbane when the ARFF service offered is no different? As long as it suits the major airlines to have location specific charges, rather than a network basis subsidizing regional ports, it appears to us that their power of persuasion far out ways ours.



## **CASE C**

It is clear to industry observers that the number of regional airlines, regional maintenance organizations and general aviation activity is in decline. This contraction of a major transport service industry should be alarming to government and regulators alike. The industry at Maroochydore does not have the capacity to absorb the increased charges nor the loss of business which will follow the introduction of the ARFF service charges. Nor do they have the ability to pass them onto customers. It is only the major airlines carrying passengers that can pass on the charge on a revenue seat basis. Allowed to continue, this ignoring capacity to pay, will see the economic collapse of a number of small businesses and the relocation to capital city airports by those who can justify the financial cost of so doing. This is economic and planning madness by ASA.



## **CASE D**

At Maroochydore the policy of ASA is that the ARFF service will be on duty whenever a scheduled revenue passenger flight arrives or departs the port. Our airline (Sunshine Express Airlines) departs a 19 seat (but we are weight limited to 17 seats) Metro III at 0630 and receive the aircraft at 2030. The major carriers operate between 0900 and 1700 hours. This policy requires two shifts per day to allow the rest to be operational for when our Metro departs and arrives. Yet until now there has never been a requirement for ARFF service for Metro operations at Maroochydore.

We seek a change to the requirement for ARFF service to apply only to aircraft certified for operation with 40 or more passenger seats. This simple decision will resolve the imminent financial debacle for the following important local small business operators:

- 1) Sunshine Express Airlines which is based at Maroochydore and currently services a network of ports that do not have ARFF service.
- 2) Singapore Flying College (SFC) who operate four Learjet 45 aircraft in training mode. SFC were attracted to Maroochydore airport following our successful proposal which in part was based on lower operating costs. SFC were in final negotiations to located at Parafield, South Australia or Essendon, Victoria prior to our representation. They have no ability to on charge their costs as they do not operate revenue flights.
- 3) Sunshine Coast Helicopter Rescue Service operate a community based rescue service relying on community funding. They do not charge for their rescue services.
- 4) Aeromech Pty Ltd provide aircraft maintenance services. Their customers current and future will be relieved of the ARFF service impost when flying into the airport for service work to be carried out.