



13th September 2004

Ms Margaret Arblaster
General Manager
Transport and Prices Oversight
ACCC

RE: Air Services Australia Pricing Schedule

Dear Ms Arblaster,

I am writing to you with regard to the recently released air services pricing schedule, in particular the plan to introduce fire fighting charges at the Sunshine Coast Airport.

I am the General Manager for Sunshine Express Airlines, a locally owned and based Regional Airline, which is part of the Aeromil group of companies based on the Sunshine Coast.

The recently released charges for the introduction of the fire fighting service to the Sunshine Coast is going to do nothing more than force our directors to look at the option of relocating our business to Brisbane airport and cease all flights into and out of the Sunshine Coast and the Hervey Bay region.

Our company is the only Regular Public Transport airline that provides this link out of the Sunshine Coast to Brisbane.

The pricing schedule is not fair on the smaller operators who rely solely on the local market for survival and at the same time provides a much needed service to the local business community.

The impost of these services comes as a result of the bigger airlines increasing the passenger numbers to the coast, an amount of passengers that would take us 12 years to turn over. We as a local operator who employs over 80 people group wide from the local community will be forced to seriously look at our options, which will include relocating to Brisbane airport where it is more cost effective for us to operate out of.

As a locally based operator, employing more local people than the major airlines we are severely disadvantaged by the location specific pricing stance taken by Air Services Australia, as a result of the major airlines lobbying to scrap network charging.

The major airlines that fly in here 3 or 4 times per day are able to absorb this significant price rise because they have more movements/passengers into and out of major airports that cost far less to land at, and are able to off set this new cost imposition over a greater network domestically.

Also as depicted in the attached spread sheet their seat cost per km on seats available (based on 70% seat load factor) are significantly reduced because they fly over greater distances. Reality though, does see over the year, a greater seat load factor (SLF) for the major airlines because they draw their passengers from the two most populated areas in Australia. This would realistically be around 90-95% SLF. Our 40% seat load factor we work on is constant for us over the year.

Our costs per seat Km available will increase by 1600% initially, climbing to 2400% over the 5 years. The major airlines will initially incur a 100% increase on costs climbing to 200% in the second year and remaining constant through to the 5 year end. How can this be fair?

We are a local airline employing local people and do not have the luxury of a greater network to spread these costs over.

To ask our customers, flying into the Sunshine Coast, to pay another \$14 per ticket initially (a 24% increase) rising to \$21 (a 35% increase) over the next 5 years will simply drive our business away.

Sunshine Express Airlines has been operating for 6 years from the coast we know the market and how it will react, it will not be positive. We will not be waiting to lose money on this. The directors of Sunshine Express Airlines will have to look seriously at the position of the company and may be left with no alternative other than to relocate the business to Brisbane airport, where it will be more cost efficient to operate the airline from.

We are severely disadvantaged being in a Regional area of Australia, because we do not have large movements of aircraft into and out of our airport to further distribute these costs over. SEA have been unfairly affected with the legislation change, on the establishment criteria for ARFF services. SEA have also, as a Regional Operator, been unfairly slugged with the full costs to run a Category 6 and 7 level service, when we only require a category 4 level of attendance. This cost distribution as levied is a local "Network Type Charge" to recover the costs for the category 6 and 7 level of service, which the jets require. If we are charged for this should our share only be that proportion of the service we would use?

We request that a re-think on the way that this levy is distributed be sought from Air Services Australia, and suggest that a moratorium be put in place so that any aircraft below 40 seat capacity be exempt from these charges, at Regional Airports, in line with the way that security requirements under federal legislation are made.

Where we think ASA have got it wrong and make this proposal unfair

- Legislation is made and passed by the Federal Government
- They demand ASA, a government body, to recoup 100% of costs including a set return on assets, guaranteed. The guarantee is achieved because they are recouping their costs per tonne and not per passenger as the legislation reads for the establishment of these services. This means the operator is bearing 100% of the risk to recoup these costs and the government bears no risk what so ever. How can this be “business like”? The “Risk” needs to be shared equally between ASA and the operators, this can only be achieved with a per passenger charge, ensuring the airline is not left out of pocket.
- They have not presented a proposal with “**Network Charging**” across the Australian Domestic Network. This would, I am sure, make the provision of these services in **Regional Airports more Affordable and Fair**. It should also mean that as passenger numbers increase, across the Domestic Network, the cost of providing this “Community Service/Obligation” would reduce further each year!
- There is no competition for the provision of these services, again prevented by legislation which is made by the Federal Government.
- If they are going to be here for the long term why do they need to recoup all capitol structure costs over a short period? A longer period would still achieve cost recovery but reduce the initial costs to the operator.
- If the charge was based on a per passenger rate the costs should go down over time as passenger numbers increase. This would help relieve some of the cost burden to operators. This could be reviewed annually and costs adjusted in line with passenger numbers.

Sunshine Express Airlines Position

- We are a Regional Airline providing a valuable service to our community, that no one else provides. We have been adversely disadvantaged by the change in legislation and will be further disadvantaged with the proposed charges for a service that has been brought about by the major airlines.
- We are being charged unfairly for the provision of the service, because the major airlines require a category 6 and 7 level of service, all airlines are paying the same per tonne landed charge, however we only require a category 4 level of service. How can this be fair?
- Due to the low number of aircraft movements these charges, because of “Location Specific Pricing”, will make the Sunshine Coast Airport the most expensive airport to land at, in Australia.

- Sunshine Express Airlines cannot reasonably pass on this cost to our customers because of the short sector involved, and the back lash this would have with our customers. The directors will have to consider their options, which could see SEA operating out of Brisbane where it is more affordable to do so. This would cut the only airline link to Brisbane from the Sunshine Coast, disadvantaging our employees, customers and our community in general, especially the business community.

Sunshine Express Airlines Recommendations

- **Restrict the charge at Regional Airports to aircraft with greater than 40 seat capacity.**

(This will ensure that Regional Australia now and in the future will not be adversely affected by this legislation)

- **Have ASA charge for the provision of these services per passenger, in line with how legislation calls for the provision of this service, and distribute the cost over the Australian Domestic Network, to make this affordable for Regional Airline Operators.**

(This will ensure that Regional Airports within Australia are not disadvantaged initially, and over time this should make the costs for the provision of this service decrease as the Domestic passenger numbers increase, Network wide)

We thank you for taking the time to review our submission and would also like to follow this up with an oral submission, which we are trying to organise with your office concurrently.

We look forward to a favourable response.

Yours sincerely,

Darren Moncrieff
General Manager
Sunshine Express Airlines

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