AUSTRALIAN COMPETITION & CONSUMER COMMISSION
Record of oral submission in relation to Airservices Australia draft price notification

Aeromil Aviation Specialists and Sunshine Express Airlines

DATE:	7 October 2004
LOCATION:	ACCC Offices – Melbourne and Brisbane
PRESENT:	Robert Hart – Company Secretary, Aeromil Aviation Specialists Darren Moncrieff– General Manager, Sunshine Express Airlines
	ACCC: Commissioner Stephen King Margaret Arblaster Lyn Camilleri Rod Middleton Cathryn McArthur

Aeromil Aviation Specialists and Sunshine Express Airlines (the parties) reiterated their views, as outlined in their submissions to the ACCC, in relation to Airservices Australia's (Airservices) draft price notification. In addition to the arguments outlined in their submissions, the parties also submitted:

- A new ARFF service is required at Maroochydore, but Airservices' method of recouping its costs is already flawed in that no allowance exists for increase growth of passenger numbers or Tonnage. This is illustrated by the fact that the projected landed tonnage for the year commencing October 2004 will exceed 200,000 tonnes. Whilst the fifth year of the Airservices' proposal shows a growth of only 147,000 tonnes being landed. If this is accepted then it is reasonable to believe that the cost per passenger will reduce dramatically and with annual reviewing this would ensure these costs continue to come down in line with expected growth. It was further stated that this is a "Community Service Obligation" not a profit making venture.

- They do not receive any benefit from the establishment of the ARFF service at Maroochydore and they receive no advantage through insurance costs or customer well being as a result of this service being in place.

- There would be no effect on the required level of ARFF service if they relocated out of Maroochydore.

- If the proposed charges were to come into effect it is likely that Sunshine Express Airlines will relocate out of Maroochydore Airport to Brisbane Airport. In the event that was to happen, the resultant loss of maintenance business would cause the shutdown of their maintenance operation at Maroochydore Airport.

- With regard to the ARFF charges, Airservices should have put forward more options for cost recovery, in the proposed pricing structure, which interested parties could have commented on before submitting a proposal to the ACCC.

- Airservices should be made to re-think its pricing proposal and consider the impact that it will have on regional Australia. Airservices needs to 'think outside the square' in order to come up with a better proposal that does not disadvantage locally based regional airlines. Sunshine Express Airlines passenger numbers through the port are low in both number and load factor compared to the main line carriers. Sunshine Express Airlines is financially disadvantaged in this regard. By allowing an exemption for aircraft certified to carry 40 passengers or less, regional ports and the activities conducted there, would be relieved of the financial hardship that the current proposal will cause

- If Airservices was serious about implementing location specific pricing, it should consider the impact it would have on each individual airport, taking into account the demographics at each location and which operations require the service. The CASA regulations refer to passengers and a number of operators at Maroochydore do not carry passengers.

- It is fact that the "trigger" for the requirement of ARFF services is clearly passenger numbers. For apparent ease of collection Airservices have elected to use tonnage. There is no connection between the two principles. If passenger numbers require the introduction of ARFF services then that should be the principle adopted in formulating the cost recovery plan.

- Since writing its submission, the argument outlined in 'Case D' had changed due to the expanding schedules of Virgin Blue and Jetstar. The main carriers now operate into the early evening.

- Airservices have planned to operate shifts with 13.3 persons from the beginning. This will jump to 19.5 from year 2 onwards causing significant cost increases. The parties question if they can manage the coverage now with 13.3, what has changed to cause this significant cost increase?