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29 November 2004

Ms Margaret Arblaster  
General Manager, Transport & Prices Oversight  
Regulatory Affairs Division  
Australian Competition and Consumer Commission  
GPO Box 520J  
Melbourne Victoria 3001

Dear Ms Arblaster

**Re: Airservices Australia November 2004 Draft Price Notification for Terminal Navigation Charges (TNC) and Aviation Rescue & Fire Fighting Charges (ARFFS)**

We refer to the ACCCs' Draft Price Notification, dated November 2004, regarding Airservices Australia's Terminal Navigation and Rescue & Fire Fighting Charges, and wish to make comment in relation to this matter.

We note that the ACCC has accepted the proposed TNC charges.

Linfox acknowledges this decision but are surprised that the ACCC accepts that the annual \$3.4 million cost of operating the Essendon Airport Control Tower, plus a projected 19% cost increase, is reasonable.

We remain of the view that the TNC Pricing Proposal remains anti-competitive and unfair. The support provided by the ACCC for the TNC Pricing Proposal will now ensure that TNC charges will be 250% more expensive at Essendon Airport than the much larger Tullamarine Airport, 8 kilometres away – which shares much of Essendon's Air Traffic infrastructure.

Our overall view is that if Airservices were not a monopoly, it is almost certain, that a private organisation could operate the control tower for less than the present cost of \$9,400 per day, each day of the year. It is truly a remarkable amount.

## **Comment on ARFFS Proposed Charges**

As outlined in our September 2004 submission, Linfox has grave concerns regarding the cost structures of ARFFS, at smaller airports, and believe it is damaging the industry.

We note that the ACCC has objected to the proposed ARFFS charges, and wish to make further comment on this most critical issue for Avalon Airport.

The ACCC's Notification Paper expresses concern with the proposed implementation structure of the ARFFS charges.

Linfox has similar concerns. For example, we anticipate that Avalon Airport's MTOW charge for 2006/07 ARFFS will be similar to the Sunshine Coast Airport - \$22.39 per tonne by July 2008.

Under this scenario, an ARFFS charge as high as \$8,000 per landing for a B747 could occur at Avalon Airport. This is not sustainable and would greatly damage our business.

This would occur as although ARFFS is designed and established for passenger movements, it impacts on all other airport operations. In Avalon's case, the airport is also the site for B747 aircraft maintenance and airfreight activities. During any one year, B747 aircraft land at Avalon Airport for airfreight, maintenance and pilot training activities.

Each B747 has a maximum takeoff weight of approximately 400 tonnes. Presently, all B747s landing at Avalon Airport have no charges for fire services, and have expressed no interest in requiring the service.

Based on the Sunshine Coast Airport's ARFFS proposed \$22.39 per tone charge – being that which would be similar at Avalon - each landing of a B747 would create Airservices Australia approximately \$8,900. Even if we were to assume half rate, of \$11.19 per tonne, Airservices would charge B747 operators at Avalon some \$4,500 to land an aircraft. In comparison, it would cost \$564 for the same service at Tullamarine Airport, 50 kilometres away.

At Avalon, usually only 2 B747 pilots are aboard the aircraft when it lands, this would be an individual passenger charge in the range of \$2,250 per head.

In simple terms, a \$22.39 per tonne ARFFS charge (being 15 times greater than that proposed for Tullamarine Airport), would threaten Avalon's RPT activities, end its B747 pilot training business, jeopardise its international airfreight operations and severely curtail the airport's B747 maintenance activities.

We simply cannot compete under these arrangements. They are not commercially sustainable.

These are the types of issues that we outlined in our previous documentation and hope that the ACCC recognises these critical matters. We simply state that Avalon Airport cannot compete under the ARFFS charging regime proposed by Airservices Australia. The non-RPT operators simply do not require, or want, ARFFS services at Avalon Airport, and if RPT is to have it, it will be unviable to charge rates potentially some 15 times above those proposed at

Tullamarine Airport. There are 1,000 people employed full time at Avalon Airport and their livelihoods would be threatened under this unreasonable monopolistic regime.

**To address these issues, we propose the following:**

1. A network charge for ARFFS must be established within Australia. This would protect tourism and the rights of smaller airports and aviation operators throughout the country.

Alternatively, similar to the ACCC's agreement to support TNC basin charges, Linfox proposes basin charges for Melbourne ARFFS. This would acknowledge Avalon's unique position as a competitor against a major airport - Tullamarine. We remain of the view that a government monopoly should not place an ARFFS charge on Avalon Airport which could be more than 15 times charged to its only, and very powerful, competitor. This, surely, is not in the best interests of competition.

So it is our firm view that a network charge, or at the very least, a Melbourne Basin ARFFS charge, must exist – anything else will be greatly damaging to Avalon Airport and the employment of over 1,000 people on that site.

2. ***Linfox asks that the ACCC not finalise a position until issues concerning Avalon Airport are resolved.*** As mentioned above, an outcome that resulted in a \$20 per tonne ARFFS charge – would threaten most of the airport's commercial activities. In simple terms, the charge could be 15 times more than Tullamarine Airport, and could even result in a ridiculously high ARFFS charge of approximately \$8,000 to land a B747 at Avalon. Presently, there is no charge, and no interest by the airlines, for this service.

We trust that this further submission clarifies our view in relation to these matters and assists the ACCC's deliberations regarding this Price Notification.

We also would like an additional opportunity to be heard in person to express our view as we are very concerned with the potential ramifications of this Price Review.

Yours faithfully



Tim Anderson  
General Manager