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Monday, June 2005

Ms Margaret Arblaster
General Manager – Transport & Prices Oversight
Australian Competition & Consumer Commission
GPO Box 520J
Melbourne Vic 3001

Dear Ms Arblaster,

AIRSERVICES AUSTRALIA'S DRAFT ARFF PRICE NOTIFICATION

We refer to your email of 18 May 2005 enclosing the ACCC's Preliminary View regarding Airservices Australia's (AsA's) proposed interim price plan for Aviation Rescue Fire Fighting (ARFF). This letter is a supplementary response to our letter of 20 April 05 to AsA, and subsequently copied to the ACCC on 25 May 2005.

We are at a loss as to how AsA can justify its requirement for an interim price increase for Rockhampton Airport to the ACCC.

Our main concerns were detailed in our letter to AsA of 20 April 2005 and are summarised as follows:

Outdated and Inaccurate Activity Forecasts

AsA's traffic figures are inaccurate, out of date and do not reflect current market conditions.

AsA has used airline activity data from the International Air Transport Association (IATA) to substantiate its business model. This information was provided to AsA in 2003 and was based on 2002-2003 financial year traffic figures.

It is now 2005 and the domestic airline industry is completely different to what it was in 2002-2003.

We now have vigorous competition between Virgin Blue, Jetstar and QantasLink at Rockhampton Airport and this is reflected in our strong and sustained growth in passenger numbers and RPT movements.

AsA is unwilling to consider a review of its traffic forecasts for Rockhampton Airport, yet at the same time is prepared to burden our airport with one of the highest ARFF charges in Australia.

A complete review of the landed tonnes for Rockhampton Airport is necessary before any increase in ARFF charges can be condoned.

Proposed Interim Price Increase Rationale

In our recent letter to AsA (copied to the ACCC) we believe that we clearly demonstrate that AsA has, and will continue to receive a significant increase in ARFF revenue – well above the projected income for Rockhampton Airport.

If this is correct, AsA must justify why they are seeking an interim price increase for ARFF at Rockhampton Airport.

Rather than review the airport specific traffic data, it would appear that AsA would prefer to increase their charges for Rockhampton Airport.

As a commercially focused business, Rockhampton Airport does not accept this methodology and we find it difficult to comprehend that the ACCC would allow this practice.

The continuation of a business plan that is based on inaccurate and outdated data is a practice that no commercial business would normally contemplate. This is especially true when it has the potential to negatively impact on the competitiveness of another business (as is the case with ARFF charges).

Summary

- The proposed price increase is based on outdated and inaccurate information. The 2004-2005 RPT traffic at Rockhampton Airport has exceeded AsA's 5-year traffic expectations yet they will not consider a review of their growth targets.
- Due to the use of inaccurate data being used in the ARFF business model, AsA is insisting on a price increase for ARFF at Rockhampton Airport.
- As a result Rockhampton Airport will continue to be commercially disadvantaged by very high ARFF charges and we cannot understand why the ACCC has agreed to an increase in ARFF charges for our airport.
- We request that the ACCC disallow any increase in ARFF charges for Rockhampton Airport until accurate and realistic traffic forecasts can be provided.

David Blackwell
General Manager
Rockhampton Airport