

AUST. COMPETITION &
CONSUMER COMMISSION
17 JUN 2005



14th June 2005

Ms Margaret Arblaster
General Manager
Transport and Prices Oversight
Regulatory Affairs Division
ACCC
GPO Box 520J
MELBOURNE VIC 3001

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Dear Margaret

I refer to the ACCC's Preliminary View on Air Services Australia (ASA) draft price notification for the provision of Airport Rescue and Fire Fighting (ARFF) services.

I wish to advise that Virgin Blue's position with regards a weight based methodology for the provision of ARFF services remains consistent to that detailed in our "Submission to ACCC of ASA proposed draft price notification" dated September 2004 and "Response to ACCC Preliminary View of ASA proposed draft price notification" dated December 2004.

Virgin Blue strongly supports the continuation to charge ARFF services on a weight basis. In our submissions we articulated clearly reasons why we believed a weight based methodology was better than a per passenger methodology. (Please refer to these two documents for the detail). In summary, although the number of passengers through an airport determines whether there is an ARFF operation, it is the size and the category of the planes that determines the number of staff and vehicles required. Therefore, the major cost driver for an ARFF service has to be the size of the aircraft and not the number of passengers, and on that basis the only equitable method for charging is a weight-based methodology.

While Virgin Blue does not agree to skewing the charges towards itself, this does go some way in addressing any likely impact on smaller operators. In the longer term though some costs would have to be attributed to them as they enjoy some of the benefits and the only equitable method of charging those small aircraft is by weight.

As for aircraft in the 5.7 to 15.1 tonne range, Virgin Blue does not wish to comment as we have no aircraft operating within that range.

One other issue Virgin Blue would like to raise even though it does fall outside the scope of this review is the trigger of 350,000 passenger per year. Virgin Blue would like to see this reviewed with some form of step up occurring before any ARFF service is mandated. Whether that is a period where the annualised passenger numbers have to be maintained for a number of seasons in a row with passengers greater than the threshold requires further consideration. Clearly though the requirement of having



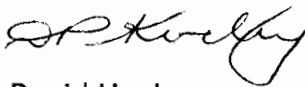
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the 350,001 person fund a fire service is unequitable. Virgin Blue does note that ARFF services at Maroochydore and Townsville have not as yet been charged.

In the preliminary view you raise the issue of efficient provision of service and how any charging methodology needs to underpin investment. Virgin Blue believes that the charging methodology here is a side issue as the main inefficiencies occur in the duplication of assets on and off the airfield. We have long advocated that fire services on airport need to be more integrated with those off airport. Only through initiatives such as this can regional airfields enjoy some benefits while not having either someone else paying for it or paying excessively for that service themselves.

Therefore, in summary, while Virgin Blue fundamentally disagrees with any change in the current charging methodology it is willing to accept this proposal for a price increase for the period until 31 December 2005.

Yours faithfully



per: David Hanlon
Manager - Commercial & Infrastructure