

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

Royal Victorian Aero Club

DATE: 11 October 2004

LOCATION: ACCC Offices – Melbourne and Canberra

PRESENT: Stuart Rushton – President, Royal Victorian Aero Club
Paul Canavan – Vice President, Royal Victorian Aero Club
Phil McConnell – General Manager – Aviation, Moorabbin Airport
RVAC Club Member
Newton Sanbrook – Director, Affordable Plastics Pty Ltd (RVAC Club Member)
Robert Dyer – Barrister (RVAC Club Member)
David Hooton – Charter Pilot (RVAC Club Member)

ACCC: Commissioner John Martin
Lyn Camilleri
Rod Middleton
Mark McLeish

The Royal Victorian Aero Club (RVAC) reiterated its views, as outlined in its submission to the ACCC, in relation to Airservices Australia's (Airservices) draft price notification. In addition to the arguments outlined in its submission, RVAC submitted:

- As a monopoly service provider Airservices has a responsibility to not only provide a cost-effective service to aviation, but to consider all aspects of the aviation environment in its submission. This includes the ability of customers to pay, the availability of alternate facilities without tower services, and the aspect of community safety.
- Moorabbin Airport Corporation (MAC) has a 99-year lease on the Moorabbin Airport site. Conditions attached to MAC's lease with the Commonwealth Government require that MAC operate the Airport as an Airport. There is no provision in the lease for airport closure. At present, MAC levies about one third of its operational costs on to General Aviation (GA) operators and can't increase its charges further because of intense competition from unlicensed airports and airstrips in the Melbourne area.

- Flying schools are highly competitive and have limited ability to pass on costs. In addition, flying schools such as the RVAC that are based at GA airports will not be able to pass on increases in Airservices' terminal navigation charges because they face competition from the non-controlled and unlicensed airports. Flying schools at GA airports also can not easily relocate to non-controlled airfields as these airfields are privately owned with their own flying schools already operating from them. In addition flying schools also own their own infrastructure on leased land and cannot find a ready market to sell. At present there are 300 aircraft at Moorabbin Airport and only one of these aircraft (a business jet) **would not** be able to relocate and fly from a non-controlled airport.
- The provision of Control Towers is primarily required for safety. This safety is two-fold- safety for aircraft and crew using the airport and safety for the surrounding community. Safety should not be based upon willingness to pay. This would be the practical result if a charge for towers were extensive enough to persuade pilots to move operations to non-controlled airports.
- Thus Airservices' pricing proposal was likely to increase air traffic levels at non-controlled airports and this may develop into a safety hazard at those airports.
- The government has previously accepted the concept of community responsibility by providing a subsidy for towers at GA airports. It, and Airservices Australia, should continue to do so.
- Airservices' approach to pricing, which is primarily based on a location specific pricing model, is flawed. The basin approach to pricing of terminal navigation services in capital cities is basically a network-pricing model that should be extended so that there is full network pricing across the board.
- Airservices' operational staff at Moorabbin airport are working to their operational and licensed limits and within these constraints are providing a high quality service. However nationally as a consequence of reductions in air traffic control staffing that had been introduced by Airservices, the overall national standard and quality of air traffic management services had declined.
- Airservices' charges include provision for recovery of costs associated with research and development and technical support. However, users of Moorabbin Airport do not get the benefits of this infrastructure and object to paying for infrastructure that is being provided for the benefit of Qantas and Virgin Blue.
- Airservices' pricing proposal is not balanced and will lead to prices increasing for GA operators, which is likely to lead to a movement towards non-controlled airports. In contrast, Airservices is providing discounts to larger airlines with, for example, its enroute pricing structure geared to lower charges for larger airlines.
- Airservices' claim that the Australian Airports Association had been fully consulted as part of the development of its pricing proposal is incorrect, and the view is that consultation with the GA industry as a whole was totally inadequate

- The GA community is fragmented with no widely representative umbrella organisation in existence. This factor and a lack of resources makes it difficult for the GA community to effectively participate in forums such as Airservices' Industry Steering Committee.

Additional Comments Briefly Mentioned: -

- A viable and healthy GA section of the industry is absolutely necessary for there to be a constant flow of social trainee pilots for there to be enough experienced commercial pilot airline recruits to sustain a **safe RPT Industry**.
- Airlines need experienced commercial recruits and commercial recruits need private pilot trainees and a viable GA sector for experience.
- Each sector in the aviation industry depends upon the other. GA is the first sector in the chain and its potential demise will carry through to the Airlines.