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**AIRSERVICES AUSTRALIA DRAFT PRICE NOTIFICATION**

**RESPONSE TO ACCC ISSUES PAPER**

Singapore Flying College operates a facility at the Sunshine Coast Airport providing Jet transition training for cadet pilots employed by Singapore Airlines. As the college's activities will be significantly affected by the proposed pricing proposal, the college seeks to comment on the following issues;

• The consultation process

The information provided at regional meetings consisted mainly of a presentation of the cost of providing services at the location, and the proposed charges to totally recoup these costs, there was no discussion means of phasing in the charges, simply a calculation of the rate per tonne required for total cost recovery. Thus the operators were lead to respond to a proposal that bore very little resemblance to that now before the ACCC. The College has several grave reservations about the proposal in its present form.

• Operating Costs

The College sees very little incentive in the present proposal for Air Services to reduce costs, or to seek more efficient means of service delivery. The proposal seems to be solely directed at achieving a financial result by passing on whatever costs are incurred.

• Activity forecasts

The extent of the proposed charges and the choice of 3 tonnes mtow as the lower limit for application of charges for fire services seem likely to have a severe affect on aerial work operations at regional and some secondary airports. The forecasts appear to rely on figures produced before these increases were announced and to make no allowance for any negative growth as a consequence of the increases.

• Method of allocation of indirect costs

While the use of tonnes landed provides a reasonably equal distribution when applied to larger commercial aircraft, it produces some inconsistencies when applied to aircraft at the lower end of the scale. Assuming that each aircraft had all seats occupied, the approximate cost per passenger for a landing at Sunshine Coast airport would be;

Airbus A 320	\$9.95 per pax
Boeing 737 – 700	\$11.80 per pax
Metro 111	\$ 7.95 per pax
Lear 45 (Charter)	\$31.40 per pax
Lear 45 (training, 2 students)	\$110 per student
Bolkow helicopter(search and rescue /ambulance)	\$60 per flight
Cessna Citation ferried for maintenance	\$220 per flight
Hawker Hunter(Historic aircraft/airshow performances)	\$220 per flight



These distortions may be further exacerbated by the fact that the smaller aircraft generally operate over less popular routes serving smaller communities, and are therefore less likely to achieve high load factors, effectively increasing the cost per passenger for these operations.

The college believes a more equal distribution could be achieved by applying a cost per paying passenger. This would achieve a more equal distribution, and would apportion costs directly in relation to income earned from the operation and hence ability to pay.

Alternatively charges for fire services could be levied on aircraft carrying 40 or more passengers, (the criteria used for airport security charges), or the charges could be restricted to regular public transport operations, thus excluding private and aerial work operations which tend to carry fewer or no passengers.

- Pricing across services and user groups

In the "Basin Approach", the College believes, ASA rightly identifies the potential for increased movements at major airports to impact on the operation of the major airports.

The current proposal however fails to take account of the possible effect of Fire Service charges as applied to aerial work and training operations to encourage relocations of these operations to major airports where costs are substantially lower. In the College's case, transferring our circuit training operations, involving some 2,500 landings annually, from Rockhampton to Brisbane could result in a saving of some \$285,000 annually under the present proposal. Thus the proposal would appear to be providing an incentive for aerial work operations that do not involve travel from one location to another (maintenance, training, search and rescue etc) to relocate to the major airports where charges are lower. This is likely to have adverse effects on the operation of the major airports, and the surrounding environment.

Conclusion

The college welcomes this opportunity to comment on the matters above, and has indicated its wish to make further oral submissions if possible.

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