

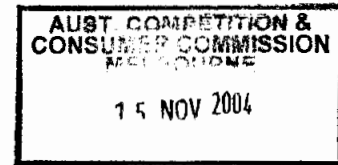
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Dear Margaret

I was interested to read the ACCC preliminary view into Airservices Australia Draft Price Notification. Your preliminary view is comprehensive and very detailed. However there are some issues which you have not given sufficient weight in your consideration. These are:

1. Lack of consultation by AsA with General Aviation.

General aviation almost universally believes that AsA regards it with contempt and would rather not deal with us. We would argue that AsA made no genuine attempt to consult GA about their proposed cost increases. This is supported by AsA own admission in its industry briefing (Waypoint 2004 – available on the AsA website) that it did not factor GA consultation into its initial work.

When AsA belatedly sought the views of GA, it did so in a selective manner via aircraft owners. The reality is that AsA charges are passed on to private pilots for payment by flying schools and owners that hire out aircraft. AsA should have sought the view of pilots not just aircraft owners. AsA has mechanisms to contact pilots through its regular document mailings or through the NOTAM mechanism or the CASA flight safety magazine. It chose to do none of these.

Your preliminary view agrees that AsA did a poor job of consulting GA, but does not make specific recommendations for the future. It would be good to see a specific recommendation that AsA performs better next time and that it should conduct some remedial sessions before then.

Your preliminary view acknowledges “the concern by the majority of Airservices’ customers and stakeholders which were not represented in either the ISC or working group. I am disappointed that the ACCC did not take a stronger position of advocacy for these groups. The airlines and industry groups (eg IATA) have the resources to represent their own interests directly to the highest levels of AsA and government. General Aviation does not have this level of influence or resource. I believe that it is the ACCC’s charter to represent the interests of consumers in order to redress this imbalance.

Quantum level of AsA current cost base.

The ACCC preliminary view states in a number of places that it is unable to make an assessment that AsA was operating and incurring costs at an efficient level. I can well understand that the AsA submissions may hamper this understanding rather than illuminate it. However, whether or not AsA is efficiently using the funds that it charges pilots like me is the central issue..

I have difficulty in believing that benchmarking with other organisations can't provide some metrics for this assessment.

I was extremely surprised to see the salary levels for Air Traffic Controllers. I think that these salary levels would cause great offence to the General Aviation Industry if they were known. On this basis the air traffic controllers are earning more than possibly as much as 90% of the professional pilots that they are serving. I am a commercial pilot, but have never flown for a living. I own an engineering consulting company and can say that the salary bands of the air traffic controllers are above that of professionally qualified engineers.

I presume that these salary figures will not include superannuation and overtime. A number of the airline submissions objected to the generosity of the superannuation scheme that the controllers are under, so these two factors will make the issue worse.

There is also a large amount of industry suspicion that the supervisory and administration costs of AsA are excessive and uncompetitive. This is an easy area to benchmark and there is no excuse for AsA not having presented this exercise.

The major area of AsA that requires examination is the cost of its staff and their efficiency. I implore you to modify your final report to include a recommendation that AsA puts in place mechanisms to benchmark these costs in a transparent way.

2. Requirement of AsA to demonstrate productivity gains

Airservices Australia must be about the only organisation in Australia that is not driven by the pursuit of workplace reform and productivity gains. Over the course of the previous pricing regime AsA achieved some level of productivity gains. I'm disappointed that your preliminary view is not taking a stronger line on this.

3. Voracity of the supplied data from AsA.

One of the major issues that disturbs me (and general aviation in general) is the discrepancy between AsA's first and second pricing submissions. The first submission argued that the true, correct and verifiable costs of their business required that they increase landing fees at Moorabbin (other airports were similar) to \$45.46 per tonne. I notice that AsA has (ingenuinely) removed this initial paper and its associated feedback from their website to preclude comparison. By the time this submission was submitted to the ACCC the true, correct and verifiable costs of their business required that they increase landing fees at Moorabbin not to \$45.46 per tonne but to only \$8.67 per tonne.

This indicates that AsA has either been deliberately misleading and deceptive in its material or incompetent in its assembly of its financial data. In either case this represents a serious issue that deserves greater investigation. In either case this should not be acceptable behavior from a government owned monopoly supplier.

4. Lack of demonstrated benefit of capex programme.

Your preliminary view notes that AsA's \$542 million capex programme over a 5 year period is large relative to historic levels and its current asset base. AsA attest that this capex will not show any benefit in terms of operating expense. The major question is then "why are they doing it?" The technology surrounding air traffic control is changing rapidly. But all of the changes reduce the requirement for staffing. So, why is there no opex benefit?

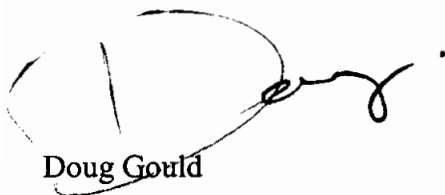
Finally, your preliminary view cites that the Air Services Act requires that Airservices is responsible for "promoting and fostering civil aviation". I cannot see any evidence that AsA is planning to do this in either their submission or your review.

General aviation consists of a large number of private individuals and small business. It is fragmented without a strong peak body and without the power, influence and resource of the airlines. The characteristic of General Aviation is just like that of the consumers which the ACCC is tasked to protect. I request you to amend your final report with some mechanisms that will stop the next price review being hampered with the same lack of information that has hampered your analysis of this price review.

Please give consideration to amending your final report with requirements that AsA

1. Embark on an ongoing benchmarking project to determine the efficiency of its work practices.
2. Establish a regular market research, consumer feedback or consultation mechanism with its GA consumers and customers (the two are separate).
3. Institute a reporting system that allows productivity gains (losses) to be visible.
4. Conduct a review of the capex programme to demonstrate achievements of its objectives.

Regards



Doug Gould