

CHINA SOUTHERN WEST AUSTRALIAN FLYING COLLEGE PTY. LTD.



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13/09/04

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JANDAKOT AIRPORT AND
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Dear Ms Arblaster

China Southern West Australian Flying College is one of the largest flying colleges in Australia. We train students for China Southern Airlines at our bases at Jandakot and Merredin. There are a number of points that we would like to raise in relation to Airservices proposal to increase prices.

China Southern West Australian Flying College rejects the proposed increase to the landing fees at Jandakot Airport which are scheduled for introduction in October 2004. The projected increase from \$7.42 per tonne to \$12.69 per tonne in 2008/09 represents a 71% increase in fees. The proposal does not extend past this date and does not indicate what will occur after this.

China Southern rejects the concepts of location specific pricing and nil cross subsidisation as being illogical and unsustainable for general aviation (GA).

The price at all GAAP airports appears to be capped as there is no discrepancy between the GAAP airports over the life of this agreement. This leads to an impression of a National Network for GAAP airports.

In Airservices original consultation document the cost at Parafield was going to increase to \$100.40 / tonne, at Adelaide the cost was \$11.73 / tonne. In the new proposal dated August 2004, Parafield increases to \$7.42 / tonne and Adelaide is \$9.73 / tonne. This is a significant difference from the original proposal, and seems to indicate that there is significant cross-subsidisation in this proposal.

PROPOSED SOLUTION

China Southern proposes two solutions for a more equitable funding solution:

1. that the Federal Government accept that it has a Community Service Obligation to provide part funding for these towers, as they play a significant safety role for not only the pilots but their passengers and all persons and property under the flight paths. Therefore, the subsidy that the Federal Government has provided since the implementation of location specific pricing some 5 - 6 years ago should continue, but specifically as a commitment to their community service obligation; and
2. that Airservices Australia adopt a "network pricing" structure for Towered Airports, in lieu of location specific pricing. Airservices indicated to industry that the ACCC were against cross subsidisation, however in the "Issues Paper" put out by the ACCC it indicates that it is the aim of Airservices to avoid cross-subsidies. Advice received indicates that instead of increasing prices, the adoption of network pricing would actually reduce the cost to around \$6.90 per tonne at today's figures. The concept of network pricing does not appear to be contrary to Government policy, as this seems to be a similar concept used by other organisations such as Australia Post (ie it costs 50 cents to send a standard letter anywhere in Australia, which is not a true reflection of the processing and delivery costs) and also Telstra (ie the cost of a local telephone call).

CONSULTATION

China Southern must express concern at the consultative process used in the AsA Price Review. No GA organisation was involved in the process with only major airlines participating. The GA organisation (AOPA) approached by AsA is not representative of most businesses based at Towered Airports. The letter forwarded to organisations advising them of the proposals was dated 31st May 2004 and received by China Southern on 8th June. With a closing date for comment of 30 June 2004 only three weeks notice has been given to respond.

A meeting was held at Jandakot on 17th June 2004 of which we were notified by facsimile on the 9th June; only one weeks notice! Given that all businesses had their end of financial year issues to deal with, the very short timeframe given is inadequate to give properly researched responses.

However, it does need to be acknowledged that Mr Alastair Hodgson from AsA conducted the meeting in a very proactive and consultative manner. We nevertheless express concern that with the timeframes given the effectiveness of the consultation process as well as its impact on any meaningful change could be viewed with a fair degree of scepticism.

OVERVIEW OF ISSUES FACING GENERAL AVIATION

Whilst it is recognised that AsA does not have control over areas other than their specific business the proposal to increase fees does need to be viewed in context with the other issues that are facing every GA business within the same timeframe.

The Civil Aviation Safety Authority (CASA) has recently increased fees. Fees for Flying Operations Inspectors have increased from \$75.00 / hour to \$130.00 / hour, exam fees have increased from \$50.00 to sit 7 exams to \$40.00 / exam. There was **no** consultation prior to this. It now costs \$1050.00 / student to sit the CPL exams with no failures. These may well increase substantially more than that as they move to full cost recovery. Coupled with this is the impost of around \$220.00 each pilot is likely to face every two years for a security clearance.

Jandakot Airport is now privately owned and the airport owner (JAH) also charges for landings based on weight, including a touch and go fee. These fees have to be added onto the fee charged by AsA. Whilst there has been no indication that JAH will raise their fees along similar lines to AsA's proposal, it does need to be noted that costs associated with operating at Jandakot have increased significantly since privatisation.

CASA will be introducing the new CASR Part 61 Flight Crew Licences and Part 141 Flight Training Operators rules within this general timeframe. This will involve all flying schools being required to rewrite syllabi, Operations Manuals, implementation of Safety Management Systems and additional training of staff to be compliant with the new regulations. This will incur a significant cost to each organisation.

Fuel costs have doubled in the past few years. With increases also in rates and taxes up 49%, salaries up 21% and the continuing increase in superannuation and workers compensation contributions.

Our concern is that when all of the above factors are taken into account that these will have a significant affect on the viability of our business.

China Southern West Australian Flying College is a significant employer of instructors, engineers and support staff. We presently employ some 100 staff with the College planning on increasing from 120 graduates per year to 300 per year commencing in 2005. In order to increase the output, the College would be required to employ a significant number of new staff. However, we must remain competitive with other training organisations throughout the world or run the risk that this business will go to another organisation overseas. This would mean a significant amount of jobs would be lost and also a significant amount of export dollars lost.

In concluding, I would to thank you for taking the time to read our submission.

Yours sincerely

Qian Wei
Principal
China Southern West Australian Flying College