

SUBMISSION TO AUSTRALIAN COMPETITION AND CONSUMER COMMISSION ON THE ISSUES PAPER FOR AIR SERVICES AUSTRALIA DRAFT PRICE NOTIFICATION

Earlier submissions have been made by Maroochy Shire Council to Air Services Australia, Deputy Prime Minister, Queensland Senators and local members on the concerns that Maroochy Shire Council has with regard to the proposed TNC and ARFFS charges and the impact this will have on the Sunshine Coast Airport and its operators.

Consultation Process

In general the consultation process has been satisfactory, however more information could have been given to GA operators and others at regional airports because of the dramatic effects the charges will have.

Risk Sharing Arrangements

The Sunshine Coast Airport is experiencing rapid growth well ahead of the pricing model used and it is recommended that for the Sunshine Coast Airport six monthly reviews are carried out.

If there are any cost overruns these should be borne by AsA.

Any new technology or charges levied because of changes to government regulation should be phased in over a 5 to 10 year period after determination is made on whose responsibility it is to pay.

Operating Costs

The level of operating costs appears to be satisfactory, however, the distribution of these costs is a problem for regional airports as charges will be made to GA operations, training schools and passenger aircraft carrying less than 40 passengers, these costs will mean that some operators, for example Sunshine Express Airlines, will have to close. Sunshine Coast Airlines, the only commuter airline based and providing a link to our capital city airport, operates two aircraft types, Metroliners and Shorts. Their seating configuration is 18 and 38 seats respectively.

Capital Expenditure

The capital costs seem reasonable but consideration should be given towards network pricing for capital not location specific. For example, in the past, the cost of construction of fire stations, radar etc have been funded nationally. Location specific pricing places an unfair burden on airports that are just commencing an ARFFS, as they have the full capital cost being charged to that airport.

Asset Base

The information provided on the asset base is quite acceptable.

Rate of Return

Council uses WACC to determine appropriate returns from business units and therefore is supportive of its use in this instance. The rates are comparable to the latest calculations for Sunshine Coast Airport and therefore we are happy with the rate being used.

Activity Forecasts

The Sunshine Coast Airport is experiencing rapid growth in passenger numbers, well in excess of the regional airports model. This is likely to continue for at least the next 6 to 24 months. Therefore a review should be carried out each 6 months so the activity forecast can be adjusted, and the costs charged are based on actual aircraft activity.

Confirmation will be required to ensure AsA and Sunshine Coast Airports estimated passenger and landed tonnes figures commence from the same starting point.

Method of Allocation of Indirect Costs

Maroochy Shire Council is very concerned with the method of allocation and the statement "has adjusted its allocation approach towards one that takes into account users capacity to pay".

The following are some examples of our concerns

- Singapore Flying College operate four lear jets for training of pilots and do not carry passengers therefore ARFFS charge cannot be passed onto passengers and will be an increase in operational costs for the College and may force them to relocate off shore.
- Sunshine Express Airlines, employers of 40 staff, operate a service from Maroochy to Brisbane. The additional cost for ARFFS will mean that they will have to close down their Sunshine Coast Airport operation. It is recommended that planes carrying less than 40 passengers do not require an ARFFS.
- The "Energex rescue helicopter", a non-profit organisation will have to pay ARFFS charges, which will impact on the operating cost of their service.

It is recommended that ARFFS charge do not apply to planes not carrying passengers. And only to those passenger aircraft carrying more than 40 passengers.

Basin approach to TNC

This is not applicable to the Sunshine Coast Airport.

Timing of price increases

The proposed phasing in of TNC is quite satisfactory and whilst the phasing in period for ARFFS at airports that already have an existing fire service seems reasonable, there is a problem for airports that have just reached the threshold for the provision of a fire service. The charges for ARFFS at the Sunshine Coast Airport will go from \$0 to \$15, per landed tone for all aircraft over 2.5 tonnes in weight. The charge should be phased in over a period of time.

Pricing Across Services and User Groups

The comments in the issues paper are satisfactory to this Council.

Impact on Users

- Demand for air travel, and providers of other aviation service.
As stated previously there will be a major impact on the viability of non passenger flights such as Singapore Flying College, an organisation that trains Singapore Airlines pilots only. Singapore Airlines may relocate its business off shore as a result of ARFFS charges
The viability of the only commuter airline Sunshine Express Airlines has been discussed earlier
Other aircraft training organisations, and other organisations which conduct general aviation activities using aircraft above 2.5 tonnes will be affected. There is no doubt that some will leave this airport.
- Airline scheduling decisions would be made by the airline.
- Airfares will increase. The projected airline passenger growth at the Sunshine Coast Airport should mean that airfare increases due to AsA charges will not have a major impact over time.

NOTE:

The Sunshine Coast Airport has encouraged all affected operators to make their own submissions.

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